



Ovostar Union N.V.

ANNUAL REPORT 2011

Create

Achieve

Aspire

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ANNUAL REPORT
FOR THE YEAR 2011

Financial Results and Ratios of the Group for Three Years

Consolidated Statement of Financial Position (in USD ths)

	2011	2010	2009
Non-current assets	45,909	18,930	18,473
Non-current biological assets	20,517	6,121	1,468
Property, plant and equipment and intangible assets	23,976	11,631	12,226
Other non-current assets	1,324	1,149	4,647
Deferred tax assets	92	29	132
Current assets	45,382	21,874	23,333
Inventories	10,645	8,990	5,591
Current biological assets	1,921	5,026	5,950
Trade and other receivables	10,688	7,174	9,277
Prepayments	587	326	568
Cash and cash equivalents	21,541	358	1,947
Total assets	91,291	40,804	41,806
Equity	82,433	31,425	30,009
Issued capital	78	63	63
Share premium	30,933	-	-
Foreign currency translation reserve	(63)	-	(151)
Retained earnings	48,824	29,009	26,866
Non-controlling interests	2,661	2,353	2,929
Non-current liabilities	2,604	1,179	2,273
Interest-bearing loans and other non-current financial liabilities	2,569	1,174	2,194
Deferred tax liabilities	35	5	79
Current liabilities	6,254	8,200	9,524
Trade and other payables	4,939	3,361	3,498
Advances received	154	524	130
Interest-bearing loans and borrowings	1,161	4,315	5,894
Income tax payable	-	-	2
Total liabilities	8,858	9,379	11,797
Total equity and liabilities	91,291	40,804	41,806

Consolidated Statement of Comprehensive income (in USD ths)

	2011	2010	2009
Revenue	50,626	37,033	32,345
Net change in fair value of Biological assets	6,935	1,137	(4,043)
Cost of sales	(34,156)	(28,133)	(20,136)
Gross profit	23,405	10,037	8,166
Other operating income	3,661	5,612	2,139
Selling and distribution costs	(2,952)	(3,184)	(3,691)
Administrative expenses	(1,918)	(1,870)	(2,190)
Other operating expenses	(1,418)	(1,091)	(811)
Operating profit	20,778	9,504	3,613
Finance costs	(1,794)	(876)	(1,633)
Finance income	1,115	642	440
Profit before tax	20,099	9,270	2,420
Income tax expense	33	(107)	118
Profit for the year	20,132	9,163	2,538
Exchange differences	(78)	(159)	(696)
Total comprehensive income for the year, net of tax	20,054	9,004	1,842

Key financial indicators and ratios

	2011	2010	2009
Gross Profit (USD ths)	23,405	10,037	8,166
Gross Profit Margin (%)	46%	27%	25%
EBITDA (USD ths)	22,267	11,560	5,696
EBITDA margin (%)	44%	31%	18%
Net Profit margin (%)	40%	24%	6%
ROA (%)	30%	22%	4%
ROE (%)	35%	29%	6%
Enterprise value (USD ths)	117,457	-	-
EV / EBITDA	5.27	-	-
EV / Revenue	2.32	-	-
Total debt ratio (%)	10%	23%	28%
Net debt (USD ths)	-17,811	4,022	7,511
Net debt / Equity	n/a	0.13	0.25
Net debt / EBITDA	n/a	0.35	1.32
Net debt / Revenue	n/a	0.11	0.23
Debt / Equity	0.11	0.30	0.39
Current ratio	7.26	2.39	2.45
Quick ratio	5.25	0.86	1.24
P/E (USD)	5.93	-	-
EPS (USD)	3.30	-	-

Calculation formulas for financial indicators and ratios

Financial indicator	Calculation formula
Gross Profit (USD ths)	Revenue - Cost of sales + Net change in Fair value of Biological assets
Gross Profit margin %	Gross profit / Revenue
EBITDA (USD ths)	Profit (loss) from operations + Depreciation and Amortization
EBITDA margin %	EBITDA / Revenue
Net Profit margin %	Net Profit / Revenue
ROA %	Net Profit / Average total assets
ROE %	Net Profit / Average shareholder equity
Enterprise value (USD ths)	Market capitalization + net debt + minority interests
Total debt ratio %	Total liabilities / Total assets
Net debt (USD ths)	Short-term finance debt + long-term finance debt cash
Current ratio	Total current assets / Total current liabilities
Quick ratio	(Total current assets - inventories - biological assets) / Total current liabilities
P/E (USD)	Closing price on last trading day of financial period / EPS
EPS (USD)	Net profit attributable to equity holders of the parent company / Average number of shares during the financial period

listed on
WSE



Dear Shareholders,

On behalf of the Group, I would like to thank you for appreciating the competitiveness and believing in the potential of Ovostar Union and for your support in our achievements, thus far, of the ambitious business development plans.

Ovostar Union strives to build an efficient nationwide agricultural company to meet the needs of growing Ukrainian middle class in quality branded eggs and to satisfy the food industry with high-quality egg products. Vertically integrated organizational structure allows thorough and consistent control of product quality at all stages of production.

The Group's outstanding operating and financial performance in 2011 confirmed appropriateness of the chosen development program. Ovostar Union revenues increased by 37%, EBITDA by 93%, net profit by 120% and operating cash flow by 94%.

We are implementing a growth strategy aimed at more than doubling egg and egg products segments production capacity using modern world-class equipment. In July 2011 we launched an investment program, intended to complete it within 14 months, by the end of August 2012, to receive full economic impact in 2013. Enhanced capacities of egg processing plant Ovostar have been launched in February 2012.

Ukrainian market is our focus and we value steady long-term relationships with end consumers and large domestic and international clients in the B2B sector. Our strategic objective is to further develop the national egg brand Yasensvit™ by strengthening consumer loyalty and to further develop the egg products brand Ovostar™ by offering domestic and foreign custom-

ers the widest range of high-quality egg products. Our national trademarks ensure and highlight the consistent quality of our products.

The national brand Yasensvit™ portfolio increased by 3 new product offerings in 2011 to meet the growing Ukrainian middle class demand for high-quality branded eggs. As a part of strategic direction to strengthen partnerships with leading retail chains, the number of products under the Private Label category was increased to 14 items. Kraft Foods, the global confectionery producer, became the client of the Group in 2011.

In 2011, Ovostar egg products plant successfully underwent procedures of conformity to quality management system ISO 9001:2008 and ISO 22000:2005 (HACCP).

We create favorable conditions for effective work and successful development of each employee. The centralized system of internal control enables efficient management of all key business processes.

On behalf of Ovostar Union I would like to thank our new shareholders for their support. 2011 marks a year of Ovostar Union strong growth in all key business segments. Currently, we are concentrating on the further investment aimed at capacity expansion of our existing production sites which will support the growth beyond 2013.

Sincerely yours,

Borys Bielikov
Chief Executive Officer



120%
increase in
net profit



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Столові яйця
вищої категорії

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DIRECTORS' REPORT ON OPERATIONAL RESULTS FOR 2011

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Group Overview

Ovostar Union N.V., a holding company incorporated under the law of The Netherlands. Ovostar Union N.V. is a holding company consolidating companies with production assets located in Ukraine (hereinafter, the Group).

The main activities of the Group include production of eggs and egg products. The Group is one of

Ukrainian market leaders, focused on the production of high-quality branded eggs for rapidly growing middle class population. In Ukraine the Group was the first to introduce a full range of high quality dry and liquid egg products to meet the demands of leading Ukrainian and international food companies.



The Group's brands

The Group offers the widest range of packed shell eggs and egg products in Ukraine. Shell eggs are sold under Yasensvit™ brand, the most recognized umbrella egg brand in Ukraine that has more than 10 year history on the market.

Shell eggs

- First national egg brand with a history of 10 years
- Supplying to largest retail chains in Ukraine
- Meeting demand of the emerging middle class

Egg products

- The highest quality standards
- The most complete liquid and dry egg products offering
- Supplying to biggest Ukrainian and international customers

Packed shell eggs portfolio

Segment	# of sub-brands	# of packages offered	Illustrations
Premium	6	11	
Standart	7	8	
Economy	3	11	
Private label	9	14	

The Group further secured its position in the Premium and Standard segment by launching 3 new packed

eggs in 2011, of which ("Bio eggs", "Organic eggs" and "Euro eggs") are new sub-brands.

Bio eggs

Premium segment



Organic eggs

Premium segment



Euro eggs

Premium segment



ISO and HACCP

compliance since 2010

The Group also owns two fodder mills with a total capacity of 36 tons of feed per hour that fully satisfy the internal needs in production of poultry feed. In 2011 the Group launched sunflower processing unit that produces sunflower meal used in poultry feed as well as sunflower oil.

All of the Group's production facilities are located in Kyiv and Cherkassy regions in close proximity (within 130 km) to each other. Effective geographical concentration of the interconnected facilities allows the Group to exercise better control over the product quality as well as achieve efficient external and internal logistics.

Highly professional management team with significant industry experience in shell eggs industry is one of the Group's key competitive advantages.

Production facilities of the Group employ the most modern equipment and advanced technological solutions that support high quality of the final products. The Group produces eggs and egg products in accordance with international quality standards ISO and HACCP as well as applicable national Ukrainian standards and sanitary norms.

In 2011 the Group demonstrated strong growth in operational and financial results that has been provided by capacities expansion as well as favorable market prices for the Group's products.

In 2011, the Group successfully completed an IPO on the Warsaw Stock Exchange. IPO proceeds have been used to finance the investment program, which will more than double egg production and processing capacity.



Market overview

Ukrainian egg market

Ukraine is one of the world's leading producers of grains and sunflower seeds, the prime components of poultry feed, allowing for low egg production costs.

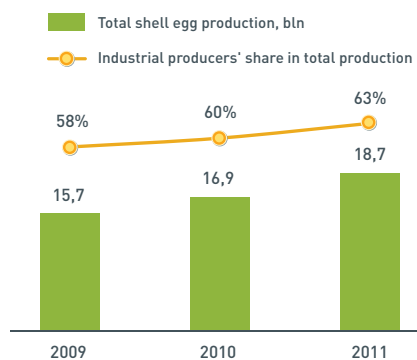
In 2010, Ukraine was #2 egg producer in Europe and #9 in the world. Total shell egg production in Ukraine

in 2011 grew by 10.7% to 18.7 bln pcs. Depending on the size and laying hens housing format Ukrainian egg market is generally divided between industrial and household production. Due to relatively poor production performance household production is gradually replaced by industrial pro-

duction. Industrial producers have undertaken significant investments into production capacity expansion, high-quality livestock, technically advanced equipment and professional workforce. Industrial producers' share in total eggs production expanded to 63% in 2011 (2010: 60%).

The Group is one of the leading chicken egg producers in Ukraine, with market share of 5.7% in 2011 increased from 5.4% in 2010. In 2011 growth of egg production was supported by the increase in laying hens flock as a result of implementation of capital investment program, including launch of the two new laying hen houses with total capacity of 600 thousand hen places.

Shell egg production in Ukraine

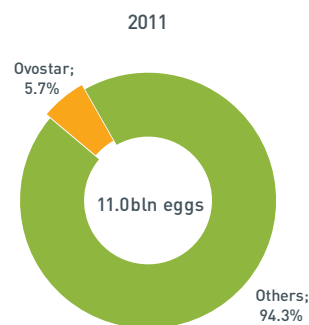


Source: Union of Poultry Farmers of Ukraine, Ovostar Union

The average consumption of eggs in Ukraine in 2011 was 310 pcs per capita (including egg products), which is 6.8% more than in 2010. The average egg consumption per capita in 2011 increased given that eggs are the cheapest source of animal protein.

According to the UPFU, in 2011 the average wholesale egg price in Ukraine increased by 1.8% to USD 0.64 per 10 eggs. The increase in egg prices was caused mainly by consumer price inflation driven by increasing pork, beef and poultry meat prices.

Production of chicken eggs by industrial producers



Farmers of Ukraine (UPFU), Ovostar Union
Source: Union of Poultry

Ukrainian egg products market

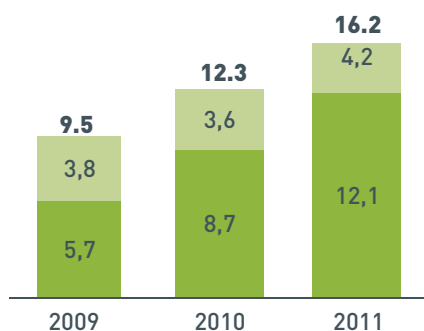
According to the UPFU data, egg products in Ukraine are mainly used by confectionery and oil and fat industry accounting for around 85% of the total volume. Egg products are also commonly used by the bakery, meat processing and HoReCa industries. Growth in consumption of egg products in the future is ensured by expansion of local food producers.

According to the UPFU, egg products production in Ukraine increased by 33% to 16,244 tons in 2011 from 12,277 tons in 2010. Production of dry egg products increased by 39% to 12,078 tons and liquid egg products by 17% to 4,166 tons, respectively. The increase was mainly attributed to growth in consumption of locally produced may-

onnaise and confectionery products as well as import substitution. On the key trends is increasing use of natural ingredients in food production. Domestic demand for liquid egg products continues to grow and is expected to double by 2017.

Production of egg products in Ukraine

■ Dry egg products, ths tons
■ Liquid egg products, ths tons



Source: UPFU

Improving quality and competitive prices allow domestic egg products to substitute import with domestic products. The main factor curbing full substitution of egg products imported in Ukraine is insufficient production capacity of local producers. According to the UPFU, in 2011 Ukraine imported 542 tons of egg products, which is 33% less comparing to 2010. Volumes of albumen im-

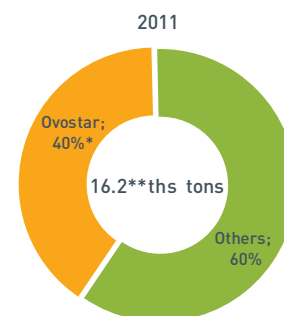
ported to Ukraine decreased by 17%, while egg yolk was almost completely supplied by local producers.

