

**LLC Ovostar Union
and its subsidiaries**
Consolidated condensed
interim financial statements
(Unaudited)

For the six month ended 30
June 2011



CONTENTS

REPORT ON REVIEW	3
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	5
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION.....	6
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY.....	7
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	8
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS	9
1. Corporate information.....	9
2.1. Basis of preparation.....	10
2.2. Basis of consolidation	10
3. New standards, interpretations and amendments	11
4. Seasonality of operations.....	12
5. Segment information.....	12
6. Other operating income	14
7. Other operating expenses.....	15
8. Amortization and depreciation expenses.....	15
9. Employee benefits expense.....	15
10. Income tax	16
11. Biological assets	16
12. Property, plant and equipment.....	18
13. Other non-current assets.....	19
14. Interest-bearing loans and other non-current financial liabilities	19
15. Inventories	20
16. Trade and other receivables (current).....	20
17. Equity	21
18. Trade and other payables (current).....	22
19. Related party disclosures	22
20. Commitments and contingencies.....	24
21. Subsequent events	25

Report on Review

To the attention of Shareholders and Directors of LLC Ovostar Union

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of LLC Ovostar Union (the Group hereinafter), as at June 30, 2011, and the related consolidated condensed interim statements of comprehensive income, changes in equity and cash flows for the six months then ended. Management is responsible for the preparation and presentation of this Consolidated Condensed Interim Financial Statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this Consolidated Condensed Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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

In the adoption of IFRS 1 "First time Adoption of International Reporting Standards", the Group assumed the carrying amount of property, plant and equipment formed in accordance with the previous conceptual framework as their deemed cost. At the date of the 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, which is inconsistent with IAS 16 "Property, plant and equipment". In our opinion, during 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 the 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 six month ended 30 June 2011 was not identified.

Qualified Conclusion

Except for the adjustments to the Consolidated Condensed Interim Financial Statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Condensed Interim Financial Statements is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Partner

"BAKER TILLY UKRAINE" LLP



Sergey Kesarev

15 August 2011

Kiev, Ukraine

Registration # 1737

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six month ended 30 June 2011
(in USD thousand, unless otherwise stated)

		6 months ended 30 June	
	Notes	2011	2010
		(unaudited)	(unaudited)
Revenue		22 110	16 540
Net change in fair value of Biological assets	11	1 286	359
Cost of sales		(14 670)	(11 974)
Gross profit		8 726	4 925
Other operating income	6	2 445	1 985
Selling and distribution costs		(1 246)	(1 476)
Administrative expenses		(731)	(781)
Other operating expenses	7	(794)	(239)
Operating profit		8 400	4 414
Finance costs		(473)	(472)
Finance income		312	281
Profit before tax		8 239	4 223
Income tax expense	10	(58)	(455)
Profit for the period		8 181	3 768
Other comprehensive income			
Exchange differences on translation of foreign operations		(64)	259
Other comprehensive income for the period, net of tax		(64)	259
Total comprehensive income for the period, net of tax		8 117	4 027
Profit attributable to:			
Owners of the parent		8 160	4 567
Non-controlling interests		29	(799)
		8 189	3 768
Other comprehensive income attributable to:			
Owners of the parent		(61)	232
Non-controlling interests		(3)	27
		(64)	259

On 15 August of 2011 the Board of Directors of Ovostar Union LLC authorised these consolidated condensed interim financial statements for issue.

Borys Bielikov
Chief Executive Officer

Yuriy Doroshev
Chief Financial Officer

LLC OVOSTAR UNION AND ITS SUBSIDIARIES
Consolidated condensed interim financial statements (Unaudited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2011 and 31 December 2010
(in USD thousand, unless otherwise stated)

