

# ANNUAL REPORT

2018



Aspire - Create - Achieve

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# Management Report

**DEAR SHAREHOLDERS,**

We are pleased to present this report on the results of Ovostar Union for the year 2018. It was another year of consistent development in line with the Company's strategy of organic growth and step-by-step implementation of the investment program. We worked hard to make our business not only more effective but also more efficient. While enlarging the production facilities we traditionally put top priority on the quality of our products. The combination of the above showed in the solid operational and financial performance presented in this report. I am grateful to Ovostar Union team for the contribution made to the Company's result in 2018 and hope for further achievements in 2019.



Sincerely,

Borys Bielikov

Chief Executive Officer

### INCOME STATEMENT

(million USD)	2018	2017	YoY
Revenue	125.0	98.7	27%
Gross profit	30.7	30.8	0%
EBITDA	21.9	26.5	(17%)
Profit before tax	17.6	22.6	(22%)
Net profit	17.5	22.9	(24%)

### BALANCE SHEET

(million USD)	31-Dec-2018	31-Dec-2017	YoY
Assets	145.6	131.0	11%
Non-current assets	81.8	67.4	25%
Current assets	63.8	63.6	(5%)
Equity and Liabilities	145.6	131.0	11%
Equity	126.8	106.9	20%
Non-current liabilities	5.7	9.8	(42%)
Current liabilities	13.0	14.3	(23%)

### CASH FLOWS

(million USD)	2018	2017	YoY
Net cash generated by operating activities	23.2	19.0	22%
Net cash used in investing activities	(19.7)	(11.8)	66%
Net cash generated by financing activities	(4.0)	(4.3)	(5%)

### NET DEBT POSITION

(million USD)	31-Dec-2018	31-Dec-2017	YoY
Total debt	9.3	13.6	(31%)
Cash and cash equivalents	14.3	15.0	(4%)
Net debt	(5.0)	(1.3)	-

Ovostar Union Public Company Limited is a holding entity originally incorporated under the laws of the Netherlands and re-domiciled to Cyprus in 2018. It consolidates companies with production assets located in Ukraine and non-Ukrainian trading companies in Latvia, British Virgin Islands and United Arab Emirates (hereinafter referred to as “we, us”). Our shares have been quoted on the Warsaw Stock Exchange since June 2011.

Our goal has been to produce ecologically clean and healthy food for our clients in Ukraine and abroad. We are growing organically by gradually increasing the volume of eggs produced and expanding the range of egg products offered. With focus on developing the export markets, we are expanding our sales geography supplying shell eggs and egg products of consistently high quality around the countries of Europe, Middle East, Africa and Asia.

Within the egg segment, we possess shell egg portfolio of over 20 sub-brands and supply our branded eggs to the largest retail chains in Ukraine. As a result of export markets development we are gradually increasing the deliveries of shell eggs outside of Ukraine.

Within the egg products segment, we offer the full range of egg products of both liquid and dry forms. We enjoy loyalty of the largest food processing companies in Ukraine and abroad by adjusting our products to the clients’ needs while maintaining the superior quality.

## BUSINESS GEOGRAPHY

Our production facilities are located in the North Central part of Ukraine in Kyiv and Cherkasy regions within 130 km from each other.



- Laying hens farm
- Laying hens farm + Egg processing plant + Fodder mill
- Young laying hens farm
- Hatchery + Breeder farm
- Fodder mill

Production premises include one breeder farm with parent flock, one hatchery producing day-old pullets, two rearing sites for young laying hens and two laying hen farms. The egg processing facilities include a plant located on the premises of the laying hen farm in Vasylkiv.

It takes less than 24 hours from the moment an egg is laid till it is delivered to the egg processing plant; this ensures the high quality of final egg products.

Auxiliary production comprises two fodder mills with total capacity of 56 tons of fodder per hour and one oilseed processing plant, that in 2018 was used exclusively for the Company’s internal needs, in particular for production of the feed supplements for own flock.

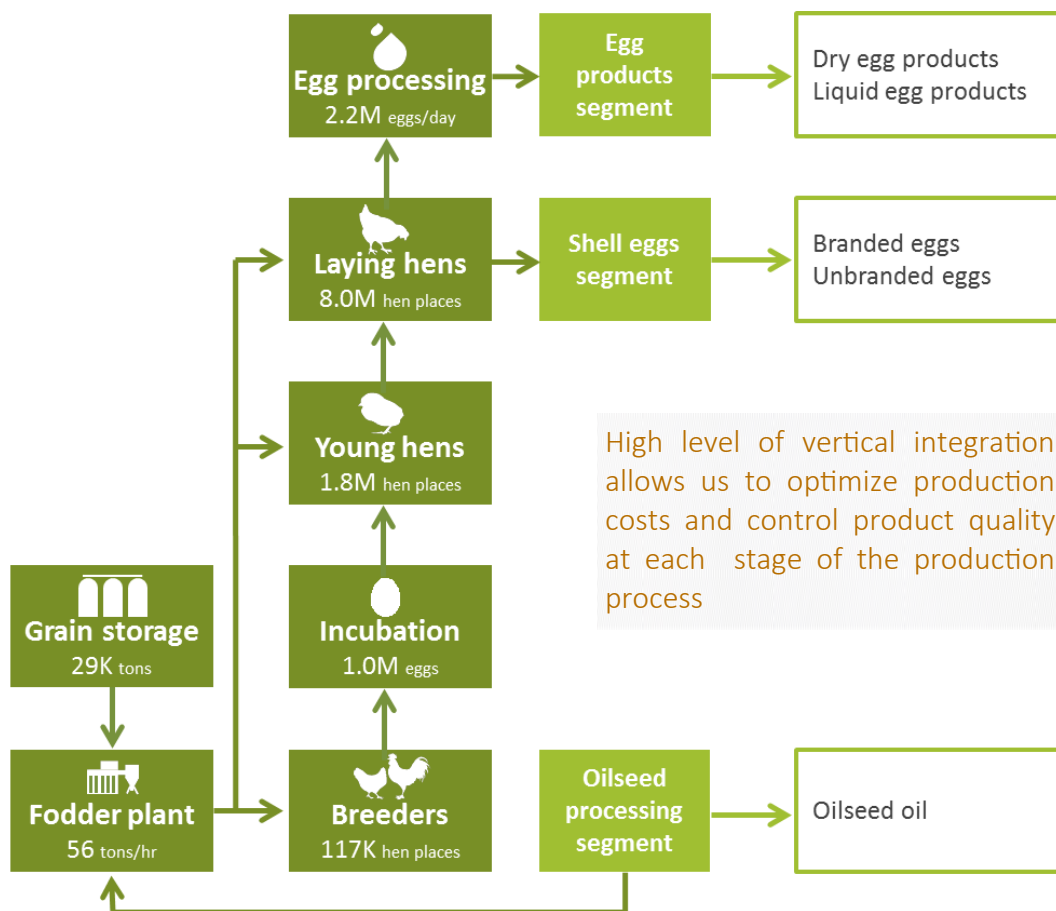
**BUSINESS MODEL**

We employ the most up-to-date poultry and processing equipment and progressive technological concepts at our production sites in order to ensure efficiency of production processes and superior quality of final products.

Having initially adopted a large-scale production approach, we have built up a vertically integrated business model with full production cycle spanning from parent flock to egg processing.

Alongside our core business we maintain our own fodder production, rapeseeds processing and grain storage, which secure the high quality of fodder for our poultry flock.

Our products are compliant with international quality standards ISO 9001:2015 and FSSC 22000 as well as applicable national Ukrainian standards and sanitary norms. We also possess the Halal Certificate to export internationally and are certified to export both shell eggs of class “A” and egg products to the European Union.



## OUR BRANDS

### SHELL EGGS

We supply Ukrainian market with the widest range of packaged shell eggs under brand name Yasensvit™. Key customers of egg segment are large local and international retail chains in Ukraine.

- Over 15 years the most recognizable trade mark on the Ukrainian market;
- Consistently high product quality;
- Supplier to the largest retail chains in Ukraine;
- Whole product portfolio of premium, standard, economy and private label categories.



Price for branded packaged eggs is traditionally higher than the average egg price on the market. Having Yasensvit™ for over 15 years on the Ukrainian market, the price premium is justified by consumers' recognition of consistently high quality of products under Yasensvit™ brand and the wide range of assortment adjusted to specific consumer preferences.

In 2018 we kept the position of major producer of private label eggs in Ukraine. Our eggs branded by retail network labels are supplied to Auchan, Silpo, Metro, Novus, Furshet, ATB, Velmart and a number of smaller regional retail chains.

Premium	
Standard	
Economy	
Private label	



EGG PRODUCTS

We offer a wide range of separated and whole egg products in dry and liquid form under the Ovostar™ brand. The demand for egg products mainly comes from food processing companies in Ukraine and abroad.

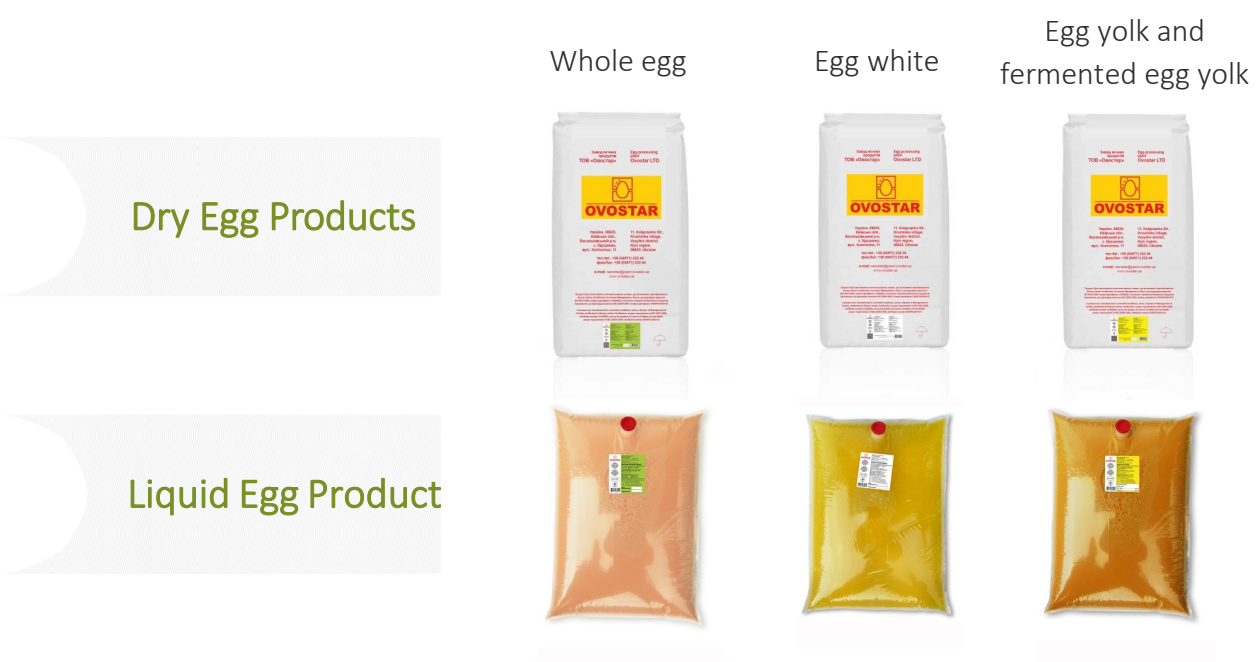
The segment is mainly B2B-oriented as the egg products are used for production of confectionary, mayonnaise, meat products etc. Each client requests the egg product with certain characteristics needed for the final good. Our flexibility to adjust to clients' needs maintains the loyalty of our major clients as well as our position of market maker of liquid egg products in Ukraine.

Among our key local customers are Roshen, Schedro, Mondelez Ukraine, Volyn Holding, Kharkiv Biscuit and others. We are also the exclusive supplier of eggs and egg products to McDonalds Ukraine.

In 2018 we introduced our egg products in retail segment, offering to our customers liquid egg white and liquid whole egg.

As commodities the egg products allow us to offset the seasonal price fluctuations that are present on local shell egg market within the year, and to even the profitability throughout the reporting periods.

- Over 15 years on the Ukrainian market;
- Market maker in liquid egg products;
- Consistently high product quality;
- Supplier to the largest food processing companies in and outside of Ukraine;
- Wide assortment of liquid and dry egg products.



During 2018 the inflation rate in Ukraine and devaluation of Ukrainian hryvnia has slowed down in comparison to 2017. The economy of Ukraine is showing the signs of recovery. However, instability of the country's macroeconomic situation and low purchasing power of Ukrainians have a negative impact on the egg producers.

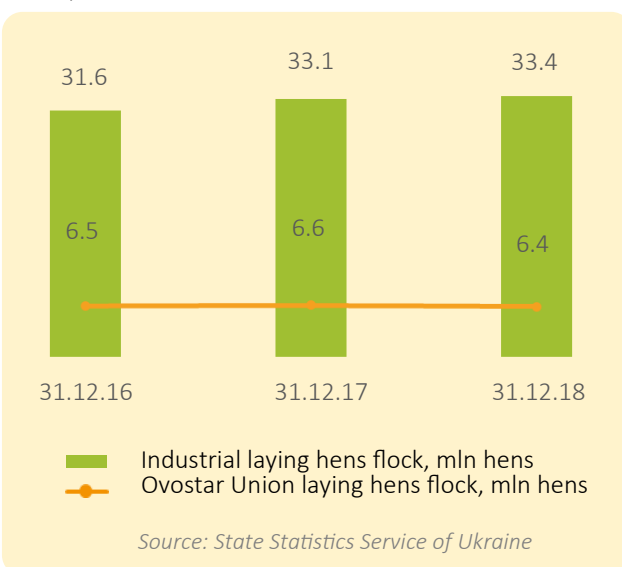
### LAYING HENS FLOCK

Ukrainian egg market is characterized by significant share of laying hens farmed by households from April to September, therefore, it can be assumed that the number of laying hens provided by State Statistics Service of Ukraine as at the end of the year presents the industrial flock.

As at 31 December 2018 the industrial laying hens flock increased by 1% and amounted to 33.4 million heads (2017: 33.1 million heads).

Ovostar Union share in total laying hens flock as of 31 December 2018 makes up 19% (2017: 20%)

#### LAYING HENS FLOCK: UKRAINE AND OVOSTAR UNION (EXCLUDING CRIMEA AND PARTS OF DONETSK - LUGANSK RE- GIONS)



### SHELL EGG MARKET

Total volume of eggs produced in Ukraine in 2018 grew by 4% in comparison to the previous year and reached 16.1 bln.

The Ukrainian shell egg market is historically divided into industrial and household production. The share of eggs produced in industrial format in 2018 increased by 1% YoY to 8.9 bln eggs, or 55% of total production volume (2017: 8.4 bln eggs, or 54%).

Ovostar Union share in industrial shell eggs production in 2018 is 18% (2017: 20%)

In 2018 egg consumption rate in Ukraine amounted to approximately 270 eggs per capita according to the data of Ukrainian Poultry Farmers Union (2017: 273 eggs per capita).

### EGG PRODUCTS MARKET

Over the reporting period production volume of dry egg products market in Ukraine increased by 6% YoY to 10.3 thous. tons, output of liquid egg products grew by 14% to 14.0 thous. tons.

Ovostar Union share in total volume of dry egg products output in 2018 equals 29% (2017: 35%); share in total liquid egg products produced - 89% (2017: 97%).

## EGG SEGMENT

### PRODUCTION

As of 31 December 2018 the Company's total flock equaled 7.6 mln hens. The number of laying hens was 6.4 mln heads which represents a 3% decrease as compared to 31 December 2017. The dynamics results from the installation of more enriched cages compliant with European standards that require lower density of poultry housing and naturally lead to reduction of laying hens number. The production volume consequently decreased by 2% to 1 625 mln eggs (2017: 1 659 mln eggs).