The Group is the leading egg products producer in Ukraine with market share of 40% in 2011 (2010: 38%). In 2011 the Group produced 6,526 tons of egg products: 3,842 tons liquid and 2,684* tons dry egg products, respectively.

40%
market share
in 2011

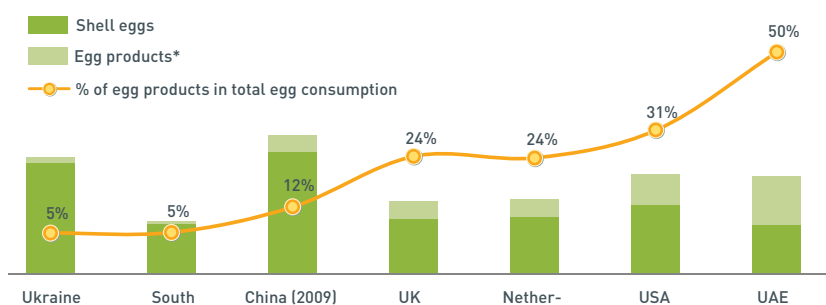
In 2011 egg consumption per capita in Ukraine increased by 7%, while the share of egg products in total egg consumption still remains low compared to other countries. In 2010, share of egg products in total egg consumption in Ukraine was 5% (2009: 4%). Such low share implies significant room for growth in the future due to increased consumption of food products.

Production of egg products



*including 1,332 tons of dry eggshell powder used in poultry feed production
** according to the State Statistics Committee of Ukraine methodology dry egg products include dry eggshell
Source: UPFU, Ovostar Union

Egg consumption per capita per year in selected countries, pcs, 2010



*in egg equivalent
Source: IEC, UPFU

Key Segments Activity

Eggs and egg products segments contributed 70% and 27% to the Group's total revenue in 2011, respectively. At the end of 2011 the Group launched a sunflower processing unit which produces sunflower meal for internal use as well as cold-pressing sunflower oil sold in retail.

Egg segment

In 2011 the Group's egg production increased by 14% to 623 mln pcs. Increase in production volumes was caused by the increase in laying hens flock as well as migration to a new, more efficient laying hen cross Hy-Line. In 2011 the Group increased number of laying hens places by 28% to 2.7 mln (from 2.1 mln) as a result of implementation of capital investment program. As at 31 December 2011 the total flock amounted to 3.1 mln hens (2010: 2.4 mln).

Shell eggs produced by the Group are distributed among four main sales channels. Modern retail chains and own points of sale (POS) remain the key distribution channels, with the share of around 75% of the total egg revenue.

The Group collaborates with 9 major retail chains, covering all regions of Ukraine. The Group is also the leading producer of private label eggs in Ukraine for retail chains.

The group's revenue by segments

Segment	Amount, USD ths	Share in total revenue
Eggs	35,510	70%
Egg products	13,710	27%
Sunflower processing	1,406	3%
Total	50,626	100%

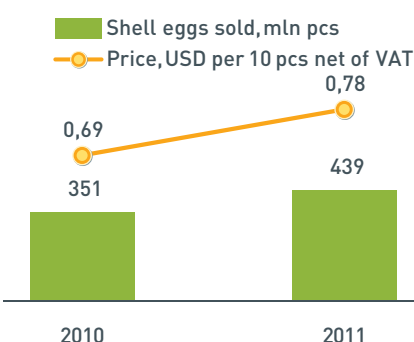
Note: Egg segment revenue includes USD 1.2 mln from sales of poultry meat

In 2011 egg segment revenues increased by 31.5% to USD 35,510 ths as a result of increased production volumes and average egg market price.

In 2011 the volume of eggs sold increased by 25% to 439 mln pcs due to growing demand for high quality eggs due to expansion of the largest retail chains. Growing disposable income of middle class population and brand loyalty allowed the Group to increase prices in 2011 by 13% to USD 0.78 per 10 pcs.

**USD
35,510**
ths eggs segment
revenue in 2011

Shell egg sales



Egg sales channels structure

Sales channel	2011 share, %	2010 share, %
Retail chains	43%	39%
Branded POS	32%	37%
Export	14%	9%
Wholesale	6%	15%
B2B	5%	-
Total	100%	100%









Own distribution chain with over 200 points of sale in Kyiv and other cities remains the Group's second biggest distribution channel. This sales channel is addressing customers who have traditional purchasing habits and prefer shopping for groceries in food markets.

Eggs export volumes in 2011 increased by 74% to 79 mln pcs. Egg exports share expanded to 14% (USD 4,905 ths) in total eggs sales due to

favorable export prices in 2011 (USD 0.62 per 10 pcs in 2011 representing 24% increase from 2010). In 2011 the Group exported eggs to Azerbaijan, Armenia, UAE, Iraq and African countries.

A small portion of eggs was sold to B2B customers such as bakeries and HoReCa customers that require shell eggs in their production processes.

Key retail clients

	(since 2011)	More than 550 stores in 153 cities
		206 stores in all regions of Ukraine
		22 supermarkets (7 in Kiev) in 13 cities
		117 stores and supermarkets in all regions of Ukraine
		43 stores in 21 cities
		8 hypermarkets (4 in Kiev) in 5 cities
		18 stores in 8 cities
		31 stores in 23 cities

Source: Publicly available data

Egg Products Segment

In 2011 the Group produced 5,194 tons of egg products: 1,352 tons of dry and 3,842 tons of liquid egg products, having processed 216 mln eggs. The Group achieved 10% increase in production of both dry and liquid egg products.

The volume of dry egg products sold increased by 21% to 1,338 tons (2010: 1,107 tons) as a result of strong demand from food industry

in Ukraine. Volume of liquid egg products sold increased by 24% to 4,072 tons (2010: 3,285 tons) as many clients are switching from dry to liquid egg products due to better consumption properties.

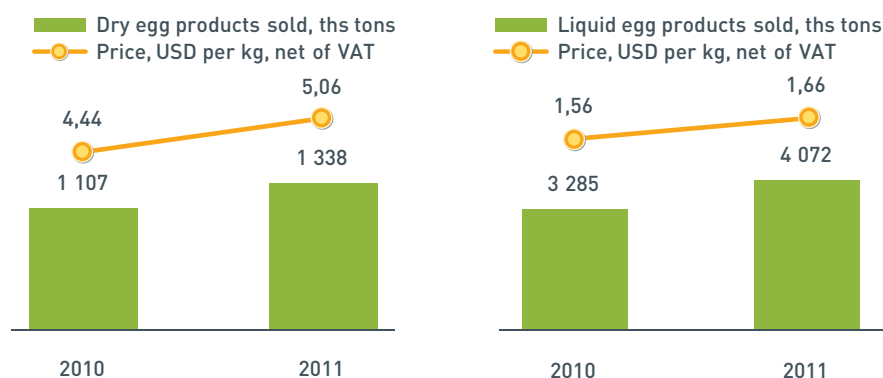
Domestic prices for egg products increased: for dry egg products by 14% and for liquid egg products by 7%.

As egg products are commonly used in food processing, the majority of the Group's customers in egg products segment are B2B clients. Key customers include multinational food companies such as Nestle and McDonald's and domestic companies in food industry such as Roshen, AVK and Konti. Kraft Foods,

the global confectionery producer, became the client of the Group in 2011.

The Group's focus remains on meeting demand of domestic clients. In 2011 egg products sales on domestic market contributed 92% to the Group's egg products segment revenue.

Egg products sales



Key clients

	Leading confectionery producer	Egg melange
	Leading mayonnaise, sauces and instant noodles producer	Whole egg powder
	Over 70 restaurants in 21 cities	Egg melange
	Leading sauces and mayonnaise producer	Dry fermented egg yolk
	Leading confectionery producer	Egg melange
	#1 confectionery producer	Egg melange, Whole egg powder
	Top 10 confectionery producer	Egg melange
	Leading frozen foods and ice cream producer	Egg melange, Whole egg powder

Financial Performance and Financial Position

Summary information on the Group's financial performance and position as at and for the year ended 31 December 2011 is presented below.

Selected financial information, USD ths

	2011	2010
Revenue	50,626	37,033
Gross profit	23,405	10,037
Operating profit	20,778	9,504
Profit before tax	20,099	9,270
Net profit	20,132	9,163
Operational cash flow	10,272	5,290
Investment cash flow	(17,795)	(1,836)
Financial cash flow	28,820	(3,547)
Net cash flow (including net IPO proceeds of USD 31 mln in 2011)	21,297	(93)
Assets	91,291	40,804
Current assets	45,382	21,874
Non-current assets	45,909	18,930
Issued capital	78	63
Equity	82,433	31,425
Non-current liabilities	2,604	1,179
Current liabilities	6,254	8,200

Financial results

Revenue

In 2011 the Group's revenues increased by 37%, amounting to USD 50,626 ths due to the increase in volumes sold as well as increase in egg and egg product prices.

Revenues contributed by egg segment increased by 32% to USD 35,510 ths. Eggs sales increased to 439 mln from 351 mln pieces in 2010. The average eggs sales price was USD 0.08 / piece comparing to USD 0.07 / piece (net of VAT), which represents 13% growth.

Revenues contributed by egg products segment increased by 37% to USD 13,710 ths. Revenues growth was mainly driven by an increase in volumes sold – by 23%, while the average selling price of dry egg products increased by 14% and for liquid egg products – by 7%. For more details see Egg Product Segment Performance.

Cost of sales and gross profit

In 2011 cost of sales increased by 21% to USD 34,156 ths. Gross profit increased by 133% to USD 23,405 ths. Gross margin increased to 46% comparing to 27% in 2010.

Increase in gross profit and gross profit margin is attributable to increase in production volumes as well as average eggs prices and transition to a more efficient laying hen cross Hy-Line.

Cost of sales grew slower than revenues as prices for the Group's products grew faster than the costs in line with the management's efforts to improve efficiency of the Group's operations. Payroll expense decreased 6% to USD 5,017 ths due to staff reduction and increase in production efficiency. Cost of inventories increased 50% from to USD 22,556 ths due to increase in laying hens flock size, partially compensated by reduced fodder per hen consumption achieved with the switch to more efficient hen cross. Increase in prices for

sunflower meal and corn in the first half of 2011 resulted in 19% increase in average fodder cost per ton to USD 231 in 2011.

The increase of net change in fair value of biological assets to USD 6,935 ths in 2011 (2010: USD 1,137 ths) is attributable to increased share of cross with higher productivity in the total flock, increase of total flock number and higher egg prices. For more details refer to Note 16 in the Consolidated Financial Statements.

Operating profit and EBITDA

In 2011 operating profit increased by 119% reaching USD 20,778 ths. Operating profit margin grew to 41% comparing to 26% in 2010.

In 2011 EBITDA grew by 93% to USD 22,267 ths due to improved underlying performance of the egg and egg products business segments. Egg segment EBITDA (excluding the effect of net change in fair value of biological assets of USD 6,935 ths) increased to USD 11,759 ths and egg product segment EBITDA increased to USD 3,573 ths.

Selling expenses decreased by 7% to USD 2,952 ths mainly due to renegotiation of distribution agreements with retail chains. Selling expenses represented 6% of the total revenues (9% in 2010). Payroll expense of distribution personnel decreased 38% in 2011 to USD 446 ths due to the management's cost optimization efforts. Transportation costs increased 50% and became the largest component of selling expenses with 35% share amounting to USD 1,024 ths (2010: 21% share amounting USD 683 ths).

Administrative costs increased marginally by 3% to USD 1,918 ths representing 4% of the total revenue (5% in 2010) in view of stable headcount and payroll expense.

Net other operating income decreased 50% to USD 2,243 ths

37%
increase in
revenue
in 2011

mainly due to less refund received under special legislation. In 2011 The Group received income from special VAT treatment of USD 2,847 ths (2010: 2,810 ths), while further USD 1.9 mln related to 2011 operations was received from the state during January-March 2012. The Group also reduced its loan portfolio and hence claimed less interest for partial compensation.

Finance costs

In 2011 finance costs increased twofold to USD 1,795 ths. In the second half of 2011 following the IPO the Group made several currency exchange transactions into EUR and USD that resulted in exchange difference loss due to depreciating Polish zloty.

Profit before tax and net profit

In 2011 profit before tax increased 117% to USD 20,099 ths while net profit reached USD 20,132 ths. Net profit margin in 2011 was 40% compared to 25% in 2010.

Cash flow statement

Consolidated operating cash flows before working capital adjustments in 2011 increased 45% to USD 15,637 ths. The increase in working capital amounted to USD 5,343 ths (2010: USD 5,435 ths), which was a direct result of higher sales. Cash flows used in investing activities increased to USD 17,795 ths in 2011 from USD 1,836 ths in 2010. Cash flows used for purchase of fixed assets and increase in biological assets amounted to USD 13,912 ths and USD 4,426 ths, respectively, comparing to USD 2,231 ths and USD 2,592 ths in 2010, respectively. Cash flows from financing activities amounted to USD 28,820 ths (2010: negative USD 3,547 ths), including IPO proceeds of USD 30,933 ths. The resulting consolidated net cash flow in 2011 increased to USD 21,297 ths (2010: negative USD 93 ths).

Financial position

Assets

In 2011 the Group's total assets increased by 124% to USD 91,291 ths compared to USD 40,804 ths in the previous year. The Group's capacity expansion program financed by IPO proceeds and reinvestment of earnings led to increase in property, plant and equipment as well as long term biological assets. The share of current assets and non-current assets in the total assets was 50% and 50%, respectively.

Current assets grew 107% to USD 45,382 ths in 2011 due to increased cash balances. Non-current assets increased 143% to USD 45,909 ths in 2011.

Liabilities and equity

In 2011 total equity increased 2.6 times to USD 82,433 ths. The main equity element was retained earnings amounting to USD 48,824 ths equivalent to 59% of total equity.

In 2011 long-term liabilities amounted to USD 2,604 ths com-

pared to USD 1,179 ths in 2010. Short-term liabilities amounted to USD 6,254 ths compared to USD 8,200 ths in 2010.

