Ovostar Union N.V.

a limited liability company (Naamloze Vennootschap), having its registered office at Koningslaan 17, 1075AA Amsterdam, the Netherlands and registered with the Chamber of Commerce under number 52331008

Offering of up to 1,500,000 Shares, with a nominal value of EUR0.01 each, and admission to trading on the main market of the Warsaw Stock Exchange of up to all the Shares issued constituting 100% of the issued share capital, of Ovostar Union N.V.

This document (the "**Prospectus**") has been prepared for the purpose of (i) the offering (the "**Offering**") of 1,500,000 ordinary bearer shares in the share capital, each with a nominal value of EUR0.01 (the "**Offer Shares**"), in Ovostar Union N.V. (the "**Issuer**"), and (ii) the admission of the entire issued share capital of the Issuer, i.e., up to 6,000,000 ordinary bearer shares in the share capital of the Issuer (the "**Shares**") to trading on the main market of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, the "**WSE**"). The Issuer will receive the net proceeds from the sale of the Offer Shares. The Offer Shares offered in this Offering constitute a minority interest in the Issuer. Prior to the Offering, Prime One Capital Limited (the "**Principal Shareholder**"), a company organized under the laws of Cyprus, holds 100% of the issued share capital of the Issuer.

The Offering consists of: (i) public offering to retail investors in Poland (the "**Retail Investors**"), (ii) public offering to institutional investors in Poland (the "**Polish Institutional Investors**"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act (the "**International Investors**", and together with the Polish Institutional Investors, the "**Institutional Investors**"), in each case in accordance with applicable securities laws.

The Offer Shares have not been and will not be bearer under the United States Securities Act of 1933, as amended (the "US Securities Act"), or with any securities regulatory authority of any state or any jurisdiction in the United States. The Offer Shares are being offered and sold only outside the United States in accordance with Regulation S under the US Securities Act ("Regulation S") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

This Prospectus constitutes a prospectus for the purposes of Article 3 of European Union (EU) Directive 2003/71/EC (the "**Prospectus Directive**") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht) and the rules promulgated thereunder (the "**Dutch Financial Supervision Act**"). The Autoriteit Financiële Markten (the "**AFM**") in its capacity as the competent authority in the Netherlands under the Dutch Financial Supervision Act, has approved this document as a prospectus. The Issuer has requested that the AFM provide the competent authority in Poland, Komisja Nadzoru Finansowego (Polish Financial Supervision Authority, the "**PFSA**") with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive. The Issuer will be authorised to carry out the Offering to the public in Poland, once the AFM has provided the PFSA with a certificate of approval of this Prospectus and after the Prospectus has been made available to the public together with a translation of the summary into the Polish language. **See "Risk Factors" for a discussion of certain considerations to be taken into account when deciding whether to invest in the Offer Shares.**

Prior to the Offering, there was no public market for the Shares. Based on this Prospectus, the Issuer intends to apply for the entire issued share capital as at the Settlement Date as defined below (i.e., up to 6,000,000 Shares), including the Offer Shares, to be admitted to listing and trading on the main market of the WSE (the "**Admission**"). The Issuer expects that trading in the Shares on the WSE will commence on or about 27 June 2011 (the "**Listing Date**"). Settlement of the Offering is expected to occur on 20 June 2011 (the "**Settlement Date**"). Prospective Retail and Institutional Investors may subscribe for or purchase the Offer Shares during a period which is expected to commence on 13 June 2011 and is expected to end on 15 June 2011 (the "**Subscription Period**"). The final offer price per one Offer Share denominated in PLN (the "**Offer Price**"), the final number of the Offer Shares, and the final number of the Offer Shares allocated to each tranche will be determined jointly by the Issuer upon agreement with the Lead Arranger, the Capital Advisor and the Lead Manager (defined below) after completion of bookbuilding for Institutional Investors and prior to commencement of the subscription period in the retail and institutional tranche not later than on 13 June 2011 (9:00 am), based on interest from investors and will, in accordance with Art. 5:18 of the Dutch Financial Supervision Act and Art. 54 of the Polish Public Offering Act, be filed with the AFM and PFSA and published in the same manner as this Prospectus and, if required, otherwise in accordance with applicable Dutch and Polish regulations.

All the Shares are ordinary bearer shares and will exist in the territory of Poland in book entry form once they have been registered with the Polish clearing and settlement institution – the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A., the "**NDS**"). Shareholders in the Issuer may hold the Offer Shares through the NDS participants, such as investment firms and custodian banks operating in Poland.

BIC Securities SIA is the lead arranger and financial advisor (the "**Lead Arranger and Financial Advisor**") and Bank Zachodni WBK S.A. is the capital advisor (the "**Capital Advisor**") of the Issuer. Dom Maklerski BZWBK S.A. is the global coordinator and lead manager of the Offering (the "**Global Coordinator and Lead Manager**") and KBC Securities N.V. Polish Branch is the co-lead manager for the Offering (the "**Co-Lead Manager**"). Dom Maklerski BZ WBK S.A. will act as the offering agent in Poland for the purposes of the public offering and admission of the Shares on the WSE.

Lead Arranger and Financial Advisor

BIC Securities

Capital Advisor

Bank Zachodni WBK

Global Coordinator and Lead Manager

DOM MAKLERSKI WBK

Co-Lead Manager

KBC Securities

The date of this Prospectus is 31 May 2011

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SUMMARY

The following constitutes the summary of the essential characteristics and risks associated with the Issuer, the Group and the Shares. This summary should be read only as an introduction to this Prospectus and contains information included elsewhere in this Prospectus. It is expressly pointed out that this summary is not exhaustive and does not contain all information which is of importance to prospective investors. Reading this summary should in no way be considered a substitute for reading this Prospectus in its entirety. Prospective investors should read this Prospectus thoroughly and completely, including the "Risk Factors", any supplements to this Prospectus required under applicable laws and the Consolidated Financial Statements and other financial information and related notes, before making any decision with respect to investing in the Offer Shares. No civil liability will attach to the Issuer and other companies of the Group in respect of this summary (including the Summary Financial and Operating Data) or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Summary of the Business

The Group is one of the leaders on the Ukrainian shell eggs and egg products market specializing in the production of high-quality branded products. In 2010, the Group' share of the eggs market stood at 5.4% of total industrially produced eggs and 38% of egg products by volume. The Group produced 546.1 million shell eggs in 2010, 540.1 million shell eggs in 2009, and 527.5 million shell eggs in 2008. The Group produced 4.7 thousand tons of egg products in 2010, 3.5 thousand tons of egg products in 2009, and 3.2 thousand tons of egg products in 2008.

In 2010, the Group had revenues of USD37,033 thousand and, accordingly, a net profit of USD9,163 thousand. Eggs segment sales in 2010 accounted for 72.9%, and egg products segment sales accounted for 27.1% of the Group's revenues.

Group's production facilities are among the most modern in Ukraine. All production sites operated by the Group are located in close proximity to each other in Kyiv and Cherkasy Regions, which allows for efficient internal and external logistics. The Group's production facilities comprise of one breeder farm (total capacity of 58,000 bird places), one hatchery (total capacity 6 million chickens per year), 2 farms for growing young laying hens (total capacity of one million young hen places), 2 farms for laying hens (2.1 million bird places as at 31 December 2010, 165 thousand eggs per hour sorting facilities), 2 fodder mills producing animal feed (processing capacity 36 tons per hour), and one grain storage facility (storage capacity 18 thousand tons). The Group also operates the modern egg processing plant (total capacity 1.2 million eggs per day), the Ovostar EPP. The Group's poultry farms are located in rural areas far from any industrial companies or big highways, which ensures the ecological cleanliness of the eggs.

The Group is actively developing its sales channels together with the biggest retailers and companies operating in the oil-and-fat, confectionery, fish, bakery industries, producers of frozen and semi-finished products, and the HoReCa sector.

Business Strategy

The Group's business strategy includes the following key elements:

- *Development of national brands.* The Group intends to continue to focus its marketing efforts on building brand loyalty, enhancing the status of its umbrella brands ("YASENSVIT" for shell eggs and "OVOSTAR" for egg products) and successfully launching new sub-brands in the market. Management believes that its trademarks are perceived as high quality and reliable.
- *Customer segmentation with focus on growing middle class.* The Group intends to further focus its activities on quickly emerging middle class of Ukrainian population, who are also the main target group for large retail chains.
- *Strengthening position as a leader in product quality.* Management believes that the high quality of the Group's products can strengthen the Group's position as a leader in both B2B and B2C markets. This would also allow securing long-term contracts with the biggest companies operating in the food industry of Ukraine, including multinational companies. Management believes that Private Label production for large retail chains would secure long term cooperation and access to shelves, including obtaining best shelf spaces for its premium-priced branded products.
- *Expansion of production capacities.* The Group's expansion strategy includes expanding the number of bird places at the existing poultry farms (from 2.1 million laying hens places as at 31 December 2010 to 3.9 million by the end of 2012) through further reconstruction of chicken runs and the installation of new efficient cage

equipment and automated egg collecting lines. The Group also intends to gradually increase the production capacity of the Ovostar EPP from 1.2 million eggs per day as at 31 December 2010 to 2 million eggs in 2012.

- *Continuous focus on the production process efficiency.* The Group will continue focusing on vertical integration as a key in supporting consistent high quality of its products and ensuring reliability of supplies. The Group's production capacity expansion would allow realizing economies of scale.
- *Further export markets development.* The Management plans to capitalize on favorable export prices. Foreign trade is also to be viewed as an instrument of compensation for price and demand fluctuations on domestic market. Geography of export sales is to be expanded into Middle East, Africa, Japan, China, Korea and Russia. Management believes that the Group may be more competitive in the EU market due to its lower production costs compared to EU producers.
- *Key strategic targets.* According to the Management, the Group's organic growth plan is to double shell eggs production, double liquid egg products production and increase dry egg products production by 2.4 times by 2013.

Key strategic targets	**2010**	**2011F**	**2012F**	**2013 Target**	**3Y CAGR**
Laying flock (year end), million	2.1	2.7	3.9	4.5	29%
Production volumes					
Shell eggs, million	546.1	697	865	1,097	26%
Liquid egg products, tons	3,447	3,800	6,800	6,800	25%
Dry egg products, tons	1,229	1,500	2,900	2,900	33%

Competitive Strengths and Advantages

The Management believes that the Group benefits from the following competitive strengths and advantages:

- *The most recognized egg trademark in Ukraine*. The Group owns highly recognized nationwide umbrella brand for shell eggs "YASENSVIT" with the long-standing history of more than 10 years (registered back in 2001). The Group is the only egg producer in Ukraine to own national brand in shell egg category, as opposed to other manufacturers in Ukraine offering shell eggs either unbranded, or branded only at regional level. The Group owns diversified portfolio of sub-brands, delivering the widest range of packed chicken eggs in Ukraine for each of the existing consumer groups.
- *Product and superior quality leadership*. The Group provides complete offering to B2B market including pasteurized liquid, dry and frozen egg products. The Group is a supplier of choice for industry leaders in B2B segment and Private Label market. Domestic customer base currently includes close to 260 companies operating in oil-and-fat (Nestle), confectionery (Roshen, Konti, AVK), bakery, meat processing and HoReCa industries (McDonald's Ukraine) as well as leading domestic and international retail chains such as Metro, Auchan.
- *High degree of vertical integration*. The Group's business model includes all activities related to egg and egg products production. Other than breeder flock, the Group owns and operates each of the key stages of egg production process, from the production of hatching eggs (from which laying flock is hatched) to the production of shell eggs. To support its egg production operations, 100% of animal feed is produced internally. Vertical integration reduces the Group's dependence on suppliers. The Group also processes egg shells into powder in order to use its high quality components of calcium. Management believes that vertical integration allows to control the production cost, maintain strict biosecurity standards and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale.
- *Experienced and motivated management team*. Most of companies of the Group have been operating in the egg industry for over 13 years. Key members of its senior management have been employed with the Group up to 13 years, driving the transformation of the Group to become one of the leaders of Ukrainian egg industry. Management has developed a strategy to further strengthen its position as the leading producer of high quality branded eggs and egg products in Ukraine.
- *Diversified sales channels*. All shell eggs and egg products produced by the Group are effectively distributed among diverse sales channels. The Group has pioneered sale of packaged eggs in modern supermarket chains in Ukraine which also remain the key sales channel today. Own retail chain with 130 points of sale in Kyiv and other cities remains the Group's second biggest distribution channel. The Group operates 100 own branded points of sale in food markets of Kyiv with 25% share by trade volume in this segment. During low season the Group sells part of its shell eggs to wholesale customers. Egg products are sold via direct agreements to industrial food

producers and HoReCa customers. In 2008-2010, the Group exported eggs and egg products to 15 countries (shell eggs to 12 countries and egg products to 9 countries, being the second largest egg exporter in Ukraine, with 13.9% share of Ukrainian export in terms of volume in 2010). Management believes that the Group has a good potential for utilizing growing demand on export markets and increasing its sales of eggs and egg products at its key export destinations. Export sales accounted for approximately 9.3% (USD2,235 thousand) of its egg sales and approximately 11.7% (USD1,170 thousand) of its egg products segment sales in 2010.

- *Geographical concentration and nationwide coverage*. The Group's production facilities are located in the central region of Ukraine. The distance of all facilities from Group's Kyiv headquarters ranges between 40 and 180 km. The geographical concentration of its production facilities enables the Group to reduce the cost of its products and enhance the economic effectiveness of its business. Cooperation with major domestic and foreign retailers and the use of their logistics and distribution centers, most of which are located in Kyiv Oblast secures the Group's access to a majority of the Ukrainian population.

- *Modern technology for quality management*. The Group has developed and effectively implemented unique centralized management, accounting and trading system, allowing for control and monitoring of all the business processes on a daily basis. The Group employs advanced technologies at its breeding, hatchery, production and processing facilities. The Group's production process is largely automated, which ensures and promotes consistently high-quality products in a cost-effective manner. To improve product quality control procedures, the Group has implemented the international food product quality and safety management standards ISO 9001:2000, ISO 9001:2008 and ISO 22000:2005 (HACCP - Hazard Analysis and Critical Control Point principles, an internationally recognized approach for increasing the safety of food and other products). The high quality of its products and services allowed the Group to become the sole preferred supplier of eggs and pasteurized whole egg for McDonald's Ukraine, and the supplier of eggs and egg products for such international giants as Nestle, Auchan, Metro.

- *Strict biosecurity standards*. The Group employs a broad range of biosecurity measures in order to minimise the risk of disease infection and its transmission at its egg production facilities. These measures include keeping all chickens at specially-equipped indoor facilities, strictly controlling access to the facilities, disinfecting employees and vehicles entering production areas, allocating vehicles to specific production facilities and constantly monitoring the health of chicks, chickens and the Group's employees. In line with best international practice, the Group also uses the system of single-aged growing farms, with an 'all-in/all-out' principle, so as to prevent the transmission of disease from older flocks to younger, susceptible flocks. In addition, chicks hatched at the same time are raised together as a group and kept in separate barns from birds of other ages in order to facilitate the thorough cleaning of barns when birds reach slaughter age prior to the introduction of a new group of birds.

- *Potential for growth*. Share of industrial production of eggs in Ukraine has been steadily growing (59.9% in 2010 vs. 49.6% in 2005). This is due to increasing industrial production of eggs and egg products while declining household egg production. On the other hand, consumer demand has been continuously growing, particularly for high quality branded eggs, in line with general economy rebound and growing real disposable income (up 11% in 9 months 2010 vs. 9 months 2009 according to the State Statistics Committee of Ukraine). The supermarket chain's rapid expansion across the country at an approximate annual growth rate of 20% and centralization of the procurement process creates additional opportunity for the Group to continue developing this sales channel. Product portfolio for egg products has been expanding driven by development of food industry and growing consumption of egg products. Historically high barriers of entry for foreign players result in the absence of egg imports and there is potential to replace egg products import due to lower production costs.

- *Solid financial performance*. Management believes that the Group has delivered a strong financial performance in recent years despite the difficult economic and financial situation in Ukraine. Net sales increased by 14.5% to USD37.0 million in 2010 as compared to USD32.3 million in 2009 due to higher prices as well as increase in sales of egg products. In 2010 the Group's EBITDA reached USD11.6 million as compared to USD5.7 million in 2009, and EBITDA margin improved to 31.2% as compared to 17.6% in 2009. Throughout the period of operation, the Group has successfully managed its growth and has secured and effectively allocated financial resources to meet the needs of its expanded and diversified business. Investment program planned for 2011-2012 is intended to support further sales growth and profitability improvement as a result of economies of scale and effect of vertical integration.

Use of Proceeds

The Group intends to use the net proceeds from the sales of Offer Shares to finance its development programs, which includes:

- Reconstruction of 6 laying hens houses and purchase of new cage equipment with a resulting increase in Group number of laying hen places by 1.825 million, including installation of eggs transporting equipment to sorting facilities and additional packaging capacities;
- Increase in number of laying hens to be placed into reconstructed laying hens houses;
- Installation of equipment in farms for growing young hens in order to increase total number of growing young hens;
- Installation of egg breaking and pasteurization facilities at Ovostar Egg Processing Plant;
- Increase in working capital needs following capacity expansion.

Summary of Risk Factors

Risks Relating to the Group's Business and Industry

- *As the Group's principal products are shell eggs and egg products, its business and financial results are highly dependent on demand and price levels for shell eggs and egg products in Ukraine*
- *Competition in the egg production industry could adversely affect the Group's business*
- *The Group may be unsuccessful in its attempt to increase market share*
- *A decline in shell eggs and egg products consumption or in the consumption of processed food products in total could have a material adverse effect on the Group's net sales and results of operations*
- *The Group benefits from trade barriers on egg imports into Ukraine, which may be reduced or eliminated*
- *Fluctuations in prices of feed grains materially affect the Group's earnings*
- *Outbreaks of livestock diseases could have a material adverse effect on the Group's business*
- *If the Group's products become contaminated, it may be subject to product liability claims and product recalls*
- *The Group currently benefits from special tax regimes, which may be discontinued in the future*
- *State support currently enjoyed by the Group could be discontinued in the future*
- *The Group may be unable to obtain VAT refund on the exports of its goods*
- *Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions*
- *The Group's key brands or reputation could be damaged in the future*
- *The Group may not be able to achieve, maintain or increase its market share*
- *The Group is subject to the risks of international expansion*
- *The Group operates in a competitive environment and may be subject to higher competition in the future*
- *The Group's business could be adversely affected if detrimental price controls are introduced for the Group's key products*
- *The Group's operations may be subject to business interruption*
- *The loss of key customers could have an adverse impact on the Group's financial results*
- *The Group is dependent on qualified personnel*
- *The Group's business is working capital intensive and the Group's ability to finance its business depends on generating sufficient capital to support its operations*
- *The Group's trademarks and other intellectual property rights may not adequately protect its products and brands and it may face challenges to its intellectual property rights and applications and claims that it has infringed the intellectual property rights of others*

- *The Group is subject to exchange and interest rate risk*
- *Inflation could increase the Group's costs and adversely affect its margins*
- *If in the future the Group extends credit to more customers or for a higher share of its sales in response to competitive pressures, it will be subject to greater credit risk*
- *The Group is currently and may in the future be subject to litigation*
- *The Group may be subject to claims and liabilities under environmental, health, safety, sanitary, veterinary and other laws and regulations which could be significant*
- *The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*
- *The Group's insurance coverage may be inadequate*
- *The Group has been, and will continue to be, controlled by the Beneficial Owners, and depends on their services*
- *The Group could face legal consequences for violations of certain Ukrainian and corporate laws and regulations*
- *The Group may be subject to penalties imposed by the Antimonopoly Committee of Ukraine*
- *Certain of the Group's land lease agreements may be subject to challenge, the Group may not be able to renew its lease agreements or the payments under the Group's land lease agreements may increase*
- *The Issuer may become tax resident in a jurisdiction other than the Netherlands*

Risks Relating to Ukraine

- *Emerging markets are subject to greater risks than more developed markets*
- *Ukraine may continue to experience political instability or uncertainty*
- *Ukraine may experience economic instability*
- *Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business*
- *A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business*
- *Weaknesses relating to the legal system and legislation may create an uncertain environment for investment and business activity*
- *The judiciary's lack of independence and overall experience, difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effected redress in court proceedings*
- *There are deficiencies in corporate governance standards under Ukrainian law*
- *Fluctuations in the global economy*
- *Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity*
- *Crime and corruption could disrupt the Group's ability to conduct its business and could materially adversely affect its financial condition and results of operations*
- *Ukraine's tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity*
- *Economic instability in Ukraine could adversely affect the Group's business*
- *The business environment in Ukraine could deteriorate*
- *The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's ability to conduct its business effectively and on the market price of the Shares*

Risks Related to Shares, Listing and Trading on the WSE

- *The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares*
- *Holders of the Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of shares*
- *Existing shareholder will continue to exert significant influence on the management following the Offering*
- *The Issuer is established and organized under Dutch law*
- *Investors in the Offer Shares will be subject to obligations resulting from various national laws*
- *Investors may have problems enforcing judgments against the Issuer*
- *Tax treatment for non-Dutch investors in a Dutch company may vary*
- *There is no guarantee that the Issuer will pay dividends in the future*
- *The price of Issuer's Shares may fluctuate*
- *Securities or industry analysts may cease to publish research or reports about Issuer's business or may change their recommendations regarding the Issuer's Shares*
- *The Issuer may be unable to list the Offer Shares on the WSE or the Issuer may be delisted from the WSE*
- *Trading in the Offer Shares on the WSE may be suspended*
- *The Issuer may have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares*
- *There can be no assurance regarding the future development of the market for the Shares and its liquidity*
- *The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Group's operating performance and decline below the Offer Price*
- *The Issuer has no experience in complying with requirements for publicly-listed companies*

Summary of the Offering

Issuer..	Ovostar Union N.V.
Principal Shareholder...	Prime One Capital Limited, a company established under the laws of the Cyprus.
Offering..	The Offering consists of: (i) public offering to retail investors in Poland (the "**Retail Investors**"), (ii) public offering to institutional investors in Poland (the "**Polish Institutional Investors**"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act (the "**International Investors**", and together with the Polish Institutional Investors, the "**Institutional Investors**"), in each case in accordance with applicable securities laws.
Offer Shares...	Up to 1,500,000 ordinary bearer Shares to be issued by the Issuer.
Bookbuilding	Before commencing the Subscription Period for Retail Investors and Institutional Investors, a bookbuilding process amongst the Institutional Investors invited by the Issuer through the Lead Manager or the Co-Lead Manager will take place, during which the Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, being not higher than the Maximum Price.
Subscription Period...	The subscriptions by the Retail Investors and Institutional Investors will be accepted between 13 June 2011 and 15 June 2011 (inclusive).

Offer Price	The final Offer Price per Offer Share will not exceed the Maximum Price. The Offer Price will be determined by the Issuer upon agreement with the Lead Arranger, the Capital Advisor and the Lead Manager after completion of bookbuilding for Institutional Investors on 13 June 2011. The final Offer Price will be based on the results of the bookbuilding. Moreover, the following criteria will be taken into account while determining the Offer Price: (i) the size and price sensitivity of demand, as gauged during the bookbuilding, (ii) the current and anticipated situation on the Polish and international capital markets, and (iii) the assessment of the growth prospects, risk factors and other information relating to Issuer's activities. The Issuer will announce the Offer Price by way of current report that will be also available at the websites of the Issuer, the Lead Manager and, if required, otherwise in accordance with applicable Polish and Dutch regulations.
Allotment	Allotment will take place not later than 17 June 2011, after closing of the Subscription Period.
Settlement and Delivery of the Offer Shares	The settlement of the Offering is expected to be made on the Settlement Date, after which the issue of the Offer Shares and payment of the total Offer Price will follow. The delivery of the Offer Shares will be effected through the book-entry facilities of the NDS, in accordance with the NDS settlement procedures.
Listing and Trading	The Issuer is planning to apply for admission to listing and trading on the main market of the WSE of all the Issuer's Shares, including the Offer Shares, immediately after the Settlement Date. The Issuer believes that trading on the WSE will commence on or about 27 June 2011, or as soon as possible thereafter, barring unforeseen circumstances.
Form of Offer Shares	All the Offer Shares are ordinary bearer shares and will exist in book entry form once they have been registered with the NDS. Investors may hold the Offer Shares through the NDS participants, including investment firms and custodian banks. The Issuer will apply for registration of all of the Offer Shares with the NDS. It is expected that on or soon after the Settlement Date, all of the Offer Shares, will exist in book-entry form.
Shares outstanding before and after the completion of the Offering	The Issuer's issued and outstanding share capital as of the date of this Prospectus is EUR60,000.00, divided into 6,000,000 Shares, each with a nominal value of EUR0.01. We expect that as at Admission a total of 1,500,000 Shares will be issued and outstanding which Shares will comprise the Issuer's share capital in the amount of EUR15,000.00, assuming that all Offer Shares are subscribed for, allotted and issued. In such case the Offer Shares will constitute up to 25% of the share capital and up to 25% of total votes at the General Meeting. Shares issued and outstanding as of the date of this Prospectus will be in bearer form.
ISIN code	All the Offer Shares have ISIN code NL0009805613.
Dividends	All Shares carry full dividend rights if and when the distribution of profit is declared.
Voting Rights	Each Share entitles its holder to one vote at the General Meeting.