### SALES

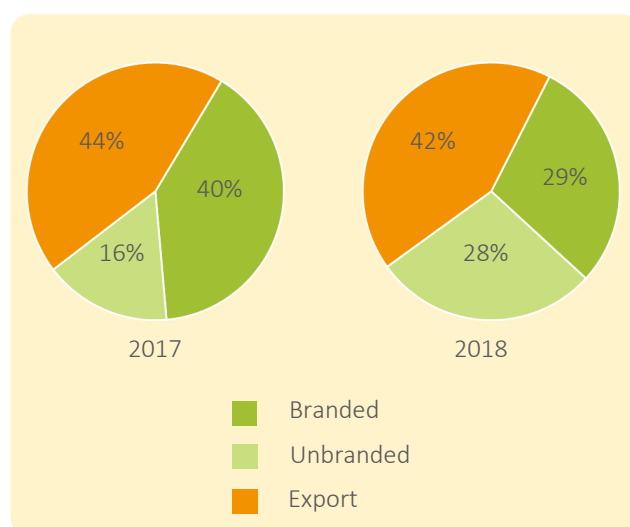
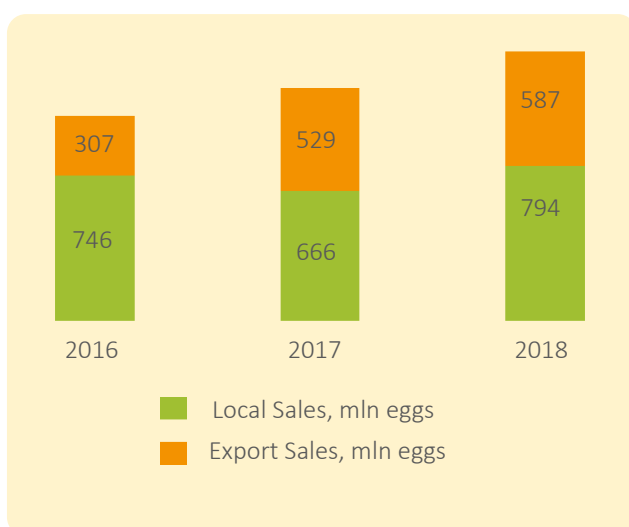
The total volume of eggs sold in 2018 amounted to 1 381 mln, demonstrating 16% growth YoY (2017: 1 195 mln eggs). The increase is accounted for by trading activities the share of which in total egg sales went up to 27% (2017: 13%).

Ukraine remains our major market and in 2018 local sales made up 58% of total sales volume, or 794 mln eggs (2017: 56%, or 666 mln eggs). Export sales grew by 10% YoY and reached 587 mln eggs (2017: 529 mln eggs).

Unlike 2017, in 2018 local prices of shell eggs were higher than export ones. Average selling price of shell eggs over the year increased by 19% to 1.819 UAH/egg compared to 1.533 UAH/egg in 2017. In USD terms the YoY growth amounted to 16%.

### SHELL EGGS SALES

### SHELL EGGS SALES STRUCTURE IN 2017 AND 2018



### EGG PRODUCT SEGMENT

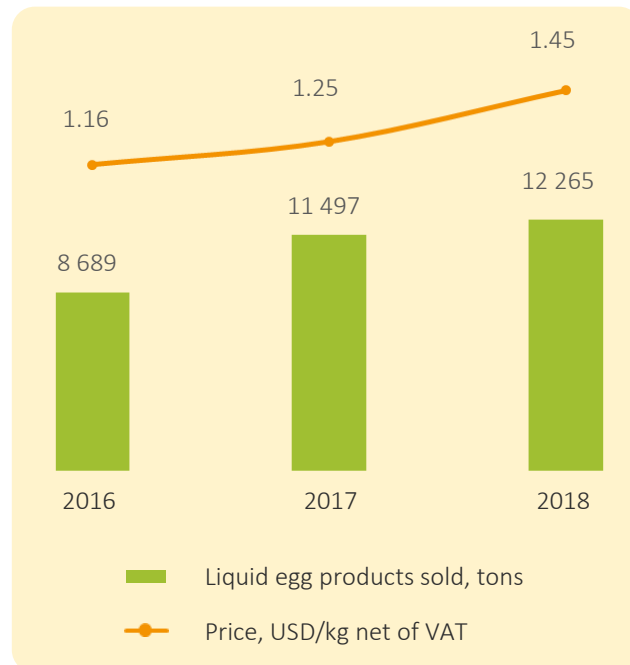
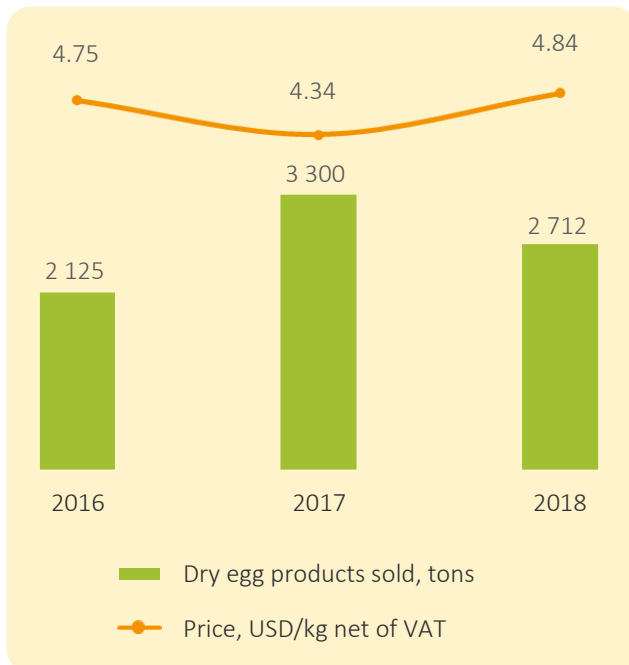
In 2018, like in 2017, the Company processed 33% of the total volume of eggs produced that is 529 mln eggs (2017: 541 mln eggs). The 2% decrease is explained by respective change of egg production volume. Consequently egg products output dynamics in 2018 was as follows: the volume of dry egg products fell by 9% to 2 959 tons (2017: 3 246 tons); the volume of liquid egg products instead rose by 7% to 12 435 tons (2017: 11 602 tons). The focus on liquid products resulted from market conditions and demand from our clients.

Sales volume of dry egg products decreased by 18% to 2 712 tons (2017: 3 300 tons), while volume of dry egg products exported was 1 897 tons compared to 2 377 tons in 2017. Average selling price of dry egg products rose by 14% YoY in UAH terms to 131.61 UAH/kg and by 12% in USD terms to 4.84 USD/kg.

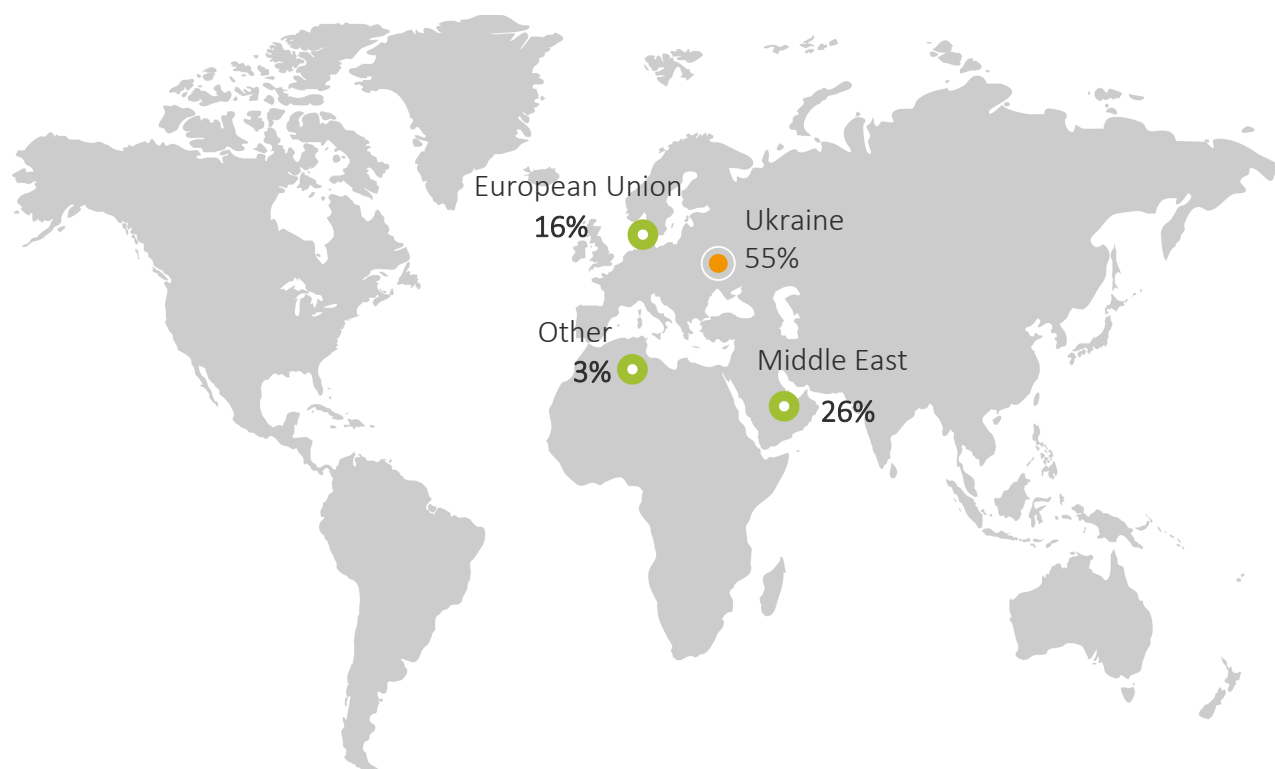
Sales volume of liquid egg products increased by 7% to 12 265 tons (2017: 11 497 tons). Average selling price of liquid egg products increased by 19% YoY in UAH terms to 39.52 UAH/kg and by 16% in USD terms to 1.45 USD/kg.

#### DRY EGG PRODUCT SALES

#### LIQUID EGG PRODUCT SALES



## SALES GEOGRAPHY BY REVENUE



### EXPORT MARKETS DEVELOPMENT

In 2018 export revenues grew by 17% as compared to 2017 and totaled USD 55.7 million, the export cash flows were received mostly in USD and EUR.

Middle East remains our key export market as the region is rather close in distance via sea transportation and can offer an attractive price for eggs and egg products. Its share in the export sales is 58% (2017:62%).

Revenues from European clients in 2018 made up 37% of total export revenues (2017: 31%).

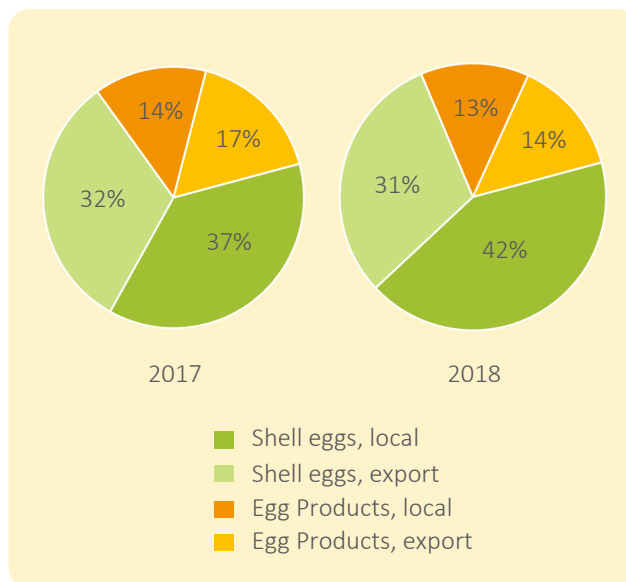
3% of total revenues were generated by clients in Africa, the remaining 3% - by clients from other countries.

FINANCIAL PERFORMANCE

REVENUE

Total revenues in 2018 went up by 27% as compared to the previous year and reached USD 125.0 mln (2017: USD 98.7 mln). The main factors accounting for the increase being larger sales volumes and higher prices of shell eggs and egg products as compared to 2017. The contribution of shell egg segment to the total revenues in 2018 was USD 91.0 mln, or 73% (2017: USD 67.7 mln, or 69%). Egg products segment contributed USD 34.0 mln, or 27% (2017: USD 30.1, or 31%).

SALES STRUCTURE BY REVENUE



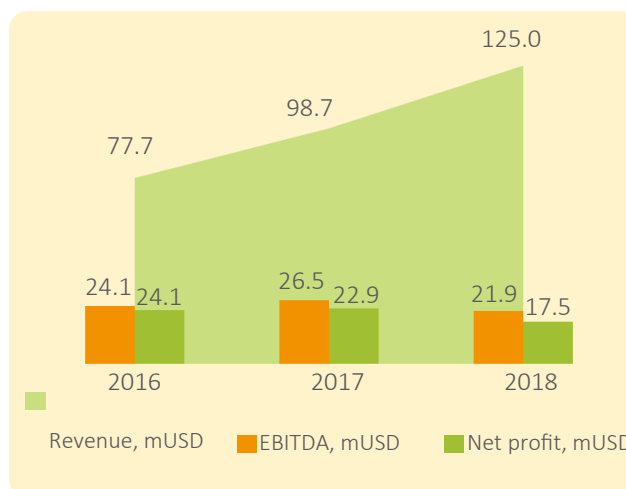
GROSS PROFIT AND COST OF SALES

The cost of sales increased by 34% YoY from USD 68.0 mln to USD 91.0 mln mainly as a result of higher prices of fodder mix components. Negative revaluation of biological assets in amount of USD 3.2 mln further affected gross profit which totaled to USD 30.7 for 2018.

PROFITABILITY DYNAMICS, MUSD

EBITDA

Rising export sales have led to higher transportation costs, which have consequently lowered the profitability. Another negative factor affecting financial results was the increased volume of trading activities that is characterized by lower margins comparing to sales of shell eggs of own production. Thus, EBITDA equaled to USD 21.9 mln demonstrating a 17% decrease YoY (2017: USD 26.5 mln).



NET PROFIT

In 2018 net profit decreased by 24% and amounted to USD 17.5 mln (2017: USD 22.9 mln).

**FINANCIAL POSITION**

**ASSETS, LIABILITIES AND EQUITY**

In 2018 value of our total assets increased by 11% to USD 145.6 million. The growth comes mainly from increase in property and equipment and growth of inventories.

The total equity in 2018 increased by 19% and amounted to USD 126.8 million, which can be accounted for by the retained earnings 14% growth (USD 209.4 million in 2018 vs. USD 182.9 million in 2017).

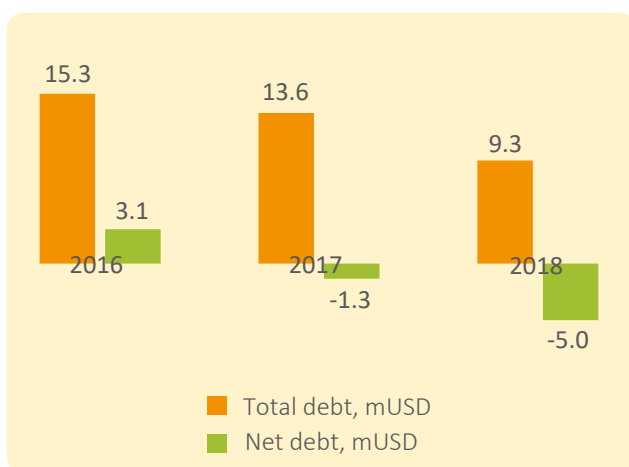
**LOANS AND BORROWINGS**

During 2018 no loans were obtained. We have been meeting our payment obligations on time. The total amount of interest-bearing loans and borrowings at the end of the year decreased by 31% and amounted to USD 9.3 million. Historically being debt-averse, we consistently keep the net debt indicator at low level via accumulation of a significant amount of cash in our bank accounts in Ukraine and outside (USD 14.3 million in 2018). The net debt at 31 December 2018 was below 0.

**CASH FLOW**

Net cash flow used in investment activities in 2018 mostly consisted of expenditures on property and equipment (egg processing facilities, cage equipment for newly constructed laying hen houses, egg sorting machine MOBA) and amounted to USD 19.6 million.

	2016	2017	2018
Operating CF, mUSD	23.0	19.0	23.4
Investing CF, mUSD	(17.1)	(11.8)	(19.6)
Financing CF, mUSD	(3.5)	(4.3)	(4.3)



## NOTES TO THE FINANCIAL STATEMENTS

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### Financial reporting standards

The Consolidated Financial Statements of Ovostar Union PCL have been prepared in accordance with IFRS standards, as adopted by the European Union. Note 2 to the Consolidated Financial Statements contains more detailed information on this item.

### Transactions with related parties

Note 26 to the Consolidated Financial Statements of Ovostar Union PCL contains more information on transactions with related parties.

### Changes in accounting policy

Note 5 to the Consolidated Financial Statements of Ovostar Union PCL contains more information on changes in accounting policy.

### Financial instruments

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



## STRATEGY

Our organic growth strategy has been aimed at strengthening our market position and expanding the presence of Ovostar Union products in and outside of Ukraine simultaneously sustaining the customer loyalty. Our focus on consistently high quality of our products and long-term relationships with our clients offset any external challenges that the egg industry may face.

The results we deliver are based on commitment of every employee. The cooperation across departments results in higher productivity of day-to-day operations and stronger synergy effect. In 2019 we intend to continue advancing employee skills to be more competitive and efficient.

## OUTLOOK FOR 2019

Following our investment program, we continue expanding our production capacities to enable both quantitative and qualitative growth. Being aware of existing macroeconomic risks, in particular, volatility of Ukrainian Hryvna, we strongly focus on increasing export volumes of shell eggs and egg products. The export revenue that is mostly generated in USD and EUR is a natural hedge on our currency risk, while it also facilitates predictability of our periodic financial results in the presentation currency.