		As at 30 June 2011	As at 31 December 2010
	Notes	(unaudited)	(audited)
Assets			
Non-current assets			
Non-current biological assets	11	11 721	6 121
Property, plant and equipment	12	13 073	11 629
Intangible assets		2	2
Other non-current assets	13	1 684	1 149
Deferred tax assets		7	29
		<u>26 487</u>	<u>18 930</u>
Current assets			
Inventories	15	6 361	8 990
Current biological assets	11	3 092	5 026
Trade and other receivables	16	14 985	7 174
Prepayments		560	326
Prepayments for income tax		18	-
Cash and cash equivalents		303	358
		<u>25 319</u>	<u>21 874</u>
Total assets		51 806	40 804
Equity and liabilities			
Equity			
Issued capital	17	45	45
Foreign currency translation reserve		(7 671)	(7 610)
Retained earnings		44 797	36 637
Equity attributable to owners of the parent		37 171	29 072
Non-controlling interests		2 379	2 353
Total equity		39 550	31 425
Non-current liabilities			
Interest-bearing loans and other non-current financial liabilities	14	2 444	230
Deferred tax liabilities		64	5
		<u>2 508</u>	<u>235</u>
Current liabilities			
Trade and other payables	18	3 297	4 448
Advances received		572	524
Interest-bearing loans and borrowings	14	5 855	4 150
Provisions		24	22
		<u>9 748</u>	<u>9 144</u>
Total liabilities		12 256	9 379
Total equity and liabilities		51 806	40 804

Borys Bielikov
Chief Executive Officer

Yuriy Doroshev
Chief Financial Officer

LLC OVOSTAR UNION AND ITS SUBSIDIARIES
Consolidated condensed interim financial statements (Unaudited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six month ended 30 June 2011
(in USD thousand, unless otherwise stated)

	Issued capital	Foreign currency translation reserve	Merger reserve	Retained earnings	Total	Non-controlling interests	Total equity
As at 31 December 2009	18	(7 459)	11 551	22 970	27 080	2 929	30 009
Profit for the period				4 567	4 567	(799)	3 768
Other comprehensive income		232		-	232	27	259
Total comprehensive income	-	232	-	4 567	4 799	(772)	4 027
Other equity movements (Note 17)	-	-	254	(157)	97	-	97
As at 30 June 2010 (unaudited)	18	(7 227)	11 805	27 380	31 976	2 157	34 133
As at 31 December 2010	45	(7 610)	-	36 637	29 072	2 353	31 425
Profit for the period				8 160	8 160	29	8 189
Other comprehensive income		(61)		-	(61)	(3)	(64)
Total comprehensive income	-	(61)	-	8 160	8 099	26	8 125
As at 30 June 2011 (unaudited)	45	(7 671)	-	44 797	37 171	2 379	39 550

Borys Bielikov
Chief Executive Officer

Yuriy Doroshev
Chief Financial Officer

LLC OVOSTAR UNION AND ITS SUBSIDIARIES
Consolidated condensed interim financial statements (Unaudited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the six month ended 30 June 2011
(in USD thousand, unless otherwise stated)

	6 months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Operating activities		
Profit before tax	8 239	4 223
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment and amortisation of intangible assets	911	853
Net change in fair value of Biological assets	(1 286)	(359)
Loss on disposal of property, plant and equipment	65	-
Finance income	(312)	(252)
Finance costs	473	472
Movements in provisions	2	(61)
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables less receivables for securities sold but not yet settled	(7 806)	(3)
(Increase)/Decrease in prepayments to suppliers	(234)	(169)
(Increase)/Decrease in inventories	2 629	(573)
(Increase)/Decrease in biological assets	(2 380)	(2 615)
(Increase)/Decrease in short-term deposits	-	1 370
Increase/(Decrease) in trade and other payables and Advances received	(1 128)	(351)
	(827)	2 535
Interest received	2	73
Income tax paid	(41)	(76)
Net cash flows from/(used in) operating activities	(866)	2 532
Investing activities		
Proceeds from sale of property, plant and equipment	-	-
Purchase of property, plant and equipment	(2 388)	(333)
Outflow from current loans issued	(5)	-
Proceeds from repayment of current loans issued	-	98
Net cash flows from/(used in) investing activities	(2 393)	(235)
Financing activities		
Proceeds from borrowings	10 647	4 696
Repayment of borrowings	(6 728)	(7 273)
Interest paid	(282)	(948)
Net cash flows from/(used in) financing activities	3 637	(3 525)
Net increase/(decrease) in cash and cash equivalents	378	(1 228)
Net foreign exchange difference	433	(732)
Cash and cash equivalents at 1 January	358	577
Cash and cash equivalents at 30 June	303	81