Lock-up	Subject to certain exceptions, the Issuer and the Principal Shareholder have agreed that for a period of 12 months from the Settlement Date, they will not, without the prior written consent of the Managers, propose or otherwise support an offering of any of the Issuer’s Shares, announce any intention to offer new shares and/or to issue any securities convertible into Issuer’s shares or securities that in any other manner represent the right to acquire the Issuer’s shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Issuer’s shares.
Lead Arranger and Financial Advisor (also referred to as the Lead Arranger or the Financial Advisor)	BIC Securities SIA
Capital Advisor	Bank Zachodni WBK S.A.
Global Coordinator and Lead Manager (also referred to as the Global Coordinator or the Lead Manager)..	Dom Maklerski BZ WBK S.A.
Co-Lead Manager...	KBC Securities N.V. Polish Branch
Managers	The Lead Arranger and Financial Advisor, the Capital Advisor, the Global Coordinator and Lead Manager, and the Co-Lead Manager
Selling Restrictions..	The Offer Shares may not be offered outside Poland in any manner that would constitute public offering or would otherwise require authorization under applicable local regulations. The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or any jurisdiction in the United States and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Regulation S) except in certain transactions exempt from the registration requirements of the US Securities Act. For information on further selling restrictions please see: "*Selling Restrictions*".

SUMMARY FINANCIAL AND OPERATING DATA

The summary financial and operating data presented below refer to the financial years ended on 31 December 2010, 2009 and 2008 respectively. It has been extracted from the Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2010, 2009 and 2008, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the the Consolidated Financial Statements and the notes thereto included in this Prospectus and the information in the section titled "*Operating and Financial Review*". The Issuer is a holding company which does not have any operating assets, except for the equity interests in its subsidiaries.

Income statement data

	31 December 2010 audited USD thousand	**31 December 2009 audited USD thousand**	**31 December 2008 audited USD thousand**
Revenue	37,033	32,345	36,703
Net change in fair value of biological assets	1,137	(4,043)	5,318
Cost of sales	(28,133)	(20,136)	(26,241)
Gross profit	10,037	8,166	15,780
Other operating income	5,612	2,139	5,912
Selling and distribution costs	(3,184)	(3,691)	(5,353)
Administrative expenses	(1,870)	(2,190)	(2,893)
Other operating expenses	(1,091)	(811)	(1,275)
Finance costs	(876)	(1,633)	(7,898)
Finance income	642	440	1,328
Profit before tax	9,270	2,420	5,601
Income tax expense	(107)	118	(275)
Profit for the year	9,163	2,538	5,326

Source: Ovostar Union LLC, based on the Consolidated Financial Statements

Cash flows data

	31 December 2010 audited USD thousand	**31 December 2009 audited USD thousand**	**31 December 2008 audited USD thousand**
Net cash flows received from (used in) operating activities	5,250	5,152	23,450
Net cash flow received from (used in) in investment activities	(687)	(808)	(7,222)
Net cash flow received from (used in) financing activities	(4,656)	(3,406)	(7,218)
Net foreign exchange difference	(126)	(696)	(8,956)
Net cash flow for the period	(219)	242	54

Source: Ovostar Union LLC, based on the Consolidated Financial Statements

Balance sheets data

	31 December 2010 audited USD thousand	31 December 2009 audited USD thousand	31 December 2008 audited USD thousand
Total non-current assets	18,930	18,473	18,273
Total current assets	21,874	23,333	24,843
Total Assets	40,804	41,806	43,116
Total equity	31,425	30,009	28,539
Total non-current liabilities	235	2,273	3,766
Total current liabilities	9,144	9,524	10,811
Total Equity and Liabilities	40,804	41,806	43,116

Source: Ovostar Union LLC, based on the Consolidated Financial Statements

RISK FACTORS

Prospective investors in the Shares should carefully consider the following risks and uncertainties, as well as other information contained in this Prospectus before deciding to invest in any of the Shares. The Group's business, financial condition and results of operations have been, and could be, materially adversely affected by the following risks. If any of the following risks actually occurs, the value and trading price of the Shares could decline and investors could lose all or part of their investment. Described below are the risks and uncertainties the Group believes are material, but these risks and uncertainties may not be the only ones faced by the Group, as there are some risks and uncertainties of which the Group is currently unaware, or which are currently considered as not to be material in relation to the Group's business.

Risks Relating to the Group's Business and Industry

As the Group's principal products are shell eggs and egg products, its business and financial results are highly dependent on demand and price levels for shell eggs and egg products in Ukraine

Substantially all of the Group's total revenues are derived from sales of shell eggs and egg products. Accordingly, any factors influencing the supply of, demand for, or price of, shell eggs and egg products in Ukraine and markets to which Group exports its products could have a material impact on Group's business, results of operations and financial condition. Such factors may include, among others, increased output of such products by other suppliers in Ukraine, livestock diseases, unfavourable fluctuations in the prices for shell eggs and egg products and changes in consumer preferences, both seasonal and long-term. The level of demand for Group's egg products may also be impacted by increased imports of egg products into Ukraine.

Prices for shell eggs and egg products are volatile and it is difficult to forecast them with a high level of accuracy. Group's average prices for shell eggs and egg products in 2008-2010 were generally higher than Group's expectations. However, if prices for shell eggs and egg products drop below the Group's expectations, especially for prolonged periods, this would have a material adverse effect on the Group's business, results of operations and financial condition. At the same time, any increases in prices for shell eggs and egg products may result in an adverse impact on demand and the Group may not be able to mitigate any adverse effects of such increases in prices.

Any of the foregoing factors could negatively affect the demand and/or the price for shell eggs and egg products, which could in turn have a material adverse effect on Group's business, results of operations and financial condition.

Competition in the egg production industry could adversely affect Group's business

The Group faces competition from other industrial producers of shell eggs and egg products. The Group also faces competition from Ukrainian households that produce, and in some instances sell, shell eggs. The Group may in the future face increased competition from new domestic and foreign entrants into the Ukrainian egg market. New foreign entrants into the Ukrainian egg production market may have greater financial, technical and other resources, more operating experience, more enhanced vertical integration and/or lower cost structures. In addition, the Group's competitors may succeed in developing a broader product line which could be superior to Group's products. These companies may be more successful in selling and marketing these products. Competition in the egg-production industry may force the Group to reduce prices for its products or could result in a reduction in the Group's sales which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be unsuccessful in its attempt to increase market share

There is no guarantee that the Group will be commercially successful in its attempt to achieve a significant market share in such markets or secure reliable sales channels. Furthermore, Ukraine may introduce quotas and/or export tariffs in connection with the sales of shell eggs and egg products outside Ukraine. In addition, other countries may prohibit imports from Ukraine for various reasons, including due to outbreaks of livestock diseases in Ukraine or changes in the political or economic environment, and/or impose import tariffs on Ukrainian shell eggs or egg products.

The Group is liaising with Ukrainian state authorities in order for it to be able to sell its egg products into the EU. Ukraine is not currently an accredited importer of egg products into the European Union. The Group's facilities are not currently approved establishments for imports of egg products into the European Union. Although the Group believes that its production standards are in line with best international practices, the Group cannot provide any assurance that Ukraine and the Group's enterprises will be successful in obtaining such accreditation, that such accreditation (if awarded) will not be subsequently recalled or that the Group will be able to export its egg products into the European Union in the future. If the Group and Ukraine obtain such accreditation, the Group cannot provide any assurance that it will not be required to comply with the requirements of the European Council Directive 99/74/EC on the welfare of laying hens or other European industry-related legislation in order to be allowed to export its egg products into the European Union. A requirement to comply with the terms of such directive (including in particular a requirement to use enriched cages) may lead to a significant increase in the Group's production costs and may, therefore, result in it being unable to compete with other producers in that market.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

A decline in shell eggs and egg products consumption or in the consumption of processed food products in total could have a material adverse effect on the Group's net sales and results of operations

Adverse publicity relating to health concerns and the nutritional value of shell eggs and egg products, contamination of shell eggs and egg products of other egg producers could adversely affect egg consumption and consequently demand for the Group's shell eggs and processed egg products. Although the Group believes that such concerns are not currently an issue for Ukrainian consumers, any such decline could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group benefits from trade barriers on egg imports into Ukraine, which may be reduced or eliminated

Ukrainian law currently establishes import tariffs of 12% for shell eggs, 5% for hatching eggs, 10% for dry, liquid and frozen yolk egg products and 2% for albumen (dry and other). In addition to the import tariffs, VAT also applies on the imported goods (17% as of 1 January 2011). Due to the higher prices of shell eggs produced in neighbouring countries coupled with relatively high transport costs, Management believes that even if the import tariffs on shell eggs were completely eliminated, this would not significantly increase the import of shell eggs into Ukraine. However, a reduction or elimination of the tariff imposed on processed egg products might lead to a material increase in the amount of such products imported into Ukraine. Ukraine may in the future join customs unions with other countries, which may lead to a material increase of imports from such countries of such products to Ukraine. Such increased competition could raise supply and decrease prices of the Group's products and have a material adverse effect on the Group's business, results of operations and financial condition.

Fluctuations in prices of feed grains materially affect the Group's earnings

A significant portion of the cost of producing shell eggs and egg products, i.e., 70-75% (depending on the spot prices on grains), is attributable to purchases of feed grains for the production of animal feed. Feed grains such as wheat and corn are the prime ingredients of the animal feed which the Group primarily uses within the Group. the Group does not cultivate such commodities itself in significant quantities and has no plans to do so. Although the Group maintains inventories of feed grains at its fodder mills, the Group may be unable to adjust the prices at which it sells shell eggs and egg products quickly and extensively enough to offset any increase in feed grain cost. Increases in feed grain costs not accompanied by increases in the sale prices of shell eggs and egg products could have a material adverse effect on the Group's business, results of operations and financial condition.

The availability of, and the prices for, feed grains are volatile and affected by global weather patterns, crop diseases, the global and local level of supply inventories and demand for feed grains, as well as the agricultural policies of Ukraine and foreign governments and other factors outside the Group's control. In particular, a sudden and significant change in weather patterns could affect the supply of feed grains, as well as the ability of the Group and the egg production industry generally to obtain feed grains, grow chickens and produce egg products. Similarly, the general supply/demand relationship globally, as well as actual and perceived changes in this relationship, has a material impact on grain prices.

Any or all of these factors could depress selling prices or increase the Group's operating costs which could materially affect the Group's business, results of operations and financial condition.

Outbreaks of livestock diseases could have a material adverse effect on The Group's business

The productivity and profitability of the Group's business depends upon the health of the laying hens that produce its eggs and disease control among the population of its laying hens. Outbreaks of livestock diseases could significantly restrict the Group's ability to conduct its operations. Since 2003, the H5N1 strain of bird flu, which is potentially lethal to humans, has infected poultry flocks and other birds in several countries around the world, including Ukraine. Since 2005, several cases of bird flu were reported in wild birds and domestic poultry in the Crimea and Sumy regions of Ukraine. More recently, in the Crimea region of Ukraine, there have been cases of bird flu in domestic birds reported in January 2008 and in wild birds reported in February 2008. Bird flu is highly contagious among birds and can cause sickness or death of some domestic poultry, including chickens, geese, ducks and turkeys. Additionally, in 2006, there were several cases of Newcastle Disease reported at industrial and household chicken farms in the Kharkiv, Chernigiv and Rivne regions of Ukraine. Newcastle

Disease is a contagious and fatal viral disease affecting most species of birds. Marek's Disease is a highly contagious viral neoplastic disease in chickens. While no cases of bird flu or Newcastle Disease or Marek's disease have been reported at the farms operated by Ukrainian large-scale industrial poultry producers and the Ukrainian state authorities continue to implement a variety of measures to prevent the further spread of such diseases, there can be no assurance that this will continue to be the case.

Although as of the date of this Prospectus, no cases of bird flu, Newcastle Disease or Marek's Disease have been reported within, or in areas in immediate proximity to, the Group's production facilities, there can be no assurance that this will continue to be the case. Any outbreak of a livestock disease in Ukraine could result in measures such as the following being imposed by Ukrainian governmental authorities:

- restrictions on the movement and/or the sale of its flock or its products by the Group; and/or
- requirements for the Group to destroy one or more of its flocks; and/or
- placing the Group's facilities in quarantine until the threat of disease spreading is eliminated.

The Group's does not maintain insurance to cover the consequences of livestock disease, including those cited above. There is a basis under Ukrainian law for producers to claim government compensation in the case of a compulsory culling of birds. However, applicable Ukrainian law provides the relevant government authorities with the right to refuse a payment of compensation, but it does not specify the grounds on which such refusal could be made. There is no basis for government compensation if measures other than culling are taken.

Irrespective of whether government restrictions are imposed or the Group is required to destroy one or more of its flocks, any outbreak of disease on the territory of Ukraine or in neighbouring countries could create adverse publicity, which may reduce demand for the Group's products. Even if there is no outbreak of livestock diseases at the Group's facilities, negative reactions from potential customers, government authorities, lenders or insurance providers could adversely affect the Group through a loss of customers, the application of new regulations or livestock culling requirements or the failure to obtain financing. Any of these consequences could have a material adverse effect on the Group's business, results of operations and financial condition.

If the Group's products become contaminated, it may be subject to product liability claims and product recalls

The Group currently sources its breeder flock from a supplier delivering from Europe. Livestock diseases in EU countries may result in Ukraine banning imports of breeder flock from affected territories or particular countries prohibiting the export of birds from affected territories. To address the possibility of any such import or export bans, the Group has discussed with its supplier contingency arrangements for sourcing breeder flock from the USA and the Russian Federation, if such need arises. However, there can be no assurance that any such alternative supplies would be readily available to meet the Group's requirements or at all. Any long-term interruption to supplies of breeder flock could have a material adverse effect on the Group's business, results of operations and financial condition. If the Group's products become contaminated, it may be subject to product liability claims and product recalls.

The Group's products may be subject to contamination by disease-producing organisms, or pathogens, including listeria monocytogenes, salmonella and generic E.coli. These pathogens are found generally in the environment and there is, therefore, a risk that, as a result of food-processing, they could be present in the Group's processed products. These pathogens can also be introduced to the Group's products as a result of improper handling by other food processors, food service providers or consumers. Contamination may also result from tampering by unauthorised third parties, the presence of foreign objects, substances, chemicals and other elements, as well as improperly formulated animal feed purchased from third parties which does not contain a proper mix of ingredients or which does not otherwise have the proper attributes. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. Even if a product is not contaminated when it leaves the Group's facilities, it may become contaminated as a result of the actions of future handlers. Although the Group's wholesale customers generally test the Group's products on collection, subsequent contamination may result in the Group being required to satisfy the claims of affected consumers. Shipping contaminated products (whether or not advertently) is a violation of Ukrainian law and may lead to an increased risk of exposure to product liability claims, product recalls (which may not entirely mitigate the risk of product liability claims), adverse publicity, fines and increased scrutiny by governmental regulatory agencies. Any of the above could have a material adverse effect on the Group's reputation, including the demand for the Group's products, and, therefore, on the Group's business, results of operations and financial condition.

Shell eggs and egg products that the Group sells are integrated into products sold by third parties and such third parties may not have adequate quality control standards to assure that such products are not adulterated, contaminated or otherwise defective. The Group may be subject to claims made by consumers as a result of products manufactured by these third parties.

The Group currently benefits from special tax regimes, which may be discontinued in the future

Under Ukrainian law, producers of agricultural products are permitted to choose between general and special regimes of taxation with respect to certain taxes. In particular, in accordance with the Tax Code, dated 2 December 2010, as amended, agricultural companies engaged in the production, processing and sale of agricultural products may apply to be registered as payers of fixed agricultural tax (the “FAT”), provided that their agricultural production accounts for more than 75% of total production for the preceding tax (reporting) year. FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents. The Group elected to pay FAT in lieu of other taxes in 2011, and currently three out of seven of the Group’s Ukrainian Subsidiaries pay FAT. The remaining Ukrainian Group’s Subsidiaries pay corporate income tax at the standard rate (23 % as of 1 April 2011) as well as other taxes and duties. For the year ended 31 December 2010, the Group paid FAT in an aggregate amount equal to UAH398 (USD50). The benefit received by the Group as the result of FAT regime amounted to USD545 thousand in 2010. If the FAT regime is repealed in future, the Group would be required to pay corporate income tax at the standard rate (23% as of 1 April 2011) for Ukrainian companies as well as other taxes and duties, which would have a material adverse effect on the Group’s business, results of operations and financial condition.

Separately, the Ukrainian legislation allows certain qualified agricultural producers to retain value added tax (the “VAT”) collected on their taxable sales with view to recovering VAT (20% prior to 1 January 2011, 17% as of 1 January 2011) paid on purchases of so-called "production factors"; the excess of VAT collected over VAT paid is allowed to be used for other production needs. The relevant amounts of VAT should be collected on special accounts opened with banks. Agricultural producers qualify for this special VAT regime provided that sales of their own-produced agricultural products represent more than 75% of their total gross revenue during the preceding twelve months. Currently, three out of seven of the Group’s Ukrainian Subsidiaries enjoy this special VAT regime. This benefit was received by the Group in 2009 and it continues to be available to the Group. Prior to 1 January 2009, taxpayers were not entitled to retain the difference between the VAT that they charged on sales of their agricultural products and the VAT that they paid on purchases of goods or services for their agricultural operations. However, they were entitled to another special VAT benefit. Income from the special VAT treatment which was received by the Group amounted to USD2.81 million in 2010. The VAT benefit will be cancelled as of 1 January 2018. Cancellation of the VAT benefit in the future would have a material adverse effect on the Group’s business, results of operations and financial condition.

State support currently enjoyed by the Group could be discontinued in the future

The Ukrainian Government (the “**Government**”) provides various types of support to domestic agricultural producers. Amongst others, Ukrainian egg producers receive partial compensation for finance cost under loans from Ukrainian banks. The Government regularly adopts plans detailing the types of loans which qualify for such compensation and the terms and conditions of such compensation. The aggregate amount of this benefit is determined by the annual state budget of Ukraine. The Group has been receiving this type of financial support since 2007, and the value of such financial support received by the Group in 2010 amounted to USD1,436 thousand. The Group is also entitled to partial compensation for complex agricultural equipment cost, which it received in 2009. The total value of state support received by the Group in 2010 constituted USD1,448 thousand. Such compensation is allocated to agricultural producers by state authorities on a competitive basis. Any failure by the Ukrainian Parliament to approve state subsidies for Ukrainian agricultural producers in the future, a decrease in the level of state subsidies or a failure by the Group to win tenders organised by local state authorities for such compensation could have a material adverse effect on the Group’s business, results of operations and financial condition.

The Group may be unable to obtain VAT refund on the exports of its goods

Although not specific to the agricultural industry, the Group benefits from additional VAT refunds in connection with its exports sales. Because exports sales are generally taxed at the rate of 0%, the Group's input VAT is subject to reimbursement by the Government. The complicated process of tax inspections and their contradictory rules create serious barriers for administration of taxes and such refunds. Due to these barriers many taxpayers entitled to VAT refund may not receive such refund in practice or may not be able to offset VAT against other taxes and duties (mandatory payments). In its financial accounting the Group applies provision for VAT receivables on exports to reflect risks associated with VAT refunds. As of 31 December 2010, the amount of VAT refund owed to the Group by the Government was USD676 thousand. During the period from 1 July 2010, the Group has received the compensation of VAT in the total amount of USD159 thousand, including USD107 thousand in cash and USD52 thousand in VAT bonds. Although the Group until now managed to collect VAT receivables on exports in sufficient amounts, there is a risk that any failure by the Group to receive such refunds may adversely affect its results of operations.

Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions

The Group's operations are partially financed through short and medium term loans from UniCredit Bank. As of 31 March 2011, the Group had total borrowings of approximately USD4.2 million. To date, the Group has serviced such borrowings in accordance with their respective loan repayment schedules. However, all of the Group's loan facilities may be repayable on demand in case of breach of the contract and there can be no guarantee that the Group will not be required to repay such facilities in the future with limited advance notice and when not provided for in the Group's budgets. Any such failure may lead to the default under the Group's credit facilities and could result in the Group's creditors proceedings against the collateral securing its indebtedness. Any such action could materially and adversely affect the Group's business, results of operations, financial condition and prospects. If the Group's indebtedness were to be accelerated, the Group might not have sufficient funds to satisfy such obligations, and even if it did meet the requirement, to make such payments could materially and adversely affect the Group's business, results of operations, financial condition and prospects.

The Group's existing financing arrangements are subject to certain covenants and restrictions which could limit the Group's ability to obtain future financing and/or limit the terms on which such financing may be available. For example, the Group's loan arrangements contain certain covenants which limit the Group's ability to obtain financing from other third partiess and a negative covenant restricting the ability of the Group to provide suretyship or guarantee to other potential lenders, which in turn may make financing from such sources unavailable. To date, the Group has not breached any of the covenants in its financing arrangements. However, there can be no assurance that, even if the Group is able to identify sources of financing, including in the form of debt and equity financing on commercially acceptable terms, it will be able to obtain approvals from UniCredit to enter into such arrangements. Any failure to obtain or difficulty or delay in obtaining requisite financing could result in delays to or cancellation of the Group's expansion plans or restrict normal operations in ways which could have a material adverse effect on the Group's business, results of operations and financial condition.

Under the terms of certain of the Group's loan agreements, the Group must maintain minimum levels of net worth and comply with, among other things, a fixed charge coverage ratio and a leverage ratio. The Group's ability to meet the financial ratios under its loans is affected, in part, by events beyond its control, and the Group may not be able to satisfy those ratios and tests. As a result, the Group may not be able to incur additional indebtedness or enter into additional loan agreements and this may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's key brands or reputation could be damaged in the future

The Group's business relies on its brand reputation. The Group believes that maintaining and enhancing the Group's brands, which will depend on the success of the Group's marketing efforts and ability to provide its customers with high-quality products, is important to retaining its market share and market penetration and growing the business in the future. The Group's ability to maintain and enhance its brand will depend largely on its ability to continue to provide high quality products. In the event that the Group's brand or reputation is damaged, for example as a result of product liability claims, negative press coverage or general negative perceptions about the nutritional value and use of additives in packaged products, this could adversely impact the Group's reputation, sales and profitability. In the event that the Group's brand or reputation is adversely affected, this could have a material adverse effect on the Group's business, prospects, results of operations or financial condition or the price of the Shares.

The Group may not be able to achieve, maintain or increase its market share

Any failure by the Group to anticipate, identify or react to changes in consumer tastes and preferences could result in reduced demand for the Group's products, which in turn could result in the Group not being able to maintain its market shares or to recover development, production and marketing costs. The success of new products introduced by the Group depends on the Group's ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences and there can be no assurance that the Group will be able to gain market acceptance of products introduced by it in the future. Any such failure could have a material adverse effect on the Group's business, prospects, results of operations or financial condition or the price of the Shares.

The Group is subject to the risks of international expansion

The Group considers to increase its penetration of its existing exports markets and to enter new geographical markets. However, such an expansion of the Group's business may be adversely affected by political and economic factors and other barriers to entry including legal and regulatory requirements and language and cultural differences. Accordingly, while the Group will seek to leverage off its existing exports expertise, the Group's ability to manage any expansion beyond its home markets will depend on the Group's ability to operate in new markets, to utilise effective operational, financial and management systems and to employ suitable qualified personnel. Any failure to do so could have a material adverse effect on the Group's business, prospects, results of operations or financial condition or the price of the Shares.

The Group operates in a competitive environment and may be subject to higher competition in the future

There can be no assurance that the Group will be able to compete effectively against current and future competitors, in particular those with greater financial or operational resources than the Group. Although the Group believes that there are certain barriers to entry in its key markets, any new entrants to or other changes in the competitive environment may result in price reductions, reduced margins or loss of market share, any of which could materially adversely affect the Group's profit margins. Current and potential competitors may increase their advertising expenditures and promotional activities and/or engage in irrational or predatory pricing behaviour in an effort to gain market share. There can be no assurance that current or potential competitors will not provide products comparable or superior to those provided by the Group, adapt more quickly to the evolving industry trends or changing market requirements or price at level below those of the Group's competing products, any of which could result in the Group losing its market share.

It is also possible that there will be significant consolidation in the egg industry; alliances may develop among competitors and these alliances may rapidly acquire significant market share. In addition, any concentration within the currently fragmented retail sector or moves by major retailers to centralized buying/distribution could increase their negotiation power and enable them to exert downward pricing pressure on the Group. Further, such larger retailers could launch own-branded products and prioritize those products in terms of product positioning and promotion, thereby increasing competition in the Group's key product segments.

If competitive pressures increase and the Group's share of the markets for its key products do not grow at the rate anticipated by the Group, there may be insufficient demand to offset the increase in supply of products to the market by the Group's current or future competitors. The inability of the Group to compete effectively could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares. See also - "*The Group may not be able to obtain, maintain or increase its market share for its products*".

