Annual Report
2013

ovostar
union

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CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

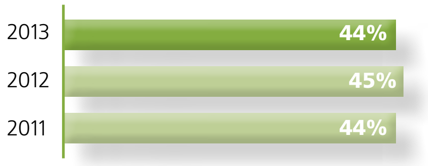
Annual report is available on our website
http://ovostar.ua/

SUPPLEMENTARY INFORMATION

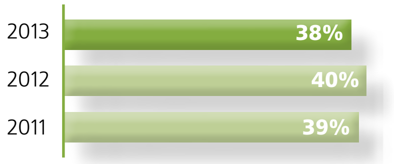
Report of the Management Board

Key financials for three years

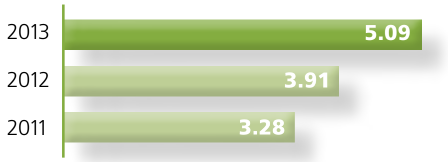
EBITDA margin



Net margin



Earnings per share, $



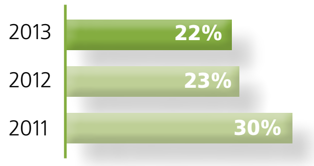
Income statement

in USD thousands	2013	2012	2011
Revenue	81,259	60,335	50,626
Net change in fair value of biological assets	8,594	10,995	6,935
Cost of sales	(54,473)	(42,237)	(34,297)
Gross profit	**35,380**	**29,093**	**23,264**
Other operating income	3,960	1,057	3,661
Selling and distribution costs	(4,470)	(3,785)	(2,952)
Administrative expenses	(1,773)	(1,783)	(1,923)
Other operating expenses	(751)	(808)	(1,418)
Operating profit	**32,346**	**23,774**	**20,632**
EBITDA	**36,192**	**27,259**	**22,267**
Finance costs	(1.345)	(266)	(1,794)
Finance income	205	787	1,115
Profit before tax	**31,206**	**24,295**	**19,953**
Income tax expense	21	(298)	33
Profit for the year	**31,227**	**23,997**	**19,986**
Exchange differences	-	39	(78)
Total comprehensive income for the year, net of tax	**31,227**	**24,036**	**19,908**

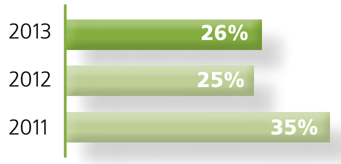
Balance sheet

in USD thousands	2013	2012	2011
Non-current assets	**110,948**	**85,677**	**47,539**
Non-current biological assets	43,500	32,331	20,517
Property, plant and equipment and intangible assets	66,678	53,265	25,606
Deferred tax assets	770	81	92
Current assets	**48,566**	**34,121**	**45,382**
Inventories	12,096	10,648	10,645
Current biological assets	14,672	8,754	1,921
Trade and other receivables	12,702	13,187	10,688
Prepayments to suppliers	488	380	587
Cash and cash equivalents	8,608	1,152	21,541
Total assets	**159,514**	**119,798**	**92, 921**
Equity	**139,326**	**108,099**	**84,063**
Non-current liabilities	**11,414**	**2,001**	**2,604**
Interest-bearing loans and other non-current financial liabilities	10,618	1,790	2,569
Deferred tax liability	796	211	35
Current liabilities	**8,774**	**9,698**	**6,254**
Trade and other payables	5,792	6,790	4,939
Advances received	62	273	154
Interest-bearing loans and borrowings	2,920	2,635	1,161
Total liabilities	**20,898**	**11,699**	**8,858**
Total equity and liabilities	**159,514**	**119,798**	**92,915**

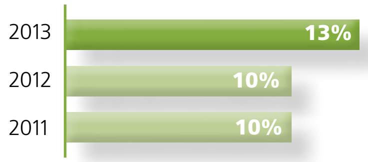
ROA



ROE



Total debt ratio



The year in brief

Q1

Rebranding of Yasensvit™

In February 2013, rebranding of Yasensvit™ has been completed.

In March 2013, Ovostar Union NV signed EUR 10 million 7-year loan agreement with Landesbank Berlin (covered by a guarantee of Euler-Hermes Deutschland AG) to finance purchase of Salmet laying hens equipment and pre-fabricated poultry buildings.

Q2

Active implementation of production expansion program

With the beginning of construction season, the pace of expansion of production capacities in Vasylkiv increased.

In May 2013, Ovostar Union received an honorary title in the “Successful fundraising” category of the Agrarian elite of Ukraine annual national ranking.

Q3

Focus on quality

In July 2013, Ovostar Ltd has been certified under FSSC 22000 to confirm high quality and safety of its products.
FSSC 22000 matches the requirements and methods of food safety systems certification in the chain of food suppliers, producers and distributors.

In August 2013, once again Yasensvit™ has been chosen “The Best Domestic Product of 2013” in the “Production of chicken eggs” category on all-Ukrainian competition.

Q4

Favorable egg price situation

Followed by all-time high grain yields of grains and high prices for eggs in shell, we managed to improve our profitability on the level of gross margin excluding biological assets revaluation to 43% compared to 25% in 4Q 2012.

In December 2013, new executives have been appointed on the level of Ukrainian subsidiaries of the Group: Mr. Sergei Sovgira as Executive director and Mrs. Tetyana Komarova as Chief Financial Officer.

Chief Executive's review

Dear Shareholders,

Despite the rather complex political situation in the country right now, management of Ovostar Union faces the future with confidence. We have always supported and will advocate for peaceful resolution of conflicts, human rights, European values along with unity and indivisibility of Ukraine.

Over the course of 2013 Ovostar Union successfully coped with numerous tasks. The goals that we originally set in the production capacity expansion area have been met while annual financial results outperformed our original expectations. Favorable market conditions in the second half of the year and a significant increase in sales volumes of our products allowed us to achieve decent profitability in 2013.

We are pleased to note that experts recognize the quality of our products and our business approach. In 2013, Yasensvit LLC once again was recognized as "The Best Domestic Product of 2013" in the category "Egg production" in the course of all-Ukrainian competition – exhibition. Over the same period, Ovostar LLC, our subsidiary involved in production of egg products, has been certified under the Global Food Safety Initiative (GFSI). This certification offers us more opportunities in terms of cooperation with major international food companies and retailers across the globe.

Following a successful completion of the investment program at the production site in Vasylkiv, in 2014 we expect to increase our egg production volumes by 20%. This year we plan to successfully reach our operational and technological targets, at the same time paying close attention to the quality of our final products. Currently, we use the most up-to-date industrial technologies for poultry and systematically take steps to achieve full automation of most important production processes. We plan to continue growth in a similar manner and further advance our production capacities in the future.

The chosen strategy of organic growth remains our main task in the years to come. Along with long-term objectives, we continue improvement of our operational results and technological parameters through continuous control over production processes. In pursuance of our strategic goals in 2014 Ovostar Union starts a new stage of investment program that will allow us to significantly increase our production output. The expansion rate will depend on the political and economic stability of Ukraine, yet one thing is certain: we shall continuously improve our financial and operational performance over the following years.

I am content that Ovostar Union's staff members are working as a single team and are steady in a common goal in this politically and economically challenging environment. Same as before, our company is committed to the chosen course of improvement and growth.

Sincerely,
Borys Bielikov
Chief Executive Officer

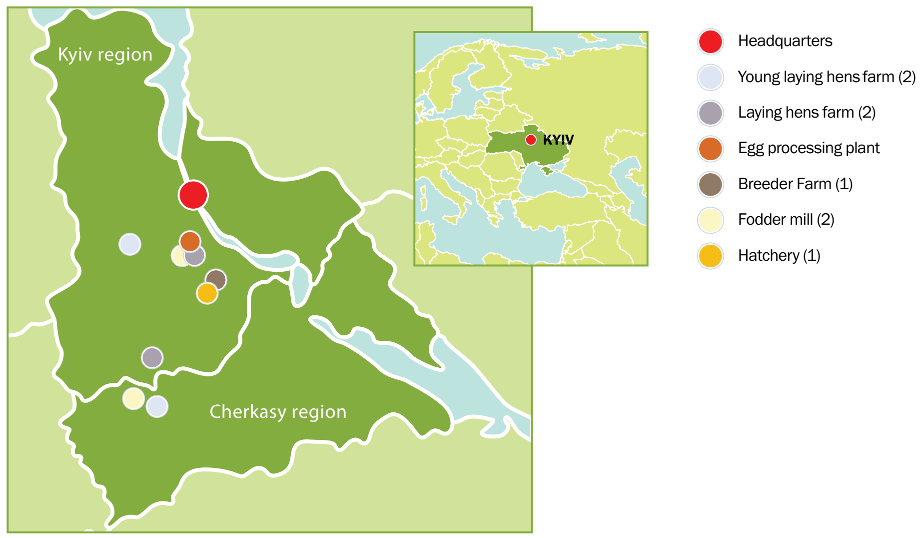
Corporate summary

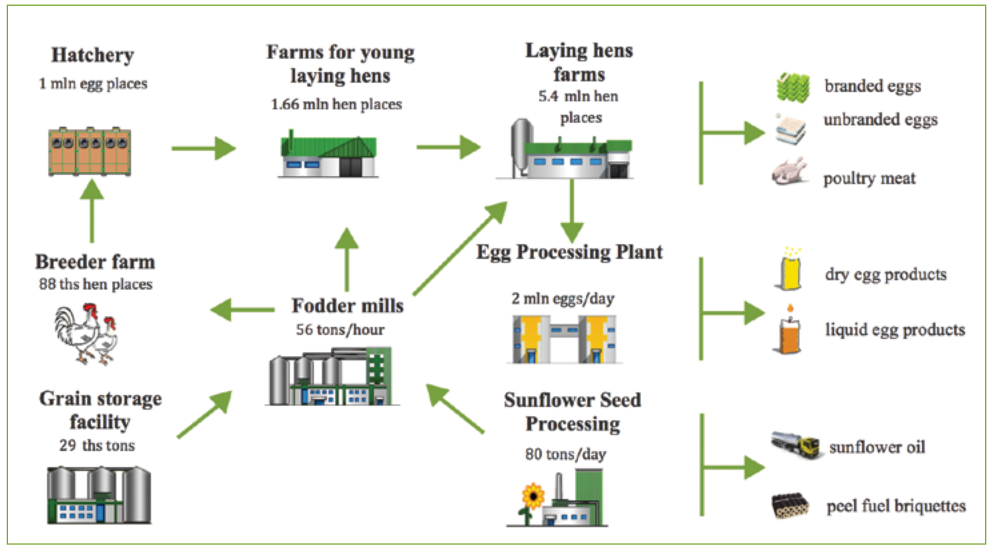
Ovostar Union N.V. is a holding entity incorporated under the laws of the Netherlands consolidating companies with production assets located in Ukraine (hereinafter referred to as the “we, us”). Our shares have been quoted on the Warsaw Stock Exchange since June 2011.

