NATIONAL COMPANY WITH A RICH HISTORY

Annual Report 2012

ovostar
union

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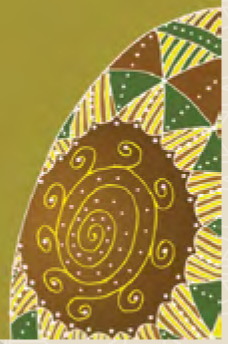
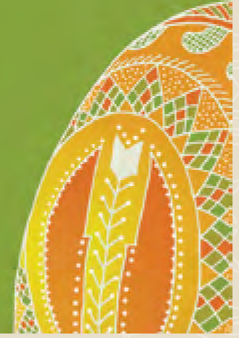
Corporate Governance Report



Consolidated Financial Statements



Company Financial Statements

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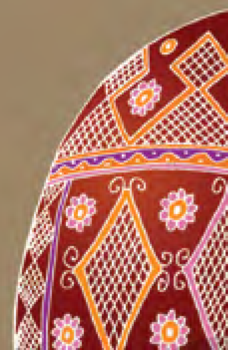


The year In Brief

Pysanky (Ukrainian Easter eggs) are decorated using one of the most popular symbols – The Sun Symbol. The cult of the sun was one of the most important for ancient Slavs. The Dazhboh was one of the main deities in the Slavic pantheon, the god of fertility, prosperity and sunshine, one of the major gods of Slavic mythology.

Key financials for two years

Income statement

in USD thousands	2012	2011*
Revenue	60,335	50,626
Net change in fair value of biological assets	10,995	6,935
Cost of sales	(42,237)	(34,297)
Gross profit	**29,093**	**23,264**
Other operating income	1,057	3,661
Selling and distribution costs	(3,785)	(2,952)
Administrative expenses	(1,783)	(1,923)
Other operating expenses	(808)	(1,418)
Operating profit	**23,774**	**20,632**
EBITDA	**27,259**	**22,267**
Finance costs	(266)	(1,794)
Finance income	787	1,115
Profit before tax	**24,295**	**19,953**
Income tax expense	(298)	33
Profit for the year	**23,997**	**19,986**
Exchange differences	39	(78)
Total comprehensive income for the year, net of tax	**24,036**	**19,908**

*Note: restated; for more information refer to Note 7 of the 2012 Consolidated Financial Statements

Balance sheet

in USD thousands	2012	2011*
Non-current assets	**85,677**	**47,539**
Non-current biological assets	32,331	20,517
Property, plant and equipment and intangible assets	53,265	25,606
Other non-current assets	-	1,324
Deferred tax assets	81	92
Current assets	**34,121**	**45,382**
Inventories	10,648	10,645
Current biological assets	8,754	1,921
Trade and other receivables	13,187	10,688
Prepayments to suppliers	380	587
Cash and cash equivalents	1,152	21,541
Total assets	**119,798**	**92,921**
Equity	**108,099**	**84,063**
Issued capital	79	78
Share premium	30,933	30,933
Foreign currency translation reserve	(26)	(63)
Retained earnings	50,399	30,728
Result for the period	23,456	19,671
Non-controlling interests	**3,258**	**2,716**
Non-current liabilities	2,001	2,604
Interest-bearing loans and other non-current financial liabilities	1,790	2,569
Deferred tax liabilities	211	35
Current liabilities	**9,698**	**6,254**
Trade and other payables	6,790	4,939
Advances received	273	154
Interest-bearing loans and borrowings	2,635	1,161
Total liabilities	**11,699**	**8,858**
Total equity and liabilities	**119,798**	**92,915**

Key financials for two years
continued

Key performance indicators

	2012	2011
Gross profit margin (%)	48%	46%
EBITDA margin (%)	45%	44%
Net profit margin (%)	40%	39%
ROA (%)	23%	30%
ROE (%)	25%	35%
Total debt ratio	0.10	0.10
Current ratio	3.55	7.26
Quick ratio	1.53	5.25
EPS (USD)	3.91	3.28

CEO message

Dear Shareholders,

Over the course of 2012 Ovostar Union continued to follow the chosen path, increasing production volumes while remaining committed to increased orientation on our customers' needs providing them poultry products of highest quality.

In 2012 our revenue increased by 19% YoY to USD 60 million due to growth in volumes sold in all segments. Gross margin remained comparable to previous year, increasing to 48% in 2012 from 46% in 2011. Our net profit increased by 20% over the same period last year to USD 24 million.

Our investments in expansion and modernization of production capacities form a solid foundation for further prosperity and growth. In 2012 we focused our efforts on completion of the IPO investment program and commenced a new stage of investments that will allow us to finalize reconstruction of the poultry complex in Vasylkiv by the end of 2013. Following completion of investment program stages I and II, laying hens farm in Vasylkiv will produce more than 1 billion eggs annually and will become one of the largest and most efficient egg production sites in Europe. This project involves state-of-the-art equipment and application of the most efficient production processes in the field of industrial poultry farming.

More than ever before, we want to build a reputation as the producer of choice, while remaining one of the best and most efficient. Over the last year we gained valuable and refreshing insight from our target customers; this has been ultimately reflected through rebranding of Yasensvit trademark in the beginning of 2013.
A sharp growth (more than 30%) in consumption of liquid egg products over the course of 2012 confirms high potential for further growth of this market segment.

We have worked a lot toward operational excellence and efficiency within our organization. For the short term, we aim to generate at least 25% organic growth in 2013, increasing our egg output to more than 900 million pieces. Moving into 2013, we aim to further build on our core strengths: vertically integrated business model, knowledgeable and enthusiastic workforce and strong focus on customer relationships. Having a clear vision of where we are going supported by a well-articulated step by step plan will ensure our success in the years ahead.

Sincerely,
Borys Bielikov
Chief Executive Officer

2012 at a glance

Expansion of egg processing capacities completed

Publication of annual results 2011

Ovostar Union was awarded the "Best Regional IPO on the WSE in 2011"

Commencement 2nd stage of investment program

Annual General Meeting of Shareholders

January | February | March | April | May | June

Ovostar LLC and Yasensvit LLC are recognized as the best domestic producer 2012

Completion of 1st stage of investment program announced during IPO

Retail Day – educating representatives of key retail chains about egg business

Ukraine approved as an importer of eggs and egg products to the EU

July | August | September | October | November | December

Report of the Management Board

Pysanky (Ukrainian Easter eggs) are decorated using one of the most popular symbols – The Sun Symbol. The cult of the sun was one of the most important for ancient Slavs. The Dazhboh was one of the main deities in the Slavic pantheon, the god of fertility, prosperity and sunshine, one of the major gods of Slavic mythology.

Corporate summary

Ovostar Union N.V. is a holding entity incorporated under the laws of the Netherlands consolidating companies with production assets located in Ukraine (hereinafter referred to as the "Group") whose shares have been quoted on the Warsaw Stock Exchange since 2011. Ovostar Union's mission is to work and progress in order to produce ecologically clean and healthy food for Ukrainians. Being one of Ukrainian market leaders, the Group is focused on production of branded eggs for middle class population and dry and liquid egg products for leading Ukrainian and international food companies present on the local market. Product quality is regarded by the Group as of paramount importance. Satisfied customers create the basis for profitable growth, while customer loyalty is achieved through superior quality of the products offered.

The Group provides the local market with the widest range of packed shell eggs and the most complete offering of egg products including pasteurized liquid, dry and frozen egg products. The Group is the largest producer of liquid egg products for the Ukrainian food industry. The Group provides shell eggs under brand name Yasensvit™; egg products are sold under Ovostar™ brand.

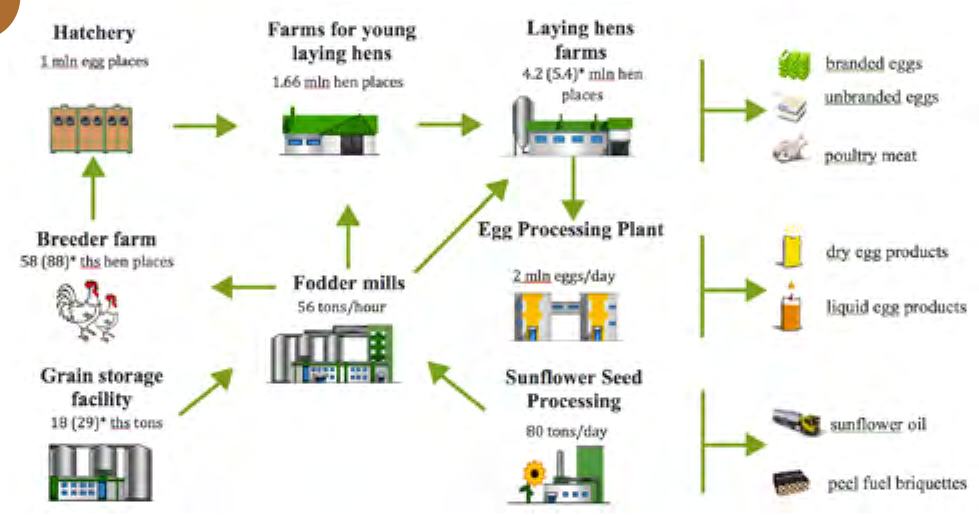
The Group has developed a vertically integrated business model that spans from parent flock to egg processing, including also fodder production and grain storage. A high level of vertical integration allows sustaining competitive advantage through tight controls over production costs and product quality at each stage of the production process.
The Group's sales volumes are expected to increase driven by growing demand for branded high-quality eggs from Ukrainian middle class, growing popularity of egg products, especially in liquid form, among Ukrainian food companies and increasing presence on the export markets, although Ukraine remains the key market for the Group.

Brands

Shell eggs	Egg products
ЯСЕНСВІТ	ОВОСТАР
Highly recognized national egg brand being supplied to the largest retail chains in Ukraine as well as to open markets through own points of sale	The most complete egg products offering being supplied to food companies in Ukraine and abroad

The Group's products are compliant with international quality standards ISO as well as applicable national Ukrainian standards and sanitary norms. A regular annual audit performed by Bureau Veritas in June 2012 confirmed that products produced by the Group remain compliant with ISO 9001:2008 and ISO 22000:2005 quality management systems.

Business model



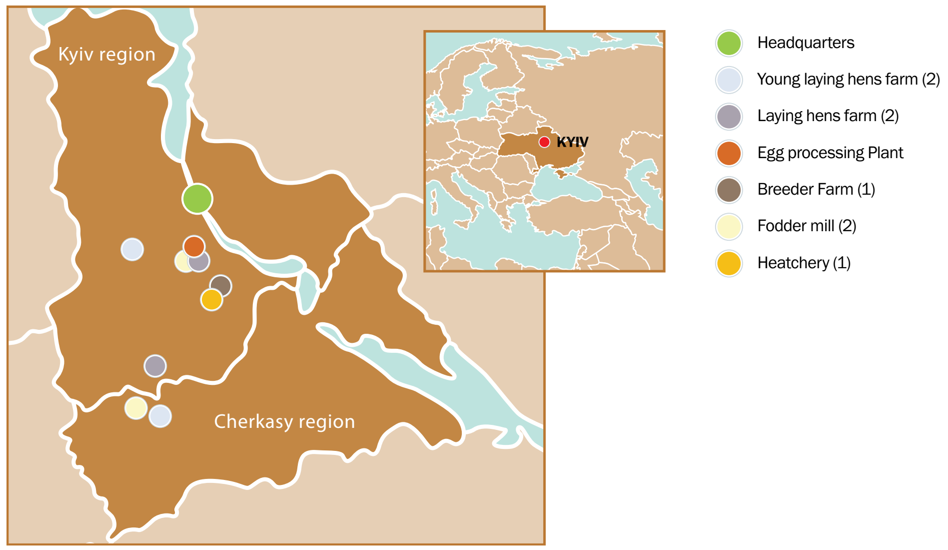
*Target capacity after completion of investment program stage II – by the end of 2013

Business geography

All of the Group's production facilities are located in the Northern part of Ukraine in Kyiv and Cherkassy regions within 130 km from each other. The production facilities include a breeder farm, a hatchery producing one-day pullets and two young laying hens sites supplying the Group's two laying hen farms. Egg processing plant is located on the premises of one of the laying hen farms (in Vasylkiv). Fresh eggs are being supplied to egg products facilities within 24 hours after being laid for further processing into high quality liquid and dry egg products. Auxiliary production consists of two fodder mills with a total capacity of 56 tons of feed per hour and sunflower processing plant that produces among other items sunflower meal that is included in poultry feed as a source of protein.

Production facilities of the Group employ the most modern equipment and advanced technological solutions that support high quality of the final products.

The Group's premises



Market overview and competitive position

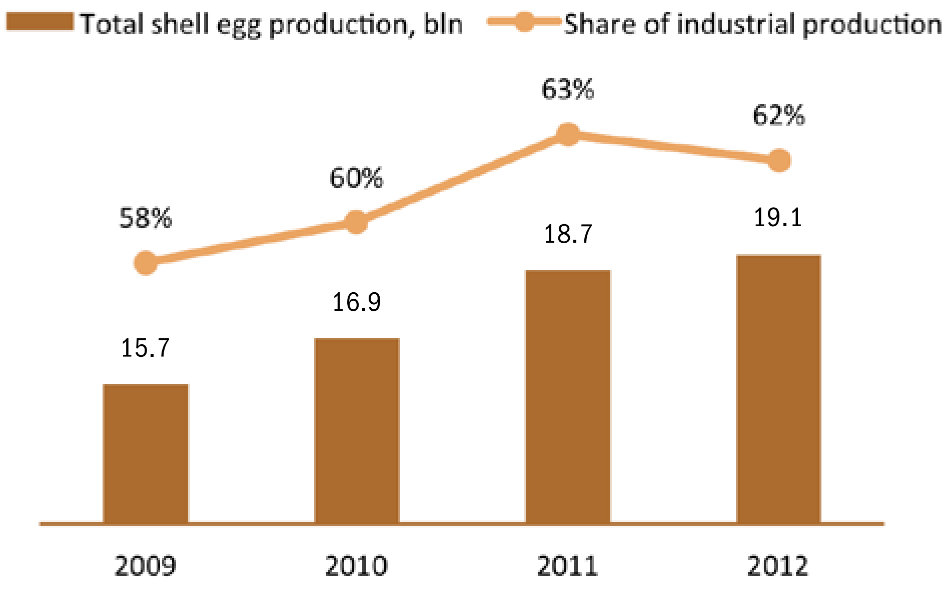
Shell egg market

Ukraine increased its aggregate shell egg production by 2% in 2012 to 19 billion pieces, according to the State Statistics Committee. Same as in previous years, egg market remained divided into industrial and household production, with industrial producers' share accounting for 62% of total volume of eggs produced in 2012. Further consolidation of the industrial sector of the market was visible throughout the year, with less efficient and less vertically integrated players leaving the market. Having produced 0.7 billion eggs in 2012, Ovostar Union increased its share in industrial egg production to 6.4% from 5.7% the year before.

The total number of laying hens flock housed in industrial format has remained levelled at 40 million birds. At the same time, average productivity of laying hens in industrial format has increased on a reported basis to 293 eggs per year from 286 eggs in 2011 as a result of further consolidation of the sector and the effects of production capacity expansion programs implemented by the leading producers.

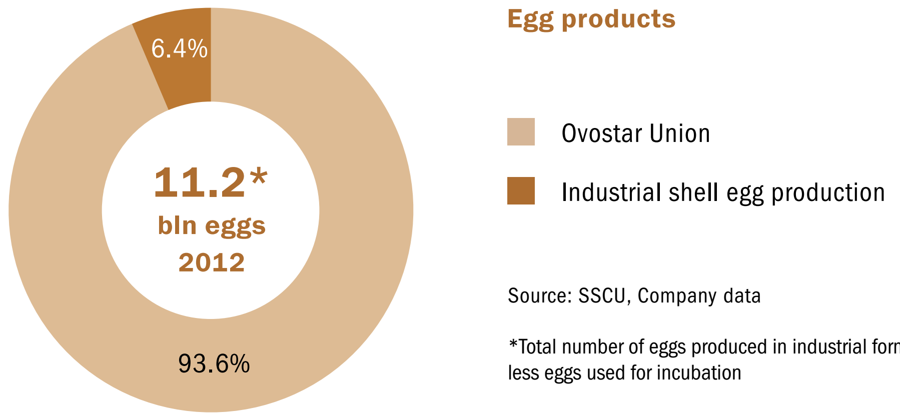
The largest customer base of the Group is concentrated in Ukraine, although Ovostar Union accounted for 8% of total egg export volumes, having exported 42 million eggs in 2012. According to the data of State Customs Authority (SCA) Ukrainian producers exported 499 million eggs in 2012. No eggs for sale were imported to Ukraine in 2012. Egg consumption in Ukraine in 2012 remained at the same level as the year before.

