OVOSTAR UNION N.V.
HALF-YEAR REPORT
OF THE BOARD OF DIRECTORS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

Contents

CEO Statement

Dear Shareholders,

During the first half of 2012 Ovostar Union continued to implement its declared development strategy. Operating and financial performance in H1 2012 supports growth target laid out in the beginning of 2012.

The Group sold 2,522 tons of egg products and 226 mln eggs, thus increasing revenue for the period by 26% compared to H1 2011 to USD 27,790 ths. H1 2012 EBITDA amounted to USD 13,152 ths while EBITDA margin increased to 47% from 42% in H1 2011. We are delighted with the achieved results and look forward to a successful second half of the year.

Long-standing cooperation with our clients is one of the major success factors behind Ovostar Union. Due to growing demand for our products from existing and new clients, among those leading Ukrainian retail chains and food processing companies, we expect that our cooperation will be expanding at the increasing rate. Therefore we will continue to ensure high quality production processes, aiming to increase customers' satisfaction.

In the second half of 2012 and further in 2013 we are going to implement the initiatives and investments that we announced in June 2012 to strengthen our positions, responding to positive changes in the market conditions.

Meanwhile, on behalf of Ovostar Union I would like to announce that the Group's 2011-2012 investment program will be successfully completed by 10 September 2012. This will mark an important strategic milestone that has been achieved by the Group since the IPO on the WSE.

Sincerely yours,

Borys Bielikov, CEO

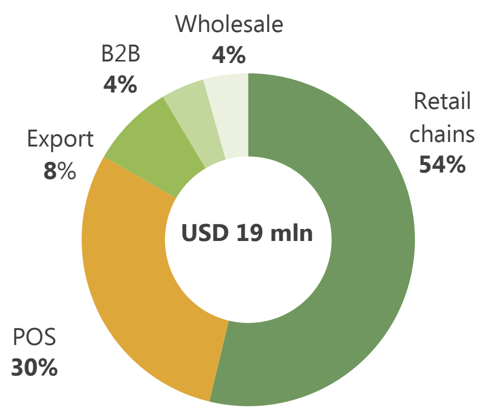
Segment updates

Egg segment

As of 30 June 2012 total flock amounted to 3.48 mln (including 2.45 mln laying hens), a 39% increase YoY. In H1 2012 egg production increased by 12% to 324 mln as a result of increase in laying hens flock.

Volume of eggs sold amounted to 226 mln remaining at the level of H1 2011 since more eggs were put to processing in H1 2012. The average egg sales price increased by 12% to USD 0.82*/10 eggs compared to USD 0.73*/10 eggs in H1 2011. The division of egg sales among five distribution channels by value in H1 2012 is presented in the graph below.

Egg sales structure by distribution channels, H1 2012



Retail chains and own POS remained key distribution channels for the Group. Due to increased demand for branded eggs on the local market, these two channels contributed 84% to the total egg revenue or USD 15,433 ths. Sales of eggs on export markets contributed 8% to the total egg revenue or USD 1,505 ths. Decrease in the amount of eggs exported from 54 mln in H1 2011 to 21 mln in H1 2012 was attributed to higher egg prices on the local market.

Egg products segment

In H1 2012 the Group processed 99 mln eggs, which represents 18% increase YoY.

Over the first half of 2012 the Group sold 2,133 tons of liquid and 389 tons of dry egg products, a 28% increase and 41% decrease YoY, respectively. Meeting growing local customer's demand for liquid egg products remained the Group's priority. The average sales price of liquid egg products increased by 24% to USD 1.94*/kg compared to USD 1.57*/kg in H1 2011. The average sales price of dry egg products increased by 14% to USD 5.39*/kg compared to USD 4.72*/kg in H1 2011. In H1 2012 the Group exported 66 tons of dry egg products.

In line with the declared equipment upgrade program, Ovostar egg processing plant was working below capacity in January and February 2012 due to commissioning works of the new egg

* Note: All prices indicated net of VAT

processing equipment. In this context the Group produced and sold less dry egg products during H1 2012.

Sunflower processing segment

During H1 2012 the Group processed 6,441 tons of sunflower seeds, producing 3,278 tons of sunflower meal, 2,115 tons of sunflower oil and 825 tons of husk briquettes. During the same period, the Group sold 2,020 tons of sunflower oil at USD 1,004*/ton and 855 tons of husk briquettes at USD 80*/ton. Out of total amount produced during H1 2012 3,396 tons of sunflower meal and 60 tons of sunflower oil were used in own poultry feed.

Financial position and performance of the Company

Revenue

The Group's revenue structure

Segment	H1 2012 Revenue, USD ths	H1 2012 Share in the Group's Revenue	H1 2011 Revenue, USD ths	H1 2011 Share in the Group's Revenue
Egg segment	19,524	70%	16,411	74%
Egg products segment	6,240	22%	5,699	26%
Sunflower processing segment	2,026	7%	-	-
Total	**27,790**	**100%**	**22,110**	**100%**

In H1 2012 total revenue of the Group increased by 26% to USD 27,790 ths due to increase in volumes sold and egg and egg product prices as well as revenue from sunflower processing segment.

Egg segment contributed 70% or USD 19,524 ths to the total revenue (including USD 18,524 ths from egg sales and USD 1,000 ths from poultry and other sales). Egg products segment contributed 22% or USD 6,240 ths to the total revenue. The remaining 7% or USD 2,026 ths of the total revenue was contributed by the sunflower processing segment.

