PRESS RELEASE

April 02, 2014, Kyiv, Ukraine

MHP S.A.

Financial Results for the Fourth Quarter and Full Year ended December 31, 2013

MHP S.A. ("MHP" or the "Company", LSE ticker: "MHPC"), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and the cultivation of grain, today announces its financial results for the fourth quarter 2013 and full year ended 31 December 2013.

Key operational highlights FY 2013

Vinnytsia – expansion project

- Phase 1 of the two-phase expansion project is now in its final stages of completion.
- During 2013 the number of poultry production units increased from three to nine, all working at full capacity.
- In H2 2014, Phase 1 will produce 220,000 tonnes of poultry per annum.

Poultry

- Owing to increasing production volumes at the Vinnytsia poultry farm, poultry production volumes in 2013 increased by 17% to 472,800 tonnes (2012: 404,000 tonnes).
- The Company's total volume of chicken meat sold to third parties increased by 19% to 447,000 tonnes (2012: 375,300 tonnes).
- MHP's market share of industrially produced chicken in Ukraine was approximately 50% and about one third of total poultry consumption.
- The average price decreased by 7% year-on-year to UAH 15.99 per kg (excluding VAT) compared to UAH 17.19 in 2012 mainly due to a significant increase in the share of lower-priced exports sales from 15% in 2012 to 28% in 2013.
- Total export sales of poultry in 2013 more than doubled compared to 2012, constituting close to 123,000 tonnes of chicken meat, which is around 28% of total chicken sales. In 2013, MHP opened 20 new export sales markets in Asia, the Middle East and Africa.
- In July 2013, MHP received permission ("EU numbers") from the EU authorities for exports of poultry products to the European countries. MHP has started to export its poultry products to the European market in October 2013 with sales of around 500 tonnes.
- In 2013 MHP sold 240,100 tonnes of sunflower oil, 23% more than in 2012, due to the increased production of the fodder mill at the Vinnytsia complex.

Grain Growing

- The total land bank at the end of 2013 comprised 360,000 hectares, an increase of around 75,000 hectares (35,000 ha are in Ukraine and 40,000 ha in the Russian Federation) from 2012.
- MHP harvested 287,000 hectares of grain and oilseed resulting in the production of around 2 million tonnes of crops, 23% more than in 2012.
- Grain prices in 2013 in Ukraine were lower than in 2012, but in line with international commodity market trends: however this has had a positive and continuing effect on MHP's poultry production costs since the start of 2014.

Other Agricultural

- Processed meat production remained the main contributor to the other agricultural segment.
- MHP is a market leader with close to 10% market share in meat processing in Ukraine.
- In 2013 MHP sales volumes slightly decreased by 6% to 33,210 tonnes compared to 35,200 tonnes in 2012 due to optimisation of the product portfolio during the year.
- Average sausage and cooked meat prices during 2013 increased by 6% to UAH 23.53 per kg (excluding VAT) compared to UAH 22.20 per kg (excluding VAT) in 2012.

Key financial highlights for FY 2013

- Revenue increased by 6% to US$1,496 million (2012: US$1,408 million), primarily due to increased production of poultry.
- EBITDA decreased by 16% to US$391 million (2012: US$468 million), and EBITDA margin decreased by 7 percentage points to 26% primarily due to low grain prices for the 2013 harvest.
- Net income decreased by 48% to US$162 million (2012: US$311 million) in line with EBITDA trends combined with increased depreciation and finance costs.

Commenting on the results, Yuriy Kosyuk, Chief Executive Officer of MHP, said:

Although 2013 was a challenging year for MHP, we made an important progress on a number of fronts. During the year, and in line with all Ukrainian grain growers, we faced lower market prices for our output year on year. Our robust and broadly-based operation served us well, and our vertically integrated model means that those low grain prices are now working in our favour in the form of lower poultry production costs in 2014.

Our agricultural capacity was boosted by our successful acquisition of 75,000 additional hectares of arable land. For the first time, this included 40,000 ha outside our borders, in the Russian Federation.

Having previously announced our intentions to increase production, during 2013 we continued to gradually phase in extra capacity at our new Vinnytsia complex. The Vinnytsia complex reinforces our ethos of self-sufficient vertical integration, bringing together the different facets of agriculture and poultry production under the efficient control of a single facility.

During the year, we substantially increased our exports, taking our poultry products to around 20 new countries with a wide geographical spread, ranging across Africa, the Middle East, China and Asia. This diversifies our customer base and provides a valuable hedge against any potential domestic issues and fluctuations.

We were also delighted to receive full EU certification for our products in September 2013. This was the successful conclusion of five years' concerted work to satisfy all compliance issues, and it will open up important possibilities.

It is also a sign of our growing maturity that we were in a position to make our first dividend payment in 2013. With our previous phase of major capital expenditure largely complete, we deemed the time was right to share the Company's success with our loyal shareholders. The dividend of $1.13 per share, which was declared as an interim payment for 2013, amounted to US$120 million, or 39% of net profit. Our intention is to maintain dividend payments in the future and, for 2014, to declare an interim dividend in May 2014; the amount of this dividend is expected to reflect both the profits generated in 2013 and the outlook for 2014.

We have entered 2014 with optimism as we have created a sound platform for future progress in operational and financial performance. Despite the recent political turmoil in Ukraine, domestic demand for poultry during the first months of 2014 remained strong; increasing by around 20% compared with last year, and all of MHP's facilities have continued to operate normally through the first quarter. With the investment in the first phase of the Vinnytsia complex scheduled to be completed in 2014 and our expanded land bank, we will have the production capacity to penetrate more international markets than ever before."

- end -

MHP's management will host a conference call for investors and analysts followed by a Q&A session on the day of the results at 16.00 Kyiv / 14.00 London / 09.00 New York / 17.00 Moscow.

The dial-in details are:

Date:	**Wednesday, 2 April 2014**
Time:	09.00 New York / 14.00 London / 16.00 Kyiv / 17.00 Moscow
Title:	MHP – Q4 and FY2013 Financial Results
UK Standard International	+44 (0) 1452 560 304
UK Free Call	0844 871 9299
Russia Free Call	8108 002 394 2044
USA Free Call	1866 926 5708
Conference ID	17663679

A live webcast of the presentation will be available at:

https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=667826264

Alternative URL:

https://webconnect.webex.com/

Click on "Unlisted Events"

Event number: 667 826 264

Event password: N/A

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FINANCIAL OVERVIEW

In US$		2013	2012	% change	Q4 2013	Q4 2012	% change
Revenue	**US$, m**	**1,496**	**1,408**	***6%***	**418**	**364**	***15%***
IAS 41 standard gains	US$, m	14	17	*-19%*	(16)	(33)	*51%*
Gross profit	**US$, m**	**324**	**422**	***-23%***	**55**	**51**	***7%***
Gross margin	%	22%	30%	*(8 pps)**	13%	14%	*(1 pps)*
Operating profit	**US$, m**	**272**	**381**	***-29%***	**35**	**55**	***-36%***
Operating margin	%	18%	27%	*(9 pps)*	8%	15%	*(7 pps)*
EBITDA	**US$, m**	**391**	**468**	***-16%***	**74**	**88**	***-16%***
EBITDA margin	%	26%	33%	*(7 pps)*	18%	24%	*(6 pps)*
Net income	**US$, m**	**162**	**311**	***-48%***	**12**	**30**	***-60%***
Net income margin	%	11%	22%	*(11 pps)*	3%	8%	*(5 pps)*

**pps –percentage points.*

Q4 2013 Consolidated Financial Results

Consolidated revenue of MHP amounted to US$418 million, which is 15% higher than US$364 million in Q4 2012. The main drivers of revenue growth in Q4 2013 were an increase of chicken meat sales volumes and grain sales volume year-on-year.

EBITDA totaled US$74 million, by 16% less than in Q4 2012 (US$88 million) mostly effected by lower EBITDA in grain growing segment. EBITDA margin decreased from 24% to 18%.

Net income from operations declined by 60% from US$30 million in Q4 2012 to US$12 million in Q4 2013, mostly in line with EBITDA trends and due to the effect of financial costs increase.

FY 2013 Consolidated Financial Results

For the full year MHP's revenue increased by 6% to US$1,496 million (2012: US$1,408 million) mainly as a result of chicken meat and sunflower oil sales volumes increase.

In 2013, EBITDA totaled US$391 million, by 16% lower than in 2012 (US$468 million), which was caused by high fodder costs during first nine months of the year and low grain prices for the 2013 harvest. EBITDA margin declined to 26%.

Net income decreased by 48% from US$311 million in 2012 to US$162 million in 2013, in line with EBITDA trend combined with increased depreciation (US$119 million in 2013 against US$87 million in 2012) and finance costs (US$110 million in 2013 against US$59 million in 2012). Net income margin decreased from 22% to 11%.

Functional currency

The functional currency for the Group's companies is the Ukrainian Hryvnia (UAH); the functional currency of the Russian Federation companies of the Group is Russian Rouble (RUB). However, for the convenience of analysts, MHP presents its financial statements in US dollars (US$), using the quarterly average and historical exchange rates.

Currency	*Closing rate as of 31 December 2013*	*Average for 2013*	*Closing rate as of 31 December 2012*	*Average for 2012*	*Closing rate as of 31 December 2011*	*Average for 2011*
UAH/USD	7.9930	7.9930	7.9930	7.9910	7.9898	7.9677
UAH/EUR	11.0415	10.6116	10.5372	10.2692	10.2981	11.0926
UAH/RUB	0.2450	0.2512	N/A	N/A	N/A	N/A

MHP's operating assets are located in Ukraine and its revenues and costs are principally denominated in UAH. 39% of the Company's currency denominated proceeds and almost all financial costs are denominated in foreign currencies, primarily US dollars. Management believes that MHP's exposure to currency exchange rate fluctuations as a result of foreign currency costs is completely hedged by its US dollar revenue earned from the export of sunflower oil, sunflower husks, chicken meat and grains. In 2013 the Company generated US$585 million of foreign currency denominated proceeds, up by 22% compared with the US$480 million generated in 2012. This is mostly due to an increase in poultry export sales volumes.

	2013	*2012*	*2011*
Sunflower oil and related products	253,194	227,835	222,418
Chicken meat	216,683	112,931	67,874
Grain*	114,923	138,639	63,101
Other agricultural segment products	405	431	486
	585,205	479,836	353,879

** - Grain export sales during the year ended 31 December 2013 includes USD 14,249 thousand of gain received from operations, when goods are exchanged or swapped for goods which are of similar nature.*

Poultry and related operations

		2013	**2012**	*% change*	***Q4 2013***	***Q4 2012***	*% change*
Revenue	**US$, m**	**1,201**	**1,083**	***11%***	**302**	**282**	***7%***
- Poultry and other	US$, m	953	867	*10%*	246	227	*8%*
- Sunflower oil	US$, m	248	216	*15%*	56	55	*2%*
IAS 41 standard gains	**US$, m**	**26**	**12**	***114%***	**12**	**8**	***49%***
Gross profit	**US$, m**	**312**	**343**	***-9%***	**93**	**75**	***23%***
Gross margin	%	26%	32%	*(6 pps)**	31%	27%	4 pps
EBITDA	**US$, m**	**358**	**376**	***-5%***	**104**	**90**	17%
EBITDA margin	%	30%	35%	*(5 pps)*	35%	32%	*3 pps*
EBITDA per 1 kg	US$	0.80	1.00	*-20%*	0.86	0.89	*-3%*

**pps –percentage points.*

Q4 2013 Poultry and related operations segment financial results

Poultry	***Q4 2013***	***Q4 2012***	*% change*
Sales volume, third parties, tonnes	121,600	100,500	*21%*
Price per 1 kg net VAT, UAH	15.43	16.91	*-9%*
Sunflower oil			
Sales volume, third parties, tonnes	64,820	47,900	*35%*
Price per 1 tonne net VAT, US$	861	1,136	*-24%*

In Q4 2013 the volume of chicken meat sales to third parties on an adjusted-weight basis increased by 21% to 121,600 tonnes from 100,500 tonnes in Q4 2012 as a result of increased volumes at Vinnytsia complex. Export sales of chicken in Q4 2013 increased by 50% compared to Q4 2012 and constituted around 37,940 tonnes of chicken meat.

The average chicken meat sales price decreased by 9% to UAH 15.43 per kg of adjusted weight (excluding VAT) compared to the fourth quarter of 2012 due to higher share of export sales and lower export price as a result of new market penetration.

The exported volume of sunflower oil increased in Q4 2013 compared to Q4 2012. 64,820 tonnes of sunflower oil were sold for export at an average price of US$861 per tonne, which was by 24% less than US$1,136 in Q4 2012, in line with world market downward trends.

Revenue increased by 7% to US$302 million (Q4 2012: US$282 million) as a result of higher chicken meat sales volumes.

Poultry production cost in Q4 2013 decreased by 15% year-on-year due to lower grain prices, providing a good start for 2014.

Gross profit in Q4 2013 increased to US$93 million (Q4 2012: US$75 million) and EBITDA increased by 17% to US$104 million (Q4 2012: US$90 million) mostly in line with chicken meat sales volume growth. EBITDA margin increased from 32% to 35%.

FY 2013 Poultry and related operations segment financial results

Poultry	**2013**	**2012**	*% change*
Sales volume, third parties tonnes	447,000	375,300	*19%*
Price per 1 kg net VAT, UAH	15.99	17.19	*-7%*
Sunflower oil			
Sales volume, third parties tonnes	240,100	195,000	*23%*
Price per 1 tonne net VAT, US$	1,033	1,109	*-7%*

In 2013 poultry production volumes increased by 17% to 472,800 tonnes of poultry meat (2012: 404,000 tonnes). The growth of volumes produced was mostly due to increased operations at the Vinnytsia poultry complex.

In 2013 MHP poultry sales volumes to third parties increased by 19% to 447,000 tonnes compared to 375,300 tonnes in 2012. About 28% of total poultry sales volumes amounted to export sales to CIS countries, Asia and Africa and other regions.

The average sales price of chicken meat decreased by 7% to UAH 15.99 per kg in 2013 compared to UAH 17.19 per kg in 2012 as a result of stable domestic prices combined with increased share of export and lower export price as a result of new market penetration.

In 2013 240,100 tonnes of sunflower oil were produced and sold for export, which is 23% more than in 2012 due to higher chicken meat production volume. Average price of sunflower oil decreased by 7% from to US$1,109 per tonne compared to US$1,033 per tonne in 2013 in line with world market trends.

The segment's revenue amounted to US$1,201 million, which is 11% more than US$1,083 million in 2012 mainly as a result of chicken meat and sunflower oil sales volumes increase.