Loans and borrowings

As of 31 December 2011 the Group had loans outstanding to UniCreditBank and Credit Agricole bank in the amount of USD 3,730 ths, including current loans and borrowings amounting to USD 1,161 ths and non-current loans and borrowings amounting to USD 2,569 ths. For more information, please refer to Note 19 to the Consolidated Financial Statements.

Capital expenditures

In 2011, Group applied most of the funds allocated to the investment program which aims to double the capacities for eggs production and processing. The table below shows the Group's capital investments for three years with a breakdown by segment.

Capital investments, USD mln

USD mln	2011	2010	2009
Eggs	11.4	2.1	1.2
Egg products	1.7	0.1	0.3
Sunflower processing	0.2	0.4	-
Total	13.3	2.6	1.5

Transactions with related parties

For more information please refer to Note 26 to the Consolidated Financial Statements.

Financial reporting standards

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"). The companies of the Group maintain their accounting records under Ukrainian

Accounting Standards ("UAS"). 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. For more information please refer to Note 2 to the Consolidated Financial Statements.

Changes in accounting policy

For more information on changes in accounting policy please refer to Note 5 to the Consolidated Financial Statements.

Financial instruments

For more information on financial risks please refer to Notes 28 and 29 to the Consolidated Financial Statements.

Share Capital Structure

According to publicly available information as at 31 December 2011, the following Ovostar Union N.V. shareholders provided information on the

direct and indirect ownership of at least 5% of all votes at the General Meeting of Ovostar Union N.V. Shareholders.

Ovostar Union N.V. share capital structure as at 31 December 2011

Shareholder	Shares	Share in the capital, %	Votes at GM	% of votes at GM
Prime One Capital Limited	4,500,000	75.00%	4,500,000	75.00%
Generali OFE	601,341	10.02%	601,341	10.02%
Others	898,659	14.98%	898,659	14.98%
Total	6,000,000	100%	6,000,000	100%

Source: Warsaw Stock Exchange data

Changes in Ovostar Union N.V. shareholders' structure

On 23 August 2011, Generali Otworthy Fundusz Emerytalny increased its share at Ovostar Union N.V. share capital to 5.51% (330,415 shares), each share with a nominal value of one vote.

On 19 December 2011, Generali Otworthy Fundusz Emerytalny increased its share at Ovostar Union N.V. share capital to 10.02% (601,341 shares), each share with a nominal value of one vote.

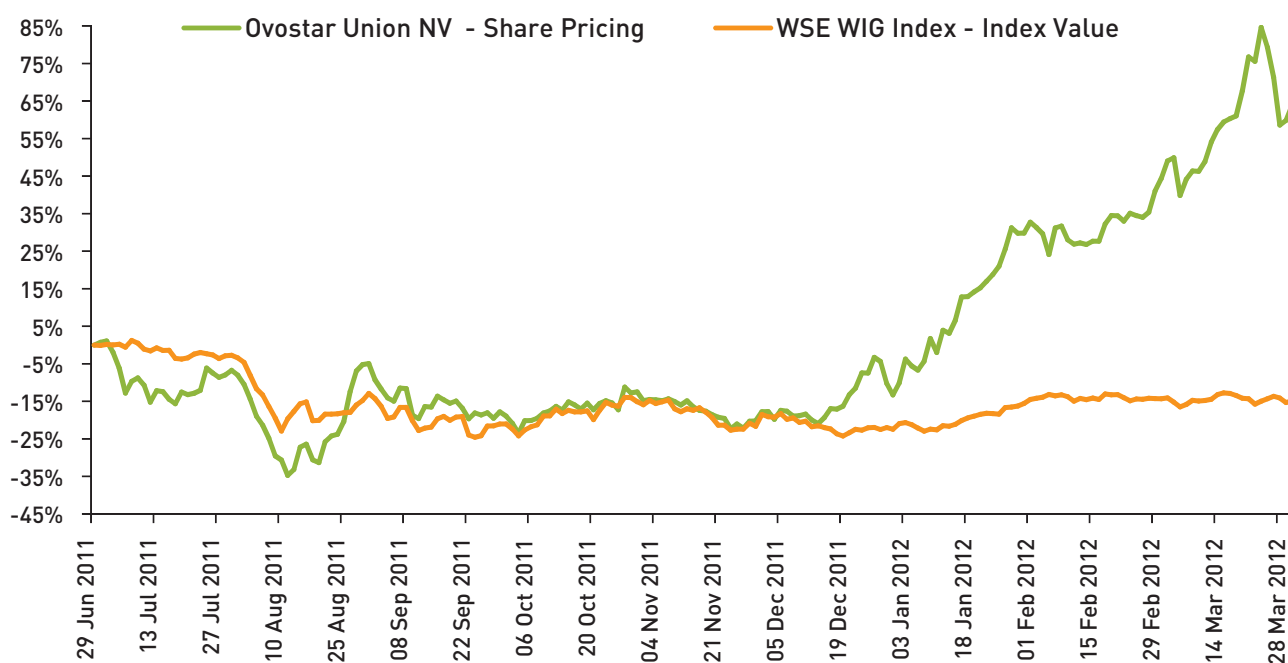
On 30 March 2012, Generali Otworthy Fundusz Emerytalny increased its share at Ovostar Union N.V. share capital to 12.15% (729,226 shares), each share with a nominal value of one vote.

The Group's Stock Performance

The Ovostar Union N.V. share price has strengthened since its offering on 29 June 2011. Thus, at the end of 2011 the share price was 8% higher than the offering price, and amount-

ed to PLN 67.0 (29 June 2011 - PLN 62.2). The chart below shows the development of Ovostar Union N.V. stock price on the Warsaw Stock Exchange compared to the WIG index.

Ovostar Union N.V. stock quotation and WIG index in 2011 and 1Q2012



Key quotation indicators of Ovostar Union N.V. in 2011

	2011	1Q2012
Opening price (PLN)	62.2	70.0
Maximum price (PLN)	73.3	130.0
Minimum price (PLN)	43.0	70.0
Closing price (PLN)	67.0	115.0
Price growth (in PLN terms), %	8%	64%
EPS (PLN)	9.7	n/a
Price / earnings (P/E) (PLN)	6.9	n/a
Group capitalization, end of period (mPLN)	402	690
Group capitalization, end of period (mUSD)	117	222

Source: Warsaw Stock Exchange data, Ovostar Union

Management and Staff

The Board of Directors structure

Ovostar Union N.V. Board of Directors includes four private individuals: Borys Bielikov (Chief Executive Officer), Vitalii Veresenko (Chairman of the Board), Marc van Campen (Head of the Audit Committee), Oleksander Bakumenko (Non-Executive Director). For more information on the Board of Directors, refer to section "The Board of Directors".

Structure of the Group

Information on Ovostar Union Group structure is shown in Note 1 to the Consolidated Financial Statements.

Personnel

The Group has decided to adopt an approach in which employee satisfaction plays central role.

As at 31 December 2011, the Group employed 1,309 people, including 106 at the head office and 22 temporary employees. Most of the employees are involved in production processes on the premises located in Kiev and Cherkassy regions. About 56% of employees are male and 44% are female. The Group provides equal employment opportunities and career perspectives for all employees, regardless of their gender, age, nationality or religious views.

In 2011, 125 employees of the Group (about 10%) have undergone a training or professional development. The Group strives to ensure a positive, productive and successful work environment which satisfaction is further confirmed by high employee retention rates (95% in 2010 and 96% in 2011).



Corporate Social Responsibility

Implementing a comprehensive plan of corporate social responsibility, the Group invests in three main components of success: society, people and products. The Group's mission is: "We work and improve in order to produce ecologically clean and healthy foodstuff for Ukrainian citizens".

The Group organizes and carries out its operations in a sustainable way, in order to mitigate the negative impact of its activities on the environment and protect natural resources for future generations.

Social initiatives

The Group takes an active social position investing in the future of Ukraine. For over 10 years, the Group has been making financial contributions and product donations to various pre-schools, schools, hospitals, churches and charity funds.

For example, in 2010 in order to support social initiatives and to promote the Yasensvit™ brand, the Group organized a number of mass charity events called "Omelet Days". These events were supported by the Ukrainian celebrities who cooked and gave away more than a thousand eggs in omelets of unique Yasensvit™ recipes. These events originated from the Group's charity initiative to install windows in the Kiev Center of Bone Marrow Transplantation. This charity has generated considerable public interest helping to promote the right cause as well as to increase public awareness of the egg industry.

Employee benefits

The Group invests eagerly in employee training and supports knowledge exchange initiatives. The Group's employees regularly visit production facilities in Ukraine and abroad to learn the best production practices and exchange ex-

perience with international fellow colleagues. The Group also has an established internship program for undergraduate students supporting young associates joining the team.

Each employee of the Group has the option to purchase subsidized vouchers and undergo a recreational program at a Ukrainian recreation center located in village of Khorly, Kherson Oblast.

The Group is open to its employees and the public. Since 2008 Ovostar Union has been publishing a monthly corporate newspaper "Ovosvit" which gives a brief review of the main news in the egg and egg products and related industry sectors, overview of the world market and the company business developments as well as plenty of information on progress and achievements of the company personnel.

Production efficiency initiatives

Sustainable practices are integrated into the Group's own operations. To further decrease the input costs of fodder and reduce the amounts of waste, in March 2011 the Group has launched the production of eggshell powder. In 2011 the Group produced 1,332 tons of eggshell powder which was used in the production of poultry feed as a source of calcium.

Environmental sustainability initiatives

The Group aims at minimizing the impact of its projects on the environment through implementing a number of sustainability initiatives.

During the reconstruction works, the Group aims to use energy efficient technologies for saving energy as well as reducing costs. More efficient design and modern equipment usage in the poultry houses for laying hens and young laying hens leads to reduction in power consumption by lighting,

ventilation and heating systems. To take one specific example, within current investment program the Group acquires and installs energy-saving lamps in laying hen houses with below average energy consumption as well as longer useful lives.

The Group also regularly replaces its outdated office appliances (such as printers and computer screens) with new ones that consume less energy.

The Group is considering various green sources of energy. Given the nature of the Group's operations, the most attractive at the moment is a system of poultry manure recycling. The system includes processing of manure into two products: biogas which is further processed into electrical power and dried manure which is used as a fertilizer.

ISO, HACCP and other certificates

The Group was one of the first egg producers in Ukraine and remains one of the few to implement the international food quality management system ISO and HACCP. The Group's products are also certified in accordance with Halal and Kosher standards, meeting the needs of customers with special demands.

Significant Factors and Events

Ovostar Union N.V. was incorporated on 22 March 2011 in Amsterdam, The Netherlands.

In June 2011 the Group completed an IPO transaction selling 25% of the share capital to the WSE. The Group's shares started trading on the market on 29 June 2011. The offer price for one share was established at PLN 62.00. Institutional and retail investors have been allotted 1,500,000 newly issued shares in total. Given the share issue price the IPO value amounted to PLN 93 mln and the company's capitalization totalled PLN 372 mln. The funds collected as a result of transaction were aimed to finance the Group's capital investment program.

Changes in shareholders structure

Please refer to the section "Share Capital structure" for detailed information on changes in the structure of the Group's shareholders.

New debt obligations

On 10 May 2011, one of the companies of the Group has signed two loan agreements with Credit Agricole bank for a total amount of EUR 1,544 thousand. The borrowed funds were used for purchase of laying hens equipment (EUR 1,055 ths) and egg pasteurization equipment (EUR 489 ths).

On 21 June 2011, one of the companies of the Group has signed two loan agreements with Credit Agricole bank for a total amount of EUR 411 thousand. The borrowed funds were used for egg breaking equipment purchase.



Key Elements of Strategy and 2012 Outlook

In 2011, the Group strictly adhered to its declared investment program. The key elements of the Group's development strategy are detailed in the following table.

The key elements of the Group's strategy

Further development of the "Yasensvit" national egg brand	<ul style="list-style-type: none"> • Develop the "Yasensvit" national brand and successfully launch new sub-brands • Concentrate marketing efforts on strengthening brand loyalty among emerging middle class consumers
Strengthening position as a leader in product quality with "Ovostar"™ egg products	<ul style="list-style-type: none"> • Always offer high quality products to strengthen position as a leader in a B2B market • Continue to secure long-terms contracts with the biggest local and multinational food companies in Ukraine
Further export markets development	<ul style="list-style-type: none"> • Expand export sales to Middle East, African and CIS countries as well as Muslim countries and Israel • Consider export markets as an opportunity to gain on favorable prices
Focus on vertical integration	<ul style="list-style-type: none"> • Maximize the production process efficiency • New initiatives to sustain profitability and competitive advantages
Further expansion of production capacities	<ul style="list-style-type: none"> • Reconstruction of existing laying hens houses and purchase of new cage equipment • Enhancement of infrastructure facilities

In the beginning of July 2011 the Group launched its declared investment program, following the IPO on Warsaw Stock Exchange in June. Current investment program envisages doubling of laying hens flock and production capacities of eggs

and egg products. The program was intended for 14 months and will be completed by end of August 2012. Hence, the full operating and financial effect of increasing the production capacities will be reached in 2013.

Declared investment program

Following the IPO the Group has used proceeds in-line with declared investment program. During the second half of 2011 the Group invested USD 11.5 million into property, plant

and equipment and further USD 2.0 million into biological assets (mainly laying hens). The remaining proceeds are used to reconstruct three additional laying hen houses, acquire

cage equipment and young laying hens as well as finance additional working capital. Status of activities related to declared investment program is outlined below.