The Group's business could be adversely affected if detrimental price controls are introduced for the Group's key products

Under Ukrainian law, local state authorities may regulate prices for some food products. In particular, the local state authorities may from time to time oblige producers of certain food products, including chicken eggs, to declare any change in the wholesale prices for such products which exceeds 1% per month. The State Inspection on Pricing may refuse to approve the submitted declaration if it considers that the economic grounds for the increase of the prices are not properly justified. In practice, the Group did not experience major obstacles from local state authorities in establishing prices for its products.

Furthermore, the Government introduced a procedure for the determination of prices of food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products and profits from such sales and it limits the profit margin charged on such products. The Group believes that the approach the Group uses for determining the wholesale prices for the Group's products is in line with the formula established by the above procedure. If detrimental price controls are introduced for the Group's key products or the Group fails to comply with the Ukrainian price regulation, its business, prospects, results of operations, financial condition or the price of the Shares could be materially adversely affected. See - "*Industry Overview – State Price Control*".

The Group's operations may be subject to business interruption

The success of the Group is dependent upon the ongoing, efficient operations of its systems and infrastructure. Inherent risks to these operations include natural disasters, outbreaks of disease in livestock or crops, adverse weather conditions, failure of critical machinery, power, water supply or computer systems. While the Group has put in place protective measures in an effort to minimize such risks, there can be no assurance that the Group's business operations would not be interrupted or materially affected should any of these risks materialize. Such interruptions could result in interruptions to or cessation of production and distribution of the Group's products or adversely impact the quality of the Group's products.

Although the Group has more than one specialized production facility for certain of its products and is able to switch production to another facility if it experiences difficulties with production at one of its plants if the Group was required to redistribute its production operations between plants business interruption could result and this could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares. See also - "*The Group may not be able to obtain, maintain or increase its market share for its products*".

The loss of key customers could have an adverse impact on the Group's financial results

42.55% of the Group's revenues is derived from top ten key customers. If one or more of these key customers was to cease purchasing products from the Group and divert its business to one of the Group's competitors, or demand more favourable terms from the Group, the loss of such business or revised terms could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares.

The Group is dependent on qualified personnel

The Group's sales, business, financial condition and results of operations could be materially and adversely affected if the Group is unsuccessful in attracting, retaining and motivating qualified employees or replacing them with equally qualified personnel, including managerial, veterinarian and sales and marketing personnel. The Group is not insured against risks of loss or removal of the key managers. Competition in Ukraine for qualified personnel is intense. Although the Group has established programmes for attracting and retaining qualified personnel, the Group cannot provide any assurance that it will be successful in human relations efforts to meet the needs of its planned expansion. See - "*Business – Employees*".

Furthermore, the Group has not entered into any non-compete agreements with any of its executive officers (and such agreements might in any event be unenforceable in Ukraine). Ukrainian law requires companies to enter into formal employment contracts with their managing directors. Although the Group intends to comply with such requirement, as of the date of this Prospectus, the Group has not entered into employment contracts with any such managing directors of its Ukrainian subsidiaries. In addition, the absence of formal written contracts with members of senior management could undermine the Group's ability to retain such personnel and, conversely, could mean that under Ukraine's labour laws, the Group might have difficulties in terminating the contracts of such personnel unless they agree to termination.

Any of the foregoing factors could materially and adversely affect the Group's business, prospects, results of operations, financial condition or the price of the Shares. See ''*Business – Employees*''.

The Group's business is working capital intensive and the Group's ability to finance its business depends on generating sufficient capital to support its operations

The Group requires substantial capital to fund its working capital and other cash needs. The Group's ability to generate cash to a certain extent depends on competitive, general economic, financial and other factors that are beyond the Group's control, including the availability of credit. Although the Group's working capital is sufficient for the Group's present requirements in the period of at least twelve months from the date of the Prospectus (see "*Capitalization and Indebtedness*"), however there can be no assurance that in the future, the Group will be able to obtain sufficient loan or equity capital and/or generate sufficient operating cash flow to support its operations. Consequently, the Group may experience periodic cash demands that it is unable to fully satisfy. In addition, certain of the Group's commercial and equipment financing contracts contain retention of title provisions. In the event that the Group is unable to satisfy its payment obligations, including those under these contracts, this could have a material adverse effect on its business, results of operations and financial condition.

The Group's trademarks and other intellectual property rights may not adequately protect its products and brands and it may face challenges to its intellectual property rights and applications and claims that it has infringed the intellectual property rights of others

Any failure of the Group to retain control over and protect its trademarks and other intellectual property, such as trade secrets, may adversely affect its business. The Group's competitive position depends, inter alia, upon its ability to continue to utilize the trademarks used on its products and to protect those trademarks from infringement. The Group has obtained or applied for registration of its key trademarks, including Yasensvit and Ovostar trademarks. Accordingly, in the event that the Group's current trademarks are amended, revoked or expired, or if any of its applications for the registration of its trademarks are unsuccessful, delayed or granted subject to limitations, this could significantly affect the Group's ability to compete in the relevant markets, which could have a material adverse effect on the Group's business, results of operations and financial condition. See - "*The Group is currently and may in the future be subject to litigation*".

The legal system in Ukraine generally offers a lower level of intellectual property rights protection and enforcement than the legal systems of many other countries in Europe and in North America. Steps taken to protect the Group's trademarks and other intellectual property rights may not be sufficient and third parties may infringe or challenge such rights, and if the Group is unable to protect such intellectual property rights against infringement, it could have a material adverse effect on its business, results of operations, financial condition and prospects.

Furthermore, the Group has not properly formalized all arrangements with retail chains for which it produces products under private label arrangements. See - "*Business – Sales to Supermarket Chains and Other Retailers*". If the failure to properly formalize such arrangements leads to claims relating to infringement of the intellectual property rights of the relevant retail chains, this could significantly affect the Group's ability to compete, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to exchange and interest rate risk

Fluctuations of exchange rates of Hryvnia and other currencies may have an adverse effect on the financial results of the Group. While essentially all Group's revenue and costs are incurred in local currencies, a significant percentage of its borrowings (44% as of 31 December 2010) is denominated in currencies other than Hryvnia, principally in US Dollars. The Group does not hedge its currency or interest rate exposure. An unfavourable shift in exchange rates or interest rates could have a negative impact on the Group's financial position. See - "*Operating and Financial Review – Financial Risk Management*".

Inflation could increase the Group's costs and adversely affect its margins

As a substantial portion of the Group's expenses (including operating costs and capital expenditures) is denominated in Hryvnia, the relative movement of inflation and exchange rates may significantly affect the Group's results of operations. The effects of inflation could cause some of the Group's costs to rise. The Ukrainian economy has been characterized by high rates of inflation. According to the State Statistics Committee of Ukraine, the inflation rate (CPI) in Ukraine was 22.3% in 2008, 12.3% in 2009 and 9.1% in 2010.

As the Group tends to experience inflation-driven increases in certain of its costs, such as salaries and locally purchased materials, that are sensitive to rises in the general price levels in Ukraine, the Group's costs may rise. In this situation, due to competitive pressures, the Group may not be able to raise the prices it charges on its products sufficiently to preserve operating margins. Accordingly, high rates of inflation in Ukraine could increase the Group's costs and have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares.

If in the future the Group extends credit to more customers or for a higher share of its sales in response to competitive pressures, it will be subject to greater credit risk

The Group's sales are paid for by customers in advance or shortly after delivery. The Group typically only extends credit to its larger retail and business customers, who are invoiced and pay in arrears. There can be no assurance that competitors of the Group will not offer to extend credit to other retailers and that the Group will not respond by also offering credit terms to these customers. If the Group increases its sales on credit, its cash flows may be adversely affected and it could become subject to a correspondingly greater risk of default by its customers, which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares.

The Group is currently and may in the future be subject to litigation

Currently the Group is subject to a number of claims relating to its activities and business, these claims and disputes do not have material adverse effect on the Group's business, however no assurances can be given that in the future the Group will be subject to future claims or disputes, and an adverse decision or an extended or high profile dispute could have a material adverse effect on the Group's business, results of operations and financial condition. See - "*Business - Legal and Administrative Proceedings*".

The Group may be subject to claims and liabilities under environmental, health, safety, sanitary, veterinary and other laws and regulations which could be significant

The Group's operations are subject to various environmental, health, safety, sanitary, veterinary and other laws and regulations, including those governing fire and labour safety, sanitary compliance, air emissions, solid waste and wastewater discharges and the use, storage, treatment and disposal of hazardous materials, such as disinfectants. The requirements of these laws are subject to amendment, imposition of new or additional requirements and changing interpretations by governmental agencies or courts. In addition, the Group anticipates increased regulation by various governmental agencies concerning food safety. Furthermore, business operations currently conducted by the Group or previously conducted by others at properties owned or operated by the Group, and the disposal of waste at third party sites expose the Group to the risk of claims under environmental, health and safety laws and regulations.

The Group could incur material costs or liabilities in connection with claims related to any of the foregoing. The discovery of presently unknown environmental conditions, changes in environmental, health, safety and other laws and regulations, enforcement of existing or new laws and regulations, the Group's failure to successfully manage relations with local authorities and other unanticipated events could give rise to expenditures and liabilities, including the suspension, or the decommission of work and usage of the legal entity or its equipment and buildings, fines and/or penalties which could have a material adverse effect on the Group’s business, prospects, results of operations, financial condition or the price of the Shares.

The Group’s business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation

The Group’s business depends on the continuing validity of several licences, the issuance of new licences and/or permits and its compliance with the terms of its licences and/or permits and/or relevant legislation, including licences for the sale of pedigree resources such as Group’s breeder flock and hatching eggs.

The Group must obtain approval for all newly introduced technological processes from the Ministry of Agrarian Policy of Ukraine (the “**Agrarian Ministry**”). As of the date of this Prospectus, there are no regulations or procedures in place enabling companies to obtain approval for newly introduced technological processes and, accordingly, such approvals are not currently being issued. The Group plans to obtain all necessary approvals as soon as implementing regulations and procedures become available.

Furthermore, some of the Ukrainian Group companies may be subject to fines, suspension or restriction of the activities for the failure to comply with the environmental regulations, in particular, (i) for generation and placement of waste without permits and approved limits, (ii) for special water usage without obtaining necessary permits, (iii) for usage of water from artesian wells without obtaining permits for special use of subsoil and (iv) for emission of contaminative substances into atmospheric air by the stationary sources. Although the Group has applied to obtain all necessary permits, it has not yet received them as of the date of this Prospectus.

Group’s fodder mills are required to obtain operational permits issued by the veterinary authorities in order to produce and sell animal feed. In the absence of the relevant operational the fodder mill is prohibited from producing or selling the animal feed. The Group’s fodder mills currently operate without such operational permits. The Group intends to comply with such requirement in the future. Furthermore, usage of animal feed in Ukraine is allowed only after its registration. The Group’s animal feed has not been registered with the veterinary authorities. Management believes that its animal feed is not subject to state registration, since it is being produced only for internal consumption by the Group companies. If operation of the Group’s fodder mills is suspended to the failure to obtain the operational permit or to register the animal feed, it can have material adverse effect on the operations of the Group and the Group may be required to source animal feed from third party suppliers.

The Group’s breeder farm is required to obtain operational permits issued by the veterinary authority. In the absence of the relevant operational the breeder farm is prohibited from producing or selling hatching eggs. The Group’s breeder farm currently operates without such operational permit. The Group intends to comply with such requirement in the future. If operation of the Group’s breeder farm is suspended to the failure to obtain the operational permit, it can have material adverse effect on the operations of the Group and the Group may be required to source hatching eggs from third party suppliers.

Ukrainian law requires a fire permit to be obtained from the fire safety supervision authorities for the start of operations of newly established companies, the commissioning of new or reconstructed production, residential and other facilities and the use of new fire hazardous equipment for production purposes, or the lease of any premises. In case of a fire safety violation (including absence of the described permit) the state fire safety authorities may impose fines or apply preventive measures (suspension of operation of operation of enterprises, manufacturing facilities, exploitation of buildings, premises and equipment). Some companies of the Group have not obtained relevant permits. Management believes that all production facilities of the Group have been properly commissioned, including by the fire safety supervision authorities. In practice, fire safety supervision authorities have not revealed any material violations of the Group during its audits. However, pursuant to Ukrainian law, the failure to obtain any such permits may lead to the suspension, or the closure of operations of such companies or their equipment and buildings.

The production and processing of food products, including eggs and egg products, involves the performance of certain hazardous activities, including sanitising and disinfecting production, storage and transportation facilities, working with dangerous substances, gas-hazardous work and work with objects under high pressure, which give rise to a general risk of accidents. Conducting hazardous activities is allowed upon obtaining of the respective permits for commencement of hazardous works and use of hazardous equipment issued by the Labour Protection Committee. Failure to obtain the respective permits may lead to stopping usage of any hazardous equipment and commencement of hazardous works. The Group is generally in compliance with this requirement, however, Yasensvit and Malynove are in the process of obtaining of such permits due to the change of their names.

Regulatory authorities exercise considerable discretion in the timing of licence and permit issuance and renewal and in the monitoring of compliance with the terms of licences and permits. In certain circumstances, state authorities in Ukraine may seek to interfere with the issuance of licences and permits, and the licensing and permitting process may also be influenced by outside commentary, political pressure and other non-legal factors. The Group has not had any material fines imposed on it and has not had the operation of any of its companies suspended as the result of non-compliance with all applicable regulatory requirements. Moreover the Group intends to obtain all the necessary licenses, permits, certificates and approvals in the near future. However, there is a risk that licences or permits needed for the Group's business may not be issued or renewed in a timely fashion or may be subject to onerous conditions. If the Group is unable to obtain, maintain or renew necessary licences or permits, its business, prospects, results of operations, financial condition or the price of the Shares could be materially adversely affected. See – "*Business - Environmental and Regulatory Matters*" and "*Regulatory Information*".

The Group's insurance coverage may be inadequate

The Group's insurance coverage may not adequately protect it from the risks associated with its business. The insurance industry is not yet well developed in Ukraine; several forms of insurance protection common in more economically developed countries are not yet available in Ukraine on comparable terms or not reasonably priced, including coverage for business interruption and product liability insurance. The Group insures its principal assets against risk of loss or damage caused by, for example, fire, lightning, explosions, arson, natural disasters, water damage, burglary and robbery.

Under Ukrainian law, the Group is required to maintain certain types of insurance, for example, insurance on mortgaged assets and third party liability insurance as a supplier of products of animal origin and as an owner of vehicles, civil liability insurance with respect to damage which may be caused by fire and accidents in high-risk operations, including inflammable objects and objects where business activity can cause accidents of an ecological and sanitary-epidemiological nature. However, the law is not clear as to the full list of types of insurance the company is required to maintain. In addition, the Group currently does not maintain all of the types of insurance required by law because of their lack of availability in the Ukrainian market. There are however no material sanctions for failure to maintain the mandatory insurance required. See "*Business – Insurance*".

The Group does not have full coverage against loss of, or damage to, some of its plant and equipment or losses arising from the interruption of its business, or "key man" insurance. The Group does not have any insurance coverage in respect of any losses it may incur as a result of an outbreak of any livestock disease. See above " *– Outbreaks of livestock diseases could have a material adverse effect on the Group's business*". In addition, there is no guarantee that the Group will be able to obtain insurance policies on economically viable terms. In the event that a product liability or other claim is brought against the Group which is not covered by the insurance policies described above, it could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, there is no guarantee that the Group will be able to obtain insurance on economically viable terms.

If the Group is unable to obtain insurance coverage in respect of particular risks, it will be forced to cover any losses or third-party claims out of its own funds. The Group does not currently maintain separate funds or otherwise set aside reserves to cover such losses or third-party claims. If the Group were to suffer a loss that is not adequately covered by insurance, its business, prospects, results of operations or financial condition or the price of the Shares could be materially adversely affected. See - "*Business – Insurance*".

The Group has been, and will continue to be, controlled by the Beneficial Owners, and depends on their services

The Beneficial Owners, Mr. Vitalii Veresenko, the Issuer's Chairman of the Board of Directors, together with Mr. Borys Bielikov, the Issuer's Chief Executive Officer, beneficially own 100% of the Issuer's shares. Following the Offering, the Beneficial Owners will continue to own not less than 75% of the Issuer's issued share capital (depending on the number of Offer Shares sold in the Offering). Save for those matters which require the unanimous consent of all shareholders, the Beneficial Owners have the ability to control any action requiring shareholder approval, including electing the majority of the Issuer's Board of Directors and determining the outcome of most corporate matters without recourse to the Issuer's minority shareholders. For example, the Beneficial Owners could cause the Group to pursue acquisitions and other transactions, even though such transactions may involve higher risk for the Group. Moreover, the interests of the Beneficial Owners and other shareholders and members of the Group's management may, in some circumstances, conflict with the interests of the holders of the Offer Shares. For example, the Group's subsidiaries have engaged in and continue to engage in insignificant transactions with related parties, including parties that are controlled by the Beneficial Owners. Conflicts of interest may arise among the Group, the Beneficial Owners and other companies controlled by the Beneficial Owners, resulting in transactions otherwise than on an arms' length basis. Any such conflicts of interest could have an adverse effect on the Group's business, results of operations, financial condition and prospects. See – "*Management and Corporate Governance*" and "*Related Party Transactions*".

In addition, the Group believes its continued success depends to a significant extent on the Beneficial Owners' industry experience, expertise, and efforts. The Group does not maintain a key person life insurance policy on Mr. Bielikov or Mr. Veresenko. The loss of Mr. Bielikov's and Mr. Veresenko's services could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See - "*Management and Corporate Governance*".

The Group could face legal consequences for violations of certain Ukrainian and corporate laws and regulations

Corporate laws and regulations in Ukraine largely did not exist until the last decade of the 20^{th} century when a transition to a market economy began. Since then, corporate laws and regulations in Ukraine have developed significantly. However, due to frequent material changes of the economic and political environment, the structure of government, and the legislative authorities' lack of expertise, Ukrainian corporate laws and regulations throughout this transition period were contradictory in many respects and contained many gaps. As a result, the Group's subsidiaries may have been in violation of certain mandatory provisions which were applicable to them at certain periods.

In particular, the Group Subsidiaries may not have fully complied with all applicable corporate laws and regulations that were in effect in the area of privatization, formation of charter (share) capital, net assets sufficiency, certain transfers of interests or shares in the Group's subsidiaries, etc. Depending on the nature of such violations, the Group could face various legal consequences, including loss of title to some of its assets or shares in its subsidiaries, invalidation of transactions, administrative fines, a request from governmental authorities to remedy the violations within a prescribed time period, inability to increase charter (share) capital, obligation to decrease charter capital which may lead to requests from creditors for early termination of contractual relations, requests for mandatory winding-up proceedings, or requests to unwind a previous transaction. To date, the Group has not received any notice of violation from any third party or governmental authority and, although it does not expect that any party would seek to review or challenge any of the corporate actions/transactions of the Group (to a great extent because the applicable limitation periods should have expired), there can be no assurance that this will not occur. A successful challenge of certain corporate actions/transactions could materially adversely affect the Group's business results of operations, financial condition and prospects.

The Group may be subject to penalties imposed by the Antimonopoly Committee of Ukraine

The Group's business has grown substantially over the recent years through the establishment and acquisition of companies and integral property complexes, etc. Certain of such transactions might have required obtaining of prior merger control approvals from the Antimonopoly Committee of Ukraine ("AMC"). Similarly to many other businesses in Ukraine, members of the Group were not always in the position to comply with all the applicable AMC merger control requirements; in addition, the relevant legislation was not always certain or sufficiently developed and its implementation was often inconsistent. As a result, members of the Group filed applications and received a number of AMC approvals (including some retrospective AMC approvals) for some transactions pertaining to the establishment of the Group, while there still might have been other transactions pertaining to the establishment of the Group, which required obtaining of the AMC approvals and for which such approvals have not been obtained.

The failure to obtain necessary AMC approvals for such transactions could subject the Group and its controlling shareholders (together with all persons related to them by control) to fines in the amount of up to 5% of Group's consolidated revenue and the revenue of all other related by control to the Group and its controlling shareholders directly or indirectly entities/persons, which are not included into Group's consolidated revenue, for the financial year immediately preceding the year in which the fine is imposed, or in the worst case the respective transactions may be invalidated through court procedures and the respective companies may be dissolved (such invalidation and dissolution may only apply if the transactions are found to have led to the creation of a monopoly or substantially reduced competition in any market or part thereof).

The Group believes that none of the transactions pertaining to the establishment of the Group has led to the creation of a monopoly or substantially reduced competition in any market in Ukraine, and any actions on the part of the AMC in relation to a number of such past transactions would be barred under the applicable statute of limitations in Ukraine, and it therefore expects that any administrative fine in respect of the failure to obtain AMC approvals for such transactions is likely to be substantially less than the maximum amount specified above, or time-barred. However, there can be no assurance that this will be the case, nor that the AMC will not conclude that transactions which led to the Group formation were done in contravention of applicable competition legislation and that competition in Ukraine has not been reduced as a result. Any such findings could result in the imposition of further administrative sanctions or fines on the Group or require the divestiture of such newly acquired or created company or other assets, adversely affecting the Group's business, results of operations, financial condition and prospects.

See also *"Regulatory Information – Antimonopoly Laws"*.

Certain of the Group's land lease agreements may be subject to challenge, the Group may not be able to renew its lease agreements or the payments under the Group's land lease agreements may increase

Some of the land lease agreements that the Group has entered into in respect of land plots housing the Group's properties may not contain all of the provisions required under Ukrainian law. In particular, some land lease agreements lack certain annexes, land planning projects, proofs that the local authorities had necessary powers to lease out the land to the Group and to enter into relevant land lease agreements. Certain land lease agreements or annexes provide for the rent amount which is lower than the amount established by law. Any challenge to the validity or enforceability of the Group's rights to land plots it currently leases or may lease in the future may result in the loss of the respective lease rights.

In addition, the Group's land lease agreements are entered into for varied periods of time, ranging from one to 49 years. Although under Ukrainian law the Group has a pre-emptive right to extend the term of a lease agreement upon its expiry, subject to the Group's compliance with the terms of original lease, the lessors' willingness to continue leasing the land and the absence of any other potential lessees offering better terms, there can be no assurance that all lease agreements will be renewed upon their expiration. In addition, Ukrainian legislation requires the lease rights to land plots held in state or municipal ownership to be allocated through an auction unless there are buildings owned by the lessee on the relevant land plot. Any loss by the Group of its lease rights to land plots could adversely affect the Group's business, results of operations, financial condition and prospects.

Under Ukrainian legislation, the parties to a land lease agreement are generally free to determine the amount of payments under such agreement. However, the lease payments in respect of agricultural land held in state or municipal ownership may not be lower than the land tax in respect of the relevant land plot, calculated as a percentage of the appraised value of a particular land plot. The appraised value of land plots is reviewed by Ukrainian authorities on an annual basis. Following such review, state or municipal lessors are entitled under Ukrainian law to unilaterally increase the lease payments in respect of the relevant land plot pro rata to the new value of such plot. Currently land lease payments are not material within the Group's total costs. But a significant increase of the land lease payments could adversely affect the Group's business, prospects, results of operations, financial condition or the price of the Shares.

The Issuer may become tax resident in a jurisdiction other than the Netherlands

The Issuer is incorporated in the Netherlands and is consequently considered resident in the Netherlands for Dutch tax purposes. Generally, in order to maintain Dutch tax residence, management and control of the Issuer must take place in the Netherlands. If management and control of the Issuer were to be conducted in a jurisdiction other than the Netherlands, the Dutch tax residency of the Issuer could be jeopardised. Consequently, the Issuer must meet all applicable requirements to maintain its Dutch tax residency. In general, under these requirements, the Board of Directors should not be comprised of a majority of individuals who are resident for tax purposes in a single jurisdiction other than the Netherlands and all strategic or significant operational decisions or resolutions of the Board of Directors should be made in the Netherlands.

If management and control of the Issuer takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, the Issuer may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residency "tie-breaker" provision in any double tax treaty between the Netherlands and that jurisdiction. Taxation of the Issuer in a jurisdiction other than the Netherlands could materially adversely affect the Issuer's financial condition and prospects.

Risks Relating to Ukraine

Historically, the Group's total sales revenues were generated from operations in Ukraine. The Group expects that such pattern will be repeated in the foreseeable future. As a consequence, risks and events that have a material adverse effect on the Group's operations in Ukraine could, in turn, have a material adverse effect on its overall business, financial condition, results of operations or prospects. Set forth below is a brief description of some of the risks incurred by investing in a company with substantial assets and operations in Ukraine.

Emerging markets are subject to greater risks than more developed markets

Investors in emerging markets such as Ukraine should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Investors should also note that emerging economies such as Ukraine's are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult with their own legal and financial advisors before making an investment in the Shares.

Ukraine may continue to experience political instability or uncertainty

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. In parallel with this transformation, Ukraine is transitioning from a centrally planned economy to a market economy However, this process of economic transition is not complete. Historically, a lack of political consensus in the Verkhovna Rada, or Parliament of Ukraine has made it difficult for the Government to sustain a stable coalition of parliamentarians to secure the necessary support to implement a variety of policies intended to foster economic reform and financial stability.