Shell egg production in Ukraine



Source: SSCU

The Group's share in industrial production of eggs in Ukraine



Source: SSCU, Company data

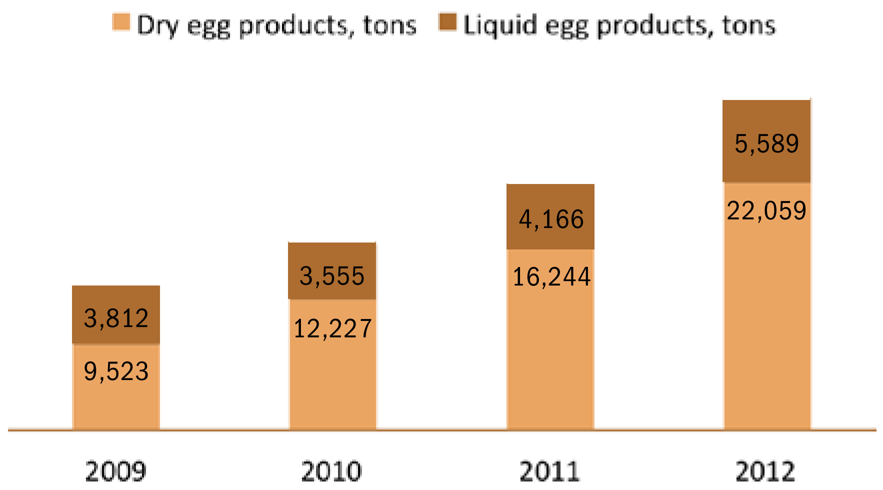
*Total number of eggs produced in industrial format less eggs used for incubation

Egg products market

Dry and liquid egg products are generally used in production of foods such as sauces, convenience foods, bakery and pasta. Processed eggs, especially in the form of liquid egg products, are expected to gain further popularity in emerging economies, such as Ukraine. In 2012 the market of liquid egg products expanded by 34% year on year to 5,589 tons, in line with expansion of food companies that consume liquid egg products.

The share of eggs consumed in the form of egg products still remains low in Ukraine compared to other countries which presents potential for further development and growth in this sector. Ukrainian producers exported 2,003 tons of egg products in 2012, according to the data of State Customs Authority, while the Group exported 373 tons of egg products during the year. In 2012 total import of egg products in Ukraine was 761 tons consisting mostly of desugarized dry egg white (albumen) used in confectionary and meat processing industries.

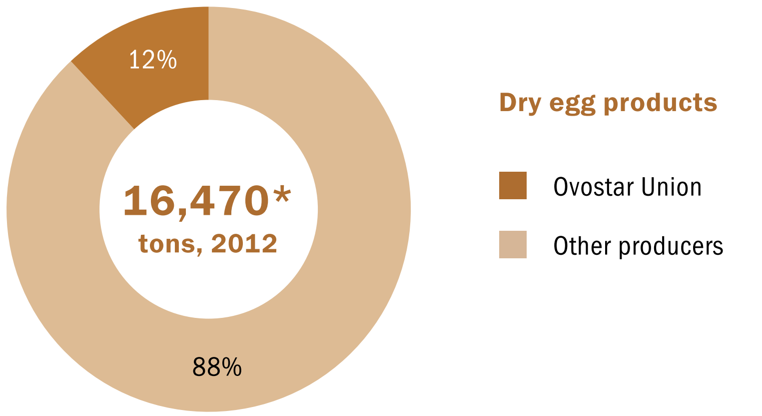
Egg products production in Ukraine

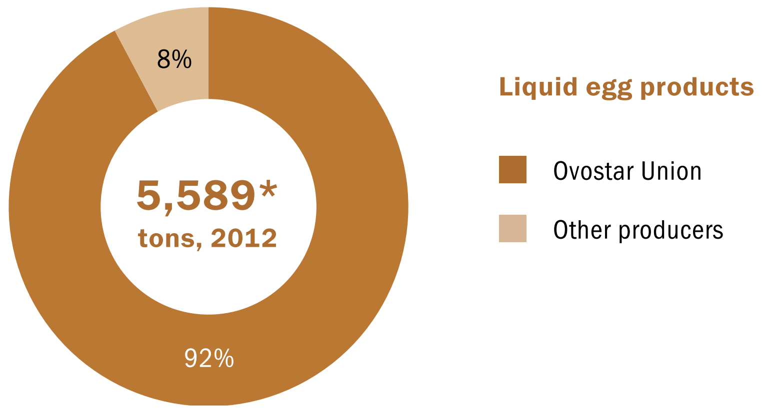


Source: Union of Poultry Farmers of Ukraine

Market overview and competitive position continued

The Group's share in total production of egg products in Ukraine





*Note: includes production of eggshell powder; in 2012 the Group produced 452 tons of eggshell powder used internally

Source: UPFU, Company data

Provided its expanded production capacities, Ovostar Union has a good opportunity to benefit from continued increase in selling prices for eggs and egg products as a result of further consolidation of Ukrainian industrial egg market and growing demand for liquid egg products from the food industry companies.

Export of Ukrainian eggs and egg products to the European Union

On 4 December 2012, Ukraine has been approved on the state level as an importer of poultry products to the member states of European Union, after being included in Annex 1 to Regulation 798/2008/EC. Poultry products include poultry meat, egg products and eggs for processing (sale of Ukrainian shell eggs on the territory of European Union is prohibited). Further, the competent state veterinary authority of Ukraine has provided appropriate animal health guarantees on compliance of eggs produced by the applicant companies with import rules of the EU. Following this, representatives of SANCO, the Veterinary Authority of the European Commission, conduct quality audits of the companies nominated by the Ukrainian State Veterinary Committee. All formal procedures of approval for individual Ukrainian producers are planned to be completed in May 2013.

This development presents Ukrainian companies in the poultry industry with new opportunities to extend the supply of their produce to a new export market with good potential. At the same time, import duties on poultry products currently make sales of egg products from Ukraine to EU economically unfeasible. The European market lately has been experiencing shortage of eggs due to recent introduction of European Council Directive 99/74/EC on welfare of poultry that provided birds with more spacious housing conditions, at the same time decreasing production efficiency of the laying hen farms.

Key Segments Activity

Revenue split by segments, 2012

Segment	Value, USD thousands	Share in total revenue, %
Eggs and other*	38,526	64%
Egg products	17,593	29%
Sunflower processing	4,216	7%
Total	**60,335**	**100%**

* Other sales in egg segment amounted to USD 1,665 ths in 2012

Egg segment

In 2012 the Group's egg production increased by 15% year-on-year to 719 million. The Group produced less eggs than was originally forecasted for 2012 as a result of two month delay in launch of two laying hens houses during the IPO investment program. In addition, the start of the new investment program ahead of schedule led to decommissioning of five laying hens houses for their further upgrade earlier than previously expected. At the same time, production forecasts for 2013 reflect the positive effect of investments applied in 2011 and 2012; the Group plans to increase egg production 25-39% on a reported basis to 900 - 1,000 million eggs in 2013.

Given favorable price trends for egg products in 2012, the management decided to direct higher than budgeted amounts of eggs to processing. Therefore, in 2012 egg sales increased only by 1% to 445 million from 439 million in 2011 contributing USD 36,861 ths to the total revenue (2011: USD 34,312 ths). The average eggs selling price improved by 6% year-on-year to USD 0.083/piece net of VAT, mainly as a result of increased branded eggs sales to retail chains.

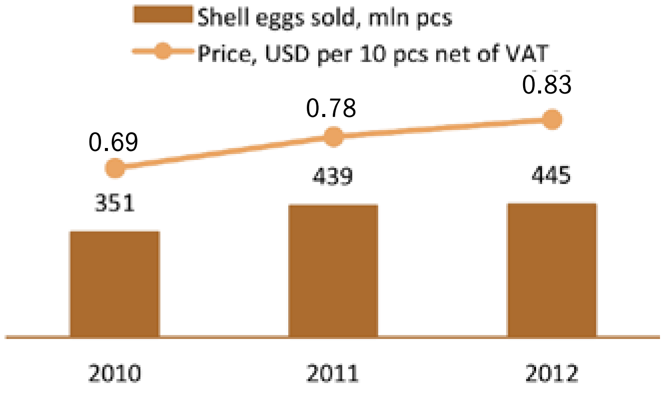
The Group's eggs are traditionally sold on the local market through four sales channels as well as are exported. Branded eggs constitute a major part of the Group's egg sales. These are sold through retail chains and branded points of sale. These are the Group's key sales channels, yielding 83% of egg sales revenue in 2012. The Group supplies multinational and local retail chains such as Metro, Auchan, Billa (REWE Group), Silpo and ATB. In 2012, sales through retail chains alone contributed 61% to the total egg revenue. In 2012 Yasensvit™ started cooperation with 2 new retail chains, Brusnichka and Natalka. These are local retailers located in Eastern and Southern regions of Ukraine, respectively. Export sales decreased on a reported basis both in terms of volume and value due to more favorable egg prices on the local market in 2012.

Prices for branded packaged eggs are traditionally higher than the average price on the market. The price premium is justified by superior quality of the products offered as well as them being tailored to consumer preferences of the specific target audience.
The Group is the major producer of private label eggs in Ukraine, supplying eggs branded by retail network to Auchan, Eko, Metro, Furshet, ATB, Velyka Kyshenya and a number of smaller regional retail chains.

Shell egg product portfolio

Segment	Number of sub-brands (as at 31.03.2013)
Premium	9
Standard	6
Economy	3
Private label	9

Egg sales



Egg sales channels structure

Sales channel	Share in total egg sales, in value terms, %		
	2012	2011	2010
Retail chains	61%	43%	39%
Branded points of sale	22%	32%	37%
Export	9%	14%	9%
Wholesale	4%	6%	15%
B2B	4%	5%	-
Total	**100%**	**100%**	**100%**

Key Segments Activity continued

Egg products segment

The Group processed 254 million eggs in 2012, producing 1,514 tons of dry and 5,138 tons of liquid egg products which represents a 12% and 34% year-on-year increase, respectively (2011: 1,352 and 3,842 tons). Increase in production volumes was impacted by launch of extended egg processing capacities in February 2012. The Group's production capacities are currently sufficient to satisfy the demand for all types of egg products on the local market.

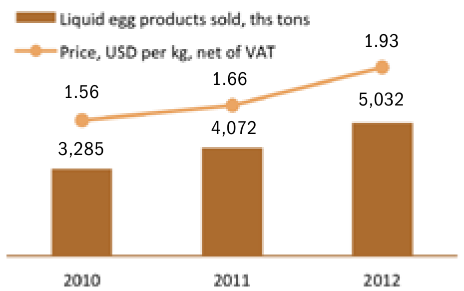
In 2012 the Group sold 1,398 tons of dry and 5,032 tons of liquid egg products. The average selling price improved by 17% and 16% year-on-year to USD 5.93/kg and USD 1.93/kg, respectively. Egg products segment revenue increased by 28% on a reported basis to USD 17,593 ths from USD 13,710 ths in 2011. Egg products prices are expected to continue growth supported by increasing demand for egg products from expanding food companies and leading position of the Group on Ukrainian egg products market.

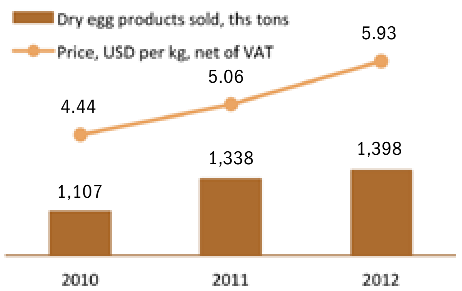
The Group's customer base in egg products segment is mixed in terms of size and industry, with key clients operating in mayonnaise and confectionery industries (among them are Roshen, Kraft Foods Ukraine, Chumak and Nestle). The Group focuses on production of liquid egg products as they are commonly used by key clients in their production recipes. In 2012 egg products segment revenue increased by 28% year-on-year to USD 17,593 ths (2011: USD 13,710 ths). Domestic sales of egg products contributed 10% or USD 1,787 ths to the total segment revenue.

Egg products portfolio

Dry egg products	Liquid egg products
Dry egg yolk	Liquid egg white
Whole egg powder	Liquid whole egg
Dry egg white	Liquid egg yolk
Dry egg yolk fermented	Liquid egg yolk fermented

Egg products sales





Other sales

Sales of non-core products accounted for USD 5,881 ths or nearly 10% of the Group's total revenue. These mainly comprise of sunflower oil and related products sales (USD 4,216 ths in 2012) as well as sales of poultry meat in egg segment. In 2012 the Group sold 3,987 tons of sunflower oil at an average price of USD 1,024/ton.

Rebranding of Yasensvit™

Appearance is one of the factors that deeply influence customer perception of a product. In a competitive market timely adjustment of the existing brand in accordance with customers' needs and expectations can attract new clients and increase the loyalty of the existing ones. In the end of 2012 to meet the shifting requirements of the Group's customers, renovation of Yasensvit™ has been conducted, thereby changing the logo as well as package appearance.

Rebranding is an integral part of our business strategy aimed at delivery of high-quality branded eggs. The process of rebranding has been carried out in H2 2012. Feedback from the customers was collected by the means of a marketing study. This allowed us to specify the target audience, update the product portfolio and make effective changes to product design. Changes in design are aimed at attraction of new clients yet appealing to the existing ones. Color scheme of the new Yasensvit™ logo remained unchanged meanwhile the overall appearance has become more graphic and modern, increasing product memorability.

Rebranding of the egg brand also included customization of economy brand Ukraina™ to make it more expressive, emphasizing national character of the product. Eggs in new packaging are available in Ukrainian supermarkets starting February 2013.

Financial results overview

Selected financial information

in USD thousands	2012	2011 (restated)
Revenue	60,335	50,626
Gross profit	29,093	23,264
Operating profit	23,774	20,632
Profit before tax	24,295	19,953
Profit for the year	23,997	19,986
Operational cash flow	16,837	10,272
Investment cash flow	(37,646)	(17,795)
Financial cash flow	540	28,820
Net cash flow	(20,269)	21,297
Assets	119,798	92,921
Current assets	34,121	45,382
Non-current assets	85,677	47,539
Equity	108,099	84,063
Non-current liabilities	2,001	2,604
Current liabilities	9,698	6,254
Net debt	3,273	(17,811)

Financial performance

Revenue I The Group's revenue on a reported basis increased by 19% to USD 60,335 ths from USD 50,626 ths. As developed historically, egg segment has been the main contributor to total revenue (USD 38,526 ths in 2012), followed by egg products segment (USD 17,593 ths in 2012). The remainder USD 4,216 ths has been contributed by sales of sunflower products.

Gross profit and cost of sales I The increase in cost of sales to USD 42,237 ths in 2012 from USD 34,297 ths in 2011 was driven by corresponding increase in production volumes. Higher production costs as a result of increased prices for key fodder components, grains and sunflower meal in the second half of 2012 have been partially compensated by low fodder cost realized in the first half of the year. Gross profit increased by 25% on a reported basis to USD 29,093 ths. Gross margin in 2012 improved slightly from the previous year reaching 48% (2011: 46%).

Operating profit and EBITDA I Other operating income comprised mainly of income from special VAT treatment decreased to USD 847 ths from USD 2,847 ths on a reported basis as the Group conducted substantial investments in production assets in 2012. Selling expenses in 2012 increased proportionally to growth in sales while administrative expenses remained comparable to previous year. The Group's operating profit increased by 15% year-on-year to USD 23,774 ths (2011: USD 20,632). EBITDA increased by 22% on a reported basis to USD 27,259 ths (2011: USD 22,267 ths). EBITDA margin in 2012 is comparable to 2011 reaching 45%.

Net profit I In 2012 net profit increased by 18% over the same period last year to USD 23,997 ths.

Financial position

Assets, liabilities and equity I In 2012 total assets of the Group increased by 29% to USD 119,798 ths (2011: USD 92,921 ths). Increase in assets was caused mainly by implementation of the production capacity expansion programs. Property, plant and equipment increased by 108% on a reported basis to USD 53,265 ths as a result of increase in laying hens houses and other production assets. Current and non-current biological assets together increased by 83% to USD 41,085 ths as a result of increase in total flock. The receivables consist mainly of trade receivables (USD 8,204 ths in 2012) and VAT for reimbursement (USD 4,133 ths in 2012) that appeared in the course of operations as a result of increased sales of the Group's produce. Inventories in 2012 remained on the same level at USD 10,648 ths compared to USD 10,645 ths in 2011.

The Group's total liabilities increased by 32% on a reported basis to USD 11,699 ths mainly as a result of increase in trade and other payables by 37% to USD 6,790 ths and growth of current loans and borrowings by 127% to USD 2,635 ths.

Retained earnings remained key component of equity, increasing by 64% on a reported basis to USD 50,399 ths. In 2012 total equity of the Group increased by 29% to USD 108,099 ths.

Financial results overview
continued

Loans and borrowings I The Group's debt level increased quarter-on-quarter at the end of 2012 as a result of financing the working capital. Total interest-bearing loans and borrowings amounted to USD 4,425 ths in 2012 as the Group has short-term and long-term financial lease liabilities (USD 776 ths) and other non-current loans (USD 84 ths) outstanding at 31 December 2012. Loans outstanding to Credit Agricole Bank and UniCredit Bank amounted to USD 3,565 ths in total in the end of 2012. Current portion of these loans constituted USD 2,386 ths while the remaining USD 1,179 ths were non-current portion.

Investments into production capacity expansion I The Group invested mostly into egg production and egg processing over the course of 2012. The breakdown of investments into expansion of production capacities is portrayed in the table below.

Investments into production capacity expansion

in USD million	2012	2011	2010	2009
Eggs	32.9	11.4	2.1	1.2
Egg products	0.2	1.7	0.1	0.3
Sunflower processing	0.03	0.2	0.4	-
Total	**33.1**	**13.3**	**2.6**	**1.5**

Cash flow

The Group's operating cash flow in 2012 changed on a reported basis to USD 16,837 ths from USD 10,272 ths mainly being affected by implementation of production capacity expansion.

Notes to the Consolidated Financial Statements

Financial reporting standards I Note 2 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on financial reporting standards applied by the Group.

Transactions with related parties I In 2012 no transactions with related parties of the Group have occurred. Note 26 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on transactions with related parties.

Changes in accounting policy I Note 7 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on changes in accounting policy.

Financial instruments I Note 29 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on financial instruments.