Activity	Month	Status
Launch of laying hens house (309 ths hen places)	August 2011	Completed
Launch of laying hens house (281 ths hen places)	October 2011	Completed
Launch of young laying hens house (130 ths hen places)	December 2011	Completed
Launch of young laying hens house (130 ths hen places)	January 2012	Completed
Launch of enhanced egg processing plant (+0.8 mln eggs/day)	February 2012	Completed
Launch of laying hens house (309 ths hen places)	March 2012	Completed
Launch of young laying hens house (130 ths hen places)	March 2012	Completed
Launch of laying hens house (309 ths hen places)	May 2012	In progress
Launch of laying hens house (309 ths hen places)	July 2012	In progress
Launch of laying hens house (309 ths hen places)	August 2012	In progress

Within the declared investment program the Group has been acquiring new equipment of the world's leading manufacturers such as Salmet, Pelbo, Actini, Alfa Laval Parma to ensure sustainable production of high quality eggs and egg products.

In 2011 the Group's investment activity was complemented by the following business development activities:

- increase in eggs exports to 79 mln pcs (75% y-o-y increase);
- launch of sunflower processing plant specialized in production of sunflower meal used in feed (for own use) and cold-pressed sunflower oil (for external sale);
- launch of egg shell processing unit to produce egg shell powder used in feed as a source of calcium;
- launch of 3 sub-brands in the category of packaged eggs.

2012-2014 Operational Targets

The Group has planned expansion of production capacities as follows:

- In 2012 launch of four laying hens houses with total capacity of 1.2 mln hen places and two young hens houses within the declared investment program;
- in 2013 launch of two laying hens houses with total capacity of 600 ths laying hen places in the course of ongoing business development.

Further expansion program

Supported by favorable market conditions, the Group is considering accelerating declared expansion program by undertaking considerable production expansion ahead of the schedule which may be completed as early as in 2014.

The program will be implemented on the existing production sites Poultry Farm Ukraine and Stavyshe.

The management has set the following operational targets for 2012 and 2013, as well as operational targets for 2014 that are subject to financing of further expansion program:

Key strategic targets	2011	2012F	2013F	2014F
Laying hens flock (year end), mln hen places	2.7	3.9	4.5	5.7
Shell eggs production, mln	623	840	1,097	1,450
Egg products capacity, tons	5,500	10,500	10,500	13,000
Egg products production, tons	5,194	7,000	9,700	12,500

Source: Ovostar Union Prospectus, Company data

Total capital requirements of the further expansion program are estimated to be up to USD 50 million, including additional infrastructure related investments necessary to support the envisaged production

expansion alongside the value chain. The Group is considering financing by the mean of cash flows from operations, bank loans as well as a new share issue.

Risk factors

The Group faces a number of risks that are common for the industry and commercial environment where it operates. The Group has developed risk management strategy and undertakes a set of activities to timely identify, appropriately address and monitor as well as minimize to the extent possible the risks that are considered to be significant.

Biological risks

The Group's productivity and financial results are directly dependent on the health of the flock and the degree of veterinary control on the Group's premises. Outbreaks of poultry diseases can severely limit the Group's ability to perform its normal operations. Therefore, key part of the Group's risk management strategy is strict adherence to biosecurity standards in line with the best international practices.

Unfavorable weather conditions

Extreme weather conditions may lead to a significant decrease of laying hens productivity, which could negatively affect operating performance, financial position and results of the Group. The Group's production facilities are equipped with a comprehensive climate-control system which minimizes the risks of negative effects from extreme temperatures, but does not remove them completely.

Market risks

A significant proportion of production costs for poultry feed falls on grain, either wheat or corn, and sunflower meal. The management strives in keeping its costs low also through purchasing grains in large batches, creating grain reserves, performing purchases during the harvest season, when supply exceeds demand and prices are the lowest. In 2011 the Group has launched sunflower seed processing facility to decrease its dependency on third-party supplies of sunflower meal.

In line with Ukrainian legislation, the state may establish a price ceiling for eggs since they fall under the category of social products. In case of a significant increase in prices for eggs and / or egg products in the world

market Ukrainian state authorities may impose quotas on the export of these products.

The Group is subject to the risk of failure to raise prices for eggs and egg products fast enough and to the extent required to neutralize possible increase in the price of feed ingredients which are prime ingredients of egg and egg products costs. So far, the Group has been successful in realizing price growth for its products at a rate higher than market average price growth due to efficient use of distribution channel mix as well as by offering products with added value that allow charging extra margins.

The prices for eggs are also subject to seasonality which in turn may lead to fluctuations of the Group's operating margins. Seasonality patterns differ depending on the distribution channel but generally summer is a low season. Export markets remain an alternative that allows the Group mitigating the effect of decreasing egg prices on local market during low season. The prices for egg products are relatively unaffected by seasonality as egg products are traded to B2B clients that provide steady demand.

Economic risks

Current Ukrainian legislation provides state support to agricultural producers, mainly in the form of special tax treatment and partial reimbursement of interest paid on loans.

Cancellation or changes in conditions of the state support for agricultural enterprises as well as changes in other Ukrainian laws regulating taxes may have an adverse impact on the Group's financial performance and financial position.

Country risks

Ukraine is an emerging market and hence is subject to greater risks compared to developed economies. A number of economic, political and judicial reforms have been implemented since Ukraine obtained independence in 1991. Nevertheless, a number of transformations are still required in order to provide economic and political stability, comprehensive legal and regulatory infrastructure and supremacy of law.

Legal risks

Ukrainian legal system compared to more mature systems, is characterized by significantly less stability, due to the constant change of large number of rules governing all social relations and civil, economic as well as public aspects. Therefore, it is subject to greater risks and uncertainties.

Credit risk

The Group's exposure to credit risk is mainly attributed to trade receivables management. The Group's policy for credit risk management assumes systematic cooperation with its 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 Group has longstanding relationships with majority of its clients. There were no significant losses during 2010, 2009 and 2008 resulting from non-fulfilment of obligations by clients. The Group makes efforts to gradually decrease the bargaining power of customers and decrease the share of 5 major debtors in total accounts receivable (25% in 2011 vs. 33% in 2010).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable the Group to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy interest coverage and net debt to EBITDA ratio. The Group's 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.

Independent Auditors

In 2011, Group entered into the agreement for auditing services with Baker Tilly Berk N.V., with its registered office: Entrada 303, Amsterdam, The Netherlands.

Baker Tilly Berk N.V. is responsible for auditing the consolidated financial statements of Ovostar Union N.V. as well as stand-alone financial statements of Ovostar Union N.V. and issuing an audit opinion. The total cost of the audit services of the Ukrainian entities and the Dutch holding entity for financial year 2011 amounted to USD 88 ths including VAT.





CORPORATE GOVERNANCE REPORT

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General information

Ovostar Union N.V. is a public limited liability company (naamloze vennootschap), incorporated under the law of The Netherlands. The company is registered in The Netherlands with a business address on Koning slaan 17, 1075 AA, Amsterdam. The Group was incorporated on 22 March 2011. The Articles of Association of Ovostar Union N.V. have been last

amended on 27 May 2011. The company is registered under number 52331008 in the commercial register of the Chamber of Commerce in Amsterdam.

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



The Board of Directors

Management structure

The Group is managed by the Board of Directors (hereinafter, the Board), which means, among other things, that the Board is responsible for achieving the established objectives, following the company strategy and minimizing the risks related thereto as well as obtaining the operational and financial results and complying with the corporate social responsibility standards.

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

Rules of the Board of Directors were adopted in accordance with Chapter VI of the Group Articles of Association, Best Practice Provision of Dutch Corporate Governance Code (sections II and III), as well as Best Practice Provisions #28 and #40 of the Warsaw Stock Exchange Corporate Governance Rules.

Each member of the Board is entitled to one vote taking resolutions during the Board meeting. All resolutions of the Board are taken by

an absolute majority of votes. In the case of an absence of absolute majority (even score achieved during the voting), the Chairman of the Board of Directors has a casting vote.

Representation

Members of the Board represent the Group and have 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. The Group's Executive Director is Mr. Bielikov.

In case of a conflict of interest between the Group and one of the directors, the Group is represented by any other member of the Board, preferably an Executive Director. In case all members of the Board are in conflict with the interests of the Group, the decisions shall be made by the General Meeting of Shareholders.

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

Share ownership in the Group is not required to qualify as a member of the Board.

The Directors

The Board of Ovostar Union N.V. includes four individuals:

Name	Age	Position	Business address
Mr. Borys Bielikov	42	Chief Executive Officer / Executive Director	Petropavlovskaya str., 34, 04086 Kiev, Ukraine
Mr. Vitalii Veresenko	43	Chairman of the Board / Non-Executive Director	Petropavlovskaya str., 34, 04086 Kiev, Ukraine
Mr. Oleksander Bakumenko	52	Non-Executive Director	Pimonenko str., 13, K6A, office 23, Kiev, Ukraine
Mr. Marc van Campen	66	Chairman of the Audit Committee / Non-Executive Director	Koningslaan 17, 1075AA Amsterdam, The Netherlands



Borys Bielikov (1969)

Executive Director, CEO.

Mr. Bielikov has been working in the Group enterprises since 1999 (13 years). Prior to becoming the Group's CEO, Mr. Bielikov has started his career in UkrOptServis LLC in 1993. From 1997 to 1998 he occupied the position of deputy director at UkrAgroTrade LLC. From 2007 to date, he has been the Chairman of Ovostar Union LLC. Since 2010, Mr. Bielikov also is the Chairman of Yasensvit LLC.

Mr. Bielikov graduated from the National Aviation University in 1994.



Vitalii Veresenko (1968)

Chairman of the Board/
Non-Executive Director

Mr. Veresenko has been working in the Group's enterprises since 1998 (14 years). Prior to becoming the Chairman of the Board, Mr. Veresenko occupied position of director at Dyvosvit LLC. From 1999 to 2001 he was Director General of CJSC Malynove, and in 2001 he became Chairman of the Supervisory Board at CJSC Malynove.

Mr. Veresenko graduated from Kiev Air Defence Radio Technical Engineers College in 1990.



Oleksander Bakumenko (1959)

Non-Executive Director

Mr. Bakumenko currently holds the position of the Chairman of the Board of Directors at the Ukrainian Poultry Farmers Association. Prior to becoming the non-executive director of the Group, Mr. Bakumenko had worked as a brigadier in the EF Progress since 1983, and since 1985 as a senior animal technician at the Kharkov Association of Meat Industry. Since 1987, he had worked as the State Department Controller at the Regional Inspectorate for the Harvest and Quality of Agricultural Production in Kharkiv Regional Agro-Industrial Committee. From 1988 to 1995 he had worked as the senior animal technician, and then the Deputy Director of Kharkiv Regional Association of Poultry Farmers Kharkovptitseprom.

Mr. Bakumenko worked as Director of Zodiac Ltd. (1995-1996), General Director of LLC Barvinok (1996-1998), first deputy Chairman of the Board at Agropromsoyuz-98 (1998-1999), vice-president of the Regional Cultural Centre (1999-2001), and from 2001 to 2004 he was General Director of the Kharkiv Regional Association of Poultry Farmers Kharkovptitseprom.

Mr. Bakumenko graduated from Kharkov veterinary institute in 1983.



Marc van Campen (1944)

Non-Executive Director

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

Mr. Van Campen graduated from Nijmegen University in 1968.

Shareholding by Directors and insider trading

The Group has established Securities Rules, followed by the Board members at the acquisition of securities share and transactions with them. Regarding the acquisition of shares and equity participation by the Directors and other persons related to the Group, they follow the conditions and requirements of the EU Market Abuse Directive and Group's Insider Trading Rules, which reflect the essence of the directive.

Both documents, Securities Rules and Insider Trading Rules are available on the Group's website: <http://ovostar.ua/en/ipo/rules/>

Chairman of the Board and Corporate Secretary

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

Statement of the Board of Directors

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

Board of Directors meetings

In 2011 the Board of Directors held two meetings. The first meeting was convened on 23 August 2011 in Amsterdam, The Netherlands. During the meeting semi-annual financial statements of the Group have been approved as well as responsibilities of the non-executive directors have been confirmed.

The second meeting was held on 30 November 2011 in Kiev, Ukraine. During the meeting financial statements for the nine months of 2011 have been approved and Baker Tilly Berk N.V. has been appointed as the Group's auditor for 2011 annual consolidated accounts.

Audit committee meetings

In 2011 the Audit Committee of Ovostar Union N.V. held two meetings. The first meeting was held on 23 August 2011. Agenda of the meeting included discussion on appointment of the auditor as well as the possible candidates.

The second meeting of the Audit Committee was held on 29 November 2011. During the meeting Committee members together with the appointed auditors visited the Group's production facilities and discussed the details for the audit plan for 2011. Background information has been exchanged about the company and its market activities, possible risks and risk management as well as the future plans.

Meetings of Shareholders, Board of Directors and Committees in 2011

Meetings of Shareholders ("General Meeting")

The Company, as a Dutch company, must hold at least one annual General Meeting, to be held in the Netherlands and not later than six (6) months after the end of the financial year. The annual General Meeting is, among other things, entitled to discuss the annual report of the Board of Directors with respect to the general state of affairs of 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 directly or indirectly accessible until the meeting and also in accordance with applicable regulations in Poland, at least forty two (42) days before the day of the meeting. The Board of Directors determines the items on the agenda for the General Meeting. Furthermore, the agenda shall contain such items as requested in writing by one or more persons entitled to attend the general meeting, representing solely or jointly at least 1% of the issued capital or holding shares of the Company which according to the official price list of the regulated market represent a value of at least EUR 50,000,000 at least sixty days before the date of the meeting.

The meeting shall not adopt resolutions on matters other than those that have been placed on the agenda. An extraordinary General Meeting may be convened as often as the Board of Directors or shareholders together representing at least 10% of the issued capital deem necessary. Under Dutch law, valid shareholders' resolutions can be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such meeting.

Voting at General Meeting

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

mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting. Such record date is fixed at the twenty eighth (28th) day before said General Meeting. The voting rights and the right to attend the General Meeting shall accrue to those holding such entitlements and are registered as such in a register designated for that purpose by the Board of Directors on this record date. The convocation to the General Meeting shall state the record date, the place where and the manner in which registration shall take place. The Chairman of the General Meeting shall further decide whether persons other than those who are entitled to admittance pursuant to the aforementioned shall be admitted to the Meeting.

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

The Group did not conduct the General Meeting of shareholders in 2011.