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Corporate information

Principal activities of Limited Liability Company "Ovostar Union" (referred to herein as the "Company") and its subsidiaries (together – the "Group") include egg production, distribution and egg products manufacturing. The holding company of the Group was registered under the name Limited Liability Company "Boryspiol Agro Trade" in accordance with the laws of Ukraine as a limited liability company on 28 July 1999. It was renamed to Limited Liability Company "Ovostar Union" on 27 December 2010. The registered office and principal place of business of the Company is 34 Petropavlivska Street, 34, Kyiv, Ukraine. Its principal activity is the holding of ownership interests in its subsidiaries 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.

The Group was formed in December 2010, through a number of transactions resulting in the transfer to the Company of controlling ownership interest in the subsidiaries from entities which were under common control at the time of the reorganization and Beneficial Owners, which is further described in Note 17.

All subsidiaries companies are registered under the laws of Ukraine. The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the "Beneficial Owners").

On 22 March 2011 Ovostar Union N.V. was incorporated for the purposes of initial public offering. Ovostar Union N.V. is a Dutch limited liability company. The registered office of the Company is Koningslaan 17, 1075AA, Amsterdam, the Netherlands. On 28 March 2011 Ovostar Union N.V. (the Netherlands) acquired 99.8% of corporate rights of the Company from Beneficial Owners at its nominal value. In June 2011 the shares of Ovostar Union N.V. were admitted on the regulated market of the Warsaw Stock Exchange.

The Group's included the following subsidiaries as at 30 June 2011 and 31 December 2010:

Name of the subsidiary	Business activities	As at 30 June 2011	As at 31 December 2010
Limited Liability Company "Ovostar"	Egg-derivatives production and distribution	98%	98%
Open Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding	92%	92%
Open Joint Stock Company "Krushynskyy Poultry Complex"	Trading company	76%	76%
Closed Joint Stock Company "Malynove"	Production of shell eggs, assets holding	94%	94%
Limited Liability Company "Yasensvit"	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, animal feed production	98%	98%
Limited Liability Company "Skybynskyy Fodder Plant"	In the process of liquidation	99%	99%

The consolidated condensed interim financial statements for the six month ended 30 June 2011 were authorised for issue on the 15 August 2011.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

2.1. Basis of preparation

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. These consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

The consolidated condensed interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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

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 consolidated condensed interim financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

Relevant exchange rates are presented as follows:

	As at 30 June 2011	As at 31 December 2010
USD	7.972	7.962
EUR	11.5	10.573

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.

2.2. Basis of consolidation

The consolidated condensed interim financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2011.

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidated condensed interim, 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 subsidiaries 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 subsidiaries is charged or credited to accumulated profits.

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

3. New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, as noted below:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

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

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. This amendment will have no impact on the Group after initial application.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Improvements to IFRSs (issued in May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

4. Seasonality of operations

The Group earns a major part of its revenues and margins in the second half of the calendar and financial year. Typically egg prices are the lowest in May-August and the highest during the winter months. The Group attempts to minimize the seasonal impact through the management of inventories to meet demand; however, the first half year typically results in lower revenues for all reportable segments.

5. 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 4. 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.

LLC OVOSTAR UNION AND ITS SUBSIDIARIES
Consolidated condensed interim financial statements (Unaudited)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

The following table presents revenue, results of operations information regarding segments for six month ended 30 June 2011:

For the six months ended 30 June 2011	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
External sales	16 410	5 699	-	-	22 110
Sales between business segments	7 206	450	-	(7 656)	-
Total revenue	23 617	6 149	-	(7 656)	22 110
Segment results	14 688	1 207	-	(7 656)	8 239
Profit before tax	14 688	1 207	-	(7 656)	8 239

The following table presents revenue, results of operations information regarding business segments for the six month ended 30 June 2010:

For the six months ended 30 June 2010	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
External sales	12 470	4 070	-	-	16 540
Sales between business segments	29 989	546	-	(30 535)	-
Total revenue	42 459	4 617	-	(30 535)	16 540
Segment results	33 782	976	-	(30 535)	4 223
Profit before tax	33 782	976	-	(30 535)	4 223

Segment assets and liabilities as at 30 June 2011 and 31 December 2010 were presented as follows:

As at 30 June 2011	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
Segment assets	66 124	8 293	310	(22 921)	51 806
Consolidated total assets	66 124	8 293	310	(22 921)	51 806
Segment liabilities	26 317	8 880	-	(22 941)	12 256
Consolidated total liabilities	26 317	8 880	-	(22 941)	12 256

LLC OVOSTAR UNION AND ITS SUBSIDIARIES
Consolidated condensed interim financial statements (Unaudited)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

As at 31 December 2010	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
Segment assets	68 015	5 993	353	(33 557)	40 804
Consolidated total assets	68 015	5 993	353	(33 557)	40 804
Segment liabilities	31 169	5 858	-	(27 648)	9 379
Consolidated total liabilities	31 169	5 858	-	(27 648)	9 379

For the six month ended 30 June 2011 and 2010 respectively other information regarding operating segments was the following:

For the six month ended 30 June 2011	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
Additions to property, plant and equipment	2 362	3	23	-	2 388
Depreciation and amortization	783	96	32	-	911
Net change in fair value of biological assets and agricultural produce	1 286	-	-	-	1 286

For the six month ended 30 June 2010	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
Additions to property, plant and equipment	447	16	-	-	464
Depreciation and amortization	707	146	-	-	853
Net change in fair value of biological assets and agricultural produce	359	-	-	-	359

6. Other operating income

	6 months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Income from government grants and incentives	2 140	1 409
Other income	305	576
Total other operating income	2 445	1 985

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

7. Other operating expenses

	Notes	6 months ended 30 June	
		2011	2010
		(unaudited)	(unaudited)
Fines and penalties		(32)	(1)
Impairment of doubtful accounts receivable (1)	16	(356)	(76)
Losses from shortages and damage of inventories		(69)	(118)
Other expenses		(337)	(44)
Total other operating expenses		(794)	(239)

(1) For the six month ended 30 June 2011 allowance for doubtful debts include charge on prepayment to related party Aleksa LTD LLC in amount of USD 132 thousand.

8. Amortization and depreciation expenses

	6 months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Depreciation and amortization - Cost of sale	(825)	(630)
Depreciation and amortization - Selling and distribution costs	(10)	(24)
Depreciation and amortization - Administrative expenses	(76)	(199)
Total	(911)	(853)

9. Employee benefits expense

	6 months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Wages, salaries and social security costs of production personnel	2 329	2 587
Wages, salaries and social security costs of distribution personnel	225	361
Wages, salaries and social security costs of administrative personnel	275	320
Total employee benefits expense	2 829	3 268

Total number of employees of all companies of the Group constituted:

As at 30 June 2011 – 1 292 employees.

As at 30 June 2010 – 1569 employees.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

10. Income tax

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

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

During the years ended 31 December 2010 the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 25% rate. The new Tax Code of Ukraine effective as of 1 January 2011, introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 30 June 2011 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the six month ended 30 June 2011 and 2010 are:

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
	(unaudited)	(unaudited)
<i>Current income tax:</i>		
Current income tax charge	(23)	(2)
Adjustments in respect of current income tax of previous year	46	-
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	(80)	(45+)
Income tax (expense)/benefit reported in the income statement	(57)	(456)

11. Biological assets

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Non-current biological assets		
Replacement poultry	11 721	6 121
Current biological assets		
Commercial poultry	3 092	5 026
Total biological assets	14 813	11 147

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

As at 30 June 2011 and 31 December 2010 commercial and replacement poultry were presented as follows:

	As at 30 June 2011 (unaudited)		As at 31 December 2010 (audited)	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Hy-line	1 088	7 870	123	461
Hy-sex	982	3 987	1 273	6 707
Rodonit (brown)	564	2 956	1 009	3 979
Total biological assets	2 634	14 813	2 405	11 147