Strategy and outlook for 2013

Strategy

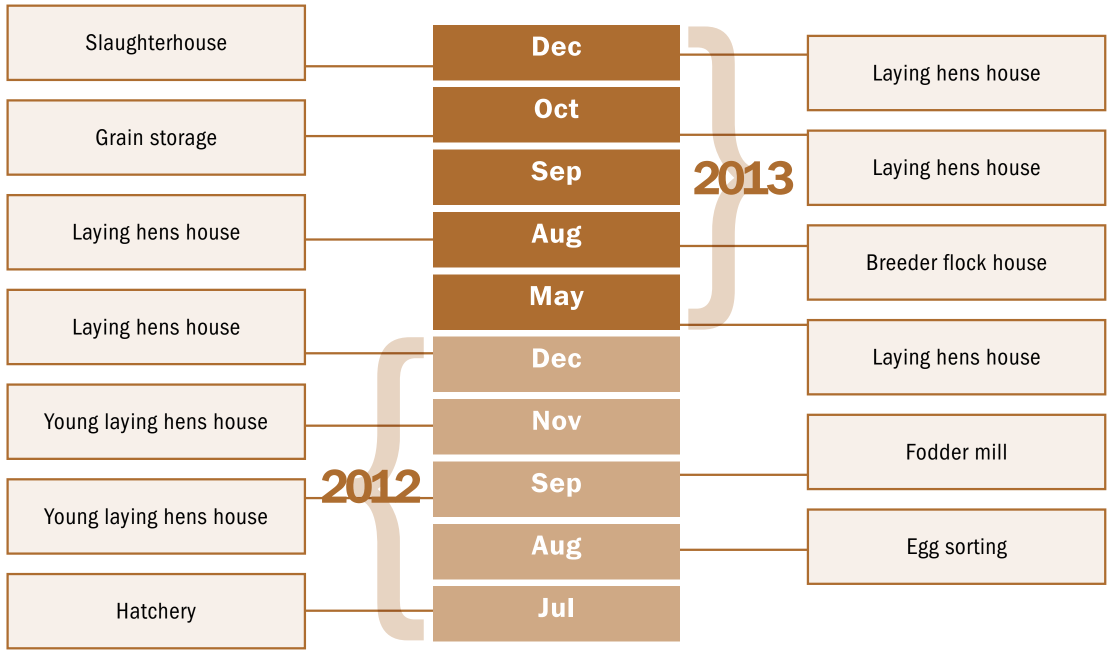
The year 2012 has been a transition year for the Group. It has been decided to start the second stage of investment program earlier than previously foreseen to further strengthen market proposition to the target customer segments. This resulted in a decrease in volumes produced in 2012, as some of the poultry houses had to be decommissioned earlier than has been planned previously.

The original investment program realized mostly with proceeds from IPO has been completed in September 2012. Within 14 months the Group increased its egg production and processing capacities as well as further improved quality of production equipment and infrastructure. Full effect of the 2011-2012 investment program will be reached in 2013, essentially doubling our production results compared to those as of the beginning of 2011. Total cost of this stage of investment program, including previous investments in infrastructure, has amounted to USD 46.5 million. Approximately USD 31 million of capital expenditures were financed from IPO proceeds and the remainder through reinvestment of profit.

The Group accelerated its investment strategy in 2012 to strengthen its market position in Ukraine and ensure sustainable profit margins in the future. In June 2012 a second stage of investment program has been initiated. This project is being realized mostly with profit reinvestment. One of the focus points in 2012-2013 stage of investment program is securing solid infrastructure to support egg production. Additional investments will be made in expansion of breeder flock capacities, fodder mill, grain storage, slaughterhouse along with investments into egg production and processing capacities. This investment activity will be finalized in 2013 and its full effect will be reached in 2014, increasing egg production to 1.15 - 1.25 billion eggs annually.

As a part of this stage of investment program a total of five laying hens houses will be reconstructed on the premises of Poultry farm Ukraine. One laying hens house was launched in December 2012 and the remaining four will be completed in May, August, October and December 2013. This activity will finalize reconstruction of Poultry Farm Ukraine production site and will allow us to reach 4.4 million hen places on a single farm (5.4 million hen places in total for the Group as of yearend 2013).

Investment program timeline



Strategy and outlook for 2013 continued

Outlook for 2013

The Group remains committed to the chosen strategy; the focus is on strengthening its activities and leading market positions. In 2013 the Group will focus on balancing production volumes growth and continued investment in expansion of production capacities. The Group plans to increase its market share by the means of increased production of eggs and egg products and a Group-wide focus on quality and product reputation that will drive customer satisfaction and hence demand for our products up.

The outlook on production and processing of eggs in volume terms for 2013 is higher than that for 2012 as the results of the first stage of investments will be materialized. The forecasted ranges for key operational results for 2013 and 2014 are provided in the table below.

Forecasted production volumes

	Units	2012	2013F	2014F
Eggs produced	million	719	900 – 1,000	1,150 – 1,250
Eggs processed	million	254	320 – 350	400 – 420
Eggs sold	million	445	580 – 650	750 – 830
Dry egg products produced	tons	1,514	1,800 - 2,100	2,000 – 2,200
Liquid egg products produced	tons	5,138	5,800 – 6,400	6,200 – 6,800
Sunflower seeds processed	ths tons	12,522	13,000 – 15,000	13,000 – 15,000

Funds generated in the course of operational activity aside from those directed to cover operational costs are being used for implementation of the investment program. The results of 2012-2013 production capacity expansion will be evident later in 2013 and further in 2014.

Similar to 2012, it is most likely that the macroeconomic climate in 2013 will remain to a certain extent turbulent and unpredictable. This uncertainty directly affects the ability to predict prices for eggs and fodder components. Given economic situation and macroeconomic climate in the following two years is similar to that of 2012, it is expected that prices for eggs and egg products will remain at the level comparable to previous years, growing in line with the level of inflation.

Forward-looking statements notice

All forward-looking statements contained in this annual report with respect to the Group's future financial and operational performance and position are, unless otherwise stated, based on the beliefs, expectations, projections and the estimates of the Group's management representing their judgment as at the dates on which the statements have been made. Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "plan", "forecast", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. The actual operational and financial results of the Group or the Group's industry involve a number of known and unknown risks, uncertainties and other factors and they are not guaranteed to be similar to the forward-looking statements, although the Group's management makes all effort to make forward-looking statements as accurate as possible. The Group does not undertake publicly to update or revise any forward-looking statement that may be made herein, whether as a result of new information, future events or otherwise.

Share and shareholder information

Share capital structure

According to publicly available information as at 31 December 2012, the following shareholders of Ovostar Union N.V. provided information on the substantial participation of at least 5% of all votes at the General Meeting of Ovostar Union N.V. shareholders.

Ovostar Union N.V. share capital structure as at 31 December 2012

Shareholder	Shares	Share in the capital, %	Votes at GM at GM	% of votes
Prime One Capital Limited	4,441,617	74.03%	4,441,617	74.03%
Generali OFE	729,226	12.15%	729,226	12.15%
Aviva OFE	301,282	5.02%	301,282	5.02%
Others	527,875	8.80%	527,875	8.80%
Total	**6,000,000**	**100.00%**	**6,000,000**	**100.00%**

Source: Warsaw Stock Exchange data

Changes in shareholders' structure

On 30 March 2012, Generali Otwarty Fundusz Emerytalny increased its share in Ovostar Union N.V. share capital to 12.15% (729,226 shares), each share with a nominal value of one vote at the General Meeting of Shareholders of Ovostar Union N.V.

On 3 July 2012, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK increased its share in Ovostar Union N.V. share capital to 5.02% (301,282 shares), each share with a nominal value of one vote at the Genereal Meeting of Shareholders of Ovostar Union N.V.

On 10 December 2012, Prime One Capital Limited decreased its share in Ovostar Union N.V. share capital to 74.03% (4,441,617 shares), each share with a nominal value of one vote at the Genereal Meeting of Shareholders of Ovostar Union N.V.

Stock performance

As at 28 December 2012 the price of Ovostar Union N.V. stock amounted to PLN 89. The chart below shows the development of Ovostar Union N.V. stock price on the Warsaw Stock Exchange in 2012 and in the first quarter of 2013 compared to the WIG index.

Ovostar Union N.V. stock quotation and WIG index in 2012 and 1Q2013

Source: Warsaw Stock Exchange data; Ovostar Union

Key quotation indicators of Ovostar Union N.V. in 2012 and 1Q2013

	2011	2012	1Q2013
Opening price (PLN)	62.2	67.0	89.0
Maximum price (PLN)	73.3	130.0	107.0
Minimum price (PLN)	43.0	67.0	85.5
Closing price (PLN)	67.0	89.0	95.05
Group capitalization, end of period (PLN million)	402	534	570
Group capitalization, end of period (USD million)*	117	172	175

* NBP exchange rate PLN/USD as at 31.12.2012 – 3.0996;
NBP exchange rate PLN/USD as at 31.03.2013 – 3.2590

Source: Warsaw Stock Exchange data, Ovostar Union

Human resources

As at 31 December 2012, the Group employed 1,317 people. The majority of employees are involved in production processes on the premises located in Kiev and Cherkasy regions. The Group recruits, employs and promotes employees on the sole basis of their qualification and abilities. Equal employment opportunities and career perspectives are provided for all employees, regardless of their gender, age, nationality or religious views. About 59% of employees are male and 41% were female in 2012.

The Group's personnel policy is aimed at creation and retention of a well consolidated and highly professional team of individuals that are able to response effectively to changing market environment. The Group strives to ensure a positive, productive and successful work environment. The level of satisfaction is, among other criteria, confirmed by high employee retention rates (95% in 2010, 96% in 2011 and 97% in 2012).

The Group aims to retain a fair and comprehensive remuneration system. Overall remuneration of the Group's employees is divided into material and non-material portions. Material remuneration consists of a basic fixed salary plus a variable component like premiums and bonuses that depend on achievement of corporate and personal targets. The Group also compensates its employees for mobile communication and expenses for use of personal vehicles for business purposes. Non-material remuneration consists of the following corporate benefits:

- professional training and development opportunities. (In 2012, about 15% employees of the Group have undergone a training or professional development).
- regular corporate and team-building events promoting corporate values, corporate spirit and ensuring positive working environment.

Legal relationships between the Group and its employees are regulated by the Labor Code of Ukraine and executed in the form of term and termless labor agreements. The Group generally does not use written employment contracts with its employees. The Group cooperates with the State Pension Fund making monthly social insurance contributions. A corporate pension schedule has not been established.

The Group's employees other than some of the Board members do not have any shareholdings in Ovostar Union N.V., nor do they hold any stock options or other rights to shares nor participate in any other way in the capital of Ovostar Union N.V. Currently, no arrangements relating to such participation are planned in the short-term perspective.

Corporate social responsibility

The Group recognizes corporate social responsibility as an integral part of its business practice and strategy. The Group's operational activity is organized and carried out in a sustainable way aiming at serving interests of its employees, customers and shareholders, participating proactively in life of local communities as well as reducing negative impact of its activities on the environment. The Group follows the behavioral standards described in its Code of Conduct. This document covers various principles relating to business ethics, compliance and sustainable approach to operational activity. The Group undertakes to follow all of the requirements and recommendations set out in the Code of Conduct.

The Group considers safe and healthy working conditions of its employees as fundamental. To achieve protection of its employees' health and safety, the Group has established procedures and compliance programs designed for use in day-to-day production processes. These procedures and programs are being reviewed, appraised and updated on a regular basis. Safety awareness of production personnel is being improved through regular safety trainings on the work floor.

In addition to compliance with internal quality, health and safety standards that ensure personnel and environment are protected from any adverse effects that may arise in the process of production, the Group's manufacturing facilities are audited for compliance on a regular basis by internal and external quality auditors, regulatory authorities and company customers. Egg production and egg processing facilities of the Group are certified under ISO 9001:2008 and ISO 22000:2005 since 2010.

The Group is committed to professional development of its employees and supports knowledge exchange initiatives. The Group's employees regularly visit egg production and processing facilities in Ukraine and abroad to learn the best practices and exchange experience with fellow colleagues.

Charity projects in 2012

The Group is involved in charity projects that are aimed at health improvement and balanced nutrition promotion in local communities. In December 2012 we started cooperation with Kyiv municipal charitable foundation Food Bank. Food Bank has been established in Ukraine in 2011 as a part of European Federation of Food Banks (FEBA). The main purpose of Food Bank organizations globally is to unite the efforts of various organizations and individuals to deal with the world's food crisis, malnutrition and poverty. This initiative will allow us to make our charitable contributions on a systematic and efficient basis. As a member of this foundation the Group provides monthly 500 kg of own produced eggs and unrefined sunflower oil for those in need.

The Group takes responsibility for contributing to the local communities where it has production facilities. We support local kindergartens, schools, community sport organizations and churches with monetary contributions as well as donations of the Group's produce.

Risk management and internal control

Risk management is an essential part of the decision-making process providing reasonable assurance that risks are controlled to the furthest extent possible. Under the corporate strategy, the Group continuously strives to maintain a balanced approach to risk and return based on a moderate risk attitude. Risk management and internal control systems are being regularly discussed with the executive management and the Audit Committee. In their review of the Group's risk profile, the main focus is placed on principal risks that could significantly deteriorate the operational and financial results of the Group.

It has to be noted that proper design and implementation of risk management and internal control systems significantly reduces but does not completely eliminate the possibility of human error, poor judgment in decision making, fraud or occurrence of unforeseeable events. The risks that the Group faces in the course of its operations are not limited to the risks described below, but these are regarded as the most significant at the moment. Some risks are yet unknown and some risks that are insignificant at the moment could become material in the future and adversely affect the Group's financial condition and operational results.

Biological risks

Being a company involved in production of goods of animal origin, the Group's financial results are directly dependent on the well-being of its poultry flock and the extent of veterinary control applied on its premises. Outbreaks of poultry diseases can severely limit the Group's ability to perform its normal operations and may have a negative impact on the Group's operational and financial results and financial position. Therefore, key part of the Group's risk management strategy is strict adherence to biosecurity standards in line with the best international practices. No occurrences of dangerous poultry diseases like Newcastle's, Avian flu, Marek's have been ever registered on the Group's premises.

Climate risks

Unfavorable weather conditions can have a detrimental effect on the well-being of poultry flock and their production efficiency. A laying hen's maximum performance is reached in optimal climate conditions, when the ambient temperature lies within 20-25^{0}C. Extreme weather conditions may negatively affect operational and financial results of the Group. To mitigate this risk, the Group's production facilities are equipped with a comprehensive automatic climate-control system that controls temperature, humidity and speed of air circulation in the building.

Competition

There is a possibility that offerings from the existing competitors or new market entrants weaken the Group's competitive position. Being in egg business for more than 14 years, we have gained extensive experience in production and distribution of branded eggs and tailored egg products. This unique position is hard to reproduce as it would require much capital intensity along with highly professional workforce and a management team with broad industry experience. Possessing high geographic concentration of production capacities and being comparatively small in size allows the Group to respond quickly to changing needs of the market and specific customers.

Successful operation in egg industry also requires deep understanding of the customers' needs. Customer satisfaction derives from their fulfilled expectations. Failing to provide the anticipated product quality and image may lead to loss of customers in the future. We value our customers. The process of learning the customers' needs is challenging, time-consuming yet rewarding. The Group develops propositions based on clear demand from the target market and makes all efforts to sustain highest quality of its products.

Concentration of sales

The Group's corporate customer base currently comprises approxi¬mately 1,400 clients. All of them collaborate with the Group on a contract basis. The customer base is mixed in terms of size and industry. In 2012, none of the customers generated more than 10% of our total revenue. There is a moderate risk that loss of major clients negatively affects the Group's financial results and profitability. The risk of excessive concentration of sales is effectively moderated through building a balanced customer portfolio.

Macroeconomic risks

Among distinct trends of the Ukrainian egg market in recent years are consolidation and a steady increase in the share of industrial producers over households. This positive trend is somewhat offset by the overall macroeconomic climate in Ukraine which is traditionally turbulent and unpredictable. Economic turmoil produces significant uncertainty with regards to future levels of exchange rates of Ukrainian hryvnia and inflation rates.

Currently the state provides support to agricultural producers in the form of special tax treatment and reimbursement of interest paid on loans and there are no signs this will not continue into the future. Still, rules and regulations might change in the future and state support may be discontinued. This will produce a negative impact on the Group's financial results decreasing other operating income and some other profit and loss statement items.

Traditionally, eggs have been a staple food in Ukraine, as they are the cheapest available source of animal protein and are a nutritious substitute to meat and seafood. Unbranded unpackaged eggs fall under the category of social products and their prices may be at some point controlled by the state through introduction of a price ceiling. At the same time, the majority of the Group's egg sales fall under branded category and therefore their prices are not regulated by the state, as branded eggs are not a social product.

Risk management and internal control continued

Currency risk

The Group is subject to currency risk as its primary currency of operational activity and financing activity are different. In 2012, 91% of the Group's revenue has been denominated in UAH and 9% in USD. Nearly 94% of purchases in 2012 have been denominated in UAH and the remaining 6% in USD and EUR, while the major part of the Group's loans and borrowings is denominated in currencies other than Ukrainian Hryvnia. Given modest debt portfolio of the Group over the last two years, currency risk has been considered rather low.

In light of obtained financing from Landes Bank Berlin to be used for purchasing property, plant and equipment in 2013, the importance of hedging currency risk increases. Generally, the Group's exposure to currency risk is reduced through export sales. As the Group focuses on selling to local market and succeeded to sell locally branded products at a premium, historically export sales composed of unbranded bulk products contributed not more than 15% to the total revenue. At the same time, it is possible to increase export revenues up to 30% in case a foreign currency inflow is required.