Average poultry production costs in 2013 increased slightly, by approximately 3%, compared to 2012. As a result of the substantial rise in the grain price growth at the end of 2012, poultry production costs in the first nine months of 2013 increased by 13% year on year. However, following a sharp reduction in prices for grains harvested in 2013, poultry production costs in Q4 2013 decreased by 15%..

The gross profit was US$312 million in 2013, which is 9% less than US$343 million in 2012, gross profit margin declined from 32% in 2012 to 26% in 2013. EBITDA of poultry segment decreased by 5% to US$358 million in 2013 (2012: US$376 million) due to a softening in chicken meat prices and higher production costs. EBITDA margin decreased to 30% in 2013 compared to 35% in 2012.

Grain growing operations

US$		***2013***	***2012***	*% change*	***Q4 2013***	***Q4 2012***	*% change*
Revenue	**US$, m**	**133**	**169**	**-21%**	**74**	**43**	**72%**
IAS 41 standard gains	**US$, m**	**-27**	**4**	**-732%**	**-40**	**-42**	**4%**
Gross profit	**US$, m**	**-13**	**73**	**-117%**	**-48**	**-23**	**-109%**
EBITDA	**US$, m**	**39**	**112**	**-65%**	**-23**	**7**	**-445%**
EBITDA per 1 hectare	US$	*136*	*447*	*-70%*			

In 2013 the Company operated on 287,000 hectares of land in grain growing operations. At the end of 2013 MHP's total land bank constituted around 360,000 hectares of which 320,000 ha are in Ukraine and 40,000 ha in the Russian Federation. Due to favorable weather conditions the harvest of MHP increased considerably to around 2 million tonnes of grains and oilseeds in 2013 compared to 1.6 million tonnes in 2012. However, high yields around the world led to a sharp decline in prices, and therefore lower revenues than in 2012. The Company's new 40,000 ha in the Russian Federation were also harvested by MHP in 2013 but were sowed by the previous owner; the contribution of this land to the Grain segment's financial results was therefore about zero in the reporting year.

As usual MHP's grain yields were significantly higher than Ukraine's average yields in 2013 as a consequence of the Company's operational efficiency and employment of best practice. MHP's yield of corn increased to 8.8 tonnes per hectare in 2013 compared to 7.6 tonnes per hectare in 2012; the same was observed for the yields of other grains and oilseeds in 2013.

MHP used the majority of the grain it produced in its own operations, but the considerable part of grain was sold to the third parties, which constituted the revenue of grain growing segment. In spite of high volume of grain harvested, revenue decreased by 21% to US$133 million in 2013 compared to US$169 million in 2012 as increased volumes effect was largely offset by significant grain price decline. Consequently, EBITDA per 1 hectare declined by 70% from US$447 per ha in 2012 to US$136 per ha in 2013.

	2013		2012	
	MHP's average*	**Ukraine's average****	**MHP's average***	**Ukraine's average****
Corn	8.8	6.4	7.6	4.8
Wheat	5.4	3.4	5.1	2.8
Sunflower	3.5	2.2	3.0	1.7
Rapeseed	3.2	2.4	3.4	2.3
Soya	2.2	2.1	1.8	1.7

** - Tonnes per hectare, net weight*
*** - Source: the State Statistics Committee of Ukraine*

	2013		2012	
	Production, tonnes	**Cropped hectares**	**Production, tonnes**	**Cropped hectares**
Corn	1,134,000	129,100	883,580	116,260
Wheat	228,100	42,460	199,900	38,960
Sunflower	133,530	38,290	90,620	30,570
Rapeseed	60,265	18,690	42,350	12,385
Soya	37,100	16,860	24,230	13,715
Other*	391,175	41,600**	367,220	38,110**
Total:	**1,984,170**	**287,000**	**1,607,900**	**250,000**

** - Includes barley, sugar beet and other crops*
*** - Includes fallow land*

Other agricultural operations

		2013	2012	% change	Q4 2013	Q4 2012	% change
Revenue	**US$, m**	**162**	**155**	**4%**	**42**	**39**	**8%**
- Meat processing	US$, m	101	103	-2%	24	26	-4%
- Other	US$, m	61	52	16%	17	13	31%
IAS 41 standard gains	**US$, m**	**15**	**0.4**	**n/a**	**12**	**1**	**n/a**
Gross profit	**US$, m**	**25**	**7**	**257%**	**10**	**-1**	**n/a**
Gross margin	%	15%	4%	11 pps*	25%	-2%	27 pps
EBITDA	**US$, m**	**33**	**10**	**227%**	**15**	**1**	**n/a**
EBITDA margin	%	20%	6%	14 pps	36%	3%	33 pps

** pps –percentage points.*

Meat processing products	2013	2012	% change	Q4 2013	Q4 2012	% change
Sales volume, third parties tonnes	33,210	35,200	-6%	7,740	8,590	-10%
Price per 1 kg net VAT, UAH	23.53	22.20	6%	24.33	22.76	7%

The financial performance of other agricultural operations segment significantly improved in 2013 mainly due to better results from fruit business and positive trends in the meat processing and milk businesses.

Revenue of the segment increased by 8% to US$42 million in Q4 2013 compared to Q4 2012 and increased by 4% to US$162 million in 2013 compared to 2012. Revenue of other operations includes sales of fruit and milk, goose meat, foie gras, beef, pork and other agricultural products.

MHP's sales prices of meat processing products demonstrated positive dynamics during 2013. Average sausage and cooked meat prices rose by 7% to UAH 24.33 per kg excluding VAT in Q4 2013 and by 6% to UAH 23.53 per kg in 2013. MHP is a market leader in meat processing in Ukraine and market share of MHP remained at around 10%.

The gross profit of the segment increased to US$25 million in 2013 compared to US$7 million in 2012 as a result of higher profitability of meat processing, fruit and milk businesses. Positive IAS 41 effect US$ 15 million in 2013 mostly related to fruit business where the majority of orchards reached the level of full technological productivity.

EBITDA of Other agricultural operations rose to US$33 million in 2013 in line with an increase of the gross profit. EBITDA margin increased from 6% in 2012 to 20% in 2013.

Current financial position, cash flows and liquidity

Cash Flows US$, m	**2013**	**2012**	**Q4 2013**	**Q4 2012**
Cash from operations	**305**	**384**	**58**	**88**
Change in working capital	27	(186)	16	(89)
Net Cash from operating activities	**332**	**198**	**74**	**(1)**
Cash from investing activities	(225)	(262)	(28)	(66)
Non-cash investments	(39)	(124)	(10)	(25)
Net CAPEX	**(264)**	**(386)**	**(38)**	**(91)**
Cash from financing activities	(29)	62	(53)	82
incl. Dividends/treasury shares acquisition	(99)	(41)	(12)	-
Non-cash financing	39	124	10	25
Deposits	1	2	15	-
Total financial activities	**11**	**188**	**(28)**	**107**
Total change in cash	**79**	**-**	**8**	**15**

MHP's cash flow from operating activities principally resulted from operating profit adjusted for non-cash items, such as depreciation, and for changes in working capital.

Cash flow from operations before working capital changes decreased to US$305 million in full year 2013 (2012: US$384 million) mostly in line with EBITDA decline.

In 2013 the decrease of working capital amounted to US$27 million. In the fourth quarter the Company usually purchases large volumes of sunflower seeds to meet considerable stock needed for the following year. However, in 2013 the investments required for sunflower seeds were lower than usual due to lower prices and forward financing transactions with international grain trader Toepfer. At the same time, lower CAPEX had also positive effect on working capital through zero growth of VAT receivables.
Total Net CAPEX was US$264 million in 2013, mostly related to the Vinnytsia project. Since the start of construction in May 2010, approximately US$700 million has been invested in the project as of the end of 2013.

Debt Structure

	31 December 2013	***31 December 2012***
Total Debt US$, m	**1,302**	**1,140**
Cash and bank deposits	(172)	(95)
Net Debt	**1,130**	**1,045**
EBITDA	391	468
Debt /EBITDA	3.33	2.44
Net Debt /EBITDA	2.89	2.23

As of December 31, 2013, the MHP's total debt was US$1,302 million, most of which was denominated in US dollars. The average weighted cost of debt was below 8%.

60% of MHP`s total debt is the Eurobond, which matures in April 2020. After the Eurobond issue, MHP's debt structure improved significantly with the share of long-term bond increased to 90% at the end of 2013 compared to 72% at the end of 2012.

US$192 million of our long-term debt is principally represented by loans, covered by ECA; it matures at various times up to 2018. US$80 million of debt is accounted for IFC and EBRD loans for financing Company's working capital needs. US$60 million represents financing for the lease of agricultural machinery and equipment used in our grain growing activities and for vehicles for distribution, and has maturities up to 2018.

As of the end of 2013, MHP had US$172 million in cash. Net Debt increased to US$1,130 million as of December 31, 2013 compared to US$1,045 as of December 31, 2012. The Net Debt/EBITDA ratio at the end of the period was 2.89 (Eurobond covenant: 3.0).

As a hedge for currency risks, revenues from the export of sunflower oil, sunflower husks and chicken meat are denominated in US dollars, fully covering debt service expenses.

Outlook

Since November 2013, Ukraine has been subject to political instability. On 22 February 2014 the Parliament of Ukraine voted for a reinstatement of the 2004 Constitution and the dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional government has been formed.

Despite the recent political turmoil in Ukraine, domestic demand for poultry during the first months of 2014 remained strong; increasing by around 20% compared with last year, and all of MHP's facilities have continued to operate normally through the first quarter.

At the beginning of February 2014, MHP was banned from exporting its poultry meat to the Russian Federation as well as to other Custom Union countries (Kazakhstan and Belarus). However, taking into account our diversified export channels (with around 40 countries in our portfolio), MHP's export sales across the regions are currently over 20% higher than during the same period last year, and in general are in line with our objectives.

During 2014, and exactly as planned, Phase 1 of the Vinnytsia complex will be fully complete. The final three production brigades are scheduled to be launched in operation in 2014, and by the close of the year the complex will reach its full production capacity of around 220,000 tonnes of chicken meat per annum.

During the first months of 2014 UAH devalued against major world currencies. However, taking into account the Company's business model of vertical integration, we foresee a positive effect arising from the currency's devaluation as most of our production costs are in local currency as well as MHP will achieve higher profitability in grains as domestic grain prices correlate with international prices set in hard currency (US dollars).

On 27 February 2014, pro-Russian forces took control of the parliament of Crimea, an autonomous region of Ukraine. The region then voted to hold a referendum on the status of Crimea in March 2014.

MHP owns several production facilities in the region and we are mindful of the uncertain situation there. However, the Group's reports show that, as of 31 December 2013, our assets in the Crimea region amounted to 5% of the Group's total assets generating in average 9% of operating profit per annum. Therefore, the Company does not consider this disruption to pose a significant risk to its total profitability in the future. Moreover, it is currently 'business as usual' at each of those production facilities.

Our intention is to maintain dividend payments in the future and, for 2014, to declare an interim dividend in May 2014; the amount of this dividend is expected to reflect both the profits generated in 2013 and the outlook for 2014.

We feel confident in delivering a strong year for MHP in 2014 both operationally and financially. This will be driven mainly by the increase in overall production of chicken meat at the Vinnytsia complex, and by the additional grains, which we will produce from land bank expansion in 2013.

MHP S.A. AND ITS SUBSIDIARIES
Consolidated Financial Statements

For the year ended 31 December 2013

CONTENT

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of MHP S.A. and its subsidiaries (the "Group") as of 31 December 2013 and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

In preparing the consolidated financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorized for issue by the Board of Directors on 1 April 2014.

Board of Directors' responsibility statement

We confirm that to the best of our knowledge the directors report, which is incorporated into the annual report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

Deloitte.

Deloitte Audit
Société à responsabilité limitée

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To the Shareholders of
MHP S.A.
5, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated April 29, 2013, we have audited the accompanying consolidated financial statements of MHP S.A., which comprise the consolidated balance sheet as at December 31, 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

Deloitte.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MHP S.A. as of December 31, 2013, and of its financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw your attention to Note 28 "Contingencies and contractual commitments" to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

April 1, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

	Notes	2013	2012	2011
Revenue	6	1,496,079	1,407,522	1,229,090
Net change in fair value of biological assets and agricultural produce		13,634	16,734	21,288
Cost of sales	7	(1,185,987)	(1,001,909)	(889,127)
Gross profit		323,726	422,347	361,251
Selling, general and administrative expenses	8	(130,615)	(120,485)	(106,447)
VAT refunds and other government grants income	9	100,885	102,369	87,985
Other operating expenses, net		(22,160)	(23,648)	(22,045)
Operating profit		271,836	380,583	320,744
Finance income		3,766	3,350	6,356
Finance costs:	10			
Interests and other finance costs		(93,121)	(59,311)	(65,918)
Transaction costs related to corporate bonds		(16,654)	-	-
Finance costs		(109,775)	(59,311)	(65,918)
Gain from acquisition of subsidiaries	2	6,776	-	-
Foreign exchange (loss)/gain, net		(11,052)	(3,285)	2,318
Other expenses, net		(1,316)	(2,633)	(1,385)
Other expenses, net		(111,601)	(61,879)	(58,629)
Profit before tax		160,235	318,704	262,115
Income tax benefit/(expense)	11	2,005	(7,788)	(2,760)
Profit for the year		162,240	310,916	259,355
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Effect of revaluation of property, plant and equipment	12	-	5,166	-
Deferred tax charged directly to revaluation reserve		-	(826)	-
Cumulative translation difference		(22)	(436)	(3,040)
Other comprehensive (loss)/income for the year		(22)	3,904	(3,040)
Total comprehensive income for the year		162,218	314,820	256,315
Profit attributable to:				
Equity holders of the Parent		155,907	297,104	243,376
Non-controlling interests		6,333	13,812	15,979
		162,240	310,916	259,355
Total comprehensive income attributable to:				
Equity holders of the Parent		155,885	300,756	240,336
Non-controlling interests		6,333	14,064	15,979
		162,218	314,820	256,315
Earnings per share				
Basic and diluted earnings per share (USD per share)	33	1.48	2.80	2.26