Reconciliation of commercial and replacement poultry carrying values for the 6 months ended 30 June 2011 and 2010 was presented as follows:

	6 months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
As at 01 January	11 147	7 418
Increase in value as a result of assets acquisition	93	180
Increase in value as a result of capitalization of cost	2 982	2 896
Income/(Losses) from presentation of biological assets at fair value (1)	1 286	359
Decrease in value as a result of assets disposal	(507)	-
Decrease in value as a result of assets slaughter	(166)	(455)
Exchange differences	(22)	(6)
As at 30 June	14 813	10 392

(1) Fair value of biological assets was estimated by 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 26.93% at 30 June 2011 (for 31 December 2010: 27.44%).

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

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Eggs sale price, USD/per item	0.07	0.07
Discount rate, %	26.93%	27.44%
Long-term inflation rate of Ukrainian hryvnya, %	108.90%	108.90%

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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 2011 and 31 December 2010:

	As at 30 June 2011 (unaudited)	As at 31 December 2010 (audited)
1% decrease in eggs sales price	(237)	(899)
1% increase in discount rate	(207)	(424)
1% increase in long-term inflation rate of Ukrainian hryvnya	184	685

12. Property, plant and equipment

During the six months ended 30 June 2011 and 30 June 2010, the Group's additions to property, plant and equipment amounted to USD 2 388 thousand and USD 466 thousand respectively. In particular in June 2011 the company Ovostar LLC acquired cellular equipment for poultry in the amount equal to USD 1 833 thousand.

During the six months ended 30 June 2011 the main capital expenditures in amount of USD 462 thousand were incurred in connection with the reconstruction and improvement of the existing facilities and completion of poultry buildings.

During the six months ended 30 June 2010 there were no significant reconstruction and improvement of the existing facilities.

Assets with net book value equal to USD 65 thousand were disposed of by the Group during the six months ended 30 June 2011 (2010: USD 30 thousand).

As at 30 June 2011 loans were secured by property plant and equipment with book value (except finance lease assets) equal to USD 13 104 thousand.

For six month ended 30 June 2011 and 2010 respectively the Group has put into operation fixed assets of book value equal to USD 667 thousand and USD 3 thousand respectively.

As at 30 June 2011 the book value of property, plant and equipment subjected to finance lease agreements was equal to USD 1 009 thousand.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

13. Other non-current assets

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Long-term loan issued to the Beneficial Owner (1)	1 457	1 149
Prepayments for property, plant and equipment	227	-
Total other non-current assets	1 684	1 149

(1) Long-term loan issued to the Beneficial Owner represent interest-free loan, issued for a period of 5 years with a maturity date on 12 November 2013 and a nominal value of UAH 22 000 thousand (approximately USD 2 770 thousand), which is recorded at amortized cost using 16% effective interest rate.

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

	Interest rate, %	Maturity	As at 30 June 2011	As at 31 December 2010
			(unaudited)	(audited)
Current interest-bearing loans and borrowings				
Credit Agricole loan (1)	5,92%+EURIBOR	17.09.2015	381	-
UniCreditBank loan	10,5% + Libor (1m), 15,5% in UAH	30.06.2015	101	-
UniCreditBank loan	10,5% + Libor (1m), 15,5% in UAH	30.06.2011	-	3 333
UniCreditBank loan	14,5%	31.03.2012	4 853	377
UniCreditBank loan	5,0% + LIBOR (3m)	19.12.2012	230	230
UniCreditBank loan	17,8%	10.05.2011	-	84
Obligations under finance leases and hire purchase contracts		28.09.2017	165	-
Other current loans			291	126
Total current interest-bearing loans and borrowings			5 855	4 150
Non-current interest-bearing loans and borrowings				
Credit Agricole loan (1)	5,92%+EURIBOR	17.09.2015	1 142	-
UniCreditBank loan	10,5% + Libor (1m), 15,5% in UAH	30.06.2015	303	-
UniCreditBank loan	5,0% + LIBOR (3m)	19.12.2012	116	230
Long-term finance lease liabilities		28.09.2017	883	-
Total non-current interest-bearing loans and borrowings			2 444	230