Cost of sales and gross profit

In H1 2012 cost of sales of the Group increased by 21% to USD 17,726 ths compared to the increase in revenues of 26%. Cost of sales grew at a slower pace as a result of increasing productivity associated with migration to new Hy-Line cross. Gross profit increased by 57% to USD 13,687 ths representing 49% gross profit margin compared to 39% in H1 2011. Increase in gross profit is attributed to lower realized fodder cost compared to H1 2011.

* Note: All prices indicated net of VAT

In H1 2012 the net change in fair value of biological assets increased to USD 3,623 ths compared to USD 1,286 ths in H1 2011 mainly due to growth laying hens flock that increased by 29% YoY, as well as increased share of more productive Hy-Line cross and increase in average selling egg prices.

Operating profit and EBITDA

In H1 2012 operating profit of the Group increased by 42% reaching USD 11,811 ths while operating profit margin increased to 43% compared to 38% in H1 2011. During H1 2012 EBITDA increased by 43% to USD 13,152 ths mainly as a result of economies of scale.

Selling expenses increased by 22% to USD 1,525 ths and administrative expenses increased by 11% to USD 926 ths due to increase in sales volume. At the same time, the share of selling and administrative expenses in total revenue amounted to 8% in H1 2012 (10% in H1 2011).

Net other operating income/expenses decreased by 65% to USD 575 ths as a result of less income received from refund under special VAT treatment due to equipment purchases made by the Group in 2011-2012 in-line with declared investment program.

Profit before tax and net profit

In H1 2012 profit before tax increased by 42% to USD 12,217 ths while net profit increased by 42% to USD 12,162 ths. Egg segment contributed 81% or USD 9,884 ths to the profit before tax, while egg products segment contributed 19% or USD 2,280 ths. The remaining USD 53 ths were contributed by sunflower segment. Net profit margin in H1 2012 reached 44% compared to 39% in H1 2011.

Cash flow

During H1 2012 operating cash flow of the Group increased to USD 9,473 ths compared to USD 2,085 ths in H1 2011. Cash flow from investing activities increased from USD 4,809 ths in H1 2011 to USD 19,139 ths during H1 2012, while most of this cash flow has been attributed to realization of the Group's declared investment program. Over H1 2012, cash flows used in purchase of property, plant and equipment amounted to USD 16,672 ths and cash flows used to increase the poultry flock amounted to USD 2,449 ths. During in H1 2012 cash flow from financing activities was a net outflow of USD 616 ths compared to an inflow of USD 34,654 ths during H1 2011.

Assets

In H1 2012 total assets increased by 14% to USD 104,114 ths compared to USD 91,291 ths in 2011 as a result of implementation of the declared investment program. Current assets grew by 15% to USD 52,403 ths in H1 2012 due to increase in current biological assets from USD 1,921 ths in the end of 2011 to USD 17,474 ths as of 30 June 2012. Non-current assets increased by 13% to USD 51,711 ths due to growth of property, plant and equipment from USD 23,976 ths as of 31 December 2011 to USD 39,296 ths as of 30 June 2012.

Liabilities and equity

In H1 2012 total equity increased by 15% to USD 94,583 ths compared to USD 82,433 ths in the end of 2011. The main component of equity remained retained earnings that amounted to USD 60,684 ths or 64% of total equity.

In H1 2012 long-term liabilities decreased by 16% to USD 2,190 ths compared to USD 2,604 ths in 2011. Short-term liabilities increased by 17% to USD 7,341 ths compared to USD 6,254 ths in 2011.

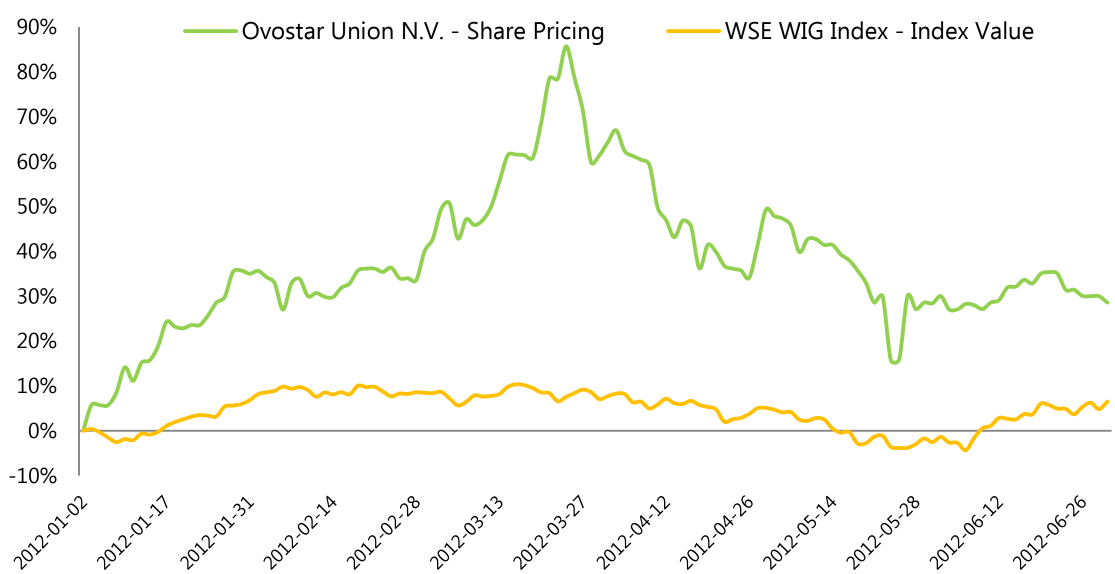
Financial reporting standards and changes in accounting policy

The consolidated condensed interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"). The Ukraine-based companies of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS"). For more information on the financial reporting standards and changes in accounting policy that occurred during the reporting period, please refer to Notes 2 and 5 of the Consolidated Condensed Interim Financial Statements.