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages [11] to [59] form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2013	31 December 2012	31 December 2011
ASSETS				
Non-current assets				
Property, plant and equipment	12	1,493,739	1,339,687	1,008,923
Land lease rights	13	48,837	26,694	27,227
Deferred tax assets	11	20,022	8,231	7,795
Long-term VAT recoverable, net	14	2,414	35,784	24,850
Non-current biological assets	15	70,442	53,695	46,327
Long-term bank deposits		5,802	6,154	6,017
Other non-current assets		17,656	16,615	14,476
		1,658,912	1,486,860	1,135,615
Current assets				
Inventories	16	245,861	274,255	182,240
Biological assets	15	199,680	159,276	135,990
Agricultural produce	17	172,721	166,128	169,022
Other current assets, net		38,373	33,880	21,989
Taxes recoverable and prepaid, net	18	209,149	200,308	137,175
Trade accounts receivable, net	19	70,912	72,616	65,794
Short-term bank deposits		-	-	1,777
Cash and cash equivalents	20	172,470	94,785	94,758
		1,109,166	1,001,248	808,745
TOTAL ASSETS		2,768,078	2,488,108	1,944,360
EQUITY AND LIABILITIES				
Equity				
Share capital	21	284,505	284,505	284,505
Treasury shares	21	(65,393)	(65,393)	(40,555)
Additional paid-in capital		181,982	181,982	179,565
Revaluation reserve		22,869	22,869	18,781
Retained earnings		1,012,826	976,919	679,815
Translation reserve		(241,249)	(241,227)	(240,791)
Equity attributable to equity holders of the Parent		1,195,540	1,159,655	881,320
Non-controlling interests		53,665	39,008	44,489
Total equity		1,249,205	1,198,663	925,809
Non-current liabilities				
Bank borrowings	22	192,297	199,483	109,108
Bonds issued	23	951,728	571,515	567,000
Finance lease obligations	24	39,370	45,955	32,558
Deferred tax liabilities	11	7,043	3,345	2,207
		1,190,438	820,298	710,873
Current liabilities				
Trade accounts payable	25	101,990	68,970	52,689
Other current liabilities	26	86,823	62,902	53,269
Bank borrowings	22	98,367	301,658	170,380
Accrued interest	22, 23	20,771	14,125	12,073
Finance lease obligations	24	20,484	21,492	19,267
		328,435	469,147	307,678
TOTAL LIABILITIES		1,518,873	1,289,445	1,018,551
TOTAL EQUITY AND LIABILITIES		2,768,078	2,488,108	1,944,360

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 59 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2011	284,505	(40,555)	179,565	18,781	436,439	(237,751)	640,984	29,384	670,368
Profit for the year	-	-	-	-	243,376	-	243,376	15,979	259,355
Other comprehensive income	-	-	-	-	-	(3,040)	(3,040)	-	(3,040)
Total comprehensive income for the year	-	-	-	-	243,376	(3,040)	240,336	15,979	256,315
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(601)	(601)
Acquisition and changes in non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(273)	(273)
Balance at 31 December 2011	284,505	(40,555)	179,565	18,781	679,815	(240,791)	881,320	44,489	925,809
Profit for the year	-	-	-	-	297,104	-	297,104	13,812	310,916
Other comprehensive loss	-	-	-	4,088	-	(436)	3,652	252	3,904
Total comprehensive income for the year	-	-	-	4,088	297,104	(436)	300,756	14,064	314,820
Acquisition of treasury shares *(Note 21)*	-	(41,465)	-	-	-	-	(41,465)	-	(41,465)
Acquisition and changes in non-controlling interests in subsidiaries *(Note 2, 21)*	-	16,627	2,417	-	-	-	19,044	(19,044)	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(501)	(501)
Balance at 31 December 2012	284,505	(65,393)	181,982	22,869	976,919	(241,227)	1,159,655	39,008	1,198,663
Profit for the year	-	-	-	-	155,907	-	155,907	6,333	162,240
Other comprehensive income	-	-	-	-	-	(22)	(22)	-	(22)
Total comprehensive income for the year	-	-	-	-	155,907	(22)	155,885	6,333	162,218
Dividends declared by the Parent *(Note 29)*	-	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(804)	(804)
Non-controlling interests acquired *(Note 2)*	-	-	-	-	-	-	-	9,128	9,128
Balance at 31 December 2013	284,505	(65,393)	181,982	22,869	1,012,826	(241,249)	1,195,540	53,665	1,249,205

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 59 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

	Notes	2013	2012	2011
Operating activities				
Profit before tax		160,235	318,704	262,115
Non-cash adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortization expense	5	119,014	87,135	80,341
Net change in fair value of biological assets and agricultural produce	5	(13,634)	(16,734)	(21,288)
Gain from acquisition of subsidiaries	2	(6,776)		
Change in allowance for irrecoverable amounts and direct write-offs		27,888	25,605	18,888
Loss on disposal of property, plant and equipment and other non-current assets		358	199	551
Finance income		(3,766)	(3,350)	(6,356)
Finance costs	10	109,775	59,311	65,918
Non-operating foreign exchange loss/(gain), net		11,052	3,257	(2,519)
Operating cash flows before movements in working capital		404,146	474,127	397,650
Working capital adjustments				
Change in inventories		9,833	(75,508)	(29,033)
Change in biological assets		(6,565)	(12,059)	(13,011)
Change in agricultural produce		(32,843)	2,276	(43,290)
Change in other current assets		(8,313)	(13,245)	(886)
Change in taxes recoverable and prepaid		925	(92,911)	(47,103)
Change in trade accounts receivable		3,123	(7,638)	(12,666)
Change in other liabilities		32,513	13,615	7,491
Change in trade accounts payable		27,919	(127)	13,350
Cash generated by operations		430,738	288,530	272,502
Interest received		3,766	3,350	6,645
Interest paid		(93,581)	(81,508)	(77,239)
Income taxes paid		(9,297)	(12,238)	(4,247)
Net cash flows from operating activities		331,626	198,134	197,661
Investing activities				
Purchases of property, plant and equipment		(157,216)	(257,667)	(234,895)
Acquisition of land lease rights		(5,231)	(1,314)	(5,424)
Purchases of other non-current assets		(3,020)	(3,629)	(4,093)
Proceeds from disposals of property, plant and equipment		2,815	1,746	369
Purchases of non-current biological assets		(1,507)	(1,408)	(2,139)
Acquisition of subsidiaries, net of cash acquired	2	(61,056)	-	-
Investments in long-term deposits		-	-	(6,017)
Investments in short-term deposits		-	(4)	(52,259)
Withdrawals of short-term and long-term deposits		629	1,792	184,419
Loans repaid by/(provided to) employees, net		495	78	(1,098)
Loans repaid by related parties, net		25	-	-
Net cash flows used in investing activities		(224,066)	(260,406)	(121,137)

The accompanying notes on the pages 11 to 59 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

		2013	*2012*	*2011*
Financing activities				
Proceeds from bank borrowings		65,333	223,179	158,071
Repayment of bank borrowings		(323,079)	(96,666)	(142,867)
Proceeds from bonds issued	23	400,000	-	-
Repayment of bonds		-	-	(9,976)
Repayment of finance lease obligations		(23,912)	(22,268)	(25,740)
Transaction costs related to bank loans received		(1,172)	-	-
Transaction costs related to corporate bonds issued		(45,507)	-	-
Dividends paid to shareholders	27, 29	(99,026)	-	-
Dividends paid by subsidiaries to non-controlling shareholders	27, 29	(775)	(501)	(602)
Acquisition of treasury shares	21	-	(41,465)	-
Net cash flows (used in) /from financing activities		(28,138)	62,279	(21,114)
Net increase in cash and cash equivalents		79,422	7	55,410
Net foreign exchange difference		(1,737)	20	27
Cash and cash equivalents at 1 January		94,785	94,758	39,321
Cash and cash equivalents at 31 December		172,470	94,785	94,758
Non-cash transactions				
Additions of property, plant and equipment under finance leases		12,510	30,370	13,895
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		26,662	93,333	72,007
Revaluation of grain storage facilities	12	-	5,166	-

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company (**société anonyme**) registered under the laws of Luxembourg, was formed on 30 May 2006. MHP S.A. was formed to serve as the ultimate holding company of PJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries. Hereinafter, MHP S.A. and its subsidiaries are referred to as the "MHP S.A. Group" or the "Group". The registered address of MHP S.A. is 5, rue Guillaume Kroll, L-1882 Luxembourg.

The controlling shareholder of MHP S.A. is the Chief Executive Officer of MHP S.A. Mr. Yuriy Kosyuk (the "Principal Shareholder"), who owns 100% of the shares of WTI Trading Limited ("WTI"), which is the immediate majority shareholder of MHP S.A.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing, cultivation and selling fruits and producing beef and meat products ready for consumption). The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products and include the production and sale of chicken products, sunflower oil, mixed fodder and convenience food products. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, beef, milk, goose meat, foie gras, fruits and feed grains. During the year ended 31 December 2013 the Group employed about 30,000 people (2012: 27,800 people, 2011: 24,800 people).

The Group has been undertaking a large-scale investment program to expand its poultry and related operations. In May 2010 the Group commenced construction of the greenfield Vinnytsia poultry complex and in the second half of 2012 started commissioning of production facilities which were already completed. During 2013 the Group continued commissioning and launching into operations completed production facilities (Note 12). The facilities of Vinnytsia complex which remain under construction as of 31 December 2013 will be commissioned during 2014, as scheduled.

During the year ended 31 December 2013 the Group continued to increase its agricultural land bank as part of its vertical integration and diversification strategy through a number of business acquisitions (Note 13).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 December 2013, 2012 and 2011 were as follows:

Name	*Country of registration*	*Year established/ acquired*	*Principal activities*	*2013*	*2012*	*2011*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and sunflower oil production	88.5%	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Chicken farm	99.9%	99.9%	99.9%
Druzhba Narodiv Nova	Ukraine	2002	Chicken farm	99.9%	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%	99.9%
Tavriysky Kombikormovy Zavod	Ukraine	2004	Fodder production	99.9%	99.9%	99.9%
Ptahofabryka Shahtarska Nova	Ukraine	2003	Breeder farm	99.9%	99.9%	99.9%
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	94.9%	94.9%	94.9%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	89.9%	89.9%	89.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9%	99.9%	99.9%
Druzhba Narodiv	Ukraine	2006	Cattle breeding, plant cultivation	99.9%	99.9%	99.9%
Crimean Fruit Company	Ukraine	2006	Fruits and grain cultivation	81.9%	81.9%	81.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%	89.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%	99.9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information *(continued)*

Name	*Country of registration*	*Year established/ acquired*	*Principal activities*	*2013*	*2012*	*2011*
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	99.9%	-	-
Baryshevka	Ukraine	2013	Grain cultivation	51.0%	-	-
Voronezh Agro Holding	Russian Federation	2013	Grain cultivation	100.0%	-	-

The Group's operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Vinnytsia, Kherson, Sumy, Khmelnitsk regions and Autonomous Republic of Crimea as well as in Voronezh region of the Russian Federation.

2. Changes in the group structure

Detailed below is the information on incorporations and acquisitions of subsidiaries, as well as changes in non-controlling interests in subsidiaries of the Group during the years ended 31 December 2013, 2012 and 2011.

Incorporations

During the year ended 31 December 2011 the Group established a new subsidiary Vinnytska Ptahofabryka engaged in poultry production at Vinnytsia Complex.

Acquisitions

AgroKryazh

In May 2013 the Group acquired from third parties a 99.9% interest in a group of companies "AgroKryazh", a grain growing business, cultivating a land bank of 12,380 hectares in the Vinnytsia region of Ukraine. The transaction was accounted for under the acquisition method.

Baryshevka

In April 2013 the Group acquired from third parties a 51.0% interest in a group of companies "Baryshevka" a grain growing business cultivating a land bank of 18,810 hectares in the Kyiv region of Ukraine. The transaction was accounted for under the acquisition method.

Voronezh Agro Holding

In July 2013 the Group acquired from third parties a 100% interest in a group of companies "Voronezh Agro Holding", a grain growing business cultivating a land bank of about 40,000 hectares in the Voronezh region of the Russian Federation, of which 24,000 hectares is owned by "Voronezh Agro Holding" and was included in Property Plant and Equipment (Note 12).

This acquisition also added 200,000 m^3 of storage facilities as well as agricultural machinery to the Group's assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

The following table presents the fair value of identifiable assets and liabilities acquired during the year ended 31 December 2013:

	AgroKryazh	*Baryshevka*	*Voronezh Agro Holding*	*Total*
Provisional fair value of identifiable assets and liabilities:				
Property, plant and equipment *(Note 12)*	3,779	3,195	53,896	60,870
Land lease rights *(Note 13)*	6,187	12,283	3,787	22,257
Inventories and biological assets	3,308	2,363	9,740	15,411
Loans and borrowings	-	-	(12,996)	(12,996)
Trade and other payables	(1,056)	(814)	(2,414)	(4,284)
Deferred tax liabilities	-	-	(3,069)	(3,069)
Non-controlling interests	-	(8,343)	(785)	(9,128)
Total identifiable net assets at fair value	12,218	8,684	48,159	69,061
Gain from acquisition of subsidiaries	(1,708)	(1,229)	(3,839)	(6,776)
Total Cash consideration due and payable	10,510	7,455	44,320	62,285
Cash paid	(10,565)	(6,226)	(44,542)	(61,333)
Cash acquired	55	-	222	277

The Gain from acquisitions of subsidiaries was recognised within the consolidated statement of comprehensive income for the period ended 31 December 2013. The gain arose as a result of a lack of resources by the previous owners, which did not allow them to manage the assets in the most efficient manner.

From the date of acquisition, the acquired group of companies contributed USD 19,970 thousand of Revenue and USD 689 thousand of loss to the Consolidated results of the Group. Had the transactions related to acquisitions as discussed above, occurred on 1 January 2013, "Pro forma" revenue and loss for the year ended 31 December 2013 would have been USD 26,021 thousand and USD 3,816 thousand, respectively.

These "pro forma" revenue and profit measures for the year do not reflect any adjustments related to other transactions. "Pro forma" results represent an approximate measure of the performance of the combined group on an annualized basis. The unaudited "pro forma" information does not purport to represent what the Group's financial position or results of operations would actually have been if these transactions had occurred at such dates or to project the Group's future results of operations.

The non-controlling interest recognised at the acquisition date was measured by reference to the proportionate share of the recognized amounts of the subsidiary's identifiable net assets and amounted to USD 9,128 thousands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013
(in thousands of US dollars, unless otherwise indicated)

2. Changes in the group structure *(continued)*

Changes in non-controlling interests in subsidiaries

In December 2012 the Group increased its effective ownership interest in NPF Urozhay to 99.9% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 1,257,032 treasury shares held by the Group. The transaction was recognised within equity (Note 21).

The Group made certain other insignificant acquisitions during each of the periods presented. These acquisitions have been accounted for based on the Group's accounting policies. The impact of these acquisitions was not significant to the consolidated financial statements of the Group, either individually or in aggregate.