Internal control system

The Group implements internal risk management and risk control systems in order to minimize its operational and financial risks and to restrict the impact of unexpected events on operational and financial results as far as possible. The Board of Directors is ultimately responsible for establishing, controlling and enhancing the Group's internal control system. The Group considers risk management to be a continuous process of monitoring, assessing and mitigating with internal control systems and procedures at each level within the organization. The Group uses guidelines, instructions and procedures applied to operations, financial reporting, planning, human resource and customer management etc.; these are being reviewed and updated on a regular basis. The Group's employees are trained to implement and comply with these guidelines, instructions and procedures.
It should be further noted that the internal control system, because of its inherent limitations, cannot provide absolute assurance against material misstatements, fraud, and violations of laws and regulations.

Key elements of the internal control system are budgeting, investment management, operational management and financial reporting. They monitor the progress and the actual results of the company's operating activities. The Group also uses a staff evaluation and appraisal system. The process of enhancement of the internal control system will be continued in 2013.

For more information on risks please refer to Note 28 of the 2012 Consolidated Financial Statements.

Deficiencies of the system

In 2012, the Group did not identify any material weaknesses of the internal control system that might adversely impact the Group's operational activity, financial results and financial position. Although the risks are clearly identified and controlled to the highest possible extent, a further improvement of the insight and the efficiency in managing the risks is still possible by implementing a structured risk control framework. With this in mind, the executive management has an intention to establish a fully functional Internal Audit Department in 2013. This body will produce quarterly reports on risk exposure and measures taken to reduce their impact on the company operation, reporting directly to the CEO and the chairman of the Audit Committee. It is planned to create and introduce this company risk framework in 2013.

Some areas in back-office processes present potential for improvement. The enterprise information system that provides a major part of the managerial information to base decisions on requires timely updates and customization over time, further automation and optimization of bookkeeping processes, introduction more of qualitative data in the system etc.

Independent Auditors

In 2012, Baker Tilly Berk N.V. served as the auditor of the consolidated financial statements of Ovostar Union N.V. as well as stand-alone financial statements of Ovostar Union N.V. and expressed an audit opinion. The total cost of the audit services of the Ukrainian entities and the Dutch holding entity for financial year 2012 amounted to EUR 35 ths excluding VAT and out-of-pocket expenses.

Corporate Governance Report

Snake is the symbol of wisdom, infinity and immortality. Slavs believed that its image on Pysanka gives the health and makes animals more fecund.

General information

Ovostar Union N.V. is a public limited liability company (naamloze vennootschap), incorporated under the law of The Netherlands. The company is registered in The Netherlands with a business address on Koningslaan 17, 1075 AA, Amsterdam. The Group was incorporated on 22 March 2011. The Articles of Association of Ovostar Union N.V. have been last amended on 27 May 2011. The company is registered under number 52331008 in the commercial register of the Chamber of Commerce in Amsterdam. Ovostar Union N.V. holds the shares of all of Ovostar Union Group's operating companies. More information on share ownership in subsidiaries is disclosed in Note 1 to the 2012 Consolidated Financial Statements.

The share capital of the Group is divided into 6,000,000 ordinary shares with a nominal value of EUR 0.01 per share.

Composition of the Board and duties of its members

The Group's Board of Directors has a one-tier structure, consisting of executive and non-executive directors. The executive director is authorized to represent the Group in the everyday operations of the Group, while the non-executive directors monitor the activities, supervise and advise the executive director. Currently, the Board consists of four members: one executive director Mr. Borys Bielikov and three non-executive directors Mr. Vitalii Veresenko, Mr. Oleksander Bakumenko and Mr. Marc van Campen.

Duties of the non-executive directors include among others supervision of the executive management's adherence to the established corporate strategy, proper compliance the Group with best practices of corporate governance and general issues of the Group's operations. Performing their duties, the non-executive directors have participated in the meetings of the Board of Directors in 2012. No cases of non-compliance with rules and requirements that would have required the intervention of the non-executive directors have been detected in 2012.

The Board of Directors

Borys Bielikov

Mr. Bielikov was appointed Chief Executive Officer of the Group in 2011, prior to that holding similar positions in the Group's subsidiaries since 1999 (14 years). From 2007 to date, he has been the Director General of Ovostar Union LLC. Since 2010, Mr. Bielikov also is the Chairman of Yasensvit LLC. Mr. Bielikov has started his career in UkrOpt-Servis LLC in 1993. From 1997 to 1998 he occupied the position of deputy director at UkrAgroTrade LLC.
Mr. Bielikov graduated from the National Aviation University in 1994.

Vitalii Veresenko

Mr. Veresenko was appointed Chairman of the Board in 2011. Prior to that, he has been working in the Group's subsidiaries since 1998 (15 years). From 1999 to 2001 he was Director General of CJSC Malynove, and in 2001 he became Chairman of the Supervisory Board at CJSC Malynove. Mr. Veresenko formerly occupied position of director at Dyvosvit LLC.
Mr. Veresenko graduated from Kiev Air Defence Radio Technical Engineers College in 1990.

Oleksander Bakumenko

Mr. Bakumenko was appointed non-executive director of Ovostar Union N.V. in 2011. He currently holds the position of the Chairman of the Board of Directors at the Ukrainian Poultry Farmers Association. Formerly Mr. Bakumenko had worked as a brigadier in the EF Progress since 1983, and since 1985 as a senior animal technician at the Kharkov Association of Meat Industry. Since 1987, he had worked as the State Department Controller at the Regional Inspectorate for the Harvest and Quality of Agricultural Production in Kharkiv Regional Agro-Industrial Committee. From 1988 to 1995 he had worked as the senior animal technician, and then the Deputy Director of Kharkiv Regional Association of Poultry Farmers Kharkovptitseprom. Mr. Bakumenko is a former director of the following companies: Zodiac Ltd. (1995-1996), LLC Barvinok (1996-1998), Kharkiv Regional Association of Poultry Farmers Kharkovptitseprom (2001-2004). He also held positions of first deputy Chairman of the Board at Agropromsoyuz-98 (1998-1999) and vice-president of the Regional Cultural Centre (1999-2001).
Mr. Bakumenko graduated from Kharkov veterinary institute in 1983.

Marc Van Campen

Mr. Van Campen was appointed non-executive director of Ovostar Union N.V. in 2011. Currently holds the position of the Director at Astarta Holding N.V. listed on the Warsaw Stock Exchange as well as in companies Montferland Beheer B.V., (Schoonhoven), Do It Yourself (DIY) Orange Holding B.V. (Amersfoort), the European subsidiaries (outside Italy) of Salvatore Ferragamo SpA at Florence, Italy and Lugo Terminal Srl at Lugo, Italy. Mr. Van Campen held several positions at Oc Vaner Grinten N.V., and until 2002 had been the general counsel at NBM-Amstelland N.V. (currently known as AM N.V.), one of the largest Dutch companies in the construction sector listed on the Amsterdam Stock Exchange. In addition, Mr. Van Campen is a former director of the following companies: Nice Group B.V. (Amsterdam), GMT (PEP COM) B.V. (Amsterdam), Sympak International B.V. (Amsterdam) and Voorgrond Beheer BV (Schoonhoven).
Mr. Van Campen graduated from Nijmegen University in 1968.

The Board of Directors
continued

Chairman of the Board and Corporate Secretary

The Chairman of the Board of Directors determines the agenda and heads the Board meetings and is responsible for the proper functioning of the Board. This position is always selected among the non-executive directors, and is appointed during the first meeting of the Board. The Group's Chairman of the Board is Mr. Veresenko.

Chairman of the Board is assisted by the Group's Corporate Secretary, whose duty is the observance of all necessary procedures for the Board of Directors and compliance of their activities with the requirements specified in the Group's Articles of Association. Corporate Secretary is appointed and dismissed by the Board.

Voting

Each member of the Board is entitled to one vote taking resolutions during the Board meeting. All resolutions of the Board are taken by an absolute majority of votes. In the case of an absence of absolute majority (when an even score is achieved during the voting), the Chairman of the Board of Directors has a casting vote.

Representation

Members of the Board represent the Group and the Board has the authority to appoint any official as a representative, and to determine the list of his/her powers. The executive director is authorized to represent the Group on his own and to sign documents on behalf of the Group. In case of a conflict of interest between the Group and one of the directors, the conflicted director may not participate in the decision-making process concerning the matter causing the conflict. In case all members of the Board are in conflict with the interests of the Group, the decisions shall be made by the General Meeting of Shareholders.

Members of the Board are appointed and may be suspended or dismissed from their position by the General Meeting of Shareholders. Any suspension may be extended several times, but the total period of suspension from duties shall not exceed three months. The fact of suspension is void if at the end of three months it has not been decided either to extend the suspension period, or to dismiss the Director. Share ownership in the Group is not required to qualify as a member of the Board.

Shareholding by the Board members and insider trading

The Group has established the Securities Rules, followed by the Board members at the acquisition of securities share and transactions with them. Regarding the acquisition of shares and equity participation, the board members and other persons related to the Group follow the conditions and requirements of the EU Market Abuse Directive and the Group's Insider Trading Rules, which reflect the essence of this directive. Both documents, Securities Rules and Insider Trading Rules are available on the Group's website:
http://ovostar.ua/en/ipo/rules/

Statement of the Board of Directors

The Board of Directors of Ovostar Union N.V. hereby confirms that (1) neither of the Board members is a member of the Supervisory Board for more than two listed companies; (2) neither of the Board members holds the position of the Chairman of Supervisory Board in other companies, except for the Group's enterprises.

Committees of the Board of Directors

Audit Committee

The Board of Directors has established an Audit Committee in order to meet the necessary corporate governance requirements and to ensure financial transparency of the Group. The Audit Committee is responsible for advising and monitoring the activities of the Board of Directors in the areas of, among other things, the completeness of financial reporting, the Group's financial strategy, tax planning, including: (i) functioning of control and internal risk management systems, (ii) provision of financial information by the Group (including choice of the accounting policy, application of new rules and evaluation of their impact on the Group's performance, interaction with internal and external auditors, etc.); (iii) monitoring the compliance of the Group's activities with the recommendations of internal and external auditors; (iv) the Group's tax planning policy; (v) interaction with external auditors, including control of the auditor's independence, their remuneration and provision of any services outside the scope of the audit; (vi) sources of the Group's funding; (vii) preparation of the Director's report based on the annual financial statements and all applicable requirements of the Dutch and WSE Corporate Governance Codes and review of the annual budget and capital investments of the Group. At least one of the committee members must be a financial expert as defined in the Dutch Corporate Governance Code, and all committee members must be financially literate.

The Audit Committee of the Group satisfies these requirements. The document describing Terms of Reference Governing the Audit Committee is available on Group's website http://ovostar.ua/en/ipo/rules/

The Group's non-executive directors Mr. Van Campen (Chairman of the Committee) and Mr. Bakumenko comprise the Audit Committee.

Meetings of Shareholders (the "General Meeting")

The Company, as a Dutch legal entity, must hold at least one annual General Meeting, to be held in the Netherlands and not later than six (6) months after the end of the financial year. The annual General Meeting is, among other things, entitled to discuss the annual report of the Board of Directors with respect to the general state of affairs in the Company, approve the financial statements for the previous financial year, vote whether to grant discharge to members of the Company's corporate bodies, and/or appoint members to fill any vacancies on any of the corporate bodies.

Notices of shareholders' meetings must be published on the Company's website and via any other electronic communication method in accordance with applicable regulations in Poland, at least forty two (42) days before the day of the meeting.

The Board of Directors determines the items on the agenda for the General Meeting. Furthermore, the agenda shall contain such items as requested in writing by one or more persons entitled to attend the general meeting, representing solely or jointly at least 1% of the issued capital or holding shares of the Company which according to the official price list of the regulated market represent a value of at least EUR 50,000,000 at least sixty days before the date of the meeting. The meeting shall not adopt resolutions on matters other than those that have been placed on the agenda.

An extraordinary General Meeting may be convened as often as the Board of Directors or shareholders together representing at least 10% of the issued capital deem necessary. Under Dutch law, valid shareholders' resolutions can be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such meeting.

Meetings of Shareholders, Board of Directors and Committees in 2012

Voting at the General Meeting

Shareholders may participate in the General Meeting and exercise their voting right personally or by written proxy. Each share in the capital of the Company confers the right to cast one vote, subject to the relevant provisions of the Articles of Association. The Company considers other solutions which in future may facilitate shareholders to participate in the meeting. Every holder of shares and every other party entitled to attend the General Meeting who derives his/her rights from such shares, is only entitled to attend the General Meeting in person, or represented by a person holding a written proxy, to address the General Meeting and, in as far as he/she has voting rights, to vote at the meeting, if he/she has lodged documentary evidence of his/her voting rights. The requirement of a written proxy is also met if the proxy is recorded electronically. For this purpose, Dutch law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting.

Such record date is fixed at the twenty eighth (28th) day before said General Meeting. The voting rights and the right to attend the General Meeting shall accrue to those holding such entitlements and are registered as such in a register designated for that purpose by the Board of Directors on this record date. The convocation to the General Meeting shall state the record date, the place where and the manner in which registration shall take place.

The Chairman of the General Meeting shall further decide whether persons other than those who are entitled to admittance pursuant to the aforementioned shall be admitted to the Meeting. The Members of the Board of Directors shall have the right to attend the General Meeting. In these Meetings they shall have an advisory vote. Unless provided otherwise in the Articles of Association or the law, all resolutions are adopted by absolute majority of votes. The Company must record the voting results for each resolution adopted at a shareholders' meeting. These results must be posted on the Company's website not later than on the fifteenth (15th) day following the day of the shareholders' meeting and should be available on the website for at least one year.

The Group conducted one General Meeting of shareholders on 7 June 2012 in Amsterdam, the Netherlands. During the meeting 2011 annual accounts have been adopted, Baker Tilly Berk has been appointed as the external auditor for the 2012 annual accounts, and a number of other standard items have been discussed and approved.

Amendment of the Articles of Association

The General Meeting can resolve to amend the Articles of Association upon the proposal of the Board of Directors. Such resolution is to be taken by an absolute majority of votes cast. If a proposal to amend the Articles of Association is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the Articles of Association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the company's office for inspection by the shareholders and depositary receipt holders until the meeting is adjourned.

Meetings of Shareholders, Board of Directors and Committees in 2012 continued

Issuance of Shares

The Company may only issue shares pursuant to a resolution of the General Meeting or of another corporate body designated to do so by a resolution of the General Meeting for a fixed period not exceeding five (5) years. Such designation must specify the maximum number of shares that may be issued pursuant to the designation. The designation may each time be extended for a further period of up to five (5) years. The designation may not be revoked, unless the designation provides otherwise.

On 7 June 2012, by a resolution of the General Meeting the Board was designated to issue shares and to limit or exclude any pre-emptive rights in connection with such share issue for a period up to and ending 7 June 2017.

Pre-emptive Rights

Each shareholder has a pre-emptive right in respect of all share issuances or grants of the right to acquire shares, in proportion to the number of shares held by such holder. Shareholders, however, have no pre-emptive right in respect of the issuance of shares, or the grant of the right to acquire shares, which are issued or granted for a consideration other than cash, to employees of the company or of a group company of the company, or in respect of the issuance of shares to any person who exercises a previously existing right to subscribe for shares. Pre-emptive rights may be restricted or excluded by a resolution of the General Meeting. Pre-emptive rights may also be excluded or restricted by the corporate body to which the power to exclude or restrict pre-emptive rights has been granted by a resolution of the General Meeting for a fixed period not exceeding five (5) years.

Board of Directors meetings

In 2012 the Board of Directors held four meetings.

The first meeting was convened on 11 April 2012 in Amsterdam, the Netherlands. During the meeting the Board of Directors approved the 2011 annual report of the Group.

The second meeting was held on 14 May 2012 in Kyiv, Ukraine. During the meeting the Board has approved the financial statements of the Group for the first quarter of 2012 as well as discussed the status of production capacities expansion.

The third meeting was held on 29 August 2012 in Amsterdam, the Netherlands. During the meeting the Board approved the 2012 semi-annual report of the Group.

The fourth meeting was held on 12 November 2012 on the Group's production premises in Krushynka, Kyiv region, Ukraine. The Board of Directors has approved the financial statements of the Group for the nine months of 2012.

Audit committee meetings

In 2012 the Audit Committee of Ovostar Union N.V. held two meetings.

The first meeting was held on 20 September 2012. Agenda of this meeting included discussion on 2012 audit process, identified risks and internal control systems effectiveness as well as functioning of business.

The second meeting of the Audit Committee was held on 12 November 2012. During the meeting Committee members were present on the Group's production facilities and discussed the details of the audit plan for 2012. Background information has been exchanged about the company and further discussed potential risks and their possible impact on the Group as well as the sources for financing Group's capacity expansion in the future.

Corporate governance and control

The Group is a holding company incorporated under the law of the Netherlands while its shares are listed on the Warsaw Stock Exchange. For this reason the Group has to comply not only with the applicable best practice provisions of the Dutch Corporate Governance Code but also with the requirements of the Code of Best Practice for WSE Listed Companies (hereinafter, the "WSE Corporate Governance Rules" and together referred to as the "Codes").

Dutch Corporate Governance Code

The Dutch Corporate Governance Code (the "Code") includes the principles and describes the best practices for boards of directors, supervisory boards and general meetings of shareholders, financial statements, auditors, standards compliance and procedures of information disclosure. Dutch companies listed on the stock markets are obligated, under Dutch law, to publish an annual report, regardless of whether they comply with the Code fully, partially, or do not comply at all. If a company does not comply with the conditions of the Code or does not meet the requirements and conditions described in the Code, it shall specify the reasons for non-use and/or inconsistencies in the annual report. Please refer to section "Deviations from the Dutch Corporate Governance Code" below for more information on the Group's compliance with the Code.

WSE Corporate Governance Rules

Companies listed on the Warsaw Stock Exchange are guided by the WSE Corporate Governance Rules. The published statement of the Group's partial compliance with the WSE Corporate Governance requirements, with a description of the reasons for such discrepancies is available on the Group's website: http://ovostar.ua/data/file/Current%20reports/EBI%20report%20no_%203_2011.pdf

The Codes are similar in their requirements and the Group meets most of the applicable principles and requirements of both. In case of non-compliance to certain requirements of the Codes, the Group undertakes to publish the non-compliance items stating the reasons for existing discrepancies.