Our mission is to work and progress in order to produce ecologically clean and healthy food for Ukrainians. Being one of Ukrainian market leaders, we are focused on production of branded eggs for middle class population and egg products in liquid and dry form for leading Ukrainian and international food companies present on the local market. We consider product quality to be very important because we believe that customer loyalty is achieved through superior quality of the products offered while satisfied and devoted customers create the basis for profitable growth.

Business geography

Our production facilities are located in the Northern part of Ukraine in Kyiv and Cherkasy regions within 130 km from each other. Production premises include one breeder farm with parent flock, one hatchery producing day-old pullets, two young laying hens sites and two laying hen farms. Egg processing plant is located on the premises of one of the laying hen farms. Fresh eggs supplied to egg processing plant within 24 hours after being produced ensure high quality the final products. Auxiliary production consists of two fodder mills with a total capacity of 56 tons of fodder per hour and sunflower processing plant that produces among other items sunflower meal that is used in poultry feed.





Business model

Our production sites employ the most up-to-date poultry and processing equipment and progressive technological concepts ensuring efficient production processes and superior quality of the final products.

We have developed a vertically integrated business model that spans from parent flock to egg processing, including also fodder production, processing of sunflower seeds and grain storage. High level of vertical integration allows us to optimize production costs and control product quality at each stage of the production process.

Our sales volumes are expected to increase over years driven by growing demand for branded high-quality eggs from Ukrainian middle class as well as growing popularity of egg products, especially in liquid form, among Ukrainian food companies.

Our products are compliant with international quality standards ISO 9001:2008 and ISO 22000:2005, FSSC 22000 as well as applicable national Ukrainian standards and sanitary norms.

Brands

Shell eggs | We supply Ukrainian market with the widest range of packed shell eggs under brand name Yasensvit™. Key customers in shell egg sales are large retail chains; we also sell a large portion of eggs through own points of sale on open markets (bazars).

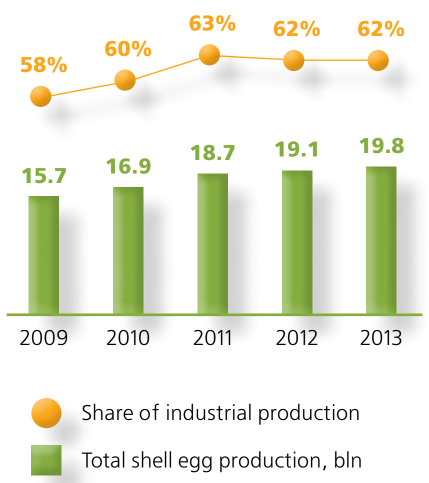
ЯСЕНСВІТ

Egg products | We offer separated and whole egg products in dry and liquid form. Egg products are mainly used by food companies in Ukraine and abroad. We are the largest producer of liquid egg products in Ukraine. Our egg products are sold under Ovostar™ brand.

ОВОСТАР

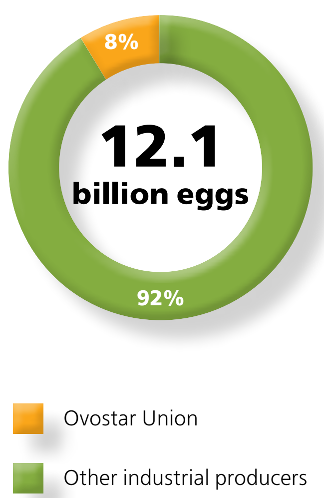
Market overview and competitive position

Shell egg production in Ukraine



Source: UPFU

Our share in industrial production of eggs in Ukraine



Source: UPFU, Company data

Shell egg market

Over the reporting period, all major trends present on the Ukrainian egg market over the last years have remained stable. 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 2013. Aggregate shell egg production in Ukraine increased by 2% in 2013 to 19.6 billion pieces, according to the report of Union of poultry farmers of Ukraine (UPFU). Having produced 0.9 billion eggs in 2013, we increased our share in industrial egg production to 8% from 6% the year before.

The total number of laying hens flock housed in industrial format has increased by 3% year-on-year to 41 million birds. At the same time, average productivity of laying hens in industrial format in 2013 has remained comparable to the previous year at 292 eggs per hen (2012: 293). In 2013 egg consumption rates in Ukraine remained similar to the year before.

The majority of our customers are located in Ukraine and the share of local clients in total egg revenue was c. 95% in 2013. At the same time, we accounted for 5% of total egg export volumes from Ukraine equivalent to 30 million eggs in 2013. According to the data of State Statistics Committee of Ukraine (SSCU), total export volumes of eggs from Ukraine reached 607 mln in 2013 and no eggs for sale were imported over the same period.

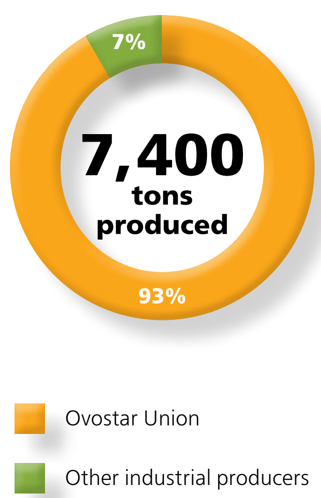
Egg products market

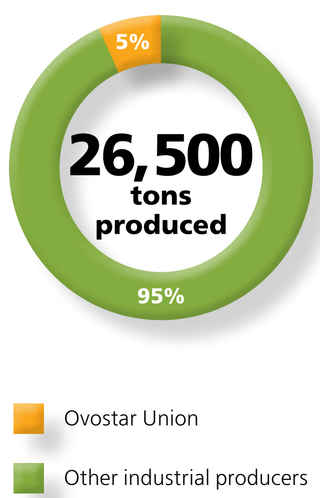
In 2013 expansion of Ukrainian egg products market has been driven by growing demand for egg products from the side of local and international clients. Over the reporting period, specifically Ukrainian market of liquid egg products expanded by 32% year on year to 7,400 tons in response to growing demand for liquid egg products among the Ukrainian food processors. Dry egg products production in Ukraine in 2013 continued growth in line with growing demand for dry egg products from the side of local and export clients. Egg products are an industrial produce used mainly in production of foods such as sauces, convenience foods, baked goods and pasta.

Processed eggs, especially in the form of liquid egg products, are expected to gain further popularity in emerging economies, such as Ukraine. 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 3,109 tons of egg products in 2013, according to the data of State Statistics Commmittee of Ukraine (we exported 606 tons of egg products in 2013). Over the same period, 605 tons of egg products, mostly egg albumen, have been imported to Ukraine.

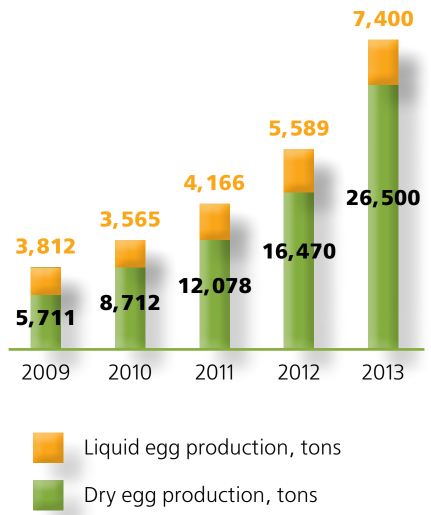
Our share in total production of egg products in Ukraine





Source: UPFU, Company data

Egg products production in Ukraine



Source: UPFU

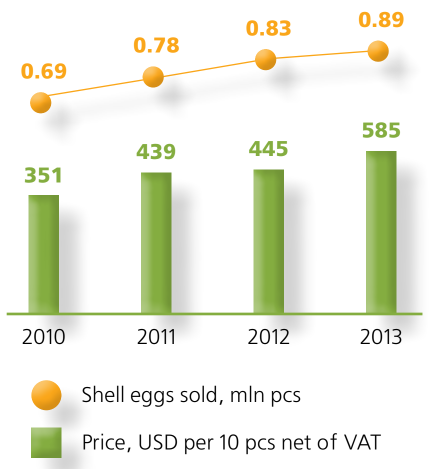
Key Segments Activity

Revenue split by segments, 2013

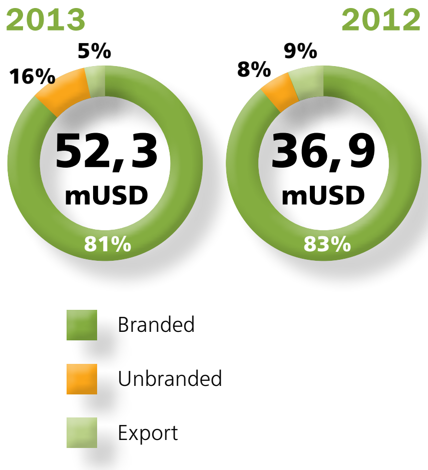
in USD thousands	2013
Eggs*	53,606
Egg products	22,605
Sunflower processing	5,048
Total	**81,259**

* includes other sales (USD 1,270 ths in 2013)

Egg sales



Egg sales channels structure



Egg segment

In 2013 we increased egg production by 24% on a reported basis to 893 million. This year has been marked with completion of the investment program realized on the premises of Vasylkiv laying hens farm and related production and processing infrastructure.