Share price performance

The Ovostar Union N.V. share price has strengthened since its offering on 29 June 2011. As of 30 June 2012, the share price was 45% higher than the offering price, and amounted to PLN 90 (29 June 2011 – PLN 62). The chart below shows the development of Ovostar Union N.V. stock price on the Warsaw Stock Exchange compared to the WIG index in the first half of 2012.

Ovostar Union N.V. stock quotation and WIG index H1 2012



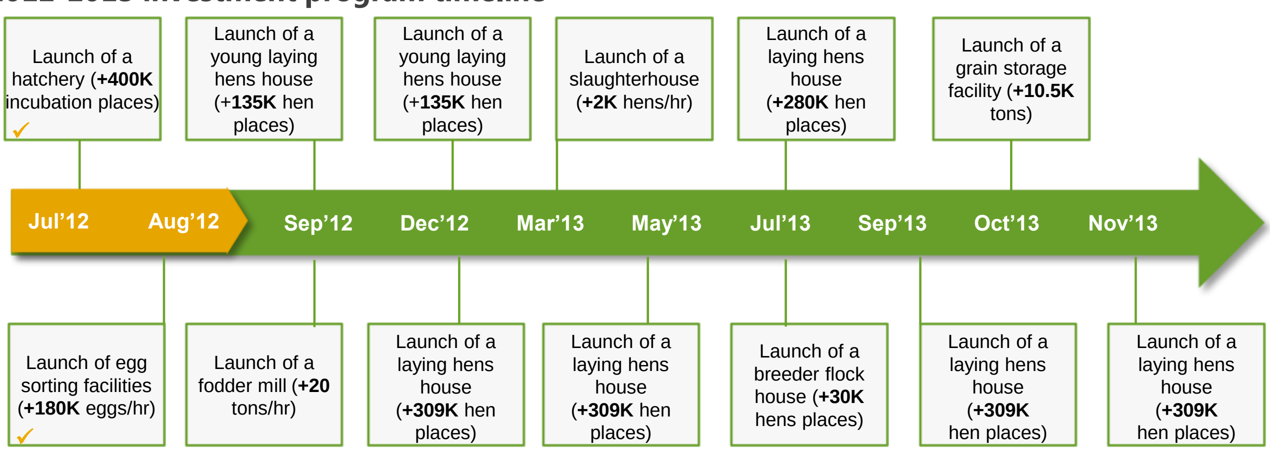
Most important events

Investment program update

In H1 2012, as a part of the declared investment program, three laying hens houses of 309 ths hen places have been launched on laying hens site and two young laying hens houses of 130 ths hen places have been launched on young laying hens site. In February 2012, expanded capacities of egg processing plant have been launched. The 2011-2012 investment program will be completed by 10 September 2012. Laying hens flock settlement of the last building will be finalized by the end of September 2012.

In June 2012 the Group has commenced a new phase of production capacities expansion. This initiative will allow by the end of 2013 to install additional 1.5 mln laying hens places furnished with the most up to date equipment. In its nature this expansion of capacities is very similar to the 2011-2012 investment program, although it places more emphasis on infrastructure development that will support egg production enhancement. The implementation of this stage of capacities expansion will fully complete reconstruction of Poultry Farm Ukraine production site. The 2012-2013 timeline of the capacities expansion is shown below.

2012-2013 investment program timeline



Two elements of the phase of capacity expansion have been already completed. In July 2012 hatchery has been expanded by 400 ths incubation places to 1 mln incubation places. In August 2012 egg sorting facilities have been enhanced to 400 ths eggs/hr by a sorting machine MOBA Omnia 500 with a capacity of 180 ths eggs/hr.

Changes in debt structure

In H1 2012 the Group had loans outstanding in the amount of USD 3,143 ths, including USD 2,045 ths to Credit Agricole bank and USD 115 ths to UniCreditBank. The portion of current loans amounted to USD 989 ths while the portion of non-current loans amounted to USD 2,154 ths. The Group repaid USD 525 ths for outstanding bank loans in H1 2012.

Changes in debt structure described above did not substantially influence the financial position and financial performance of the Group during the reporting period.

Changes in shareholder structure

As at 30 June 2012, the following shareholders of Ovostar Union N.V. provided public information on direct or indirect ownership of at least 5% of all votes at the General Meeting of Shareholders of the company.

Ovostar Union N.V. share capital structure as at 30 June 2012

Shareholder	Shares	Share in the capital, %	Votes at GM	Votes at GM, %
Prime One Capital Ltd	4,500,000	75	4,500,000	75
Generali OFE	729,226	12	729,226	12
Others	770,774	13	770,774	13
Total	**6,000,000**	**100**	**6,000,000**	**100**

On 3 April 2012, Generali Otwarty Fundusz Emerytalny increased its share at Ovostar Union N.V. to 12.15% (729,226 shares), each share with a nominal value of one vote.

Related party transactions

More detailed information on related parties and related party transactions is disclosed in Note 22 to the Consolidated Condensed Interim Financial Statements.

Events after the reporting date

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

Main risks and uncertainties

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. Up to date, no outbreaks of severe poultry diseases have been registered on the Group's premises.