(1) As at 30 June 2011 loan from Credit Agricole is represented by the letter of credit issued for cage equipment acquisition in June 2011.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

15. Inventories

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Raw materials	1 351	2 515
Work in progress	49	146
Agricultural produce and finished goods	3 884	5 282
Package and packing materials	740	728
Other inventories	337	319
Total inventories at the lower of cost and net realisable value	6 361	8 990

For the 6 months ended 30 June 2011 the Group recognized impairment losses of agricultural produce and finished goods in the amount of USD 33 thousand (As at 31 December 2010: USD 337 thousand).

The impairment losses recognized were due to decreased net realizable value and illiquidity of finished goods.

16. Trade and other receivables (current)

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Trade receivables	7 133	4 564
Allowances for doubtful accounts receivable	(608)	(387)
VAT for reimbursement (1)	3 423	2 569
Current loans issued	285	280
Short-term notes received (2)	4 432	-
Other accounts receivable	320	148
Total trade and other receivables	14 985	7 174

(1) As of 30 June 2011 and 31 December 2010 the balance of VAT recoverable was accumulated on continuing capital expenditures and increased investments in working capital.

(2) At March 2011 the Group has received short-term note from Millenium-Telecom LLC as a settlement for storage services with a nominal value of UAH 3 435 thousand (approximately USD 431 thousand) and the maturity date 21 March 2012, which is recorded at nominal value.

At April 2011 the Group has received short - term notes from Kalkan LLC, issued by Scandinavia-Fish LLC on demand, with a nominal value of UAH 31 898 thousand (approximately USD 4 001 thousand), which are recorded at a nominal value. The notes were received for repayment of receivables for securities, which were acquired and sold during the reporting period.

Notes on pages 9 - 26 form an integral part of these consolidated condensed interim financial statements

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

17. Equity

Issued capital and capital distribution

As referred to in Note 1, the Group was formed in December 2010 through a series of transactions that ultimately resulted in the Company obtaining controlling ownership interest in the subsidiaries from entities which were under common control at the time of reorganisation and Beneficial Owners. As part of the reorganisation all the shares of the subsidiaries have been transferred from Beneficial Owners and entities under their common control to the Company.

As at 31 December 2009, charter capital of the Company in the amount of UAH 90 thousand (equivalent of USD 18 thousand) was issued and fully paid.

In December 2010 the Company issued additional shares capital in the amount of UAH 215 thousand (equivalent of USD 27 thousand) to its current shareholders (Beneficial Owners) due to exchange for the controlling ownership interests in subsidiaries, which have been transferred at the nominal share value to the Company in the process of the reorganisation of the Group carried out during 2010.

As at 31 December 2010, charter capital of the Company in the amount of UAH 305 thousand (equivalent of USD 45 thousand) was issued and fully paid.

In March 2011 99.8 % of corporate rights of Mr. Borys Bielikov and Mr. Vitalii Veresenko were sold to Ovostar Union N.V. in the course of the Group's initial public offering. Ovostar Union N.V. is a Dutch limited liability company. The registered office of the Company is Koningslaan 17, 1075AA, Amsterdam, the Netherlands.

As at 30 June 2011, 31 December 2010 the Shareholders' interest in the Company was as follows:

	As at 30 June 2011 (unaudited)	As at 31 December 2010 (audited)
Ovostar Union N.V.	99.8 %	
Mr. Borys Bielikov (Beneficial Owner)	0.1 %	50.0%
Mr. Vitalii Veresenko (Beneficial Owner)	0.1 %	50.0%
Total	100%	100%

The shares of the Company were not listed as at 30 June 2011 and 31 December 2010.

In June 2011 the shares of the Parent company Ovostar Union N.V. were admitted on the regulated market of the Warsaw Stock Exchange.

Dividends payable of the Company

During the reporting periods ended 30 June 2011 and ended 30 June 2010, no dividends have been declared and paid.

Foreign currency translation reserve

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Merger reserve

Merger reserve represents the merger reserve set up in relation for the transactions that ultimately resulted obtaining controlling ownership interest in the subsidiaries from Beneficial Owners during 2008-2010.