Our egg sales in 2013 increased by 32% to 585 million from 445 million in 2012 equivalent to revenue of USD 52,336 ths (2012: USD 36,861 ths). The average egg selling price improved by 8% year-on-year to USD 0.09/piece net of VAT, mainly as a result of strong demand for eggs in the second half of the year.

We sell the majority of eggs on the local market. Sales to export usually do not exceed 10% of total volumes sold. Branded eggs constitute a major part of our egg sales. They are sold through retail chains and branded points of sale which together contributed 81% of egg sales revenue in 2013 equivalent to USD 42,392 mln. We supply multinational and local retail chains such as Metro, Auchan, Billa (REWE Group), Silpo and ATB.

Prices for branded packaged eggs are traditionally higher than the average egg price on the market. The price premium is justified by high quality of our products as well as their adaptation to specific consumer preferences.

We remained the major producer of private label eggs in Ukraine in 2013, supplying eggs branded by retail network to Auchan, Silpo, Fozzy, Metro, Furshet, ATB, Eko, Velyka Kyshenya and a number of smaller regional retail chains.

Shell egg product portfolio

Sub-brands	Number of sub-brands
Premium	4
Standard	4
Economy	3
Private label	10

Egg products segment

We processed 266 million eggs in 2013, producing 6,855 tons of liquid and 1,369 tons of dry egg products which represents an increase of 33% and a decrease of 10% year-on-year, respectively (2012: 1,514 and 5,138 tons).

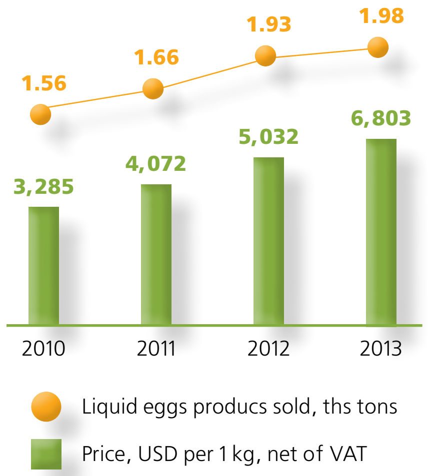
Over the past year we sold 6,803 tons of liquid and 1,508 tons of dry egg products, a 35% and 8% increase year on year, respectively. The average selling price of liquid egg products improved by 3% year-on-year to USD 1.98/kg while the price of dry egg products decreased by 4% to USD 5.70/kg respectively. Price of liquid egg products is expected to continue growth supported by increasing demand for egg products from expanding food companies.

Focus on production of liquid egg products is an important part of our strategy since we want to address specialized needs of our B2B customers and offset distinctive seasonal price trends that are present in shell egg segment in Ukraine. Our customer base in egg products segment is mixed in terms of size and industry, with key clients operating in mayonnaise and confectionery sectors. We focus on production of liquid egg products since they are convenient and are commonly used by our key clients in their production recipes. Among our key customers are Roshen, Kraft Foods Ukraine (part of Mondelez International), Konti, McDonalds (we are their exclusive supplier of eggs and egg products) and Nestle.

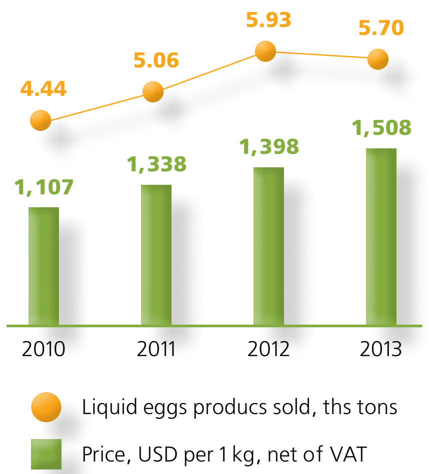
In 2013 egg products segment revenue increased by 28% year-on-year to USD 22,605 ths (2012: USD 17,593 ths). Domestic sales of egg products contributed 87% to the total segment revenue equivalent to USD 19,666 ths.

Egg products portfolio

Liquid egg products sales



Dry egg products sales



Other sales

Sales other than eggs and egg products accounted for USD 6,318 ths equivalent to nearly 8% of our total revenue. These mainly comprise of sunflower oil and related products sales (USD 5,048 ths in 2013) as well as sales of poultry meat (included in revenue of egg segment). In 2013 we sold 5,458 tons of sunflower oil at an average price of USD 912/ton.

Financial results overview

Financial performance

Revenue | Our revenue on a reported basis increased by 35% to USD 81,259 ths from USD 60,335 ths. As developed historically, egg segment has been the main contributor to total revenue (USD 53,606 ths in 2013), followed by egg products segment (USD 22,605 ths in 2013). The remainder USD 5,048 ths has been contributed by sales in sunflower processing segment.

Gross profit and cost of sales | The increase in cost of sales to USD 54,473 ths in 2013 from USD 42,237 ths in 2012 was mainly driven by corresponding increase in production volumes. High price for key fodder components in the first six months of the year was compensated by good harvest of grains and therefore low fodder cost in the second half of 2013. As a result, gross profit increased by 22% on a reported basis to USD 35,380 ths. Gross margin amounted to 44% in 2013 (48% in 2012).

Operating profit and EBITDA | Selling expenses in 2013 increased slower than growth in sales volumes while administrative expenses remained similar to the previous year. Other operating income comprising mainly of income from special VAT treatment increased to USD 3,960 ths from USD 1,057 ths on a reported basis, due to growth of sales revenue and stable costs subject to VAT within this special VAT treatment segment. Our operating profit increased by 36% year-on-year to USD 32,346 ths (2012: USD 23,774). EBITDA increased by 33% on a reported basis to USD 36,192 ths (2012: USD 27,259 ths). EBITDA margin in 2013 was comparable to 2012 reaching 45%.

Net profit | In 2013 net profit increased by 30% over the same period last year to USD 31,227 ths.

Financial performance

in USD thousands	2013	2012	2011
Revenue	81,259	60,335	50,626
Gross profit	35,380	29,093	23,264
Operating profit	32,346	23,774	20,632
Profit before tax	31,206	24,295	19,953
Profit for the year	31,227	23,997	19,986

Financial position

Assets, liabilities and equity I In 2013 our total assets increased by 33% to USD 159,514 ths (2012: USD 119,798 ths) mainly driven by expansion of production capacities. Property, plant and equipment and intangible assets increased by 25% on a reported basis to USD 66,678 ths as a result of increase in the number of laying hens houses and reconstruction/replacement of other production assets. Current and non-current biological assets together increased by 42% to USD 58,172 ths as a result of increase in total flock and growth in egg price. The receivables consisted mainly of trade receivables (USD 8,748 ths) and VAT for reimbursement (USD 4,138 ths) that emerged in the course of operations as a result of increased sales. Inventories in 2013 increased by 14% to USD 12,096 ths.

Our total liabilities increased by 73% on a reported basis to USD 20,188 ths mainly as a result of growth of loans and borrowings to USD 13,537 ths from USD 4,425 ths as at 31 December 2012.

Retained earnings remained key component of equity, increasing by 47% on a reported basis to USD 73,855 ths. In 2013 our total equity increased by 29% to USD 139,326 ths.

Loans and borrowings I In 2013 we have acquired financing from Landes Bank Berlin used for purchase of laying hens equipment and prefabricated poultry buildings. At the end of the year therefore our total interest-bearing loans and borrowings amounted to USD 13,537 ths. Loans outstanding to Landes Bank Berlin and Credit Agricole amounted to USD 11,602 ths and USD 1,237 ths, respectively. At the reporting date, we had short-term and long-term financial lease liabilities equivalent to USD 617 ths. More information on loans and borrowings structure can be found in Note 19 to the Consolidated Financial Statements.

Financial position

in USD thousands	2013	2012	2011
Assets	159,514	119,798	92,921
Current assets	48,566	34,121	45,382
Non-current assets	110,948	85,677	47,539
Equity	139,326	108,099	84,063
Non-current liabilities	11,414	2,001	2,604
Current liabilities	8,774	9,698	6,254
Net debt	4,929	3,273	(17,811)

Cash flow

In 2013 we maintained a positive operating cash flow of USD 23,450 ths. An increase of operating cash flow on the reported basis was mainly caused by higher profits over the course of the year.

Net cash flow used in investing activities reached USD 11,953 ths in 2013; the main components were increase in the number of poultry flock (USD 8,494 ths) and purchase of property, plant and equipment (USD 3,807 ths). The remaining part of the investments in property, plant and equipment was directly paid by Landes Bank Berlin to the supplier of the equipment.

Net cash flows used in financing activities amounted to USD 4,041 ths in 2013.

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 us.

Transactions with related parties I In 2013 we had no transactions with related parties. Note 24 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on transactions with related parties.

Changes in accounting policy I Note 5 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on changes in accounting policy.

Financial instruments I Note 27 to the Consolidated Financial Statements of Ovostar Union N.V. contains more information on financial instruments.