The current Parliament was elected at the parliamentary elections held on 30 September 2007. In December 2007, the new Parliament appointed Yuliya Tymoshenko as the Prime Minister of Ukraine. On 9 October 2008, the President issued a decree dissolving the Parliament and designating 7 December 2008 as the date for new parliamentary elections. However, this decree was challenged in court and cancelled by a subsequent decree by the President. In December 2008, the Parliament elected its new Speaker, Volodymyr Lytvyn, and a new majority coalition was formed comprising three parliamentary factions: Our Ukraine - People's Self Defense Bloc, Yuliya Tymoshenko's Bloc and the Volodymyr Lytvyn Bloc.

The first round of the recent presidential elections was held on 17 January 2010; however, no candidate won 50 % or more of the popular vote and the two highest polling candidates, Victor Yanukovych, a leader of Partiya Regioniv (the Party of Regions), and Yuliya Tymoshenko, leader of Yuliya Tymoshenko’s Bloc, took part in the second round of elections. On 7 February 2010 Victor Yanukovych and Yuliya Tymoshenko won 48.95 % and 45.47 % of the popular vote, respectively. Although Yuliya Tymoshenko initially contested the results of the elections, she subsequently conceded and Viktor Yanukovych was inaugurated as President of Ukraine on 25 February 2010.

On 3 March 2010, the incumbent Prime Minister Yuliya Tymoshenko was voted out of the Government following a vote of no confidence by the Parliament. On 11 March 2010, factions of Party of Regions, Volodymyr Lytvyn Bloc and the Communist Party of Ukraine and several other deputies formed a new parliamentary coalition consisting of 235 deputies. On the same day, the Parliament appointed Mykola Azarov, a member of the Party of Regions, as the new Prime Minister of Ukraine and endorsed the new members of the Government. Currently, the Government consists mainly of members of the President’s Party of Regions with a few positions being occupied by representatives of other political forces.

In 2010 a political reform introduced by the Law of Ukraine "On Changes to the Constitution of Ukraine" dated 8 December 2004 (the "2004 Reform Law") was cancelled. The 2004 Reform Law provided for the shift of Ukraine from the presidential to the parliamentary democracy and distributed a significant part of the President’s powers to the Parliament and the Government. The 2004 Reform Law has been challenged at the Constitutional Court of Ukraine and announced unconstitutional on 30 September 2010. As a result, the Constitution of Ukraine was reversed back to its initial text adopted in 1996 and the President resumed his significant powers. An administrative reform in Ukraine has been introduced with issuance by the President of Ukraine of an Order "On Improvement of the System of the Central Executive Authorities" dated 9 December 2010. This Order introduced a major change to the system of central governing bodies separating them into the ministries and three categories of the central executive bodies and reduced the number of state bodies and administrative personnel.

As of the date of this Prospectus, the balance of power between the President, the Government and Parliament has shifted, in favour of the President and the parliamentary coalition dominated by the Party of Regions. The opposition remains fractioned and does not have significant influence over the political process in the country. A number of criminal cases have been initiated against the members of the former Government (including Mrs. Tymoshenko) for various acts of alleged misconduct during their service in the Government. Recent political developments have also highlighted potential inconsistencies between the Constitution of Ukraine and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system’s independence from economic and political influences. A number of factors could adversely affect political stability in Ukraine. These could include: court action taken by opposition parliamentarians against decrees and other actions of the President or the Government; or court action by the President against parliamentary or governmental resolutions or actions.

If political instability occurs, it may have negative consequences for the Ukrainian economy and, as a result, a material adverse effect on Group’s business, prospects, results of operations, financial condition or the price of the Shares.

Ukraine may experience economic instability

The negative impact of the global economic and financial downturn has been compounded by weaknesses in the Ukrainian economy, which is sensitive to external and internal events. In particular, although the Government has generally been committed to economic reform, the implementation of reforms has consistently faced the obstacles of a lack of political consensus, controversies over privatization (including privatization of land in the agricultural sector), the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors, and the limited extent of cooperation with international financial institutions.

The negative trends in the Ukrainian economy may continue while commodity prices on the external market remain low and access to foreign credit is limited, unless Ukraine undertakes certain important economic and financial structural reforms. The most critical structural reforms that need to be implemented or continued include: (i) comprehensive reforms of Ukrainian tax legislation with a view to broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy; (ii) reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector); and (iii) reform of social benefits and pensions.

According to the State Statistics Committee of Ukraine, consumer price inflation for 2010 was 9.1 % as compared to the year end 2009. The rate of inflation in 2009 was 12.3 %, which is lower that the 16.6 % and 22.3 % recorded in 2007 and 2008, respectively, but higher than the 11.6 % and 10.3 % recorded in 2006 and 2005, respectively.

In 2009, the Ukrainian Government incurred a budget deficit of UAH19.9 billion (according to the Ministry of Finance of Ukraine). According to the State Statistics Committee of Ukraine, GDP, as calculated in the national currency, increased by 4.9 % in the first quarter of 2010as compared to a 20.3 % decline for the first quarter of 2009, and in the second quarter of 2010 the real GDP increased by 5.9 %, as compared to 17.8 % decline for the second quarter of 2009. In the third quarter of 2010, the real GDP increased by 3.4 % as compared to a 15.9 % decline for the third quarter of 2009 and in the forth quarter of 2010 GDP increased by 1 % as compared to 7 % decline for the forth quarter of 2009. However, it should be noted that the international investment markets generally evaluate Ukrainian GDP in US dollar terms and that the recent US dollar/Hryvnia exchange rate volatility has further impacted the reported GDP. Accordingly, the IMF reported that Ukraine’s GDP amounted to USD179.6 billion in 2008 and USD115.7 billion in 2009, a decrease of 35.6 % year-on-year. However, the IMF reported that Ukraine’s GDP amounted to USD136.4 billion in 2010, an increase of 17.9 % year-on-year.

Failure to achieve the political consensus necessary to support and implement such reforms and any resulting instability could adversely affect the country’s macroeconomic indices and economic growth. Furthermore, future political instability in the executive or legislative branches could hamper efforts to implement necessary reforms. There can be no assurance that the political initiatives necessary to achieve these or any other reforms described elsewhere in this Prospectus will continue, will not be reversed or will achieve their intended aims. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform, may have negative impact on the Ukrainian economy and, as a result, on the Group’s business, prospects, results of operations, financial condition or the price of the Shares.

In addition, the current global financial crisis has led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The crisis has prompted the Government to inject substantial funds into the banking system amid reports of difficulties among Ukrainian banks and other financial institutions. The continuation or worsening of the financial crisis, further insolvencies of Ukrainian banks, and the failure to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability in the nation’s banks could have a material adverse effect on the Ukrainian economy and, as a result, on the Group’s business, prospects, results of operations, financial condition or the price of the Shares.

Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business

Ukraine's economy depends heavily on its trade flows with Russia and the rest of the CIS countries largely because Ukraine imports a large proportion of its energy requirements, mainly from Russia (and from other countries that deliver energy to Ukraine through Russia). In addition, a large portion of Ukrainian service proceeds come from transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. Apart from Russia, Ukraine also developed significant relationships with certain countries of the European Union ("EU") (including Germany, Poland, Hungary, Slovakia and Romania), as well as with Turkey.

Relations between Ukraine and Russia cooled to a certain extent due to disagreements in late 2005 and early 2006 and 2009 over the prices and methods of payment for gas delivered by the Russian gas monopoly OJSC Gazprom. If bilateral trade relations between Russia and Ukraine were to deteriorate, this may have negative impact on the Ukrainian economy as a whole and thus on the Group's business, results of operations, financial condition and prospects. On 21 April 2010, the Presidents of Ukraine and the Russian Federation agreed to amend existing gas supply agreements between Naftogaz of Ukraine and Gazprom to the effect that Gazprom will introduce a discount to the previously agreed price formula. According to media reports, the formulas in the 2009 agreements, which tie the price of imported gas to European benchmark prices, remain intact but Gazprom will offer a discount of: (i) a maximum USD100 per cubic meter if the price for natural gas is USD333 (or higher); or (ii) 30 % if the price is below USD333 per cubic meter. The discount was provided in exchange for certain concessions for stationing the Russian Black Sea Fleet on the territory of Ukraine, such as extending the lease terms for an additional 25 years from 2017 with further 5-year period extensions after the 25-year term. On 27 April 2010 the Ukrainian and Russian Parliaments ratified the agreement.

More than 20 % of Ukrainian goods are currently exported to Russia, while much of Russian exports of energy resources are delivered to the EU via Ukraine. Considerable dependence of the Ukrainian economy on Russian energy exports together with increase in natural gas price by Russia may adversely affect the pace of economic growth of Ukraine. Furthermore, gas price increases may force Ukraine to launch certain reforms in the energy sector and modernization of major energy-consuming industries through the implementation of efficient technologies and modernization of production facilities. However, there can be no assurance that this will take place.

Any major adverse changes in Ukrainian relations with Russia, in particular any such changes adversely affecting supplies of energy resources from Russia to Ukraine or affecting Ukrainian revenues from transit charges for Russian oil and gas, would likely have negative effects on certain sectors of the Ukrainian economy and thus may materially adversely affect the Group's business, prospects, results of operations, financial condition or the price of the Shares.

A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business

Ukraine continues to develop its economic relationship with the EU. In 2008, the EU was the largest external trade partner of Ukraine importing goods and services from Ukraine amounting to USD22.2 billion (28.2 % of Ukraine's total exports of goods and services), and exporting goods and services to Ukraine amounting to USD32.7 billion (35.5 % of Ukraine's total imports of goods and services). In 2009, the EU remained the largest external trade partner of Ukraine with its share in the total foreign trade turnover of Ukraine amounting to about 31.0 % (exports of goods and services from Ukraine to the EU amounted to approximately USD12.5 billion, and imports of goods and services from the EU to Ukraine amounted to approximately USD18.4 billion). In 2010, the EU's share in the total foreign trade turnover of Ukraine amounted to 29.57 %. Goods and services exported from Ukraine to the EU amounted to USD9 billion, while goods and services imported to Ukraine from the EU amounted to USD13.2 billion.

EU imports from Ukraine are to a large extent liberalised, apart from metal scrap, on which Ukraine levies export duties.

In return for effective implementation of political, economic and institutional reforms, Ukraine and other neighbouring countries should be offered the prospect of gradual integration with the EU's internal market, accompanied by further trade liberalisation. Ukraine's accession to the WTO created the necessary preconditions for the launch of formal negotiations for introduction of a free trade area ("FTA") with the EU. In numerous rounds of negotiations on the FTA held between Ukraine and the EU from 2008, the parties achieved progress in harmonisation of, among others, the following areas: trade in goods (including in relation to instruments of trade protection, tariffs, technical barriers in trade, sanitary and customs issues), intellectual property, rules relating to origin of goods, sustainable development and trade, trade in services, and public procurement.

Should Ukraine fail to develop its relations with the EU or should such developments be protracted, this may have negative effect on the Ukrainian economy.

Weaknesses relating to the legal system and legislation may create an uncertain environment for investment and business activity

Since independence in 1991, as Ukraine has been developing from a planned to a market-based economy, the Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is, however, in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organized form.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending in the Parliament. The recent origin of much of Ukrainian legislation, lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt, and result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities. These and other factors that have an impact on Ukrainian legal system make the investment in the Shares subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. The Group may be subject to these claims and may not be able to receive a fair hearing. Additionally, court judgments are not always enforced or followed by law enforcement agencies. All of these weaknesses could affect the Group's ability to enforce its rights or to defend itself against claims by others, which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares

The judiciary's lack of independence and overall experience, difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effected redress in court proceedings

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the Constitutional Court of Ukraine is the only body authorized to exercise constitutional jurisdiction and has been mostly impartial, the system of constitutional jurisdiction itself remains complicated and, accordingly, it is difficult to ensure smooth and effective removal of discrepancies between the Constitution and applicable Ukrainian legislation on the one hand and among various laws of Ukraine on the other hand.

The court system lacks staffing and funding. Judicial decisions under Ukrainian law generally have no precedent effect, which results in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. The Ukrainian judicial system became more complicated and hierarchical as a result of recent judicial reforms. All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in furtherance of political aims. Finally, court orders are not always enforced or followed by law enforcement institutions. Courts in Ukraine will generally not recognise and/or enforce any judgment obtained in a court of a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party, and then only in accordance with the terms of such treaty. The uncertainties of the Ukrainian judicial system may have a negative impact on the Ukrainian economy as a whole, and thus may materially adversely affect the Group's business, financial condition, results of operations or prospects in Ukraine.

The independence of the judicial system and its immunity from economic and political influences in Ukraine is continuing to develop. Ukraine is a civil law jurisdiction and, as such, judicial precedents generally have no binding effect on subsequent decisions. Additionally, court claims can be used in furtherance of personal aims different from the formal substance of the claims. The Group may be subject to such claims, and courts may render decisions with respect to those claims that are adverse to the Group and its investors.

State authorities have a high degree of discretion in Ukraine and at times they exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. National and local Government entities could also use common defects in matters surrounding share issuances and registration of Group's Ukrainian subsidiaries as a basis for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often to further interests different from the formal substance of the claims. Such state action, if directed at the Group's Ukrainian subsidiaries, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

There are deficiencies in corporate governance standards under Ukrainian law

Disclosure and reporting requirements have only recently been enacted in Ukraine and remain underdeveloped. Anti-fraud legislation has only recently been adapted to the requirements of a market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures in line with the standards of the Member States or the United States. The concept of fiduciary duties owed by management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Such deficiencies could significantly affect the communication of material information or result in inappropriate management decisions, which may have a material adverse effect on the Group's business, results of operations and financial condition.

Fluctuations in the global economy

Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In addition, because Ukraine is a major producer and exporter of metal and agricultural products, the Ukrainian economy is especially vulnerable to world commodity prices and/or the imposition of import tariffs by the United States, the EU or by other major export markets. Any such developments may have negative effects on the Ukrainian economy as a whole and thus may materially adversely affect the Group's business, financial condition, results of operations or prospects in Ukraine.

Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity

Ukraine's physical infrastructure largely dates back to the Soviet times and in certain respects has not been adequately funded and maintained. In some areas the rail and road networks, power generation and transmission, communication systems and building stock are particularly affected. Road conditions throughout areas of Ukraine are poor, with many roads not meeting minimum requirements for usability and safety. The Ukrainian Government has been implementing plans to develop the nation's rail, electricity and telephone systems, which may result in increased charges and tariffs whilst failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. Breakdowns and failures of any part of Ukraine's physical infrastructure may disrupt the Group's normal business activity. Further deterioration of Ukraine's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Ukraine and interrupt business operations, any or all of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations

Crime and corruption could disrupt the Group's ability to conduct its business and could materially adversely affect its financial condition and results of operations

The weakened economic conditions in Ukraine, caused by the recent global crisis, have resulted in higher unemployment and increased levels of social unrest. In addition, both the Ukrainian and international press continue to report high levels of official corruption in Ukraine. Press reports have described instances in which state officials have engaged in selective investigations and prosecutions to further interests of the state and individual officials. The Group's business, and the value of the Shares, could be adversely affected by white-collar crime, illegal activities, corruption or by claims implicating the Group in illegal activities.

Independent analysts, including the Financial Action Task Force on Money Laundering ("FATF") and Transparency International, an anti-corruption body based in the UK, have identified corruption and money laundering as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation which came into force in June 2003, the NBU and other state authorities, as well as various entities carrying out financial transactions, are required to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, the FATF removed Ukraine from its list of Non-Cooperative Countries and Territories in February 2004 and discontinued the formal monitoring of Ukraine in January 2006.

In February 2010 Ukraine was mentioned by FATF as having demonstrated progress in improving its AML/CFT regime despite still having certain strategic AML/CFT deficiencies. Ukraine has made a high-level political commitment to work with the FATF and MONEYVAL to address these deficiencies, including by: (i) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II), (ii) enhancing financial transparency (Recommendation 4); and (iii) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III). In early June 2009, the Parliament adopted several laws establishing a general framework for the prevention and counteraction of corruption in Ukraine, whose entry into force was suspended several times until the laws were finally abolished in early 2011. On 7 April 2011, the Parliament adopted a new Law of Ukraine On Fundamental Principles of Prevention and Counteraction of Corruption in Ukraine (the "Anticorruption Law"), and sent it for President's signature on 23 May 2011. Although the Anticorruption Law has been criticized for its departure from certain achievements of the 2009 anti-corruption laws (for example, the elimination of responsibility of legal entities), the Anticorruption Law does contain provisions regarding measures to prevent corruption, introduces a detailed regulation of the responsibility for involvement in corruption, sets forth certain principles of financial reporting, establishes the Unified State Register of Individuals who Committed Corrupt Actions and provides for international cooperation in combating corruption.

In August 2010, a new law entered into force significantly amending Ukrainian anti-money laundering legislation and implementing 40 revised recommendations and nine special recommendations of the FATF, as well as the directive of the European Parliament on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. In particular, the law extends the list of entities that are required to monitor financial transactions at the primary level, extends the list of state agencies authorised to conduct state financial monitoring, and broadens the list of grounds on the basis of which a financial transaction may be subject to monitoring.

On 19 May 2011, the Law of Ukraine on the Introduction of Amendments to Certain Legislative Acts of Ukraine on Prevention of Legalization (Money-Laundering) of Illegally Gained Income (the "Anti-Money-Laundering Law") came into force. The Anti-Money-Laundering Law penalizes certain stock market manipulations by introducing amendments to the Law of Ukraine On State Regulation of Stock Market in Ukraine, the Code of Administrative Offences of Ukraine, and the Criminal Code of Ukraine.

Although the newly adopted legislation is expected to facilitate anti-corruption efforts in Ukraine, there can be no assurance that the laws will be effectively applied and implemented by the relevant supervising authorities in Ukraine. Any future allegations of corruption in Ukraine or evidence of money laundering may have a negative effect on the ability of Ukraine to attract foreign investment and thereby on the Ukrainian economy as a whole and thus may materially adversely affect the Group’s business, financial condition, results of operations or prospects in Ukraine.

Ukraine's tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity

Ukrainian tax legislation is subject to frequent changes and amendments, which can result in either a more favourable environment or unusual complexities for the Group and its business generally. For example, with effect from 1 January 2011 the Ukrainian tax system was significantly reformed by the adoption of a new Tax Code of Ukraine. Applicable taxes include FAT, VAT, corporate income tax, custom duties and other taxes. As a result, there may be significant uncertainity as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations.

Apart from the Tax Code of Ukraine, the issues of taxation are frequently governed by other statutory enactments. All the above impact negatively on the predictability of the country's taxation system, and, therefore, tell adversely on business activity, reducing the attractiveness of the national economy for foreign investors and restricting its opportunities for medium and long-term planning.

As a result the ambiguity of interpretation of some tax regulations, and the discrepancies in the attitudes of taxpayers and government control agencies, there exists a large volume of explanations and clarifications for the application of such laws.

For example, the difficulties in refunding VAT remain an obstacle for investing in the export-oriented sectors of economy. The complicated process of tax inspections and the contradictory rules on when they should be held create serious barriers during the administration of the taxes. Due to the budget deficit, even the taxpayers entitled to VAT refund, may not receive such refund in practice or may not be able to offset it against future tax liabilities.

The Group occasionally conducts intercompany transactions at terms that may be assessed by the Ukrainian tax authorities as non-market. Because of non-explicit requirements of the applicable tax legislation, such transactions have not been challenged in the past. However, it is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities, that such transactions could be challenged in the future.

Differing opinions regarding legal interpretations often exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties and areas of conflict. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Tax declarations/returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are authorized by law to impose substantial fines, penalties and interest charges. These circumstances generally create tax risks in Ukraine which are more significant than typically found in countries with more developed tax systems. Generally, tax returns in Ukraine remain open and subject to inspection for an indefinite period of time; however, the Ukrainian tax authorities may re-assess tax liabilities of taxpayers only within a period of three years after the filing of the relevant tax return. Nonetheless, this statutory limitation period may not be observed or may be extended in certain circumstances. Moreover, the fact that a period has been reviewed does not exempt this period, or any tax declaration or return applicable to that period, from further review.

While the Group believe that it is currently in compliance in all material respects with the tax laws affecting its operations, it is possible that relevant authorities could, in the future, take differing positions with regard to interpretative issues, which may have a material adverse effect on the Group's business, prospect, results of operations, financial condition or the price of the Shares.

Economic instability in Ukraine could adversely affect the Group’s business

Since the dissolution of the Soviet Union, the Ukrainian economy has experienced at various times: (i) significant declines in gross domestic product; (ii) hyperinflation; (iii) an unstable currency; (iv) high state debt relative to gross domestic product; (v) a weak banking system providing limited liquidity to Ukrainian enterprises; (vi) a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings; (vii) significant use of barter transactions and illiquid promissory notes to settle commercial transactions; (viii) widespread tax evasion; (ix) the growth of "black" and "grey" market economies; (x) high levels of capital flight; (xi) high levels of corruption and the penetration of organised crime into the economy; (xii) significant increases in unemployment and underemployment; and (xiii) the impoverishment of a large portion of the Ukrainian population.

Failure to achive the economic stability in Ukraine may have a negative effect on the ability of Ukraine to attract foreign investment and thereby on the Ukrainian economy as a whole and thus may materially adversely affect the Group’s business, financial condition, results of operations or prospects in Ukraine.

The business environment in Ukraine could deteriorate

Ukrainian enterprises have a limited history of operating in free-market conditions and have had limited experience (compared with companies in more developed jurisdictions) of entering into and performing contractual obligations. Ukrainian enterprises, when compared to businesses operating in more developed jurisdictions, are often characterised by management that lacks experience in responding to changing market conditions and limited capital resources with which to develop their operations. In addition, Ukraine has a limited infrastructure to support a market system, and communications, banks and other financial infrastructure are less well developed and less well regulated than their counterparts in more developed jurisdictions. Ukrainian enterprises face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, high taxes and limited lending by the banking sector to the industrial sector, among other factors. Many Ukrainian enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees.

Deterioration of the business environment in Ukraine may have a negative effect on the Ukrainian economy as a whole and thus may materially adversely affect the Group's business, financial condition, results of operations or prospects in Ukraine.

The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's ability to conduct its business effectively and on the market price of the Shares

The multiple factors and, primarily, as a result of the financial crisis in Ukraine, the failure of the Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism including calls for restrictions on foreign ownership of Ukrainian businesses, and violence. Although the Group has not experienced any such pressures in the past, no assurance can be given that the Group will not experience labor or social problems in the future. Any of these events could restrict the Group's operations and lead to the loss of revenue, thereby materially adversely affecting both the Group's ability to conduct its business effectively and the market price of the Shares.

Risks Related to Shares, Listing and Trading on the WSE

The Offering may be delayed, suspended or cancelled

Public offerings are subject to various circumstances independent from the Issuer and the Principal Shareholder. In particular, the demand for the Shares is shaped by, among others, investors' sentiment toward sector, legal and financial conditions of the Offering. In case such circumstances would have adverse impact on the results of the Offering, the Principal Shareholder and the Issuer may decide to delay, suspend or cancel the Offering. Consequently, the investors may be unable to successfully subscribe for the Shares and payments made by investors during the Offering, if any, may be returned without any compensation.

The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares

In connection with the Offering certain lock-up arrangements will be made with respect to the issue of new Shares by the Issuer. For further details see "*Placing – Lock-up Agreements*". Once the lock-ups have expired or have been terminated, new Shares may be issued by the Issuer without any restrictions. There can be no assurance as to whether or not issues or sales of substantial amounts of Shares will take place on the market in the foreseeable future. The Issuer cannot predict what effect such future sales of existing Shares held by the Principal Shareholder or issues of new shares by the Issuer, if any, may have on the market value of the Shares. However, there can be no assurance that sales of Shares by the Principal Shareholder or by other shareholders of the Issuer, or issue of new shares by the Issuer or the perception that such sales or issues could occur, could adversely affect, even if temporarily, the market value of the Shares and could adversely affect the Issuer's ability to raise capital through future capital increases.

Holders of the Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of shares

Holders of the Shares generally will have a pre-emptive right with respect to any issue of shares or the granting of rights to subscribe for shares, unless explicitly provided otherwise in a resolution of the General Meeting or other corporate body having the right to exclude pre-emptive rights. The Board of Directors is authorized to issue such number of new shares in the capital of the Issuer of up to the maximum authorized capital of the Issuer at the date of this resolution and during the period ending five (5) years from the date of publication of the resolution. The Board of Directors is also authorized to limit or to exclude pre-emptive rights of existing shareholders in connection with such issue of or granting of rights to subscribe for new shares in the capital of the Issuer. As a result of an issuance of additional shares with exclusion of pre-emptive rights, shareholding and voting rights in the Issuer and the earnings per Share may be diluted.

Existing shareholder will continue to exert significant influence on the management following the Offering

Following completion of the Offering, the Principal Shareholder will continue to own an aggregate of not less than 75% of the Issuer's outstanding shares (depending on the number of Offer Shares sold in the Offering). As a result, the Principal Shareholder will be in a position to exert significant influence over the outcome of matters submitted to a vote of the Issuer's shareholders, including matters such as approval of the annual financial statements, declarations of dividends, the election and removal of the members of the Board of Directors, capital increases and amendments to the Articles of Association.