Amendment of 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 company of the company, or in respect of the issuance of shares to any person who exercises a previously existing right to subscribe for shares. Preemptive 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 27 May 2011, pursuant to a shareholders resolution, the Board of Directors has been authorized to issue such number of new shares in the capital of the Company of up to the maximum authorized capital of the Company, with the power to limit or exclude pre-emptive rights of the Company's existing shareholders.

Corporate governance and control

Dutch Corporate Governance Code

The Dutch Corporate Governance 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, in accordance with Dutch law, to publish an annual report, regardless of whether they comply with the Code fully, partially, or do not comply at all.

If the Group 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" for more information on the Group's compliance with the Code.

Warsaw Stock Exchange Requirements for Corporate Governance

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

Deviations from the Dutch Corporate Governance Code

The Group is a holding company incorporated under the law of The Netherlands. For this reason the Group complies not only with the WSE Corporate Governance Rules but also with the applicable best practice pro-

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

Since the General Meeting of Shareholders will be held after the Group's shares have been placed on the stock exchange, all the documents regarding the Group's corporate governance have not been approved by the General Meeting yet, but will be submitted for voting as a separate agenda item on the 2012 General meeting.

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

Best Practice Provision III: Supervisory Board

Since the Group has a one-level governance structure and functions of the Supervisory Board are distributed among the non-executive directors of the Group.

Best Practice Provision III.5: composition and responsibilities of the Supervisory Board and three key committees

Since the Group has a one-level governance structure and three non-executive directors, the Group is not obliged to have separate committees for audit, remuneration and appointment. Currently, the Group has established an Audit Committee. The remuneration committee and appointment committee have not been installed. The decision on whether to install a remuneration committee and an appointment committee is to be made by the end of 2012.

Best Practice Provision III.8.1

According to this provision, the chairman of the Board of Directors may not also be or have been an executive director. The Group however believes that it is in the best interest of the Group to maintain Mr. Veresenko as Chairman of the Board of Directors due to his extensive knowledge of the Group's business.

Best Practice Provision III.8.4: one-level governance structure

Under this requirement, most of the Board of Directors members shall be independent non-executive directors. The Group partially complies with this requirement as three out of four its directors are non-executive, but only two are independent. The Board of Directors has decided that currently the expansion of its composition would be inappropriate, as it may directly affect the efficiency and speed of decision making by the Board of Directors.

Currently the Group has no anti-takeover measures in place, as referred to in Best Practice Provision IV.3.11

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

I.5 Remuneration policy

Currently the Group has no prescribed remuneration policy and rules governing this process. The Group plans to put the issue of adopting the remuneration policy and rules governing it for consideration on the General Meeting of Shareholders in 2012.

The Group's application of the Codes

The Group intends to comply with the requirements of Dutch Corporate Governance Code and WSE Corporate Governance Rules (hereinafter, "the Codes") to the maximum extent. Due to the recent IPO, the Group was unable to hold a General Meeting of Shareholders in 2011. In 2012, the corporate governance documents recommended for compliance with the Codes will be included for consideration as a separate agenda item on the General Meeting of Shareholders.

The above mentioned corporate governance documents include:

- Terms of Reference of the Board of Directors
- Profile of the Board of Directors
- Terms of Reference of the Audit Committee
- Securities rules for the Board of Directors
- Code of Conduct
- Whistleblower Rules
- Insider Trading Rules

The corporate governance documents are available on the Group's website:

<http://ovostar.ua/en/ipo/rules/>

Confirmations required by the Codes

The Board of Directors confirms that during 2011 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 and II.3.3 of the Dutch Corporate Governance Code and the documents referred to in the preceding section of this Report.

In accordance with the requirements of II.3.2 and II.3.3, the Board would have informed all the members of the Board of Directors about a significant conflict of interest between the Group and one of the Directors. Any discussion or decision with respect to the conflict, including the decision on the actual conflict of interest presence, would be taken in the absence of the director involved into the conflict. The same procedure according to Best Practice Provisions III.6.1 to III.6.3 is applicable to the non-executive directors.

The Board of Directors confirms that during 2011 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, defining a solution that satisfies both parties, with prior approval of the decision by the non-executive directors.

Internal control system

The Group implements internal risk management and risk control systems in order to minimize the Group's operating and financial risks and to restrict the impact of unexpected events on operational and financial results as far as possible. The Board of Directors is responsible for establishing, controlling and enhancing the Group's internal control system. The Group considers risk management to be a continuous process whereby the embedding policy in control systems and procedures at each level within the organizations is essential. The Group operates with manuals on how to undertake financial reporting as well as instructions and procedures that are binding for staff regarding the implementation of operational and financial activities. The Group's management believes that, thanks to the measures taken, the system internal control

will be furthermore proper and effective. It should be further noted, however, that the internal control system cannot provide absolute assurance against material misstatements, fraud, and violations of laws and regulations. Nevertheless, because of their inherent limitations, the control systems described below, may not prevent or detect all misstatements, inaccuracies, errors, fraud, or non-compliance with law and regulations.

Key elements in the internal control system are budgeting, investment management, operational management and financial reporting, which monitor the progress and the actual results of the company's operating activities. The Group also uses a staff evaluation and appraisal system. The process of enhancement of the internal control system will be continued in 2012.

Deficiencies of the system

During the year 2011, the Group did not identify any material issues that can be considered as weakness of the internal control system and may adversely impact the Group's operational and financial results and financial position.

Members of the Audit Committee are Mr. van Campen (Head of the Committee) and Mr. Bakumenko. Document describing Terms of Reference Governing the Audit Committee can be seen on the Group's website: <http://ovostar.ua/en/ipo/rules/>



Report of the Non-executive Directors

Mr. Veresenko, Mr. Bakumenko and Mr. van Campen are the Group's non-executive directors. Duties of the non-executive directors include supervision of the executive management's adherence to the established corporate strategy, proper compliance the Group with best practices of corporate governance and general issues of the Group's operations.

Mr. van Campen and Mr. Bakumenko are independent non-executive directors, while Mr. Veresenko is not an independent non-executive director (in the meaning of III.2.2

Dutch Corporate Governance Code). Mr. van Campen (Chairman of the Committee) and Mr. Bakumenko are also the members of the Audit Committee.

Performing their duties, the non-executive directors have participated in the meetings of the Board of Directors, listed in the section "Meetings of Shareholders", the Board of Directors and Committees in 2011.

In 2011, there were no cases of non-compliance with rules and requirements that would have required the intervention of the non-executive directors.



Committees of the Board of Directors

The Board of Directors has installed an Audit Committee in order to meet the necessary corporate governance requirements and to ensure financial transparency of the Group.

Audit Committee

The Audit Committee is responsible for advising and monitoring the activities of the Board of Directors in the areas of, among other things, the completeness of financial reporting, the Group's financial strategy, tax planning, including: (i) functioning of control and internal risk management systems, (ii) provision of financial information by the Group (including choice of the accounting policy, application of new rules and evaluation of their impact on the Group's performance, interaction with internal and external auditors, etc.); (iii) monitoring the compliance of the Group's activities with the recommendations of internal and ex-

ternal auditors; (iv) the Group's tax planning policy; (v) interaction with external auditors, including control of the auditor's independence, their remuneration and provision of any services outside the scope of the audit; (vi) sources of the Group's funding; (vii) preparation of the Director's report based on the annual financial statements and all applicable requirements of the Dutch and WSE Corporate Governance Codes and review of the annual budget and capital investments of the Group.

At least one of the committee members must be a financial expert as defined in the Dutch Corporate Governance Code, and all committee members must be financially literate. The Audit Committee of the Group satisfies these requirements.

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



Statements of the Board of Directors

Statement of the Board of Directors regarding the compliance of the annual financial statement

With this statement the Board of Directors of Ovostar Union N.V. confirms that, as far as their knowledge, the financial statements of the Group and its subsidiaries for the year ended 31 December 2011 have been prepared in accordance with all applicable accounting standards, and that they truly and fairly reflect the data on the assets, liabilities, financial position and results of the Group and its subsidiaries, as well as that the report of the Board of Directors for the year ended 31 December 2011 truly and fairly reflects the position of the Group and its subsidiaries as of 31 December 2011 and includes a description of the key events and results and the key risks faced by the Group and its subsidiaries during the year 2011.

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

With this statement the Board of Directors of Ovostar Union N.V. confirms that Baker Tilly Berk N.V., acting as the independent auditor of the Group's consolidated financial

statements for the year ended December 31, 2011, was appointed in accordance with the legal requirements and that the auditing company and the person conducting the audit meet all the requirements for issuing an objective and independent auditor's opinion in accordance with all legal requirements.

Statement of the Board of Directors on the internal control system

The Board of Directors assessed the effectiveness of the system of internal controls for financial reporting in the end of 2011. 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. On the basis of the results of the assessment the Board has 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.

The Board of Directors of Ovostar Union N.V.

13 April 2012

Amsterdam, The Netherlands



Borys Bielikov
Executive Director, CEO.



Vitalii Veresenko
Chairman of the Board/
Non-Executive Director



Oleksander Bakumenko
Non-Executive Director



Marc van Campen
Non-Executive Director





GROUP INFORMATION

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011 (in USD thousand, unless otherwise stated)

	Note	For the year ended 31 December 2011	For the year ended 31 December 2010
Revenue	7	50 626	37 033
Net change in fair value of biological assets		6 935	1 137
Cost of sales	8	(34 156)	(28 133)
Gross profit		23 405	10 037
Other operating income	11	3 661	5 612
Selling and distribution costs	9	(2 952)	(3 184)
Administrative expenses	10	(1 918)	(1 850)
Other operating expenses	12	(1 418)	(1 091)
Operating profit		20 778	9 524
Finance costs	13	(1 794)	(896)
Finance income	14	1 115	642
Profit before tax		20 099	9 270
Income tax expense	15	33	(107)
Profit for the year		20 132	9 163
Other comprehensive income			
Exchange differences on translation of foreign operations		(78)	(159)
Other comprehensive income for the year, net of tax		(78)	(159)
Total comprehensive income for the year, net of tax		20 054	9 004
Profit for the year attributable to:			
Equity holders of the parent company		19 811	9 731
Non-controlling interests		321	(568)
		20 132	9 163
Other comprehensive income attributable to:			
Equity holders of the parent company		(69)	(151)
Non-controlling interests		(9)	(8)
		(78)	(159)
Total comprehensive income attributable to:			
Equity holders of the parent company		19 742	9 580
Non-controlling interests		312	(576)
		20 054	9 004
Earnings per share:			
Average weighted number of shares, items		6 000 000	6 000 000
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (USD per share)		3.30	1.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011 (in USD thousand, unless otherwise stated)

	Note	As at 31 December 2011	As at 31 December 2010
Assets			
Non-current assets			
Non-current biological assets	16	20 517	6 121
Property, plant and equipment and intangible assets	17	23 976	11 631
Other non-current assets	18	1 324	1 149
Deferred tax assets	15	92	29
Total non-current assets		45 909	18 930
Current assets			
Inventories	20	10 645	8 990
Current biological assets	16	1 921	5 026
Trade and other receivables	21	10 688	7 174
Prepayments to suppliers		587	326
Cash and cash equivalents	23	21 541	358
Total current assets		45 382	21 874
Total assets		91 291	40 804
Equity and liabilities			
Equity			
Issued capital	24	78	63
Share premium	24	30 933	-
Foreign currency translation reserve		(63)	-
Retained earnings		29 013	19 278
Result for the year		19 811	9 731
Equity attributable to equity holders of the parent		79 772	29 072
Non-controlling interests		2 661	2 353
Total equity		82 433	31 425
Non-current liabilities			
Interest-bearing loans and other non-current financial liabilities	19	2 569	1 174
Deferred tax liability	15	35	5
Total non-current liabilities		2 604	1 179
Current liabilities			
Trade and other payables	25	4 939	3 361
Advances received		154	524
Interest-bearing loans and borrowings	19	1 161	4 315
Total current liabilities		6 254	8 200
Total liabilities		8 858	9 379
Total equity and liabilities		91 291	40 804

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011 (in USD thousand, unless otherwise stated)

	Attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the year	Total		
As at 31 December 2009	63	-	151	26 866	-	27 080	2 929	30 009
Profit for the period	-	-	-	-	9 731	9 731	(568)	9 163
Other comprehensive income	-	-	(151)	-	-	(151)	(8)	(159)
Total comprehensive income	-	-	(151)	-	9 731	9 580	(576)	9 004
Effect from corporate reorganization (Note 2)	-	-	-	(4 282)	-	(4 282)	-	(4 282)
Loss from restructuring (Note 24)	-	-	-	(3 306)	-	(3 306)	-	(3 306)
As at 31 December 2010	63	-	-	19 278	9 731	29 072	2 353	31 425
Profit for the period	-	-	-	-	19 811	19 811	321	20 132
Other comprehensive income	-	-	(69)	-	-	(69)	(9)	(78)
Total comprehensive income	-	-	(69)	-	19 811	19 742	312	20 054
Changes in non-controlling interests (Note 1)	-	-	-	4	-	4	(4)	-
Allocation of result prior year	-	-	-	9 731	(9 731)	-	-	-
Issue of share capital (Note 24)	21	33 048	-	-	-	33 069	-	33 069
Costs allocated to issue of share capital	-	(2 115)	-	-	-	(2 115)	-	(2 115)
Exchange differences	(6)	-	6	-	-	-	-	-
As at 31 December 2011	78	30 933	(63)	29 013	19 811	79 772	2 661	82 433

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011 (in USD thousand, unless otherwise stated)

	For the year ended 31 December 2011	For the year ended 31 December 2010
Operating activities		
<i>Profit before tax</i>	20 099	9 270
<i>Non-cash adjustment to reconcile profit before tax to net cash flows</i>		
Depreciation of property, plant and equipment and amortisation of intangible assets	1 489	2 056
Net change in fair value of biological assets	(6 935)	(1 137)
Loss(gain) on disposal of property, plant and equipment	18	(218)
Finance income	(1 115)	(642)
Finance costs	1 794	896
Shortages and losses from damage of valuables	-	58
Impairment of doubtful accounts receivable and prepayments to suppliers	269	183
Impairment of inventories	18	337
Working capital adjustments:		
Increase in trade and other receivables	(3 155)	(2 404)
(Increase)/Decrease in prepayments to suppliers	(502)	242
Increase in inventories	(1 673)	(3 582)
(Decrease)/Increase in trade and other payables and advances received	(13)	309
	10 294	5 368
Income tax paid	(22)	(78)
Net cash flows from operating activities	10 272	5 290
Investing activities		
Proceeds from sale of property, plant and equipment	27	1 363
Purchase of property, plant and equipment	(13 912)	(2 231)
Increase in biological assets	(4 426)	(2 592)
Decrease in bank deposits	-	1 370
Interest received	213	73
Purchase of intangible assets	-	(66)
Proceeds from repayment of loan to Beneficial Owner	341	393
Purchase of "Ovostar Union" LLC (Note 2)	(38)	-
Outflow from current loans issued	-	(146)
Net cash flows used in investing activities	(17 795)	(1 836)
Financing activities		
Proceeds from borrowings	13 343	8 474
Repayment of borrowings	(14 904)	(11 073)
Interest paid	(573)	(948)
Increase in share premium	30 933	-
Increase in share capital	21	-
Net cash flows from/(used in) financing activities	28 820	(3 547)
Net increase/(decrease) in cash and cash equivalents	21 297	(93)
<i>Effect from translation into presentation currency</i>	(114)	(126)
Cash and cash equivalents at 1 January	358	577
Cash and cash equivalents at 31 December	21 541	358

1. Corporate information

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

The Group operates through a number of subsidiary in Ukraine (the list of the subsidiary is disclosed below) and has a concentration of its business in Ukraine, where its production facilities are located. All subsidiary companies are registered under the laws of Ukraine. The registered office and principal place of business of the subsidiary company in Ukraine is 34 Petropavlivska Street, 34, Kyiv, Ukraine.