In 2019 our export sales are expected to generate around 50% of our total revenue, provided that no external factors negatively influence the egg industry. In terms of operating results, we expect the share of export in total sales volume of shell eggs to remain over 40%, of dry egg products - over 70% and of liquid egg products – over 40%.

## INVESTMENT PROGRAM UPDATE

With the aim to produce over 2 billion eggs per year we continue to follow our organic growth strategy. The principal steps taken in 2018 within the framework of our investment program are construction of two poultry houses for laying hens; purchase and installment of MOBA Omnia-PX 700 egg sorting machine, purchase and start of reconstruction of egg processing facilities in Kiev region. In 2019, we are determined to carry on with the investment program and direct capital expenditure to construction of two more poultry houses for laying hens and two rearing houses for young hens with supporting infrastructure. We also plan to construct a poultry processing plant.

## FORECASTED PRODUCTION VOLUMES

	2017	YoY (18/17)	2018	YoY (19/18)	2019F
Laying hens flock	6.6	(3%)	6.4	13%	7.9
Eggs produced	1 659	(2%)	1 625	14%	1 850
Dry egg products produced	3 246	(9%)	2 959	12%	3 300
Liquid egg products produced	11 602	7%	12 435	12%	14 000

## HUMAN RESOURCES

The majority of our employees are involved in production processes on the premises located in Kyiv 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 to create and retain 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 (97% on average for the last 5 years).

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 bonuses that depend on achievement of corporate and personal targets.

Non-material remuneration consists of professional trainings, corporate team-building events and free use of corporate gym.

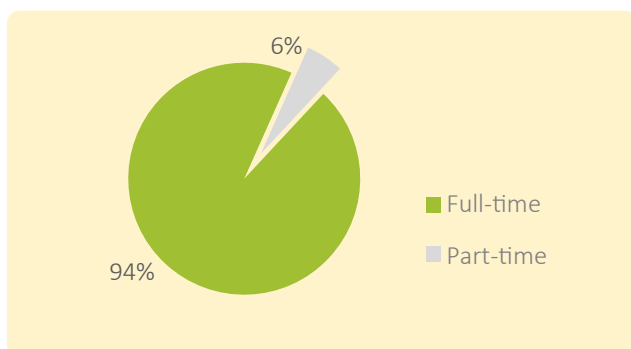
Legal relationships between the Company and its employees are regulated by the Labor Code of Ukraine and executed in the form of term and termless labor agreements. We cooperate with the State Pension Fund making monthly social insurance contributions. A corporate pension schedule has not been established.

Our employees other than some of the Board members do not have any shareholdings in Ovostar Union PCL, to our knowledge; nor do they hold any stock options or other rights to shares nor participate in any other way in the capital of Ovostar Union PCL. Currently, no arrangements relating to such participation are planned in the short-term perspective.

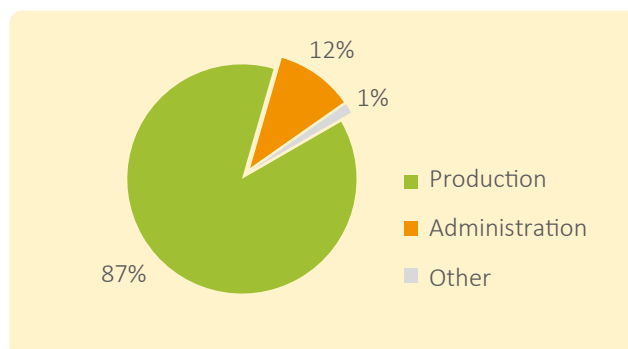
### QUANTITY OF EMPLOYEES AS OF 31 DECEMBER

	2018	2017	2016
Employees, end of year	1 681	1 500	1 326

### FULL-TIME | PART-TIME EMPLOYMENT IN 2018



### EMPLOYEE EXPERTISE IN 2018



Risk	Impact	Mitigation	2018 status / Notes
<b>Biological risks</b>	Outbreaks of highly-pathogenic avian influenza in Europe and in the south of Ukraine may severely limit our ability to perform normal operations and reduce the possibility to export	Adherence to biosecurity standards in line with the best international practices. Egg production and egg processing facilities are compliant with ISO 9001: 2008 and ISO 22000: 2005. Diversification of sales channels	No occurrences of dangerous poultry diseases have been ever registered on our premises. We control all the processes along the full production cycle in order to provide the highest quality and ability to react fast in case of need
<b>Macroeconomic risks</b>	Depreciation of Ukrainian Hryvnia leads to deterioration of income per household and change in consumer preferences	Worsening economic conditions has little effect on consumption of eggs per capita because eggs remain the most affordable source of animal-based protein	In 2018 egg consumption amounted to 270 eggs per capita. The decrease in consumption is caused by lower purchasing power of Ukrainians. Despite that our volume supplied to Ukraine was not affected
	Poor economic conditions result in lack of debt financing available	Historically, we have been reliant primarily on own positive cash flow and debt financing is used only for implementation of long-term investment programs. To eliminate the current instability of Ukrainian economy, we accumulated the cash on our bank accounts in foreign-owned banks in Ukraine and outside	We use export financing with comparatively low effective interest rate. As at 31 December 2018 our cash reserves exceed the total debt.

Risk	Impact	Mitigation	2018 status / Notes
Macroeconomic risks (continued)	VAT reimbursement and other advantages to agricultural companies are cancelled.	We are primarily focused on operational efficiency	Starting from 2017 special VAT treatment policy is cancelled, while the governmental subsidies are introduced instead
Price risk	Devaluation of Ukrainian Hryvnia leads to lower price per item in USD terms and thereby decreases periodic financial results	Increase of export sales is a natural hedge against currency rate fluctuations. Higher cost incurred in UAH is being steadily transferred to the final consumer through an increase of UAH-based prices for shell eggs and egg products on the local market	In 2018 share of export revenue was 45% (2017: 48%). YoY increase of prices in UAH terms: for shell eggs - 19%, for dry egg products - 16%, for liquid egg products - 19%.
Liquidity risk	Current capital restrictions of National Bank of Ukraine may limit the possibility to meet the financial obligations when due	We strictly control our working capital	As at 31 December 2018 all payment obligations were met on time. Part of revenues are accumulated on the bank accounts of the subsidiaries outside of Ukraine
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 2018 we had no clients generating more than 10% of our total revenue

Risk	Impact	Mitigation	2018 status / Notes
<p><b>Competition</b></p>	<p>Offering from the existing competitors or new market entrants may weaken our competitive position</p>	<p>We have a unique for Ukraine vertically integrated business model with facilities in close proximity to each other, what results in high production efficiency. Having been offering products of consistently superior quality and adjusting to the market demands, we achieved the recognition and loyalty of our customers</p>	<p>Yasensvit™ brand holds the position of the most-recognized brand of shell eggs in Ukraine. We also have a possibility to effectively diversify our sales to destinations outside Ukraine</p>
<p><b>Climate risks</b></p>	<p>Extreme weather conditions can have a detrimental effect on the well-being of poultry flock and their production efficiency</p>	<p>Our egg production facilities are equipped with an automatic climate-control system</p>	<p>Optimal climate conditions for laying hens include 40-60% humidity and ambient temperature within 20-25°C. Our production facilities are equipped with sophisticated ventilation systems to keep all vital indicators at normal levels throughout the year.</p>

## RISK MANAGEMENT

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. No anti-takeover measures are in place. 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 2019.

For more information on risks please refer to Note 27 of the 2018 Consolidated Financial Statements.

## DEFICIENCIES OF THE SYSTEM

In 2018, 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 within their relevant function.

## SHARE CAPITAL STRUCTURE

According to publicly available information as at 31 December 2018, shareholders of Ovostar Union PCL with substantial participation of at least 5% of all votes at the General Meeting of Ovostar Union PCL shareholders are listed in the table.

At 31 December 2018 total share capital of Ovostar Union PCL was 6 000 000 shares. Each share has a nominal value of one vote at the General Meeting of Shareholders.

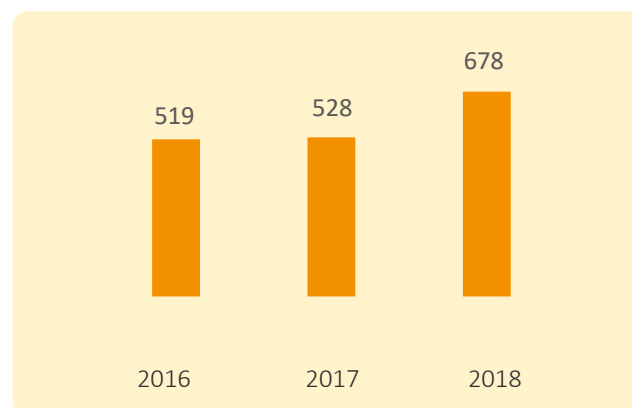
### SHARE CAPITAL STRUCTURE AT 31 DECEMBER

	2018	2017	2016
Prime One Capital Ltd	68%	68%	70%
Generali	10%	10%	10%
Fairfax Financial Holdings Ltd	5%	5%	5%
Aviva	5%	5%	5%
Others	12%	12%	9%
Total	100%	100%	100%

### CHANGES IN SHAREHOLDERS' STRUCTURE

In 2018 there were no changes in shareholders' structure of Ovostar Union PCL. Free float remained at the level of 32.07%.

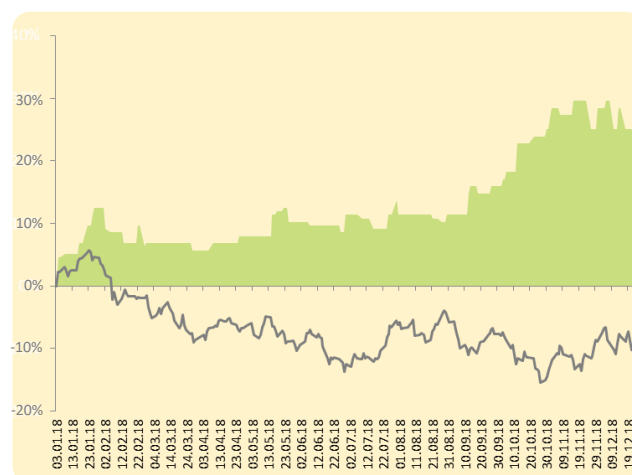
### MARKET CAPITALIZATION AT 31 DECEMBER, MPLN



### KEY QUOTATION INDICATORS

Share price, PLN	2018	2017	2016
Opening	88	87	91
Maximum	114	128	99
Minimum	88	85	84
Closing	113	88	87

### SHARE PRICE DYNAMICS IN 2018 OVO VS WIG-INDEX



# Corporate Governance Report





The present report on Corporate Governance covers events and developments that took place in the Company in 2018 and relies on rules and regulations of the jurisdictions, in which the Company operated during 11 months of the year, i.e. the Netherlands and Poland. After the Company was registered in Cyprus on 27 November 2018, the Management has taken steps to observe and comply with the Cypriot rules and regulations applicable to local public companies whose shares are admitted to trading on a foreign market. A set of amended internal rules of Corporate Governance shall be elaborated and applied by the Company in 2019.

#### COMPOSITION AND DUTIES OF THE BOARD

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. Marc van Campen, and Mr. Sergii Karpenko.

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 2018. No cases of non-compliance with rules and requirements that would have required the intervention of the non-executive directors have been detected in 2018.

The Terms of Reference, governing the decision-making process of the Board, is available on our website <http://ovostar.ua/en/ipo/rules/>.

#### CHAIRMAN OF THE BOARD AND CORPORATE SECRETARY

The Chairman of the Board of Directors determines the agenda, 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.

The 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 cast one vote during the Board meeting. All resolutions of the Board are taken by an absolute majority of votes. In case of a tie in votes, 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.

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 (3) months. There are no qualification requirements applicable to a member of the Board.

## SHAREHOLDING BY THE BOARD MEMBERS AND INSIDER TRADING

Securities Rules have been established, which apply to the Board members in relation to the acquisition of securities share and transactions with them. Furthermore, the conditions and requirements of the EU Market Abuse Directive and the company's Insider Trading Rules, reflecting the essence of EU Market Abuse Directive, are applicable to the Board members (and other persons related to Board Members) in relation to the acquisition of shares and equity participation. 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 PCL hereby confirms that (1) none of the Board members is a member of any supervisory board of - or holds the position of non-executive director at more than two listed companies; (2) none of the Board members holds the position of chairman of any 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.

## CHANGE IN THE BOARD STRUCTURE

During 2018 there were no changes in the structure of the Board of Directors.

Name **Borys Bielikov** **Vitalii Veresenko** **Marc van Campen** **Sergii Karpenko**



**BIOGRAPHY**

Mr. Bielikov has over 20 years of experience in poultry industry. Mr. Bielikov has started his career in UkrOptServis LLC in 1993. From 1997 to 1998 he occupied the position of deputy director at UkrAgro-Trade LLC. Mr. Bielikov graduated from the National Aviation University in 1994.

Mr. Veresenko has over 20 years of 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. van Campen held several positions at Océ 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 construction companies in the Netherlands listed on the Amsterdam Stock Exchange. In addition Mr. Van Campen held the director's position in other Dutch companies. Mr. Van Campen graduated from Nijmegen University in 1968.

Mr. Karpenko served as a Deputy Head of investment policy and agrarian business in Ministry of agrarian policy of Ukraine from 1997 to 2003. After that Mr. Karpenko worked at «Union of Poultry Farmers of Ukraine» and since 2006 has been acting as an Executive Director of Union. Mr. Karpenko graduated from National agrarian university majoring in Agricultural management (1997).

<b>FIRST APPOINTMENT</b>	2011	2011	2011	2015
<b>(POSSIBLE) REAPPOINTMENT</b>	2019	2019	2019	2019
<b>POSITION</b>	Executive Director / CEO	Non-Executive Director / Chairman	Non-Executive Director	Non-Executive Director
<b>DEPENDENCY STATUS</b>	Dependent	Dependent	Independent	Independent
<b>EXTERNAL APPOINTMENTS</b>	No	No	Director at Astarta Holding N.V. listed on the WSE; Montferland Beheer B.V., the European subsidiaries (outside Italy) of Salvatore Ferragamo SpA and Lugo Terminal Srl. International Internet Investments Coöperatief U.A. and Griffin Premium Re N.V.	Executive Director of Association «Union of Poultry Farmers of Ukraine»

## AUDIT COMMITTEE

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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) interaction with external auditors, including control of the auditor's independence, their remuneration and provision of any services outside the audit scope;
- (v) our tax planning policy;
- (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/>.

Mr. van Campen is the Chairman of the Audit Committee and Mr. Karpenko is the second independent member of the Audit Committee since June 2015.

## REMUNERATION POLICY

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On 17 June 2016, by a resolution of the General Meeting, the company's remuneration policy has been adopted. According to this remuneration policy the amount of total remuneration for the members of the Board of Directors on annual basis will not exceed EUR 60,000.

### MEETINGS OF SHAREHOLDERS (THE “GENERAL MEETING”)

As a Dutch legal entity, the Company was obliged to 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 (60) 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.

### 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 9 June 2017 in Amsterdam, the Netherlands. During that meeting the 2016 annual accounts have been adopted, the Board has been authorized to appoint the external auditor for the 2017 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.

### 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 of companies, 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.

On 19 June 2018, by a resolution of the General Meeting, the Board has been authorized 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, up to a maximum of 10% of the company's issued and outstanding capital.

## BOARD OF DIRECTORS MEETINGS

In 2018 the Board of Directors held five (5) meetings.

**13 April 2018** | The first meeting was convened in Amsterdam, the Netherlands. During the meeting the Board of Directors approved the Company's 2017 annual report.

**14 May 2018** | The second meeting was held in Kyiv, Ukraine. During the meeting the Board has approved the Company's financial statements for the first quarter of 2018.

**19 June 2018** | The third meeting was held in Amsterdam, the Netherlands. During the meeting the Board has authorized the Management of the Company to hold a tender for an external auditor for financial year of 2018. The second issue in focus was the proposal to transfer the corporate seat of the Company from Amsterdam, the Netherlands, to Nicosia, Cyprus, by means of conversion of the Company into a Cyprus public company

**29 August 2018** | The fourth meeting was held in Amsterdam, the Netherlands. During the meeting the Board approved the Company's 2018 semi-annual report. The decision to transfer the Company's corporate seat was approved together with the set of documents relevant thereto, including amended M&AoA.

**14 November 2018** | The fifth meeting was held in Kyiv, Ukraine. The Board of Directors approved the financial statements of Ovostar Union N.V. for the nine months of 2018 and appointed the external auditor for financial year of 2018 .

## AUDIT COMMITTEE MEETINGS

In 2018 the Audit Committee of Ovostar Union N.V. held three (3) meetings.

**09 April 2018** | During the meeting the Audit Committee reviewed the auditing process for the year of 2017 and discussed the Group's Annual Report for 2017.