The Issuer is established and organized under Dutch law

The Issuer is a company organized and existing under the laws of the Netherlands. Accordingly, the Issuer's corporate structure as well as rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for Polish investors in a Dutch company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the General Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Action with a view to declaring a resolution invalid must be filed with, and will be reviewed by a Dutch court, in accordance with the law of the Netherlands.

Investors in the Offer Shares will be subject to obligations resulting from various national laws

The Issuer is organized and existing under the laws of the Netherlands while the Offer Shares will be listed on a regulated market in Poland. Consequently, the Netherlands will be the home Member State of the Issuer for the purpose of the EU securities regulations and Poland will be its host Member State. The EU directives provide different competences for home Member State and host Member States with respect to rights and obligations of the investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented in the proper manner at a national level. Consequently, the investors in the Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising their rights or when fulfilling obligations. In case an investor fails to fulfill its obligations or violates the law when exercising rights from or regarding its Shares, he or she may be fined or sentenced for such non-compliance or be unable to exercise rights from the Shares.

Investors may have problems enforcing judgments against the Issuer

The Issuer is a holding company organized and existing under the laws of the Netherlands with virtually no assets except for the equity interest in its subsidiaries. The Group assets are located in Ukraine. For this reason investors may encounter difficulties in service of process and the conduct of proceedings with respect to any other entities within the Group and their assets.

Tax treatment for non-Dutch investors in a Dutch company may vary

The Issuer is organized and existing under the laws of the Netherlands and as such Dutch tax regime applies to distribution of profit and other payments from the Issuer to its investors. The taxation of incomes from such payments as well as other incomes, from sale of shares, for instance, may vary depending on tax residence of particular investors as well as on provision of double tax treaties with the Netherlands in force. Provisions applying to particular investors may be unfavourable or may change adversely.

There is no guarantee that the Issuer will pay dividends in the future

The Issuer is under no continuous obligation to pay regular dividends to its shareholders. Any payment of dividends in the future will depend upon decisions of the Board of Directors and the General Meeting (at which the Principal Shareholder may represent a majority of voting rights). Payment of (future) dividends may be made only if mandatory provisions so allow, as required by law or by the Articles of Association and the respective articles of association of the Group Subsidiaries. Furthermore, for the decision to pay dividend the following factors (among others) shall also be taken into account: future results of operations, cash flows, financial position, reinvestment needs, expansion plans, contractual restrictions, and other factors the Board of Directors and/or the General Meeting deem relevant, which do not necessarily have to coincide with the short-term interests of all the Issuer shareholders.

There can be no assurance that the Issuer will make any dividend payments in the future. As at the date hereof, the Issuer does not expect to pay dividends in the near future. However, the formal decision will be taken each year by the General Meeting. Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares.

The price of Issuer's Shares may fluctuate

The market price of shares listed on a regulated market is determined by supply and demand, which depends on a number of factors (including changes in Issuer's financial results, differences between the financial results and market expectations, changes in the profit estimates made by analysts, comparison of the perspectives of various sectors of the economy, the overall economic situation, changes in laws applicable to the sector in which the Issuer operates and other events and factors which are independent of the Issuer), as well as reactions of investors which are difficult to predict. In the event of significant price fluctuations, the shareholders may fail to achieve their planned gains or of incurring losses. Furthermore, consideration should be given to the fact that the market value of the Issuer shares may differ significantly from the expected Offer Price. This is possible, in particular, as a result of periodic changes in the Issuer's financial results, the liquidity of the stock market, the conditions prevailing on the WSE, the conditions prevailing on world markets, as well as changes in economic and political factors.

Securities or industry analysts may cease to publish research or reports about Issuer's business or may change their recommendations regarding the Issuer's Shares

The market price and/or trading volume of the Shares may be influenced by the research and reports that industry or securities analysts publish about the Issuer and the Group's business. There can be no guarantee of continued and sufficient analyst research coverage for the Issuer, as the Issuer has no influence on analysts who prepare such researches and reports. If analysts fail to publish reports on the Issuer regularly or cease publishing such reports at all, the Issuer may lose the visibility in the capital markets, which in turn could cause the Issuer's Shares price and/or trading volume to decline. Furthermore, analysts may downgrade the Issuer's Shares or give negative recommendations regarding the Issuer's Shares, which could result in a decline of the Share price.

The Issuer may be unable to list the Offer Shares on the WSE or the Issuer may be delisted from the WSE

The admission of the Offer Shares to trading on the WSE requires that (i) the Offer Shares are registered with the clearing and settlement system of the NDS, and (ii) the management board of the WSE approves the listing and trading of the Offer Shares on the WSE. To obtain the WSE management board's approval the Issuer has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Offer Shares (ii) no restriction on transferability of the Offer Shares (iii) preparation and publication of the audited financial statements for the past three accounting years. Furthermore, while examining the Issuer's application for admission of the Offer Shares to trading on the WSE, the management board of the WSE will take into consideration: (i) the Issuer's financial situation and its economic forecasts, (ii) the Group's development perspectives, in particular, the chances for successful completion of its investment plans, (iii) experience and qualifications of the members of the Issuer's Board of Directors, and (iv) security of public trading on the WSE. Some of the conditions mentioned above are of discretional nature and, therefore, the Issuer cannot assure that the management board of the WSE will conclude that the Issuer meets all of them.

The rules of the WSE require the Issuer to file an application for introduction of Shares to trading on the WSE within a period of six months from the date on which the Issuer's Shares have been admitted to such trading. If the Issuer fails to comply with this obligation, the decision of the management board on the admission of the Issuer's Shares to trading on the WSE could be annulled.

The Issuer intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE as soon as possible after the closing of the Offering. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the WSE on the Listing Date as expected or at all. Moreover, if the Issuer fails to fulfil certain requirements or obligations under the applicable provisions of securities laws, including in particular the requirements and obligations provided for under the Public Offering Act and Trading in Financial Instruments Act, the PFSA could impose a fine on the Issuer or delist its Shares from trading on the WSE.

The WSE management board shall delist the Offer Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Issuer's Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interest. The mandatory delisting will be also effected by the WSE management board where: (i) transferability of Offer Shares has become restricted, (ii) Offer Shares are no longer in book entry form, (iii) the PFSA has requested so, (iv) the Offer Shares have been delisted from another regulated market by a competent supervisory authority over such market, provided that the Offer Shares were traded on another regulated market.

The WSE management board may also delist the Offer Shares where, (i) the Offer Shares cease meeting all requirements for admission to trading on the WSE; (ii) the Issuer persistently violates the regulations of the WSE; (iii) the Issuer has requested so; (iv) the Issuer has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Issuer's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE considers it necessary to protect the interests of the market participants; (vi) following a decision on a merger, split or transformation of the Issuer; (vii) no trading was effected in the Offer Shares within a period of three previous months; (viii) the Issuer has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Issuer is in liquidation proceedings.

The Issuer believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Offer Shares from the WSE in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Issuer's Shares in the future. Delisting of the Offer Shares from the WSE could have an adverse effect on the liquidity of the Offer Shares and, consequently, on investors' ability to sell the Shares at a satisfactory price.

Trading in the Offer Shares on the WSE may be suspended

WSE management board has the right to suspend trading in the Offer Shares for up to three months (i) at the request of the Issuer, (ii) if the Issuer fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board shall suspend trading in Offer Shares for up to one month upon the request of the PFSA, if the PFSA concludes that trading in the Offer Shares is carried out in circumstances which may impose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm investors' interest.

The Issuer will make all endeavours to comply with all applicable regulations in this respect. However, there can be no assurance that trading in the Offer Shares will not be suspended. Any suspension of trading could adversely affect the Offer Share price.

The Issuer may have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares

Prior to the Offering, the Principal Shareholder owns 100 % of the Issuer's outstanding Shares and immediately after the Offering the Principal Shareholder will own 75% of the Issuer's outstanding Shares, provided that all Offer Shares are placed with investors. Consequently, the free float of Shares held by the public will be limited up to 25% of the Issuer's share capital.

In addition, the WSE requires that the share capital of a company to be listed on the main market of the WSE must be adequately diluted, i.e. part of the capital must be held by minority shareholders holding individually less than 5 % of that company's share capital. If the Offer Shares are acquired by a limited number of large investors, there is a risk that the share capital would not be adequately diluted and as a result the WSE would not approve the Shares for listing on the main market of the WSE and, consequently, the Shares would be listed on the parallel market.

There can be no assurance regarding the future development of the market for the Shares and its liquidity

There was no prior market for the Shares and therefore, there can be no assurance regarding the future development of such market and future demand for the Shares. The lack of a primary and/or developed and liquid public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may be able to sell their Shares. Moreover, if a market for the Shares on the WSE was to develop, the Shares could trade at prices that may be higher or lower than the Offer Price, depending on many factors. Therefore, there can be no assurance as to the liquidity of any trading in the Shares or that the Shares will be actively traded on the WSE, which may limit or prevent the Issuer's shareholders from readily selling their Shares.

The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Group's operating performance and decline below the Offer Price

The Issuer cannot assure that the marketability of the Issuer's Shares will improve or remain consistent. The Offer Price in the Offering may not be indicative of the market price for the Issuer's Shares after the Offering has been completed. Shares listed on regulated markets, such as the WSE, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Issuer's Shares may fluctuate widely, depending on many factors beyond the Issuer's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group Companies and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. These and other factors may cause the market price and demand for the Issuer's Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Issuer's Shares which may decline disproportionately to the Group Companies' operating performance. The market price of the Issuer's Shares is also subject to fluctuations in response to further issuance of shares by the Issuer, sales of Shares by the Issuer's major shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Issuer as well as investor perception. As a result of these or other factors, there can be no assurance that the public trading market price of the Issuer's Shares will not decline below the Offer Price.

The Issuer has no experience in complying with requirements for publicly-listed companies

A public company is subject to a number of obligations mostly relating to disclosure of respective information, in particular current and periodic reports as well as making public of notifications on large shareholdings made by investors. The Issuer has never been subject to such obligations and may fail to fulfill such obligations. As a consequence, the investors may not be provided on time or at all with price-sensitive information or the content of materials made public may be of unsatisfactory quality. In addition, the Issuer may be fined or punished otherwise for non-compliance with regulations relating to public company what may have adverse impact on the Issuer's financial results, share price and demand for Shares.

EXCHANGE RATES

Most of the Group's operations are carried out in Ukraine, hence its principal internal reporting currencies is Hryvnia, as it reflects the economic substance of the underlying events and circumstances of the Group.

Most of the Group's sales are invoiced in the Hryvnia, which is not a freely tradable currency. The local exchange rates in Ukraine are managed by the NBU. Although most loan facilities extended to the Group are denominated in USD, the Group also borrows funds in UAH and EUR. Therefore, fluctuations in the value of UAH compared to EUR and USD could have an impact on the Group's financial condition and results of operations.

The Consolidated Financial Statements included in this Prospectus are presented in USD.

The following table shows, for the periods provided, and unless indicated otherwise, certain information regarding the exchange rates between main operational and reporting currencies used in the preparation of the Consolidated Financial Statements appearing in this Prospectus.

	USD per UAH	EUR per UAH	EUR per USD
Average rate for the year ended 31 December 2008	5.2672	7.7080	1.4634
Closing rate as of 31 December 2008	7.7000	10.8555	1.4097
Average rate for the year ended 31 December 2009	7.7912	10.8679	1.3949
Closing rate as of 31 December 2009	7.9850	11.4489	1.4338
Average rate for the year ended 31 December 2010	7.9356	10.5329	1.3273
Closing rate as of 31 December 2010	7.9617	10.5731	1.3280
Average rate for the three months period ended 31 March 2011	7.9448	10.8492	1.3656
Closing rate as of 31 March 2011	7.9250	11.2156	1.4152

Source: NBU

The following table shows, for the periods provided, and unless indicated otherwise, certain information regarding the exchange rates between PLN (as a base currency) and USD, UAH, and EUR.

	USD per PLN	EUR per PLN	UAH per PLN
Closing rate as of:			
31 December 2008	2.9618	4.1724	0.3730
31 December 2009	2.8503	4.1082	0.3558
31 December 2010	2.9641	3.9603	0.3722
31 March 2011	2.8229	4.0119	0.3562

Source: NBU and NBP

USE OF PROCEEDS

The Group intends to raise approximately USD33 million of gross proceeds from the issue of the Offer Shares in the Offering. The net proceeds that the Group will receive from the issue of the Offer Shares in the Offering, after deducting the estimated commissions, costs and expenses associated with the Offering, are to be approximately USD31 million. Final details on the net proceeds from the Offering will be published within two weeks from the Settlement Date in a manner consistent with Dutch and Polish regulations.

The net proceeds from the sale of the Offer Shares will be used primarily for fulfilling of the Group's investment program going forward. The Group's 2011-2012 business plan envisages the following capital investments:

- Reconstruction of 6 laying hens houses and purchase of new cage equipment with a resulting increase in Group number of laying hen places by 1.825 million, including installation of eggs transporting equipment to sorting facilities and additional packaging capacities, with estimated investment of USD20.0 million;
- Increase in number of laying hens to be placed into reconstructed laying hens houses with estimated investment of USD4.5 million;
- Installation of equipment in farms for growing young hens in order to increase total number of growing young hens with estimated investment of USD1.5 million;
- Installation of egg breaking and pasteurization facilities at Ovostar Egg Processing Plant ("**Ovostar EPP**") with estimated investment of USD3.5 million;
- Increase in working capital needs following capacity expansion estimated at USD1.5 million.

The Group reinvests net income and uses available bank debt as a source for the capital investments, including capital investments that have been carried out during last three years. All capital investments will be made in Ukraine in line with the Group's investment program. The Group made firm commitments on the investments mentioned above and, as of the date hereof, has started initial execution of detailed investment programm of the Group as laid out in the Group's 2011-2012 business plan.

To the extent the net proceeds of the Offering of the Offer Shares are not invested in any way described above they will otherwise be used for modernization of production facilities, supporting of the Group's working capital needs, and for activities carried out to support the key investment program items outlined by the business plan in line with the Group's business strategy.

DIVIDENDS AND DIVIDEND POLICY

Since the Group's strategy is focused on the dynamic growth of its business, the Board of Directors will consider recommending to the General Meeting the payment of dividends at levels consistent with the Group's growth and development plans.

In accordance with the Issuer's Articles of Association and Dutch law, every year part of the net profit of the Issuer may be set aside in order to build up the legal reserve. The remaining balance of the net profit will be at the disposal of the General Meeting. Dividends, when payable, will be distributed at the time and place fixed by the Board of Directors within the limits of the resolution of the General Meeting. Furthermore, interim dividends may be paid by the Board of Directors, in accordance with the conditions provided for by Dutch law.

Payment of any future dividends will effectively depend on the discretion of the General Meeting after taking into account various factors, including the Group's business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of Dutch law (as described above).

All Shares, including the Offer Shares, carry equal dividend rights.

Since the date of the Issuer's incorporation on 22 March 2011, the Issuer did not pay dividends.

Ovostar Union LLC (parent company of the Ukrainian part of the Group) paid one-time dividends to Mr. Bielikov in 2008 equaling to USD2.9 million to finance restructuring of the Group. None of the Ukrainian part of the Group paid any regular dividends during period covered by Consolidated Financial Statements of Ovostar Union LLC. After final formation of the Group with ultimate parent Ovostar Union N.V. the decisions regarding dividend payments are at sole discretion of General Meeting of Ovostar Union N.V. and its Board of Directors.

Due to its intensive capital expenditure programm, the Issuer does not intend to pay any dividends in foreseable future.

For information related to dividend rights and dividend payments, please see – "Description of the shares and corporate rights and obligations – Distribution of Profits".

CAPITALISATION AND INDEBTEDNESS

The following table sets out Ovostar Union LLC's indebtedness and capitalization on a consolidated basis as at 31 December 2010.

This information should be read in conjunction with the section "*Operating and Financial Review*" and the Consolidated Financial Statements, including accompanying notes.

	As at 31 December 2010 (USD thousands) (audited)
Total current debt:	
Secured [(1)]	4,024
Guaranteed	-
Unsecured/unguaranteed	126
Total current debt	4,150
Total non-current debt, net of current portion of long term debt:	
Secured [(1)]	230
Guaranteed	-
Unsecured/unguaranteed	-
Total long-term liabilities	230
Shareholders' equity:	
Share capital	45
Share premium	-
Retained earnings	36,637
Other reserves	(7,610)
Total shareholders' equity	29,072
Minority interest	2,353
Total capitalisation and indebtedness	35,805

Source: the Group.

	USD thousand
A. Cash	358
B. Cash equivalent (Detail)	-
C. Trading securities	-
D. Liquidity (A) + (B)+(C)	**358**
E. Current Financial Receivable	-
F. Current Bank debt	**4,024**
G. Current portion of non current debt	-
H. Other current financial debt	126
I. Current Financial Debt (F)+(G)+(H)	**4,150**
J. Net Current Financial Indebtedness (I)-(E)-(D)	**3,792**
K. Non current Bank loans	230
L. Bonds Issued	-
M. Other non current loans	-
N. Non current Financial Indebtedness (K)+(L)+(M)	**230**
O. Net Financial Indebtedness (J)+(N)	**4,022**

[(1)]*Secured and guaranteed debt consists of bank loans which are secured by property plant and equipment and bank deposit. Source: Ovostar Union LLC*

There is no material contingent or indirect indebtedness as of 31 December 2010. There were no material changes in the capitalization and indebtedness since 31 December 2010.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following table sets forth certain selected consolidated financial data of Ovostar Union LLC for the periods indicated, which have been extracted from the audited Consolidated Financial Statements. Due to the complex financial history, the information in this Selected Historical Information Section applies to Ovostar Union LLC and not the Issuer.

The information below should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto and included elsewhere in this Prospectus and with the information included in "*Operating and Financial Review*".

Income statement data

	31 December 2010 **audited** **USD thousand**	**31 December 2009** **audited** **USD thousand**	**31 December 2008** **audited** **USD thousand**
Revenue	37,033	32,345	36,703
Net change in fair value of biological assets	1,137	(4,043)	5,318
Cost of sales	(28,133)	(20,136)	(26,241)
Gross profit	10,037	8,166	15,780
Other operating income	5,612	2,139	5,912
Selling and distribution costs	(3,184)	(3,691)	(5,353)
Administrative expenses	(1,870)	(2,190)	(2,893)
Other operating expenses	(1,091)	(811)	(1,275)
Finance costs	(876)	(1,633)	(7,898)
Finance income	642	440	1,328
Profit before tax	9,270	2,420	5,601
Income tax expense	(107)	118	(275)
Profit for the year	9,163	2,538	5,326

Source: Ovostar Union LLC, based on the Consolidated Financial Statements

Cash flows data

	31 December 2010 **audited** **USD thousand**	**31 December 2009** **audited** **USD thousand**	**31 December 2008** **audited** **USD thousand**
Net cash flows received from (used in) operating activities	5,250	5,152	23,450
Net cash flow received from (used in) in investment activities	(687)	(808)	(7,222)
Net cash flow received from (used in) financing activities	(4,656)	(3,406)	(7,218)
Net foreign exchange difference	(126)	(696)	(8,956)
Net cash flow for the period	(219)	242	54

Source: Ovostar Union LLC, based on the Consolidated Financial Statements

Balance sheets data

	31 December 2010 audited USD thousand	31 December 2009 audited USD thousand	31 December 2008 audited USD thousand
Total non-current assets	18,930	18,473	18,273
Total current assets	21,874	23,333	24,843
Total Assets	40,804	41,806	43,116
Total equity	31,425	30,009	28,539
Total non-current liabilities	235	2,273	3,766
Total current liabilities	9,144	9,524	10,811
Total Equity and Liabilities	40,804	41,806	43,116

Source: Ovostar Union LLC, based on the Consolidated Financial Statements

OPERATING AND FINANCIAL REVIEW

Certain information contained in the section set forth below includes forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and assumptions about the Group. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

The following review relates to the Group's historical financial condition and results of operations in the financial years ended on 31 December 2010, 2009 and 2008 respectively. The "Operating and Financial Review" section was based on the Consolidated Financial Statements that are contained in the Prospectus and this section should be read in conjunction with the Consolidated Financial Statements

Extracts from significant accounting policies and estimates

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.

The Consolidated Financial Statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

Impairment of property, plant and equipment

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

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

The Group 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 animal feed. 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 production volumes, selling prices and costs are taken into account, as well as the expected 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.

Applicable annual discount rate for impairment of property, plant and equipment was equal to 24%.

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

- prices for main ingridients of animal feed based on internal forecasts of the Group's management and market overviews;
- production data (egg operations segment and egg products operations segment, safety of livestock) based on internal forecasts of the Group's management and market overviews
- selling prices and costs for eggs and egg products are based on forecasts of the Group's management and market expectations.

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 animal feed and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Group is based (such as a 2% change in the discount rate or 2% 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

Estimate 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 regarding the biological assets based on discounted cash flow model are presented below:

- 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 27.44% (2009, 2008: 12.1%).

Management determined that calculations of the recoverable amount 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 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.

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

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.

Foreign currency transactions

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

Relevant exchange rates are presented as follows:

	As at 31 December 2010	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
USD	7.962	7.985	7.700	5.050
EUR	10.573	11.449	10.855	7.420

Value Added Tax

In the years ended 31 December 2010, 2009 and 2008, 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 2011 VAT rate at 20% was changed by the new Tax Code of Ukraine and it was established at the level of 17%. This change has no effect on the Consolidated Financial Statements.

Government regulations that might materially affect Group's financial results

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 Agrarian Ministry, Ministry of Finance, local authorities. The benefits include FAT, special VAT treatment of agricultural transactions and partial compensation of interest rates on loans raised by the agricultural companies from financial institutions.

The following table summarises benefits and subsidies received by the Group in 2008-2010:

	Year ended 31 December 2010 (USD thousand)	**Year ended 31 December 2009 (USD thousand)**	**Year ended 31 December 2008 (USD thousand)**
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	1,436	112	921
VAT for development of poultry keeping	-	-	4,403
Other grants	12	6	1
Income from special VAT treatment	2,810	1,648	-
Total income from government grants and incentives	**4,257**	**1,766**	**5,325**

Under Ukrainian law, agricultural companies engaged in the production, processing and sale of agricultural products may apply to be registered as payers of the FAT, provided that their agricultural production accounts for more than 75 % of total production for the preceding tax (reporting) year. Three of the Group companies enjoy special tax regime that is FAT. FAT is paid in lieu of corporate income tax, land tax, duties for special use of water objects, and duty for certain types of entrepreneurial activity. If the FAT regime is repealed, the Group would be required to pay corporate income tax at the standard rate (currently 25% and will gradually decrease to 16% in 2014) for Ukrainian companies as well as some other taxes and duties.

Ukrainian legislation allows certain qualified agricultural producers to retain VAT collected on their taxable sales with view to recovering VAT (20% prior to 1 January 2011, 17% as of 1 January 2011) paid on purchases of so-called "production factors"; the excess of VAT collected over VAT paid is allowed to be used for other production needs. The relevant amounts of VAT should be collected on special accounts opened with banks. Agricultural producers qualify for this special VAT regime provided that sales of their own-produced agricultural products represent more than 75% of their total gross revenue during the preceding twelve months. Cancellation of the special tax regimes in the future could have a material adverse effect on the Group’s business, results of operations and financial condition. See “*Risk Factors – Risks Relating to the Group’s Business and Industry - The Group currently benefits from special tax regimes, which may be discontinued in the future*”. Please also see “*Industry Overview – State Support for the Agriculture Industry – Special Tax Regimes for the Agriculture Industry*” for more details.

Additionally, agricultural producers (including those producing animal feed) receive partial compensation for finance costs under loans from Ukrainian banks. The aggregate amount of this benefit is determined by the annual state budget of Ukraine. Each year the Government adopts plans which further detail the types of loans qualifying for this compensation and the terms and conditions of such compensation.

Cancellation of the state support currently enjoyed by the Group could have a material adverse effect on the Group’s business, results of operations and financial condition. See “*Risk Factors – Risks Relating to the Group’s Business and Industry - State support currently enjoyed by the Group could be discontinued in the future*”. Please also see “*Industry Overview – State Support for the Agriculture Industry – Partial Compensation of Finance Costs*” for more details.

Explanation of key income statement items

Revenue

The Group generates revenue from the sale of eggs and chicken meat as well as processed egg products in dry and liquid form for confectionery and mayonnaise producers.

The Group has following reporting segments:

- Egg operations segment, which includes revenue from sale of eggs and meat;
- Egg products operations segment, which is viewed by the Group as significant standalone segment, while also as an instrument to hedge against seasonal demand variations for shell eggs on domestic market;
- Sunflower products operations segment – currently has not been put into operation.