3. Summary of significant accounting policies

Basis of presentation and accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The operating subsidiaries of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS"). UAS principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements of the Group are prepared on the basis of historical cost, except for revalued amounts of grain storage facilities, biological assets, agricultural produce, and certain financial instruments, which are carried at fair value.

Adoption of new and revised International Financial Reporting Standards

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the Group:

- Presentation of items of Other Comprehensive Income" (Amendments to IAS 1). Effective for accounting periods beginning on or after 1 July 2012;
- IFRS 13 "Fair value measurement". Fair value measurement and disclosure. Effective 1 January 2013;
- IAS 19 "Employee Benefits" (2011). The revised version of IAS 19 was effective 1 January 2013;
- "Disclosures – Offsetting Financial Assets and Financial Liabilities" (Amendments to IFRS 7). The amendments to IFRS 7 were effective 1 January 2013.

"Presentation of items of Other Comprehensive Income" (Amendments to IAS 1)

The main change resulting from amendments to IAS 1 is a requirement to group items presented in "Other comprehensive income" (OCI) on the basis of whether they are potentially able to be reclassified to profit or loss subsequently (reclassification adjustments). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IFRS 13 "Fair value measurement"

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The additional disclosures required following the adoption of this standard are provided in the individual notes relating to the assets and liabilities whose fair values were determined using the requirements of IFRS 13. Fair value hierarchy is provided in Notes 15, 17, 30.

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3. Summary of significant accounting policies *(continued)*

Adoption of new and revised International Financial Reporting Standards *(continued*

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

IAS 19 "Employee Benefits" (2011) and "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7 amendments)

The Group has also applied IAS 19 Employee Benefits (as revised in 2011), and "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7 amendments)". The adoption of these standards and amendments did not have a material impact on the financial position or performance of the Group.

Standards and Interpretations in issue but not effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	*Effective for annual period beginning on or after*
Amendment to IAS 27 "Separate Financial Statements" (revised 2011) – Investment entities	1 January 2014
IFRS 10 "Consolidated Financial Statements"	1 January 2014
IFRS 11 "Joint Arrangements"	1 January 2014
IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2014
IAS 28 "Investments in Associates and Joint Ventures"	1 January 2014
Amendments to IAS 32 "Financial instruments: Presentation" – Application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 – "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	1 January 2014
Amendments to IAS 36 "Recoverable amounts disclosures for non-financial assets"	1 January 2014
Amendments to IAS 39 "Novation of derivatives and continuation of hedge accounting"	1 January 2014
IFRIC 21 "Levies"	1 January 2014
Amendments to IFRS 7 "Financial instruments: Disclosures" – Disclosures about the initial application of IFRS 9[1)]	1 January 2015
Amendments to IFRS 9 and 7 – "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	1 January 2015
IFRS 9 "Financial Instruments: Classification and Measurement and Accounting for financial liabilities and derecognition"	1 January 2015
Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contribution[1)]	Not yet adopted in the EU
IFRS 14 "Regulatory Deferral Accounts" [1)]	Not yet adopted in the EU
Amendments to IFRSs – "Annual Improvements to IFRSs 2010-2012 Cycle" [1)]	Not yet adopted in the EU
Amendments to IFRSs – "Annual Improvements to IFRSs 2011-2013 Cycle" [1)]	Not yet adopted in the EU

[1)] *This standard and amendment have not yet been endorsed for use in European Union*

Management is currently evaluating the impact of the adoption of IFRS 9 "Financial Instruments", and amendment to IFRS 7 "Financial instruments: Disclosures". For other Standards and Interpretations management anticipates that their adoption in future periods will not have a material effect on the financial statements of the Group in future periods.

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3. Summary of significant accounting policies *(continued)*

Functional and presentation currency

The functional currency of Ukrainian, Cyprus and Luxemburg companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of Russian Federation companies of the Group is the Russian Rouble ("RUB"). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are recognised in the consolidated statement of comprehensive income for the period.

These consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentation currency.

The results and financial position of the Group are translated into the presentation currency using the following procedures:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized as a separate component of equity.

For practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the quarterly average rates of exchange, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions.

The relevant exchange rates were:

Currency	*Closing rate as of 31 December 2013*	*Average for 2013*	*Closing rate as of 31 December 2012*	*Average for 2012*	*Closing rate as of 31 December 2011*	*Average for 2011*
UAH/USD	7.9930	7.9930	7.9930	7.9910	7.9898	7.9677
UAH/EUR	11.0415	10.6116	10.5372	10.2692	10.2981	11.0926
UAH/RUB	0.2450	0.2512	N/A	N/A	N/A	N/A

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Control is achieved when the Parent has the power to govern the financial and operating policies of an entity, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control effectively commences.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income or loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intercompany transactions, balances and unrealized gains or losses on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

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3. Summary of significant accounting policies *(continued)*

Accounting for acquisitions

The acquisitions of subsidiaries from third parties are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values.

The consideration transferred by the Group is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired subsidiary and the equity interests issued by the Group in exchange for control of the subsidiary. Acquisition-related costs are generally recognized in the statement of comprehensive income as incurred.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the subsidiary's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other IFRS standards.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interests in the subsidiary and the fair value of the Group's previously-held interest in the subsidiary (if any), the excess is recognized in the consolidated statement of comprehensive income, as a bargain purchase gain.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Accounting for transactions with entities under common control

The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these consolidated financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these consolidated financial statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the date of acquisition.

Any gain or loss on disposals to entities under common control are recognized directly in equity and attributed to owners of the Parent.

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3. Summary of significant accounting policies *(continued)*

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Borrowing costs

Borrowing costs include interest expense, finance charges on finance leases and other interest-bearing long-term payables and debt service costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements. Rather, they are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

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3. Summary of significant accounting policies *(continued)*

Segment information

Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports provided to the Group's chief operating decision maker ("CODM"). The Group has identified its top management team as its CODM and the internal reports used by the top management team to oversee operations and make decisions on allocating resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on the current management structure, the Group has identified the following reportable segments:

- Poultry and related operations;
- Grain growing operations;
- Other agricultural operations.

The Group does not present information on segment assets and liabilities as the CODM does not review such information for decision-making purposes.

Revenue recognition

The Group generates revenue primarily from the sale of agricultural products to the end customers. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and it is probable that collection will occur. The point of transfer of risk, which may occur at delivery or shipment, varies for contracts with different types of customers.

When goods are exchanged or swapped for goods which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods, the exchange is regarded as a transaction which generates revenue, and revenue is measured at the fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred.

VAT refunds and other government grants

The Group's companies are subject to special tax treatment for VAT. The Group's enterprises, which qualify as agricultural producers, are entitled to retain the net VAT payable. VAT amounts payable are not transferred to the State, but credited to the entity's separate special account to support the agriculture activities of the Group. Net result on VAT operations, calculated as excess of VAT liability over VAT credit is charged to profit or loss. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities of the next period.

Government grants are recognized as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income.

Other government grants are recognized at the moment when the decision to disburse the amounts to the Group is made.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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3. Summary of significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses, except for grain storage facilities, which are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent depreciation and impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (e) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated statement of comprehensive income as incurred.

For grain storage facilities revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, such increase is recognized in the statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the statement of comprehensive income. However, such decrease is debited directly to the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Depreciation on revalued assets is charged to the statement of comprehensive income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of the groups of property, plant and equipment are as follows:

- Buildings and structures — 15 - 35 years
- Grain storage facilities — 20 - 35 years
- Machinery and equipment — 10 - 15 years
- Utilities and infrastructure — 10 years
- Vehicles and agricultural machinery — 5 - 15 years
- Office furniture and equipment — 3 - 5 years

Depreciable amount is the cost of an item of property, plant and equipment, or revalued amount, less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The depreciable amount of assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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3. Summary of significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

The residual value, the useful lives and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on a sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

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

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, consist primarily of land lease rights.

Land lease rights acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

Land lease rights acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, land lease rights acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as land lease rights acquired separately.

Amortization of intangible assets is recognized on a straight line basis over their estimated useful lives. For land lease rights, the amortization period varies from 3 to 15 years.

The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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3. Summary of significant accounting policies *(continued)*

Impairment of tangible and intangible assets other than goodwill *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in statement of comprehensive income in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Income taxes

Income taxes have been computed in accordance with the laws currently enacted or substantially enacted in jurisdictions where operating entities are located. Income tax is calculated based on the results for the year as adjusted for items that are non-assessable or non-tax deductible. It is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- The Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 11).

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3. Summary of significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Agriculture related production process results in production of joint products: main and by-products. A by-product arising from the process is measured at net realizable value and this value is deducted from the cost of the main product.

Biological assets and agricultural produce

Agricultural activity is defined as a biological transformation of biological assets for sale into agricultural produce or into additional biological assets. The Group classifies hatchery eggs, live poultry and other animals and plantations as biological assets.

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the consolidated statement of comprehensive income. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment.

The change in this adjustment from one period to another is recognized as "Net change in fair value of biological assets and agricultural produce" in the statement of comprehensive income.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in the statement of comprehensive income.

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological Assets

(i) Broilers

Broilers comprise poultry held for chicken meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from the sales of 44-day aged chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders

The fair value of breeders is determined using the discounted cash flow approach based on hatchery eggs' market prices.

(iii) Cattle and pigs

Cattle and pigs comprise cattle held for regeneration of livestock population and animals raised for milk and beef and pork meat production. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Cattle, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate.

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3. Summary of significant accounting policies *(continued)*

Biological assets and agricultural produce *(continued)*

(iv) Orchards

Orchards consist of plants used for the production of fruit. Fruit trees achieve their normal productive age in the second to fifth year. The fair value of orchards which have attained normal productive age is determined using the discounted cash flow approach.

(v) Crops in fields

The fair value of crops in fields is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

Agricultural Produce

(i) Dressed poultry, beef and pork

The fair value of dressed poultry, beef and pork is determined by reference to market prices at the point of harvest.

(ii) Grain and fruits

The fair value of fodder grain and fruits is determined by reference to market prices at the point of harvest.

(iii) Hatchery eggs

The fair value of hatchery eggs is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler poultry intended for the production of meat, as well as pork and meat cows. Bearer biological assets include poultry held for hatchery eggs production, orchards, milk cows and breeding bulls.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. The settlement date is the date that an asset is delivered to or by an entity. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Accounts receivable

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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3. Summary of significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash with banks, deposits and marketable securities with an original maturity of less than three months.

Bank borrowings, corporate bonds issued and other long-term payables

Interest-bearing borrowings, bonds and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and recorded as finance costs.

Derivative financial instruments

The Group enters into derivative financial instruments to purchase sunflower seeds. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not remeasured at fair value through statement of comprehensive income.

As of 31 December 2013, 2012 and 2011 there were no material derivative financial instruments that were recognized in these consolidated financial statements.

Trade and other accounts payable

Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held by the Group under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised directly to the statement of comprehensive income and are classified as finance costs.

Rental income or expenses under operating leases are recognized in the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Reclassifications and revisions

Certain comparative information presented in the consolidated financial statements for the years ended 31 December 2012 and 2011 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2013. Such reclassifications and revisions were not significant to the Group financial statements.

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4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Acquisitions of land lease rights

During the year ended 31 December 2013, the Group acquired control over entities owning legal rights for operating leases of agricultural land plots. For each individual acquisition, the Group evaluated whether the acquisition constituted an asset acquisition or a business combination. In making this judgment, management considered whether the acquired entities are capable of being conducted and managed as a business for the purpose of providing returns, including whether the acquired entities possess other assets and workforce as inputs compared to normal industry requirements. As a result, the Group's management concluded that land lease rights of USD 3,607 thousand and USD 22,257 thousand were acquired in assets acquisition and business combination transactions, respectively (Note 13).

Revenue recognition

In the normal course of business, the Group engages in sale and purchase transactions with the purpose of exchanging crops in various locations to fulfill the Group's production requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of similar nature and value. The Group management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying crops are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying crops indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transaction involving goods of similar nature amounted to USD 81,808 thousand, 33,819 thousand, 4,256 thousand for the years ended 31 December 2013, 2012 and 2011.

Recognition of inventories

During the year ended 31 December 2013, 2012 and 2011, the Group acquired components for mixed fodder production from a local supplier under grain purchase financing arrangements. According to the contractual terms, legal ownership to the goods passed to the Group on physical delivery to the Group's grain storage facilities, which is generally the date when inventories are recognized in the Group's financial statements. However, based on the analysis of the nature of this arrangement, management applied judgment to determine the date on which control over these goods passed to the Group. In making this judgment, management considered the relevant significance of risk and rewards associated with ownership of grain, in particular date of transfer of physical damage risk, as well as commercial risks and benefits associated with ownership. Based on this assessment, management concluded that the Group assumed risk of physical damage and obtained commercial benefits prior to obtaining legal ownership over these inventories and as such, that these inventories should be recognized in the Group's financial statements from the date when they were acquired by the supplier.

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4. Critical accounting judgments and key sources of estimation uncertainty
(continued)

Revaluation of property, plant and equipment

As described in Notes 3 and 12, the Group applies revaluation model to the measurement of grain storage facilities. At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value. The Group carries out such review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period. Based on the results of this review, the Group concluded that grain storage facilities should be revalued during the year ended 31 December 2012, only.

The Group appointed an independent valuer for revaluation of its grain storage facilities during the year ended 31 December 2012. Key assumptions used by the independent valuer in assessing the fair value of grain storage facilities using the replacement cost method were as follows:

- present condition of particular assets was ranked from excellent to good;
- changes in prices of assets and construction materials from the date of their acquisition/construction to the date of valuation were assessed as 1.15;
- other external and internal factors that might have effect on fair value of grain-storage facilities;

Results of the revaluation based on the replacement cost approach were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value less costs to sell of biological assets and agricultural produce

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

- Average meat output for broilers and livestock for meat production;
- Average productive life of breeders and cattle held for regeneration and milk production;
- Expected crops output;
- Projected orchards output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell;
- Discount rate.

During the year ended 31 December 2013 fair value of biological assets and agricultural produce was estimated using discount factors of 14.01% and 12.37% for non-current and current assets respectively.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results (Note 15).

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

4. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

VAT recoverable

Note 14 describes long-term VAT recoverable accumulated by the Group on its capital expenditures and investments in working capital. The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities in future periods. Management classified the VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date. In addition, management assessed whether an allowance for irrecoverable VAT needed to be created.

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

Vinnytsia complex commissioning

As discussed in Notes 1 and 12, during 2013 the Group continued commissioning production facilities at Vinnytsia complex.