Cash flow

in USD thousands	2013	2012	2011
Operational cash flow	23,450	16,837	10,272
Investment cash flow	(11,953)	(37,646)	(17,795)
Financial cash flow	(4,041)	540	28,820
Net cash flow	7,456	(20,269)	21,297

Strategy and outlook for 2014

Our mission
We work and improve in order to produce ecologically clean and healthy foodstuff for Ukrainians

Our strategy
Our main goal is to further strengthen position of the leading producer of high quality branded eggs and egg products in Ukraine through expansion of production capacities and strengthening vertical integration, developing national brands and thorough quality control

Focus on egg brand Yasensvit
Develop the Yasensvit national brand and successfully launch new sub-brands

Concentrate marketing efforts on strengthening brand loyalty among emerging middle class consumers

Sustain Ovostar egg products as quality leader
Always offer high quality products to strengthen position as a leader in a B2B market

Continue to secure long-terms contracts with the biggest local and multinational food companies in Ukraine

Focus on vertical integration
Maximize the production process efficiency

New initiatives to sustain profitability and competitive advantages

Further expansion of production capacities
Reconstruction of existing laying hens houses and purchase of new cage equipment

Enhancement of infrastructure facilities

Focus on egg brand Yasensvit
Develop the Yasensvit national brand and successfully launch new sub-brands

Concentrate marketing efforts on strengthening brand loyalty among emerging middle class consumers

Strategy

Our strategy is directed at strengthening our market position through intensive growth and continuous focus on customer satisfaction. We strongly believe that investments in improvement of our production efficiency and adjustment of product offering in line with customer expectations provide us with long-term competitive advantage.

We believe that successful teamwork is the foundation of success. Our employees play a critical role in reaching corporate aims as they personify our corporate values and contribute their valuable personal and industry experience ensuring efficient operation of the business.

Investment program update

In the end of 2013 we have successfully completed reconstruction of our laying hens site in Vasylkiv. In 2014 we shall see full effect of these previous investments, with egg production volumes to be at least 20% higher than in 2013.

It has been decided to continue reconstruction process on the second laying hens site in Stavysche starting 2014. Facing politically charged environment, we let in a possibility that the duration of the new investment project may be longer than originally expected. The pace of reconstruction is subject to political, economic situation in Ukraine along with our own cash flow and availability of bank financing.

Stavysche production site will be the main driver of growth in production volumes in the next 2 to 3 years. The new investment project will include an expansion of breeder flock capacities, fodder mill, grain storage, young laying hens flock and additional egg sorting equipment. Upon completion of the first stage, egg production capacity should reach some 1.45 billion eggs annually.

Outlook for 2014

This year we will continue focus on balancing production volumes growth and continued investment in expansion of production capacities. We plan to further focus on and increase our production volumes in shell egg and liquid egg products segments by the means of increased production volumes.

In 2014 we shall see full effect of the capacities expansion program completed on Vasylkiv laying hens farm in the end of last year. The forecasted ranges for key operational results for 2014 and 2015 are provided in the table below.

Forecasted production volumes

	Units	2013	2014F	2015F
Eggs produced	million	893	1,100 – 1,200	1,250 – 1,450
Dry egg products produced	tons	1,369	1,500 – 1,700	1,600 – 1,800
Liquid egg products produced	tons	6,855	7,500 – 8,500	8,000 – 9,000
Sunflower seeds processed	tons	15,286	15,000 – 17,000	16,000 – 18,000

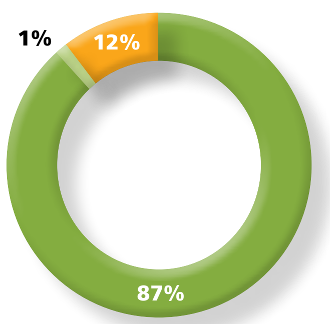
Human resources

Quantity of employees

	2013	2012	2011
Employees, end of year	1,334	1,317	1,309

Workforce areas of expertise

2013



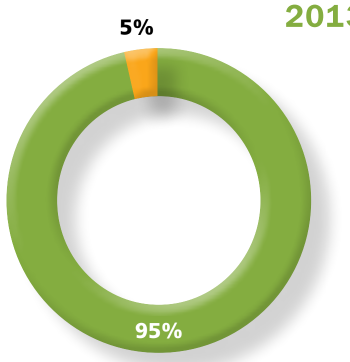
Administration

Production

Other

Full-time / part time employment

2013



Full-time

Part-time

The majority of our employees are involved in production processes on the premises located in Kiev and Cherkasy regions. We recruit, employ and promote 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.

Our personnel policy is aimed at creation and retention of a well consolidated and highly professional team of individuals that are able to respond effectively to changing market environment. We strive to ensure a positive, productive and successful work environment. The level of satisfaction is, among other criteria, confirmed by high employee retention rates (96% in 2011, 97% in 2012 and 97% in 2013).

We aim to maintain a fair and comprehensive system of remuneration. Overall remuneration of our 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. We also compensate our employees for mobile communication and expenses for use of personal vehicles for business purposes. Non-material remuneration consists of the following benefits:

- professional training and development opportunities;
- regular corporate and team-building events promoting corporate values, corporate spirit and ensuring positive working environment.

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

Our 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.

Risk management and internal control

Risk	Impact	Mitigation	2013 status / Notes
Biological risks	Non-adherence to biosecurity standards and subsequent possible outbreaks of poultry diseases can severely limit our ability to perform normal operations.	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	Extreme weather conditions can have a detrimental effect on the well-being of poultry flock and their production efficiency.	Our egg production facilities are equipped with an automatic climate-control system that controls temperature, humidity and speed of air circulation in the poultry house.	Optimal climate conditions for laying hens include 40-60% humidity and ambient temperature within 20-25^{0}C.
Price risk	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.	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.	In 2013, out of 585 mln shell eggs sold, 81% were sold branded.
Concentration of sales	Excessive concentration of sales may lead to financial instability in case of loss of key customer.	Our customer base is mixed in terms of size and industry. We are building a balanced customer portfolio: in 2013, none of our customers generated more than 10% of our total revenue.	Our largest clients in terms of their share in revenue are retail chains, confectionary and mayonnaise producers.
Macroeconomic risks	Economic and political uncertainty in Ukraine produces significant ambiguity with regards to average exchange rates of national currency and inflation rate.	Depreciation of Ukrainian hryvnia leads to increased costs of production in UAH terms. At the same time, it is possible for egg producers to partially transfer cost increase on the final consumer.	2013 has been a stable year with an official UAH/USD exchange rate of 7.9930.
	It is possible that VAT may be reimbursed to a lesser degree than a claimed amount.	We regularly undergo audits of state tax authorities to validate amounts requested for reimbursement.	

Risk	Impact	Mitigation	2013 status / Notes
Currency risk	Lack of balance between revenues and costs denominated in foreign currencies.	Historically, our export sales have been a natural hedge against currency rate fluctuations. We are able to increase export revenue in line with our requirement in foreign currency.	Our exposure to currency risk has been increasing in 2013 in line with increased debt portfolio denominated in currencies other than UAH.
Competition	Offerings from the existing competitors or new market entrants weaken our competitive position.	We develop product propositions based on clear demand from the target market and make all efforts to sustain the highest quality of our products. Our market position is hard to reproduce since it would require much capital intensity along with highly professional workforce. One of our key advantages is extensive experience in production and distribution of eggs and egg products.	Although we actively increased production volumes in all segments, our size still allows us to respond quickly to changing needs of the market in general and key customers particularly.

Risk management is an essential part of the decision-making process providing reasonable assurance that risks are controlled to the furthest extent possible. Risk management and internal control systems are being regularly discussed with the executive management and the Audit Committee. In their review of our risk profile, the main focus is placed on principal risks that could significantly deteriorate our operational and financial results.

It has to be noted that proper identification of risks 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 we face in the course of regular operations are not limited to the risks described above, but those above are regarded as the most significant in the short-term perspective. Some risks are yet unknown and some risks that are insignificant at the moment could become material in the future.

Internal control system

The Board of Directors is ultimately responsible for establishing, controlling and enhancing our internal control system. We consider risk management to be a continuous process of monitoring, assessing and mitigating risks through internal control systems and procedures at each level within the organization. We use 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. Our employees are trained to implement and comply with these guidelines, instructions and procedures.

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. We also use a staff evaluation and appraisal system. The process of enhancement of the internal control system will be continued in 2014.

For more information on risks please refer to Note 27 of the 2013 Consolidated Financial Statements.

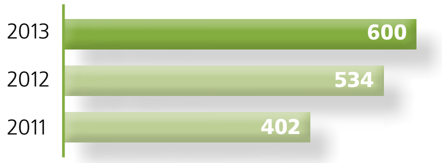
Deficiencies of the system

In 2013, we did not identify any material weaknesses of the internal control system that might adversely impact our operational activity, financial results and financial position. The risks are clearly identified and controlled to the highest possible extent by our top management in their respective function.

Over 2013, we have improved the level of automation in back-office processes; now our enterprise software system provides more extensive information and a better basis for managerial decisions.

Shareholder and share information

Our capitalization at 31 December, mPLN



Share capital structure

According to publicly available information as at 31 December 2013, 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

	2013	2012	2011
Prime One Capital Limited	71%	74%	75%
Generali OFE	10%	12%	10%
Aviva OFE	5%	5%	-
Amplico OFE	6%	-	-
Others	8%	9%	15%
Total	**100%**	**100%**	**100%**

Source: Warsaw Stock Exchange data

Changes in shareholders' structure

On 6 September 2013 Generali Otwarty Fundusz Emerytalny decreased its share in Ovostar Union N.V. share capital to 9.94% (596,344 shares).

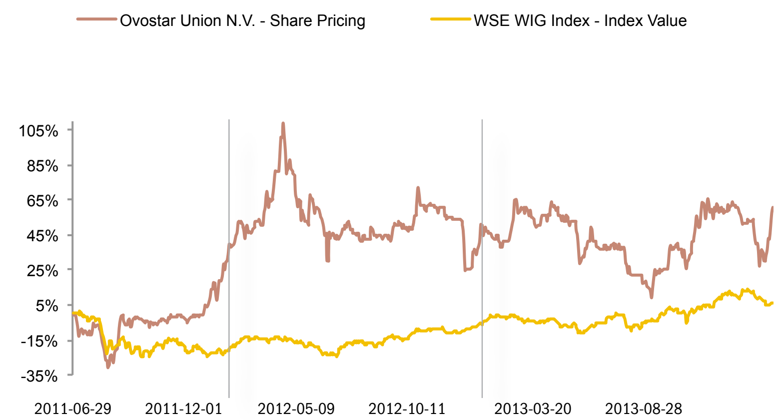
On 18 September 2013 Prime One Capital Limited decreased its share in Ovostar Union N.V. share capital to 72.02% (4,321,617 shares) thereby increasing free float to 27.9%.