**25 September 2018** | Agenda of this meeting included discussion on 2018 audit process and the Audit Committee proposed to approve Baker Tilly Klitou and Partners Ltd as the auditor for the year 2018. Additionally, the operational management updated the Audit Committee on Ovostar Union's plans for development in the following 2-3 years and outlook for the second half of the year.

**14 November 2018** | During the meeting the Audit Committee discussed potential risks for the business and their possible impact on the Group's operations and results in the year of 2019.



In 2018 as a Dutch holding company listed on the Warsaw Stock Exchange, we were obliged to comply with both of 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 “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.

Following a request of various Dutch employers, employees and trade organizations and with feedback received from various stakeholders during a consultation phase, a new version of the Code has been published in December 2016. Most important changes are the introduction of the long-term value creation and ‘culture’ as a component of effective corporate governance. Effective as of financial year 2017, the new Code is applicable.

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 Rules. In 2016 the Best Practice for GPW Listed Companies was updated according to the European Commission Recommendation of 09 April 2014 on the quality of corporate governance reporting. As the rules of the updated Code became stricter, the non-compliance items are described in the section “Deviations from the WSE Corporate Governance Code” below.

## DEVIATIONS FROM THE DUTCH CORPORATE GOVERNANCE CODE

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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.

Due to the fact that a new version of the Code has been implemented and, as such, this new version deviates from the Rules, the company does not fully comply with all conditions of the Code. The company is in the process of implementing all relevant provisions, to the extent they do not conflict with the provisions of the Rules.

The company currently does not comply, among others, with the following requirements of the Code:

**Best Practice Provision 1.5** | Since the company has implemented 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 2.1.7** | 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. Karpenko are the independent non-executive directors, while Mr. Veresenko is a dependent non-executive director. The Board of Directors has decided not to overcome this non-compliance by increasing the number of Board members, as it may directly affect the efficiency and speed of decision making by the Board.

**Best Practice Provision 2.3.2** | Since we have a one-tier governance structure and only three nonexecutive directors, we are not obliged to have separate committees for audit, remuneration and appointment. Currently, we have established the Audit Committee. Neither remuneration committee nor appointment committee have been installed.

**Best Practice Provision 2.3.2** | Since the Chairman of the Board of Directors was already appointed before the new version of the Code was published, the company does not comply with the provision that the Chairman should be independent. The company will take this into account when the appointment term of the Chairman has lapsed.

## DEVIATIONS FROM THE WSE CORPORATE GOVERNANCE RULES

Due to amendments to the Code of Best Practice for WSE listed companies enforced in 2016, currently we do not comply with the following requirements of the Code:

**Best Practice Principle I.Z.1** | Currently we have no audio or video recording of a general meeting published at the company's website as all the information related to the general meeting is available in writing at our website. Additionally, we have not published the internal rule of changing the company's auditor as the company strictly follows guidelines stated in the Directive 2014/56/EU the European Union that was adopted in April 2014 and enforced in June 2016.

**Best Practice Principle II.Z.1** | Since we have a one-tier governance structure we have not published the chart describing the division of responsibilities among the Board of Directors because their areas of responsibility are provided in writing at the website.

## CONFIRMATIONS REQUIRED BY THE CODES

The Board of Directors confirms that during 2018 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 2018 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.

## OTHER ITEMS OF NON-COMPLIANCE

The Board of Directors hereby confirms that currently its composition is not balanced within the meaning of article 2:166 paragraph 1 of Dutch Civil Code. Such principle was also added to the WSE Corporate Governance Code and requires the companies to publish the diversity policy or explanation on its absence at the website. At the date of publication of this report the Board (4 persons) consisted of 100% male members. It is further noted that 2 out of 5 key management personnel are female. The personnel are selected according to their professional qualifications, therefore, the Group deems such composition as healthy. In case of future vacancies in the Board of Directors, the company will take into account the requirement in respect of gender balance in searching new members of the Board of Directors.

## NON-FINANCIAL INFORMATION DISCLOSURE

According to the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 we as a public entity with more than 500 employees are obliged to make the appropriate disclosure, providing information on the environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters and the way they are dealt with.

The information provided in this statement is based on the Company's (our) Code of Conduct (Annex 2.5 to the Corporate Governance Rules available in writing at our website ([http://www.ovostar.ua/data/file/CGR/ANNEX%202\\_5%20Code%20of%20Conduct\\_2011\\_06\\_17.pdf](http://www.ovostar.ua/data/file/CGR/ANNEX%202_5%20Code%20of%20Conduct_2011_06_17.pdf))).

### ENVIRONMENTAL MATTERS

The Company is committed to conducting its operations in an environmentally sound and sustainable manner. To achieve protection of the health and safety of employees, customers and the public, the Company has established procedures and compliance programs to ensure the minimum adverse impact on the environment. Such procedures and programs are periodically being reviewed and appraised.

### SOCIAL AND EMPLOYEE MATTERS

The Company recruits, employs and promotes employees on the sole basis of their qualifications and abilities (including reputation and reliability). The Company endeavors to enable each individual to develop his or her talents in various ways (including, when appropriate, through training programs).

The Company considers safe and healthy working conditions for its employees to be fundamental.

The Company believes that good communication with employees is essential.

### RESPECT FOR HUMAN RIGHTS

People are the key to success of any business, and this is not different with respect to the Company. The Company recognizes that Corporate Social Responsibility is an integral part of its business practice and strategy. The Company is therefore committed to running its business to ethical, legal and professional standards. We respect human rights as an absolute and universal standard. In countries where the Company operates, human rights of our employees are supported as appropriate in accordance with what reasonably can be expected from a similar commercial organization.

Furthermore, the Company refrains from discrimination on any basis. As a result of the above, respect for people forms a cornerstone of our Company Values.

#### ANTI-CORRUPTION AND BRIBERY MATTERS

In dealing with customers and suppliers, which may include governmental bodies, the Company expects its managers and employees neither to give nor to receive bribes or anything of value in order to retain or bestow business or financial advantages. The employees of the Company are directed that any demand for or offer of such bribe or anything of value must be immediately rejected.

Accepting business entertainment and providing reasonable business entertainment in the course of the Company's business is acceptable.

The Company does not participate in party politics or makes payments to political parties or to the funds of groups whose activities are directed at promoting a party's political interests.

When dealing with governments or governmental agencies the Company is encouraged to promote and defend its legitimate commercial objectives. The Company may do so directly or through bodies such as trade associations.

The Company is encouraged to respond to requests from governments and other agencies for legitimate and relevant information, observations or opinions on issues relevant to its business and to participate in the development of proposed legislation or regulations in areas which may have an effect on its legitimate interests.

3

# Financial Statements



### STATEMENT OF THE BOARD OF DIRECTORS ON COMPLIANCE OF THE ANNUAL FINANCIAL STATEMENTS

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With this statement the Board of Directors of Ovostar Union PCL confirms that, according to their knowledge, the financial statements of the Group and its subsidiaries for the year ended 31 December 2018 have been prepared in compliance 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 2018 truly and fairly reflects the position of the Group and its subsidiaries as of 31 December 2018 and includes a description of the key events and results and the key risks faced by the Group and its subsidiaries during the year 2018.

### STATEMENT OF THE BOARD OF DIRECTORS ON THE APPOINTMENT OF AN INDEPENDENT AUDITOR TO CONDUCT AUDIT OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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With this statement the Board of Directors of Ovostar Union PCL confirms that Baker Tilly Klitou and Partners Ltd, acting as the independent auditor of the Group's consolidated financial statements for the year ended 31 December 2018, was appointed in accordance with the legal requirements and that the auditing company and the persons 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

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The Board of Directors assessed the effectiveness of the internal control system at the end of 2018. 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.

15 April 2019

Limassol, Cyprus

[signed]

**Borys Bielikov**

Chief Executive Officer,  
Executive Director

[signed]

**Vitalii Veresenko**

Chairman of the Board,  
Non-executive Director

[signed]

**Marc Van Campen**

Head of Audit Committee,

[signed]

**Sergii Karpenko**

Non-executive Director

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2018  
(in USD thousand, unless otherwise stated)

	Note	2018	2017
Revenue	8	124 967	98 688
Changes in fair value of biological assets	17	(3 220)	164
Cost of sales	9	(91 048)	(68 081)
<b>Gross profit</b>		<b>30 699</b>	<b>30 771</b>
Other operating income	12	512	771
Selling and distribution costs	10	(8 855)	(6 099)
Administrative expenses	11	(2 113)	(1 496)
Other operating expenses	13	(1 118)	(255)
<b>Operating profit</b>		<b>19 125</b>	<b>23 692</b>
Finance costs	14	(2 034)	(1 455)
Finance income	15	484	340
<b>Profit before tax</b>		<b>17 575</b>	<b>22 577</b>
Income tax expense	16	(116)	341
<b>Profit for the period</b>		<b>17 459</b>	<b>22 918</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss:</b>			
Exchange differences on translation to presentation currency		2 437	(4 406)
<b>Other comprehensive income for the period, net of tax</b>		<b>2 437</b>	<b>(4 406)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>19 896</b>	<b>18 512</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the parent company		17 441	22 457
Non-controlling interests		18	461
<b>Total profit for the period</b>		<b>17 459</b>	<b>22 918</b>
<b>Other comprehensive income attributable to:</b>			
Equity holders of the parent company		2 412	(4 269)
Non-controlling interests		25	(137)
<b>Total other comprehensive income</b>		<b>2 437</b>	<b>(4 406)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company		19 853	18 188
Non-controlling interests		43	324
<b>Total comprehensive income</b>		<b>19 896</b>	<b>18 512</b>
<b>Earnings per share:</b>			
Weighted average number of shares		6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)		2.91	3.74

Notes on pages 44-98 form an integral part of these company's financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018  
(in USD thousand, unless otherwise stated)

	Note	31 December 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Biological assets	17	37 399	33 121
Property, plant and equipment and intangible assets	18	44 155	33 217
Deferred tax assets	16	152	151
Other non-current assets	19	66	934
<b>Total non-current assets</b>		<b>81 772</b>	<b>67 423</b>
<b>Current assets</b>			
Inventories	20	15 375	9 723
Biological assets	17	16 390	13 298
Trade and other receivables	21	16 434	24 720
Prepayments to suppliers	22	1 228	803
Prepayments for income tax	23	28	98
Cash and cash equivalents	24	14 346	14 958
<b>Total current assets</b>		<b>63 801</b>	<b>63 600</b>
<b>Total assets</b>		<b>145 573</b>	<b>131 023</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	25	68	72
Share premium		30 933	30 933
Foreign currency translation reserve		(131 732)	(132 271)
Retained earnings		209 284	182 890
Result for the period		17 441	22 457
<b>Equity attributable to equity holders of the parent</b>		<b>125 994</b>	<b>104 081</b>
Non-controlling interests	7	818	2 835
<b>Total equity</b>		<b>126 812</b>	<b>106 916</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and other financial liabilities	26	5 206	9 302
Deferred tax liability	16	529	513
<b>Total non-current liabilities</b>		<b>5 735</b>	<b>9 815</b>
<b>Current liabilities</b>			
Trade and other payables	27	8 198	9 342
Advances received	28	703	634
Interest-bearing loans and other financial liabilities	26	4 125	4 316
<b>Total current liabilities</b>		<b>13 026</b>	<b>14 292</b>
<b>Total liabilities</b>		<b>18 761</b>	<b>24 107</b>
<b>Total equity and liabilities</b>		<b>145 573</b>	<b>131 023</b>

Notes on pages 44-98 form an integral part of these company's financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2018

(in USD thousand, unless otherwise stated)

	Attributable to equity holders of the parent company					Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period			
<b>As at 31 December 2016</b>	<b>63</b>	<b>30 933</b>	<b>(127 993)</b>	<b>160 737</b>	<b>22 153</b>	<b>85 893</b>	<b>2 511</b>	<b>88 404</b>
Profit for the period	-	-	-	-	22 457	22 457	461	22 918
Other comprehensive income	-	-	(4 269)	-	-	(4 269)	(137)	(4 406)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(4 269)</b>	<b>-</b>	<b>22 457</b>	<b>18 188</b>	<b>324</b>	<b>18 512</b>
Allocation of prior period result	-	-	-	22 153	(22 153)	-	-	-
Exchange differences	9	-	(9)	-	-	-	-	-
<b>As at 31 December 2017</b>	<b>72</b>	<b>30 933</b>	<b>(132 271)</b>	<b>182 890</b>	<b>22 457</b>	<b>104 081</b>	<b>2 835</b>	<b>106 916</b>
Profit for the period	-	-	-	-	17 441	17 441	18	17 459
Other comprehensive income	-	-	2 412	-	-	2 412	25	2 437
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2 412</b>	<b>-</b>	<b>17 441</b>	<b>19 853</b>	<b>43</b>	<b>19 896</b>
Allocation of prior period result	-	-	-	22 457	(22 457)	-	-	-
Change in the structure of the Group (see note 7a)	-	-	(1 877)	3 937	-	2 060	(2 060)	-
Exchange differences	(4)	-	4	-	-	-	-	-
<b>As at 31 December 2018</b>	<b>68</b>	<b>30 933</b>	<b>(131 732)</b>	<b>209 284</b>	<b>17 441</b>	<b>125 994</b>	<b>818</b>	<b>126 812</b>

Notes on pages 44-98 form an integral part of these company's financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 31 December 2018  
(in USD thousand, unless otherwise stated)

	Note	2018	2017
<b>Operating activities</b>			
Profit before tax		17 575	22 577
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>			
Depreciation of property, plant and equipment and amortisation of intangible assets	9, 10, 11	2 822	2 834
Net change in fair value of biological assets	17	3 220	(164)
Disposal of property, plant and equipment		89	2
Disposal of biological assets		1 461	1 461
Decrease in other non-current assets		867	-
Finance income		(484)	(340)
Finance costs		2 034	1 455
Recovery of assets previously written-off	12	(141)	(60)
Impairment of property, plant and equipment		421	-
Expected credit loss on doubtful accounts receivable and prepayments to suppliers	13	148	39
VAT written off	13	-	40
<b>Working capital adjustments:</b>			
Decrease/(Increase) in trade and other receivables	21	13 797	(12 356)
Increase in prepayments to suppliers	22	(542)	(98)
Increase in inventories	20	(4 496)	(901)
(Increase)/Decrease in trade and other payables and advances received	27,28	(13 592)	4 586
		<b>23 179</b>	<b>19 075</b>
Income tax paid		-	(115)
<b>Net cash flows from operating activities</b>		<b>23 179</b>	<b>18 960</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(13 832)	(1 587)
Increase in biological assets	17	(11 553)	(10 223)
Effect of acquiring new companies		5 775	-
Loans issued to third parties		(43)	-
<b>Net cash flows used in investing activities</b>		<b>(19 653)</b>	<b>(11 810)</b>
<b>Financing activities</b>			
Repayment of borrowings		(4 131)	(4 200)
Interest received		364	340
Interest paid		(274)	(405)
<b>Net cash flows used in financing activities</b>		<b>(4 041)</b>	<b>(4 265)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(515)</b>	<b>2 885</b>
Effect from translation into presentation currency		(97)	(105)
<b>Cash and cash equivalents at 1 January</b>		<b>14 958</b>	<b>12 178</b>
<b>Cash and cash equivalents at 31 December</b>		<b>14 346</b>	<b>14 958</b>

For translating results and financial position into a presentation currency, the Group applies IAS 21 "The Effects of Changes in Foreign Exchange Rates". Procedures and rules applied by the Group are specified in Note 2.3.

Notes on pages 44-98 form an integral part of these company's financial statements

## 1. CORPORATE INFORMATION

Ovostar Union Public Company Limited (referred to herein as the “Company”) is a limited liability company incorporated on 22 March 2011 in Amsterdam under the laws of the Netherlands. Following resolution of the Extraordinary Meeting of Shareholders held in Amsterdam on 30 August 2018 the Company was redomiciled to Cyprus and on 29 November 2018 was registered with the Register of Companies of the Republic of Cyprus as a company continuing in the Republic of Cyprus. As of 31 December 2018 the Company’s registered address is 22 Ierotheou Street, Strovolos, Nicosia 2028, Cyprus.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of related products. The largest shareholder of the Company is Prime One Capital Ltd., Cyprus whose principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine, Latvia, United Arab Emirates and British Virgin Islands (the list of the subsidiaries is disclosed in Note 7) and has a concentration of its business in Ukraine, where its production facilities are located. Subsidiary companies are registered under the laws of Ukraine, British Virgin Islands, Latvia and United Arab Emirates. The registered address and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, Kyiv, Ukraine.

Information on other related party relationships of the Group is provided in Note 29.