Breakdown of revenue by geographical locations

The following table sets forth a breakdown of the Group's revenues attributable to segments by geography for periods indicated:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Change from 2010 to 2009**	**Year ended 31 December 2008**	**Change from 2009 to 2008**
	USD thousand	**USD thousand**	**%**	**USD thousand**	**%**
Eggs segment	**27,000**	**21,360**	**+ 26.4%**	**25,950**	**-17.7%**
Domestic market	24,765	18,473	+ 34.1%	24,675	-25.1%
Export market	2,235	2,887	- 22.6%	1,275	+ 126.4%
Egg products segment	**10,033**	**10,985**	**- 8.7%**	**10,753**	**+ 2.2%**
Domestic market	8,863	10,056	- 11.9%	9,976	+ 0.8%
Export market	1,170	929	+ 25.9%	777	+19.6%
Total Net Sales	**37,033**	**32,345**	**+ 14.5%**	**36,703**	**-11.9%**

The domestic egg market is viewed by the management as the primary for the Group. The decrease in eggs segment export revenue by 22.6% to USD2.2 million in 2010 from USD2.9 million in 2009 was compensated by the increase in revenues on domestic market, where more favorable conditions were observed. Export sales comprised 8.3% in the egg segments revenue in 2010 (2009: 13.5%).

The domestic egg products market is viewed by the management as primary for the Group. The slight drop in egg products revenue on domestic market by 8.7% to USD8.9 million in 2010 compared to 2009 was caused by the changed structure of sales, with increase in output and decrease in price, in favor of liquid egg products. Production of liquid egg products in 2010 was aimed to satisfy the local demand. Export sales comprised 11.7% in the egg products segment revenue in 2010 (2009: 8.5%).

Cost of sales

The principal components of cost of sales are materials, depreciation of fixed assets, wages of production personnel and related costs and other expenses. Mostly the materials comprise of animal feed used to feed hens. Spare parts and packaging materials used in production are included in this category as well.

Net change in fair value of biological assets

Include changes in fair value arising from initial recognition of hens and eggs. Calculation of fair value is based on discounted cash flow projections, and it fluctuates due to difference in age of hens, prices eggs and chicken meat, production costs and other factors.

Selling and distribution expenses

Selling and distribution expenses consist principally of transportation cost, materials, wages of sales personnel and related expenses, depreciation of fixed assets and other costs.

Administrative expenses

Administrative expenses consist principally of wages of employees not involved in the production process or in selling and distribution and related costs, utility costs, depreciation of fixed assets, professional fees and other expenses.

Other income

Other income consists of government grants and incentives received, gain on disposal of fixed assets, gain from inventory surplus identified in the reporting period during the stock-taking and other operating income.

Other expenses

Other expenses consist of loss on disposal of inventories, impairment of accounts receivable, the result of inventories losses and write-down, recognized fines and penalties, loss on disposal of inventories and other expenses.

Finance costs

Finance costs include interest expenses, exchange difference losses on the borrowing and discounting effect on long term the interest free loan issued to Mr. Borys Bielikov and other finance costs.

Finance income

Finance income include interest income, gained from deposits and current bank balances, exchange difference gains on investments and income from interest free loan issued to Mr. Borys Bielikov and carried at amortized cost.

Income taxes

The Group's income is subject to taxation in Ukraine. Income tax rate remained constant at 25% during 2008 – 2010 in Ukraine. Three of the Group companies enjoy special tax regime that is FAT, which is paid in lieu of corporate income tax, land tax, duties for special use of water objects, and duty for certain types of entrepreneurial activity.

The Group paid income tax amounting to USD78 thousand, USD88 thousand, USD78 thousand for the 2010, 2009 and 2008 years. The Group paid FAT amounting to UAH398, UAH545 and UAH1,020 for the 2010, 2009 and 2008 years, respectively. The benefit received by the Group as the result of FAT regime amounted to USD545 thousand in 2010, USD247 thousand in 2009, and USD373 thousand in 2008.

Due to the fact that the Group is preparing to enter the capital markets its income will be a subject to taxation in Netherlands in the future. This restructuring might influence the structure of transactions and cash flows, and therefore, income attributable to different tax jurisdictions. As a result the Group's effective income tax rate will be changed.

Other comprehensive income (expenses)

Other comprehensive income (expenses) includes foreign exchange differences from translation to presentation currency.

Factors affecting comparability

Loss from restructuring

During 2008-2010 the Group undertook restructuring program. As a result of restructuring, the Beneficial Owners made decision to spin off available-for-sale investments to entity which is controlled over by them. Above mentioned investments were excluded from the Consolidated Financial Statements and charged directly to retained earnings.

Available-for-sale investments stated at cost comprise unquoted equity securities in the agricultural and food-producing industries. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. However, management believes it unlikely that the fair value at the end of the reporting period would differ significantly from their carrying amount.

Restructuring program has the following direct effect on cash flows and profit of the business:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	USD thousand	USD thousand	USD thousand
Effect on cash flows:			
Proceeds from sale of property, plant and equipment	1,363	-	-
Contribution to charter capital of LLC "Kompromis-Invest"	-	(1,261)	-
Contribution to charter capital of LLC "Zootechnologiya"	-	-	(56)
Effect on profit of the Group:			
Gain on disposal of property plant and equipment	218	-	-

Loss from restructuring charged directly to equity is equal to USD3.3 million.

Loan issued to related party

On 12 November 2008 Krushynskyy has granted the interest free loan to Mr. Borys Bielikov for the total amount of UAH22 million (approximately USD2.77 million), maturing on 12 November 2013. The loan has the following effect on cash flows and profit of the Group:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	USD thousand	USD thousand	USD thousand
Effect on cash flows:			
Proceeds from repayment of loan to Beneficial Owner	393	562	-
Outflow from long-term loan issued to Beneficial Owner	-	-	(4,175)
Effect on profit of the Group:			
Loss from amortization of long-term loan issued	-	-	(2,259)
Fair value gain on financial assets at fair value through profit or loss	179	360	-

Results of operations Year ended 31 December 2010 compared to year ended 31 December 2009

Revenue

Revenue increased by 14.5% to USD37.0 million in 2010 compared to USD32.3 million in 2009. This increase of revenue was due to higher prices as well as increase in sales of processed egg products.

The following table sets forth a breakdown of the Group's segments revenue for periods indicated:

	Year ended 31 December 2010	As a percentage of total revenue	Year ended 31 December 2009	As a percentage of total revenue	Change from 2010 to 2009
	USD thousand	%	USD thousand	%	%
Egg operations segment	27,000	73%	21,360	66%	+ 26.4%
Egg products operations segment	10,033	27%	10,985	34%	- 8.7%
Sunflower products operations segment	-	0%	-	0%	0%
	37,033	100%	32,345	100%	+ 14.5%

Revenue from sales of egg and chicken meat increased by 26.4% to USD27.0 million in 2010 compared to USD21.4 million in 2009. This increase of revenue was due to increase in selling prices of eggs. Share of eggs and meat revenue as a percentage of total revenue was 73% in 2010 and 66% in 2009. The increase in share of total revenue is mainly attributable to changes in sales mix.

Revenue from sales of processed egg products decreased by 8.7% to USD10.0 million in 2010 compared to USD11.0 million in 2009. This decrease of revenue was due to increase in prices offset by decrease in volume of sales of processed egg products and changes in sales mix. Share of processed egg products revenue as a percentage of total revenue was 27% in 2010 and 34% in 2009.

The Group has finished constructing sunflower refining plant which had not been put into operation as at 31 December 2010. The expected date of putting the plant into operation is autumn-winter 2011.

Net change in fair value of biological assets

Net change of fair value of biological assets recognized in statement of comprehensive income increased by 128.1% to positive amount of USD1.1 million in 2010 from negative amount of USD4.0 million in 2009. The increase is mainly attributable to changes in age structure of hens with average age reducing from 313 days in 2009 to 276 days in 2010 and prices of eggs.

Cost of sales

Cost of sales increased by 39.7% to USD28.1 million for the year ended 31 December 2010 from USD20.1 million for the year ended 31 December 2009. The increase was primarily attributable to increase in prices of resources. As a percentage of revenue the cost of sales was 76% and 62% in 2010 and 2009 years respectively. It was primarily due to difference in growth of prices on resources and egg prices in 2009.

The following table sets forth a breakdown of the Group's cost of sales for the periods indicated:

	Year ended 31 December 2010	As a percentage of total cost of sale	Year ended 31 December 2009	As a percentage of total cost of sale	Change from 2010 to 2009
	USD thousand	%	USD thousand	%	%
Costs of inventories recognised as an expense	15,064	54%	11,834	59%	+ 27.3%
Wages, salaries and social security costs of production personnel	5,334	19%	3,139	16%	+ 69.9%
Amortisation, depreciation and impairment	1,622	6%	1,452	7%	+ 11.7%
Packaging	2,581	9%	2,318	12%	+ 11.3%
Service charges and other expenses included in cost of sales	3,532	13%	1,393	7%	+ 153.6%
	28,133	100%	20,136	100%	+ 39.7%

Costs of inventories recognized as an expense increased by 27.3% to USD15.1 million from USD11.8 million due to increase in raw material prices.

Wages, salaries and social security costs of production personnel increased by 69.9% to USD5.3 million from USD3,1 million due to increase in average salaries as a result of market conditions.

Amortisation, depreciation and impairment increased by 11.7% to USD1.6 million from USD1.5 million due to purchases on new equipment during 2010.

Packaging increased by 11.3% to USD2.6 million from USD2.3 million due to increase in prices of packaging materials.

Service charges and other expenses increased by 153.6% to USD3.5 million from USD1.4 million due to significant increase in prices of utilities, mainly energy resources.

Gross profit

Gross profit increased by 22.9% to USD10.0 million for the year ended 31 December 2010 from USD8.2 million for the year ended 31 December of 2009. The increase reflects changes of fair value of biological assets and growth of sales partially offset by growth in costs. The Group’s gross profit margin was 27% in 2010 as compared to 25% in 2009. Increase in gross profit margin is mainly attributable to changes of fair value of biological assets.

Selling and distribution costs

Selling and distribution expenses decreased by 13.7% to USD3.2 million for the year ended 31 December 2010 from USD3.7 million for the year ended 31 December 2009. The decrease is mainly attributable to decrease in wages and related expenditure as a result of reduction of personnel headcount due to restructuring of the Group partially offset by increase in transportation expenses and marketing and advertising other expenses as a result of higher volume of sales.

Administrative expenses

Administrative expenses decreased by 14.6% to USD1.9 million for the year ended 31 December 2010 from USD2.2 million for the year ended 31 December 2009. The decrease is mainly attributable to decrease in wages and related expenditure as a result of reduction personnel headcount and decrease in service charge expenses as a result of restructuring of the Group.

Other operating income

Other operating income increased by 162.4% to USD5.6 million for the year ended 31 December 2010 from USD2.1 million for the year ended 31 December 2009. The main sources of increase income from special VAT treatment due to changes in mix of sales conducted through FAT payers, significant increase in partial compensation of interest by the government, gain on disposal of property, plant and equipment (PPE) and increase in other income as a result of sale of assets of Teleshivska poultry farm.

Other operating expenses

Other operating expenses increased by 34.5% to USD1.1 million for the year ended 31 December 2010 from USD0.8 million for the year ended 31 December 2009. The increase is mainly attributable to loss on disposal of inventories as a result of sale of assets of Teleshivska poultry farm.

Operating profit

Operating profit increased by 163.0% to USD9.5 million for the year ended 31 December 2010 from USD3.6 million for the year ended 31 December 2009. As a percentage of revenue operating profit was 26% and 11% for 2010 and 2009 respectively. The increase is mainly attributable to increase in both revenue and other operating income partially offset by increase in operating expenses.

	Year ended 31 December 2010	As a percentage of total revenue	Year ended 31 December 2009	As a percentage of total revenue	Change from 2010 to 2009
	USD thousand	%	USD thousand	%	%
Egg operations segment	6,570	24%	(45)	0%	14699.1%
Egg products operations segment	2,934	29%	3,658	33%	- 19.8%
Sunflower products operations segment	-	0%	-	0%	0%
	9,504	26%	3,613	11%	+ 163%

Operating profit from egg operations segment increased to USD6.6 million from USD0 million due to decrease in operating costs with increase in sales and positive changes of fair value of biological assets.

Operating profit from egg operations segment decreased by 19.8% to USD2.9 million from USD3.7 million due to decrease in sales partly offset by changes of fair value of biological assets.

EBITDA

The Group's EBITDA increased by 102.9% to USD11.6 million for the year ended 31 December 2010 from USD5.7 million for the year ended 31 December 2009. As a percentage of revenue EBITDA was 31% and 18% for 2010 and 2009 respectively. The increase is mainly attributable to increase in revenue and other operating income as well as positive changes in fair value of biological assets, partially offset by increase in operating expenses. EBITDA dynamic resembles operating profit dynamic as there was only marginal increase in depreciation of fixed assets.

	Year ended 31 December 2010	As a percentage of total revenue	Year ended 31 December 2009	As a percentage of total revenue	Change from 2010 to 2009
	USD thousand	%	USD thousand	%	%
Egg operations segment	7,872	29%	1,268	6%	+ 520.8%
Egg products operations segment	3,687	37%	4,428	40%	- 16.7%
Sunflower products operations segment	-	0%	-	0%	0%
	11,559	31%	5,696	18%	+ 102.9%

Finance costs

Finance costs decreased by 46.4% to USD0.9 million for the year ended 31 December 2010 from USD1.6 million for the year ended 31 December 2009. The decrease is mainly attributable to restructuring of loan facilities in order to enjoy lower interest rate as well as reduction of overall debt level. The average borrowing rate reduced from approximately 16.1% to approximately 10.6% calculated based on year end debt outstanding.

Finance income

Finance income increased by 45.9% to USD0.6 million for the year ended 31 December 2010 from USD0.4 million for the year ended 31 December 2009. The increase is mainly attributable to unwinding of discounting effect of the loan issued to Mr. Borys Bielikov as well as exchange difference gain on the borrowings.

Profit before tax

Profit before tax increased by 283.1% to USD9.3 million for the year ended 31 December 2010 from USD2.4 million for the year ended 31 December 2009. As a percentage of revenue profit before tax was 25% and 7% for 2010 and 2009 respectively. The increase is mainly attributable to increase in operating profit supplemented by decrease in finance costs and increase in finance income.

Income taxes

Income tax expense increased by 190.7% to USD0.1 million for the year ended 31 December 2010 from income tax income of USD0.1 million for the year ended 31 December 2009. The increase is due to the effect of changes in tax rates for fixed assets as well as changes in the mix of sales generated by FAT payers and non-FAT payers partially offset by unused tax losses not recognized as deferred tax assets.

Profit for the year

Profit for the year increased by 261.0% to USD9.2 million for the year ended 31 December 2010 from USD2.5 million for the year ended 31 December 2009 due to the factors explained above.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Revenue decreased by 11.9% to USD32.3 million in 2009 compared to USD36.7 million in 2008. This decrease of revenue was due to increase in prices as well as increase in sales volumes offset by the effect of changes in foreign exchange rates.

The following table sets forth a breakdown of the Group's segments revenue for periods indicated:

	Year ended 31 December 2009	**As a percentage of total revenue**	**Year ended 31 December 2008**	**As a percentage of total revenue**	**Change from 2009 to 2008**
	USD thousand	**%**	**USD thousand**	**%**	**%**
Egg operations segment	21,360	66%	25,950	71%	- 17.7%
Egg products operations segment	10,985	34%	10,753	29%	+ 2.2%
Sunflower products operations segment	-	0%	-	0%	0%
	32,345	100%	36,703	100%	- 11.9%

Revenue from sales of egg and chicken meat decreased by 17.7% to USD21.4 million in 2009 compared to USD26.0 million in 2008. This decrease of revenue was due to effect of changes in foreign exchange rates that offsets the increase in both sales volume and price. Share of eggs and meat as a percentage of total revenue was 66% in 2009 and 71% in 2008. The decrease in share of total revenue is mainly attributable to changes in sales mix.

Revenue from egg products operations segment increased by 2.2% to USD11.0 million in 2009 compared to USD10.8 million in 2008. This increase of revenue was due to increase in volumes and sales prices. Share of processed egg products as a percentage of total revenue was 34% in 2009 and 29% in 2008. The increase in share of total revenue is mainly attributable to relief of production constrains for processed egg products.

Net change in fair value of biological assets

Net change of fair value of biological assets recognized in statement of comprehensive income decreased by 176.0% to negative amount of USD4.0 million in 2009 from positive amount of USD5.3 million in 2008. The decrease is mainly attributable to increase in prices of animal feed ingredients and as well as increased consumption of animal feed due to changes in hen species (namely higher share of “Rodonit”) offset by changes in average age structure of hens from 342 to 313 days.

Cost of sales

Cost of sales decreased by 23.3% to USD20.1 million for the year ended 31 December 2009 from USD26.2 million for the year ended 31 December 2008. The decrease was primarily attributable to increase in costs as a result of increase in sales volumes offset by the effect of changes in foreign exchange rates. As a percentage of revenue the cost of sales was 62% and 71% in 2009 and 2008 years respectively. It was primarily due to higher increase in prices of egg and meat than increase in prices of resources during 2009.

The following table sets forth a breakdown of the Group's cost of sales for the periods indicated:

	Year ended 31 December 2009	**As a percentage of total cost of sale**	**Year ended 31 December 2008**	**As a percentage of total cost of sale**	**Change from 2009 to 2008**
	USD thousand	**%**	**USD thousand**	**%**	**%**
Costs of inventories recognised as an expense	11,834	59%	14,175	54%	- 16.5%
Wages, salaries and social security costs of production personnel	3,139	16%	5,046	19%	- 37.8%
Amortisation, depreciation and impairment	1,452	7%	2,120	8%	- 31.5%
Packaging	2,318	12%	2,383	9%	- 2.7%
Service charges and other expenses included in cost of sales	1,393	7%	2,517	10%	- 44.7%
	20,136	100%	26,241	100%	- 23.3%

Costs of inventories recognized as an expense decreased by 16.5% to USD11.8 million from USD14.2 million due to the effect of changes in foreign exchange rates partially offset by increase in sales volumes.

Wages, salaries and social security costs of production personnel decreased by 37.8% to USD3.1 million from USD5.0 million due to the effect of changes in foreign exchange rates partially offset by decrease in headcounts as a result of market conditions.

Amortisation, depreciation and impairment decreased by 31.5% to USD1.5 million from USD2.1 million due to the effect of changes in foreign exchange rates partially offset by purchases on new equipment during 2009.

Packaging decreased by 2.7% to USD2.3 million from USD2.4 million due to the effect of changes in foreign exchange rates partially offset by increase in sales volumes.

Service charges and other expenses decreased by 44.7% to USD1.4 million from USD2.5 million due to the effect of changes in foreign exchange rates as well as economies of the scale as a result of restructuring.

Gross profit

Gross profit decreased by 48.3% to USD8.2 million for the year ended 31 December 2009 from USD15.8 million for the year ended 31 December of 2008. The decrease reflects by the effect of change of fair value of biological assets and the effect of changes in foreign currency exchange rates partly offset by higher sales volumes. The Group’s gross profit margin was 25% in 2009 as compared to 43% in 2008. Gross profit margin decreased as a result of change of fair value of biological assets.

Selling and distribution costs

Selling and distribution expenses decreased by 31.0% to USD3.7 million for the year ended 31 December 2009 from USD5.4 million for the year ended 31 December 2008. The decrease is attributable to decrease in wages and related expenses as a result of decrease in wages and related expenditure as a result of reduction of personnel headcount due to restructuring of the Group and effect of changes in foreign currency exchange rates.

Administrative expenses

Administrative expenses decreased by 24.3% to USD2.2 million for the year ended 31 December 2009 from USD2.9 million for the year ended 31 December 2008. The decrease is mainly attributable to decrease in service charge expenses, office supplies and other expenses as a result effect of changes in foreign currency exchange rates.

Other operating income

Other operating income decreased by 63.8% to USD2.1 million for the year ended 31 December 2009 from USD5.9 million for the year ended 31 December 2008. The main sources of decrease were decrease in special VAT treatment as a result of higher sales volume generated by companies on general income tax system as well as decrease in partial compensation of interest for loans received by agro-industrial enterprises.

Other operating expenses

Other operating expenses decreased by 36,4% to USD0.8 million for the year ended 31 December 2009 from USD1.3 million for the year ended 31 December 2008. The decrease is attributable to decrease in impairment of accounts receivables and inventories and as well as effect of changes in foreign currency exchange rates partially offset by increase in other expenses.

Operating profit

Operating profit decreased by 70.3% to USD3.6 million for the year ended 31 December 2009 from USD12.2 million for the year ended 31 December 2008. As a percentage of revenue operating profit was 11% and 33% for 2009 and 2008 respectively. The increase is mainly attributable to increase in revenue offset by effects of changes in foreign currency exchange rates, changes in fair value of biological assets and decrease in other income.

	Year ended 31 December 2009	As a percentage of total revenue	Year ended 31 December 2008	As a percentage of total revenue	Change from 2009 to 2008
	USD thousand	%	USD thousand	%	%
Egg operations segment	(45)	0%	7,106	27%	- 100.6%
Egg products operations segment	3,658	33%	5,065	47%	- 27.7%
Sunflower products operations segment	-	0%	-	0%	0%
	3,613	11%	12,171	33%	- 70.3%

Operating profit from egg operations segment decreased by 100.6% to USD0 million from USD7.1 million due to effects of changes in foreign currency exchange rates and negative changes in fair value of biological assets.

Operating profit from egg operations segment decreased by 27.7% to USD3.7 million from USD5.1 million due to effects of changes in foreign currency exchange rates and negative changes in fair value of biological assets.

EBITDA

EBITDA decreased by 61.9% to USD5.7 million for the year ended 31 December 2009 from USD15.0 million for the year ended 31 December 2008. As a percentage of revenue EBITDA was 18% and 41% for 2009 and 2008 respectively. The decrease is mainly attributable to effects of changes in foreign currency exchange rates and negative changes in fair value of biological assets partly offset by decrease in total depreciation charge for the period.

	Year ended 31 December 2009	As a percentage of total revenue	Year ended 31 December 2008	As a percentage of total revenue	Change from 2009 to 2008
	USD thousand	%	USD thousand	%	%
Egg operations segment	1,268	6%	8,988	35%	- 85.9%
Egg products operations segment	4,428	40%	5,985	56%	- 26%
Sunflower oil and related products	-	0%	-	0%	0%
	5,696	18%	14,973	41%	- 61.9%

Finance costs

Finance costs decreased by 79.3% to USD1.6 million for the year ended 31 December 2009 from USD7.9 million for the year ended 31 December 2008. The decrease is mainly attributable to loss from recording of loan issued at amortized cost, restructuring of loan facilities in order to enjoy lower interest rate as well as reduction of overall debt level and foreign exchange losses due to significant increase in foreign currency rates during 2008. The average borrowing rate reduced from approximately 17% to approximately 16.1% calculated based on year end debt outstanding.

Finance income

Finance income decreased by 66,9% to USD0.4 million for the year ended 31 December 2009 from USD1.3 million for the year ended 31 December 2008 due to reduction of interest income as a result of settlement of bank deposits partially offset by unwinding of the loan issued to Mr. Borys Bielikov.

Profit before tax

Profit before tax decreased by 56.8% to USD2.4 million for the year ended 31 December 2009 from USD5.6 million for the year ended 31 December 2008. As a percentage of revenue profit before tax was 7% and 15% for 2009 and 2008 respectively.

Income taxes

Income tax income increased by 142.9% to USD0.1 million for the year ended 31 December 2009 from income tax expense of USD0.3 million for the year ended 31 December 2008. The increase is due to higher sales generated by FAT payers.

Profit for the year

Profit for the year decreased by 52.3% to USD2.5 million for the year ended 31 December 2009 from USD5.3 million for the year ended 31 December 2008 due to the factors explained above.

Liquidity and capital resources

Overview

The Group's need in liquidity primarily arise from the need to finance working capital and capital expenditures. During the years under review the Group has met most of its liquidity needs from net cash generated from operating activities and a mix of long-term and short-term bank borrowings.

As of 31 December 2010 the Group has total indebtedness of USD 4.4 million.

Cash Flows

The following is a summary of the Group's cash flows in 2010, 2009 and 2008:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
	USD thousand	**USD thousand**	**USD thousand**
Net cash flows from operating activities	5,250	5,152	23,450
Net cash flows from investing activities	(687)	(808)	(7,222)
Net cash flows from financing activities	(4,656)	(3,406)	(7,218)
Net foreign exchange difference	(126)	(696)	(8,956)
Net change for the period	(219)	242	54

Net cash flows from operating activities

In 2010 Group's cash flows from operating activities increased by 1.9% to USD5.3 million from USD5.2 million. The increase is attributable to higher profit attributable to operating activities partially offset by an increase in working capital.

In 2009 Group's cash flows from operating activities decreased by 78.0% to USD5.2 million from USD23.5 million. The decrease is attributable to lower profit attributable to operating activities and an increase in working capital.

The Group defines working capital as current assets (excluding cash) minus current liabilities (excluding short-term bank borrowings and current portion of long term borrowings). The main contributors to working capital are the Group's inventories, biological assets, accounts receivable, short-term deposits and accounts payable.