On 23 September 2013 Amplico OFE and MetLife Amplico DFE increased their share in Ovostar Union N.V. share capital to 5.80% (348,044 shares).

On 24 September 2013 Prime One Capital Limited decreased its share in Ovostar Union N.V. share capital to 71.24% (4,274,617 shares) thereby increasing free float to 28.8%.

Note: At 31 December 2013 total share capital of Ovostar Union N.V. was 6,000,000 shares. Each share has a nominal value of one vote at the General Meeting of Shareholders.

Share price dynamics



Source: Warsaw Stock Exchange data

Key quotation indicators of Ovostar Union N.V.

Price, PLN	2011	2012	2013
Opening	62.2	67.0	98.0
Maximum	73.3	130.0	100.0
Minimum	43.0	67.0	98.0
Closing	67.0	89.0	100.0

Source: Warsaw Stock Exchange data

Corporate Governance Report

Board of Directors

Composition of the Board and duties of its members

Our Board of Directors has a one-tier structure, consisting of executive and non-executive directors. The executive director is authorized to represent Ovostar Union Group in its everyday operations, 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 other things supervision of the executive management's adherence to the established corporate strategy, proper compliance with best practices of corporate governance and general operational issues. Performing their duties, the non-executive directors have participated in the meetings of the Board of Directors in 2013. No cases of non-compliance with rules and requirements that would have required the intervention of the non-executive directors have been detected in 2013.

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. Our Chairman of the Board currently 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. The 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 Ovostar Union 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

We have 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 us follow the conditions and requirements of the EU Market Abuse Directive and our Insider Trading Rules, which reflect the essence of this directive.

Both documents, Securities Rules and Insider Trading Rules are available on our 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 of - or holds the position of non-executive director at - more than two listed companies; (2) neither of the Board members holds the position of the Chairman of the Supervisory Board - or of the board of directors, in case such board consists of executive and non-executive directors - of other companies, except for our enterprises.

The Directors

	Executive	Non-executive		
Name and Title	Borys Bielikov 	Vitalii Veresenko 	Oleksandr Bakumenko 	Marc van Campen 
Biography	Mr. Bielikov has over 15 years' experience in poultry industry. Prior to that, Mr. Bielikov has started his career in UkrOptServis LLC n 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.	Mr. Veresenko has over 16 years' experience in poultry industry. Mr. Veresenko formerly occupied position of director at Dyvosvit LLC. Mr. Veresenko graduated from Kiev Air Defence Radio Technical Engineers College in 1990.	Mr. Bakumenko has over 31 years' experience in poultry industry, holding managing positions since 1995. Mr. Bakumenko graduated from Kharkov veterinary institute in 1983.	Mr. van Campen held several positions at Oce van der Grinten N.V., and until 2002 had been the general counsel at NBM-Amstelland N.V., at that time one of the largest companies in the construction sector in the Netherlands listed on the Amsterdam Stock Exchange. In addition Mr. Van Campen held the director's position in the following Dutch companies: Do It Yourselve (DIY) Orange Holding B.V. (Amersfoort), Nice Group B.V. (Amsterdam), GMT (PEP COM) B.V. (Amsterdam), Sympak International B.V. (Amsterdam) and Voorgrond Beheer B.V. (Schoonhoven). Mr. Van Campen graduated from Nijmegen University in 1968.

	Executive	Non-executive		
Term of Office	Mr. Bielikov was appointed Chief Executive Officer of the Group in 2011	Mr. Veresenko was appointed Chairman of the Board in 2011	Mr. Bakumenko was appointed non-executive director of Ovostar Union N.V. in 2011	Mr. van Campen was appointed non-executive director of Ovostar Union N.V. in 2011
Dependency status	Dependent	Dependent	Independent	Independent
External appointments	No	No	Chairman of the Board of Directors at the Ukrainian Poultry Farmers Association	Director at Astarta Holding N.V. listed on the WSE as well as in the companies Montferland Beheer B.V. (Schoonhoven, The Netherlands), the European subsidiaries (outside Italy) of Salvatore Ferragamo SpA (Florence, Italy) and Lugo Terminal Srl (Lugo, Italy).

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 our financial transparency.

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, our financial strategy, tax planning, including:

(i) functioning of control and internal risk management systems;
(ii) provision of financial information (including choice of the accounting policy, application of new rules and evaluation of their impact on our performance, interaction with internal and external auditors, etc.);
(iii) monitoring the compliance of our activities with the recommendations of internal and external auditors;
(iv) our 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 our funding;
(vii) 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.

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

Our non-executive directors Mr. van Campen (Chairman of the Committee) and Mr. Bakumenko comprise the Audit Committee.

Meetings of Stakeholders in 2013

Meetings of Shareholders (the "General Meeting")

We, 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 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.

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. 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.

We conducted one General Meeting of shareholders on 25 June 2013 in Amsterdam, the Netherlands. During the meeting 2012 annual accounts have been adopted, Baker Tilly Berk has been appointed as the external auditor for the 2013 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.

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 25 June 2013, 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 of 5 (five) years.

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 2013 the Board of Directors held four meetings.

18 April 2013 | The first meeting was convened on in Amsterdam, the Netherlands. During the meeting the Board of Directors approved the 2012 annual report of Ovostar Union N.V.

14 May 2013 | The second meeting was held on 14 May 2013 in Kyiv, Ukraine. During the meeting the Board has approved the financial statements of Ovostar Union N.V. for the first quarter of 2013.

29 August 2013 | The third meeting was held on in Amsterdam, the Netherlands. During the meeting the Board approved the 2013 semi-annual report of Ovostar Union N.V.

14 November 2013 | The fourth meeting was held on our production premises in Krushynka, Kyiv region, Ukraine. The Board of Directors has approved the financial statements of Ovostar Union N.V. for the nine months of 2013.

Audit committee meetings

In 2013 the Audit Committee of Ovostar Union N.V. held two meetings.

The first meeting was held on 25 June 2013. Agenda of this meeting included discussion on 2013 audit process and the Audit committee proposed to approve Baker Tilly Berk as the auditor for year 2013. Additionally, the operational management updated the Audit committee on Ovostar Union's plans for development in the following 2-3 years.

The second meeting of the Audit Committee was held on 14 November 2013. During the meeting Committee members were present on our production facilities where they confirmed capacity expansion program being on its final stage and discussed potential risks and their possible impact our operations and results.

Corporate governance and control

Being a Dutch holding company listed on the Warsaw Stock Exchange, we have to comply both with the applicable best practice provisions of the Dutch Corporate Governance Code (the "Code") and the requirements of the Code of Best Practice for WSE Listed Companies (the "WSE Corporate Governance Rules" and together referred to as the "Codes").

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 our partial compliance with the WSE Corporate Governance requirements is available on our website.

Deviations from the Dutch Corporate Governance Code

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

Currently, we do not comply with the following requirements of the Dutch Corporate Governance Code:

Best Practice Provision III: Supervisory board | Since we have 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 | Since we have a one-tier governance structure and only three non-executive directors, we are not obliged to have separate committees for audit, remuneration and appointment. Currently, we have established an Audit Committee. The remuneration committee and appointment committee have not been installed.

Best Practice Provision III.8.4: One-level governance structure | Under this requirement, most of the Board of Directors members shall be independent non-executive directors. We partially comply with this requirement meaning that three out of four of our 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 | Currently we have no written 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, we meet all requirements of the WSE Corporate Governance Rules.

Confirmations required by the Codes

The Board of Directors confirms that during 2013 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 2013 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.

Statement 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 2013 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 2013 truly and fairly reflects the position of the Group and its subsidiaries as of 31 December 2013 and includes a description of the key events and results and the key risks faced by the Group and its subsidiaries during the year 2013.

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 2013, 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 2013. 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.

9 April 2014
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

Financial Statements

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013
(in USD thousand, unless otherwise stated)

	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Revenue	7	81 259	60 335
Changes in fair value of biological assets	16	8 594	10 995
Cost of sales	8	(54 473)	(42 237)
Gross profit		**35 380**	**29 093**
Other operating income	11	3 960	1 057
Selling and distribution costs	9	(4 470)	(3 785)
Administrative expenses	10	(1 773)	(1 783)
Other operating expenses	12	(751)	(808)
Operating profit		**32 346**	**23 774**
Finance costs	13	(1 345)	(266)
Finance income	14	205	787
Profit before tax		**31 206**	**24 295**
Income tax expense	15	21	(298)
Profit for the year		**31 227**	**23 997**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		-	39
Other comprehensive income for the year, net of tax		**-**	**39**
Total comprehensive income for the year, net of tax		**31 227**	**24 036**
Profit for the year attributable to:			
Equity holders of the parent company		30 589	23 456
Non-controlling interests		638	541
Total profit for the year		**31 227**	**23 997**
Other comprehensive income attributable to:			
Equity holders of the parent company		-	38
Non-controlling interests		-	1
Total other comprehensive income		**-**	**39**
Total comprehensive income attributable to:			
Equity holders of the parent company		30 589	23 494
Non-controlling interests		638	542
Total comprehensive income		**31 227**	**24 036**
Earnings per share:			
Weighted average number of shares		6 000 000	6 000 000
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (USD per share)		5.10	3.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013
(in USD thousand, unless otherwise stated)