Total number of employees of all companies of the Group constituted 1 309 employees as at 31 December 2011, and 1 389 employees as at 31 December 2010.

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 2011 were authorized by the Board of Directors on 11 April 2012.

As at 31 December 2011 and 2010 the Group included the following subsidiaries:

Name of the company	Business activities	Ownership	
		As at 31 December 2011	As at 31 December 2010
Limited Liability Company "Ovostar Union"	Strategic management subsidiary companies in Ukraine	100%	-
Limited Liability Company "Ovostar" (a)	Egg-derivatives production and distribution	100%	98%
Open Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding	92%	92%
Open Joint Stock Company "Krushynskyy Poultry Complex"	Trading company	76%	76%
Closed Joint Stock Company "Malynove"	Production of shell eggs, assets holding	94%	94%
Limited Liability Company "Yasensvit"	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, animal feed production	98%	98%
Limited Liability Company "Skybynsky Fodder Plant"	In the process of liquidation	99%	99%

Changes in non-controlling interest

During the year ended 31 December 2011 Ovostar Union LLC increased effective ownership in Ovostar LLC from 98% to 100% by means of increasing the share capital of Ovostar

LLC. All shares of the newly issued share capital were allotted to Ovostar Union LLC. The carrying amount of Ovostar LLC's net assets in the Group's financial statements before

the share capital increase was USD 190 thousand. The Group recognised a decrease in non-controlling interest of USD 4 thousand and an increase in retained earnings of USD 4 thousand.

2. Basis of preparation

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

The financial statements are prepared on a going-concern basis, under which assets are sold and li-

abilities 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.

Restructuring of the Group

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

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

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

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

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

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

3. Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Group and its subsidiary as at 31 December 2011.

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

trol effectively commences.

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

Non-controlling interests represent the interest in subsidiary not held by the Group. Non-controlling interests at the reporting date represent the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition

date and the minorities' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity.

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

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

4. Use of estimates and assumptions

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

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

Impairment of property, plant and equipment

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

The management regarded the global economic crisis as an indicator of impairment of non-current tangible assets. As at 31 December 2010 estimated recoverable amount of the Group's property, plant and equipment was calculated.

The Company used a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method as defined in IAS 36) and, thus, assessed the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.

Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, safety of

livestock, volume of meat production, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

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

Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

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

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

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

the excess of carrying amount of the Group over its recoverable amount.

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

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 reporting period;
- changes in production costs, costs of processing and sale of products, 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 the following:

- cost planning at each stage of chicken farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- discount rate for determining the present value of future cash

flows expected from the biological assets was set at 24.36% (2010: 27.44%).

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

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

Allowances for doubtful debts

The Group forms allowances for doubtful debts to cover any potential losses arising in case of buyer's in-

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

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.

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

Recognition and measurement of financial instruments

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

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

Fair value of investments that are actively traded in organized financial markets is calculated on the basis of current market value at the close

of trading on the reporting date. Regarding investments in securities for which there is no active market, fair value is calculated using other methods of valuation of financial instruments. Such valuation methods include the use of information on recent market transactions between well informed, willing to commit such transaction, independent parties, or data about the current market value of another similar instrument, discounted cash flow analysis or other pricing models.

Accounting policy for subsequent revaluation of these items is disclosed below in the appropriate sections of accounting policy.

Financial assets

Investments recognized in the accounting records and derecognized at the time of transaction, in case if

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

Effective interest rate method

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

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

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is 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 state-

ment of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset. Fair value is determined in the manner set out in Note 29.

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

Loans and receivables - accounts receivable regarding principal activities, loans, borrowings and other receivables with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest rate method less impairment and uncollectible debts. Interest income is recognized by applying the effective interest rate, except for short-term receivables for which the amount of such interest income is insignificant.

Unquoted investments available for sale are accounted for at cost if their fair value cannot be reliably measured.

Cash and cash equivalents

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

Short-term deposits

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

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.

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 li-

ability 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.

Financial liabilities and equity instruments issued by the Group

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.

Equity instruments

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

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or as other financial liabilities.

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

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

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

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

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial liability is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists 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 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.

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.

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.

Writing-off of financial liabilities

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

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.

	As at 31 December 2011	As at 31 December 2010
USD/UAH	7.990	7.962
EUR/UAH	10.298	10.573
PLN/USD	3.422	2.987
EUR/USD	0.772	0.755

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 are 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.

Inventories

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

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes, net

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

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

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

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

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

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

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

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

Impairment of property, plant and equipment

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

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

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

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its car-

rying 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.

Intangible assets

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method,

as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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

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

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

Borrowing costs

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

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.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease

at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income. Operating lease payments are recognized as an expense in the income statement evenly over the lease term.

Group as a lessor

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

Contingent assets and liabilities

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

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

Provisions

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

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows

that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

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

Revenue recognition

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

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

Income and expenses relating to the same transaction or event are recognized simultaneously.

Interest income is recognized using the effective interest rate method.

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 recog-

nized 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.

Value Added Tax

In the years ended 31 December 2011 and 2010, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

Starting from 1 January 2014 VAT rate at 20% will be changed by the new Tax Code of Ukraine (Note 27) and it was established at the level of 17%. This change has no effect on these consolidated financial statements.

Government grants

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

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

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

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.

Related party transactions

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

6. Standards issued but not yet effective

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

IFRS 7 Financial Instruments: Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 July 2011. It required additional disclosure of quantitative and representative information regarding transactions of financial assets transferring. The revised requirements in respect of information disclosure became heavier than earlier one adopted. The Group does not expect any impact on its financial position or performance.

IAS 12 Income Taxes (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2012. IAS12 introduces a rebuttable assumption that the deferred tax on an investment property being revaluated at fair value should be recognized on the basis of assumptions about the consideration of the carrying value of the investment property by selling it. This assumption can be rebutted if the company business model provides that the investment property will be used in the business. In this case, the tax should be recognized on the basis of assumptions about the consideration of the carrying value of investment property through its use.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project was expected in early 2011.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

This amended standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces that part of IAS 27 in which accounting in the consolidated financial statements were investigated. IFRS 10 does not change the procedures for consolidation (i.e. how to consolidate the company). IFRS 10 changes the definition of control, based on which the decision on consolidation is made.

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates

This standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and the Interpretation SIC-13 "Jointly Controlled Entities - Non-monetary contributions of participants." Under IFRS 11 joint control is defined as resulting from a joint contract monitoring, which takes place only in cases where decisions on significant activities require the unanimous consent of the parties engaged in joint control.

IFRS 12 Disclosure of Interests in Other Entities

This standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 is applied to companies with interests in subsidiary, joint operating agreements, associates and/or structured companies.

New disclosure requirements are designed to help users of financial statements in understanding of:

- Effects of company's shares participation in other companies on the company's financial position, results of operations and cash flows.
- Character of company's shares participation in other companies and the risks associated with them.

IFRS 13 Fair Value Measurement

This standard is effective for annual periods beginning on or after 1 January 2013. According to IFRS 13 fair value is defined as "the price that would be received to sell an asset or is paid to transfer a liability in an orderly transaction between market participants at the measurement date" (exit price).

IAS 19 Employee Benefits (revised)

This amendment is effective for annual periods beginning on or after 1 January 2013. The new version of the standard includes a wide range of amendments that range from changes in the fundamental principles to simple clarifications and changes to the wording.

The Group, however, expects no impact from the adoption of the amendments or standards on its financial position or performance.

7. Segment information

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

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Sales between

segments are mainly carried out at market prices. Segment result represents operating profit before tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments.

All liabilities are allocated to reportable segments.

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

	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	50 122	13 981	1 406	65 509
Inter-segment revenue	(14 612)	(271)	-	(14 883)
Revenue from external buyers	35 510	13 710	1 406	50 626
Profit before tax	16 940	3 124	35	20 099

Other information:

	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	73 422	17 393	476	91 291
Total segment liabilities	5 520	3 338	-	8 858
Addition to property, plant and equipment and intangible assets	11 354	2 424	134	13 912
Net change in fair value of biological assets and agricultural produce	6 935	-	-	6 935
Depreciation and amortization charge for the year	1 168	289	32	1 489
Interest income	248	2	-	250
Interest on debts and borrowings	330	95	-	425
Income tax expense	(20)	(13)	-	(33)

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the year ended 31 December 2010:

	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	81 080	10 236	-	91 316
Inter-segment revenue*	(54 080)	(203)	-	(54 283)
Revenue from external buyers	27 000	10 033	-	37 033
Profit before tax	6 299	2 971	-	9 270

*due to less efficient division of responsibilities between the companies of the Group in 2010 compared to 2011, intercompany sales for 2010 included multiple intragroup transfers of eggs, poultry fodder, flock etc. which increased inter-company revenue

Other information:

	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	34 515	5 936	353	40 804
Total segment liabilities	3 561	5 818	-	9 379
Addition to property, plant and equipment and intangible assets	1 891	54	353	2 298
Net change in fair value of biological assets and agricultural produce	843	294	-	1 137
Depreciation and amortization	1 303	753	-	2 056
Interest income	26	47	-	73
Interest on debts and borrowings	876	-	-	876
Income tax expense	71	36	-	107

8. Cost of sales

	For the year ended 31 December 2011	For the year ended 31 December 2010
Costs of inventories recognised as an expense	(22 556)	(15 064)
Packaging costs	(3 101)	(2 581)
Wages, salaries and social security costs of production personnel	(5 017)	(5 334)
Amortisation, depreciation and impairment	(1 338)	(1 622)
Other expenses	(2 144)	(3 532)
Total cost of sales	(34 156)	(28 133)

9. Selling and distribution costs

	For the year ended 31 December 2011	For the year ended 31 December 2010
Transportation expenses	(1 024)	(683)
Cost of materials	(667)	(999)
Marketing and advertising expenses	(593)	(451)
Wages, salaries and social security costs of distribution personnel	(446)	(723)
Amortisation, depreciation and impairment	(18)	(22)
Other expenses	(204)	(306)
Total selling and distribution costs	(2 952)	(3 184)

10. Administrative expenses

	For the year ended 31 December 2011	For the year ended 31 December 2010
Wages, salaries and social security costs of administrative personnel	(588)	(588)
Legal, audit and other professional fees	(486)	(51)
Service charge expenses	(315)	(65)
Cost of materials	(209)	(156)
Amortisation, depreciation and impairment	(134)	(412)
Other expenses	(186)	(578)
Total administrative expenses	(1 918)	(1 850)

11. Other operating income

	Note	For the year ended 31 December 2011	For the year ended 31 December 2010
Income from refund under the special legislation:			
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	37	1 435
Income from special VAT treatment	b)	2 847	2 810
Other grants	c)	12	12
Total income from refund under the special legislation		2 896	4 257
Gain on disposal of property plant and equipment		-	218
Recovery of assets previously written-off		400	349
Other income		365	788
Total other operating income		3 661	5 612

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

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

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

For the year ended 31 December 2011 the Group received partial compensation of interest for loans received by its agro-industrial en-

terprises from financial institutions in the amount of USD 37 thousand, (2010: USD 1 436 thousand), which is recorded on a cash received basis. In 2011 the Group had no loans received by agro-industrial enterprises, and as a result, compensation of interest decreased.

b) Income from special VAT treatment

Ukrainian agricultural producers, including the companies of the Group, benefit from a special regime of taxation. According to special regime rules, agricultural producers are permitted to retain the difference between the VAT that they charge on their agricultural products (prior to 1 January 2011 - at a rate of 20%) and the VAT

paid on items purchased for their operational needs. This income and expenses are recognized in the consolidated financial statements on a net basis in other operating income/expenses.

All members of the Group qualify for the use of VAT benefits except for Limited Liability Company "Ovo-star", Open Joint Stock Company "Krushynskyy Poultry Complex", Limited Liability Company "Skybyskyy Fodder Plant".