Political risks

The Group's results are dependent on the overall macroeconomic and political situation in the markets where it operates. The Group may face complications as a result of political instability connected with the forthcoming parliamentary elections in Ukraine that could shift the balance of power between the different political coalitions.

Unfavorable fluctuations in prices of feed components

Grains and sunflower meal are the key components of the poultry feed. Growing prices for these key components may cause undesirable increase in production costs. The Group controls its fodder cost through purchasing grains in large batches, creating grain stocks of up to 4 months requirement, performing purchases during the harvest season, when supply exceeds demand and prices are the lowest and producing sunflower meal in-house when market prices are high.

Unfavorable fluctuations in egg prices

The Group may face the risk of decrease in price for eggs. The Group may be unable to raise prices during the low season when the market is oversupplied with eggs and the price is pushed downward. The Group mitigates the risk of unfavorable prices for eggs by adjusting its egg sales mix throughout the year.

Board of Directors

The Group is managed by the Board of Directors (hereinafter, the "Board"). The Board has a one-tier structure, consisting of executive and non-executive directors. The executive director is authorized to represent the Group in everyday operations of the Group while the non-executive directors monitor the activities of the Group, supervise and advise the executive director. As of the date of this report, there have been no changes to the structure of the Board of Directors of Ovostar Union N.V. Currently the Board consists of four members: one executive director Mr. Borys Bielikov and three non-executive directors – Mr. Vitalii Veresenko, Mr. Marc van Campen and Mr. Oleksandr Bakumenko.

Management statement

The Board of Directors of Ovostar Union N.V. hereby represents that to the best of their knowledge the Consolidated Condensed Interim Financial Statements (Unaudited) of Ovostar Union N.V. and subsidiaries for the six months ended 30 June 2012 and the comparable information:

(1) are prepared in accordance with the applicable accounting standards;

(2) that they give a true, fair and clear view of the assets, financial standing and financial results of Ovostar Union N.V.; and

(3) that they give a true view of the developments, achievements and situation of the Group.

August 29, 2012

Board of Directors of Ovostar Union N.V.

Borys Bielikov [signed]

Vitalii Veresenko [signed]

Marc M.L.J. van Campen [signed]

Oleksandr Bakumenko [signed]

Auditors

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BERK

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The Shareholders and the Board of Directors of
Ovostar Union N.V.
Koningslaan 17
1075 AA AMSTERDAM

REVIEW REPORT

Introduction
We have reviewed the accompanying Consolidated Condensed Interim Financial Statements of Ovostar Union N.V., Amsterdam, which comprises the consolidated condensed interim statement of financial position as at June 30, 2012, the consolidated condensed interim statements of comprehensive income, changes in equity, and cash flows for the period from January 1, 2012 until June 30, 2012, and the notes. Management is responsible for the preparation and presentation of the Consolidated Condensed Interim Financial Statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to issue a review report on these Consolidated Condensed Interim Financial Statements.

Scope
We conducted our review in accordance with Dutch Law, including the Dutch Standard 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion
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 1,595 thousand as at June 30, 2012 and USD 1,781 thousand as at December 31, 2011.

BAKER TILLY BERK

In our opinion, for the preparation of these Consolidated Condensed Interim 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 period ended June 30, 2012 and December 31, 2011 was not identified.

Qualified conclusion
Based on our review, except for the effects of the matter described in the Basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying Consolidated Condensed Interim Financial Statements do not give a true and fair view of the financial position of Ovostar Union N.V. as at June 30, 2012, and of its results for the six months period then ended in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, August 29, 2012
Baker Tilly Berk N.V.

Signed by H.R. Dikkeboom
Audit partner

Ovostar Union N.V. and its subsidiaries

Consolidated Condensed Interim Financial Statements (Unaudited)

For the six months ended 30 June 2012

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012
(in USD thousand, unless otherwise stated)

	Note	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Revenue	7	27 790	22 110
Net change in fair value of biological assets		3 623	1 286
Cost of sales		(17 726)	(14 670)
Gross profit		**13 687**	**8 726**
Other operating income	8	897	2 445
Selling and distribution costs		(1 525)	(1 246)
Administrative expenses		(926)	(834)
Other operating expenses	9	(322)	(794)
Operating profit		**11 811**	**8 297**
Finance costs		(91)	(473)
Finance income		497	807
Profit before tax		**12 217**	**8 631**
Income tax expense	12	(55)	(58)
Profit for the period		**12 162**	**8 573**
Other comprehensive income			
Exchange differences on translation of foreign operations		(12)	7
Other comprehensive income for the period, net of tax		**(12)**	**7**
Total comprehensive income for the period, net of tax		**12 150**	**8 580**
Profit for the period attributable to:			
Equity holders of the parent company		11 860	8 544
Non-controlling interests		302	29
Total profit for the period		**12 162**	**8 573**
Other comprehensive income attributable to:			
Equity holders of the parent company		(11)	10
Non-controlling interests		(1)	(3)
Total other comprehensive income		**(12)**	**7**
Total comprehensive income attributable to:			
Equity holders of the parent company		11 849	8 554
Non-controlling interests		301	26
Total comprehensive income		**12 150**	**8 580**
Earnings per share:			
Average weighted number of shares, items		6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)		1.98	1.42

On 29 August of 2012 the Board of Directors of Ovostar Union N.V. authorised these consolidated condensed interim financial statements for issue.