	Note	As at 31 December 2013	As at 31 December 2012
Assets			
Non-current assets			
Biological assets	16	43 500	32 331
Property, plant and equipment and intangible assets	17	66 678	53 265
Deferred tax assets	15	770	81
Total non-current assets		**110 948**	**85 677**
Current assets			
Inventories	19	12 096	10 648
Biological assets	16	14 672	8 754
Trade and other receivables	20	12 702	13 187
Prepayments to suppliers		486	380
Prepayments for income tax		2	-
Cash and cash equivalents	21	8 608	1 152
Total current assets		**48 566**	**34 121**
Total assets		**159 514**	**119 798**
Equity and liabilities			
Equity			
Issued capital	22	83	79
Share premium		30 933	30 933
Foreign currency translation reserve		(30)	(26)
Retained earnings		73 855	50 399
Result for the period		30 589	23 456
Equity attributable to equity holders of the parent		**135 430**	**104 841**
Non-controlling interests		3 896	3 258
Total equity		**139 326**	**108 099**
Non-current liabilities			
Interest-bearing loans and other financial liabilities	18	10 618	1 790
Deferred tax liability	15	796	211
Total non-current liabilities		**11 414**	**2 001**
Current liabilities			
Trade and other payables	23	5 792	6 790
Advances received		62	273
Interest-bearing loans and other financial liabilities	18	2 920	2 635
Total current liabilities		**8 774**	**9 698**
Total liabilities		**20 188**	**11 699**
Total equity and liabilities		**159 514**	**119 798**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(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 2011	**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**
Profit for the period	-	-	-	-	30 589	30 589	638	31 227
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**30 589**	**30 589**	**638**	**31 227**
Allocation of prior year result	-	-	-	23 456	(23 456)	-	-	-
Exchange differences	4	-	(4)	-	-	-	-	-
As at 31 December 2013	**83**	**30 933**	**(30)**	**73 855**	**30 589**	**135 430**	**3 896**	**139 326**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013
(in USD thousand, unless otherwise stated)

	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Operating activities			
Profit before tax		31 206	24 295
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment and amortisation of intangible assets	17	3 846	3 485
Net change in fair value of biological assets	16	(8 594)	(10 995)
(Income)/Loss on disposal of property, plant and equipment	17	(64)	8
Finance income	14	(205)	(787)
Finance costs	13	1 345	266
Impairment of doubtful accounts receivable and prepayments to suppliers		101	13
Impairment of inventories	19	288	9
Liability for unused vacation	23	64	123
VAT written off	12	601	629
Working capital adjustments:			
Increase in trade and other receivables		(1 090)	(3 078)
(Increase)/Decrease in prepayments to suppliers		(166)	1 123
Increase in inventories	19	(1 736)	(12)
(Decrease)/Increase in trade and other payables and advances received		(2 064)	1 847
		23 532	**16 926**
Income tax paid		(82)	(89)
Net cash flows from operating activities		**23 450**	**16 837**
Investing activities			
Proceeds from sale of property, plant and equipment		74	-
Purchase of property, plant and equipment	17	(4 675)	(31 170)
Increase in biological assets	16	(8 493)	(7 651)
Interest received	14	72	472
Proceeds from repayment of loan to Beneficial Owner		1 069	703
Net cash flows used in investing activities		**(11 953)**	**(37 646)**
Financing activities			
Proceeds from borrowings		1 468	2 002
Repayment of borrowings		(5 055)	(1 282)
Interest paid		(454)	(180)
Net cash flows used in financing activities		**(4 041)**	**540**
Net (decrease)/increase in cash and cash equivalents		**7 456**	**(20 269)**
Effect from translation into presentation currency		-	(120)
Cash and cash equivalents at 1 January		**1 152**	**21 541**
Cash and cash equivalents at 31 December		**8 608**	**1 152**

Notes to the Consolidated Financial Statements

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 1 264 employees as at 31 December 2013 and 1 317 employees as at 31 December 2012.

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 2013 were authorized by the Board of Directors on 09 April 2014.

As at 31 December 2013 and 2012 the Group included the following subsidiaries:

Name of the company	Business activities	Ownership As at 31 December 2013	 As at 31 December 2012
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	99%	99%

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.

2.2. 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.

The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in agricultural; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

2.3. Functional and presentation currency

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 thousands, except when otherwise is indicated.

3. Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Group and its subsidiary as at 31 December 2013 and for the year that ended.

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 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. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

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, 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 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 was set at 31 December 2013: 25.84% (31 December 2012: 25.02%).

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.

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

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

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.

4.6. Tax legislation

Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities. Refer to Note 25.

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.

A financial asset is classified as at fair value through profit or loss if it is held 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.

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 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, 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 2013	As at 31 December 2012
USD/UAH	7.993	7.993
EUR/UAH	11.042	10.537
PLN/USD	3.011	3.076
EUR/USD	0.726	0.757

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 weight average 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 or deemed cost, equal to fair value at the date of transition to IFRS, 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 - 40 years
Plant and equipment	5 - 25 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 10 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.

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
For the year ended 31 December 2013 and 2012, 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. In 2014 VAT rate remains at the same level.

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.

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.

5.27 Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

6. New and amended standards

6.1. 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:

New and amended standards	Effective for annual accounting period beginning on or after
IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7)	1 January 2015
Amendment to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities"	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	1 January 2014
Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IFRIC 21 "Levies"	1 January 2014
IFRS 14 "Regulatory Deferral Accounts"*	1 January 2016
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions*	1 July 2014

** not yet adopted by the European Union.*

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.

6.2. Adoption of new and revised standards
The Group has adopted IFRS 13 Fair Value Measurement in the current reporting period. IFRS 13 requires prospective application from 1 January 2013. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. Other than the additional disclosures, the application of IFRS 13 had no material impact on the amounts recognized in the consolidated financial statements.

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

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

7. 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 2013 and 2012:

For the year ended 31 December 2013	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	74 515	23 237	5 743	**103 495**
Inter-segment revenue	(20 909)	(632)	(695)	**(22 236)**
Revenue from external buyers	**53 606**	**22 605**	**5 048**	**81 259**
Profit before tax	**23 712**	**7 279**	**215**	**31 206**

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**

In 2013 and 2012 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 31 December 2013 and 2012 were presented as follows:

As at 31 December 2013	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	**145 744**	**13 424**	**346**	**159 514**
Total segment liabilities	**17 518**	**2 670**	**-**	**20 188**
Addition to property, plant and equipment and intangible assets	17 123	146	-	**17 269**
Net change in fair value of biological assets and agricultural produce	6 147	2 447	-	**8 594**
Depreciation and amortization	(3 504)	(301)	(41)	**(3 846)**
Interest income	60	12	-	**72**
Interest on debts and borrowings	(472)	(68)	-	**(540)**
Income tax expense	48	(27)	-	**21**

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	454	18	-	**472**
Interest on debts and borrowings	(70)	(110)	-	**(180)**
Income tax expense	(27)	(271)	-	**(298)**

8. Cost of sale

	For the year ended 31 December 2013	For the year ended 31 December 2012
Costs of inventories recognised as an expense	(37 586)	(27 736)
Wages, salaries and social security costs	(6 732)	(5 956)
Packaging costs	(4 956)	(3 627)
Amortisation, depreciation and impairment	(3 646)	(3 320)
Other expenses	(1 553)	(1 598)
Total cost of sales	**(54 473)**	**(42 237)**

9. Selling and distribution costs

	For the year ended 31 December 2013	For the year ended 31 December 2012
Transportation expenses	(1 625)	(1 510)
Marketing and advertising expenses	(1 097)	(848)
Cost of materials	(533)	(731)
Wages, salaries and social security costs	(414)	(402)
Amortisation, depreciation and impairment	(20)	(16)
Other expenses	(781)	(278)
Total selling and distribution costs	**(4 470)**	**(3 785)**

10. Administrative expenses

	For the year ended 31 December 2013	For the year ended 31 December 2012
Wages, salaries and social security costs	(671)	(602)
Legal, audit and other professional fees	(328)	(433)
Service charge expenses	(294)	(284)
Cost of materials	(186)	(171)
Amortisation, depreciation and impairment	(180)	(149)
Other expenses	(114)	(144)
Total administrative expenses	**(1 773)**	**(1 783)**

11. Other operating income

	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Income from refund under the special legislation:			
Income from special VAT treatment	a)	3 614	847
Other grants	b)	-	3
Total income from refund under the special legislation		**3 614**	**850**
Gain on disposal of property plant and equipment		64	-
Gain on disposal of inventories		-	47
Recovery of assets previously written-off		-	85
Other income		282	75
Total other operating income		**3 960**	**1 057**

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

a) Income from special VAT treatment

Ukrainian agricultural producers, including the certain 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", Public Joint Stock Company "Malynove".

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

b) Other grants

The item "Other grants" comprises mainly of social insurance benefits.

12. Other operating expenses

	For the year ended 31 December 2013	For the year ended 31 December 2012
VAT written-off	(601)	(629)
Impairment of doubtful accounts receivable and prepayments to suppliers	(101)	(13)
Fines and penalties	(9)	(20)
Loss on disposal of property plant and equipment	-	(89)
Impairment of inventories	-	(9)
Other expenses	(40)	(48)
Total other operating expenses	**(751)**	**(808)**

13. Finance costs

	For the year ended 31 December 2013	For the year ended 31 December 2012
Foreign currency exchange loss	(707)	(19)
Interest on debts and borrowings	(484)	(118)
Interest on financial lease	(56)	(62)
Other financial expenses	(98)	(67)
Total finance costs	**(1 345)**	**(266)**

14. Finance income

	For the year ended 31 December 2013	For the year ended 31 December 2012
Interest income on loan issued to Beneficial Owner presented in present value	133	315
Interest income	72	472
Total finance income	**205**	**787**

15. 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 year ended 31 December 2013, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 19% rate (31 December 2012: at a 21% 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 18% effective 1 January 2014 and further), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 December 2013 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 year ended 31 December 2013 and 2012 are:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Current income tax	(81)	(111)
Deferred tax	102	(187)
Income tax (expense)/benefit reported in the income statement	**21**	**(298)**

A reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2013 and 2012 is as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Accounting profit before income tax	**31 206**	**24 295**
At Ukraine's statutory income tax rate of 19% (2012: 21%)	5 929	5 102
Tax effect of:		
Effect of changes in tax rates and laws	-	(486)
Income generated by FAT payers (exempt from income tax)	(6 126)	(5 545)
Current year losses for which no deferred tax asset was recognised at a rate of 25.0% (1)	(17)	(83)
Effect of temporary differences not recognised as deferred tax assets	-	(16)
Effect of expenses that are not deductible in determining taxable profit	193	1 326
Income tax expense/(benefit)	**(21)**	**298**