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

c) Other grants

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

12. Other operating expenses

	Notes	For the year ended 31 December 2011	For the year ended 31 December 2010
VAT written off		(580)	-
Impairment of doubtful accounts receivable and pre-payments to suppliers	22	(269)	(183)
Impairment of inventories		(18)	(232)
Fines and penalties		(45)	(13)
Loss on disposal of property plant and equipment		(18)	-
Loss on disposal of inventories		(221)	(186)
Shortages and losses from damage of valuables		-	(58)
Other expenses		(267)	(419)
Total other operating expenses		(1 418)	(1 091)

13. Finance costs

		For the year ended 31 December 2011	For the year ended 31 December 2010
Forex currency exchange loss		(1 133)	-
Interest on debts and borrowings		(425)	(876)
Interest on financial lease		(149)	(20)
Other financial expenses		(87)	-
Total finance costs		(1 794)	(896)

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

14. Finance income

	Note	For the year ended 31 December 2011	For the year ended 31 December 2010
Interest income on loan issued to Beneficial Owner presented in present value	18	514	179
Income from the sale of promissory notes		351	-
Interest income		250	73
Foreign currency exchange gain		-	390
Total finance income		1 115	642

15. Income tax

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

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax,

and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the years ended 31 December 2011 and 2010, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax 1 quarter 2011 – at a 25% rate, 2-4 quarter 2011 – at a 23% rate (2010: 25% tax rate). The new Tax Code of Ukraine effective as of 1 January 2011 (Note 27),

introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 December 2011 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Current income tax:		
Current income tax charge	-	(76)
Deferred tax:		
Relating to origination and reversal of temporary differences	33	(31)
Income tax (expense)/benefit reported in the income statement	33	(107)

Reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2011 and 2010 is as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Accounting profit before income tax	20 099	9 270
Income tax at 23% rate (2010 and 1q 2011: 25%)	4 623	2 318
Tax effect of:		
Effect of changes in tax rates and laws	(402)	(834)
Income generated by FAT payers (exempt from income tax)	(4 844)	(2 181)
Effect on deferred tax balances due to the change in income tax rate from 25% to 16% (effective 01 January 2011)	(2)	2
Current year losses for which no deferred tax asset was recognised at a rate of 25.5% (1)	448	-
Effect of temporary differences not recognised as deferred tax assets	(443)	475
Effect of expenses that are not deductible in determining taxable profit	587	327
Income tax expense/(benefit) reported in the income statement	(33)	107

(1) Current year losses for which no deferred tax asset was recognized relate to Ovostar Union N.V., the Dutch company, and thus are subject to income tax rate at 25.5%.

Deferred tax

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

	For the year ended 31 December 2011	For the year ended 31 December 2010
Advances received and other payables	17	357
Prepayments to suppliers	1	-
Trade and other receivables	45	-
Inventories	-	163
Property, plant and equipment	98	199
less:		
Unrecognized deferred tax assets	(32)	(475)
Total deferred tax assets	129	244
Property, plant and equipment	(54)	(2)
Prepayments to suppliers	(12)	(218)
Trade and other receivables	(6)	-
Total deferred tax liabilities	(72)	(220)
Net deferred tax asset/(liability)	57	24

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are presented in the consolidated balance sheet as at 31 December 2011 and 2010:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Non - current assets	92	29
Long term liabilities	(35)	(5)
Net deferred tax asset/(liability)	57	24

16. Biological assets

As at 31 December 2011 and 2010 commercial and replacement poultry were presented as follows:

	As at 31 December 2011		As at 31 December 2010	
	Number, thou- sand heads	Carrying value	Number, thou- sand heads	Carrying value
Non-current biological assets				
<i>Replacement poultry</i>				
Hy-line	1 873	19 341	96	315
Hy-sex	-	-	457	3 100
Rodonit (brown)	496	1 176	518	2 706
Total non-current biological assets	2 369	20 517	1 071	6 121
Current biological assets				
<i>Commercial poultry</i>				
Hy-line	31	1 101	27	147
Hy-sex	745	820	816	3 607
Rodonit (brown)	-	-	491	1 273
Total current biological assets	776	1 921	1 334	5 026
Total biological assets	3 145	22 438	2 405	11 147

Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more

than one year are classified as non-current biological assets, biological assets that generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the years ended 31 December 2011, 2010, was presented as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
As at 1 January	11 147	7 418
Increase in value as a result of assets acquisition	1 020	180
Increase in value as a result of capitalization of cost	4 421	4 150
Increase in value as a result of increase in weight/number	23	84
Income/(Losses) from presentation of biological assets at fair value	6 935	1 137
Decrease in value as a result of assets disposal	(873)	(1 614)
Decrease in value as a result of assets slaughter	(166)	(217)
Exchange differences	(69)	9
As at 31 December	22 438	11 147

For the year ended 31 December 2011 the Group produced shell eggs in the quantity of 623 111 thousand items (2010: 546 123 thousand).

Fair value of biological assets was estimated by Group's specialists which have experience in valuation of such assets. Fair value was cal-

culated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced selling using corresponding discount rate which is equal to 24.36% (2010: 27.44%). Management supposes that sale price and production and distribution costs

fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

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

	For the year ended 31 December 2011	For the year ended 31 December 2010
Eggs sale price, USD/ per item	0.08	0.07
Discount rate, %	24.36%	27.44%
Long-term inflation rate of Ukrainian hryvnia, %	107.95%	108.90%

Changes in key assumptions that were used in fair value estimation of biological assets will have the following influence on the value of biological assets as at 31 December 2011 and 2010:

	For the year ended 31 December 2011	For the year ended 31 December 2010
1% decrease in egg sale price	(390)	(899)
1% increase in discount rate	(205)	(424)
1% increase in long-term inflation rate of Ukrainian hryvnia	232	685

17. Property, plant and equipment and Intangible assets

	Build-ings	Plant and equip-ment	Vehicles	Furni-ture and fittings	Construction-in-progress and unin-stalled equip-ment	Intangible assets	Total
Cost or valuation							
As at 31 December 2009	7 528	10 862	936	346	1 283	26	20 981
Additions	13	1 843	88	79	209	66	2 298
Disposals	(723)	(1 021)	(43)	(15)	-	-	(1 802)
Transfer	-	240	-	-	(240)	-	-
Currency translation difference	(14)	(90)	(5)	(2)	-	1	(110)
As at 31 December 2010	6 804	11 834	976	408	1 252	93	21 367
Additions	2 496	3 354	78	101	7 883	-	13 912
Disposals	-	(275)	(136)	(46)	-	-	(457)
Transfer	944	134	-	5	(1 083)	-	-
Currency translation difference	(34)	(50)	(7)	(1)	(11)	1	(102)
As at 31 December 2011	10 210	14 997	911	467	8 041	94	34 720
Depreciation and impairment							
As at 31 December 2009	(2 125)	(5 767)	(571)	(282)	-	(10)	(8 755)
Depreciation and amortization charge for the year	(367)	(1 384)	(160)	(79)	-	(66)	(2 056)
Disposals	380	622	24	15	-	-	1 041
Currency translation difference	9	33	3	4	-	(15)	34
As at 31 December 2010	(2 103)	(6 496)	(704)	(342)	-	(91)	(9 736)
Depreciation and amortization charge for the year	(320)	(1 077)	(46)	(45)	-	(2)	(1 489)
Disposals	-	269	132	44	-	-	445
Currency translation difference	8	(58)	2	86	-	(1)	37
As at 31 December 2011	(2 415)	(7 362)	(616)	(257)	-	(94)	(10 744)
Net book value							
As at 31 December 2011	7 795	7 635	295	210	8 041	-	23 976
As at 31 December 2010	4 701	5 338	272	66	1 252	2	11 631
As at 31 December 2009	5 403	5 095	365	64	1 283	16	12 226

As at 31 December 2011 net book value of property plant and equipment which was used as collateral for bank loans amounted to

USD 7 321 thousand (2010: USD 9 457 thousand). As at 31 December 2011 construction-in-progress and uninstalled equipment as at 31 De-

cember 2011 also included prepayments for the property, plant and equipment which amounted to USD 2 083 thousand.

18. Other non-current assets

As at 31 December 2011 long-term loan issued to the Beneficial Owner was equal to USD 1 324 thousand (2010: USD 1 149 thousand). The

loan represents interest-free loan, with maturity on 12 December 2013, and a nominal value of UAH 14 161 thousand (approximately USD 1 772

thousand), which is recognised at amortized cost using 16% effective interest rate.

19. Interest-bearing loans and other non-current financial liabilities

	Currency	Interest rate, %	Maturity	As at 31 Decem- ber 2011	As at 31 Decem- ber 2010
Current interest-bearing loans and borrowings					
Credit Agricole loan	EUR	5,92%+EURIBOR	05.07.2015	340	-
UniCreditBank loan	USD	5,0% + LIBOR (3m)	19.12.2012	230	230
Credit Agricole loan	EUR	10.0%	08.08.2015	168	-
Credit Agricole loan	EUR	10.0%	03.10.2015	133	-
UniCreditBank loan	UAH	10,5% + Libor (1m), 15,5% in UAH	30.06.2011	-	1 858
UniCreditBank loan	USD	10,5% + Libor (1m), 15,5% in UAH	30.06.2011	-	1 475
UniCreditBank loan	UAH	14.5%	31.03.2012	-	377
UniCreditBank loan	UAH	17.8%	10.05.2011	-	84
Other current loans	UAH	-	-	125	126
Short-term financial lease liabilities (a)	UAH	7%	28.09.2017	165	165
Total current interest-bearing loans and borrowings			1 161	4 315	4 150
Non-current interest-bearing loans and borrowings					
Credit Agricole loan	EUR	5,92%+EURIBOR	05.07.2015	935	-
Credit Agricole loan	EUR	10.0%	08.08.2015	462	-
Credit Agricole loan	EUR	10.0%	03.10.2015	396	-
UniCreditBank loan	USD	5,0% + LIBOR (3m)	19.12.2012	-	230
Long-term financial lease liabilities (a)	UAH	7%	28.09.2017	776	944
Total non-current interest-bearing loans and borrowings				2 569	1 174

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios

and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

At 31 December 2011 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

Finance lease liabilities

	Minimum lease payments	Current value of minimum lease payments	Minimum lease payments	Current value of minimum lease payments
	<i>As at 31 December 2011</i>		<i>As at 31 December 2010</i>	
<i>Amounts payable under finance lease:</i>				
Within a year	226	165	238	165
From one to five years	791	658	840	661
Above 5 years	123	118	304	283
	1 140	941	1 382	1 109
Less: financial expenses of future periods	(199)	-	(273)	-
Current value of lease liabilities	941	941	1 109	1 109
Less: amount to be paid within a year		(165)		(165)
Amount to be paid after a year		776		944

Finance lease obligations represent amounts due under agreements for lease of cellular equipment with Ukrainian companies.

Net carrying value of property, plant and equipment acquired via finance lease as at 31 December 2011 was as follows:

	As at 31 December 2011	As at 31 December 2010
Plant and equipment	953	1 064
Total	953	1 064

20. Inventories

	As at 31 December 2011	As at 31 December 2010
Raw materials	4 957	2 515
Agricultural produce and finished goods	4 148	5 618
Package and packing materials	742	728
Work in progress	396	146
Other inventories	754	319
(Less: impairment of agricultural produce and finished goods)	(352)	(336)
Total inventories at the lower of cost and net realisable value	10 645	8 990

For the year ended 31 December 2011 the Group recognized impairment losses of agricultural produce and finished goods due to illiquidity of finished goods in amount of USD 18 thousand (in 2010: USD 232 thousand) and decreased net realizable value and written-off assets in amount of USD 221 thousand (in 2010: USD 186 thousand).

21. Trade and other receivables

	Notes	As at 31 December 2011	As at 31 December 2010
Trade receivables		5 406	4 564
VAT for reimbursement		4 936	2 569
Receivables for securities sold but not yet settled		640	-
Other accounts receivable		120	148
Current loans issued		-	280
Provision for doubtful accounts receivable	22	(414)	(387)
Total trade and other receivables		10 688	7 174

22. Movements in formed allowance

	For the year ended 31 December 2011	For the year ended 31 December 2010
As at 01 January	(387)	(278)
Charge in the period:		
Trade receivables	(28)	(183)
Prepayments to suppliers	(241)	-
Amounts written off	-	46
Recovery of amounts previously recognized as doubtful	-	23
Currency translation difference	1	5
As at 31 December	(655)	(387)

Allowance at 31 December 2011, included allowance for trade and other receivables in the amount of USD 414 thousand and allowance for prepayments to suppliers in the amount of USD 241 thousand.

23. Cash and cash equivalents

	As at 31 December 2011	As at 31 December 2010
Cash in banks	21 504	334
Cash on hand	37	24
Total cash at banks and on hand	21 541	358

24. Equity

Issued capital and capital distribution

As referred to in Note 1, the Company was incorporated on 22 March 2011.

The Company's authorized share

capital amounts to EUR 225,000 and consists of 22,500,000 ordinary shares with a nominal value off EUR 0,01 each. As at 31 December 2011,

6,000,000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

At 31 December 2011 the largest single shareholders interest in the Company was as follows:

	As at 31 December 2011
Prime One Capital Ltd.	75%

Foreign currency translation reserve

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

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

Share premium

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33,048 thousand was raised while the IPO costs amounted to USD 2,115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011.

Loss from restructuring

In 2010 as part of the corporate restructuring Beneficial Owners of the Group made decision to spin off available-for-sale invest-

ments to entity which is controlled over by them. Above mentioned investments in amount of USD 3 306 thousand were excluded from the consolidated statement of financial position and charged directly to retained earnings as distribution to shareholders.

Dividends payable of the Company

During the year ended 31 December 2011 and 2010, no dividends have been declared and paid.

25. Trade and other payables

	As at 31 December 2011	As at 31 December 2010
Trade payables	3 800	2 553
Employee benefit liability	325	295
Taxes payable	188	46
Liability for unused vacation	188	22
VAT liabilities	106	7
Other payables	332	438
Total trade and other payables	4 939	3 361

26. Related party disclosures

For the purposes of these consolidated financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other

party in making financial and operating decisions. In considering the transactions with each possible related party, the particular attention is paid to the essence of relationships, not merely their legal form.