Total number of employees were presented as follows:

	31 December 2018	31 December 2017
Production personnel	1 460	1317
Administrative personnel	202	162
Other personnel	19	21
<b>Total</b>	<b>1 681</b>	<b>1 500</b>

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 2018 were authorized by the Board of Directors on 15 April 2019.

## 2. BASIS OF PREPARATION

### 2.1. STATEMENT OF COMPLIANCE AND BASIS OF MEASUREMENT

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.

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<u>Items</u>	<u>Measurement bases</u>
<i>Biological assets</i>	<i>Fair value less costs to sell</i>

Details of the Group accounting policies are included in Note 5.

### 2.2. GOING CONCERN BASIS

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

### 2.3. 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 subsidiaries have Ukrainian Hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousands, except when otherwise is indicated.

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.

The Group translates its results and financial position into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognized in other comprehensive income.

During 2018 and 2017, the exchange rate had significant fluctuations. Consistent with IAS 21, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. Considering significant depreciation of Ukrainian currency against major foreign currencies and seasonality of sales, Management of the Group decided to translate income and expense items at average quarterly rates. On consolidation, the assets and liabilities of the subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average quarterly rates, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in "Other comprehensive income" and accumulated in the "Foreign currency translation reserve".

Relevant exchange rates are presented as follows:

	Closing rate, 31 Dec 2018	Closing rate, 31 Dec 2017
USD/UAH	27.6883	28.0672
EUR/UAH	31.7141	33.4954
USD/PLN	3.7581	3.4889
EUR/USD	1.1446	1.1980

	Average rate for Q1 2018	Average rate for Q2 2018	Average rate for Q3 2018	Average rate for Q4 2018
USD/UAH	27.3203	26.1788	27.3490	27.9502
EUR/UAH	33.5633	31.2706	31.8131	31.9137
USD/PLN	3.4039	3.5771	3.7056	3.7708
EUR/USD	1.2292	1.1925	1.1627	1.1413

	Average rate for Q1 2017	Average rate for Q2 2017	Average rate for Q3 2017	Average rate for Q4 2017
USD/UAH	27.0598	26.4627	25.9022	26.6550
EUR/UAH	28.8073	29.0640	30.3777	31.3835
USD/PLN	4.0607	3.8395	3.6259	3.6326
EUR/USD	1.0657	1.0999	1.1753	1.1754

### 3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### 4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated 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 the following.

##### 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.

If there is an indication that an asset may be impaired, the Group uses 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, assess 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 egg processing, 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 are based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume, production of egg products) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs, egg products and poultry meat are based on forecasts of the Group's management and market expectations.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of eggs and eggs product, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Group 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;
- egg sale price in future periods;
- long-term inflation rate of Ukrainian UAH in future periods;
- discount rate for determining the present value of future cash flows expected from the biological assets (Note 17).

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, eggs product 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 consolidated 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.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Notes 17, 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

#### 4.3 EXPECTED CREDIT LOSSES

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### 4.4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

#### 4.5 DEFERRED TAX ASSETS

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

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Accounting policy applicable after 1 January 2018

##### Financial instruments: key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows:

- Level one: Measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level two: Valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- Level three: Valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by

regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

#### **Financial instruments: initial recognition**

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight-line basis over the term of the currency swaps, loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Accounting policy applicable before 1 January 2018

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

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**

Accounting policy applicable after 1 January 2018

**Financial assets: Classification and subsequent measurement: measurement categories**

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- the Group's business model for managing the related assets portfolio and
- the cash flow characteristics of the asset.

As at 31 December 2018 and 31 December 2017 the Group did not hold financial assets at FVOCI.

**Financial assets: Classification and subsequent measurement: business model**

The business model reflects how the Group manages the assets in order to generate cash flows - whether the Group's objective is:

- solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or
- to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

### **Financial assets: Classification and subsequent measurement: cash flow characteristics**

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Group holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the expected credit loss measurement are provided in Note 31.

### **Financial assets: Reclassification**

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

### **Financial assets: Credit loss allowance for ECL**

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognizes Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

### **Financial assets: Write-off**

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganization;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### **Financial assets: Derecognition**

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

#### **Financial assets: Modification**

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognizes a modification gain or loss in 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### 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 using the effective interest rate method, except for financial assets at fair value through profit or loss.

*Financial assets at fair value through profit or loss* - a financial asset is classified as at fair value through profit or loss if it is 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 consolidated 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 and deposits with an original maturity date of three months or less and are stated at fair value.

#### **5.5 CASH DEPOSITS**

Cash deposits in the statement of financial position are held for the investment activities. For the purpose of the consolidated statement of cash flows, short-term deposits are included in the investing activities.

#### **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

#### Accounting policy applicable after 1 January 2018

#### Financial liabilities - measurement categories

Financial liabilities are classified as subsequently measured at amortized cost, except for (i) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. As of 31 December 2018 and 31 December 2017 the Group did not have financial guarantee contracts and loan commitments or financial liabilities at fair value through profit or loss.

#### Financial liabilities - derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Accounting policy applicable before 1 January 2018

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition as loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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

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

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

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

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

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

**5.8.5 Trade and other accounts payable**

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

**5.8.6 Loans and borrowings**

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement

over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance sheet preparation.

#### **5.8.7 Writing-off of financial liabilities**

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

### **5.9 FOREIGN CURRENCY TRANSACTIONS**

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

### **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 raw materials, package and packing materials, agricultural produce and finished goods. Inventories are valued 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 weighted average method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in OCI, in respect to the purchases of raw materials.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the 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 bringing an asset to the location and condition, which allow its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal in the asset of property, plant and equipment and restoring the occupied territory; this obligation is assumed by the Group 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 pre-payments 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.

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

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, 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 item 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 the end of each reporting period the Group identifies signs of possible impairment of assets. If any such indication exists, the Group reviews the carrying amount of its items 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 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 amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, 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 recognized in the income statement when the asset is derecognized.

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 directly attributable to the acquisition, construction or production of an asset that

necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **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 capitalized 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 recognized 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 recognized over the lease term on the same base as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### **5.19 CONTINGENT ASSETS AND LIABILITIES**

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

Contingent assets are not recognized in the consolidated 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 recognized 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 obligation amount.

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

### Accounting policy applicable after 01 January 2018

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognized net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

Group's contracts with customers are fixed-price contracts and generally include both advance payment and deferred payment for the same contracts. Generally, the sales are made with a credit term of 30-60 days, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognized when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due (Note 21). Contract assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

### **The five-step model framework**

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

### **Step 1: Identify the contract with the customer**

A contract with a customer are exist when:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

If a contract with a customer does not yet meet all of the above criteria, the Group continues as to re-assess the contract going forward to determine whether it subsequently meets the above criteria.

### **Step 2: Identify the performance obligations in the contract**

At the inception of the contract, the Group assesses the goods or services that have been promised to the customer, and identifies as a performance obligation:

- a good or service (or bundle of goods or services) that is distinct;
- or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

### **Step 3: Determine the transaction price**

The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services. When making this determination, the Group considers past customary business practices.

### **Step 4: Allocate the transaction price to the performance obligations in the contracts**

Where a contract has multiple performance obligations, the Group will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the Group will need to estimate it using an adjusted market assessment approach or the expected cost plus a margin approach.

### **Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation**

Revenue is recognized as control is passed, either over time or at a point in time.

Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. These include:

- using the asset to produce goods or provide services;
- using the asset to enhance the value of other assets;
- using the asset to settle liabilities or to reduce expenses;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly.

#### Accounting policy applicable before 01 January 2018

### **Sales of goods**

Sales are recognized when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been



transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability included in trade and other payable is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

### **Sale of transportation services**

The Group provides transportation services to the customer after control over goods has been transferred, revenue from such services is considered to be a separate performance obligation and is recognized over the time of the service rendering because the customer receives and uses the benefits simultaneously.

The Group provides services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on proportion the actual distance relative to the total expected distance.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset arise. If the payments exceed the services rendered, a contract liability is recognized.

### **Financing components**

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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.

In 2018, Ukrainian corporate income tax was levied at a rate of 18% (2017: 18%).

**Fixed agricultural tax:** The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 16).

## 5.23 VALUE ADDED TAX

For the year ended 31 December 2018 and 2017, 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 2018 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 the 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.

#### *Government grants related to VAT*

Upon introduction of a new agricultural support system in early 2017, Ukraine canceled specific VAT subsidies.

Early in 2016, under this program, the Group's companies are subject to special tax treatment for VAT (Note 12.b). The Group's enterprises, which qualify as agricultural producers, are entitled to retain the net VAT payable. VAT amounts payable are not transferred to the State, but credited to the entity's separate special account to support the agriculture activities of the Group. Net result on VAT operations, calculated as excess of VAT liability over VAT credit is charged to profit or loss. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities of the next period.

In 2017, the State Budget for agricultural support envisages that support automatically distributed among agricultural producers proportionally based on sales of agricultural products by those producers on a monthly basis. The budget subsidy for a sector is calculated on a monthly basis and is proportional to overall VAT paid. According to the Law of Ukraine On Agricultural Support, all agricultural producers that apply for the subsidy must be included in the State Registry of Budget Subsidy Recipients. An agricultural producer is defined as a farm or a company that derived 75% of its sales over the last 12 reporting periods (months) from sales of agricultural products. From 2017 onwards, budget subsidies will be provided until 1 January 2022. The agricultural producers will be engaged in the production of farm animals, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and will be distributed on a monthly basis (Note 12.a).

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

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

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

#### **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 the 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 RECLASSIFICATION

Certain comparative information presented in the consolidated financial statements for the year ended 31 December 2018 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2018. Such reclassifications and revisions were not significant to the Group's consolidated financial statements.

## 6. NEW AND AMENDED STANDARDS

### (a) New and amended standards and interpretations adopted

The following amended standards that are relevant to the Group became effective from 1 January 2018.

The significant accounting policies applied in the current period are described in Note 5. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 5.

The Group adopted IFRS 9 "Financial Instruments" from 1 January 2018. In accordance with the transitional provisions in IFRS 9, the Group elected not to restate comparative figures.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

**IFRIC 23 “Uncertainty over income tax treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)**

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The new interpretation is not expected to affect significantly the Group's consolidated financial statements.

**IFRS 16 Leases**

IFRS 16, published in January 2016, establishes a revised framework for determining whether a lease is recognised on the (Consolidated) Statement of Financial Position. It replaces existing guidance on leases, including IAS 17. The Group expects to implement IFRS 16 per 1 January 2019. In 2016, the Group has started to collect rental and lease contracts from the key operating companies. The Group is currently in the process of determining to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The Group does not believe that the new requirements will have a material impact on its financial statement.

## 7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

As at 31 December 2018 and 2017 the Group included the following subsidiaries:

Name of the company	Business activities	31 Dec 2018	31 Dec 2017
"Ovostar Union" Public Company Limited Limited Liability Company "Ovostar"	Strategic management of subsidiary companies in Ukraine and abroad (Cyprus)	100.0%	100.0%
Limited Liability Company "Yasensvit" (a)	Egg-products production and distribution (Ukraine) 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 (Ukraine)	100.0%	100.0%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding (Ukraine)	100.0%	98.0%
Public Joint Stock Company "Malynove"	Production of shell eggs, assets holding (Ukraine)	92.0%	92.0%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading – non operational activity (Ukraine)	94.0%	94.0%
Limited Liability Company "Skybynsky Fodder Plant"	Non-operational activity (Ukraine)	76.0%	76.0%
"SIA" Ovostar Europe" (b)	Trade company (Latvia)	98.6%	98.6%
SIA "Gallusman" (b)	Production of shell eggs (Latvia)	89.0%	-
SIA "EPEX" (b)	Egg-products production (Latvia)	89.0%	-
International Food Trade Limited	Trade company (British Virgin Islands)	89.0%	-
OAE Food Trade FZE (c)	Trade company (United Arab Emirates)	100.0%	100.0%
Limited Liability Company "BVV EQUIPMENT" (d)	Non-operational activity (Ukraine)	100.0%	-
Limited Liability Company "BV TRADING"(d)	Non-operational activity (Ukraine)	100.0%	-

### (a) Limited Liability Company "Yasensvit"

In May 2018, the Group increased the percentage of its ownership in Limited Liability Company "Yasensvit" from 98% to 100% by contributing USD 312 thousands in cash to the capital of the company.

### (b) New companies in Latvia

On 6 March 2018, the Group acquired 89% interest in the voting shares of "SIA" OE Product" and SIA "Gallusman" , an unlisted company based in Latvia, located at: Tinuzu road 17, Ikšķile. Ikšķile area and Tinuzu road 17, Ikšķile, LV-5052, Latvia.

Cash consideration of USD 61 888 (EUR 50 000) "SIA" OE Product" and of USD 3 457 (EUR 3 000) SIA "Gallusman" was paid to the non-controlling shareholders. The Group acquired the above mentioned companies because it significantly enlarges the range of products in eggs segment that can be offered to its clients.

The Group has elected to measure the non-controlling interests in the acquire at fair value.

After obtaining the permission to export table eggs to the EU, the Group has significantly increased its export sales to the EU countries by the end of 2017. Having estimated potential and prospects of the further expansion to the European market, in 2018 the Group decided to open a company in Latvia. In April 2018, Group together with Arnis Veinbergs successfully registered the company in Latvia, SIA "EPEX". Share capital was USD 4 thousands (EUR 3 thousands). The Group owns 89% shares in SIA "EPEX".

The fair values of the identifiable assets and liabilities of "SIA" OE Product" as at the date of acquisition were:

	Note	SIA "Gallusman" (unaudited)	"SIA" OE Product" (unaudited)
<b>Assets</b>			
Property, plant and equipment		-	11
Inventories		6	656
Prepayments		2	-
Trade receivables		10	5 449
Cash and cash equivalents		2	5 773
<b>Total assets</b>		<b>20</b>	<b>11 889</b>
<b>Liabilities</b>			
Loans		(18)	-
Trade and other payables		-	(11 876)
<b>Total liabilities</b>		<b>(18)</b>	<b>(11 876)</b>
<b>Total identifiable net assets at fair value</b>		<b>2</b>	<b>13</b>
Non-controlling interest measured at fair value		-	(1)
Goodwill arising on acquisition		1	50
<b>Purchase consideration transferred</b>		<b>3</b>	<b>62</b>
Consideration to be paid		(3)	(62)
Cash acquired		2	5 773
<b>Purchase consideration transferred</b>		<b>(1)</b>	<b>5 711</b>

**(c) New companies in UAE**

The group exports a large number of eggs and Egg-products to the United Arab Emirates. Having estimated potential and prospects of the further expansion to the UAE market, in 2018 the Group decided to open a company in Dubai. Share capital was USD 28 thousands. The Group owns 100% shares in OAE Food Trade FZE.

**(d) The acquisition of a group of assets**

On July 04, 2018 the Group bought of a group of assets LLC "BVV EQUIPMENT" and LLC "BV TRADING" (Ukraine) that does not constitute a business. The purchases price amounted to USD 2 124 thousand (EUR 1 822 thousand) and 1 257 thousand (EUR 1 078 thousand).

As a result of business combination goodwill was recognized in the amount of USD 51 thousand. Loss on impairment of goodwill amounting to USD 51 thousand was recognized in the income statement as at the date of acquisition.

The fair value of the trade receivables amounts to USD 5 413 thousand. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of USD 51 thousand and is allocated entirely to the eggs segment. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of the non-controlling interest in "SIA" OE Product", an unlisted company, has been estimated by applying proportional to the interest in net assets.

From the date of acquisition, "SIA" OE Product" contributed USD 1 286 thousands of revenue. SIA" Gallusman " did not receive any revenue. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been USD 5 341 thousands.

When buying SIA "Gallusman", the group received long-term loan liabilities to USD 18 thousands.