During the period of production trials, when the facilities were not ready to be used in the manner intended by management, no depreciation was charged. After completion of the trial period, the Group commenced depreciation of production facilities when they were launched into operation.

In making the assessment of the trial period length, management considered actual utilization of production facilities as well as output achieved, for as long as these were significantly lower than designed capacity of the equipment.

5. Segment information

The majority of the Group's operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Poultry and related operations segment:
- sales of chicken meat
- sales of sunflower oil
- other poultry related sales

Grain growing operations segment:
- sales of grain

Other agricultural operations segment:
- sales of meat processing products and other meat
- other agricultural operations (sales of fruits, milk, feed grains and other)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Sales between segments are carried out at market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses. Unallocated corporate expenses include management remuneration, representative expenses, and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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5. Segment information *(continued)*

As of 31 December and for the year then ended the Group's segmental information was as follows:

Year ended 31 December 2013	*Poultry and related operations*	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	1,201,100	133,264	161,715	-	1,496,079
Sales between business segments	49,853	194,764	5,643	(250,260)	-
Total revenue	1,250,953	328,028	167,358	(250,260)	1,496,079
Segment results	275,026	13,555	25,844	-	314,425
Unallocated corporate expenses					(42,589)
Other expenses, net [1]					(111,601)
Profit before tax					160,235
Other information:					
Additions to property, plant and equipment [2]	171,102	27,930	7,956	-	206,988
Depreciation and amortization expense [3]	83,442	25,521	6,909	-	115,872
Net change in fair value of biological assets and agricultural produce	25,636	(27,368)	15,366	-	13,634

[1] Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

[2] Additions to property, plant and equipment in 2013 (Note 12) include unallocated additions in the amount of USD 4,115 thousand.

[3] Depreciation and amortization for the year ended 31 December 2013 does not include unallocated depreciation and amortization in the amount of USD 3,142 thousand.

Year ended 31 December 2012	*Poultry and related operations*	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	1,082,978	169,142	155,402	-	1,407,522
Sales between business segments	42,919	147,719	5,074	(195,712)	-
Total revenue	1,125,897	316,861	160,476	(195,712)	1,407,522
Segment results	318,537	92,139	3,494	-	414,170
Unallocated corporate expenses					(33,587)
Other expenses, net [1]					(61,879)
Profit before tax					318,704
Other information:					
Additions to property, plant and equipment [2]	375,604	21,375	11,679	-	408,658
Depreciation and amortization expense [3]	57,922	19,569	6,522	-	84,013
Net change in fair value of biological assets and agricultural produce	11,955	4,329	450	-	16,734

[1] Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

[2] Additions to property, plant and equipment in 2012 (Note 12) include unallocated additions in the amount of USD 4,092 thousand.

[3] Depreciation and amortization for the year ended 31 December 2012 does not include unallocated depreciation and amortization in the amount of USD 3,122 thousand.

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5. Segment information *(continued)*

Year ended 31 December 2011	*Poultry and related operations*	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	978,871	103,739	146,480	-	1,229,090
Sales between business segments	36,381	117,831	5,203	(159,415)	-
Total revenue	1,015,252	221,570	151,683	(159,415)	1,229,090
Segment results	236,602	104,286	9,651	-	350,539
Unallocated corporate expenses					(29,795)
Other expenses, net [1)]					(58,629)
Profit before tax					262,115
Other information:					
Additions to property, plant and equipment [2)]	309,072	23,079	7,598	-	339,749
Depreciation and amortization expense [3)]	53,879	16,422	6,742	-	77,043
Net change in fair value of biological assets and agricultural produce	2,665	17,322	1,301	-	21,288

[1)] Include finance income, finance costs, foreign exchange gain (net) and other expenses (net).

[2)] Additions to property, plant and equipment in 2011 (Note 12) include unallocated additions in the amount of USD 2,527 thousand.

[3)] Depreciation and amortization for the year ended 31 December 2011 does not include unallocated depreciation and amortization in the amount of USD 3,298 thousand.

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Sunflower oil and related products	253,194	227,835	222,418
Chicken meat and related products	216,683	112,931	67,874
Grain	100,674	138,639	63,101
Other agricultural segment products	405	431	486
	570,956	479,836	353,879

Export sales of sunflower oil and related products and export sales of grains are primarily made to global trading companies at CPT port terms. The major markets for the Group's export sales of chicken meat are Kazakhstan and the Russian Federation as well as, to a lesser extent, other CIS countries, Middle East and Central Asia, Africa and the EU.

6. Revenue

Revenue for the years ended 31 December 2013, 2012 and 2011 was as follows:

	2013	*2012*	*2011*
Poultry and related operations segment			
Chicken meat	881,249	804,381	693,207
Sunflower oil and related products	258,168	227,835	222,418
Other poultry related sales	61,683	50,762	63,246
	1,201,100	1,082,978	978,871
Grain growing operations segment			
Grain	133,264	169,142	103,739
	133,264	169,142	103,739
Other agricultural operations segment			
Other meat	101,070	102,959	99,740
Other agricultural sales	60,645	52,443	46,740
	161,715	155,402	146,480
	1,496,079	1,407,522	1,229,090

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7. Cost of sales

Cost of sales for the years ended 31 December 2013, 2012 and 2011 was as follows:

	2013	*2012*	*2011*
Poultry and related operations	877,540	705,128	684,001
Grain growing operations	155,976	147,821	71,883
Other agricultural operations	152,471	148,960	133,243
	1,185,987	1,001,909	889,127

For the years ended 31 December 2013, 2012 and 2011 cost of sales comprised the following:

	2013	*2012*	*2011*
Costs of raw materials and other inventory used	797,239	700,410	620,385
Payroll and related expenses	187,493	151,538	131,840
Depreciation and amortization expense	104,619	74,870	66,675
Other costs	96,636	75,091	70,227
	1,185,987	1,001,909	889,127

By-products arising from the agricultural production process are measured at net realizable value, and this value is deducted from the cost of the main product.

8. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2013, 2012 and 2011 were as follows:

	2013	*2012*	*2011*
Payroll and related expenses	52,137	46,414	40,391
Services	25,561	20,738	24,381
Fuel and other materials used	14,991	13,646	12,433
Depreciation expense	14,395	12,265	13,666
Advertising expense	12,276	12,691	2,415
Representative costs and business trips	4,096	8,641	8,330
Insurance expense	1,937	1,594	1,919
Bank services and conversion fees	480	474	486
Other	4,742	4,022	2,426
	130,615	120,485	106,447

Remuneration to the auditors, included in Services above, approximate to USD 1,025 thousand, USD 744 thousand and USD 832 thousand for the years ended 31 December 2013, 2012 and 2011, respectively. Such remuneration includes both audit and non-audit services, with the audit fees component approximating USD 550 thousand for each of the years ended 31 December 2013, 2012 and 2011.

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9. VAT refunds and other government grants income

The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. The below mentioned grants and similar privileges are established by Verkhovna Rada (the Parliament) of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee of Water Industry, the customs authorities and local district administrations.

VAT refunds and other government grants recognized by the Group as income during the years ended 31 December 2013, 2012 and 2011 were as follows:

	2013	*2012*	*2011*
VAT refunds	99,220	101,581	87,476
Other government grants	1,665	788	509
	100,885	102,369	87,985

VAT refunds for agricultural industry

According to the Tax Code of Ukraine issued in December 2010 and effective as of 1 January 2011 (“Tax Code”), companies that generated not less than 75% of gross revenues for the previous tax year from sales of own agricultural products are entitled to retain VAT on sales of agricultural products, net of VAT paid on purchases, for use in agricultural production.

In accordance with the Tax Code, the VAT rate will be decreased from currently effective 20% to 17% starting from 1 January 2015. The special VAT regime for the agricultural industry will be effective through 1 January 2018.

Included in VAT refunds for the years ended 31 December 2013, 2012 and 2011 were specific VAT subsidies for the production and sale of milk and live animals for further processing in the amount of USD 1,299 thousand, USD 1,426 thousand and USD 422 thousand, respectively.

Other government grants

Other government grants recognized as income during the years ended 31 December 2013, 2012 and 2011 mainly comprised subsidies related to crop growing. In accordance with the Law “On State Budget of Ukraine”, two companies of the Group received grants for the years ended 31 December 2013, 2012 and 2011 for the creation and cultivating of orchards, vines and berry-fields.

In addition to the government grants income recognized by the Group, the Group receives a grant to compensate agricultural producers for costs used to finance operations. Agricultural producers are entitled to the compensation of finance costs incurred on bank borrowings in accordance with the Law “On State Budget of Ukraine” during the years ended 31 December 2013, 2012 and 2011. The eligibility, application and tender procedures related to such grants are defined and controlled by the Ministry of Agrarian Policy of Ukraine.

These grants were recognized as a reduction in the associated finance costs and during the years ended 31 December 2013, 2012 and 2011 comprised USD nil, USD nil, and USD 1,828 thousand, respectively (Note 10).

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10. Finance costs

Finance costs for the years ended 31 December 2013, 2012 and 2011 were as follows:

	2013	*2012*	*2011*
Interest on corporate bonds	88,245	64,449	64,996
Transaction costs related to corporate bonds	16,654	-	-
Interest on bank borrowings	13,911	15,839	9,720
Interest on obligations under finance leases	4,964	4,795	5,157
Bank commissions and other charges	3,172	3,786	3,782
Interest on financing arrangements for grain purchases	1,847	643	294
Government grants as compensation for the finance costs of agricultural producers *(Note 9)*	-	-	(1,828)
Total finance costs	128,793	89,512	82,121
Less:			
Finance costs included in the cost of qualifying assets	(19,018)	(30,201)	(16,203)
	109,775	59,311	65,918

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2013 was 10.14% (2012: 8.10%, 2011: 9.55%).

Interest on corporate bonds for the years ended 31 December 2013, 2012 and 2011 includes amortization of premium and debt issue costs on bonds issued in the amounts of USD 9,003 thousand, USD 4,509 thousand and USD 4,124 thousand, respectively.

11. Income tax

The majority of the Group's operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates and statutory rates of the Russian Federation for results generated by Voronezh Agro Holding. The net results of the Group companies incorporated in jurisdictions other than Ukraine were insignificant during the years ended 31 December 2013, 2012 and 2011. The majority of the Group companies that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the Tax Code. The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in other operating expenses.

During the year ended 31 December 2013, the Group's companies that have the status of Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a rate of 19% (for the year ended 31 December 2012 – 21%; 1 January 2011 – 1 April 2011 - 25%, 1 April 2011 – 31 December 2011 – 23%).

The Tax Code of Ukraine (Note 28) is introducing gradual decreases in income tax rates from 23% effective 1 April 2011, 21% effective 1 January 2012, 19% effective 1 January 2013, 18% effective 1 January 2014, 17% effective 1 January 2015, 16% effective 1 January 2016 as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 December 2013, 2012 and 2011 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

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11. Income tax *(continued)*

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Current income tax charge	9,157	7,915	5,664
Deferred tax benefit	(11,162)	(127)	(2,904)
Income tax (benefit)/expense	(2,005)	7,788	2,760

The reconciliation between profit before tax multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2013, 2012 and 2011 was as follows:

	2013	*2012*	*2011*
Profit before income tax	160,235	318,704	262,115
Income tax expense calculated at rates effective during the year ended at respective jurisdictions	30,470	66,928	61,010
Tax effect of:			
Income generated by FAT payers (exempt from income tax)	(44,068)	(82,443)	(77,043)
Changes in tax rate and law	3	-	-
Recognized deferred tax assets on property, plant and equipment	-	-	(6,792)
Non-deductible expenses (by law)	7,263	19,402	10,332
Expenses not deducted for tax purposes (policy choice)	4,327	3,901	15,253
Income tax expense	(2,005)	7,788	2,760

As of 31 December 2013, 2012 and 2011 the Group did not recognize deferred tax assets arising from temporary differences of USD 22,724 thousand, USD 18,576 thousand and USD 64,907 thousand, respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods.

Deferred tax liabilities have not been recognized in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years, based on current legislation.

As of 31 December 2013, 2012 and 2011 deferred tax assets and liabilities comprised the following:

	2013	*2012*	*2011*
Deferred tax assets arising from:			
Property, plant and equipment	3,325	4,732	5,996
Other current liabilities	1,780	1,301	1,518
Inventories	2,490	1,081	1,011
Advances received and other payables	371	849	1,155
Expenses deferred in tax books	13,871	3,484	288
Total deferred tax assets	21,837	11,447	9,968
Deferred tax liabilities arising from:			
Property, plant and equipment	(7,792)	(4,165)	(2,987)
Inventories	(943)	(2,138)	(996)
Prepayments to suppliers	(123)	(258)	(397)
Total deferred tax liabilities	(8,858)	(6,561)	(4,380)
Net deferred tax assets	12,979	4,886	5,588

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11. Income tax *(continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Deferred tax assets	20,022	8,231	7,795
Deferred tax liabilities	(7,043)	(3,345)	(2,207)
	12,979	4,886	5,588

The movements in net deferred tax assets for the years ended 31 December 2013, 2012 and 2011 were as follows:

	2013	*2011*	*2010*
Net deferred tax assets as of beginning of the year	4,886	5,588	2,688
Deferred tax benefit	11,162	127	2,904
Deferred tax liabilities arising on acquisition of subsidiaries *(Note 2)*	(3,069)	-	-
Deferred tax on property, plant and equipment charged directly to other comprehensive income	-	(826)	-
Translation difference	-	(3)	(4)
Net deferred tax assets as of end of the year	12,979	4,886	5,588

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12. Property, plant and equipment

The following table represents movements in property, plant and equipment for the year ended 31 December 2013:

	Land	*Buildings and structures*	*Grain storage facilities*	*Machinery and equipment*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:									
At 1 January 2013	-	453,870	49,756	434,105	76,151	265,287	18,534	399,690	1,697,393
Additions	312	50,767	9,536	41,160	20,907	39,450	525	48,446	211,103
Disposals	-	(1,085)	-	(2,643)	(30)	(5,523)	(208)	(155)	(9,644)
Transfers	-	95,604	3,602	155,851	35,224	254	559	(291,094)	-
Acquired through business combination *(Note 2)*	20,074	9,727	15,080	2,088	754	11,672	46	1,429	60,870
Translation difference	152	66	118	9	4	(126)	-	-	223
At 31 December 2013	20,538	608,949	78,092	630,570	133,010	311,014	19,456	158,316	1,959,945
Accumulated depreciation and impairment:									
At 1 January 2013	-	66,750	75	139,043	20,081	119,542	12,215	-	357,706
Depreciation charge for the year	-	24,944	1,916	43,675	4,625	37,009	2,848	-	115,017
Elimination upon disposal	-	(261)	-	(1,983)	(20)	(4,039)	(168)	-	(6,471)
Translation difference	-	(4)	(5)	(5)	(1)	(31)	-	-	(46)
At 31 December 2013	-	91,429	1,986	180,730	24,685	152,481	14,895	-	466,206
Net book value									
At 1 January 2013	-	387,120	49,681	295,062	56,070	145,745	6,319	399,690	1,339,687
At 31 December 2013	20,538	517,520	76,106	449,840	108,325	158,533	4,561	158,316	1,493,739