Deviations from the Dutch Corporate Governance Code

Currently, the Group does not comply with the following requirements of the Dutch Corporate Governance Code:

Best Practice Provision III: Supervisory board I Since the Group has a one-tier governance structure the functions attributed to supervisory board members in a two tier governance structure are distributed among the non-executive directors of the Group.

Best Practice Provision III.5: Composition and responsibilities of the supervisory board and three key committees I Since the Group has a one-tier governance structure and only three non-executive directors, the Group is not obliged to have separate committees for audit, remuneration and appointment. Currently, the Group has established an Audit Committee. The remuneration committee and appointment committee have not been installed.

Best Practice Provision III.8.4: One-level governance structure I Under this requirement, most of the Board of Directors members shall be independent non-executive directors. The Group partially complies with this requirement as three out of four its directors are non-executive, but only two are independent. Mr. Van Campen and Mr. Bakumenko are independent non-executive directors, while Mr. Veresenko is not an independent non-executive director (in the meaning of III.2.2 Dutch Corporate Governance Code), as he is a shareholder of Ovostar Union N.V. The Board of Directors has decided not to overcome this non-compliance by increasing of the number of Board members, as it may directly affect the efficiency and speed of decision making by the Board.

Best Practice Provision IV.3.11: Provision of information to and logistics of the general meeting I Currently the Group has no survey of existing and potential anti-takeover measures in place, as referred to in Best Practice Provision IV.3.11.

Deviations from the WSE Corporate Governance Rules

To date, the Group does not meet the following requirements of the WSE Corporate Governance Rules:

I.5 Remuneration policy I Currently the Group has no prescribed remuneration policy and rules governing this process. This item will be placed on the agenda of the coming Annual General Meeting of Shareholders.

Confirmations required by the Codes

The Board of Directors confirms that during 2012 no conflicts of interest between the Directors and the Group occurred. In case of a conflict of interest, the Board would have acted in accordance with the Best Practice Provisions II.3.2, II.3.3 and III.6.1 to III.6.3 of the Dutch Corporate Governance Code.

The Board of Directors confirms that during 2012 no conflicts of interest between the Group and the shareholders owning more than 10% equity share in the Group occurred. In case of such a situation, the Board would have acted in accordance with the Best Practice Provision III.6.4 of the Dutch Corporate Governance Code.

Statements of Directors' responsibilities

Statement of the Board of Directors on the compliance of the annual financial statements

With this statement the Board of Directors of Ovostar Union N.V. confirms that, as far as their knowledge, the financial statements of the Group and its subsidiaries for the year ended 31 December 2012 have been prepared in accordance with all applicable accounting standards, and they truly and fairly reflect the data on the assets, liabilities, financial position and results of the Group and its subsidiaries, and the report of the Board of Directors for the year ended 31 December 2012 truly and fairly reflects the position of the Group and its subsidiaries as of 31 December 2012 and includes a description of the key events and results and the key risks faced by the Group and its subsidiaries during the year 2012.

Statement of the Board of Directors on the appointment of an independent auditor to conduct audit of the consolidated annual financial statements

With this statement the Board of Directors of Ovostar Union N.V. confirms that Baker Tilly Berk N.V., acting as the independent auditor of the Group's consolidated financial statements for the year ended 31 December 2012, was appointed in accordance with the legal requirements and that the auditing company and the person conducting the audit meet all the legal requirements for issuing an objective and independent auditor's opinion.

Statement of the Board of Directors on the internal control system

The Board of Directors assessed the effectiveness of the internal control system at the end of 2012. During the investigation on which the assessment was based, no shortcomings were identified that might possibly have a material impact on the operational results or financial reporting of the Group. Based on the assessment results the Board members have come to a decision that the internal control system of the Group provides a reasonable degree of certainty that it is functioning well. It should be noted, however, that the system of internal control cannot provide a full certainty as regards the prevention of material inaccuracies in the financial reporting and the prevention of losses and fraud.

18 April 2013
Amsterdam, the Netherlands

[signed]

Borys Bielikov
Chief Executive Officer, Executive Director

[signed]

Vitalii Veresenko
Chairman of the Board, Non-executive Director

[signed]

Marc Van Campen
Head Audit Committee, Non-executive Director

[signed]

Oleksandr Bakumenko
Non-executive Director

Consolidated Financial Statements

The symbol of a female spirit in Slavic mythology is “Berehynia”. She was drawn with two, four or six hands up.
The Great Goddess was the ancestor and ruler of the sky and the nature.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012
(in USD thousand, unless otherwise stated)

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated*)
Revenue	8	60 335	50 626
Net change in fair value of biological assets	17	10 995	6 935
Cost of sales	9	(42 237)	(34 297)
Gross profit		**29 093**	**23 264**
Other operating income	12	1 057	3 661
Selling and distribution costs	10	(3 785)	(2 952)
Administrative expenses	11	(1 783)	(1 923)
Other operating expenses	13	(808)	(1 418)
Operating profit		**23 774**	**20 632**
Finance costs	14	(266)	(1 794)
Finance income	15	787	1 115
Profit before tax		**24 295**	**19 953**
Income tax expense	16	(298)	33
Profit for the year		**23 997**	**19 986**
Other comprehensive income			
Exchange differences on translation of foreign operations		39	(78)
Other comprehensive income for the year, net of tax		**39**	**(78)**
Total comprehensive income for the year, net of tax		**24 036**	**19 908**
Profit for the year attributable to:			
Equity holders of the parent company		23 456	19 671
Non-controlling interests		541	315
Total profit for the year		**23 997**	**19 986**
Other comprehensive income attributable to:			
Equity holders of the parent company		38	(69)
Non-controlling interests		1	(9)
Total other comprehensive income		**39**	**(78)**
Total comprehensive income attributable to:			
Equity holders of the parent company		23 494	19 602
Non-controlling interests		542	306
Total comprehensive income		**24 036**	**19 908**
Earnings per share:			
Average weighted number of shares, items		6 000 000	6 000 000
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (USD per share)		3.91	3.28

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012
(in USD thousand, unless otherwise stated)

	Note	As at 31 December 2012	As at 31 December 2011 (restated*)
Assets			
Non-current assets			
Non-current biological assets	17	32 331	20 517
Property, plant and equipment and intangible assets	18	53 265	25 606
Other non-current assets	19	-	1 324
Deferred tax assets	16	81	92
Total non-current assets		**85 677**	**47 539**
Current assets			
Inventories	21	10 648	10 645
Current biological assets	17	8 754	1 921
Trade and other receivables	22	13 187	10 688
Prepayments to suppliers		380	587
Cash and cash equivalents	23	1 152	21 541
Total current assets		**34 121**	**45 382**
Total assets		**119 798**	**92 921**
Equity and liabilities			
Equity			
Issued capital	24	79	78
Share premium		30 933	30 933
Foreign currency translation reserve		(26)	(63)
Retained earnings		50 399	30 728
Result for the period		23 456	19 671
Equity attributable to equity holders of the parent		**104 841**	**81 347**
Non-controlling interests		3 258	2 716
Total equity		**108 099**	**84 063**
Non-current liabilities			
Interest-bearing loans and other non-current financial liabilities	20	1 790	2 569
Deferred tax liability	16	211	35
Total non-current liabilities		**2 001**	**2 604**
Current liabilities			
Trade and other payables	25	6 790	4 939
Advances received		273	154
Interest-bearing loans and borrowings	20	2 635	1 161
Total current liabilities		**9 698**	**6 254**
Total liabilities		**11 699**	**8 858**
Total equity and liabilities		**119 798**	**92 921**

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 7.

Consolidated Financial Statements
continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(in USD thousand, unless otherwise stated)

	Attributable to equity holders of the parent company							
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period	Total	Non-controlling interests	Total equity
As at 31 December 2010	**63**	**-**	**-**	**19 278**	**9 731**	**29 072**	**2 353**	**31 425**
Changes in accounting policies and errors (Note 7)	-	-	-	1 721	(6)	1 715	61	1 776
As at 31 December 2010 (restated*)	**63**	**-**	**-**	**20 999**	**9 725**	**30 787**	**2 414**	**33 201**
Profit for the period	-	-	-	-	19 811	19 811	321	20 132
Other comprehensive income	-	-	(69)	-	-	(69)	(9)	(78)
Changes in accounting policies and errors (Note 7)	-	-	-	-	(140)	(140)	(6)	(146)
Total comprehensive income (restated*)	**-**	**-**	**(69)**	**-**	**19 671**	**19 602**	**306**	**19 908**
Share issued 20 June 2011	21	33 048	-	-	-	33 069	-	33 069
Costs allocated to issue of share capital	-	(2 115)	-	-	-	(2 115)	-	(2 115)
Allocation of result prior year	-	-	-	9 725	(9 725)	-	-	-
Exchange differences	(6)	-	6	-	-	-	-	-
Changes in non-controlling interests (Note 1)	-	-	-	4	-	4	(4)	-
As at 31 December 2011 (restated*)	**78**	**30 933**	**(63)**	**30 728**	**19 671**	**81 347**	**2 716**	**84 063**
Profit for the period	-	-	-	-	23 456	23 456	541	23 997
Other comprehensive income	-	-	38	-	-	38	1	39
Total comprehensive income	**-**	**-**	**38**	**-**	**23 456**	**23 494**	**542**	**24 036**
Allocation of prior year result	-	-	-	19 671	(19 671)	-	-	-
Exchange differences	1	-	(1)	-	-	-	-	-
As at 31 December 2012	**79**	**30 933**	**(26)**	**50 399**	**23 456**	**104 841**	**3 258**	**108 099**

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 7.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012
(in USD thousand, unless otherwise stated)

	For the year ended 31 December 2012	For the year ended 31 December 2011
Operating activities		
Profit before tax	24 295	19 953
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment and amortisation of intangible assets (restated)	3 485	1 635
Net change in fair value of biological assets	(10 995)	(6 935)
Loss on disposal of property, plant and equipment	8	18
Finance income	(787)	(1 115)
Finance costs	266	1 794
Impairment of doubtful accounts receivable and prepayments to suppliers	13	269
Impairment of inventories	9	18
Liability for unused vacation	123	166
VAT written off	629	580
Working capital adjustments:		
Increase in trade and other receivables	(3 078)	(3 155)
Decrease/(Increase) in prepayments to suppliers	1 123	(502)
Increase in inventories	(12)	(2 253)
Increase/(Decrease) in trade and other payables and advances received	1 847	(179)
	16 926	**10 294**
Income tax paid	(89)	(22)
Net cash flows from operating activities	**16 837**	**10 272**
Investing activities		
Proceeds from sale of property, plant and equipment	-	27
Purchase of property, plant and equipment	(31 170)	(13 912)
Increase in biological assets	(7 651)	(4 426)
Interest received	472	213
Proceeds from repayment of loan to Beneficial Owner	703	341
Purchase of Ovostar Union LLC	-	(38)
Net cash flows used in investing activities	**(37 646)**	**(17 795)**
Financing activities		
Proceeds from borrowings	2 002	13 343
Repayment of borrowings	(1 282)	(14 904)
Interest paid	(180)	(573)
Increase in share premium	-	30 933
Increase in share capital	-	21
Net cash flows used in financing activities	**540**	**28 820**
Net (decrease)/increase in cash and cash equivalents	**(20 269)**	**21 297**
Effect from translation into presentation currency	(120)	(114)
Cash and cash equivalents at 1 January	**21 541**	**358**
Cash and cash equivalents at 31 December	**1 152**	**21 541**

1 Corporate information

Principal activities of Ovostar Union N.V. (referred to herein as the "Company") and its subsidiary (together – the "Group") include egg production, distribution, egg products manufacturing and production of sunflower oil. The registered office and principal place of business of the Company is Koningslaan 17, 1075 AA Amsterdam. The Company was incorporated on 22 March 2011 in Amsterdam. The largest shareholder is Prime One Capital Ltd., Larnaca, Cyprus. Its principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine (the list of the subsidiaries is disclosed below) and has a concentration of its business in Ukraine, where its production facilities are located. All subsidiary companies are registered under the laws of Ukraine. The registered office and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, Kyiv, Ukraine.
Total number of employees of all companies of the Group constituted 1 317 employees as at 31 December 2012 and 1 309 employees as at 31 December 2011.
The company is listed on Warsaw Stock Exchange.

The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the "Beneficial Owners").

The consolidated financial statements for the year ended 31 December 2012 were authorized by the Board of Directors on 18 April 2013.

As 31 December 2012 and 2011 the Group included the following subsidiaries:

		Ownership	
	Business activities	As at 31 December 2012	As at 31 December 2011
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100%	100%
Limited Liability Company "Yasensvit"	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, poultry feed production	98%	98%
Limited Liability Company "Ovostar"	Egg-products production and distribution	100%	100%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding	92%	92%
Public Joint Stock Company "Malynove"	Production of shell eggs, assets holding	94%	94%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading – non-operational activity	76%	76%
Limited Liability Company "Skybynskyy Fodder Plant"	In the process of liquidation Non-operational activity	99%	99%

(a) Changes in non-controlling interest

In 2012 there were no changes in non-controlling interest. During the year ended 31 December 2011 Ovostar Union LLC increased effective ownership in Ovostar LLC from 98% to 100% by means of increasing the share capital of Ovostar LLC. All shares of the newly issued share capital were allotted to Ovostar Union LLC. The carrying amount of Ovostar LLC's net assets in the Group's financial statements before the share capital increase were USD 190 thousand. The Group recognised a decrease in non-controlling interest of USD 4 thousand and an increase in retained earnings of USD 4 thousand.

Notes to the Consolideted Financial Statements continued

2 Basis of preparation

2.1. Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting

Standards as adopted by the European Union ("IFRS EU" hereinafter).
The companies of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS" hereinafter). UAS principles and procedures may differ from those generally accepted under IFRS EU. 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 EU.

2.1. Going concern basis

The financial statements are prepared on a going-concern basis, under which assets are sold and liabilities are repaid in the ordinary course of business. The accompanying consolidated financial statements do not include adjustments that would need to be made in case if the Group was unable to continue as a going concern.

2.2. Functional and presentation currency

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets, agricultural produce, and certain financial instruments that have been measured at fair value. The functional currency of the Company is U.S. dollar (USD). The Consolidated financial statements are presented in the company's functional currency, that is, U.S. dollar (USD). The operating subsidiary have Ukrainian hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousand, except when otherwise is indicated.

2.3. Restructuring of the Group

As described in Note 1, Ovostar Union N.V. was established in 2011 to serve as the holding company of the Group. Prior to the establishment of the Parent, the ownership of the legal entities, which the Group currently consists of, was under the control of the Beneficial Owners of the Group through Ukrainian holding company Ovostar Union LLC. At 31 December 2010 and 2009 the Beneficial Owners directly owned 100% of Ovostar Union LLC. As a result of the restructuring, Ovostar Union LLC and its subsidiaries was transferred towards the end of March 2011 to the newly incorporated company, Ovostar Union N.V., the parent of the Group, for cash consideration in amount of USD 38 thousand.

The consolidated financial statements are prepared for the purpose of presenting the consolidated financial position, result of operations and cash flows of the Group as if a restructuring described above had taken place before 1 January 2010.

Purchases of businesses from parties under common control are accounted for using the pooling of interest method. Under this method the financial statements of the combined entities are presented as if the businesses had been combined as at 1 January 2010.

Management and shareholders of the Group carried out restructuring of its activities. As the result, Group's ownership of primary development business was transferred to a newly established holding company - Ovostar Union N.V.(established in 2011). Most of the entities in the Group were acquired at their nominal values. With this, fair value of acquired net assets considerably exceeded its cost. This is explained by the fact that all transactions of subsidiary purchase were, by nature, operations under common control.

That is, founders of Ovostar Union N.V. eventually acquired shares of the current subsidiary, which they had effectively controlled as Beneficial Owners.

The assets and liabilities of the subsidiary transferred under common control are recorded at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

3 Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Group and its subsidiary as at 31 December 2012.

The consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiary). 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 subsidiary are included in the consolidated financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidated level, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.
Non-controlling interests represent the interest in subsidiary not held by the Group. Non-controlling interests at the reporting date represent the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity.

Any excess or deficit of the consideration paid over the net assets on the acquisition of non-controlling interests in subsidiary is charged or credited to accumulated profits.

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

Notes to the Consolideted Financial Statements continued

4 Use of estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, due to uncertainty about these estimates, actual results recorded in future periods may differ from such estimates.

These consolidated financial statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

4.1 Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets" the Group reviews the carrying amount of non-current tangible assets (mainly property, plant and equipment) to identify signs of impairment of these assets.

The Company used a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method as defined in IAS 36) and, thus, assessed the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.
Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, safety of livestock, volume of meat production, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

Levels of costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of costs are taken into account, as well as the expected cost changes based on the current condition of operating activities and in accordance with the requirements of IAS 36. IAS 36 provides a number of restrictions on future cash flows, which may be recognized in respect of future restructuring and capital modernization expenses.
Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

- prices for main components of mixed fodder based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs and poultry meat are based on forecasts of the Group's management and market expectations.

Review of impairment led to the conclusion that the allowance for impairment of property, plant and equipment is not needed.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Company is based (such as a 5% change in the discount rate or 5% change in prices) will not cause the excess of carrying amount of the Group over its recoverable amount.

Application of IAS 36 requires extensive judgments by the management regarding estimates and assumptions related to future cash flows and discount rate. Given the nature of the current global economic environment, such assumptions and estimates have a high degree of uncertainty. Therefore, other similar assumptions may lead to significantly different results.