The following tables summarize the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group elimination:

31 December 2018	PJSC "Poultry Farm Ukraine"	PJSC "Malyno ve"	PJSC "Krushy nshyy Poultry Com- plex"	"SIA" OE Prod- uct"	SIA "Gallus man"	SIA "EPEX"	Intra- group elimini- ations	Total
<b>NCI percentage</b>	<b>8.0%</b>	<b>6.0%</b>	<b>24.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>		
Non-current assets	862	14 059	-	9	218	-		
Current assets	4 058	2 909	546	4 282	176	4		
Non-current liabilities	-	(247)	(3)	-	-	-		
Current liabilities	(254)	(9 648)	10	(5 308)	(402)	-		
<b>Net assets</b>	<b>4 666</b>	<b>7 073</b>	<b>553</b>	<b>(1 017)</b>	<b>(8)</b>	<b>4</b>		
Carrying amount of NCI	373	424	133	(112)	(1)	-	-	818
Revenue	4 339	1 789	-	15 744	1	1		
Profit (loss)	(1 521)	4 691	(5)	(1 109)	(12)	-		
OCI	194	74	23	(5)	-	-		
<b>Total comprehensive in- come</b>	<b>(1 327)</b>	<b>4 765</b>	<b>18</b>	<b>(1 269)</b>	<b>(12)</b>	<b>-</b>		
Profit allocated to NCI	(122)	281	(1)	(139)	(1)	-		18
OCI allocated to NCI	16	4	6	(1)	-	-		25
Cash flows from operating activities	1	(905)	-	-	-	-		
Cash flows from invest- ment activities	-	3	-	-	-	-		
Cash flows from financing activities (dividend to NCI: nil)	(1)	-	-	-	18	-		
Net (decrease)/ increase in cash and cash equiva- lents	-	(902)	-	-	18	-		

Information relating to each of the Group's subsidiaries that has material NCI, before any intra-group elimination (continued):

<u>31 December 2017</u>	LLC "Yasensvit"	PJSC "Poultry Farm Ukraine"	PJSC "Malynove"	PJSC "Krushyns kyy Poultry Complex"	Intra-group eliminations	Total
<b>NCI percentage</b>	<b>2.0%</b>	<b>8.0%</b>	<b>6.0%</b>	<b>24.0%</b>		
Non-current assets	36 786	3 249	6 828	-		
Current assets	76 561	2 800	1 086	547		
Non-current liabilities	-	-	(41)	(3)		
Current liabilities	(7 680)	(363)	(5 569)	(9)		
<b>Net assets</b>	<b>105 667</b>	<b>5 686</b>	<b>2 304</b>	<b>535</b>		
Carrying amount of NCI	2 114	455	138	128	-	2 835
Revenue	82 327	4 681	1 102	-		
Profit (loss)	20 291	691	13	(5)		
OCI	(3 128)	(844)	(49)	(14)		
<b>Total comprehensive income</b>	<b>17 163</b>	<b>(153)</b>	<b>(36)</b>	<b>(19)</b>		
Profit allocated to NCI	406	55	1	(1)		461
OCI allocated to NCI	(63)	(68)	(3)	(3)		(137)
Cash flows from operating activities	3 307	(8)	-	-		
Cash flows from investment activities	(10 226)	-	-	-		
Cash flows from financing activities (dividend to NCI: nil)	310	(1)	-	-		
Net (decrease)/ increase in cash and cash equivalents	(6 609)	(9)	-	-		

## 8. SEGMENT INFORMATION

All of the Group's operations are located within Ukraine.

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

Egg operations segment	<ul style="list-style-type: none"> <li>• sales of eggs</li> <li>• sales of chicken meat</li> </ul>
Egg products operations segment	<ul style="list-style-type: none"> <li>• sales of egg processing products</li> </ul>
Oilseed operations segment	<ul style="list-style-type: none"> <li>• sales of sunflower oil, rapeseed oil and related products</li> </ul>

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. Operating profit before tax represents segment result. 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 2018 and 2017:

2018	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue	154 889	46 320	1 059	202 268
Inter-segment revenue	(63 903)	(12 339)	(1 059)	(77 301)
<b>Revenue from external buyers</b>	<b>90 986</b>	<b>33 981</b>	-	<b>124 967</b>
<b>Profit before tax</b>	<b>14 908</b>	<b>2 667</b>	-	<b>17 575</b>

2017	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue	123 957	33 237	2 438	159 632
Inter-segment revenue	(56 188)	(3 089)	(1 667)	(60 944)
<b>Revenue from external buyers</b>	<b>67 769</b>	<b>30 148</b>	<b>771</b>	<b>98 688</b>
<b>Profit before tax</b>	<b>14 947</b>	<b>7 630</b>	-	<b>22 577</b>

In 2018 and 2017 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 31 December 2018 and 2017 were presented as follows:

31 December 2018	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
<b>Total segment assets</b>	<b>128 213</b>	<b>16 794</b>	<b>566</b>	<b>145 573</b>
<b>Total segment liabilities</b>	<b>17 665</b>	<b>1 096</b>	<b>-</b>	<b>18 761</b>
Addition to property, plant and equipment and intangible assets	9 625	4 214	-	13 839
Net change in fair value of biological assets and agricultural produce	(3 220)	-	-	(3 220)
Depreciation and amortization	(2 563)	(251)	(8)	(2 822)
Interest income	460	24	-	484
Interest on debts and borrowings	(711)	-	-	(711)
Income tax expense	(51)	(65)	-	(116)
<b>Total segment assets</b>	<b>106 918</b>	<b>23 692</b>	<b>413</b>	<b>131 023</b>
<b>Total segment liabilities</b>	<b>22 803</b>	<b>1 283</b>	<b>21</b>	<b>24 107</b>
Addition to property, plant and equipment and intangible assets	942	645	-	1 587
Net change in fair value of biological assets and agricultural produce	164	-	-	164
Depreciation and amortization	(2 636)	(190)	(8)	(2 834)
Interest income	316	24	-	340
Interest on debts and borrowings	(942)	-	-	(942)
Income tax expense	252	89	-	341

The following table presents information about revenue from external buyers divided by geographic location for the year ended 31 December 2018 and 2017:

2018 (audited)	Operations segment			Total
	Egg	Egg products	Oilseed	
<b>Type of goods or service</b>				
Goods	90 946	33 741	-	124 687
Services	40	240	-	280
			-	
<b>Total revenue from contracts with customers</b>	<b>90 986</b>	<b>33 981</b>	<b>-</b>	<b>124 967</b>
<b>Geographical markets</b>				
Ukraine	52 760	16 469	-	69 229
Middle East	29 679	2 422	-	32 101
European Union	6 551	13 886	-	20 437
CIS	-	47	-	47
Africa	1 424	814	-	2 238
Other	572	343	-	915
<b>Total revenue from contracts with customers</b>	<b>90 986</b>	<b>33 981</b>	<b>-</b>	<b>124 967</b>
2017 (unaudited)	Operations segment			Total
	Egg	Egg products	Oilseed	
<b>Type of goods or service</b>				
Goods	67 747	30 148	771	98 666
Services	22	-	-	22
<b>Total revenue from contracts with customers</b>	<b>67 769</b>	<b>30 148</b>	<b>771</b>	<b>98 688</b>
<b>Geographical markets</b>				
Ukraine	36 494	13 763	771	51 028
Middle East	26 372	3 198	-	29 570
European Union	2 913	11 992	-	14 905
CIS	139	60	-	199
Africa	1 564	916	-	2 480
Other	287	219	-	506
<b>Total revenue from contracts with customers</b>	<b>67 769</b>	<b>30 148</b>	<b>771</b>	<b>98 688</b>

Revenue for the year ended 31 December 2018 from two biggest customers amounted to USD 11 049 thousand and USD 9 991 thousand (2017: USD 15 325 thousand and USD 13 364 thousand, respectively), arising from sales in the egg operations segment.

## 9. COST OF SALES

	2018	2017
Costs of inventories recognized as an expense	(54 100)	(47 522)
Packaging costs	(6 794)	(5 504)
Cost of goods purchased for resale	(19 019)	(7 926)
Wages, salaries and social security costs	(6 300)	(4 124)
Amortization, depreciation and impairment	(2 670)	(2 676)
Other expenses	(2 165)	(329)
<b>Total</b>	<b>(91 048)</b>	<b>(68 081)</b>

## 10. SELLING AND DISTRIBUTION COSTS

	2018	2017
Transportation expenses	(6 896)	(4 996)
Wages, salaries and social security costs	(636)	(444)
Cost of materials	(616)	(394)
Marketing and advertising expenses	(213)	(113)
Amortization, depreciation and impairment	(21)	(12)
Other expenses	(473)	(140)
<b>Total</b>	<b>(8 855)</b>	<b>(6 099)</b>

In the reporting period transportation costs increase due to growth of export sales of eggs and egg products.

## 11. ADMINISTRATIVE EXPENSES

	2018	2017
Wages, salaries and social security costs	(831)	(468)
Legal, audit and other professional fees	(439)	(272)
Service charge expenses	(447)	(363)
Cost of materials	(169)	(146)
Amortization, depreciation and impairment	(131)	(146)
Other expenses	(96)	(101)
<b>Total</b>	<b>(2 113)</b>	<b>(1 496)</b>

## 12. OTHER OPERATING INCOME

	Note	2018	2017
<b>Income from refund under the special legislation:</b>			
Income from VAT subsidies	a)	-	294
<b>Total income from refund under the special legislation</b>		<b>-</b>	<b>294</b>
Gain on recovery of assets previously written off		141	60
Gain on disposal of property plant and equipment		86	-
Other income		285	417
<b>Total</b>		<b>512</b>	<b>771</b>

Notes on pages 44-98 form an integral part of these company's financial statements

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

**a) Income from VAT subsidies**

From 1 January 2017, in order to continue state support for agricultural companies, tax legislation introduces budget subsidies. From 2017 onwards, budget subsidies will be provided until 1 January 2022. The agricultural producers will be engaged in the production of farm animals, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and will be distributed on a monthly basis.

In accordance with the Tax Code, the VAT rate is currently effective at 20%.

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 "Skybyskyy Fodder Plant", Limited Liability Company "Ovostar Union", Public Joint Stock Company "Malynove".

Included in VAT refunds for the years ended 31 December 2018, 2017 were specific VAT subsidies for the production and sale of eggs and egg products for further processing.

**b) Income from special VAT treatment**

According to the Tax Code of Ukraine, companies that generated not less than 75% of gross revenues for the previous tax year from sales of own agricultural products are entitled to retain VAT on sales products, net of VAT paid on purchases, for use in agricultural production. Producers of eggs, poultry and other agriculture producers shall retain VAT in a portion of 50%. In accordance with the changes in the tax legislation of Ukraine, from 1 January 2017, special VAT treatment is canceled.

Reconciliation of VAT refunds for the year ended 31 December 2018, 2017 was presented as follows:

	2018	2017
<b>As at 01 January 2018</b>	-	-
Received during the year	-	294
Released to the statement of comprehensive income	-	(294)
<b>As at 31 December 2018</b>	-	-

**13. OTHER OPERATING INCOME**

	2018	2017
Impairment of doubtful accounts receivable and prepayments to suppliers	(148)	(39)
Impairment of property, plant and equipment	(421)	-
Impairment of goodwill	(84)	-
VAT written-off	-	(40)
Fines and penalties	(57)	(61)
Other expenses	(408)	(115)
<b>Total</b>	<b>(1 118)</b>	<b>(255)</b>

#### 14. FINANCE COST

	2018	2017
Interest on debts and borrowings	(711)	(941)
Interest on financial lease	-	(1)
Foreign currency exchange loss	(1 323)	(513)
<b>Total</b>	<b>(2 034)</b>	<b>(1 455)</b>

#### 15. FINANCE INCOME

	2018	2017
Interest income	484	340
<b>Total</b>	<b>484</b>	<b>340</b>

#### 16. INCOME TAX

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

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the year ended 31 December 2018 and 2017, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 18% rate. The deferred income tax assets and liabilities as of 31 December 2018 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 2018 and 2017 were:

	2018	2017
Current income tax	(106)	(24)
Deferred tax	(10)	365
Income tax (expense)/benefit reported in the income statement	(116)	341

Reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
<b>Accounting profit before income tax</b>	<b>17 575</b>	<b>22 577</b>
At Ukraine's statutory income tax rate of 18% (2017: 18%)	3 164	4 064
<b>Tax effect of:</b>		
Income generated by FAT payers (exempt from income tax)	(1 197)	(3 704)
Current year losses for which no deferred tax asset was recognised at a rate of 0% (1)	(323)	(172)
Effect of expenses that are not deductible in determining taxable profit	(1 534)	(538)
Effect of translation to presentation currency	6	9
<b>Income tax expense/(benefit)</b>	<b>116</b>	<b>(341)</b>

<sup>(1)</sup> Current year (income)/losses for which no deferred tax asset was recognized relate to Ovostar Union Public Company Limited, the Cyprus company and International Food Trade Limited. The income tax rate in the BVI is 0%, Cyprus is 12.5%, Latvia is 0%.



### Deferred tax

As at 31 December 2018 and 2017, deferred tax assets and liabilities comprised the following:

	31 December 2018	Recognized in statement of compre- hensive in- come	Effect of translation into presen- tation cur- rency	31 Decem- ber 2017
Prepayments to suppliers	19	11	-	8
Trade and other receivables	53	(85)	1	137
Inventories	82	72	1	9
Tax losses	224	-	4	220
Unrecognized deferred tax assets	(226)	1	(4)	(223)
<b>Netted off against deferred tax assets</b>	<b>152</b>	<b>(1)</b>	<b>2</b>	<b>151</b>
Property, plant and equipment and intangible assets	(517)	(18)	(7)	(492)
Advances received and other payables	(12)	9	-	(21)
<b>Netted off against deferred tax liabilities</b>	<b>(529)</b>	<b>(9)</b>	<b>(7)</b>	<b>(513)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(377)</b>	<b>(10)</b>	<b>(5)</b>	<b>(362)</b>

	31 De- cember 2017	Recognized in statement of compre- hensive in- come	Effect of translation into presen- tation cur- rency	31 Decem- ber 2016
Advances received and other payables	-	(10)	-	10
Prepayments to suppliers	8	-	-	8
Trade and other receivables	137	112	(6)	31
Inventories	9	8	-	1
Tax losses	220	-	(7)	227
Unrecognized deferred tax assets	(223)	1	7	(231)
<b>Netted off against deferred tax assets</b>	<b>151</b>	<b>111</b>	<b>(6)</b>	<b>46</b>
Property, plant and equipment and intangible assets	(492)	264	14	(770)
Advances received and other payables	(21)	(10)	1	(12)
<b>Netted off against deferred tax liabilities</b>	<b>(513)</b>	<b>254</b>	<b>15</b>	<b>(782)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(362)</b>	<b>365</b>	<b>9</b>	<b>(736)</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as at 31 December 2018 and 2017:

	31 December 2018	31 December 2017
Non-current assets	152	151
Long term liabilities	(529)	(513)
<b>Net deferred tax asset/(liability)</b>	<b>(377)</b>	<b>(362)</b>

## 17. BIOLOGICAL ASSETS

As at 31 December 2018 and 2017 commercial and replacement poultry were presented as follows:

	31 December 2018		31 December 2017	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
<b>Non-current biological assets</b>				
<i>Replacement poultry</i>				
Hy-line	3 650	37 399	3 632	33 121
<b>Total non-current biological assets</b>	<b>3 650</b>	<b>37 399</b>	<b>3 632</b>	<b>33 121</b>
<b>Current biological assets</b>				
<i>Commercial poultry</i>				
Hy-line	3 964	16 390	4 058	13 298
<b>Total current biological assets</b>	<b>3 964</b>	<b>16 390</b>	<b>4 058</b>	<b>13 298</b>
<b>Total biological assets</b>	<b>7 614</b>	<b>53 789</b>	<b>7 690</b>	<b>46 419</b>

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 will 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 2018 and 2017 was presented as follows:

	2018	2017
<b>As at 01 January 2018</b>	<b>46 419</b>	<b>39 179</b>
Increase in value as a result of assets acquisition	474	464
Increase in value as a result of capitalization of cost	11 079	9 759
Income/(Losses) from presentation of biological assets at fair value	(3 220)	164
Decrease in value as a result of assets disposal	(1 461)	(1 461)
Exchange differences	498	(1 686)
<b>As at 31 December 2018</b>	<b>53 789</b>	<b>46 419</b>

For the year ended 31 December 2018 the Group produced shell eggs in the quantity of 1 625 mln items (31 December 2017 1 659 mln).

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, using corresponding discount rate which is equal to 23.30% (31 December 2017: 21.79%). 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. Based on the current situation in Ukraine that provides a high degree of uncertainty in relation to many of the assumptions in the biological assets revaluation model, and guided by the prudence

concept, the Group used conservative approach for calculation of fair value of biological assets as at 31 December 2018.

Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations of biological assets (Based on the current situation in Ukraine):

	2018	2017
Eggs sale price, USD per item (UAH per item)	0.072 (1.98)	0.063 (1.675)
Discount rate, %	23.30%	21.79%
Long-term inflation rate of Ukrainian Hrivnya, %	109.80%	112.00%
Maximum poultry life time, days	770	770

Changes in key assumptions that were used in fair value estimation of biological assets had the following influence on the value of biological assets as at 31 December 2018 and 2017:

	2018	2017
1% decrease in egg sale price	(1 101)	(839)
1% increase in discount rate	(710)	(458)
1% increase in long-term inflation rate of Ukrainian Hrivnya	112	99

#### 18. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As at 31 December 2018 net book value of property plant and equipment which was used as collateral for bank loans is nil and property, plant and equipment via finance lease amounted nil thousand (2017: nil thousand and plant and equipment via finance lease nil thousand).

As at 31 December 2018 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 991 thousand (2017: USD 265 thousand).

As at 31 December 2018, included within property, plant and equipment were fully depreciated assets with the original cost of USD 2 960 thousand (2017: USD 2 527 thousand).