18. Trade and other payables (current)

	As at 30 June 2011 (unaudited)	As at 31 December 2010 (audited)
Trade payables	2 528	3 662
VAT liabilities	-	7
Interest payable	25	-
Employee benefit liability	302	295
Taxes payable	52	46
Other payables	390	438
Total trade and other payables	3 297	4 448

19. Related party disclosures

For the purposes of these 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 2011 and 31 December 2010:

Individuals (shareholders)

Borys Bielikov
Vitalii Veresenko

Key management personnel

Natalia Malyovana
Viacheslav Protsyshyn
Vitalii Voron
Yuriy Doroshev

Parties under the significant influence of the Beneficial Owners

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Long-term loan issued to the Beneficial Owners		
Borys Bielikov	1 457	1 149
	1 457	1 149
Trade receivables from related parties		
Lagoda Confectionery Firm CJSC	N/a	699
	-	699
Current loans issued to related parties		
Borys Bielikov	18	-
Key management personnel	268	277
	285	277
Current loans issued to Beneficial Owners		
Vitalii Veresenko	-	3
	-	3
Other accounts receivable from related parties		
Ovostar LTD LLC	13	13
Borys Bielikov	1	-
Key management personnel	1	1
	15	14
Prepayments to related parties		
Aleksa LTD LLC	132	145
Agrofirma Boryspilsky Hutir LLC	8	9
	140	154

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	(audited)
Trade payables to related parties		
Lagoda Confectionery Firm CJSC	N/a	165
Agrofirma Boryspilsky Hutir LLC	1	-
	1	165
Prepayments from related parties		
Anglo-Brit Management limited	1	-
	1	-
Other payables to related parties		
Anglo-Brit Management limited	103	104
Borys Bielikov	4	1
Vitalii Veresenko	-	1
	107	106

For the six month ended 30 June 2011 and 2010 revenues and expenses from related parties were presented as follows:

	6 month ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Revenue from related parties		
Lagoda Confectionery Firm CJSC	N/a	196
	-	196
Administrative expenses		
Aleksa LTD LLC	3	3
	3	3
Purchases from related parties		
Lagoda Confectionery Firm CJSC	N/a	7
Agrofirma Boryspilsky Hutir LLC	5	-
	5	7

20. 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.

The Ukraine's economy returned to growth in 2010 after the global financial turmoil. Although significant economic uncertainties remain, Ukrainian economy experienced a 4.2% GDP growth in 2010 and further recovery is expected in 2011. The Ukrainian currency remained relatively stable in 2010 and for the first half 2011.

Notes on pages 9 - 26 form an integral part of these consolidated condensed interim financial statements

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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, 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 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 2011, the Group had capital commitments of USD 1 297 thousand principally relating to the reconstruction of existing laying hens houses and purchase of new cage equipment.

Liabilities for property, plant and equipment operating lease contracts – As at 30 June 2011 and 31 December 2010 the Group had no significant contractual liabilities for operating lease contracts.

21. Subsequent events

- a) In 2011 the Group's management made decision regarding restructuring of Limited Liability Company "Skybynskiyy Fodder Zavod". All assets and liabilities of this Company and its major activities will be transferred to Limited Liability Company "Yasensvit". As of the date of signing of these consolidated condensed interim financial statements the process of restructuring was not finished.
- b) On 17 July 2011 the Group has acquired the short-term notes in amount of UAH 20 878 thousand (approximately USD 2 619 thousand).
- c) In the course of significant production capacity development the Group has made a contract with SALMET INTERNATIONAL GMBH on equipment acquisition in amount of EUR 262 thousand (approximately USD 377 thousand).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

d) On 4 July 2011 Parent company Ovostar Union N.V. has increased its share in Ovostar Union LLC by UAH 100 000 thousand (approximately USD 12 500 thousand). The charter capital of the Company totaled to approximately USD 12 545 thousand and was fully paid.

e) As at 01 August 2011 the Group has settled bank loans from UniCreditBank in amount of USD 5 283 thousand as stated as at 30 June 2011 (Note 14).