The following is a summary of the Group's changes in working capital in 2010, 2009 and 2008:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
	USD thousand	**USD thousand**	**USD thousand**
(Increase)/Decrease in trade and other receivables less receivables for securities sold but not yet settled	(2,067)	2,153	(2,356)
(Increase)/Decrease in prepayments to suppliers	242	(353)	(158)
(Increase)/Decrease in inventories	(3,399)	(1,494)	1,840
(Increase)/Decrease in biological assets	(2,592)	(2,621)	2,435
(Increase)/Decrease in short-term deposits	1,370	(1,370)	11,248
Increase/(Decrease) in trade and other payables and Advances received	1,536	(754)	(629)
(Increase)/Decrease for the period	(4,910)	(4,439)	12,380

In 2010 Group's working capital increased by USD4.9 million due to the following:

- Decrease in trade and other receivables less receivables for securities sold but not yet settled increased by USD2.1 million as a result of increase in sales.
- Inventories increased by USD3.4 million due to purchases of feed grains and of animal feed ingredients as well as finished products.
- Biological assets increased by USD2.6 million due to an increase quantity of hens changes in age structure of hens.
- Short-term deposits were bank deposits that were repaid in amount of USD1.4 million at maturity.
- Trade and other payables and advances decreased by USD1.5 million due to increase in purchases on credit.

In 2009 Group's working capital increased by USD4.4 million due to the following:

- Trade and other receivables decreased by USD2.2 million due to a normalization of payments by retail networks.
- Inventories increased by USD1.5 million due to purchases of animal feed ingredients.
- Biological assets increased by USD2.6 million due to an increase changes in age structure of hens and higher prices of animal feed ingredients.
- Short-term deposits were issued in amount of USD1.4 million due to surplus of cash.
- Trade and other payables decreased by USD0.8 million due to early payments.

In 2008 Group's working capital decreased by USD12.4 million. The main contributors to increase in net working capital were:

- Trade and other receivables increased by USD2.4 million due to a lagging of payments by retail networks as well as increase in sales.
- Inventories decreased by USD1.8 million due to seasonal sales of eggs and effect of foreign currency exchange rate.

- Biological assets decreased by USD2.4 million due to an increase in age structure of hens and higher prices of animal feed ingredients.
- Short-term deposits were settled in amount of USD11.2 million due to maturity term.
- Trade and other payables decreased by USD0.6 million due to effect of foreign currency exchange rate.

Net cash flows used in investing activities

Net cash used in investing activities were USD0.7 million in 2010, USD0.8 million in 2009 andUSD7.2 million in 2008.

In 2010 the Group primarily used cash flows to purchase fixed and intangible assets which was partially offset by sales of Teleshivka poultry farm as well as repayment of loan issued to Mr. Bielikov and key management personnel. In 2010 significant acquisition of equipment consists of two henneries with increase in capacity up to 287.2 thousand headcounts.

In 2009 the Group primarily used cash flows to purchase fixed and intangible assets and to make contribution to authorized fund of LLC "Kompromis-Invest" due to restructuring of the Group and which were partly offset by repayment of loans from Mr. Bielikov and key management personnel. In 2009 significant acquisition of equipment consists of purchase of drying equipment for Ovostar EPP that has led to tripled production output and ability to work with yolk and egg white simultaneously, steam generator and other equipment to start production of new product – dried sugar free egg white, building of fodder producing facility with capacity of 20 ton per hour with a view to reduce costs per ton.

In 2008 the Group primarily used cash flows to purchase fixed and intangible assets as well as to issue interest free loan to Mr. Bielikov and to make contribution to authorized capital of Zootechnologiya LLC which were partly offset by repayment of loan from Poltavarybgosp OJSC. In 2008 acquisition of equipment mainly consist of two henneries with a capacity of 213,6 thousand headcounts with a view to optimize white vs brown egg structure and to reduce fixed costs, hatching unit that helps to increase capacity from 330 thousand to 510 thousand chickens per 1 batch.

The following is a summary of the Group's investing cash flows in 2010, 2009 and 2008:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
	USD thousand	**USD thousand**	**USD thousand**
Proceeds from sale of property, plant and equipment	1,363	-	-
Purchase of property, plant and equipment	(2,231)	(754)	(4,196)
Purchase of intangible assets	(66)	(15)	(1)
Proceeds from repayment of loan to Beneficial Owner	393	562	-
Outflow from long-term loan issued to Beneficial Owner	-	-	(4,175)
Proceeds from repayment of current loans issued	(146)	660	1 206
Acquisition of other investments	-	(1,261)	(56)
Net cash flows from/(used in) in investing activities	(687)	(808)	(7,222)

Net cash flows used in financing activities

Net cash outflows were USD4.7 million in 2010, USD3.4 million in 2009 and USD7.2 million in 2008, and were mainly attributable to reduction of debt level and restructuring of debt to enjoy lower interest rates as well as repayment of interest. Dividends paid to equity holders of the parent in 2008 were USD2.9 million to finance restructuring of the Group. Additional information regarding distributions to shareholders is discussed in section "*Dividends and Dividend Policy*".

The following is a summary of the Group's cash flows in 2010, 2009 and 2008:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
	USD thousand	**USD thousand**	**USD thousand**
Proceeds from borrowings	7 365	7 285	11 532
Repayment of borrowings	(11 073)	(9 210)	(13 939)
Interest paid	(948)	(1 481)	(1 903)

Dividends paid to equity holders of the parent	-	-	(2 908)
Net cash flows from/(used in) financing activities	(4 656)	(3 406)	(7 218)

Financial risk management

Credit risk

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

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients. There were no significant losses during 2010, 2009 and 2008 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the year ended 31 December 2010, USD7,016 thousand or 19.7% of Group's sales revenue is related to sales transactions, realised with 5 major customers of the Group. As at 31 December 2010, USD1,504 thousand or 33.2 % of trade accounts receivable relates to 5 major debtors.

For the year ended 31 December 2009, USD6,514 thousand or 20.1% of Group's sales revenue is related to sales transactions, realised with 5 major customers of the Group. As at 31 December 2009, USD1,307 thousand or 36.5 % of trade accounts receivable relates to 5 major debtors.

For the year ended 31 December 2008, USD14,770 thousand or 29.1% of Group's sales revenue is related to sales transactions, realised with 5 major customers of the Group. As at 31 December 2008, USD1,449 thousand or 29.3 % of trade accounts receivable relates to 5 major debtors.

As at 31 December 2010, 2009, 2008 and 2007 overdue but not impaired trade accounts receivable was presented as follows:

	31 December 2010	**31 December 2009**	**31 December 2008**	**31 December 2007**
	USD thousand	**USD thousand**	**USD thousand**	**USD thousand**
0-30 days	2,763	2,681	4,674	2,808
31-90 days	440	138	52	545
91-180 days	566	452	3	360
181-360 days	54	85	2	16
more than 360 days	354	-	-	165
Total	**4,177**	**3,356**	**4,731**	**3,894**

Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfil its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfil its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage the reputation of the Group.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cashflows from operating activities are insufficient for liabilities to be settled. The table below represents the expected maturity of components of working capital:

31 December 2010	**Carrying value**	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
	USD thousand	**USD thousand**	**USD thousand**	**USD thousand**	**USD thousand**
Non-derived financial liabilities:					

Trade payables	3 662	3 662			
Employee benefit liability	295	295			
Current interest-bearing loans and borrowings	4 150	1 399	2 636	115	
Non-current interest-bearing loans and borrowings	230				230
Other payables	438	438			
Other payables	**8 775**	**5 794**	**2 636**	**115**	**230**

31 December 2009	**Carrying value**	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
	USD thousand	**USD thousand**	**USD thousand**	**USD thousand**	**USD thousand**
Non-derived financial liabilities:					
Trade payables	2 133	2 133			
Interest payable	72	72			
Employee benefit liability	303	303			
Current interest-bearing loans and borrowings	5 894	3 552	285	2 057	
Non-current interest-bearing loans and borrowings	2 185				2 185
Other payables	594	594			
	11 181	**6 654**	**285**	**2 057**	**2 185**

31 December 2008	**Carrying value**	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
	USD thousand	**USD thousand**	**USD thousand**	**USD thousand**	**USD thousand**
Non-derived financial liabilities:					
Trade payables	2,234	2,234			
Interest payable	8	8			
Employee benefit liability	559	559			
Current interest-bearing loans and borrowings	6,452	4,156	816	1,479	
Non-current interest-bearing loans and borrowings	3,516				3,516
Accounts payable for property, plant and equipment	380	380			
Other payables	948	948			
Other payables	**14,097**	**8,285**	**816**	**1,479**	**3,516**

The Board of Directors is of the opinion that the working capital available to the Group is sufficient to fulfil the Group's financial obligations for at least the next 12 months following the date of publication of this Prospectus. Major part of the Group's current loan facilities are due to be repaid not later than 31 March 2012. However, in line with the past practice, the Group expects that the current borrowings will be rolled over and the Group will maintain its current level of borrowing of approximately USD 4 million also after March 2012.

Interest rate risk

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

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings under facility agreements) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	31 December 2010	31 December 2009	31 December 2008
	USD thousand	USD thousand	USD thousand
Profit/(loss)	33/(33)	7/(7)	29/(29)

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

The Group uses the following approach to management of interest rate risk:

- Working capital is financed using floating rate borrowings in order to enjoy interest rate fluctuations,
- Middle term investments are financed using fixed rate borrowings in order to fix the interest rate risk in middle term.

Working capital statement

Having done due analysis, the Board of Directors is of the opinion that the working capital available to the Group is sufficient to meet its present requirements for at least the next 12 months following the date of publication of this Prospectus.

INDUSTRY OVERVIEW

The following overview includes publicly available information, data and statistics from official sources and other sources that Management believes to be reliable. The Issuer accepts responsibility for accurately reproducing such information, data and statistics but accepts no further responsibility in respect of such information, data and statistics. Such information, data and statistics may be approximations or may use rounded numbers.

Overview of the World Markets for Eggs and Egg Products

World Egg Production

According to the International Egg Commission (IEC), the world chicken eggs production between 2004 and 2009 was growing at 5-year Compound Annual Growth Rate (CAGR) of 2.3%, reaching 61.95 million tons in 2009. In monetary terms, chicken eggs production grew at 5-year CAGR of 12.8%, reflecting the pattern of growing per unit production costs. The key factor affecting the growth of per unit production costs was the inflation of prices for raw materials. The table below shows the total world chicken egg production between 2004 and 2009.

World Egg Production

	2004	2005	2006	2007	2008	2009	5Y CAGR
Chicken eggs production, million tons	55.38	56.54	57.75	59.30	60.68	61.95	2.27%
Chicken eggs production, USD billion	48.47	50.69	59.48	71.16	79.65	88.30	12.75%

Source: IEC

IEC forecasts world chicken egg production rise to 66.3 million tons of eggs by 2012. Among the key drivers of further growth are increasing world population, manufacturing volumes of egg products for the food industry and growth of disposable income in developing countries, particularly in Asia, Africa and Middle East.

According to IEC, the world chicken eggs market increased from USD48.99 billion in 2004 to USD83.96 billion in 2009, representing a 5-year CAGR of 11.4%.

World Market for Chicken Eggs

	2004	2005	2006	2007	2008	2009	5Y CAGR
Total market of eggs, USD billion	48.99	51.37	60.67	72.28	78.18	83.96	11.38%

Source: IEC

European Production of Eggs

Pursuant to the European Council Directive 99/74/EC on the welfare of laying hens, after a transitional period ending in 2011, laying hens in the EU that are housed in industrial farms should be kept exclusively in so-called enriched cages or in alternative systems. The hens previously being housed in alternative format farms, such as organic or barns, may stay in the same format. The enriched cage provides each hen with at least 750 sq.cm cage area, a roost with at least 15 cm of space per hen, a nest for each hen and litter. In alternative housing, each hen is provided with at least 250 sq. cm of littered area, at least 1 nest for every 7 hens and roosts allowing at least 15cm of space per hen.If the alternative system incorporates multiple levels, there must be no more than 4 levels and there must be headroom of at least 45cm between levels.

Experts argue that the regulation will significantly reduce EU egg production efficiency. This would result in sharp production decrease and subsequent shortage in supply of eggs in Europe, as can be illustrated by referring to the case of Germany. Between December 2008 and March 2010 the number of layer farms with 3,000 and more places in Germany decreased by 8.5%, the number of installed places by 10.5%, and that of layers by 19.8%. The same trend is representative for other EU countries. The detailed data for Germany is shown in the table below.

Development of the number of layer farms, installed places and laying hens in Germany

	Dec 2008	Dec 2009	Mar 2010	% change
Farms	1,189	1,111	1,088	-8.5%
Places, ths	39,930	37,344	35,750	-10.5%
Layers, ths	31,706	28,846	25,430	-19.8%

Source: IEC. The egg industry 2010 report

Certain member states of the European Union have requested an extension for the implementation of the directive because of concerns about competition from importers not subject to the same standards but this request has been rejected by the European Commission.

The table below shows the structure of laying hens housing conditions in EU-27 countries in 2009.

Quantity of Laying Hens in EU-27 Countries by Keeping Conditions, thousands of heads in 2009

Cages	Enriched cages	Free range	Barn	Organic	Households	Total
252,224	9,915	34,763	59,990	9,671	141,757	509,320
49.8%	1.9%	6.8%	11.8%	1.9%	27.8%	100%

Source: EU Commission data (CIRCA)

World Production of Egg Products

Egg products are processed eggs used mostly in food and food processing industries. These are refrigerated liquid, frozen, dried and specialty products. Many egg products are comparable in flavor, nutritional value and most properties to shell eggs. Compared to eggs, most egg products have a longer shelf life and are easier to handle.The range of egg products includes whites, yolks and various blends with or without additional ingredients and may be available in liquid, frozen, and dried forms. Liquid egg products are more demanded in the food industry than dry egg products because of higher degree of fat emulsion (which extends their shelf life) and better organoleptic properties (including taste, colour and consistency). That is why the share of liquid egg products in total production is ca. 80%.

According to the IEC, the world production of egg products increased from 3,537ths tons in 2004 to 3,956 ths tons in 2009, representing 5-year CAGR of 2.3%, and is expected to rise by 2.0% per annum on average until 2012, primarily due to increased use of egg products in the food industry. The share of liquid egg products in total production has been stable and accounts for ca. 21%.

World Production of Egg Products

	2004	2005	2006	2007	2008	2009	5Y CAGR
Total production, thousand tons	3,537	3,611	3,688	3,787	3,875	3,956	2.26%
Dry egg products	750	766	783	804	822	839	2.27%
Liquid egg products	2,786	2,844	2,905	2,983	3,053	3,117	2.27%

Source: IEC

World Exports of Eggs

According to Food and Agriculture Organization of the United Nations (FAO), world exports of eggs increased between 2004 and 2009 to 1,635 ths tons, with 5-year CAGR of 9.2%. World export of eggs is expected to increase by a further 17.9% by 2012.

The following table demonstrates the size of world exports of eggs and the ratio of world exports of eggs to world production of eggs.

Volume of Eggs Exported, in thousand tons

Years	2004	2005	2006	2007	2008	2009	5Y CAGR
Total export, thousand tons	1,052	1,111	1,232	1,415	1,557	1,635	9.22%
Export to production ratio, %	1.90%	1.96%	2.13%	2.39%	2.57%	2.64%	

Source: IEC

According to IEC, the largest world net exporters of eggs were the United States, Spain, Poland, India and Malaysia.

World Exports of Egg Products

Exports of liquid egg products accounted for 79.8% while exports of dry egg products accounted for 20.2% of total world exports of egg products in 2009. Between 2004 and 2009, however, the proportion of the egg products export market which is attributed to exports of dry egg products increased slightly, while the proportion attributed to liquid egg products conversely decreased.

Structure of Exports of Dry and Liquid Egg Products

Years	2004	2005	2006	2007	2008	2009
Dry egg products share in total egg products export	16.6%	19.7%	20.0%	20.1%	20.2%	20.2%
Liquid egg products share in total egg products export	83.4%	80.3%	80.0%	79.9%	79.8%	79.8%

Source: IEC

According to the IEC, world exports of dry egg products increased from 47.88 thousand tons in 2005 to 58.1 thousand tons in 2009, representing a 5-year CAGR of 3.9%. This increase was due to an growth of demand for egg products in the food industry. In contrast to shell eggs, the long distance transport of dry egg products such as the egg powder, dried egg yolk or albumen does not lead to decline in quality, which facilitates their export.

The largest world net exporters of dry egg products were India, the United States, Argentina, China and Canada and the largest world net exporters of liquid egg products were the United States and Italy.

World Egg Consumption

According to IEC, in majority of countries egg consumption increased between 2004 and 2009. For example, the increase in consumption in Argentina totaled 66 eggs in 6 years, from 144 eggs in 2003 to 210 eggs in 2009. In South Africa, the increase was 30 eggs in the respective period. In the UK egg consumption per person per year increased from 124 eggs in 2005 to 149 eggs in 2009. The increase is explained by the world population growth, the price affordability the fact that eggs are unique product with no direct replacement. Egg white is also the cheapest animal protein available. To some extent, the level of consumption of eggs is tied to consumer preferences, and specific reasons for the increases in egg consumption may include increased fast food restaurant consumption, high protein diet trends, favourable reports from the medical community regarding the health benefits of shell eggs, reduced shell egg cholesterol levels and the success of industry advertising campaigns.

Due to the differences in local cultural customs and relative price ratios, among other factors, there are major differences between countries in terms of the consumption patterns and consumption preferences with respect to eggs. There is also a growing partiality to convenience food in the developed countries (as a result of social trends, such as the growing number of single person households). Additionally, there has been a shift from the consumption of shell eggs to the consumption of egg products.

Consumption Volumes of Eggs per capita for Selected Countries

Years	2005	2006	2007	2008	2009
Argentina	163	170	187	193	197
China	-	340	349	333	344
Japan	328	324	323	333	325
Mexico	349	351	345	345	355
South Africa	101	118	130	130	123
UAE	-	-	133	-	242
UK	124	140	143	147	149
USA	255	256	250	248	246

Source: IEC

Europe produces 16% of eggs in the world by volume and consumes 22% in monetary terms. Asia is the largest producer of eggs in the world with share of 59% by volume. As domestic demand for eggs in China and India is expected to rise in the future, driven by growth in population and real disposable income, Asian producers may refocus their supply on the local markets, which will open up a gap in international supply.

Consumption of eggs includes both the consumption of eggs as foodstuffs, and the use of eggs in egg products. The following tables demonstrate the volumes of eggs used for these purposes.

World Consumption Volumes of Eggs as Foodstuff, in million tons

Years	2004	2005	2006	2007	2008	2009	5Y CAGR
Consumption as foodstuff	48.31	49.40	50.45	51.86	53.13	54.23	2.34%
Consumption through processing	7.01	7.12	7.27	7.47	7.66	7.84	2.26%

Source: IEC

World Consumption of Egg Products

Egg products are widely used in the commercial food industry as one of the key ingredients for mayonnaise, bakery products, confectionary, ice cream, pasta, fish-based ready meals and sausages. Some egg products, including lysozyme, ovomucoids, phospholipids and lipoproteins, are also used in the pharmaceutical, cosmetic industries.

The table below sets forth a breakdown of the use of egg products amongst various food industries worldwide in 2009.

Use of Egg Products in World Food Industry in 2009

Production %	%
Sweet biscuits	37.53
Bakery	31.45
Cakes and pastry	23.14
Ice-cream	3.12
Pasta	2.87
Mayonnaise	0.96
Ready-made fish products	0.70
Sausages	0.24
Total	**100.00**

Source: IEC

According to the IEC, the sector of the food industry which consumes the largest proportion of egg products is the sweet biscuit sector. The production of sweet biscuits required approximately 1.6 million tons of egg products in 2009, or 37% of the total egg products consumed in the world. The biggest consumer of egg products for use in sweet biscuits is Europe, with 787.2 thousand tons of egg products used in 2009, followed by North America with 468.2 thousand tons, and Asia with 164.3 thousand tons.

The manufacturing of bread and bakery products consumes the second largest volume of egg products of 1.2 million tons in 2009, or 28% of the total egg products processed in the world. The biggest consumer of egg products in bread and bakery goods is Europe with 830 thousand tons of egg products used in 2009, followed by North America with 281 thousand tons, and Asia with 60 thousand tons.

The cakes and pastries sector is the third biggest consumer of egg products in the world with 1.1 million tons used in 2009, or 25% of the total egg products. The biggest consumer of egg products in cakes and pastries is Europe, which consumed 425.4 thousand tons of egg products in 2009, followed by North America, which consumed 373.5 thousand tons, and Asia, which consumed 141.2 thousand tons.

The following table shows world consumption of egg products, per capita per annum.

World Consumption of Dry and Liquid Egg Products, kg Per Capita p.a.

Years	2004	2005	2006	2007	2008	2009	5Y CAGR
Total	0.55	0.56	0.56	0.57	0.58	0.58	1.07%

Source: IEC

Historically, UAE is one of largest egg products per capita consumer in the world. While per capita consumption in Ukraine is approximately 260 eggs per annum, it is expected to steadily increase to converge to European consumption level in the mid-term.

European Consumption of Eggs

According to IEC, egg consumption in the EU constituted 13.41 kilogram per capita/per annum in 2009 representing 2.0% increase from 13.15 in 2008. The increase is attributable primarily to population growth in the EU and an increased use of eggs for the processing of egg products. The financial crisis did not affect the consumption of eggs in the EU. Europe is the largest importer of eggs products in the world with shares in total import of 83% and 87% by value and volume respectively.

The tables below detail total per capita/per annum consumption of eggs per capita/per annum consumption by selected countries of the EU-27.

Egg Consumption in the EU per Capita, in kilogram

Years	2004	2005	2006	2007	2008	2009
Belgium	14.2	11.4	11.24	14.4	14.5	14.8
Netherlands	18.4	17.5	19.3	35	35.3	34.9
Spain	16.4	12.8	16.1	19.6	19.3	19.1

Source:IEC

Developed countries have the highest egg products consumption per capita (USA – 74 egg equivalents, France – 76, Italy – 65), mainly due to higher development of technologies, that allow to use egg products in production of wider range of food products.

Overview of the Ukrainian Market for Eggs and Egg Products

The the animal feed for laying hens primarily consists of corn and wheat. Ukraine is one of the world’s leading producers of corn and wheat. Thus, Ukrainian egg producers have an undisputed compatitive advantage in animal feed cost.

Ukrainian Breeding Market

For the production of eggs in Ukraine, both foreign and domestic breeds of hens are used. However, industrial egg producers are dependent on foreign breeds, as the gene pool of foreign hens is more developed than currently undeveloped domestic breeding base. According to estimates of UPFU, total number of laying hens in Ukraine in 2010 reached 35,594 thousand, representing 6-year CAGR of 12.76%. Share of poultry kept by industrial sector in total poultry increased to 54% in 2009 compared to 33% in 2004 and is expected to grow further in line with domestic egg industry development. Furthermore, the reasons for the decline in the number of household poultry include relatively inefficient nature of household production, which involves the use of breeds suitable for both egg and poultry meat production, and higher purchase costs of grain compared to the costs incurred by industrial producers, as well as the increased burden of compliance with food safety standards for household producers. The following table shows the dynamics of poultry number in Ukraine between 2004 and 2009.

Number of Poultry in Ukraine, 2004-2010

Years	2004	2005	2006	2007	2008	2009	2010
Poultry, ths heads	152,783	161,993	166,531	169,290	177,556	190,544	202,084
Poultry in agricultural enterprises, ths	50,557	66,625	72,219	80,124	87,974	99,718	109,727
Of which laying hens	20,159	23,298	27,895	27,389	29,890	32,461	35,594
% laying hens	40.2%	35.0%	38.6%	34.2%	34.0%	32.5%	35.0%
Poultry in private sector	102,226	95,368	94,312	89,166	89,582	90,826	92,356

Source: UPFU

Average productivity of laying hens in Ukraine has been steadily increasing, as outlined in the following table. According to UPFU, the average number of eggs laid per hen per annum increased from 271 in 2004 to 282 in 2010, representing 6-year CAGR of 0.7%, which is mainly due to the use of higher quality breeding stock and more balanced feed programs.

Productivity of Hens in Ukraine

Years	2004	2005	2006	2007	2008	2010
Annual average eggs laid per hen in agricultural enterprises	271	274	271	275	278	282

Source: UPFU

Production of Eggs in Ukraine

According to the UPFU, Ukraine produced 17.0 billion of eggs in 2010, which translates into 1.5% of total eggs produced in the world (9th place in the world) and 13% of total eggs produced in Europe (2nd place in Europe).

The increase in industrial hen eggs production from 6,458 million in 2005 to 10,073 in 2010 translates into 5-year CAGR of 9.3%. The increased volumes of industrially-produced eggs are explained by increased productivity of laying hens due to the use of more efficient working practices in the sector and an increased demand for eggs due to the development of the market for egg products. The following table demonstrates the increase in industrial production of hen eggs in Ukraine.