[signed]	[signed]
Borys Bielikov Executive director	Vitalii Veresenko Non-executive director
[signed]	[signed]
Oleksander Bakumenko Non-executive director	Marc van Campen Non-executive director

Notes on pages 6 - 30 form an integral part of these consolidated condensed interim financial statements

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2012
(in USD thousand, unless otherwise stated)

	Note	As at 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Assets			
Non-current assets			
Non-current biological assets	13	11 036	20 517
Property, plant and equipment and intangible assets	14	39 296	23 976
Other non-current assets	15	1 292	1 324
Deferred tax assets		87	92
Total non-current assets		**51 711**	**45 909**
Current assets			
Inventories	17	11 028	10 645
Current biological assets	13	17 474	1 921
Trade and other receivables	18	11 291	10 688
Prepayments to suppliers		1 331	587
Prepayments for income tax		36	-
Cash and cash equivalents	19	11 243	21 541
Total current assets		**52 403**	**45 382**
Total assets		**104 114**	**91 291**
Equity and liabilities			
Equity			
Issued capital	20	75	78
Share premium		30 933	30 933
Foreign currency translation reserve		(71)	(63)
Retained earnings		60 684	48 824
Equity attributable to equity holders of the parent		**91 621**	**79 772**
Non-controlling interests		2 962	2 661
Total equity		**94 583**	**82 433**
Non-current liabilities			
Interest-bearing loans and other non-current financial liabilities	16	2 154	2 569
Deferred tax liability		36	35
Total non-current liabilities		**2 190**	**2 604**
Current liabilities			
Trade and other payables	21	6 210	4 939
Advances received		142	154
Interest-bearing loans and borrowings	16	989	1 161
Total current liabilities		**7 341**	**6 254**
Total liabilities		**9 531**	**8 858**
Total equity and liabilities		**104 114**	**91 291**

[signed]
Borys Bielikov
Executive director

[signed]
Vitalii Veresenko
Non-executive director

[signed]
Oleksander Bakumenko
Non-executive director

[signed]
Marc van Campen
Non-executive director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2012
(in USD thousand, unless otherwise stated)

	Attributable to equity holders of the parent company						
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
As at 31 December 2010 (audited)	**63**	**-**	**-**	**29 009**	**29 072**	**2 353**	**31 425**
Profit for the period	-	-	-	8 544	8 544	29	**8 573**
Other comprehensive income	-	-	10	-	10	(3)	**7**
Total comprehensive income	**-**	**-**	**10**	**8 544**	**8 554**	**26**	**8 580**
Share issued 20 June 2011	21	33 048	-	-	33 069	-	**33 069**
Costs allocated to issue of share capital	-	(2 115)	-	-	(2 115)	-	**(2 115)**
Exchange differences	1	-	(1)	-	-	-	**-**
As at 30 June 2011 (unaudited)	**85**	**30 933**	**9**	**37 553**	**68 580**	**2 379**	**70 959**
As at 31 December 2011 (audited)	**78**	**30 933**	**(63)**	**48 824**	**79 772**	**2 661**	**82 433**
Profit for the period	-	-	-	11 860	11 860	302	**12 162**
Other comprehensive income	-	-	(11)	-	(11)	(1)	**(12)**
Total comprehensive income	**-**	**-**	**(11)**	**11 860**	**11 849**	**301**	**12 150**
Exchange differences	(3)	-	3	-	-	-	**-**
As at 30 June 2012 (unaudited)	**75**	**30 933**	**(71)**	**60 684**	**91 621**	**2 962**	**94 583**

[signed]
Borys Bielikov
Executive director

[signed]
Vitalii Veresenko
Non-executive director

[signed]
Oleksander Bakumenko
Non-executive director

[signed]
Marc van Campen
Non-executive director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the six months ended 30 June 2012
(in USD thousand, unless otherwise stated)

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Operating activities		
Profit before tax	*12 217*	*8 631*
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment and amortisation of intangible assets	1 341	911
Net change in fair value of biological assets	(3 623)	(1 286)
Loss on disposal of property, plant and equipment	3	65
Finance income	(497)	(312)
Finance costs	91	473
Impairment of doubtful accounts receivable and prepayments to suppliers	41	-
Liability for unused vacation	(38)	2
Working capital adjustments:		
Increase in trade and other receivables	(695)	(7 806)
Increase in prepayments to suppliers	(207)	(234)
(Increase)/Decrease in inventories	(383)	2 629
Increase/(Decrease) in trade and other payables and advances received	1 298	(947)
	9 549	**2 126**
Income tax paid	(76)	(41)
Net cash flows from operating activities	**9 473**	**2 085**
Investing activities		
Purchase of property, plant and equipment	(16 672)	(2 388)
Prepayment for securities	(533)	-
Increase in biological assets	(2 449)	(2 380)
Interest received	337	2
Proceeds from repayment of loan to Beneficial Owner	178	-
Purchase of “Ovostar Union” LLC	-	(38)
Outflow from current loans issued	-	(5)
Net cash flows used in investing activities	**(19 139)**	**(4 809)**
Financing activities		
Proceeds from borrowings	-	10 647
Repayment of borrowings	(525)	(6 728)
Interest paid	(91)	(282)
Share capital, net of cost	-	31 017
Net cash flows used in financing activities	**(616)**	**34 654**
Net (decrease)/increase in cash and cash equivalents	**(10 282)**	**31 930**
Effect from translation into presentation currency	(16)	(433)
Cash and cash equivalents at 1 January	**21 541**	**358**
Cash and cash equivalents at 30 June	**11 243**	**31 855**

[signed]
Borys Bielikov
Executive director

[signed]
Vitalii Veresenko
Non-executive director

[signed]
Oleksander Bakumenko
Non-executive director

[signed]
Marc van Campen
Non-executive director

1. Corporate information

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

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

Total number of employees of all companies of the Group constituted 1 311 employees as at 30 June 2012, and 1 292 employees as at 30 June 2011.