(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 2013 and 2012, deferred tax assets and liabilities comprised the following:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Advances received and other payables	13	12
Prepayments to suppliers	31	1
Property, plant and equipment and intangible assets	19	63
Trade and other receivables	46	27
Inventories	90	-
Tax losses	685	-
Unrecognized deferred tax assets	(16)	(16)
Netted off against deferred tax assets	**868**	**87**
Property, plant and equipment and intangible assets	(853)	(209)
Prepayments to suppliers	(7)	(8)
Advances received and other payables	(34)	-
Netted off against deferred tax liabilities	**(894)**	**(217)**
Net deferred tax asset/(liability)	**(26)**	**(130)**

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 2013 and 2012:

	As at 31 December 2013	As at 31 December 2012
Non-current assets	770	81
Long term liabilities	(796)	(211)
Net deferred tax asset/(liability)	**(26)**	**(130)**

16. Biological assets

As at 31 December 2013 and 2012 commercial and replacement poultry were presented as follows:

	As at 31 December 2013		As at 31 December 2012	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets				
Replacement poultry				
Hy-line	2 981	43 500	2 744	32 331
Total non-current biological assets	**2 981**	**43 500**	**2 744**	**32 331**
Current biological assets				
Commercial poultry				
Hy-line	1 894	13 244	1 461	8 754
Hy-sex	121	1 428	-	-
Total current biological assets	**2 015**	**14 672**	**1 461**	**8 754**
Total biological assets	**4 996**	**58 172**	**4 205**	**41 085**

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 year ended 31 December 2013 and 2012 was presented as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
As at 01 January	**41 085**	**22 438**
Increase in value as a result of assets acquisition	452	391
Increase in value as a result of capitalization of cost	9 883	8 205
Income/(Losses) from presentation of biological assets at fair value	8 594	10 995
Decrease in value as a result of assets disposal	(1 842)	(930)
Exchange differences	-	(14)
As at 31 December	**58 172**	**41 085**

For the year ended 31 December 2013 the Group produced shell eggs in the quantity of 892 899 thousand items (31 December 2012: 719 490 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 25.84% (31 December 2012: 25.02%). 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.

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy.

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

	Assumptions which were used for the fair value calculations of biological assets: As at 31 December 2013	As at 31 December 2012
Eggs sale price, USD per item	0.100	0.092
Discount rate, %	25.84%	25.02%
Long-term inflation rate of Ukrainian hrivnya, %	106.00%	107.50%

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 2013 and 2012:

	For the year ended 31 December 2013	For the year ended 31 December 2012
1% decrease in egg sale price	(1 097)	(770)
1% increase in discount rate	(784)	(547)
1% increase in long-term inflation rate of Ukrainian hrivnya	692	476

15. 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 2011	**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**
Additions	4 543	7 506	97	89	4 975	59	17 269
Transfer	3 155	294	-	14	(3 463)	-	-
Disposals	(15)	(274)	(61)	(12)	-	(79)	(441)
Currency translation difference	-	-	-	-	-	-	-
As at 31 December 2013	**36 394**	**38 765**	**1 194**	**635**	**8 261**	**74**	**85 323**
Depreciation and amortization							
As at 31 December 2011	**(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)**
Depreciation and amortization charge	(1 271)	(2 381)	(110)	(83)	-	(1)	(3 846)
Disposals	14	272	56	10	-	79	431
Currency translation difference	-	-	-	-	-	-	-
As at 31 December 2013	**(5 998)**	**(11 463)**	**(773)**	**(395)**	**-**	**(16)**	**(18 645)**
Net book value							
As at 31 December 2013	**30 396**	**27 302**	**421**	**240**	**8 261**	**58**	**66 678**
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 2013 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 4 000 thousand and property, plant and equipment via finance lease amounted USD 740 thousand (2012: USD 4 579 thousand and plant and equipment via finance lease USD 846 thousand).

As at 31 December 2013 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 1 483 thousand (2012: USD 2 579 thousand).

As at 31 December 2013, included within property, plant and equipment were fully depreciated assets with the original cost of USD 4 127 thousand (2012: USD 2 765 thousand, 2011: USD 2 528 thousand).

Impairment assessment

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

Useful life

At 1 January 2013 the Group revised its accounting estimate relating to the useful lives of certain items of “Plant and equipment” and “Buildings”. The useful lives of these assets were defined in terms of the asset’s expected utility to the Group and as well as a matter of judgment based on the experience of the Group’s Management with similar assets. The revision of the estimated useful lives resulted in decreased amount of depreciation expense for the year ended 31 December 2013 as follows:

a). decrease of Depreciation and amortisation within item “Cost of sales” - USD 1 467 thousand;
b). decrease of Depreciation and amortisation within item “Administrative expenses” – USD 113 thousand.

17. Interest-bearing loans and other financial liabilities

	Currency	Effective interest rate, %	Maturity	As at 31 December 2013	As at 31 December 2012
Current interest-bearing loans and other financial liabilities					
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	365	348
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	180	172
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	143	136
UniCreditBank loan	UAH	29.0%	01.11.2013	-	1 730
Landesbank Berlin AG loan	EUR	1.65% + EURIBOR (6m)	30.12.2020	1 985	-
Other non-current loans	UAH	-	-	82	84
Short-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	165	165
Total current interest-bearing loans and other financial liabilities				**2 920**	**2 635**
Non-current interest-bearing loans and other financial liabilities					
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	274	609
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	135	301
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	140	269
Landesbank Berlin AG loan	EUR	1.65% + EURIBOR (6m)	30.12.2020	9 617	-
Long-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	452	611
Total non-current interest-bearing loans and other financial liabilities				**10 618**	**1 790**
Total interest-bearing loans and other financial liabilities				**13 538**	**4 425**

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.

As at 31 December 2013 and 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%.

As at 31 December 2013 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 4 000 thousand and property, plant and equipment via finance lease amounted USD 740 thousand (2012: USD 4 579 thousand and plant and equipment via finance lease USD 846 thousand).

(a) Finance lease liabilities

	As at 31 December 2013		As at 31 December 2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable under finance lease:				
Within a year	203	165	215	165
From one to five years	500	452	698	611
Above 5 years	-	-	-	-
	703	617	913	776
Less: financial expenses of future periods	(86)	-	(137)	-
Present value of lease liabilities	617	617	776	776
Less: amount to be paid within a year		(165)		(165)
Amount to be paid after one year		452		611

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 2013 and 2012 was as follows:

	As at 31 December 2013	As at 31 December 2012
Plant and equipment	740	846
Total	**740**	**846**

As at 31 December 2013 and 2012 there were no restrictions imposed by lease arrangements, in particular those concerning dividends, additional debt or further leasing.

18. Inventories

	As at 31 December 2013	As at 31 December 2012
Agricultural produce and finished goods	6 281	5 075
Raw materials	4 312	4 094
Package and packing materials	1 121	856
Work in progress	111	186
Other inventories	582	614
(Less: impairment of agricultural produce and finished goods)	(311)	(177)
Total inventories at the lower of cost and net realisable value	**12 096**	**10 648**

For the year ended 31 December 2013 the Group recognized impairment losses of agricultural produce and finished goods due to illiquidity of finished goods in amount of USD 134 thousand (in 2012: USD 9 thousand).
In 2013 the Group recognized decrease in net realizable value in amount of USD 154 thousand (in 2012: nil).

19. Trade and other receivables

	As at 31 December 2013	As at 31 December 2012
Trade receivables	8 748	8 204
VAT for reimbursement	4 138	4 133
VAT for reimbursement under special legislation	3	42
Receivables for securities sold but not yet settled	210	210
Other accounts receivable - related party	-	937
Other accounts receivable	65	77
Provision for doubtful accounts receivable	(462)	(416)
Total trade and other receivables	**12 702**	**13 187**

As at 31 December 2013 trade and other receivables of USD 221 thousand net of impairment loss provisions are denominated in currency other than UAH (functional currency of cash generated entities), mainly in USD (2012: USD 311 thousand, nominated mainly in USD).

Trade receivables from third parties are non-interest bearing and are generally on 30-90 days credit terms. For larger customers the Group grants credit for up to 45-180 days.

20. Cash and cash equivalents

	As at 31 December 2013	As at 31 December 2012
Cash in banks	8 594	1 105
Cash on hand	14	47
Total cash at banks and on hand	**8 608**	**1 152**

21. Equity

Issued capital and capital distribution
For the year ended 31 December 2013 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 2013 and 2012 the largest single shareholder interest in the Company was as follows:

	As at 31 December 2013	As at 31 December 2012
Prime One Capital Ltd.	71.24%	74.03%
Generali Otwarty Fundusz Emerytalny	9.94%	12.15%
AMPLICO OFE	5.80%	-
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	5.02%	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 82 596 (31 December 2012: USD 79 308). 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 subsidiaries.

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. For the years ended 31 December 2013 and 2012, there were no movements in share premium.

Dividends payable of the Company
During the year ended 31 December 2013 and 2012, no dividends have been declared and paid.

22. Trade and other payables

	As at 31 December 2013	As at 31 December 2012
Trade payables	4 014	5 370
Employee benefit liability	421	387
Taxes payable	249	235
Liability for unused vacation	375	311
VAT liabilities	4	-
Income tax payables	5	-
Other payables	724	487
Total trade and other payables	**5 792**	**6 790**

As at 31 December 2013 trade and other payables of USD 729 thousand net of impairment loss provisions are denominated in currency other than UAH (functional currency of cash generated entities), mainly in EUR (2012: USD 707 thousand, nominated mainly in EUR).