4.2. Fair value of biological assets

Estimation of fair value of biological assets is based on the discounted cash flow model. The fair value of biological assets might be affected by the fact that the actual future cash flows will differ from the current forecast, which typically occurs as a result of significant changes in any factors or assumptions used in the calculations.

Among such factors are:

- differences between actual prices and price assumptions used in estimating net realizable value of eggs;
- changes in productivity of laying hens;
- unforeseen operational problems inherent in the branch specificity;
- age of hens at the end of the reporting period;
- changes in production costs, costs of processing and products sales, discount and inflation rates and exchange rates that could adversely affect the fair value of biological assets.

The key assumptions concerning biological assets based on discounted cash flow approach are presented as follows:

- cost planning at each stage of poultry farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- discount rate for determining the present value of future cash flows expected from the biological assets in 2012 was set at 25.02% (2011: 24.36%).

Management determined that calculations of the fair value of biological assets are the most sensitive to changes in such assumptions as the volume of egg production, cost planning and prices of eggs and poultry meat. Management believes that any reasonably possible change in key assumptions will not cause any significant change in the fair value of biological assets.

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.

4.3. Allowances for doubtful debts

The Group forms allowances for doubtful debts to cover any potential losses arising in case of buyer's insolvency. In assessing the adequacy of the allowance for doubtful debts the management takes into account overall current economy conditions, terms of balances for outstanding receivables, the Group's experience to write off liabilities, customers' solvency and changes in the conditions of payment. Changes in the economy, industry or financial position of individual buyers may cause adjustment to the amount of allowance for doubtful debts reflected in the consolidated financial statements.

4.4. Useful lives of property, plant and equipment

The Group estimates useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are recorded as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates can have a significant impact on the carrying amount of property, plant and equipment and depreciation expenses during the period.

4.5. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that the inflow of taxable profit is possible, at the expense of which these losses may be implemented. Significant judgments are required from the management in determining the amount of deferred tax assets that can be recognized on the basis of the possible terms of receipt and the level of future taxable profit together with the future tax planning strategy.

5 Summary of significant accounting policies

5.1. Recognition and measurement of financial instruments

Financial assets and financial liabilities are recorded in the Group's consolidated statement of financial position when the Group becomes a contractual party regarding the corresponding financial instrument. The Group records the acquisition and sale of financial assets and financial liabilities at the settlement date.

Financial assets and liabilities are initially recognized at fair value plus, if a financial asset or financial liability is recognized not at fair value through profit or loss, incurred operating expenses directly related to the acquisition or issue of this financial asset or financial liability.

Fair value of investments that are actively traded in organized financial markets is calculated on the basis of current market value at the close of trading on the reporting date. Regarding investments in securities for which there is no active market, fair value is calculated using other methods of valuation of financial instruments. Such valuation methods include the use of information on recent market transactions between well informed, willing to commit such transaction, independent parties, or data about the current market value of another similar instrument, discounted cash flow analysis or other pricing models. Accounting policy for subsequent revaluation of these items is disclosed below in the appropriate sections of accounting policy.

5.2. Financial assets

Investments recognized in the accounting records and derecognized at the time of transaction, in case if investments are purchased or sold in accordance with the contract, terms of which require delivery of an instrument within the time specified in the relevant market, are initially measured at fair value less transaction costs directly attributable to the transaction, except for financial assets belonging to the category of assets at fair value through profit or loss that are initially recognized at fair value.

5.3. Effective interest rate method

The effective interest rate method is used to calculate the amortized cost of a financial asset and distribute interest income during the relevant period. The effective interest rate is the rate that enables discounting of estimated future cash receipts through the expected life of a financial asset or a shorter period, if applicable.

Revenues relating to debt instruments are recorded at the effective interest rate method, except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is hold for trading or designated at fair value through profit or loss.

A financial asset is classified as held-for-trading if it is:

- purchased originally for the purpose of sale / repayment within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes.

A financial asset that is not a financial asset held-for-trading may be classified as a financial asset at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial asset is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists in the framework of the contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the consolidated statement of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset. Fair value is determined in the manner set out in Note 29.

Held-to-maturity investments - investments held to maturity are measured at amortized cost using the effective interest rate method, less impairment, and income is recognized using the effective yield method. During the reporting periods presented in these financial statements, the Group had no investments of this category.

Loans and receivables - accounts receivable regarding principal activities, loans, borrowings and other receivables with fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest rate method less impairment and uncollectible debts. Interest income is recognized by applying the effective interest rate, except for short-term receivables for which the amount of such interest income is insignificant.
Unquoted investments available for sale are accounted for at cost if their fair value cannot be reliably measured.

5.4. Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts.

5.5. Short-term deposits

Short-term deposits include deposits with original maturities of more than three months. If short-term deposit can be canceled at the request of the Group companies, it is classified as cash and cash equivalents.

5.6. Impairment of financial assets

Financial assets, except for financial assets at fair value through profit or loss, at each reporting date are assessed for signs indicating impairment. Impairment loss is recognized when there is objective evidence of reduction of the estimated future cash flows on this asset as a result of one or more events that occurred after the financial asset was recorded in the accounting. For financial assets at amortized cost, the amount of impairment is calculated as the difference between the asset’s carrying amount and present value of the expected future cash flows discounted using the effective interest rate.

Impairment loss directly reduces the carrying amount of all financial assets, except for accounts receivable on principal activities, carrying amount of which is reduced due to the allowance formed. If the accounts receivable on principal activities are uncollectible, they are written-off against the related allowance. Subsequently received reimbursements of amounts previously written-off are recorded in credit of the allowance account. Changes in the carrying amount of the allowance account are recorded in the profit and loss.

Except for equity instruments available for sale, if in a subsequent period the amount of impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is recovered by adjusting the items in the income statement. In this case, the carrying amount of financial investments at the date of recovery of impairment cannot exceed its amortized cost, which would be reflected in the case, if impairment was not recognized.

In respect of equity securities available for sale, any increase in fair value after recognition of impairment loss relates directly to equity.

5.7. Writing-off of financial assets

The Group writes-off a financial asset only if rights for cash flows under the corresponding contract terminated the treaty or if a financial asset and corresponding risks and rewards are transferred to other organization. If the Group does not transfer or retain all the principal risks and rewards of ownership of the asset and continues to control the transferred asset, it shall record its share in the asset and related liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

5.8. Financial liabilities and equity instruments issued by the Group

5.8.1. Accounting as liabilities or equity

Debt and equity financial instruments are classified as liabilities or equity based on the substance of the corresponding contractual obligations.

5.8.2. Equity instruments

Equity instrument is any contract confirming the right for a share in the company’s assets remaining after deduction of all its liabilities. Equity instruments issued by the Group are recorded in the amount of generated income net of direct expenses for their issue.

5.8.3. Liabilities under financial guarantee contracts

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- cost of contractual obligations determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, and
- cost, less, where applicable, accumulated depreciation reflected in accordance with the principles of revenue recognition set forth below.

5.8.4. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or as other financial liabilities.
Financial liabilities at fair value through profit or loss - Financial liabilities are classified as at fair value through profit or loss if they are held for trading or designated as at fair value through profit or loss.

A financial liability is classified as held for trading if it is:

- assumed mainly to be repurchased within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes

A financial liability that is not a financial liability held-for-trading may be classified as a financial liability at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial liability is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists within the framework of the contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the financial results. Net gains or losses recognized in the income statement include interest paid on a financial liability.

Other financial liabilities - other financial liabilities, including borrowings, are accounted for at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with the recognition of interest expenses using the effective (actual) yield.

5.8.5. Trade and other accounts payable

Trade payables are recognized when the counterparty fulfills its contractual obligations and measured at amortized cost using the effective interest rate.

5.8.6. Loans and borrowings

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance-sheet preparation.

5.8.7. Writing-off of financial liabilities

The Group writes-off financial liabilities only when they are repaid, cancelled or expire.

5.9. Foreign currency transactions

Transactions in currencies other than the functional currency are initially recorded at exchange rates set on the dates of these transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates applicable at the reporting date. All realized and unrealized gains and losses resulting from exchange rate differences are included in profit or loss for the period.

Relevant exchange rates are presented as follows:

	As at 31 December 2012	As at 31 December 2011
USD/UAH	7.993	7.990
EUR/UAH	10.537	10.298
PLN/USD	3.076	3.422
EUR/USD	0.757	0.772

5.10. Biological assets

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group, fair value or cost of an asset can be estimated with reasonable certainty.
Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses is included in the consolidated income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated statement of comprehensive income.

5.11. Inventories

Inventories consist mainly of agricultural produce and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost of goods includes the cost of acquisition and, where appropriate, costs incurred in bringing inventories to their present condition and location. Cost is calculated using the FIFO method. Net realizable value is calculated based on the estimated selling price less all estimated costs of production completion and sale.

5.12. Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes net of trade and other discounts; (b) any costs directly related to the delivery of an asset to the location and condition, which provide its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal of an asset of property, plant and equipment and restoration of the occupied territory; this obligation is assumed by the Company either upon the acquisition of an asset, or as a result of its operation for a certain period of time for the purposes not related to the production of inventories during this period. Cost of assets created in-house includes cost of materials, direct labor costs and an appropriate proportion of production overheads.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including distribution of variable overheads associated with the construction and prepayments for the property, plant and equipment. Construction in progress is not depreciated. These assets are depreciated from the moment when they are used in economic activity, on the same basis as depreciation on other assets.

Capitalized costs include principal expenses for modernization and replacement of assets parts, which prolong their useful lives or improve their ability to generate income. Cost of repairs and maintenance of property, plant and equipment that do not meet the above criteria for capitalization are recognized in profit or loss in the period in which they were incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, replacing the cost, less its residual value. The residual value of an asset is the estimated amount that the company would receive to date from the sale of an asset of property, plant and equipment, less estimated costs of disposal if the asset reached the age and condition, in which, presumably, it will be at the end of its useful life. Assets under finance lease are depreciated over the shorter of estimated useful life on the same basis as own assets or over the period of the relevant lease.

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

Buildings	10 - 30 years
Plant and equipment	5 - 10 years
Vehicles	3 - 10 years
Furniture and fittings	3 - 5 years
Construction in progress and uninstalled equipment	No depreciation

The residual value, useful life and depreciation method are reviewed at the end of each financial year. Impact of any changes arising from estimates made in prior periods is recorded as a change in an accounting estimate.

Gains or losses arising from disposal or liquidation of an asset of property, plant and equipment, are defined as the difference between sales proceeds and carrying amount of an asset and recognized in profit or loss.

5.13. Impairment of property, plant and equipment

At each reporting date the Group reviews the carrying amount of its assets of property, plant and equipment to determine whether any signs of impairment exist due to depreciation. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any.

In order to determine the impairment losses, assets are grouped at the lowest levels for which it is possible to identify separately the cash flows (cash generating unit).

The recoverable amount is the higher of the fair value less selling and distribution expenses and value of an asset in use. In assessing the value of an asset in use, the estimated future cash flows associated with the asset, are discounted to their present value using pre-tax discount rate that reflects current market estimates of time value of money and the risks inherent in the asset.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its carrying amount, the carrying amount of an asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case the impairment loss is considered as a revaluation decrease.

In cases where impairment losses are subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recovery amount, however, in such a way that the increased carrying amount does not exceed the carrying amount that would be determined, if an impairment loss was not recognized in respect of an asset (cash generating unit) in previous years. Reversal of impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case, the reversal of an impairment loss is considered as a revaluation increase.

5.14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortization is calculated on a straight line basis over the useful life of an asset, which is 3 years.

5.15. Borrowing costs

Borrowing costs are capitalized by the Group in the asset if they are directly attributable to the acquisition or construction of a qualifying asset, including construction in progress, costs for acquisition of which arose since 1 January 2008. Other borrowing costs are recognized as an expense in the period they were incurred.

5.16. Leases

Leases are classified as finance leases when according to the terms of lease the lessee assumes all principal risks and rewards incident to ownership of the leased property. Other leases are classified as operating leases. Income and expenses associated with operating leases are accrued on a straight-line basis and recorded in the income statement over the lease term.

5.17. Group as a lessee

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

5.18. Group as a lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5.19. Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. Such liabilities are disclosed in the notes to the financial statements, except where the probability of outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognized in the financial statements, but disclosed in the notes to the extent that it is probable that the economic benefits will flow to the Group.

5.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

Where there is a possibility that one or all of the economic benefits necessary to recover the amount of provision will be reimbursed by a third party, the receivables are recognized as an asset if there is actual assurance that such reimbursement will be received and the amount of receivables can be measured reliably.

5.21. Revenue recognition

Revenues from the sale of goods are recognized when the Group has transferred to the buyer all significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with this transaction will flow to the Group.

Revenues from rendering of services are recognized in the reporting period in which the services were provided, based on the level of completion of the specific transaction and only when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with this transaction will flow to the Group.

Income and expenses relating to the same transaction or event are recognized simultaneously. Interest income is recognized using the effective interest rate method.

Notes to the Consolideted Financial Statements continued

5.22. Income tax
Income tax is calculated in accordance with the requirements of the applicable legislation of Ukraine. Income tax is calculated on the basis of financial results for the year adjusted to items that are not included in taxable income or that cannot be attributed to gross expenses. It is calculated using tax rates effective at 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 financial statements and the corresponding tax base used to calculate taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Deferred tax is calculated at tax rates, which presumably will be applied during the sale of related assets or repayment of related liabilities.

Assets and liabilities on deferred income tax are offset when: a) The Group has a legally enforceable right to offset the recognized current income tax assets and liabilities; b) the Group intends either to perform settlement by offsetting counterclaims, or simultaneously sell the asset and settle the liability; c) deferred tax assets and liabilities relate to income taxes levied by the same taxation authority in each future period in which it is intended to repay or reimburse a significant amount of deferred tax liabilities and assets.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly in equity. In this case the deferred tax is also recognized in equity.

5.23. Value Added Tax
In the years ended 31 December 2012 and 2011, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received. Starting from 1 January 2014 VAT rate at 20% will be changed by the new Tax Code of Ukraine (Note 27) and it was established at the level of 17%. This change has no effect on these consolidated financial statements.

5.24. Government grants
Government grants are stated at fair value when there is reasonable assurance that the grant will be received.

Ukrainian legislation provides a variety of tax benefits and subsidies for agricultural companies. Such benefits and subsidies are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance, local authorities. Under the applicable legislation, agricultural producers are entitled to use VAT benefit regarding agricultural transactions.

VAT positive balance on agricultural transactions is directed at supporting agriculture, and negative - to be included in expenses. The amount of VAT revenues and expenses is included in other operating income and expenses in the statement of comprehensive income.

5.25. Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions
The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

5.26. Related party transactions
For the purposes of these consolidated financial statements, the parties are considered to be related if one of the parties has a possibility to control or considerably influence the operational and financial decisions of other company. While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the transaction not only their legal form.

6 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

At the date of approval of these consolidated financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

a) Adopted by the European Union
Amendments:

- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).

b) Not adopted by the European Union
New standards:

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Agreements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 "Employee Benefits (Revised)" The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IFRS 1 "Government Loans" (effective for annual periods beginning on or after 1 January 2013).

New IFRICs:

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

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

- Amendments to IFRS 7 "Financial Instruments: Disclosures" on derecognition of financial instruments. These amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. These amendments are effective for annual periods beginning on or after 1 July 2011 and have not yet been endorsed by the European Union.

Adoption of new and revised IFRS

- IFRS 9 "Financial Instruments". IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains, but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

- IFRS 10 "Consolidated Financial Statements". The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements, when an entity controls one or more other entity to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

- 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. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

7 Changes in accounting policies and errors

During the year ended 31 December 2012, the management discovered certain errors that relate to the adoption of IFRS 1 "First-time Adoption of International Financial Reporting Standards" as at 1 January 2008. International Financial Reporting Standard IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" requires that prior period errors are corrected by restating the opening balances of assets, liabilities and equity for the earliest period presented. Management corrected these errors by adjusting the respective balances as at 31 December 2010.

Notes to the Consolideted Financial Statements continued

The following errors were discovered:

7.1. Property, plant and equipment

During 2012, it was discovered that the carrying value of property plant and equipment as at 1 January 2008 was understated due to applying inappropriately the deemed cost model. When preparing these consolidated financial statements of the Group, were recalculated the fair value of certain assets in prior periods accounted under the deemed cost model.

The correction of this error resulted in the following impact on the Group's consolidated financial statements as at and for the years ended 31 December 2011:

Effect on consolidated statement of financial position (in USD thousand)

	As at 01 January 2011	As at 31 December 2011
Change in historical cost and depreciation:		
Change in historical cost of property, plant and equipment	2 781	2 781
Change in depreciation of property, plant and equipment	(1 005)	(1 151)
Change in Net balance value of property, plant and equipment	**1 776**	**1 630**

Effect on consolidated statement of financial position (in USD thousand)

	For the year ended 31 December 2011
Additional depreciation charge	146

Effect on consolidated statement of financial position (in USD thousand)

	Attributable to equity holders of the parent company			Non-controlling interests
	Retained earnings	Result for the period	Total	
As at 31 December 2010	**19 278**	**9 731**	**29 009**	**2 353**
Effect on Retained earnings	1 776	-	1 776	-
Effect on Non-controlling interests	(55)	(6)	(61)	61
As at 31 December 2010 (restated)	**20 999**	**9 725**	**30 724**	**2 414**
Profit for the year ended 31 December 2011 (before adjustments)	-	19 811	19 811	321
Changes in non-controlling interests for the year ended 31 December 2011 (before adjustments)	-	-	-	(13)
Effect on Profit for the year ended 31 December 2011	-	(146)	(146)	-
Effect on Non-controlling interests	-	6	6	(6)
As at 31 December 2011 (restated)	**20 999**	**29 396**	**50 395**	**2 716**

7.2. Related party disclosures

The Group has assessed its accounting policy with regard to the disclosure of related party. Previously, the Group did not disclose the nature of the related party relationship. As a result of the revision, the Group has disclosed the nature of the related party (Note 26).