The company is listed on the Warsaw Stock Exchange.

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

The consolidated condensed interim financial statements for the six months ended 30 June 2012 were authorized by the Board of Directors on 29 August 2012.

As at 30 June 2012 and 31 December 2011 the Group included the following subsidiaries:

		Ownership	
Name of the company	Business activities	**As at 30 June 2012**	**As at 31 December 2011**
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100%	100%
Limited Liability Company "Ovostar"	Egg-products production and distribution	100%	100%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding	92%	92%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading	76%	76%
Public 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 "Skybynskyy Fodder Plant"	In the process of liquidation	99%	99%

2. Basis of preparation

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

The financial statements are prepared on a going-concern basis, under which assets are sold and liabilities are repaid in the ordinary course of business. The accompanying consolidated condensed interim 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.

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 condensed interim financial statements are comprised of the financial statements of the Group and its subsidiaries as at 30 June 2012.

The consolidated condensed interim 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 condensed interim financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidated condensed interim level, except when the intragroup losses indicate an impairment that requires recognition in the consolidated condensed interim 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 condensed interim 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 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 30 June 2012: 24.93% (30 June 2011: 26.93%).

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 insolvency. 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 condensed interim 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 condensed interim 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 hold for trading or designated at fair value through profit or loss.

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

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

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

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

Financial assets at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the consolidated condensed interim statement of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset.

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

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

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

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 liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

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.

Relevant exchange rates are presented as follows:

	As at 30 June 2012	As at 31 December 2011
USD/UAH	7.993	7.990
EUR/UAH	9.971	10.298
PLN/USD	3.442	3.422
EUR/USD	0.795	0.772

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

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

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 recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

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

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

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

Value Added Tax

For the 6 months ended 30 June 2012 and in the year ended 31 December 2011, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

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

Starting from 1 January 2014 VAT rate at 20% will be changed by the new Tax Code of Ukraine (Note 23) and it was established at the level of 17%. This change has no effect on these consolidated condensed interim 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 condensed interim 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 condensed interim financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

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

a) Adopted by the European Union

Amendments

- Amendment to IFRS 7 “Financial Instruments: Disclosures” (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 “Financial Statements Presentation” on Presentation of Items of Other Comprehensive Income” (effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 19 “Employee Benefits” (effective for annual periods beginning on or after 1 January 2013).

b) Not adopted by the European Union

New standards

- IFRS 9 “Financial Instruments” (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 “Joint Agreements” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 “Disclosure of Interests in Other entities” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013).

- IAS 27 “Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IAS 12 “Income Taxes” on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IFRS 7 “Financial Instruments: Disclosures” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 32 “Financial Instruments: Presentation” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IFRS 1 “Government Loans” (effective for annual periods beginning on or after 1 January 2013).

New IFRICs

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

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

- Amendments to IFRS 7 “Financial Instruments: Disclosures” on derecognition of financial instruments. These amendments will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitization of financial assets. These amendments are effective for annual periods beginning on or after 1 July 2011 and have not yet been endorsed by the European Union.
- Amendments to IAS 12 “Income Taxes” on deferred tax. IAS 12 “Income taxes”, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when an asset is measured using fair value model in IAS 40 “Investment Property”. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 “Income Taxes – recovery of revalued non-depreciable assets”, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. This amendment is effective for annual periods beginning on or after 1 January 2012 and has not yet been endorsed by the European Union.

Adoption of new and revised IFRS

- IFRS 9 “Financial Instruments”. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains, but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.
- IFRS 10 “Consolidated Financial Statements”. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements, when an entity controls one or more other entity to present consolidated financial statements. It defines the principle of

control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

- IFRS 13 “Fair Value Measurement”. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied, where its use is already required or permitted by other standards. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

7. 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 segments for the 6 months ended 30 June 2012 and 2011:

For the 6 months ended 30 June 2012 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	27 624	6 485	2 026	**36 135**
Inter-segment revenue	(8 100)	(245)	-	**(8 345)**
Revenue from external buyers	**19 524**	**6 240**	**2 026**	**27 790**
Profit before tax	**9 979**	**2 185**	**53**	**12 217**

For the 6 months ended 30 June 2011 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	23 617	6 149	-	**29 766**
Inter-segment revenue	(7 206)	(450)	-	**(7 656)**
Revenue from external buyers	**16 411**	**5 699**	**-**	**22 110**
Profit before tax	**7 875**	**756**	**-**	**8 631**

Segment assets and liabilities as at 30 June 2012 and 31 December 2011 were presented as follows:

As at 30 June 2012 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	90 409	13 283	422	104 114
Total segment liabilities	5 828	3 703	-	9 531

As at 31 December 2011 (audited)	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

For the 6 months ended 30 June 2012 and 2011, respectively, other information regarding operating segments was as follows:

For the 6 months ended 30 June 2012 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Addition to property, plant and equipment and intangible assets	9 368	7 275	29	**16 672**
Net change in fair value of biological assets and agricultural produce	2 662	961	-	**3 623**
Depreciation and amortization	722	598	21	**1 341**
Interest income	321	16	-	**337**
Interest on debts and borrowings	38	53	-	**91**
Income tax expense	(8)	(47)	-	**(55)**