23. 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 2013, and 2012:

(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
Sergey Sovgira	Executive director
Tatiana Komarova	Chief Financial Officer
Natalia Malyovana	Commercial director
Natalia Vlasniuk	Marketing director
Vitalii Voron	Production director
Yuriy Gusar	Director (PJSC "Poultry Farm Ukraine")
Valentina Pavlenko	Logistics director

(B). Companies which activities are significantly influenced by the Beneficial Owners:
Agrofirma Boryspilsky Hutir LLC
Aleksa LTD LLC

As at 31 December 2013, and 2012 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	As at 31 December 2013	As at 31 December 2012
Loan issued to the Beneficial Owners*		
(A). Key management personnel:		
Borys Bielikov	-	1 874
	-	**1 874**
Prepayments to related parties		
(B). Companies which activities are significantly influenced by the Beneficial Owners:		
Aleksa LTD LLC	165	198
	165	**198**

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

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 2013 and 2012 were presented as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Salaries and contribution to social security fund (short-term employee benefits):		
Borys Bielikov	23	19
Vitalii Veresenko	17	17
Oleksander Bakumenko	-	-
Marc van Campen	27	20
Other key management personnel	91	91
	158	**147**

Others, any compensation and benefits to key management personnel for the year ended 31 December 2013 and 2012, were not paid, except for the short-term benefits, in the form of salaries and contribution to social security fund, disclosed above.

24. 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.

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

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional government has been formed. In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. The further political developments are currently unpredictable and may adversely affect the Ukrainian economy. As of 31 December 2013 and for the year then ended, the Group's assets are not located in the Crimea region. As of the date of this report, operation of the Group's facilities throughout Ukraine continued to operate normally through the first quarter of 2014.

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 11, 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 commitments. As at 31 December 2013 the Group had contract liabilities for acquisition of property, plant and equipment equal to USD 3 857 thousand (2012: 12 906 thousand).

25. Financial risk management

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 18 and 21 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.

	As at 31 December 2013	As at 31 December 2012
Debt liabilities*	13 538	4 425
Cash and cash equivalents and deposits**	(8 608)	(1 152)
Net debt	**4 930**	**3 273**
Equity	139 326	108 099
Gearing ratio	**4%**	**3%**

* 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

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 longstanding clients, there were no significant losses during 2013 and 2012 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 2013, USD 29 230 thousand or 36% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2013 USD 3 894 thousand or 45% of trade accounts receivable relates to 5 major debtors.

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.

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

	As at 31 December 2013	As at 31 December 2012
Fully performing	7 853	7 615
Past due but not impaired	433	173
Impaired	462	416
Total trade receivables - gross	**8 748**	**8 204**

As at 31 December 2013 and 2012 the ageing of trade account receivable there were not impaired was as follows:

	As at 31 December 2013	As at 31 December 2012
0-30 days	6 272	5 414
31-90 days	1 712	1 494
91-180 days	87	109
181-360 days	215	767
more that 360 days	-	4
Total	**8 286**	**7 788**

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 2013	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	5 792	5 792	5 001	264	527	-
Current interest-bearing loans and other financial liabilities	2 920	2 920	224	1 216	1 480	-
Non-current interest-bearing loans and other financial liabilities	10 618	10 618	-	-	-	10 618
Total	**19 330**	**19 330**	**5 225**	**1 480**	**2 007**	**10 618**

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	6 790	6 790	6 510	203	77	-
Current interest-bearing loans and other financial liabilities	2 635	2 635	804	804	1 027	-
Non-current interest-bearing loans and other financial liabilities	1 790	1 790	-	-	-	1 790
Total	**11 215**	**11 215**	**7 314**	**1 007**	**1 104**	**1 790**

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 2013 and 2012 were as follows:

31 December 2013	PLN	USD	EUR	UAH	Total
(in conversion to USD thousand)					
Assets					
Cash and cash equivalents	6	6 030	29	2 543	**8 608**
Trade receivables	-	221	-	8 065	**8 286**
Liabilities					
Current interest-bearing loans and other financial liabilities	-	-	(2 673)	(247)	**(2 920)**
Non-current interest-bearing loans and other financial liabilities	-	-	(10 166)	(452)	**(10 618)**
Trade accounts payable	-	-	(730)	(4 743)	**(5 473)**
Other payables	-	(76)	(551)	(1 351)	**(1 978)**
Net exposure to foreign currency risk	**6**	**6 175**	**(14 091)**	**3 815**	**(4 095)**

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 other financial liabilities	-	-	(384)	(2 168)	**(2 552)**
Non-current interest-bearing loans and other financial liabilities	-	-	(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)**

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 2013		
USD	25%	1 544
EUR	25%	(3 523)
PLN	25%	2
31 December 2012		
USD	15%	132
EUR	10%	(226)
PLN	10%	-

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

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 2013	As at 31 December 2012
	EURIBOR	**EURIBOR**
Profit/(loss)	128/(128)	18/(18)

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

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.

26. 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.

The following table presents the classification, subsequent measurement, carrying values and fair values of the Group's financial assets and liabilities:

	Subsequent measurement	As at 31 December 2013 Carrying value	Fair value	As at 31 December 2012 Carrying value	Fair value
Financial assets:					
Trade and other receivables (a)	Amortized cost	12 702	12 702	12 250	12 250
Loan issued to the Beneficial Owner of the Group (b)	Amortized cost	-	-	1 069	937
Cash and cash equivalents		8 608	8 608	1 152	1 152
		21 310	**21 310**	**14 471**	**14 339**
Financial liabilities:					
Current interest-bearing loans and borrowings (a)	Amortized cost	2 920	2 920	2 635	2 635
Non-current interest-bearing loans and borrowings (b)	Amortized cost	10 618	10 618	1 790	1 790
Trade and other payables (current) (a)	Amortized cost	5 792	5 792	6 790	6 790
		19 330	**19 330**	**11 215**	**11 215**

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.

27. Subsequent events

After the balance sheet date, Ovostar Union N.V. made prepayment of 15% of the contract value for the purchase of Salmet laying hens equipment and poultry buildings for the amount of USD 3 001 thousand.

Company Financial Statements

BALANCE SHEET

As at 31 December 2013
(in USD thousand, unless otherwise stated)

	Note	As at 31 December 2013	As at 31 December 2012
Assets			
Non-current assets			
Financial fixed assets	1	140 729	103 979
Property, plant and equipment	2	905	1 103
Total non-current assets		**141 634**	**105 082**
Current assets			
Cash and cash equivalents	3	6 051	14
Total current assets		**6 051**	**14**
Total assets		**147 685**	**105 096**
Equity and liabilities			
Equity			
Issued capital		83	79
Foreign currency translation reserve		(30)	(26)
Share premium reserve		30 933	30 933
Retained earnings		73 855	50 399
Profit for the year		30 589	23 456
Equity attributable to owners of the parent		**135 430**	**104 841**
Non-current liabilities			
Landesbank Berlin AG loan		9 617	-
Total non-current liabilities		**9 617**	**-**
Current liabilities			
Trade and other payables		653	255
Landesbank Berlin AG loan		1 985	-
Total current liabilities		**2 638**	**255**
Total liabilities		**12 255**	**255**
Total equity and liabilities		**147 685**	**105 096**

PROFIT & LOSS ACCOUNT

As at 31 December 2013
(in USD thousand, unless otherwise stated)

	For the year ended 31 December 2013	For the year ended 31 December 2012
Profit of participation interests after taxation	31 646	23 804
Other income and expenses after taxation	(1 057)	(348)
Profit for the period, net of tax	**30 589**	**23 456**

1. 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.

2. Financial fixed assets

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

	For the year ended 31 December 2013	For the year ended 31 December 2012
Group companies as at 01 January	**103 979**	**77 277**
Further investments in a group company	5 104	2 845
Result	31 646	23 804
FX rate difference		53
Group companies as at 31 December	**140 729**	**103 979**

After the balance sheet date, Ovostar Union N.V., received cash in amount of USD 3 660 thousand, as an increase part of the investment (cash), which were previously invested in the LLC Ovostar Union.
The degree of control exercised by Ovostar Union N.V. over significant subsidiary is as follows:

	Country of incorporation	% share as at 31 December 2013	% share as at 31 December 2012
LLC Ovostar Union	**Ukraine**	**100**	**100**

3. Property Plant and Equipment

Movement in Property Plant and Equipment was as follows:

	PPE in progress	
Name of the company	For the year ended 31 December 2013	For the year ended 31 December 2012
Net book amount	**1 103**	**1 911**
Additions	11 839	7 483
Transfer	(12 037)	(8 291)
Closing net book amount as of 31 December	**905**	**1 103**
Depreciation	**-**	**-**
Cost	-	-
Closing net book amount as of 31 December	**905**	**1 103**

4. Cash and cash equivalents

The Company's cash balances are available upon demand.

5. 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 = 1.377 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.

6. Other payables

In other payables included short term loans from third parties. The amount payable does not bear interest. It is expected that the amount is repaid in the foreseeable future.

7. Employees

The Company has no employees other than directors.

8. 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 2013 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

9. Audit fee

Fees paid to the Group's auditor for 2013 and 2012 can be broken down into the following:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Baker Tilly Ukraine:		
Audit and review of financial statements	42	43
Baker Tilly Berk N.V.		
Audit fees	57	50
Total	**100**	**93**

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.

Supplementary Information

Independent Auditors

In 2013, 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 2013 amounted to EUR 35 ths excluding VAT and out-of-pocket expenses.

Independent auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2013 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, 2013, 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, 2013, 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 N.V. as at December 31, 2013 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 31 December, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code

Emphasis of Matter regarding the political and economical crisis in Ukraine

We draw your attention to Note 23. Commitments and contingencies to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

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 9, 2014
Baker Tilly Berk N.V.

Signed by H.R. Dikkeboom
Audit Partner

Contact information and list of addresses

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Forward-looking statements notice

All forward-looking statements contained in this annual report with respect to our future financial and operational performance and position are, unless otherwise stated, based on the beliefs, expectations, projections and the estimates of our 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. Our actual operational and financial results or the same of our 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 our management makes all effort to make forward-looking statements as accurate as possible. We do 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.