During the year that ended at 31 December 2018 the Group expenses for constructions of property plant and equipment amounted to USD 8 043 thousand (2017 USD 237 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, The Group impairment property, plant and equipment as of 31 December 2018 amounted to USD 421 thousand (2017nil).

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

	Build-ings	Plant and equip-ment	Vehi-cles	Furni-ture and fittings	Con-struction -in-progress and un-installed equip-ment	Intan-gible assets	Total
<i>Cost or valuation</i>							
<b>As at 31 December 2016</b>	<b>16 725</b>	<b>26 699</b>	<b>791</b>	<b>308</b>	<b>1 573</b>	<b>22</b>	<b>46 118</b>
Additions	249	67	78	225	965	3	1 587
Transfer	263	662	74	634	(1 633)	-	-
Disposals	(3)	(19)	(1)	(6)	(4)	-	(33)
Currency translation difference	(549)	(877)	(33)	(44)	(21)	(1)	(1 525)
<b>As at 31 December 2017</b>	<b>16 685</b>	<b>26 532</b>	<b>909</b>	<b>1 117</b>	<b>880</b>	<b>24</b>	<b>46 147</b>
Additions	2 415	2 373	140	43	8 850	18	13 839
Transfer	1 136	701	463	(637)	(1 663)	-	-
Impairment assessment	(421)	-	-	-	-	-	(421)
Disposals	(168)	(1 260)	(1)	(7)	(16)	-	(1 452)
Currency translation difference	212	365	(3)	14	4	-	592
<b>As at 31 December 2018</b>	<b>19 859</b>	<b>28 711</b>	<b>1 508</b>	<b>530</b>	<b>8 055</b>	<b>42</b>	<b>58 705</b>
<i>Depreciation and amortization</i>							
<b>As at 31 December 2016</b>	<b>(3 533)</b>	<b>(6 473)</b>	<b>(349)</b>	<b>(244)</b>	-	<b>(7)</b>	<b>(10 606)</b>
Depreciation and amortization charge	(775)	(1 868)	(96)	(93)	-	(2)	(2 834)
Disposals	3	21	1	6	-	-	31
Currency translation difference	150	301	16	11	-	1	479
<b>As at 31 December 2017</b>	<b>(4 155)</b>	<b>(8 019)</b>	<b>(428)</b>	<b>(320)</b>	-	<b>(8)</b>	<b>(12 930)</b>
Depreciation and amortization charge	(772)	(1 855)	(117)	(76)	-	(2)	(2 822)
Disposals	101	1 255	1	6	-	-	1 363
Currency translation difference	(44)	(111)	(4)	(2)	-	-	(161)
<b>As at 31 December 2018</b>	<b>(4 870)</b>	<b>(8 730)</b>	<b>(548)</b>	<b>(392)</b>	-	<b>(10)</b>	<b>(14 550)</b>
<i>Net book value</i>							
<b>As at 31 December 2018</b>	<b>14 989</b>	<b>19 981</b>	<b>960</b>	<b>138</b>	<b>8 055</b>	<b>32</b>	<b>44 155</b>
<b>As at 31 December 2017</b>	<b>12 530</b>	<b>18 513</b>	<b>481</b>	<b>797</b>	<b>880</b>	<b>16</b>	<b>33 217</b>
<b>As at 31 December 2016</b>	<b>13 192</b>	<b>20 226</b>	<b>442</b>	<b>64</b>	<b>1 573</b>	<b>15</b>	<b>35 512</b>

## 19. OTHER NON-CURRENT ASSETS

Other non-current assets include loans for apartments in amounts USD 66 thousand as at 31 December 2018 and nil as at 31 December 2017.

At 31 December 2017 other non-current assets include interest-free loans issued to third parties BV Trading LLC and BVV Equipment LLC in amounts of USD 552 thousand and USD 382 thousand correspondingly. The contractors provided production complex for the production of egg products as a pledge for those agreements with total pledge value of USD 960 thousand. Since January 2017 the Group concluded operating lease agreement for stated above property, plant and equipment with monthly payment USD 2 thousand and maturity date 31 December 2018.

On July 04, 2018 BV Trading LLC and BVV Equipment LLC were acquired and all calculations were eliminated at 31 December 2018.

## 20. INVENTORIES

	31 December 2018	31 December 2017
Raw materials	6 413	4 378
Agricultural produce and finished goods	5 454	3 338
Package and packing materials	1 380	1 072
Work in progress	198	182
Other inventories	2 036	858
(Less: impairment of agricultural produce and finished goods)	(106)	(105)
<b>Total</b>	<b>15 375</b>	<b>9 723</b>

## 21. TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
Trade receivables	12 232	22 076
VAT for reimbursement	4 028	2 820
Other accounts receivable	388	24
Credit loss allowance	(214)	-
Provision for doubtful accounts receivable	-	(200)
<b>Total</b>	<b>16 434</b>	<b>24 720</b>

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.

Other accounts receivable includes financial assistance Velis in amount USD 43 thousand as at 31 December 2018 which will be repaid 11 November 2019.

Trade and other receivables net of impairment loss provisions denominated in the following currencies:

	31 December 2018	31 December 2017
UAH	11 303	12 108
USD	3 164	3 859
EUR	1 967	8 753
<b>Total</b>	<b>16 434</b>	<b>24 720</b>

Notes on pages 44-98 form an integral part of these company's financial statements

## 22. PREPAYMENTS TO SUPPLIERS

As at 31 December 2018 prepayments to suppliers included prepayments for the goods and services amount to USD 1 228 thousand (2017: USD 803 thousand).

## 23. PREPAYMENTS FOR INCOME TAX

As at 31 December 2018 prepayments for income tax amount to USD 28 thousand (2017: USD 98 thousand).

## 24. CASH AND CASH EQUIVALENTS

	Note	31 December 2018	31 December 2017
Cash in banks	a)	13 023	14 828
Restricted cash	c)	1 313	-
Cash in deposit	b)	-	119
Cash on hand		10	11
<b>Total</b>		<b>14 346</b>	<b>14 958</b>

### a) Cash in banks by country of bank location denominated in the following currencies:

	Currency	31 December 2018	31 December 2017
Ukraine	UAH	576	4 097
Ukraine	USD	552	3 170
Ukraine	EUR	1 755	2 129
<b>Total in Ukraine</b>		<b>2 883</b>	<b>9 396</b>
Latvia	USD	843	-
Latvia	EUR	678	-
<b>Total in Latvia</b>		<b>1 521</b>	<b>-</b>
United Kingdom	USD	9 549	5 518
United Kingdom	EUR	236	9
<b>Total in United Kingdom</b>		<b>9 785</b>	<b>5 527</b>
Netherlands	EUR	4	22
<b>Total in Netherlands</b>		<b>4</b>	<b>22</b>
Denmark	USD	143	3
<b>Total in Denmark</b>		<b>143</b>	<b>3</b>
<b>Total cash in banks</b>		<b>14 336</b>	<b>14 948</b>

### b) Deposits by country of bank location

Country	Currency	Interest rate, %	Maturity	31 Decem- ber 2017
Ukraine	UAH	13%	28.03.2020	119
<b>Total</b>				<b>119</b>

As at 31 December 2018 cash at banks earns 11%-16% (2017: 9.8%-11%) interest based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and two months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

### c) Restricted cash

As of 31 December 2018 cash in amount of Euro 1 313 thousand was deposited with Ukrsibbank as collateral for the letter of credit issued by the Bank and used as the payment method under Equipment Purchase Agreement between the Company and Big Dutchman International GMBH dated 30 October 2018.

## 25. EQUITY

### Issued capital and capital distribution

For the year ended 31 December 2018 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 of 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 2018 and 2017 the shareholder interest above 5% in the Share capital of Company was as follows:

	31 December 2018	31 December 2017
Prime One Capital Ltd.	67.93%	67.93%
Generali Otworthy Fundusz Emerytalny	9.94%	9.94%
FAIRFAX FINANCIAL Holdings Limited	5.35%	5.35%
AVIVA Otworthy Fundusz Emerytalny Aviva BZ WBK	5.02%	5.02%

### Foreign currency translation reserve

The Company's share capital has been converted at the exchange rate prevailing at the reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) has been converted into USD 68 000 (31 December 2017: USD 71 882). The result arising from 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 consolidated 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 2018 and 2017, there were no movements in share premium.

### Dividends payable of the Company

During the year ended 31 December 2018 and 2017, no dividends have been declared and paid.

## 26. INTEREST-BEARING LOANS AND OTHER FINANCIAL LIABILITIES

	Currency	Effective interest rate, %	Maturity	31 December 2018	31 December 2017
<b>Current interest-bearing loans and other financial liabilities</b>					
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH loan	EUR	2.25% +EURIBOR (6m)	30.12.2021	2 450	2 565
Landesbank Berlin AG loan	EUR	1.65% +EURIBOR (6m)	30.12.2020	1 651	1 727
Other current loans	UAH	-	-	24	24
<b>Total current interest-bearing loans and other financial liabilities</b>				<b>4 125</b>	<b>4 316</b>
<b>Non-current interest-bearing loans and other financial liabilities</b>					
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH loan	EUR	2.25% +EURIBOR (6m)	30.12.2021	4 456	6 905
Landesbank Berlin AG loan	EUR	1.65% +EURIBOR (6m)	30.12.2020	750	2 397
<b>Total non-current interest-bearing loans and other financial liabilities</b>				<b>5 206</b>	<b>9 302</b>
<b>Total interest-bearing loans and other financial liabilities</b>				<b>9 331</b>	<b>13 618</b>

The Interest-bearing loans from Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH has been covered of Euler Hermes AG.

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 2018 and 2017 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.



*Reconciliation of liabilities arising from financing activities.* The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	31 December 2017	Financing cash flow	Increase (as a result of accruals and other)	Other changes	Exchange differences	31 December 2018
Interest-bearing loans	14 577	(4 131)	-	-	(619)	9 827
Interest expenses	(983)	-	433	-	30	(520)
Other borrowings	24	-	-	-	-	24
<b>Total</b>	<b>13 618</b>	<b>(4 131)</b>	<b>433</b>	<b>-</b>	<b>(589)</b>	<b>9 331</b>

	31 December 2016	Financing cash flow	Increase (as a result of accruals and other)	Other changes	Exchange differences	31 December 2017
Interest-bearing loans	16 577	(4 163)	-	-	2 163	14 577
Interest expenses	(1 362)	-	537	-	(158)	(983)
Other borrowings	60	(37)	3	-	(2)	24
<b>Total</b>	<b>15 275</b>	<b>(4 200)</b>	<b>540</b>	<b>-</b>	<b>2 003</b>	<b>13 618</b>

## 27. TRADE AND OTHER PAYABLES

	31 December 2018	31 December 2017
Trade payables	6 701	7 801
Employee benefit liability	475	275
Taxes payable	222	118
Liability for unused vacation	517	293
VAT liabilities	188	811
Income tax payables	22	21
Other payables	73	23
<b>Total</b>	<b>8 198</b>	<b>9 342</b>

Trade and other payables denominated in the following currencies:

	31 December 2018	31 December 2017
UAH	4 438	5 555
EUR	2 085	1 371
USD	1 674	2 415
RUB	1	1
<b>Total</b>	<b>8 198</b>	<b>9 342</b>

## 28. ADVANCES RECEIVED

As at 31 December 2018 advances received amount to USD 703 thousand (2017: USD 634 thousand).

## 29. 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. Considering the transactions with each possible related party, 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 2018, and 2017:

<b>(A). Key management personnel 2018:</b>	<b>Position:</b>
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Marc van Campen	Non-executive director
Sergii Karpenko	Non-executive director
Vladimir Polishchuk	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Vitalii Voron	Production director
Liliia Chernyak	HR director
<b>Key management personnel 2017:</b>	<b>Position:</b>
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Marc van Campen	Non-executive director
Sergii Karpenko	Non-executive director
Vladimir Polishchuk	Chief Financial Officer
Natalia Malovana	First Deputy CEO/Commercial director
Arnis Veinbergs	Deputy CEO in charge of Production activity
Vitalii Voron	Production director
Liliia Chernyak	HR director

**(B). Companies which activities are significantly influenced by the Key management personnel**

Aleksa LTD LLC	2018/2017
Agrofirma Borospilsky Hutir LLC	2017

As at 31 December 2018, and 2017 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	31 December 2018	31 December 2017
<b>Prepayments to related parties</b>		
<i>(B). Companies which activities are significantly influenced by the Beneficial Owners:</i>		
Aleksa LTD LLC	45	50
<b>Total</b>	<b>45</b>	<b>50</b>

**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 2018, and 2017 was presented as follows:

	2018	2017
<b>Salaries and contribution to social security fund (short-term employee benefits):</b>		
Borys Bielikov	1	5
Vitalii Veresenko	-	5
Marc van Campen	29	28
Vitalii Voron	16	6
Vladimir Polishchuk	18	5
Other key management personnel	263	99
<b>Total</b>	<b>327</b>	<b>148</b>

**(C). Other related parties:**

For the year ended 31 December 2018, and 2017 the Group has no other related parties.

**30. COMMITMENTS AND CONTINGENCIES**

**Contingent liabilities**

***Operating environment.***

In the recent years, Ukraine has been subject to political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2017-2018, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions.

For the year ended 31 December 2018 the inflation rate was 9.8% compared to 13.7% for the year ended 31 December 2017. The Ukrainian economy proceeded to recover from the economic and political crisis of previous years. From a trading perspective, the economy was refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods

originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

In terms of currency regulations, the National Bank of Ukraine (“NBU”) decreased the required share of mandatory sale of foreign currency proceeds from 65% to 50% from April 2017, increased the settlement period for export-import transactions in foreign currency from 120 to 180 days from May 2017, and allowed companies to pay the 2013 (and earlier) dividends with a limit of USD 2 million per month from November 2017.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government’s efforts, yet further economic and political developments are currently difficult to predict.

The management of the Group believes that the negative impact of the political and economic turmoil at the Group’s entities is limited due to the Group’s significant proportion of export sales, its access to the international financial markets and the significant distance of its main production sites from any conflict zones.

#### ***Taxation***

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

Facing current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine ‘On Amending the Tax Code of Ukraine and Certain Laws of Ukraine’, which is effective from 1 January 2015, except for certain provisions which will take effect at a later date.

Management believes that the Group has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

#### ***Legal issues.***

In 2018 the Group is not involved in litigations and other claims that are in the ordinary course of its business activities.

As at 31 December 2017, the Group is involved in litigations in the amount of USD 437 thousand, the outcome of which cannot be determined. Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and therefore no respective provision is required in the Group’s consolidated financial statements as of the reporting date.

### 31. 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 24 and 26 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.

	31 December 2018	31 December 2017
Debt liabilities*	9 331	13 618
Cash and cash equivalents and deposits	(14 346)	(14 958)
<b>Net debt</b>	<b>(5 015)</b>	<b>(1 340)</b>
Equity**	126 812	106 916
<b>Gearing ratio</b>	<b>(4%)</b>	<b>(1%)</b>

\* 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 2018 and 2017 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 2018 USD 36 509 thousand or 29% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2018 USD 4 285 thousand or 26% 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:

	31 December 2018	31 December 2017
Fully performing	9 227	21 127
Past due but not impaired	2 791	937
Impaired	214	12
<b>Total trade receivables (gross)</b>	<b>12 232</b>	<b>22 076</b>

As at 31 December 2018 and 2017 the ageing of trade account receivables that were not impaired was as follows:

	%	31 December 2018	31 December 2017
0-30 days	-	10 889	13 653
31-90 days	-	159	7 038
91-180 days	-	962	937
181-360 days	44%	8	3
more than 360 days	100%	-	246
<b>Total</b>		<b>12 018</b>	<b>21 877</b>

### 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 for 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 to 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 2018	Carrying value	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
<b>Non-derivative financial liabilities:</b>						
Trade and other payables	8 198	8 198	8 091	57	50	-
Current interest-bearing loans and other financial liabilities	4 125	4 125	-	2 063	2 062	-
Non-current interest- bearing loans and other finan- cial liabilities	5 206	5 206	-	-	-	5 206
<b>Total</b>	<b>17 529</b>	<b>17 529</b>	<b>8 091</b>	<b>2 120</b>	<b>2 112</b>	<b>5 206</b>

The expected maturity of components of working capital (continued):

31 December 2017	Carrying value	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
<b>Non-derivative financial liabilities:</b>						
Trade and other payables	9 342	9 342	9 073	18	81	170
Current interest-bearing loans and other financial liabilities	4 316	4 316	-	2 158	2 158	-
Non-current interest-bearing loans and other financial liabilities	9 302	9 302	-	-	-	9 302
<b>Total</b>	<b>22 960</b>	<b>22 960</b>	<b>9 073</b>	<b>2 176</b>	<b>2 239</b>	<b>9 472</b>

### Currency risk

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

### Exposure to foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2018 and 2017 were as follows:

31 December 2018	PLN	RUB	USD	EUR	UAH	Total
<i>(in conversion to USD thousand)</i>						
<b>Assets</b>						
Cash and cash equivalents	-	-	11 087	2 674	585	14 346
Trade receivables	-	-	3 164	1 967	7 101	12 232
<b>Liabilities</b>						
Current interest-bearing loans and other financial liabilities	-	-	-	(4 101)	(24)	(4 125)
Non-current interest-bearing loans and other financial liabilities	-	-	-	(5 206)	-	(5 206)
Trade accounts payable	-	(1)	(1 674)	(2 085)	(2 941)	(6 701)
Other payables	-	-	(2)	(60)	(11)	(73)
<b>Net exposure to foreign currency risk</b>	<b>-</b>	<b>(1)</b>	<b>12 575</b>	<b>(6 811)</b>	<b>4 710</b>	<b>10 473</b>

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2018 and 2017 (continued)

31 December 2017	PLN	RUB	USD	EUR	UAH	Total
<i>(in conversion to USD thousand)</i>						
<b>Assets</b>						
Cash and cash equivalents	-	-	8 691	2 160	4 107	14 958
Trade receivables	-	-	4 858	8 753	8 465	22 076
<b>Liabilities</b>						
Current interest-bearing loans and other financial liabilities	-	-	-	(4 292)	(24)	(4 316)
Non-current interest-bearing loans and other financial liabilities	-	-	-	(9 302)	-	(9 302)
Trade accounts payable	-	-	(2 400)	(1 371)	(4 030)	(7 801)
Other payables	-	-	(48)	-	25	(23)
<b>Total</b>	-	-	<b>11 101</b>	<b>(4 052)</b>	<b>8 543</b>	<b>15 592</b>

This sensitivity rate represents the 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
<b>31 December 2018</b>		
USD	15%	1 887
EUR	15%	(1 044)
<b>31 December 2017</b>		
USD	15%	1 665
EUR	15%	(608)

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 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.