For the 6 months ended 30 June 2011 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Addition to property, plant and equipment and intangible assets	2 362	3	23	**2 388**
Net change in fair value of biological assets and agricultural produce	1 286	-	-	**1 286**
Depreciation and amortization	783	96	32	**911**
Interest income	1	1	-	**2**
Interest on debts and borrowings	252	30	-	**282**
Income tax expense	(56)	(2)	-	**(58)**

8. Other operating income

	Note	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Income from refund under the special legislation:			
Income from special VAT treatment	a)	633	2 140
Other grants	b)	3	-
Total income from refund under the special legislation		**636**	**2 140**
Other income		261	305
Total other operating income		**897**	**2 445**

a) Income from special VAT treatment

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

20%) and the VAT paid on items purchased for their operational needs. This income and expenses are recognized in the consolidated financial statements on a net basis in other operating income/expenses.

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

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

b) Other grants

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

9. Other operating expenses

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Loss on disposal of inventories	(75)	-
VAT written off	(59)	-
Impairment of doubtful accounts receivable and prepayments to suppliers	(41)	(356)
Fines and penalties	(15)	(32)
Loss on disposal of property plant and equipment	(3)	-
Shortages and losses from damage of valuables	-	(69)
Other expenses	(129)	(337)
Total other operating expenses	**(322)**	**(794)**

10.Amortisation and depreciation expenses

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Depreciation and amortisation - Cost of sales	(1 251)	(825)
Depreciation and amortisation - Selling and distribution costs	(7)	(10)
Depreciation and amortisation - Administrative expenses	(83)	(76)
Total amortisation and depreciation expenses	**(1 341)**	**(911)**

11.Employee benefits expense

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Wages, salaries and social security costs of production personnel	(2 736)	(2 329)
Wages, salaries and social security costs of distribution personnel	(196)	(225)
Wages, salaries and social security costs of administrative personnel	(279)	(275)
Total employee benefits expense	**(3 211)**	**(2 829)**

12.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 period ended 30 June 2012 and 2011, of the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax in 1 quarter 2011 – at a 25% rate, in 2-4 quarter 2011 – at a 23% rate. The new Tax Code of Ukraine effective as of 1 January 2011 (Note 23), 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 30 June 2012 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.
The major components of income tax expense for the 6 months ended 30 June 2012 and 2011 were:

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Current income tax:		
Current income tax charge	(49)	(23)
Adjustments in respect of current income tax of previous period	-	46
Deferred tax:		
Relating to origination and reversal of temporary differences	(6)	(80)
Income tax (expense)/benefit reported in the income statement	**(55)**	**(58)**

13.Biological assets

As at 30 June 2012 and 31 December 2011 commercial and replacement poultry were presented as follows:

	As at 30 June 2012		As at 31 December 2011	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets				
Replacement poultry				
Hy-line	899	11 036	1 873	19 341
Rodonit (brown)	-	-	496	1 176
Total non-current biological assets	**899**	**11 036**	**2 369**	**20 517**
Current biological assets				
Commercial poultry				
Hy-line	2 316	17 167	31	1 101
Hy-sex	147	177	745	820
Rodonit (brown)	122	130	-	-
Total current biological assets	**2 586**	**17 474**	**776**	**1 921**
Total biological assets	**3 485**	**28 510**	**3 145**	**22 438**

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

Reconciliation of commercial and replacement poultry carrying values for the 6 months ended 30 June 2012 and 2011, was presented as follows:

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
As at 01 January	**22 438**	**11 147**
Increase in value as a result of assets acquisition	213	93
Increase in value as a result of capitalization of cost	2 500	2 982
Income/(Losses) from presentation of biological assets at fair value	3 623	1 286
Decrease in value as a result of assets disposal	(162)	(507)
Decrease in value as a result of assets slaughter	(92)	(166)
Exchange differences	(10)	(22)
As at 30 June	**28 510**	**14 813**

For the 6 months ended 30 June 2012 the Group produced shell eggs in the quantity of 324 324 thousand items (30 June 2011: 290 863 thousand).

Fair value of biological assets was estimated by the Group's specialists who have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced selling using corresponding discount rate which is equal to 24.93% (30 June 2011: 26.93%). Management assumes 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 they 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 six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Eggs sale price, USD/ per item	0.080	0.070
Discount rate, %	24.93%	26.93%
Long-term inflation rate of Ukrainian hrivnya, %	107.80%	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 30 June 2012 and 2011:

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
1% decrease in egg sale price	(452)	(325)
1% increase in discount rate	(251)	(135)
1% increase in long-term inflation rate of Ukrainian hrivnya	299	137

14.Property, plant and equipment and Intangible assets

During the 6 months ended 30 June 2012 and 2011, the Group's additions to property, plant and equipment amounted to USD 16 672 thousand and USD 2 388 thousand respectively. In particular in January-June 2012 the Group acquired battery cage equipment in the amount equal to USD 5 789 thousand and capital expenditures in amount of USD 8 198 thousand were incurred in connection with the reconstruction and improvement of the existing facilities and reconstruction of poultry buildings.

For the 6 months ended 30 June 2012 and 2011 respectively the Group has put into operation fixed assets of book value equal to USD 8 673 thousand and USD 667 thousand respectively.

As at 30 June 2012 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 5 583 thousand (30 June 2011: USD 13 104 thousand). As at 30 June 2012 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 2 873 thousand.