8 Segment information

All 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:

Egg operations segment	• sales of egg • sales of chicken meat
Egg products operations segment	• sales of egg processing products
Sunflower products operations segment	• sales of sunflower oil and related products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Sales between segments are mainly carried out at market prices. Segment result represents operating profit before tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:
All assets are allocated to reportable segments.
All liabilities are allocated to reportable segments.

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the year ended 31 December 2012 and 2011:

For the year ended 31 December 2012	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	56 075	19 973	4 216	**80 264**
Inter-segment revenue	(17 549)	(2 380)	-	(**19 929)**
Revenue from external buyers	**38 526**	**17 593**	**4 216**	**60 335**
Profit before tax	**19 639**	**4 396**	**260**	**24 295**

For the year ended 31 December 2011 (restated)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	50 122	13 981	1 406	**65 509**
Inter-segment revenue	(14 612)	(271)	-	**(14 883)**
Revenue from external buyers	**35 510**	**13 710**	**1 406**	**50 626**
Profit before tax	**16 794**	**3 124**	**35**	**19 953**

Notes to the Consolideted Financial Statements continued

Segment assets, liabilities and other information regarding segments for the year ended 31 December 2012 and 2011 were presented as follows:

As at 31 December 2012	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	**102 363**	**17 015**	**420**	**119 798**
Total segment liabilities	**8 905**	**2 794**	**-**	**11 699**
Addition to property, plant and equipment and intangible assets	24 013	7 142	15	**31 170**
Net change in fair value of biological assets and agricultural produce	7 439	3 556	-	**10 995**
Depreciation and amortization	(2 496)	(944)	(43)	**(3 483)**
Interest income	453	18	-	**471**
Interest on debts and borrowings	(70)	(110)	-	**(180)**
Income tax expense	(27)	(271)	-	**(298)**

As at 31 December 2011 (restated)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	**75 046**	**17 393**	**476**	**92 915**
Total segment liabilities	**5 520**	**3 338**	**-**	**8 858**
Addition to property, plant and equipment and intangible assets	11 354	2 424	134	**13 912**
Net change in fair value of biological assets and agricultural produce	6 935	-	-	**6 935**
Depreciation and amortization	(1 315)	(289)	(32)	**(1 636)**
Interest income	248	2	-	**250**
Interest on debts and borrowings	330	95	-	**425**
Income tax expense	(20)	(13)	-	**(33)**

9 Cost of sales

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated*)
Costs of inventories recognised as an expense	(27 736)	(22 556)
Packaging costs	(3 627)	(3 101)
Wages, salaries and social security costs	(5 956)	(5 017)
Amortisation, depreciation and impairment	(3 320)	(1 479)
Other expenses	(1 598)	(2 144)
Total cost of sales	**(42 237)**	**(34 297)**

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 7.

10 Selling and distribution costs

	For the year ended 31 December 2012	For the year ended 31 December 2011
Transportation expenses	(1 510)	(1 024)
Cost of materials	(731)	(667)
Marketing and advertising expenses	(848)	(593)
Wages, salaries and social security costs	(402)	(446)
Amortisation, depreciation and impairment	(16)	(18)
Other expenses	(278)	(204)
Total selling and distribution costs	**(3 785)**	**(2 952)**

11 Administrative expenses

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated*)
Wages, salaries and social security costs	(602)	(588)
Legal, audit and other professional fees	(433)	(486)
Service charge expenses	(284)	(315)
Cost of materials	(171)	(209)
Amortisation, depreciation and impairment	(149)	(139)
Other expenses	(144)	(186)
Total administrative expenses	**(1 783)**	**(1 923)**

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 7.

12 Other operating income

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Income from refund under the special legislation:			
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	-	37
Income from special VAT treatment	b)	847	2 847
Other grants	c)	3	12
Total income from refund under the special legislation		**850**	**2 896**
Gain on disposal of inventories		47	-
Recovery of assets previously written off		85	400
Other income		75	365
Total other operating income		**1 057**	**3 661**

Recovery of assets previously written-off mainly represents amounts of inventory surplus identified in the reporting period during the stock-taking.

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

In compliance with the legislation of Ukraine, agricultural producers are entitled to receive partial compensation of interest paid for loans received by them from financial institutions based on competitiveness and compensation principles.

In 2012 the Group had no loans received by agro-industrial enterprises, and as a result, compensation of interest decreased (2011: USD 37 thousand).

b) Income from special VAT treatment

Ukrainian agricultural producers, including the companies of the Group, benefit from a special regime of taxation. According to special regime rules, agricultural producers are permitted to retain the difference between the VAT that they charge on their agricultural products (prior to 1 January 2011 - at a rate of 20%) and the VAT paid on items purchased for their operational needs. This income and expenses are recognized in the consolidated financial statements on a net basis in other operating income/expenses.

All members of the Group qualify for the use of VAT benefits except for Limited Liability Company “Ovostar”, Open Joint Stock Company “Krushynskyy Poultry Complex”, Limited Liability Company “Skybynskyy Fodder Plant”, Limited Liability Company “Ovostar Union”.

According to the new Tax Code of Ukraine, VAT benefit will be cancelled as at 1 January 2018.

c) Other grants

The item “Other grants” comprises mainly of social insurance benefits.

13 Other operating expenses

	For the year ended 31 December 2012	For the year ended 31 December 2011
Impairment of doubtful accounts receivable and prepayments to suppliers	(13)	(269)
VAT written off	(629)	(580)
Loss on disposal of property plant and equipment	(89)	(18)
Fines and penalties	(20)	(45)
Loss on disposal of inventories	-	(221)
Impairment of inventories	(9)	(18)
Other expenses	(48)	(267)
Total other operating expenses	**(808)**	**(1 418)**

14 Finance costs

	For the year ended 31 December 2012	For the year ended 31 December 2011
Foreign currency exchange loss	(19)	(1 133)
Interest on debts and borrowings	(118)	(425)
Interest on financial lease	(62)	(149)
Other financial expenses	(67)	(87)
Total finance costs	**(266)**	**(1 794)**

In 2011, the Group converted a significant portion of cash, derived from the primary issue for WSE, the result of these transactions is reflected in the “Exchange difference Loss”.

15 Finance income

	For the year ended 31 December 2012	For the year ended 31 December 2011
Interest income on loan issued to Beneficial Owner presented in present value	315	514
Income from the sale of promissory notes	-	351
Interest income	472	250
Total finance income	**787**	**1 115**

16 Income tax

Companies of the Group that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the applicable laws. The FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

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 administrative expenses.

During the years ended 31 December 2012 and 2011, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 21% rate (2011: 1 quarter 2011 – at a 25% rate, 2-4 quarter 2011 – at a 23% rate). The new Tax Code of Ukraine effective as of 1 January 2011, introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), 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 2012 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Current income tax	(111)	-
Deferred tax	(187)	33
Income tax (expense)/ benefit reported in the income statement	**(298)**	**33**

A reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2012 and 2011 is as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated*)
Accounting profit before income tax	**24 295**	**19 953**
At Ukraine's statutory income tax rate of 21% (2011: 23%)	5 102	4 589
Tax effect of:		
Effect of changes in tax rates and laws	(486)	(400)
Income generated by FAT payers (exempt from income tax)	(5 545)	(4 812)
Effect on deferred tax balances due to the change in income tax rate from 25% to 16% (effective 01 January 2011)	-	(2)
Current year losses for which no deferred tax asset was recognised at a rate of 25.0% (1)	(83)	448
Effect of temporary differences not recognised as deferred tax assets	(16)	(443)
Effect of expenses that are not deductible in determining taxable profit	1 326	587
Income tax expense/(benefit) reported in the income statement	**298**	**(33)**

(1) Current year losses for which no deferred tax asset was recognized relate to Ovostar Union N.V., the Dutch company. The income tax rate in the Netherlands is 25.0%.

Deferred tax

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

	For the year ended 31 December 2012	For the year ended 31 December 2011
Advances received and other payables	12	17
Prepayments to suppliers	1	1
Trade and other receivables	27	45
Inventories	-	-
Property, plant and equipment	63	98
less:		
Unrecognized deferred tax assets	(16)	(32)
Netted off against deferred tax assets	**87**	**129**
Property, plant and equipment	(209)	(54)
Prepayments to suppliers	(8)	(12)
Trade and other receivables	-	(6)
Netted off against deferred tax liabilities	**(217)**	**(72)**
Net deferred tax asset/(liability)	**(130)**	**57**

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 balance sheet as at 31 December 2012 and 2011:

	As at 31 December 2012	As at 31 December 2011
Non-current assets	81	92
Long term liabilities	(211)	(35)
Net deferred tax asset/(liability)	**(130)**	**57**

17 Biological assets

As at 31 December 2012 and 2011 commercial and replacement poultry were presented as follows:

	As at 31 December 2012		As at 31 December 2011	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets				
Replacement poultry				
Hy-line	2 744	32 331	1 873	19 341
Rodonit brown	-	-	496	1 176
Total non-current biological assets	**2 744**	**32 331**	**2 369**	**20 517**
Current biological assets				
Commercial poultry				
Hy-line	1 461	8 754	31	1 101
Hy-sex	-	-	745	820
Total current biological assets	**1 461**	**8 754**	**776**	**1 921**
Total biological assets	**4 205**	**41 085**	**3 145**	**22 438**

Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more than one year are classified as non-current biological assets, biological assets that generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the years ended 31 December 2012 and 2011 was presented as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
As at 01 January	**22 438**	**11 147**
Increase in value as a result of assets acquisition	391	1 020
Increase in value as a result of capitalization of cost	8 191	4 421
Increase in value as a result of increase in weight/number	14	23
Income/(Losses) from presentation of biological assets at fair value	10 995	6 935
Decrease in value as a result of assets disposal	(882)	(873)
Decrease in value as a result of assets slaughter	(48)	(166)
Exchange differences	(14)	(69)
As at 31 December	**41 085**	**22 438**

For the year ended 31 December 2012 the Group produced shell eggs in the quantity of 719 490 thousand items (2011: 623 111 thousand).

Fair value of biological assets was estimated by the Group's specialists which have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced selling using corresponding discount rate which is equal to 25.02% (2011: 24.36%). Management supposes that sale price and production and distribution costs fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Eggs sale price, USD per item	0.082	0.077
Discount rate, %	25.02%	24.36%
Long-term inflation rate of Ukrainian hrivnya, %	107.50%	107.95%

Changes in key assumptions that were used in fair value estimation of biological assets will have the following influence on the value of biological assets as at 31 December 2012 and 2011:

	For the year ended 31 December 2012	For the year ended 31 December 2011
1% decrease in egg sale price	(770)	(390)
1% increase in discount rate	(547)	(205)
1% increase in long-term inflation rate of Ukrainian hrivnya	476	232

18 Property, plant and equipment and Intangible assets

	Buildings	Plant and equipment	Vehicles	Furniture and fittings	Construction-in-progress and uninstalled equipment	Intangible assets	Total
Cost or valuation							
As at 31 December 2010 (restated*)	**9 569**	**11 850**	**976**	**408**	**1 252**	**93**	**24 148**
Additions	2 496	3 354	78	101	7 883	-	13 912
Transfer	944	134	-	5	(1 083)	-	-
Disposals	-	(275)	(136)	(46)	-	-	(457)
Currency translation difference	(34)	(50)	(7)	(1)	(11)	1	(102)
As at 31 December 2011 (restated*)	**12 975**	**15 013**	**911**	**467**	**8 041**	**94**	**37 501**
Additions	13 610	13 089	206	75	4 190	-	31 170
Transfer	2 146	3 285	43	5	(5 479)	-	-
Disposals	(12)	(138)	-	(3)	-	-	(153)
Currency translation difference	(8)	(10)	(2)	-	(3)	-	(23)
As at 31 December 2012	**28 711**	**31 239**	**1 158**	**544**	**6 749**	**94**	**68 495**
Depreciation and amortization							
As at 31 December 2010 (restated*)	**(3 085)**	**(6 519)**	**(704)**	**(342)**	**-**	**(91)**	**(10 741)**
Depreciation and amortization charge	(465)	(1 078)	(46)	(45)	-	(2)	(1 636)
Disposals	-	269	132	44	-	-	445
Currency translation difference	8	(59)	3	86	-	(1)	37
As at 31 December 2011 (restated*)	**(3 542)**	**(7 387)**	**(615)**	**(257)**	**-**	**(94)**	**(11 895)**
Depreciation and amortization charge	(1 208)	(2 104)	(103)	(68)	-	-	(3 483)
Disposals	8	134	-	3	-	-	145
Currency translation difference	1	3	(1)	-	-	-	3
As at 31 December 2012	**(4 741)**	**(9 354)**	**(719)**	**(322)**	**-**	**(94)**	**(15 230)**
Net book value							
As at 31 December 2012	**23 970**	**21 885**	**439**	**222**	**6 749**	**-**	**53 265**
As at 31 December 2011	**9 433**	**7 626**	**296**	**210**	**8 041**	**-**	**25 606**
As at 31 December 2010	**6 484**	**5 331**	**272**	**66**	**1 252**	**2**	**13 407**

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 7.

As at 31 December 2012 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 4 579 thousand (2011: USD 7 321 thousand).

19 Other non-current assets

As at 31 December 2012 long-term loan issued to the Beneficial Owner was equal to USD 937 thousand (2011: USD 1 324 thousand). The loan represents interest-free loan, with maturity on 12 December 2013, and a nominal value of UAH 22 million (approximately USD 2.77 million), which is reconised at amortized cost using 16% effective interest rate. As at 31 December 2012 long-term loan issued to the Beneficial Owner was reclassified as other accounts receivable – related party.

20 Interest-bearing loans and other non-current financial liabilities

	Currency	Interest rate, %	Maturity	As at 31 December 2012	As at 31 December 2011
Current interest-bearing loans and borrowings					
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	348	340
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	172	168
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	136	133
UniCreditBank loan	USD	5,0% + LIBOR (3m)	19.12.2012	-	230
UniCreditBank loan	UAH	29.0%	01.11.2013	1 730	-
Other non-current loans	UAH	-	-	84	125
Short-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	165	165
Total current interest-bearing loans and borrowings				**2 635**	**1 161**
Non-current interest-bearing loans and borrowings					
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	609	935
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	301	462
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	269	396
Long-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	611	776
Total non-current interest-bearing loans and borrowings				**1 790**	**2 569**
Total interest-bearing loans and borrowings				**4 425**	**3 730**

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

At 31 December 2012 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

Under normal conditions of loans Credit Agricole, the interest rate up to 5.92% + EURIBOR. In the case in violation of the terms of repayment of loans Credit Agricole, the interest rate increases to 10%.

Notes to the Consolideted Financial Statements continued

(a) Finance lease liabilities

	As at 31 December 2012		As at 31 December 2011	
	Maximum lease payments	Present value of minimum lease payments	Maximum lease payments	Carrying value lease payments
Amounts payable under finance lease:				
Within a year	215	165	226	165
From one to five years	698	611	791	658
Above 5 years	-	-	123	118
	913	776	1 140	941
Less: financial expenses of future periods	(137)	-	(199)	-
Present value of lease liabilities	776	776	941	941
Less: amount to be paid within a year		(165)		(165)
Amount to be paid after one year		611		776

Finance lease obligations represent amounts due under agreements for lease of poultry cage equipment with Ukrainian companies. Net carrying value of property, plant and equipment acquired via finance lease as at 31 December 2012 and 2011 was as follows:

	As at 31 December 2012	As at 31 December 2011
Plant and equipment	846	953
Total	**846**	**953**

As at 31 December 2012 and 2011 there are no restrictions imposed by lease arrangements, in particular those concerning dividends, additional debt or further leasing.

21 Inventories

	As at 31 December 2012	As at 31 December 2011
Raw materials	4 094	4 957
Agricultural produce and finished goods	5 075	4 148
Package and packing materials	856	742
Work in progress	186	396
Other inventories	614	754
(Less: impairment of agricultural produce and finished goods)	(177)	(352)
Total inventories at the lower of cost and net realisable value	**10 648**	**10 645**

For the year ended 31 December 2012 the Group recognized impairment losses of agricultural produce and finished goods due to illiquidity of finished goods in amount of USD 9 thousand (in 2011: USD 18 thousand). In 2012 there were no decrease in net realizable value and written-off assets (in 2011: USD 221 thousand).

21.1 Trade and other receivables

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Trade receivables		8 204	5 406
VAT for reimbursement		4 133	4 936
VAT for reimbursement special legislation		42	-
Receivables for securities sold but not yet settled		210	640
Other accounts receivable		77	120
Other accounts receivable - related party	19	937	-
Provision for doubtful accounts receivable		(416)	(414)
Total trade and other receivables		**13 187**	**10 688**

22 Cash and cash equivalent

	As at 31 December 2012	As at 31 December 2011
Cash in banks	1 105	21 504
Cash on hand	47	37
Total cash at banks and on hand	**1 152**	**21 541**

23 Equity

Issued capital and capital distribution

In 2012 there were no changes in issued capital.
As referred to in Note 1, the Company was incorporated on 22 March 2011.

The Company's authorized share capital amounts to EUR 225 000 and consists of 22 500 000 ordinary shares with a nominal value off EUR 0.01 each. As at 31 December 2011, 6 000 000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

At 31 December 2012 the largest single shareholder interest in the Company was as follows:

	As at 31 December 2012
Prime One Capital Ltd.	74.03%
Generali Otwarty Fundusz Emerytalny	12.15%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	5.02%

Foreign currency translation reserve

According to section 373, Book 2 of the Dutch Civil Code, the Company's share capital has been converted at the exchange rate prevailing at reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) has been converted into USD 79 308 (2011: USD 77 700). The result arising of exchange rate differences has been recorded in the "Foreign currency translation reserve".