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

The following companies and individuals are considered to be the Group's related parties as at 31 December 2011 and 2010:

Individuals (shareholders)

Borys Bielikov
Vitalii Veresenko

Key management personnel

Natalia Malyovana
Natalia Vlasniuk
Vitalii Voron
Yuriy Doroshev
Yuriy Gusar
Valentina Vovk
Vitalii Sapozhnik

Parties under the significant influence of the Beneficial Owners

Agrofirma Boryspilsky Hutir LLC
Aleksa LTD LLC
Anglo-Brit Management Limited
Lagoda Confectionery Firm CJSC*
Ovostar LTD LLC

* At the end of 2010 as a result of restructuring operations of the Group, Beneficial Owners withdrew from the shareholders of companies indicated above.

As at 31 December 2011 and 2010, trade accounts receivable from related parties, advances issued to related parties and trade and other accounts payable to related parties were presented as follows:

	As at 31 December 2011	As at 31 December 2010
Long-term loan issued to the Beneficial Owners		
<i>Borys Bielikov</i>	1 324	1 149
	1 324	1 149
Trade receivables from related parties		
<i>Lagoda Confectionery Firm CJSC</i>	33	699
	33	699
Current loans issued to related parties		
<i>Key management personnel</i>	-	277
	-	277
Current loans issued to the Beneficial Owners		
<i>Vitalii Veresenko</i>	-	3
	-	3
Other accounts receivables from related parties		
<i>Ovostar LTD LLC</i>	13	13
<i>Key management personnel</i>	-	1
	13	14
Prepayments to related parties		
<i>Aleksa LTD LLC</i>	142	145
<i>Agrofirma Boryspilsky Hutir LLC</i>	6	9
	148	154
Trade payables to related party		
<i>Lagoda Confectionery Firm CJSC</i>	-	165
	-	165
Prepayments from related parties		
<i>Lagoda Confectionery Firm CJSC</i>	-	145
	-	145
Other payables to related parties		
<i>Lagoda Confectionery Firm CJSC</i>	-	-
<i>Anglo-brit Management Limited</i>	(103)	(104)
<i>Borys Bielikov</i>	(2)	(1)
<i>Vitalii Veresenko</i>	-	(1)
	(105)	(106)

For the year ended 31 December 2011 and 2010 revenues and expenses from related parties were presented as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Revenue from related parties		
<i>Lagoda Confectionery Firm CJSC</i>	63	1 907
	63	1 907
Administrative expenses		
<i>Aleksa LTD LLC</i>	(6)	(5)
<i>Agrofirma Boryspilsky Hutir LLC</i>	(1)	-
	(7)	(5)

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 2011 amounted to USD 69 thousand (2010: USD 55 thousand). Remuneration was performed mainly in the form of salaries and contributions to social security fund.

Members of the Board of Directors have received the following remuneration in 2011:

Name of the Board member	Position	Compensation, USD ths	Other benefits (pension plan etc)
Borys Bielikov	Executive director	-	No
Vitalii Veresenko	Non-executive director	-	No
Oleksander Bakumenko	Non-executive director	-	No
Marc van Campen	Non-executive director	9.7	No

27. Commitments and contingencies

Contingent liabilities Operating environment

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

Taxation

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can

lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

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

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

consideration of the Ukrainian Parliament.

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

Legal issues

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

Capital liabilities

As at 31 December 2011 the Group had contract liabilities for acquisition of property, plant and equipment equal to USD 203 thousand (2010: nil).

Liabilities for property, plant and equipment operating lease contracts

As at 31 December 2011 and 2010 the Group had no significant contractual liabilities.

28. Capital 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 19 and 23 respectively, and equity attributable to the equity holders of the parent, comprising issued capi-

tal, share premium, reserves and retained earnings.

Gearing ratio

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

	As at 31 December 2011	As at 31 December 2010
Debt liabilities*	3 730	5 489
Cash and cash equivalents and deposits**	(21 541)	(358)
Net debts	(17 811)	5 131
Equity	79 772	29 072
Gearing ratio	(22%)	18%

* Debts include short-term and long-term borrowings.

** Equity includes the share capital, share premium, retained earnings and foreign currency translation reserve.

Financial risk management

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

Credit risk

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

The Group's exposure to credit risk regarding trade accounts re-

ceivable 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 2011 and 2010 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 2011 USD 11 094 thousand or 22% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2011 USD 1 336 thousand or 25 % of trade accounts receivable relates to 5 major debtors.

For the year ended 31 December 2010 USD 7 016 thousand or 19.7% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2010 USD 1 504 thousand or 33.2 % of trade accounts receivable relates to 5 major debtors.

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

	As at 31 December 2011	As at 31 December 2010
Fully performing	4 777	2 863
Past due but not impaired	215	1 314
Impaired	414	387
Total trade receivables - gross	5 406	4 564

As at 31 December 2011 and 2010 the ageing of trade account receivable there were not impaired was as follows:

	As at 31 December 2011	As at 31 December 2010
0-30 days	3 652	2 763
31-90 days	1 201	440
91-180 days	112	566
181-360 days	25	54
more that 360 days	2	354
Total	4 992	4 177

Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. The Group's approach to liquidity

management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfill its financial obligations in due

time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage the reputation of the Group.

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

31 December 2011	Carrying value	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:					
Trade and other payables	4 939	4 939	-	-	-
Current interest-bearing loans and borrowings	1 161	357	417	387	-
Non-current interest-bearing loans and borrowings	2 569	-	-	-	2 569
Total	8 669	5 296	417	387	2 569

31 December 2010	Carrying value	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:					
Trade and other payables	3 361	3 361	-	-	-
Current interest-bearing loans and borrowings	4 315	3 387	458	470	-
Non-current interest-bearing loans and borrowings	1 174	-	-	-	1 174
Total	8 850	6 748	458	470	1 174

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 2011 and 2010 were as follows:

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

31 December 2010	PLN	USD	EUR	UAH	Total
<i>(in conversion to USD thousand)</i>					
Assets					
Cash and cash equivalents	-	99	-	259	358
Trade receivables	-	100	-	4 077	4 177
Liabilities					
Current interest-bearing loans and borrowings	-	(3 563)	-	(752)	(4 315)
Non-current interest-bearing loans and borrowings	-	(230)	-	(944)	(1 174)
Trade accounts payable	-	(20)	(322)	(2 211)	(2 553)
Net exposure to foreign currency risk	-	(3 614)	(322)	429	(3 507)

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

Effect in USD thousand:

31 December 2011	Increase in currency rate against UAH	Effect on profit before tax
USD	15%	1 819
EUR	10%	(291)
PLN	10%	2

31 December 2010	Increase in currency rate against UAH	Effect on profit before tax
USD	15%	(542)
EUR	10%	(32)

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

Interest rate risk

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

LIBOR and EURIBOR. Other borrowings are presented at fixed interest rates.

Below are the details of 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 2011	As at 31 December 2011	As at 31 December 2010
	<i>LIBOR</i>	<i>LIBOR</i>
Profit/(loss)	2/(2)	33/(33)
	<i>EURIBOR</i>	<i>EURIBOR</i>
Profit/(loss)	13/(13)	-

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

Livestock diseases risk

Livestock diseases risk – The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive

to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage

this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

29. 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 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:

		As at 31 December 2011		As at 31 December 2010	
		Carrying value	Fair value	Carrying value	Fair value
Subsequent measurement					
Financial assets:					
Trade and other receivables (a)	Amortized cost	10 688	10 688	7 174	7 174
Long-term loan issued to the Beneficial Owner of the Group (c)	Amortized cost	1 324	1 324	1 149	1 149
		12 012	12 012	8 323	8 323
Financial assets:					
Current interest-bearing loans and borrowings (a)	Amortized cost	1 161	1 161	4 315	4 315
Non-current interest-bearing loans and borrowings (c)	Amortized cost	2 569	2 569	1 174	1 174
Trade and other payables (current) (a)	Amortized cost	4 939	4 939	3 361	3 361
		8 669	8 669	8 850	8 850

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 as-

sets 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 in-

directly; 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'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.

30. Subsequent events

On 1 February 2012 the Group concluded three supply contracts for cage equipment: two contracts with Salmat for the total amount of EUR 3,480 thousand and one contract with Aggro Handels-gesellschaft GmbH for the amount of EUR 1,850 thousand.

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ЯЙЦЕ, ЯК І ЗАДУМАНО ПРИРОДОЮ





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COMPANY FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2011

Balance sheet

As per 31 December 2011 (in USD thousand, unless otherwise stated)

	Note	As at 31 December 2011
Assets		
Non-current assets		
Financial fixed assets		75 702
Property, plant and equipment		1 911
		77 613
Current assets		
Cash and cash equivalents		2 305
		2 305
Total assets		79 918
Equity and liabilities		
Equity		
Issued capital		78
Foreign currency translation reserve		(63)
Share premium reserve		30 933
Retained earnings		29 013
Profit for the year		19 811
Equity attributable to owners of the parent		79 722
Current liabilities		
Current accounts shareholders		44
Trade and other payables		102
Total liabilities		146
Total equity and liabilities		79 918

Notes on pages 96-98 form an integral part of these company financial statements

Profit & Loss account

For the period from 22 March 2011 until 31 December 2011 (in USD thousand, unless otherwise stated)

	Note	Period 22 March - 31 December 2011
Profit of participation interests after taxation		21 569
Other income and expenses after taxation		(1 758)
Profit for the period, net of tax		19 811

Notes on pages 96-98 form an integral part of these company financial statements

General

The company financial statements are prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code. The Company uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) as applied in the consolidated financial statements are also applied in the company financial statements. Reference is made

to the notes to the consolidated financial statements for a description of the principles for recognition and measurement. Investments in group companies are carried at equity value, calculated according to the group accounting policies.

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

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

1. FINANCIAL FIXED ASSETS

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

	31 December 2011
	USD' 000
Acquisition of group company	38
Further investments in group company	25,153
Restructuring adjustment	29,034
Result 2011	21,569
FX rate difference	(92)
Group companies	75,702

The degree of control exercised by Ovostar Union N.V. over significant subsidiaries is as follows:

Entity	Country of incorporation	% share 31 Dec 2011
LLC Ovostar Union	Ukraine	100

2. PROPERTY, PLANT & EQUIPMENT

Movement in Property Plant & Equipment was as follows:

	PPE in progress
Net book amount as of March 22, 2011	-
Additions	1,911
Closing net book amount as of 31 December 2011	1,911
Depreciation	
Cost	-
Closing net book amount as of 31 December 2011	1,911

3. CASH AND CASH EQUIVALENTS

The Company's cash balances are available upon demand.

4. ISSUED CAPITAL

The authorized share capital amounts to Euro 225,000 divided into 22,500,000 ordinary shares of Euro 0.01 nominal value each. 6,000,000 shares have been issued during 2011. The issued shares are converted into USD according to art 373 par 5 of the Dutch civil code using an exchange rate of 1 EUR = 1,295 USD.

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

5. PAYABLE TO GROUP COMPANIES

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

6. EMPLOYEES

The Company has no employees other than directors.

7. DIRECTORS

The Company is managed by the Board of Directors which consists of four members: one Executive Director and three Non-Executive directors.

The Board of Directors as at 31 December 2011 comprised:

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

8. AUDIT FEE

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

	31 December 2011 USD' 000
Baker Tilly Ukraine:	
Audit and review of financial statements	43
Baker Tilly Berk N.V.	
Audit fees	45
Total	88

Audit fees of financial statements include the fees for professional services rendered by Baker Tilly Berk N.V. and Baker Tilly Ukraine

and relate to the audit and review of the Company's consolidated and company financial statements and its subsidiaries.

Amsterdam, 13 April 2012



B. Belikov
Chief Executive Officer



M. van Campen
Non-executive Director



V. Veresenko
Non-executive Director



O. Bakumenko
Non-executive Director





OTHER INFORMATION

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OTHER INFORMATION

Profit appropriation according to the Articles of Association

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

Distribution of profits shall be made following the adoption of the annual accounts which show that such distribution is allowed.

The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the aggregate amount of the issued share capital and the reserves which must be maintained pursuant to the law.

Proposed appropriation of result

The board of directors proposes to add the profit to the general reserves. The proposal is not reflected in the financial statements.

Post balance sheet events

On 1 February 2012 the Group concluded three supply contracts for cage equipment: two contracts with Salmat for the total amount of EUR 3,480 thousand and one contract with Agrovo Handelsgesellschaft GmbH for the amount of EUR 1,850 thousand.

Independent auditor's report

To: The Shareholders and the Board of Directors of
Ovostar Union N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Ovostar Union N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2011, the company profit and loss account for the period March 22, 2011 until December 31, 2011 and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

When the subsidiaries of Ovostar Union N.V. adopted IFRS in 2008, the subsidiaries assumed the carrying amount of property, plant and equipment in accordance with the previous conceptual framework as their deemed cost. At the date of transition to IFRS, property, plant and equipment with the carrying amount of USD 7,686 thousand were accounted for in accordance with the property, plant and equipment valuation model. The net book value of these property, plant and equipment is USD 1,178 thousand as at December 31, 2011 and USD 2,957 thousand as at December 31, 2010.

In our opinion, during the preparation of these consolidated financial statements, the Group should have assumed the fair value of property, plant and equipment as their deemed cost. The effect of these deviations from the requirements of International Financial Reporting Standards on the carrying amount of property, plant and equipment and the amount of net profits, income taxes and retained earnings for the year ended December 31, 2011 and 2010 was not identified.

Qualified opinion with respect to the consolidated financial statements

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of Ovostar Union N.V. as at December 31, 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Qualified opinion with respect to the company financial statements

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the company financial statements give a true and fair view of the financial position of Ovostar Union N.V. as at December 31, 2011 and of its result for the period March 22, 2011 until December 31, 2011 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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

Amsterdam, April 13, 2012
Baker Tilly Berk N.V.

Signed by H.R. Dikkeboom
Audit partner



Ovostar Union Group

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