(in thousands of US dollars, unless otherwise indicated)

12. Property, plant and equipment *(continued)*

The following table represents movements in property, plant and equipment for the year ended 31 December 2012:

	Buildings and structures	*Grain storage facilities*	*Machinery and equipment*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:								
At 1 January 2012	293,998	43,912	348,916	58,726	215,188	17,876	315,380	1,293,996
Additions	61,598	-	25,487	7,204	53,341	1,383	263,737	412,750
Disposals	(1,293)	-	(2,222)	(147)	(4,352)	(947)	(18)	(8,979)
Transfers	99,744	4,721	62,339	10,495	1,445	343	(179,087)	-
Revaluations	-	1,151	-	-	-	-	-	1,151
Translation difference	(177)	(28)	(415)	(127)	(335)	(121)	(322)	(1,525)
At 31 December 2012	453,870	49,756	434,105	76,151	265,287	18,534	399,690	1,697,393
Accumulated depreciation and impairment:								
At 1 January 2012	51,435	2,373	109,983	16,473	94,868	9,941	-	285,073
Depreciation charge for the year	16,365	1,584	31,039	3,750	28,239	3,195	-	84,172
Elimination upon disposal	(938)	-	(1,731)	(75)	(3,380)	(865)	-	(6,989)
Eliminated upon revaluations	-	(4,015)	-	-	-	-	-	(4,015)
Translation difference	(112)	133	(248)	(67)	(185)	(56)	-	(535)
At 31 December 2012	66,750	75	139,043	20,081	119,542	12,215	-	357,706
Net book value								
At 1 January 2012	242,563	41,539	238,933	42,253	120,320	7,935	315,380	1,008,923
At 31 December 2012	387,120	49,681	295,062	56,070	145,745	6,319	399,690	1,339,687

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12. Property, plant and equipment *(continued)*

The following table represents movements in property, plant and equipment for the year ended 31 December 2011:

	Buildings and structures	*Grain storage facilities*	*Machinery and equipment*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:								
At 1 January 2011	259,799	32,589	274,024	52,440	190,943	16,046	131,551	957,392
Additions	27,030	7,728	45,656	5,530	29,285	1,786	225,261	342,276
Disposals	(247)	-	(743)	(4)	(2,083)	(121)	-	(3,198)
Transfers	8,361	3,720	31,011	950	(2,263)	223	(42,002)	-
Translation difference	(945)	(125)	(1,032)	(190)	(694)	(58)	570	(2,474)
At 31 December 2011	293,998	43,912	348,916	58,726	215,188	17,876	315,380	1,293,996
Accumulated depreciation and impairment:								
At 1 January 2011	37,189	1,046	83,171	13,198	71,068	6,755	-	212,427
Depreciation charge for the year	14,517	1,331	27,602	3,325	25,323	3,322	-	75,420
Elimination upon disposal	(128)	-	(473)	(1)	(1,253)	(109)	-	(1,964)
Translation difference	(143)	(4)	(317)	(49)	(270)	(27)	-	(810)
At 31 December 2011	51,435	2,373	109,983	16,473	94,868	9,941	-	285,073
Net book value								
At 1 January 2011	222,610	31,543	190,853	39,242	119,875	9,291	131,551	744,965
At 31 December 2011	242,563	41,539	238,933	42,253	120,320	7,935	315,380	1,008,923

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12. Property, plant and equipment *(continued)*

During 2013 the Group continued commissioning production facilities at the Vinnytsia complex. The facilities of Vinnytsia complex remaining under construction as of 31 December 2013 will be commissioned during 2014, as scheduled.

As of 31 December 2013, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 9,407 thousand (2012: USD 24,796 thousand, 2011: USD 46,086 thousand).

As of 31 December 2013, included within property, plant and equipment were fully depreciated assets with the original cost of USD 56,817 thousand (2012: USD 34,722 thousand, 2011: USD 19,647 thousand).

As of 31 December 2013, certain of the Group's machinery and equipment with the carrying amount of USD nil (2012: USD nil thousand, 2011: USD 4,648 thousand) were pledged as collateral to secure its bank borrowings (Note 22).

As of 31 December 2013, 2012 and 2011 the net carrying amount of property, plant and equipment, represented by vehicles and agricultural machinery, held under finance lease agreements was USD 76,053 thousand, USD 69,059 thousand and USD 73,798 thousand, respectively.

Impairment assessment

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 December 2013, 2012 and 2011.

Revaluation of grain storage facilities

During the year ended 31 December 2012, the Group engaged independent appraisers to revalue its grain storage facilities. The effective date of revaluation was 31 October 2012. The valuation, which conformed to the International Valuation Standards, was determined using replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities.

No revaluation of grain storage facilities was performed during the years ended 31 December 2013 and 2011 as, based on management's assessment, the fair value of grain storage facilities as of 31 December 2013 and 2011 did not materially differ from their carrying amount.

If the grain storage facilities were carried at cost and depreciated on a straight line basis based on their original depreciation rate, their net book value as of 31 December 2013 would be USD 50,662 thousand (2012: USD 24,102 thousand, 2011: USD 20,514 thousand).

13. Land lease rights

Land lease rights represent rights for operating leases of agricultural land plots. The following table represents the movements in land lease rights for the years ended 31 December:

	2013	*2012*	*2011*
Cost:			
As of 1 January	31,634	30,332	24,439
Additions	3,607	1,314	5,995
Acquired through business combinations *(Note 2)*	22,257	-	-
Translation difference	-	(12)	(102)
As of 31 December	57,498	31,634	30,332
Accumulated amortization:			
As of 1 January	4,940	3,105	1,223
Amortization charge for the year	3,721	1,837	1,891
Translation difference	-	(2)	(9)
As of 31 December	8,661	4,940	3,105
Net book value:			
As of 1 January	26,694	27,227	23,216
As of 31 December	48,837	26,694	27,227

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14. Long-term VAT recoverable, net

As of 31 December 2013, 2012 and 2011 the balance of long-term VAT recoverable was accumulated on continuing capital expenditures. Management expects that these balances will not be recovered within twelve months from the reporting date.

As of 31 December 2013, an allowance for estimated irrecoverable long-term VAT of USD 338 thousand was recorded by the Group (2012: USD 7,754 thousand, 2011: USD 4,938 thousand).

15. Biological assets

The balances of non-current biological assets were as follows as of 31 December 2013, 2012 and 2011:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*	*Thousand units*	*Carrying amount*
	2013		*2012*		*2011*	
Orchards, hectare	1.64	38,893	1.64	30,018	1.64	27,978
Milk cows, boars, sows, units	22.3	26,642	21.6	18,547	14.1	14,803
Other non-current bearer biological assets		1,230		994		906
Total bearer non-current biological assets		66,765		49,559		43,687
Non-current cattle and pigs, units	5.3	3,677	7.1	4,136	5.1	2,640
Total consumable non-current biological assets		3,677		4,136		2,640
Total non-current biological assets		70,442		53,695		46,327

The balances of current biological assets were as follows as of 31 December 2013, 2012 and 2011:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*	*Thousand units*	*Carrying amount*
	2013		*2012*		*2011*	
Breeders held for hatchery eggs production, units	3,121	65,907	2,634	54,273	2,384	39,345
Total bearer current biological assets		65,907		54,273		39,345
Broiler poultry, units	34,438	73,267	26,223	51,051	25,273	55,411
Hatchery eggs, units	26,570	8,841	20,587	6,628	20,472	5,915
Crops in fields, hectare	76	45,745	75	39,590	71	23,876
Cattle and pigs, units	49	5,637	45	7,204	56	10,654
Other current consumable biological assets		283		530		789
Total consumable current biological assets		133,773		105,003		96,645
Total current biological assets		199,680		159,276		135,990

Other current consumable biological assets include geese and other livestock.

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15. Biological assets *(continued)*

The following table represents movements in biological assets for the years ended 31 December 2013, 2012 and 2011:

	Crops in fields	*Orchards*	*Breeders held for hatchery eggs production*	*Broiler poultry*	*Milk cows, boars, sows*	*Non-current cattle and pigs*	*Cattle, pigs*
As of 1 January 2011	17,840	25,768	39,530	43,287	13,997	2,809	9,119
Costs incurred	210,683	20,976	67,498	423,599	9,794	913	22,122
Gains/(losses) arising from change in fair value of biological assets less costs to sell	69,913	(5,669)	26,390	192,844	3,000	(941)	12,072
Transfer to consumable biological assets	-	-	(76,889)	76,889	(1,325)	(285)	1,610
Transfer to bearing non-current biological assets	-	-	-	-	4,071	1,269	(5,340)
Decrease due to sale	-	-	-	-	(198)	(12)	(11,291)
Decrease due to harvest	(274,383)	(12,994)	(17,045)	(681,022)	(14,484)	(1,104)	(17,601)
Translation difference	(177)	(103)	(139)	(186)	(52)	(9)	(37)
As of 31 December 2011	23,876	27,978	39,345	55,411	14,803	2,640	10,654
Costs incurred	236,222	20,270	79,783	475,752	10,784	1,320	31,270
Gains/(losses) arising from change in fair value of biological assets less costs to sell	61,030	(4,410)	35,496	249,694	2,288	(1,655)	1,854
Transfer to consumable biological assets	-	-	(87,496)	87,496	-	(176)	176
Transfer to bearing non-current biological assets	-	-	-	-	9,559	2,498	(12,057)
Decrease due to sale	-	-	-	-	(599)	(13)	(12,303)
Decrease due to harvest	(281,529)	(13,805)	(12,836)	(817,281)	(18,279)	(477)	(12,388)
Translation difference	(9)	(15)	(19)	(21)	(9)	(1)	(2)
As of 31 December 2012	39,590	30,018	54,273	51,051	18,547	4,136	7,204
Costs incurred	304,553	23,944	95,123	602,985	18,218	1,602	40,181
Acquired through business combination *(Note 2)*	9,187	-	-	-	-	-	-
Gains/(losses) arising from change in fair value of biological assets less costs to sell	11,625	11,815	46,988	219,076	3,505	(2,369)	2,877
Transfer to consumable biological assets	-	-	(110,442)	110,442	(48)	(446)	493
Transfer to bearing non-current biological assets	-	-	-	-	19,019	2,502	(21,520)
Decrease due to sale	-	-	-	-	(1,900)	(195)	(11,904)
Decrease due to harvest	(319,437)	(26,884)	(20,035)	(910,287)	(30,699)	(1,553)	(11,694)
Translation difference	227	-	-	-	-	-	-
As of 31 December 2013	45,745	38,893	65,907	73,267	26,642	3,677	5,637

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15. Biological assets *(continued)*

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy, except for cattle and pigs that can be measured based on market prices of livestock similar age, breed and genetic merit, which is measured at fair value within Level 1 of the fair value hierarchy. There were no transfers between any levels during the year.

The following unobservable inputs were used to measure the biological assets:

Description	*Fair value as at 31 December 2013*	*Valuation technique(s)*	*Unobservable inputs*	*Range of unobservable inputs (average)*	*Relationship of unobservable inputs to fair value*
Crops in fields	45,745	Discounted cash flows	Crops yield - tonnes per hectare	3.0 – 5.3 (4.7)	The higher the crops yield, the higher the fair value
			Crops price	USD 200 - 430 (263) per tonne	The higher the market price, the higher the fair value
			Discount rate	12.37%	The higher the discount rate, the lower the fair value
Orchards	38,893	Discounted cash flows	Fruit yield - tonnes per hectare	5.7 - 39.2 (24.5) per year	The higher the fruit yield, the higher the fair value
			Fruit price	USD 623 – 2,206 (840) per tonne	The higher the market price, the higher the fair value
			Discount rate	14.01%	The higher the discount rate, the lower the fair value
Breeders held for hatchery eggs production	65,907	Discounted cash flows	Number of hatchery eggs produced by one breeder	165 - 175	The higher the number, the higher the fair value
			Hatchery egg price	USD 0.32 – 0.36 (0.33) per egg	The higher the market price, the higher the fair value
			Discount rate	12.37%	The higher the discount rate, the lower the fair value
Broiler poultry	73,267	Cash flows	Average weight of one broiler - kg	2.26	The higher the weight, the higher the fair value
			Poultry meat price	USD 1.47 – 1.60 (1.54) per kg	The higher the market price, the higher the fair value
Milk cows	24,111	Discounted cash flows	Milk yield - litre per cow	10.96 - 18.79 (15.05) per day	The higher the milk yield, the higher the fair value
			Weight of the cow - kg per cow	475 - 532 (492)	The higher the weight, the higher the fair value
			Milk price	USD 0.40 - 0.50 (0.49) per litre	The higher the market price, the higher the fair value
			Meat price	USD 1.2 – 1.32 (1.25) per kg	The higher the market price, the higher the fair value
			Discount rate	14.01%	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the current and non-current biological assets would decrease/increase by USD 39,935 thousand and USD 24,452 thousand respectively.

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16. Inventories

The balances of inventories were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Components for mixed fodder production	121,291	175,013	111,220
Work in progress	54,365	44,043	35,705
Other raw materials	32,078	25,023	19,037
Spare parts	16,593	10,999	5,373
Sunflower oil	10,785	9,662	3,077
Packaging materials	4,189	4,533	4,057
Mixed fodder	3,726	3,802	2,822
Other inventories	2,834	1,180	949
	245,861	274,255	182,240

As of 31 December 2013, 2012 and 2011 work in progress in the amount of USD 54,365 thousand, USD 44,043 thousand and USD 35,705 thousand comprised expenses incurred in cultivating fields to be planted in the years 2014, 2013 and 2012, respectively.

As of 31 December 2013, components for mixed fodder production with carrying amount of USD nil (2012: USD 62,500 thousand, 2011: USD 45,491 thousand) were pledged as collateral to secure bank borrowings (Note 22).