The foreign currency translation reserve is used also to record exchange differences arising from the translation of the financial statements of foreign subsidiary.

Share premium

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011. In 2012 there were no movements in share premium.

Loss from restructuration

In 2010 as part of the corporate restructuration Beneficial Owners of the Group made decision to spin off available-for-sale investments to entity which is controlled over by them. Investments in amount of USD 3 306 thousand were excluded from the consolidated statement of financial position and charged directly to retained earnings as distribution to shareholders.

Dividends payable of the Company

During the year ended 31 December 2012 and 2011, no dividends have been declared and paid.

24 Trade and other payables

	As at 31 December 2012	As at 31 December 2011
Trade payables	5 370	3 800
Employee benefit liability	387	325
Taxes payable	235	188
Liability for unused vacation	311	188
VAT liabilities	-	106
Other payables	487	332
Total trade and other payables	**6 790**	**4 939**

25 Related party disclosures

For the purposes of these consolidated financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. In considering the transactions with each possible related party, the particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

According to the criteria mentioned above, related parties of the Group are divided into the following categories:

(A). Key management personnel;
(B). Companies which activities are significantly influenced by the Beneficial Owners;
(C). Other related parties.

The following companies and individuals are considered to be the Group's related parties as at 31 December 2012 and 2011:

(A). Key management personnel:	Position:
Borys Bielikov	Executive director (shareholder)
Vitalii Veresenko	Non-executive director (shareholder)
Oleksander Bakumenko	Non-executive director
Marc van Campen	Non-executive director
Yuriy Doroshev	Chief Financial Officer
Natalia Malyovana	Commercial Director
Natalia Vlasniuk	Marketing Director
Vitalii Voron	Production Director
Yuriy Gusar	Director (PJSC "Poultry Farm Ukraine")
Valentina Vovk	Logistics Director

(B). Companies which activities are significantly influenced by the Beneficial Owners:

Agrofirma Boryspilsky Hutir LLC
Aleksa LTD LLC

As at 31 December 2012 and 2011, trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	Note	As at 31 December 2012	As at 31 December 2011
Long-term loan issued to the Beneficial Owners*			
(A). Key management personnel:			
Borys Bielikov	19	937	1 324
		937	**1 324**
Prepayments to related parties			
(B). Companies which activities are significantly influenced by the Beneficial Owners:			
Agrofirma Boryspilsky Hutir LLC		-	6
Aleksa LTD LLC		198	142
		198	**148**

*The amounts are classified as "Other accounts receivable - related party" as at 31 December 2012.

As at 31 December 2012, decrease Long-term loan issued to the Beneficial Owners associated with partial repayment of debt and decrease discount period. As at 31 December 2012, increase prepayment to the Aleksa LTD LLC, as a result of the normal conditions of the contract. For the year 31 December 2012 and 2011 the Group has no significant transactions with related parties, except disclosed above.

Compensation of key management personnel of the Group

The amount of remuneration of key management personnel of the Group for the year ended 31 December 2012 and 2011 were presented as follows:

	As at 31 December 2012	As at 31 December 2011
Salaries and contribution to social security fund (short-term employee benefits):		
Borys Bielikov	19	17
Vitalii Veresenko	17	17
Oleksander Bakumenko	-	-
Marc van Campen	20	10
Other key management personnel	91	35
	147	**79**

Others, any compensation and benefits to key management personnel for the year ended 31 December 2012 and 2011, were not paid, except for the short-term benefits, in the form of salaries and contribution to social security fund, disclosed above.

26 Commitments and contingencies

Contingent liabilities

Operating environment. The principal business activities of the Group are within Ukraine. Emerging markets such as Ukraine are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Ukraine's economy in general. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Group's assets and operations could be at risk if there are any adverse changes in the political and business environment.

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 interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, 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 take effect later (such as, Section III dealing with corporate income tax, came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, as discussed in Note 12, the Tax Code also changes various other taxation rules.

As of the date these financial statements were authorized for issue, additional clarifications and guidance on application of the new tax rules were not published and certain revisions were proposed for consideration of the Ukrainian Parliament.

While the Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future, as of the date these financial statements were authorized for issue management was in the process of assessing of effects of its adoption on the operations of the Group.

Legal issues. The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

Capital liabilities. As at 31 December 2012 the Group had contract liabilities for acquisition of property, plant and equipment equal to USD 12 906 thousand (2011: 203 thousand).

Liabilities for property, plant and equipment operating lease contracts. As at 31 December 2012 and 2011 the Group had no significant contractual liabilities.

27 Commitments and contingencies

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. 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 the issue of new debt or the redemption of existing debt. The capital structure of the Group consists of debt, which includes the borrowings and cash and cash equivalents disclosed in notes 20 and 23 respectively, and equity attributable to the equity holders of the parent , comprising issued capital, share premium, reserves and retained earnings.

Gearing ratio

The Group's management reviews quarterly the capital structure of the Group. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated*)
Debt liabilities*	4 423	4 128
Cash and cash equivalents and deposits**	(1 152)	(21 541)
Net debts	3 271	(17 413)
Equity	104 841	81 347
Gearing ratio	**3%**	**(21%)**

* Debts include short-term and long-term borrowings.
** Equity includes the share capital, share premium, retained earnings and foreign currency translation reserve.

Financial risk management

The main risks inherent to the Group's operations are those related to credit risk exposures, liquidity risk, market movements in currency rates and interest rates and potential negative impact of livestock diseases.

Credit 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's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are long-standing clients, there were no significant losses during 2012 and 2011 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterized by the following indicators:

For the year ended 31 December 2012 USD 16 466 thousand or 27% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2012 USD 3 885 thousand or 49 % of trade accounts receivable relates to 5 major debtors.

For the year ended 31 December 2011 USD 11 094 thousand or 22% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2011 USD 1 336 thousand or 25 % of trade accounts receivable relates to 5 major debtors.

The credit quality of the gross trade receivables from related and third parties was as follows:

	As at 31 December 2012	As at 31 December 2011
Fully performing	7 615	4 777
Past due but not impaired	173	215
Impaired	416	414
Total trade receivables - gross	**8 204**	**5 406**

As at 31 December 2012 and 2011 the ageing of trade account receivable there were not impaired was as follows:

	As at 31 December 2012	As at 31 December 2011
0-30 days	5 414	3 652
31-90 days	1 494	1 201
91-180 days	109	112
181-360 days	767	25
more that 360 days	4	2
Total	**7 788**	**4 992**

Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfill its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage the reputation of the Group.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cash flows from operating activities are insufficient for liabilities to be settled. The table below represents the expected maturity of components of working capital:

31 December 2012	Carrying value	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:						
Trade and other payables	6 788	6 788	6 508	203	77	-
Current interest-bearing loans and borrowings	2 551	3 021	804	804	1 413	-
Non-current interest-bearing loans and borrowings	1 874	1 967	-	-	-	1 967
Total	**11 213**	**11 776**	**7 312**	**1 007**	**1 490**	**1 967**

31 December 2011 (restated)	Carrying value	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:						
Trade and other payables	4 939	4 939	4 939	-	-	-
Current interest-bearing loans and borrowings	1 036	1 099	275	275	549	-
Non-current interest-bearing loans and borrowings	2 694	2 722	-	-	-	2 722
Total	**8 669**	**8 760**	**5 214**	**275**	**549**	**2 722**

Currency risk

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, at the same time the management of the Group sets limits on the level of exposure by currencies.

Exposure to foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2012 and 2011 were as follows:

31 December 2012	PLN	USD	EUR	UAH	Total
(in conversion to USD thousand)					
Assets					
Cash and cash equivalents	1	578	6	567	1 152
Trade receivables	-	311	-	7 477	7 788
Liabilities					
Current interest-bearing loans and borrowings	-	-	(384)	(2 168)	(2 552)
Non-current interest-bearing loans and borrowings	-	-	(1 179)	(695)	(1 874)
Trade accounts payable	-	(10)	(707)	(4 653)	(5 370)
Net exposure to foreign currency risk	**1**	**879**	**(2 264)**	**528**	**(856)**

31 December 2011	PLN	USD	EUR	UAH	Total
(in conversion to USD thousand)					
Assets					
Cash and cash equivalents	19	12 296	36	9 190	21 541
Trade receivables	-	287	4	4 701	4 992
Liabilities					
Current interest-bearing loans and borrowings	-	(230)	(641)	(290)	(1 161)
Non-current interest-bearing loans and borrowings	-	-	(1 793)	(776)	(2 569)
Trade accounts payable	-	(226)	(519)	(3 055)	(3 800)
Net exposure to foreign currency risk	**19**	**12 127**	**(2 913)**	**9 770**	**19 003**

This sensitivity rate represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for expected change in foreign currency rates.

Effect in USD thousand:

	Increase in currency rate against UAH	Effect on profit before tax
31 December 2012		
USD	15%	132
EUR	10%	(226)
PLN	10%	-
31 December 2011		
USD	15%	1 819
EUR	10%	(292)
PLN	10%	2

The effect of foreign currency sensitivity on shareholders' equity is equal to that on profit or loss

Interest rate risk

Interest rate risk – Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The major part of the Group's borrowings bear variable interest rates which are linked to LIBOR and EURIBOR. Other borrowings are presented at fixed interest rates.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings under facility agreements) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	As at 31 December 2012	As at 31 December 2011
	LIBOR	LIBOR
Profit/(loss)	-	2/(2)
	EURIBOR	EURIBOR
Profit/(loss)	18/(18)	13/(13)

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Livestock diseases risk

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.

28 Financial instruments

Estimated fair value disclosure of financial instruments is made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". 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 Group uses the following hierarchy for determining the fair value of financial instruments:

- Level 1 ("L1") - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 ("L2") - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 ("L3") - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group does not acquire, hold or issue derivative financial instruments for trading purposes.

		As at 31 December 2012		As at 31 December 2011 (restarted)	
	Subsequent measurement	Carrying value	Fair value	Carrying value	Fair value
Financial assets:					
Trade and other receivables (a)	Amortized cost	12 250	12 250	10 688	10 688
Loan issued to the Beneficial Owner of the Group (b), (Note 19)	Amortized cost	1 069	937	1 772	1 324
		13 319	**13 187**	**12 460**	**12 012**
Financial liabilities:					
Current interest-bearing loans and borrowings (a)	Amortized cost	2 551	2 551	1 161	1 161
Non-current interest-bearing loans and borrowings (b)	Amortized cost	1 874	1 874	2 569	2 569
Trade and other payables (current) (a)	Amortized cost	6 788	6 788	4 939	4 939
		11 213	**11 213**	**8 669**	**8 669**

The following methods and assumptions were used to estimate the fair values:

a) The Group's short-term financial instruments, comprising trade and other receivables, current interest-bearing loans and borrowings, trade and other payables are carried at amortized cost which, due to their short term nature, approximates their fair value. In the table above, the "Trade and other receivables" is presented excluding to the "Loan issued to the Beneficial Owner of the Group".

b) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The loan issued to the Beneficial Owner represents interest-free loan, with maturity on 12 December 2013, and which is recognised at amortized cost using 16% effective interest rate. As at 31 December 2012 the loan issued to the Beneficial Owner classified as "Other accounts receivable - related party" and submitted as component of the "Trade and other receivables".

c) Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

d) Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

29 Subsequent events

Ovostar Union N.V. entered into a 7-year individual loan agreement of EUR 10 million (interest rate: EURIBOR + 1.65%) with Landesbank Berlin AG. The proceeds of the loan are used to finance purchase of Salmet laying hens equipment and pre-fabricated poultry buildings. The loan agreement is covered by the guarantee of Euler-Hermes Deutschland AG.

Company Financial Statements

Birds symbolize happiness, fertility, the fulfillment of wishes, and a good harvest. Depicting them on the egg, Slavs wished thus welfare and prosperity.

Company Financial Statements

BALANCE SHEET

As at 31 December 2012
(in USD thousand, unless otherwise stated)

	Note	As at 31 December 2012	As at 31 December 2011
Assets			
Non-current assets			
Financial fixed assets	1	103 979	77 277
Property, plant and equipment	2	1 103	1 911
Total non-current assets		105 082	79 108
Current assets			
Cash and cash equivalents	3	14	2 305
Total current assets		14	2 305
Total assets		105 096	81 493
Equity and liabilities			
Equity			
Issued capital		79	78
Foreign currency translation reserve		(26)	(63)
Share premium reserve		30 933	30 933
Retained earnings		50 399	30 728
Profit for the year		23 456	19 671
Equity attributable to owners of the parent		104 841	81 347
Current liabilities			
Current accounts shareholders		-	44
Trade and other payables		255	102
Total liabilities		255	146
Total equity and liabilities		105 096	81 493

PROFIT & LOSS ACCOUNT

As at 31 December 2012
(in USD thousand, unless otherwise stated)

	For the year ended 31 December 2012	For the year ended 31 December 2011
Profit of participation interests after taxation	23 804	21 429
Other income and expenses after taxation	(348)	(1 758)
Profit for the period, net of tax	23 456	19 671

General

The company financial statements are prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code. The Company uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as “principles for recognition and measurement”) as applied in the consolidated financial statements are also applied in the company financial statements. Reference is made to the notes to the consolidated financial statements for a description of the principles for recognition and measurement. Investments in Group companies are carried at equity value, calculated according to the Group accounting policies.

The Company’s parent-only income statement has been prepared in accordance with section 2:402 of the Dutch Civil Code.

For information on group companies of Ovostar Union N.V. please refer to Note 1 of the consolidated financial statements.

1 FINANCIAL FIXED ASSETS

The financial fixed assets consist solely of participating interests in Group companies as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Group companies as at 01 January	77 277	-
Acquisition a of group company	-	38
Further investments in a group company	2 845	25 153
Restructuring adjustment	-	30 749
Result	23 804	21 429
FX rate difference	53	(92)
Group companies as at 31 December	103 979	77 277

The financial fixed assets consist solely of participating interests in Group companies as follows:

	Country of incorporation	% share as at 31 December 2012	% share as at 31 December 2011
LLC Ovostar Union	**Ukraine**	**100**	**100**

Company Financial Statements
continued

2 Property Plant & Equipment

Movement in Property Plant & Equipment was as follows:

	PPE in progress	
	For the year ended 31 December 2012	For the year ended 31 December 2011
Net book amount	**1 911**	**-**
Additions	7 483	1 911
Transfer	(8 291)	-
Closing net book amount as of 31 December	**1 103**	**1 911**
Depreciation	**-**	**-**
Cost	-	-
Closing net book amount as of 31 December	**1 103**	**1 911**

3 CASH AND CASH EQUIVALENTS

The Company's cash balances are available upon demand.

4 ISSUED CAPITAL

The authorized share capital amounts to EUR 225,000 divided into 22,500,000 ordinary shares of EUR 0.01 nominal value each. During 2011, 6,000,000 shares have been issued. The issued shares are converted into USD according to art 373 par 5 of the Dutch civil code using an exchange rate of 1 EUR = 1.322 USD.

For the movement schedule of issued capital, share premium, other reserves and profit for the year please refer to the specification of the consolidated statement of changes in equity included in the consolidated financial statements.

5 PAYABLES TO GROUP COMPANIES

The amounts payable to Group companies not bear interest. It is expected that the amounts are repaid in the foreseeable future.

6 EMPLOYEES

The Company has no employees other than directors.

7 DIRECTORS

The Company is managed by the Board of Directors which consists of four members: one Executive Director and three Non-Executive directors.
The Board of Directors as at 31 December 2012 comprised:

Name	**Position**
V. Veresenko	Chairman of the Board, Non-Executive Director (non-independent)
B. Belikov	Chief Executive Officer
M. van Campen	Non-Executive Director
O.Bakumenko	Non-Executive Director

8 AUDIT FEE

Fees paid to the Group's auditor for 2012 and 2011 can be broken down into the following:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Baker Tilly Ukraine:		
Audit and review of financial statements	43	43
Baker Tilly Berk N.V.		
Audit fees	50	45
Total	93	88

Audit fees of financial statements include the fees for professional services rendered by Baker Tilly Berk N.V. and Baker Tilly Ukraine and relate to the audit and review of the Company's consolidated and company financial statements and its subsidiary.

Amsterdam, 18 April 2013

[signed]
B. Belikov
Chief Executive Officer

[signed]
V. Veresenko
Non-executive Director

[signed]
M. van Campen
Non-executive Director

[signed]
O.Bakumenko
Non-executive Director

Other Information

A meshy diamond is an ancient grapheme representing a plowed field. Traditional Christian Orthodox icons portray the saints' halos in a meshy pattern.

Independent auditor's report

Report on the financial statements
We have audited the accompanying financial statements 2012 of Ovostar Union N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2012, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the management board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ovostar Union M.V. as at December 31, 2012 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Ovostar Union N.V. as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the management board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, April 18, 2013
Baker Tilly Berk N.V.

signed by

H.R. Dikkeboom
Audit Partner

Other information

Profit appropriation according to the Articles of Association

The key points of Article 24 of the Articles of Association governing the appropriation of profit are:

- Distribution of profits shall be made following the adoption of the annual accounts which show that such distribution is allowed.
- The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the aggregate amount of the issued share capital and the reserves which must be maintained pursuant to the law.

Proposed appropriation of result

It has been proposed by the Board of Directors to add the profit of 2012 to the general reserves with a purpose of subsequent investment in production capacity expansion. This proposal has not been reflected in the 2012 consolidated financial statements of Ovostar Union N.V.

Contact information and list of addresses

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