15.Other non-current assets

As at 30 June 2012 long-term loan issued to the Beneficial Owner was equal to USD 1 289 thousand (30 June 2011: USD 1 457 thousand). The loan represents on interest-free loan, with maturity on 12 December 2013, and balance outstanding at 30 June 2012 of UAH 12 739 thousand (approximately USD 1 594 thousand), which is recognized at amortized cost using 16% effective interest rate.

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

	Currency	Interest rate, %	Maturity	As at 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Current interest-bearing loans and borrowings					
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	329	340
UniCreditBank loan	USD	5,0% + LIBOR (3m)	19.12.2012	115	230
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	152	168
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	129	133
Other current loans	UAH	-	-	99	125
Short-term financial lease liabilities (a)	UAH	7%	28.09.2017	165	165
Total current interest-bearing loans and borrowings				**989**	**1 161**
Non-current interest-bearing loans and borrowings					
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	740	935
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	376	462
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	319	396
Long-term financial lease liabilities (a)	UAH	7%	28.09.2017	719	776
Total non-current interest-bearing loans and borrowings				**2 154**	**2 569**

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 30 June 2012 and 31 December 2011 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.
In the case in violation of the terms of repayment of loans Credit Agricole, the interest rate increases to 10%.

(a) Finance lease liabilities

	Minimum lease payments	Current value of minimum lease payments	Minimum lease payments	Current value of minimum lease payments
Amounts payable under finance lease:	*As at 30 June 2012 (unaudited)*		*As at 31 December 2011 (audited)*	
Within a year	221	165	226	165
From one to five years	767	658	791	658
Above 5 years	61	61	123	118
	1 049	**883**	**1 140**	**941**
Less: financial expenses of future periods	(166)	-	(199)	-
Current value of lease liabilities	883	883	941	941
Less: amount to be paid within a year		(165)		(165)
Amount to be paid after one year		719		776

Finance lease obligations represent amounts due under agreements for lease of battery cage equipment with Ukrainian companies. Net carrying value of property, plant and equipment acquired via finance lease as at 30 June 2012 and 31 December 2011 was as follows:

	As at 30 June 2012	As at 31 December 2011
Plant and equipment	908	953
Total	**908**	**953**

As at 30 June 2012 and 31 December 2011 there were no restrictions imposed by the lease arrangements, in particular those concerning dividends, additional debt or further leasing.

17.Inventories

	As at 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Raw materials	3 452	4 957
Agricultural produce and finished goods	5 176	4 148
Package and packing materials	852	742
Work in progress	423	396
Other inventories	1 174	754
(Less: impairment of agricultural produce and finished goods)	(49)	(352)
Total inventories at the lower of cost and net realisable value	**11 028**	**10 645**

18.Trade and other receivables

	As at 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Trade receivables	7 196	5 406
VAT for reimbursement	4 204	4 936
Receivables for securities sold but not yet settled	210	640
Other accounts receivable	150	120
Provision for doubtful accounts receivable	(469)	(414)
Total trade and other receivables	**11 291**	**10 688**

19.Cash and cash equivalents

	As at 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Cash in banks	11 204	21 504
Cash on hand	39	37
Total cash at banks and on hand	**11 243**	**21 541**

20.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 30 June 2012, 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 30 June 2012 the largest single shareholders interest in the Company were as follows:

	As at 30 June 2012
Prime One Capital Ltd.	75.00%
Generali Otwarty Fundusz Emerytalny	12.15%

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 75 468. 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 30 June 2011.

Dividends payable of the Company

During the six months ended 30 June 2012 and 2011, no dividends have been declared and paid.

21.Trade and other payables

	As at 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Trade payables	4 866	3 800
Employee benefit liability	346	325
Taxes payable	206	188
Liability for unused vacation	150	188
VAT liabilities	483	106
Other payables	159	332
Total trade and other payables	**6 210**	**4 939**

22.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 30 June 2012 and 31 December 2011:

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*
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 30 June 2012 and 31 December 2011, 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 30 June 2012 (unaudited)	As at 31 December 2011 (audited)
Long-term loan issued to the Beneficial Owners		
Borys Bielikov	1 289	1 324
	1 289	**1 324**
Prepayments to related parties		
Agrofirma Boryspilsky Hutir LLC	66	6
Aleksa LTD LLC	189	142
	255	**148**
Other accounts receivables from related parties		
Ovostar LTD LLC	13	13
	13	**13**
Other payables to related parties		
Agrofirma Boryspilsky Hutir LLC	(61)	-
Anglo-Brit Management Limited	(104)	(103)
Borys Bielikov	(2)	(2)
	(167)	**(105)**

For the 6 months ended 30 June 2012 and 2011 revenues and expenses from the related parties were presented as follows:

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Administrative expenses		
Aleksa LTD LLC	(3)	(3)
Agrofirma Boryspilsky Hutir LLC	(1)	-
	(4)	**(3)**
Purchases from related parties		
Agrofirma Boryspilsky Hutir LLC	-	5
	-	**5**

23.Commitments and contingencies

Contingent liabilities

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

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

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions take effect later (such as, Section III dealing with corporate income tax, came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, as discussed in Note 12, the Tax Code also changes various other taxation rules.

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

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

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

Capital liabilities. As at 30 June 2012 the Group had no contract liabilities (30 June 2011: USD 1 297).

Liabilities for property, plant and equipment operating lease contracts. As at 30 June 2012 and 31 December 2011 the Group had no significant contractual liabilities.

24.Subsequent events

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