17. Agricultural produce

The balances of agricultural produce were as follows as of 31 December 2013, 2012 and 2011:

	Thousand tonnes	*Carrying amount*	*Thousand tonnes*	*Carrying amount*	*Thousand tonnes*	*Carrying amount*
	2013		*2012*		*2011*	
Chicken meat	20,440	40,035	14,715	26,206	5,561	11,716
Other meat	*N/A*[1)]	3,724	*N/A*[1)]	4,059	*N/A*[1)]	6,380
Grain	776	110,233	631	121,507	841	131,764
Fruits, vegetables and other crops	*N/A*[1)]	18,729	*N/A*[1)]	14,356	*N/A*[1)]	19,162
		172,721		166,128		169,022

[1)] Due to the diverse composition of noted produce unit of measurement is not applicable.

The fair value of Agricultural produce was estimated based on market price as at date of harvest and is within level 1 of the fair value hierarchy.

18. Taxes recoverable and prepaid, net

Taxes recoverable and prepaid were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
VAT recoverable	223,037	213,944	149,853
Miscellaneous taxes prepaid	6,096	5,228	1,350
Less: allowance for irrecoverable VAT	(19,984)	(18,864)	(14,028)
	209,149	200,308	137,175

19. Trade accounts receivable, net

The balances of trade accounts receivable were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Agricultural operations	69,207	59,177	53,750
Due from related parties *(Note 27)*	1,018	10,359	10,895
Sunflower oil sales	2,061	4,237	1,934
Less: allowance for irrecoverable amounts	(1,374)	(1,157)	(785)
	70,912	72,616	65,794

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19. Trade accounts receivable, net *(continued)*

The allowance for irrecoverable amounts is estimated at the level of 25% of trade accounts receivable on sales of poultry meat which are over 30 days past due (for trade accounts receivable on other sales – over 60 days). Trade accounts receivable on sales of poultry meat which are aged over 270 days and trade accounts receivable on other sales which are aged over 360 days are provided in full.

The Group also performs specific analysis of trade accounts receivable due from individual customers to determine whether any further adjustments are required to the allowance for irrecoverable amounts assessed on the percentages disclosed above. Based on the results of such a review as of 31 December 2013 the Group determined that trade accounts receivable on sales of poultry meat of USD 445 thousand (2012: USD 456 thousand, 2011: USD 750 thousand) were overdue but do not require allowance for irrecoverable amounts.

For the year ended 31 December 2013, 2012 and 2011 the Group has not recorded any impairment of receivables relating to amounts owed by related parties as management is certain about their recoverability.

The ageing of trade accounts receivable that were impaired as of 31 December 2013, 2012 and 2011 was as follows:

	Trade accounts receivable			*Allowance for irrecoverable amounts*		
	2013	*2012*	*2011*	*2013*	*2012*	*2011*
Trade accounts receivable on sales of poultry meat:						
Over 30 but less than 270 days	-	915	372	-	(457)	(93)
Over 270 days	647	125	344	(647)	(125)	(344)
	647	1,040	716	(647)	(582)	(437)
Trade accounts receivable on other sales:						
Over 60 but less than 360 days	308	359	199	(78)	(141)	(50)
Over 360 days	649	434	298	(649)	(434)	(298)
	957	793	497	(727)	(575)	(348)
	1,604	1,833	1,213	(1,374)	(1,157)	(785)

20. Cash and cash equivalents

The balances of cash and cash equivalents were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Cash in hand and with banks	98,880	41,027	47,119
USD short-term deposits with banks	60,170	45,000	37,000
UAH short-term deposits with banks	11,885	8,758	10,639
RUB short-term deposits with banks	1,535	-	-
	172,470	94,785	94,758

During the year ended 31 December 2013, UAH, RUB and USD denominated short-term deposits earned an effective interest rate of 13.32%, 5.73% and 5.10%, respectively (2012: 18.00% and 6.42%, respectively; 2011: 5.29% and 5.60%). All cash and cash equivalents are held within reputable foreign and Ukrainian banks.

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21. Shareholders' equity

Share capital

As of 31 December the authorized, issued and fully paid share capital of MHP S.A. comprised the following number of shares:

	2013	*2012*	*2011*
Number of shares authorized for issue	159,250,000	159,250,000	159,250,000
Number of shares issued and fully paid	110,770,000	110,770,000	110,770,000
Number of shares outstanding	105,666,888	105,666,888	107,854,856

The authorized share capital as of 31 December 2013, 2012 and 2011 was EUR 318,500 thousand represented by 159,250,000 shares with par value of EUR 2 each.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group.

Treasury shares

During the year ended 31 December 2012 the Group acquired, under the share buy-back program, 3,445,000 shares for cash consideration of USD 41,465 thousand. In December 2012 the Group transferred 1,257,032 shares in exchange for a 10% share in NPF Urozhay, the Group's subsidiary. The excess of the fair value of shares transferred (that approximated the carrying value of the non-controlling interest at the transaction date) over the carrying value of the shares bought back, in the amount of USD 2,417 thousand was recognized as an adjustment to additional paid-in capital (Note 2).

22. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2013, 2012 and 2011:

		2013		*2012*		*2011*	
Bank	*Currency*	*WAIR [1]*	*USD' 000*	*WAIR [1]*	*USD' 000*	*WAIR [1]*	*USD' 000*
Foreign banks	USD	6.05%	88,414	5.14%	190,976	4.39%	95,979
Foreign banks	EUR	1.81%	164,250	2.15%	162,675	3.13%	97,009
			252,664		353,651		192,988
Ukrainian banks	USD	4.80%	38,000	5.43%	147,490	5.39%	86,500
			38,000		147,490		86,500
Total bank borrowings			290,664		501,141		279,488
Less:							
Short-term bank borrowings and current portion of long-term bank borrowings			(98,367)		(301,658)		(170,380)
Total long-term bank borrowings			192,297		199,483		109,108

[1] WAIR represents the weighted average interest rate on outstanding borrowings.

The Group's borrowings are drawn from various banks as term loans, credit line facilities and overdrafts. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. Interest on the borrowings drawn with the Ukrainian banks is payable on a monthly or quarterly basis. Interest on borrowings drawn with foreign banks is payable semi-annually.

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22. Bank borrowings *(continued)*

Term loans and credit line facilities were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Credit lines	38,000	232,490	146,500
Term loans	252,664	268,651	132,988
	290,664	501,141	279,488

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Floating interest rate	290,664	501,141	276,712
Fixed interest rate	-	-	2,776
	290,664	501,141	279,488

Bank borrowings and credit lines outstanding as of 31 December 2013, 2012 and 2011 were repayable as follows:

	2013	*2012*	*2011*
Within one year	98,367	301,658	170,380
In the second year	58,479	66,840	30,951
In the third to fifth year inclusive	125,390	115,316	60,871
After five years	8,428	17,327	17,286
	290,664	501,141	279,488

As of 31 December 2013, the Group had available undrawn facilities of USD 287,844 thousand (2012: USD 133,981 thousand, 2011: USD 251,315 thousand). These undrawn facilities expire during the period from January 2014 until June 2020.

The Group, as well as, particular subsidiaries of the Group have to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied with by the Group are as follows: total equity to total assets ratio, net debt to EBITDA ratio, EBITDA to interest expenses ratio and current ratio. The Group subsidiaries are also required to obtain approval from lenders regarding the property to be used as collateral.

During the years ended 31 December 2013, 2012 and 2011 the Group has complied with all covenants imposed by banks providing the loans.

As of 31 December 2013, the Group had borrowings of USD nil (2012: USD 50,000 thousand, 2011: USD 52,191 thousand) that were secured. These borrowings were secured by property, plant and equipment with a carrying amount of USD nil (2012: USD nil, 2011: USD 4,648 thousand) (Note 12) and inventories with a carrying amount of USD nil (2012: USD 62,500 thousand, 2011: USD 45,491 thousand) (Note 16).

As of 31 December 2013, 2012 and 2011 accrued interest on bank borrowings were USD 1,668 thousand, USD 3,969 thousand and USD 1,916 thousand, respectively.

23. Bonds issued

Bonds issued and outstanding as of 31 December 2013, 2012 and 2011 were as follows:

	2013	*2012*	*2011*
8.25% Senior Notes due in 2020	750,000	-	-
10.25% Senior Notes due in 2015	234,767	584,767	584,767
Unamortized premium on bonds issued	1,426	2,801	3,755
Unamortized debt issuance cost	(34,465)	(16,053)	(21,522)
	951,728	571,515	567,000

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23. Bonds issued *(continued)*

As of 31 December 2013, 2012 and 2011 accrued interest on bonds issued were USD 19,103 thousand, USD 10,156 thousand and USD 10,157 thousand, respectively.

8.25% Senior Notes

On 2 April 2013, MHP S.A. issued USD 750,000 thousand 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. USD 350,000 thousand out of issued USD 750,000 thousand 8.25% Senior Notes were used to facilitate the early redemption and exchange of its existed 10.25% Senior Notes due in 2015.

The early redemption of 10.25% Senior Notes due in 2015 from the issue of 8.25% Senior Notes due in 2020, which were placed with the same holders, resulted in a change in the net present value of the future cash flows of less than 10%, and thus was accounted for as modification and all the related expenses, including consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of USD 28,293 thousand.

Other related expenses, including consent fees, in the amount of USD 16,654 thousand were expensed as incurred.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Druzhba Narodiv, Druzhba Narodiv Nova, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Katerynopilsky Elevator, Ptahofabryka Peremoga Nova, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Ptahofabryka Shahtarska Nova, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka.

10.25% Senior Notes

In November 2006, MHP SA issued USD 250,000 thousand10.25% Senior Notes, due in November 2011, at par.

On 29 April 2010, MHP S.A. issued USD 330,000 thousand 10.25% Senior Notes due in 2015 at an issue price of 101.452% of principal amount.

As of 13 May 2010 MHP S.A. exchanged 96.01% (USD 240,033 thousand) of USD 250,000 thousand of the existing 10.25% Senior Notes due in 2011 for the new Notes due in 2015. As a result of the exchange, new Senior Notes were issued for the total par value of USD 254,767 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Druzhba Narodiv, Druzhba Narodiv Nova, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Katerynopilsky Elevator, Ptahofabryka Peremoga Nova, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Ptahofabryka Shahtarska Nova, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka. Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

If the Group fails to comply with the covenants imposed, all outstanding Senior Notes will become due and payable without further action or notice. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

During the years ended 31 December 2013, 2012 and 2011 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes is 9.9% per annum for the year ended 31 December 2013 and 11.7% per annum for the years ended 31 December 2012 and 2011. The Notes are listed on London Stock Exchange.

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24. Finance lease obligations

Long-term finance lease obligations represent amounts due under agreements for the leasing of trucks, agricultural machinery and equipment with Ukrainian and foreign companies. As of 31 December 2013, the weighted average interest rates on finance lease obligations were 6.85% and 7.90% for finance lease obligations denominated in EUR and USD, respectively (2012: 7.28% and 7.69%, 2011: 8.88% and 7.68%).

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2013, 2012 and 2011:

	Minimum lease payments			*Present value of minimum lease payments*		
	2013	*2012*	*2011*	*2013*	*2012*	*2011*
Payable within one year	23,748	25,704	22,736	20,484	21,491	19,267
Payable in the second year	19,323	20,130	16,391	17,202	17,814	14,706
Payable in the third to fifth year inclusive	23,440	30,488	19,145	22,168	28,142	17,852
	66,511	76,322	58,272	59,854	67,447	51,825
Less:						
Future finance charges	(6,657)	(8,875)	(6,447)	-	-	-
Present value of finance lease obligations	59,854	67,447	51,825	59,854	67,447	51,825
Less:						
Current portion				(20,484)	(21,492)	(19,267)
Finance lease obligations, long-term portion				39,370	45,955	32,558

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25. Trade accounts payable

Trade accounts payable were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Trade accounts payable to third parties	101,979	68,918	52,655
Payables due to related parties *(Note 27)*	11	52	34
	101,990	68,970	52,689

As of 31 December 2013 trade accounts payable included liabilities that bear a floating rate of interest under grain purchase financing arrangements in the amount of USD 60,486 thousand and accrued interest of USD 593 thousand (2012: USD 29,362 thousand and accrued interest of USD 294 thousand, 2011: USD 11,184 thousand and accrued interest of USD 126 thousand).

26. Other current liabilities

Other current liabilities were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Accrued payroll and related taxes	36,097	34,285	32,886
Advances from and other payables due to related parties *(Note 27)*	20,974	200	200
Advances from and other payables due to third parties	9,685	7,820	1,921
Amounts payable for property, plant and equipment	7,112	11,415	10,236
Other payables	12,955	9,182	8,026
	86,823	62,902	53,269

27. Related party balances and transactions

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises 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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

Transactions with related parties under common control

The Group enters into transactions with related parties that are the companies under common control of the Principal Shareholder of the Group (Note 1) in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements.

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. Management believes that amounts receivable due from related parties do not require an allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

The transactions with the related parties during the years ended 31 December 2013, 2012 and 2011 were as follows:

	2013	*2012*	*2011*
Sales of goods to related parties	8,103	9,058	10,649
Sales of services to related parties	67	107	89
Purchases from related parties	228	544	127

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27. Related party balances and transactions *(continued)*

The balances owed to and due from related parties were as follows as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Trade accounts receivable *(Note 19)*	1,018	10,359	10,895
Payables due to related parties *(Note 25)*	11	52	34
Payables for dividends declared, included in *Other current liabilities (Note 26)*	20,974	-	-
Advances received *(Note 26)*	-	200	200
Advances and finance aid receivable	115	4,935	2,000

The amount of payables includes payables for dividends related to the liability to the Company's major shareholder for the declared dividends (Note 29). The Board of Directors of MHP S.A. also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than 1 March 2014), with no interest accrued on the amount of dividend paid later.

Compensation of key management personnel

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income amounted to USD 12,969 thousand, USD 11,686 thousand and USD 8,741 thousand for the years ended 31 December 2013, 2012 and 2011, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 550 thousand, USD 407 thousand and USD 380 thousand in 2013, 2012 and 2011, respectively.

Key management personnel totalled 42, 40 and 38 individuals as of 31 December 2013, 2012 and 2011, respectively, including 4 independent directors as of 31 December 2013, 2012 and 2011.

Other transactions with related parties

In December 2012 the Group increased its effective ownership interest in NPF Urozhay to 99.9% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 1,257,032 treasury shares held by the Group (Note 2, 21).

28. Contingencies and contractual commitments

Political crisis

Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook.

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional government has been formed. In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. The further political developments are currently unpredictable and may adversely affect the Ukrainian economy.

As of 31 December 2013 and for the year then ended, the Group's assets located in the Crimea region amounted to 5% of the Group's total assets generating in average 9% of operating profit per annum.

As of the date of this report, operation of the Group's facilities throughout Ukraine, including those in Crimea continued to operate normally through the first quarter of 2014.