	31 December 2018	31 December 2017
Profit/(loss)	EURIBOR 93/(93)	EURIBOR 136/(136)

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. The 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 with its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

## 32. 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	31 December 2018		31 December 2017	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>					
Trade and other receivables (a)	Amortized cost	16 434	16 434	24 720	24 720
Cash and cash equivalents		14 346	14 346	14 958	14 958
		<b>30 780</b>	<b>30 780</b>	<b>39 678</b>	<b>39 678</b>
<b>Financial liabilities:</b>					
Current interest-bearing loans and borrowings (a)	Amortized cost	4 125	4 125	4 316	4 316
Non-current interest-bearing loans and borrowings (b)	Amortized cost	5 206	5 206	9 302	9 302
Trade and other payables (current) (a)	Amortized cost	8 198	8 198	9 342	9 342
		<b>17 529</b>	<b>17 529</b>	<b>22 960</b>	<b>22 960</b>

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

- 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.
- 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.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

### 33. SUBSEQUENT EVENT

There were no significant events after the balance sheet date.

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**COMPANY FINANCIAL STATEMENTS OF  
OVOSTAR UNION PCL**

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**BALANCE SHEET**

for the year ended 31 December 2018  
(in USD thousand, unless otherwise stated)

	Note	31 December 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Financial fixed assets	2	45 727	45 345
Property, plant and equipment	3	-	-
<b>Total non-current assets</b>		<b>45 727</b>	<b>45 345</b>
<b>Current assets</b>			
Cash and cash equivalents	5	7 177	146
Other accounts receivables	4	1	20
<b>Total current assets</b>		<b>7 177</b>	<b>166</b>
<b>Total assets</b>		<b>52 905</b>	<b>45 511</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital		69	72
Foreign currency translation reserve		16	12
Share premium reserve		30 933	30 933
Retained earnings		(6 588)	(3 328)
Profit for the year		19 054	(3 261)
<b>Equity attributable to owners of the parent</b>		<b>43 483</b>	<b>24 429</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings	7	5 726	9 302
<b>Total non-current liabilities</b>		<b>5 726</b>	<b>9 302</b>
<b>Current liabilities</b>			
Trade and other payables	8	116	93
Advance received		-	-
Current loans and borrowings	7	3 581	11 687
<b>Total current liabilities</b>		<b>3 697</b>	<b>11 780</b>
<b>Total liabilities</b>		<b>9 422</b>	<b>21 082</b>
<b>Total equity and liabilities</b>		<b>52 905</b>	<b>45 511</b>

Notes on pages 100-107 form an integral part of these company's financial statements

**PROFIT & LOSS ACCOUNT**

as at 31 December 2018

(in USD thousand, unless otherwise stated)

	2018	2017
Other operating income	26	-
Selling and distribution costs	(4)	-
Administrative expenses	(243)	(270)
<b>Operating profit</b>	<b>(221)</b>	<b>(270)</b>
Finance costs	(1 006)	-
Finance income	20 281	(2 990)
<b>Profit before tax</b>	<b>19 054</b>	<b>(3 261)</b>
Income tax expense	-	-
<b>Profit for the</b>	<b>19 054</b>	<b>(3 261)</b>

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018  
(in USD thousand, unless otherwise stated)

	Issued capital	Foreign currency translation reserve	Share pre- mium re- serve	Retained earnings	Total equity
<b>As at 31 December 2016</b>	<b>63</b>	<b>21</b>	<b>30 933</b>	<b>(3 328)</b>	<b>27 690</b>
Result for the period	-	-	-	(3 261)	-
Exchange rate differences	9	(9)	-	-	-
<b>As at 31 December 2017</b>	<b>72</b>	<b>12</b>	<b>30 933</b>	<b>(6 588)</b>	<b>24 429</b>
Result for the period	-	-	-	19 054	19 054
Exchange rate differences	(3)	3	-	-	-
<b>As at 31 December 2018</b>	<b>69</b>	<b>16</b>	<b>30 933</b>	<b>12 466</b>	<b>43 483</b>

Notes on pages 100-107 form an integral part of these company's financial statements

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2018  
 (in USD thousand, unless otherwise stated)

	Note	2018	2017
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>			
Finance income		54	98
Finance costs		(61)	(31)
<b>Working capital adjustments:</b>			
Decrease/(Increase) in trade and other receivables		29	(1 482)
Increase in trade and other payables and advances received		(260)	(540)
		<b>(239)</b>	<b>(1 954)</b>
Income tax paid		-	-
<b>Net cash flows from operating activities</b>		<b>(239)</b>	<b>(1 954)</b>
<b>Investing activities</b>			
Revenues from sales - financial investments		-	290
Contribution to the statutory fund		(316)	-
<b>Net cash flows used in investing activities</b>		<b>(316)</b>	<b>290</b>
<b>Financing activities</b>			
Dividends received		19 317	-
Proceeds from borrowings		-	6 065
Repayment of borrowings		(11 516)	(4 931)
Interest received		57	-
Interest paid		(274)	(404)
<b>Net cash flows used in financing activities</b>		<b>7 586</b>	<b>730</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>7 031</b>	<b>(934)</b>
Effect from translation into presentation currency		-	-
<b>Cash and cash equivalents at 1 January</b>		<b>146</b>	<b>1 079</b>
<b>Cash and cash equivalents at 31 December</b>		<b>7 177</b>	<b>146</b>

Notes on pages 100-107 form an integral part of these company's financial statements

## 1. GENERAL

Ovostar Union Public Company Limited (referred to herein as the "Company") is a limited liability company incorporated on 22 March 2011 in Amsterdam under the laws of the Netherlands. Following resolution of the Extraordinary Meeting of Shareholders held in Amsterdam on 30 August 2018 the Company was redomiciled to Cyprus and on 29 November 2018 was registered with the Register of Companies of the Republic of Cyprus as a company continuing in the Republic of Cyprus. As of 31 December 2018 the Company's registered address is 22 Ierotheou Street, Strovolos, Nicosia 2028, Cyprus.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of related products. The largest shareholder of the Company is Prime One Capital Ltd., Cyprus whose principal activity is the holding of ownership interests in its subsidiary and strategic management.

### *Use of estimates*

The preparation of financial statements under IFRS requires estimates to be used and assumptions to be made that affect the amounts shown in these financial statements. These estimates assume the operation is a going concern and are drawn up on the basis of the information available at the time. Estimates may be revised if the circumstances on which they were based change or if new information becomes available. Actual results may be different from these estimates.

### *Basis of preparation*

The financial statements for the year ended 31 December 2018 have been prepared using the IFRS and company recalculate previous year from Holland GAAP to IFRS.

The IFRS individual financial statements were approved by the Board of Directors on 12 April 2019. For information on group companies of Ovostar Union N.V. please refer to Note 1 of the Consolidated financial statements.

### *Going concern*

As at 31 December 2018 current liabilities of the Company exceeded its current assets. In 2016, Ovostar Union, registered trade company «International Food Trade Limited». This trade company sells the products to other countries and accumulates margin (and foreign currencies being USD) from export sales. Loan repayment on the level of Ovostar Union will be secured by «International Food Trade Limited» either in the form of dividends to the parent company or through an intra group loan from subsidiary «International Food Trade Limited» and subsidiaries in Ukraine. In March 2018 Ovostar Union purchase of 89% share in SIA «OE Product» (Latvia). This trade company sells the products on the European market and also will be one of the parties who secured loan on the level of Ovostar Union if necessary. As a consequence, management of Ovostar Union considers that the Company will be able to continue its activities as a going concern and will be able to repay its liabilities due to third party creditors. Therefore, Company's financial statements have been prepared under the going concern assumption. Based on the forecast/budget 2019 the revenue from export sales is sufficient to cover the repayments due in 2018 (and beginning of 2019). Also, in May Ukrainian company LLC "Yasensvit" payed dividends to Ovostar Union.



## 2.SIGNIFICANT ACCOUNTING POLICIES

### *Financial fixed assets*

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

## 3.FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is U.S. dollar (USD). The financial statements are presented in the company's functional currency, that is, U.S. dollar (USD).

## 4.OTHER ACCOUNTS RECEIVABLES

	Note	As at 31 December 2018	As at 31 December 2017
Ovostar LLC loan		-	10
Ovostar Union LLC loan		-	10
<b>Total</b>		<b>1</b>	<b>24</b>

## 5.CASH AND CASH EQUIVALENTS

The Company's cash balances are available upon demand.

## 6.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. Using an exchange rate of 1 EUR = 1.198 USD.

For the movement schedule of issued capital, share premium, foreign currency translation reserve and profit for the year please refer to the specification of the Consolidated statement of changes in equity included in the Consolidated financial statements. Legal reserve subsidiary as at 31 December 2018 was in the amount of USD 68 675 thousand (in 2017: USD 71 882 thousand).

## 7.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 2018 and 2017, there were no movements in share premium.

## 8. LOANS AND BORROWINGS

	Note	31 December 2018	31 December 2017
<b>Current interest-bearing loans and other financial liabilities</b>			
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH loan	i )	2 450	2 565
Landesbank Berlin AG loan	i )	1 650	1 727
International Food Trade Limited	ii )	-	7 395
<b>Total current interest-bearing loans and other financial liabilities</b>		<b>4 124</b>	<b>11 687</b>
<b>Non-current interest-bearing loans and other financial liabilities</b>			
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH loan	i )	4 456	6 905
Landesbank Berlin AG loan	i )	750	2 397
<b>Total non-current interest-bearing loans and other financial liabilities</b>		<b>5 206</b>	<b>9 302</b>
<b>Total interest-bearing loans and other financial liabilities</b>		<b>9 330</b>	<b>13 618</b>

i) As at 31 December 2017 and 2016 loan and borrowings comprised loans received from Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH. Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH loan are guaranteed by subsidiaries and has been covered of Euler Hermes AG. For detail information about loans and borrowings refer to Note 24 in the Consolidated financial statements.

ii) As at 31 December 2017 loan and borrowings comprised intra group loans received from International Food Trade Limited with interest rate 1.25%+EURIBOR.

## 9. TRADE AND OTHER PAYABLES

Trade and other payables included payables from third parties and payables to supplier for property, plant and equipment.

	Note	As at 31 December 2018	As at 31 December 2017
Salmet		-	-
Other		57	72
<b>Total</b>		<b>116</b>	<b>93</b>

## 10. EMPLOYEES

The Company has no employees other than directors.

## 11. 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 2018 comprised (1):

Name	Position
V. Veresenko	Chairman of the Board, Non-Executive Director (non-independent)
B. Bielikov	Chief Executive Officer, (non-independent)
M. van Campen	Non-Executive Director
Sergii Karpenko	Non-Executive Director

(1) Directors' remuneration represented in Note 26 Consolidated financial statements.

### Changes in the Board of Directors of Ovostar Union N.V.

In June 2015 on the Annual General Meeting of Shareholders Board has approved (re) appointment of the members of the Board. All members of the Board have been (re)appointed for a period of 4 years. The Meeting approved Mr. Sergei Karpenko for the position of non-executive Board member.

## 12. AUDIT FEE

	31 December 2018	31 December 2017
<b>Baker Tilly Ukraine:</b>		
Audit and review of financial statements	44	32
<b>Baker Tilly Berk N.V.</b>		
Audit fees	-	38
<b>Baker Tilly Klitou &amp; Partners Ltd</b>		
Audit fees	40	
<b>Total</b>	<b>70</b>	<b>70</b>

Audit fees of financial statements include the fees for professional services rendered by Baker Tilly Berk N.V., Baker Tilly Ukraine and Baker Tilly Klitou & Partners Ltd and relate to the audit of the Company's Consolidated and Company's financial statements and its subsidiary.

15 April 2019

Limassol, Cyprus

[signed]

**Borys Bielikov**

Chief Executive Officer,  
Executive Director

[signed]

**Vitalii Veresenko**

Chairman of the Board,  
Non-executive Director

[signed]

**Marc Van Campen**

Head of Audit Committee,

[signed]

**Sergii Karpenko**

Non-executive Director

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**INDEPENDENT AUDITOR'S REPORT  
ON FINANCIAL STATEMENTS**

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## Independent Auditor's Report

### To the Members of Ovostar Union Public Company Limited

#### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Ovostar Union Public Company Limited (the "Company") and its subsidiaries (the "Group"), which are presented in pages 40 to 108 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Biological Assets Valuation*

The Consolidated Statement of Financial Position as at 31 December 2018 includes Biological assets for a total amount of USD 53.789.000 (2017: USD 46.419.000). We refer to note 17 in the consolidated financial statements.

The fair value measurement of the biological assets highly depends on the projected cash flow and discount rate.

Our audit procedures included test of input data and recalculated discount rate and evaluation of the assumptions used by management. Besides, we verified if the applied methodology has been consistent with prior periods.

## Independent Auditor's Report (continued)



To the Members of Ovostar Union Public Company Limited

### *IFRS 9 - Financial Instruments ("IFRS 9")*

The standard is effective for financial years beginning on 1 January 2018. The Group will adopt IFRS 9 retrospectively, but with permitted exceptions. As a result, prior year results and position will not be restated.

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. We refer to note 5.2 in the consolidated financial statements.

Our audit procedures included recalculation test of the expected credit losses under the new standard and evaluation of the assumptions used by management. Besides, we verified if the application of the new standard has significant effect with regards to the change in classification characteristics of the new groups of financial assets defined in accordance with IFRS 9.

### *IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")*

The standard is effective for financial years beginning on 1 January 2018. The Group will adopt IFRS 15 retrospectively, but with permitted exceptions. As a result, prior year results and position will not be restated.

Revenues from the sale of goods are recognised 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. We refer to note 5.21 in the financial statements.

Our audit procedures included test of the pattern of revenue recognition adopted by the Group. Besides, as per the new standard requirements, we verified if revenue recognition for the Group is now based on the transfer of control over goods or services to a customer, rather than just the transfer of risks and rewards.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Independent Auditor's Report (continued)



### To the Members of Ovostar Union Public Company Limited

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

## Independent Auditor's Report (continued)



To the Members of Ovostar Union Public Company Limited

- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

### Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

### Comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 13 April 2018.

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**Maria Kaffa**

**Certified Public Accountant and Registered Auditor  
for and on behalf of**

**Baker Tilly Klitou and Partners Ltd  
Certified Public Accountant and Registered Auditor**

Corner C Hatzopoulou & Griva Digheni 30 Avenue  
1066 Nicosia  
Cyprus

Nicosia, 15 April 2019





### OVOSTAR UNION GROUP

**Correspondence address:**

34 Petropavlivska street, 04086 Kyiv, Ukraine

**Legal address:**

Ovostar Union PCL

22 Ierotheou Street, Strovolos, Nicosia 2028, Cyprus.

**For investor relations inquiries:**

Anna Tews

Investor Relations Department

[ir@ovostar.ua](mailto:ir@ovostar.ua)

Cell: +38 050 439 05 05

Landline: +38 044 354 29 60

### 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.