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28. Contingencies and contractual commitments *(continued)*

Taxation

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later (such as, Section III dealing with corporate income tax, which came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for the agricultural industry from 1 January 2018, as discussed in Notes 11 and 9 respectively, the Tax Code also changed various other taxation rules.

Starting from 1 September 2013, new detailed transfer pricing rules were introduced into the Ukrainian legislation. These rules introduce additional reporting and documentation requirements to certain types of transactions (including, but not limited to, transactions with related parties). The new legislation allows the tax authorities to impose additional tax liabilities in respect of these transactions if they consider the transactions to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Legal issues

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2013, the Group companies had ongoing litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. According to the assessment performed by the management of the Group on a case by case basis the maximum exposure of the Group to such risks as of 31 December 2013 amounted to USD 32,182 thousand. Out of this amount, USD 31,613 thousand relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group. Based on past history of court resolutions of similar lawsuits Management believes that possible exposure relating to these court cases amounts to approximately USD 569 thousand as of 31 December 2013 (2012: USD 1,196 thousand, 2011: USD 2,000 thousand).

Contractual commitments on purchase of property, plant and equipment

During the years ended 31 December 2013, 2012 and 2011, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property plant and equipment for development of agricultural operations. As of 31 December 2013, purchase commitments on such contracts were primarily related to construction of the Vinnytsia poultry complex and amounted to USD 6,993 thousand (2012: USD 14,689 thousand, 2011: USD 80,168 thousand).

Commitments on land operating leases

The Group has the following contractual obligations in respect of land operating leases as of 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Within one year	25,913	22,011	12,480
In the second to the fifth year inclusive	81,871	74,288	41,457
Thereafter	80,787	79,551	64,713
	188,571	175,850	118,650

The increase in contractual obligations under land operating leases was attributable to higher rates, introduced by the Ukrainian Government effective from January 2012, used to determine the amount of such obligations.

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28. Contingencies and contractual commitments *(continued)*

Ukrainian legislation provides for a ban on sales of agricultural land plots till 1 January 2016. There are significant uncertainties as to the subsequent extension of the ban. The current legislation has resulted in the Group holding land lease rights, rather than the land itself.

29. Dividends

On 4 March 2013, the Company announced that the Board of Directors approved a payment of dividend of USD 1.13 per share, equivalent to USD 120 million. On 16 May 2013 the Board of Directors approved a payment date of dividends on 28 May 2013 to shareholders of record on 22 May 2013. The Board of Directors approved that no dividend will be paid on the Company's treasury shares.

30. Fair value of financial instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of International Financial Reporting Standards 7 "Financial Instruments: Disclosure" and 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, short-term bank deposits, trade accounts receivables, and trade accounts payable due to the short-term nature of the financial instruments.

Set out below is the comparison by category of carrying amounts and fair values of all the Group's financial instruments, excluding those discussed above, that are carried in the consolidated statement of financial position:

	Carrying amount			*Fair value*		
	2013	*2012*	*2011*	*2013*	*2012*	*2011*
Financial liabilities						
Bank borrowings *(Note 22)*	290,664	501,141	279,488	297,276	508,702	283,677
Senior Notes due in 2015 *(Note 23)*	234,859	581,671	577,157	242,690	601,385	513,697
Senior Notes due in 2020 *(Note 23)*	735,972	-	-	669,375	-	-
Finance lease obligations *(Note 24)*	59,854	67,447	51,825	60,368	66,342	51,418

The carrying amount of Senior Notes issued includes interest accrued at each of the respective dates.

The fair value of bank borrowings and finance lease obligations was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings: 3.3% (2012: 3.0%, 2011: 4.5%) and for finance lease obligations of 7.5% (2012: 8.0%, 2011: 8.0%), and is within level 2 of the fair value hierarchy.

The fair value of Senior Notes was estimated based on market quotations and is within level 1 of the fair value hierarchy.

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31. Risk management policies

During the years ended 31 December 2013, 2012 and 2011 there were no material changes to the objectives, policies and process for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and through the issue of new debt or the redemption of existing debt.

The Group's target is to achieve a leverage ratio (net debt to adjusted operating profit) of not higher than 3.0. The Group defines its leverage ratio as the proportion of net debt to adjusted operating profit.

As of 31 December 2013, 2012 and 2011 the leverage ratio was as follows:

	2013	*2012*	*2011*
Bank borrowings *(Note 22)*	290,664	501,141	279,488
Bonds issued *(Note 23)*	951,728	571,515	567,000
Finance lease obligations *(Note 24)*	59,854	67,447	51,825
Debt	1,302,246	1,140,103	898,313
Less:			
Cash and cash equivalents and Short-term bank deposits	(172,470)	(94,785)	(96,535)
Net debt	1,129,776	1,045,318	801,778
Operating profit	271,836	380,583	320,744
Adjustments for:			
Depreciation and amortization expense *(Notes 7,8)*	119,014	87,135	80,341
Adjusted operating profit	390,850	467,718	401,085
Net debt to adjusted operating profit	2.89	2.23	2.00

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31. Risk management policies *(continued)*

Capital risk management *(continued)*

Debt is defined as bank borrowings, bonds issued and finance lease obligations. Net debt is defined as debt less cash and cash equivalents and short-term bank deposits. For the purposes of the leverage ratio, debt does not include interest-bearing liabilities, which are included in trade accounts payable (Note 25). Adjusted operating profit is defined as operating profit adjusted for the depreciation and amortization expense and losses and gains believed by the management to be non-recurring in nature, as this measure produces results substantially comparable to those reviewed for the purposes of financial covenants under the Group's borrowings.

Major categories of financial instruments

	2013	*2012*	*2011*
Financial assets:			
Long-term bank deposits	5,802	6,154	6,017
Loans to employees and related parties	1,645	1,966	2,437
Other receivables	19,789	5,750	1,828
Trade accounts receivable, net *(Note 19)*	70,912	72,616	65,794
Short-term bank deposits	-	-	1,777
Cash and cash equivalents *(Note 20)*	172,470	94,785	94,758
	270,618	181,271	172,611
Financial liabilities:			
Bank borrowings *(Note 22)*	290,664	501,141	279,488
Bonds issued *(Note 23)*	951,728	571,515	567,000
Finance lease obligations *(Note 24)*	59,854	67,447	51,825
Amounts payable for property, plant and equipment *(Note 26)*	7,112	11,415	10,236
Accrued interest *(Note 22, 23)*	20,771	14,125	12,073
Trade accounts payable *(Note 25)*	101,990	68,970	52,689
Other current liabilities *(Note 26)*	12,943	9,182	8,026
	1,445,062	1,243,795	981,337

The main risks inherent to the Group's operations are those related to credit risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk, and commodity price and procurement risk.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or group of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set at 5-21 days.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. No assessment is performed immediately from the date credit period is expired. About 38% (2012: 31%, 2011: 28%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the longest contractual receivable settlement period among customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

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31. Risk management policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2013, 2012 and 2011. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

	Carrying amount	*Contractual Amounts*	*Less than 1 year*	*From 2nd to 5th year*	*After 5th year*
Year ended 31 December 2013					
Bank borrowings	290,664	318,603	106,083	203,978	8,542
Bonds issued	951,728	1,423,050	85,939	494,298	842,813
Finance lease obligations	59,854	66,080	23,664	42,416	-
Total	1,302,246	1,807,733	215,686	740,692	851,355
Year ended 31 December 2012					
Bank borrowings	501,141	526,824	313,702	195,146	17,976
Bonds issued	571,515	734,613	59,939	674,674	-
Finance lease obligations	67,447	76,735	25,705	51,030	-
Total	1,140,103	1,338,172	399,346	920,850	17,976
Year ended 31 December 2011					
Bank borrowings	279,488	299,418	177,506	103,210	18,702
Bonds issued	567,000	794,552	59,939	734,613	-
Finance lease obligations	51,825	58,272	22,736	35,536	-
Total	898,313	1,152,242	260,181	873,359	18,702

All other financial liabilities (excluding those disclosed above) are repayable within one year.

The Group's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, at the level of not less than 1.2. As of 31 December 2013, 2012 and 2011, the current ratio was as follows:

	2013	*2012*	*2011*
Current assets	1,109,166	1,001,248	808,745
Current liabilities	328,435	469,147	307,678
	3.38	2.13	2.63

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, but the management of the Group sets limits on the level of exposure to foreign currency fluctuations in order to manage currency risk.

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31. Risk management policies *(continued)*

Currency risk *(continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December were as follows:

	2013		*2012*		*2011*	
	USD	*EUR*	*USD*	*EUR*	*USD*	*EUR*
ASSETS						
Long-term bank deposits	-	5,802	-	6,154	-	6,017
Trade accounts receivable	12,429	-	8,607	-	3,794	-
Other current assets, net	928	39	732	35	688	-
Cash and cash equivalents	118,211	540	73,270	1,017	71,766	1,165
	131,568	6,381	82,609	7,206	76,248	7,182
LIABILITIES						
Current liabilities						
Trade accounts payable	66,088	5,637	30,592	4,897	12,146	3,522
Other current liabilities	21,145	3,373	593	5,508	266	7,389
Accrued interest	19,892	878	13,312	813	11,416	657
Short-term bank borrowings	59,401	38,966	270,362	31,296	151,918	17,264
Short-term finance lease obligations	14,088	6,312	12,794	8,698	9,605	9,662
	180,614	55,166	327,653	51,212	185,351	38,494
Non-current liabilities						
Long-term bank borrowings	65,729	126,568	68,104	131,379	30,561	79,745
Bonds issued	984,782	-	584,767	-	584,767	-
Long-term finance lease obligations	23,317	15,705	25,013	20,536	25,581	6,977
	1,073,828	142,273	677,884	151,915	640,909	86,722
	1,254,442	197,439	1,005,537	203,127	826,260	125,216

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31. Risk management policies *(continued)*

Currency risk *(continued)*

The table below illustrates the Group's sensitivity to a change in the exchange rate of the Ukrainian Hryvnia against the US Dollar and EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for possible change in foreign currency rates.

	Change in foreign currency exchange rates	*Effect on profit before tax*
2013		
Increase in USD exchange rate	10%	(112,287)
Increase in EUR exchange rate	10%	(19,106)
Decrease in USD exchange rate	5%	56,144
Decrease in EUR exchange rate	5%	9,553
2012		
Increase in USD exchange rate	10%	(92,293)
Increase in EUR exchange rate	10%	(19,592)
Decrease in USD exchange rate	5%	46,146
Decrease in EUR exchange rate	5%	9,796
2011		
Increase in USD exchange rate	10%	(75,001)
Increase in EUR exchange rate	10%	(11,803)
Decrease in USD exchange rate	5%	37,501
Decrease in EUR exchange rate	5%	5,902

The effect of foreign currency sensitivity on shareholders' equity is included in the statement of comprehensive income. There are no hedging activities in the other comprehensive income, so the statement of comprehensive income and the statement of changes in equity impacts are the same.

During the years ended 31 December 2013, 2012 and 2011, the Ukrainian Hryvnia was relatively stable against the US dollar. During the year ended 31 December 2013 the Ukrainian Hryvnia depreciated against the EUR by 4.79% (2012: depreciated against the EUR by 2.32%, 2011: appreciated against the EUR by 2.60%). As a result, during the year ended 31 December 2013 the Group recognized net foreign exchange losses in the amount of USD 11,052 thousand (2012: foreign exchange losses in the amount of USD 3,285 thousand, 2011: foreign exchange gains in the amount of USD 2,318 thousand) in the consolidated statement of comprehensive income.

In November 2012 the National Bank of Ukraine ("NBU") introduced a requirement whereby a company is required to sell 50% of their foreign currency proceeds from any export sales at Ukrainian interbank currency market. During the year ended 31 December 2013 a USD 6,841 thousand (2012: USD 3,578 thousand) net foreign exchange gain resulting from the difference in NBU and Ukrainian interbank currency market exchange rates, was included in Other operating expenses.

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31. Risk management policies *(continued)*

Currency risk *(continued)*

The currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's foreign currency denominated liabilities and were as follows during the years, ended 31 December 2013, 2012 and 2011:

	2013	*2012*	*2011*
Sunflower oil and related products	253,194	227,835	222,418
Chicken meat and related products	216,683	112,931	67,874
Grain[1)]	114,923	138,639	63,101
Other agricultural segment products	405	431	486
	585,205	479,836	353,879

[1)] Grain export sales during the year ended 31 December 2013 includes USD 14,249 thousand of gain received from operations, when goods are exchanged or swapped for goods which are of similar nature.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to LIBOR or EURIBOR.

The below table illustrates the Group's sensitivity to increases or decreases of interest rates by 5% (2012: 5%, 2011: 5%). The analysis was applied to interest bearing liabilities (bank borrowings, finance lease obligations and accounts payable under grain purchase financing arrangements) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	Increase/ (decrease) of floating rate	*Effect on profit before tax*
		USD ' 000
2013		
LIBOR	5%	(6,381)
LIBOR	-5%	6,381
EURIBOR	5%	(8,320)
EURIBOR	-5%	8,320
2012		
LIBOR	5%	(17,146)
LIBOR	-5%	17,146
EURIBOR	5%	(8,189)
EURIBOR	-5%	8,189
2011		
LIBOR	5%	(9,263)
LIBOR	-5%	9,263
EURIBOR	5%	(4,781)
EURIBOR	-5%	4,781

The effect of interest rate sensitivity on shareholders' equity is equal to that on statement of comprehensive income.

Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

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31. Risk management policies *(continued)*

Commodity price and procurement risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

32. Pensions and retirement plans

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 31 December 2013 was USD 68,297 thousand and is recorded in the consolidated statement of comprehensive income on an accrual basis (2012: USD 58,450 thousand, 2011: USD 48,563 thousand). In January 2011 in accordance with the Law of Ukraine "On charge and accounting of unified social contribution" certain changes in the administration of social charges were made and social charges are to become payable in the form of Unified Social Contribution, including contributions to the State Pension Fund in range of 36.76%-49.7% of gross salary cost. The Group companies are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

33. Earnings per share

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2013	*2012*	*2011*
Profit for the year attributable to equity holders of the Parent	155,907	297,104	243,376
Earnings used in calculation of earnings per share	155,907	297,104	243,376
Weighted average number of shares outstanding	105,666,888	106,242,419	107,854,856
Basic and diluted earnings per share (USD per share)	1.48	2.80	2.26

The Group has no potentially dilutive ordinary shares nor other dilutive instruments; therefore, the diluted earnings per share equal basic earnings per share.

34. Subsequent events

There are no subsequent events to mention.

35. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 1 April 2014.