Industrial Production of Shell Eggs in Ukraine, millions of eggs

Years	2005	2006	2007	2008	2009	2010	2011F*	2012F*
Shell hen eggs, million eggs	6,458	7,586	7,542	8,398	9,114	10,073	11,188	12,307

*Source: State Statistics Committee of Ukraine, * forecasts by UPFU*

The Ukrainian egg market is currently moving towards consolidation, whereby small producers are exiting the market being unable to compete with vertically integrated industrial producers. In light of the considerable investments being made into expansion, equipment upgrade programs and improved efficiency being undertaken by the Group and its closest competitors, Management believes the trend towards consolidation in the manner described above will continue over the next several years. This is supported by UPFU data showing that number of poultry farms in Ukraine has decreased from 148 in 2004 to 90 at the end of 2010, while the average size of industrial poultry farms has been increasing.

Number of Farms for Laying Hens in Ukraine

Years	Number of enterprises
2004	148
2005	141
2006	132
2007	120
2008	120
2009	101
2010	90

According to UPFU, domestic sales of industrially produced eggs in Ukraine increased from USD390 million in 2005 to USD620 million in 2010, representing 5-year CAGR of 8%.

Sales of industrially produced Eggs in Ukraine

Years	2005	2006	2007	2008	2009	2010	2011F*	2012F*
Eggs, domestic sales, USD million	390	344	481	645	539	620	663	710

*Source: UPFU, * forecasts by UPFU*

The growth trend in USD currency is partly distorted by devaluation of national currency in 4th quarter of 2008 (average USD/UAH exchange rate increased to 7.79 in 2009 compared to 5.27 in 2008).

Exports of Eggs from Ukraine

Significant devaluation of hryvnia at the end of 2008 was the key driver of exports growth by 313% year-on-year to 570 million egg in 2009, while in monetary terms it increased by 158% to USD31 million. According to UPFU, increase in exports was also fueled by growing demand in Africa and Middle East due to growth in consumption, as well as the competitive prices and high quality of eggs produced in Ukraine.

As some exporters significantly decreased volume of exports in 2010, the total exports decreased to 323 million eggs. Nevertheless, exports volume in 2010 was 134% higher than in 2008.

Export from Ukraine is expected to reach 715 million eggs by 2012 due to implementation of more efficient production practices in the poultry farming sector of Ukraine and population growth and increase in disposable incomes in the Middle East and other developing economies. The proximity of Ukraine to EU countries may provide Ukrainian exporters with significant competitive advantages, as it could potentially reduce the costs of exporting eggs into the EU. In addition, Ukraine may be able to capitalize on the implementation in the EU of European Council Directive 99/74/EC (See “ – *European Production of Eggs*”). The requirement to house hens in enriched cages is expected to cause a decrease in egg production capacities in the EU by 20 to 30%, according to IEC. This could potentially lead to a shortage of eggs and egg products within the EU, which Ukrainian exporters may be able to exploit.

Exports of Eggs from Ukraine

Years	2005	2006	2007	2008	2009	2010	2011F	2012F
Eggs, exports, million eggs	0	9	219	138	570	323	714	715
Eggs, exports, USD million	0	1	15	12	31	16	45	49

Source: UPFU

The biggest importer of Ukrainian eggs is Iraq, which in 2009 overtook Syria and Kazakhstan as the most significant export markets for Ukrainian eggs. Prospective markets for Ukrainian eggs export include Europe, CIS, Middle East and Africa. The following table lists main importers of Ukrainian eggs.

Importers of Ukrainian Eggs

Years	2007 %	2008 %	2009 %	2010 %
Iraq	-	1	56	37
Syria	45	10	19	21
Kazakhstan	43	79	18	18
Georgia	11	8	0.5	2
Others	1	2	6.5	22

Source: UPFU

Imports of Eggs to Ukraine

According to UPFU, currently Ukraine imports only hatching eggs. The reasons for this are the following. Firstly, Ukrainian tariff policy raises barriers to entry into the local market. Secondly, in the last decade, Ukrainian producers were adopting more efficient industrial production practices, so the efficiency of their production increased. Also, due to low grain prices the cost of production of eggs in Ukraine is low compared to the foreign counterparts.

Production of Egg Products in Ukraine

According to UPFU, Ukraine produced 12,227 tons of egg products in 2010 compared to 2,240 tons in 2005, representing a 5-year CAGR of 40.5%. Such an increase was mainly due to the growth of consumption of the domestically produced mayonnaise and confectionary products (import substitution), along with a shift to natural ingredients used in the food processing. According to UPFU, production of egg products is expected to increase to 13,967 tons in 2012, representing a 16.8% increase from 2010. This increase is supported by consumption growth on the domestic market (See " – *Consumption of Egg Products in Ukraine*") as well as development of export markets.

The table below shows the total production of egg products in Ukraine.

Production of egg products in Ukraine

Year	2005	2006	2007	2008	2009	2010	5Y CAGR	2011F	2012F
Total, tons	2,240	3,190	5,783	9, 317	9,523	12,227	40.53%	12,967	13,967
Dry Egg products, tons	1,194	2,086	3,107	5,800	5,711	8,712	48.81%	8,944	9,944
Liquid Egg products, tons	1,045	1,104	2,676	3,517	3,812	3,565	27.82%	4,023	4,023
Eggs processed million/pcs.	100	163	259	475	486	610	43.57%	661	712
% Deep processing of egg	1.6	2.1	3.4	5.7	5.3	6.0	30.26%	5.9	5.8

Source: UPFU

Exports of Egg Products from Ukraine

Ukrainian exports of egg products increased to 3,929 tons in 2010, compared to 1,793 tons in 2009, representing 119% year-on-year increase, according to UPFU. Before 2007 egg products were not exported from Ukraine since the production capacities of the Ukrainian producers at that time did not meet the international quality standards .

According to UPFU, the Group accounted for 12.0% of the total export volume and 7.8% of the total value of exported egg products in 2010. The table below demonstrates the dynamics of Ukrainian egg products exports.

Volumes of Egg Products Exported from Ukraine

Years	2007	2008	2009	2010	2011F	2012F
Exports, tons	36	1,039	1,793	3,929	4,361	4,492
Exports, USD million	0.7	6.9	9.0	15.0	16.5	17.0

Source: UPFU

The table below demonstrates dynamics and structure of exports of egg products .

Egg Products Exported from Ukraine

	2008		2009		2010	
	tons	**USD thousand**	**tons**	**USD thousand**	**tons**	**USD thousand**
Egg powder	550	4,350	999	4,914	2,030	9,270
Albumen	128	1,550	301	2,971	438	3,259
Albumen (frozen)	334	800	378	457	271	278
Egg yolk	27	200	115	658	1,189	3,693
Total	**1,039**	**6,900**	**1,793**	**9,000**	**3,929**	**16,500**

Source: UPFU

Accordint to UPFU, the main importer of Ukrainian egg products in 2009 was UAE with 49.1% share in total egg products import volume. Of the total volume of exported egg products in 2009, 78.9% was exported to four countries: UAE, Jordan, Saudi Arabia and Belarus. These four countries' share of the market for imported Ukrainian egg products has increased from 71.3% in 2008. This increase is due to the development of trade contacts with Saudi Arabia and the commencement of exports to UAE.

There is a greater geographical spread of importers of Ukrainian egg products than eggs. This is related to the longer period for which egg products can be stored, which allows to transport them to a greater distances.

The following table shows the overseas markets for Ukrainian egg products.

Importers of Ukrainian Egg Products

Years	**2008 %**	**2009 %**	**2010 %**
Jordan	29	29	15.2
Turkey	14	11	2.2
Saudi Arabia	3	13	6.9
Indonesia	-	13	6.3
Korea	-	3	1.5
Thailand	-	3	1.4
Belarus	39	16	7.5
UAE			49.1
Other	15	12	9.9

Source: UPFU

Imports of Egg products to Ukraine

In 2010, Ukraine imported 809 tons of egg products, representing 108.5% increase compared to 2009, according to UPFU. Domestically produced egg products have substantially substituted imported egg products, due to the improved quality and competitive prices of Ukrainian egg products.The following table shows the volumes of egg products imported into Ukraine.

Imported Egg Products structure

	2007		2008		2009		2010	
	tons	**USD thousand**	**tons**	**USD thousand**	**tons**	**USD thousand**	**tons**	**USD thousand**
Egg powder	20	25	317	1,255	-	-	7	41
Albumen	329	1,418	798	3,175	315	1,798	641	4,226
Egg yolk	143	839	21	63	73	412	161	50
Total	**491**	**2,282**	**1,135**	**4,493**	**388**	**2,210**	**809**	**4,317**

Source: UPFU

The market for albumen is growing and the local producers do not possess enough capacities to supply the demand for it since albumen is commonly used in most of the food processing industry sectors such as confectionary, sausages, fish processing. The same situation holds true for the market of egg yolk. The egg powder market is saturated and the demand is fully satisfied by the local producers.

Consumption and Sales of Eggs in Ukraine

According to UPFU, Ukrainians consumed 16.2 kilograms per capita/per annum in 2010, representing 6-years CAGR of 5.0%. The increase was attributed primarily to the increased shell eggs consumption in the form of egg products used by the food industry. This trend is forecasted to continue, due to development of shell eggs retail trade: Ukrainian egg consumption is expected to increase to 18.1 kilograms per capita/per annum in 2012, representing an increase of 11.7% from 2010. According to UPFU, in 2010 eggs accounted for 1.1% of household nutritional expenses.

The table below demonstrates the changes in consumption of eggs in Ukraine.

Consumption of Eggs in Ukraine, kg per capita per year

Years	2005	2006	2007	2008	2009	2010	5Y CAGR	2011F	2012F
Eggs*, kg	13.7	14.5	14.6	15.0	15.4	16.2	3.4%	17.6	18.1
Eggs*, units	238	251	252	260	267	280	3.3%	305	313

*Source: UPFU, * Including egg products*

Consumption of Egg Products in Ukraine

Due to increasing demand for high quality and food safety, the demand for liquid egg products is expected to increase steadily. The main advantage of the liquid egg products compared to the alternatives is that the former preserve the native properties of natural eggs best since they undergo less mechanical and thermal treatment. For example, liquid egg whites retain taste and foaming properties better compared to the dry equivalent, ensuring maximum whipping ability and durability of the foam. Between 2008 and 2010 consumption of liquid egg products has been growing and CAGR of 13.7% as comparing to 2.9% for dry egg products.

The table and chart below demonstrate the increase in consumption of dry and liquid egg product sales between 2007 and 2010.

Structure of Egg Products sales in Ukraine in tons

Years	2008	2009	2010	5Y CAGR
Dry	2,907	2,201	3,077	2.9%
Liquid	2,785	2,682	3,599	13.7%

Source: UPFU

The consumption of egg products, both dry and liquid is expected to increase in the future due to increased use of egg products instead of shell eggs for food processing purposes. With the growth of disposable incomes and changes in the consumption patterns of the Ukrainians, the consumption of various types of sauces, frozen foods and confectionary products is expected to increase. Based on the industry research, an average Ukrainian eats approximately 2 kg of mayonnaise and similar sauces annually and this trend is expected to continue into the future. A frozen foods market is one of the most dynamically developing in the industry since the consumption patterns of Ukrainians is changing, the pace of life is accelerating and consumers demand their meals to be prepared faster and easier. The local producers of confectionary items are far more cost-efficient compared to their foreign counterparts. This allows keeping the amount of confectionary imported at the level of approximately 5%. Currently, there are about 800 confectionary producers in Ukraine, while 45% of the market belongs to the top three producers – Roshen, AVK and Kyiv Konti.

According to UPFU, the biggest customers of egg products in Ukraine are enterprises from the confectionery industry and oil & fat industry, which together consume around 80 to 90% of egg products sold in Ukraine. Other customers who purchase egg products are enterprises involved in bread making, bakery, meat processing and HoReCa.

The management expects that consumption of processed egg products in Ukraine will continue to grow rapidly, driven by growing consumer demand. Furthermore, high standards of food quality support use of natural products like eggs and egg products as opposed to artificial emulsifiers.

Unlike some other countries, traditional Ukrainian bread recipes use little eggs. In recent years, however, Ukrainian bakery manufacturers are increasingly using eggs or egg products in the bakery and bread recipes.

The Group's key clients in the food processing industry are the producers of mayonnaise and confectionary. The table below demonstrates the production volumes of goods containing eggs and egg products.

Production Volumes of Goods Containing Eggs and Eggs Products, in Ukraine, tons

Years	2005	2006	2007	2008	2009	2010	5Y CAGR
Mayonnaise	170,549	175,294	188,317	192,310	198,943	204,513	3.7%
Confectionary	162,649	175,335	196,978	202,886	210,002	216,724	4.5%

Source: State Statistics Committee of Ukraine

Use of Egg Products in selected product categories in Ukraine in 2010

Foodstuff	%
Confectionary	73.0%
Ice-cream	8.0%
Mayonnaise	6.0%
Fish semi-finished products	5.0%
Sausages	5.0%
Macaroni	3.0%

Source: State Statistics Committee of Ukraine

Traditionally, Ukraine's agricultural potential allows it to produce sugar and wheat at low costs. So, the development of the confectionary industry in Ukraine is natural. The domestic producers of confectionary and other sectors of the food industry lately tend to use more natural ingredients in their products since the consumers are becoming conscious about their diets and demand food of higher quality. As the egg products are the best alternative in terms of nutritional value, there is a big potential for the egg products on the Ukrainian market.

Eggs and Egg Product Prices

Prices of Eggs

According to UPFU, wholesale prices for shell eggs in Ukraine decreased by 4% in 2010 and retail prices grew by 8% in 2010 compared to 2009, reaching UAH0.50 and UAH0.70 per one shell egg, respectively. The increase in retail prices, as demonstrated in the table below, was mainly attributable to a rise in rates of warehouses and trade areas as well as a rise in the cost of labor. Wholesale and subsequently retail egg price growth is driven by the increasing prices for raw materials and breeding stock, as well as seasonality and general inflationary expectations. Management's experience is that Ukrainian consumers are willing to pay a premium for high quality eggs, as well as some specific characteristics that add value to the eggs such as extra vitamins, special purpose (baby food), improved taste and bright coloring of a yolk.

Average Prices of Eggs (Category I) in Ukraine, per 1 egg (in UAH excluding VAT)

Years	2007	2008	2009	2010
Wholesale	0.33	0.46	0.52	0.50
Retail	0.41	0.56	0.65	0.70
Marginal revenue	0.08	0.10	0.13	0.14
%	25%	22%	25%	23%

Source: UPFU

Prices of Egg Products

The table below shows the fluctuations of egg powder prices in Ukraine from 2008 to 2010.

Prices of Egg Products in Ukraine, USD/**kg**

	2008	2009	2010
Egg powder	4.47	3.83	3.64
Liquid whole egg	1.44	1.47	1.78
Dry egg yolk	6.35	6.84	6.49
Liquid egg white	0.90	0.85	1.31
Liquid egg yolk	3.14	3.63	4.45
Thermostable liquid egg yolk	3.68	4.04	4.38
Dry egg white	7.01	7.47	10.18
Thermostable dry egg yolk	6.36	7.21	7.23

Source: the Group's internal data

A domestic price for dry egg products is highly correlated with the dynamics of the global price while the price for liquid egg products was mainly driven by the increased demand for the latter on the Ukrainian market. The positive price trends are expected to continue in the future.

Potential of retail in Ukraine

Retail sales per capita in Ukraine grew by 17% year-on-year to USD739 in 2010 and is expected to further converge to the level of CEE countries. Average retail sales per capita of CEE countries (based on countries in the table, including Russia) was USD2,904 in 2009.

The following table exibits the retail sales per capita in selected countries in 2009.

Country	Retail sales in 2009 per capita, USD
USA	11,136
France	8,901
UK	7,442
Germany	6,795
Czech Republic	3,880
Poland	3,632
Slovakia	3,111
Hungary	3,108
Russia	3,049
Bulgaria	1,916
Romania	1,634
China	890
Ukraine (2010)	739
Ukraine (2009)	630

Source: GfK GeoMarketing, State Statistics Committee of Ukraine, Central Statistical Office of Poland

Share of modern retail format in total retail volume in Ukraine increased from 41% in 2006 to 55% in 2009. It is still below the level of European countries and is expected to increase further on.

Eggs production cost and potential of eggs consumption in Ukraine

Ukraine has one of the lowest feed cost in the world due to large grain harvesting capacities within the country (Ukraine was world's third largest grain exporter after the United States and the European Union in 2009/2010 marketing year, according to the United States Department of Agriculture). Meanwhile, Ukraine has low retail price for eggs (USD0.71 per dozen in 2009, compared to USD1.63 or USD1.86 in Czech Republic and Hungary respectively)

Having increased by 21% year over year from 2,468 in 2009 to USD2,990 in 2010 Ukrainian GDP per capita remains low, comparing to other emerging countries. The following table exibits GDP per capita, feed cost and eggs retail price in selected countries in 2009.

Country	**Feed cost at farm gate, USD per ton**	**Price of cage eggs in retail, USD per dozen**	**GDP per capita, USD**
Australia	328	2.47	42,279
Belgium	282	3.00	43,671
Canada	301	2.03	39,599
China	357	0.81	3,744
Colombia	227	1.06	5,126
Czech Republic	295	1.63	18,139
Germany	300	1.84	40,670
Hungary	274	1.86	12,868
Ireland	292	3.66	51,049
Italy	391	4.34	35,084
Japan	481	2.79	39,738
Mexico	359	1.10	8,143
Netherlands	325	1.69	47,917
South Africa	283	1.58	5,786
Spain	292	1.86	31,774
Turkey	391	1.54	8,215
Ukraine	143	0.71	2,468
UAE	381	1.80	50,070
UK	287	4.27	35,165

Source: IEC, The World Bank, State Statistics Committee of Ukraine, UPFU

Recent Developments in the Ukrainian Egg Production Industry

Import

Ukrainian law currently establishes import tariffs of 12% for shell eggs, 5% for hatching eggs, 10% for dry, liquid and frozen egg yolk products, 2% for dry albumen and 5% for other albumen. A reduction or elimination of the tariff imposed on processed egg products might lead to a material increase in the amount of such products imported into Ukraine. Due to the higher prices of shell eggs produced in neighbouring countries coupled with relatively high transport costs, Management believes that even if the import tariffs on shell eggs or egg products were completely eliminated, this would not significantly increase the import of shell eggs or egg products into Ukraine. See See "*Risk Factors – Risks Relating to the Group's Business and Industry - The Group benefits from trade barriers on egg imports into Ukraine, which may be reduced or eliminated*".

Export

Under the Law of Ukraine "On Foreign Economic Activity", the Government is authorised to introduce licensing requirements with regards to certain goods and services, which are intended for export. Each year the Government is also authorised to introduce export quotas for certain agricultural goods, export of which is subject to licensing. In the past, primarily grain, sunflower seeds and oil were subject to such requirements. As of the date of the Prospectus, no export quotas and/or licensing requirements have been introduced with regards to shell eggs and/or egg products. Moreover, since Ukraine's accession to the WTO, Ukraine undertook to abolish any unreasonable export restrictions. The law, however, provides, that licensing of export of, among other things, agricultural goods may be introduced in the event of (i) a significant mismatch in certain agricultural goods on the internal market or (ii) threat to the well-being of humans, animals, plants and/or environment. For 2011, none of the products which the Group produces is subject to licensing and/or quotas.

Bird Flu, Newcastle Disease and Marek's Disease

Since 2003, the H5N1 strain of bird flu, which is potentially lethal to humans, has infected poultry flocks and other birds in several countries around the world, including Ukraine. There have been cases of bird flu in domestic birds reported in January 2008 and in wild birds reported in February 2008. In 2005, 2006 and 2007, several cases of bird flu were reported in wild birds and domestic poultry in the Crimea and Sumy regions of Ukraine.

Bird flu is highly contagious among birds and can cause sickness or death of some domestic poultry, including chickens, geese, ducks and turkeys. After the outbreak of bird flu in October 2005, the Ukrainian state authorities implemented a variety of emergency measures to prevent the further spread of the virus, including imposing local quarantine measures in affected areas, as well as mandatory seizing and slaughtering of birds. See "*Risk Factors – Risks Relating to the Group's Business and Industry - Outbreaks of livestock diseases could have a material adverse effect on the Group's business*". In addition, one case of Newcastle Disease was reported in Ukraine in February 2006 at an industrial chicken farm in the Kharkiv region of Ukraine. This outbreak is reported to have occurred due to inferior biosecurity measures employed at the farm, including insufficient control over the quality of fodder and bedding. In addition, three cases of Newcastle Disease were reported in household birds in the Chernigiv and Rivne regions of Ukraine in April 2006 and in the Zhytomyr region in July 2007. Control measures were immediately put in place, including culling and incineration of affected birds, quarantine, vaccination and disinfection of affected premises and equipment. These measures were effective, limiting the outbreaks to stand-alone incidents. There have been no other reported cases of Newcastle Disease in Ukraine. Marek's Disease is a highly contagious viral neoplastic disease in chickens.

To date, the Group's facilities have not been affected by outbreaks of bird flu, Newcastle Disease or Marek's Disease.

The Group applies a biosecurity program consisting of two integral parts: one aimed at prevention and another aimed at monitoring the health status of the flock.

The first part of the program undertakes regular vaccination of poultry produced against Marek's disease in the first hours after the chicks are born. A vaccination against Newcastle disease is also mandatory. After all vaccinations have been applied, the blood tests are run in order to determine the level of protection received by the flock. In the case of unsatisfactory results, some additional measures are taken. The flocks are also secured through housing the groups of birds of the same age (all-in, all-out principle) and limitation of contacts with the external world.

Under the second part of the biosecurity program, monitoring the healthcare status, the Group regularly takes blood tests and sends them to be tested in the laboratory for all types of diseases carried by the birds. This program insures early detection of disease so that the preventative measures can be taken before the irreversible consequences happen. Regular monitoring and observation are essential in order to protect the flock and ensure its safety and well-being.

Draft Legislation Which May Affect Ukrainian Egg Production Industry

On 8 April 2011, the draft Law of Ukraine No. 8370 *"On Fundamentals of Food Supply Security of Ukraine"* and, on 28 April 2011, an alternative draft Law of Ukraine No. 8370-1 *"On Food Supply Security of Ukraine"* (together, the "**Draft Food Supply Security Laws**") were submitted to the Parliament. The Draft Food Supply Security Laws provide a legal framework for ensuring food supply security in Ukraine. The Draft Food Supply Security Laws list certain mechanisms available to the State in order to achieve food supply security, such as fixed trade mark-ups for retail and wholesale traders, a moratorium on the import of food stuffs available in sufficient quantities in Ukraine, the mandatory State procurement of agricultural commodities at a fixed price, among others. As of the date of this Prospectus, the Draft Food Supply Security Laws have not been formally considered by the Parliament. However, if either of the Draft Food Supply Security Laws is approved by the Parliament in their current form, this would create an additional legal framework pursuant to which the State may further regulate the agricultural sector of the Ukrainian economy.

On 20 April 2011 the Parliament approved the Law of Ukraine *"On Organic Production"* (the "**Organic Production Law**"). The Organic Production Law introduces a legal framework for growing, production, processing, certification, labeling, transportation, storage and sales of organic products (special food stuffs and other products used for non-food purposes, including plant and animal origin products, hive products, mushrooms, yeast, wine, aquacultures and the like, which promote public health, environmental protection, efficient use of soils etc.). Under the Organic Production Law, organic products shall be produced by an organic producer certified according to the Organic Production Rules approved by the Government. The production shall be considered organic after the receipt of a certificate (decision) for the production of organic products in accordance with the Organic Production Rules from respective certification authority or legal entity entitled to perform inspections and certification under the law. The use of genetically modified organisms ("**GMO**"), GMO-derivatives, products produced with the use of GMO, technological additives, crop protection compounds, fertilizers, ionizing radiation, hydroponic (soilless) methods etc. shall be prohibited in organic production. The transition to organic production is deemed voluntary and shall be performed based on respective applications of agricultural producers. The Organic Production Law establishes a transition period for conversion from traditional production to organic production, which duration shall be defined under the Organic Production Rules. The law was vetoed by the President on 20 May 2011 and returned to the Parliament for repeated consideration. As of the date of this Prospectus, the Organic Production Law has not been repeatedly considered by the Parliament. If the Organic Production Law is finally adopted by the Parliament and signed by the President, the Group is going to partially convert its production to organic production.

State Support for the Agriculture Industry

Special Tax Regimes for the Agriculture Industry

Under Ukrainian law, agricultural companies engaged in the production, processing and sale of agricultural products may apply to be registered as payers of FAT, provided that their agricultural production accounts for more than 75 % of total production for the preceding tax (reporting) year. FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents. The Group was FAT payor in 2008, 2009, and 2010, and the Group also elected to pay FAT in lieu of other taxes in 2011. Currently, three out of seven of the Group's Ukrainian Subsidiaries pay FAT. The remaining Ukrainian Group's Subsidiaries pay corporate income tax at the standard rate (23 % as of 1 April 2011) as well as other taxes and duties. For the year ended 31 December 2010, the Group paid FAT in an aggregate amount equal to UAH398 (USD50). The benefit received by the Group as the result of FAT regime amounted to USD545 thousand in 2010.

The Ukrainian legislation allows certain qualified agricultural producers to retain VAT collected on their taxable sales with view to recovering VAT (20% prior to 1 January 2011, 17% as of 1 January 2011) paid on purchases of so-called "production factors"; the excess of VAT collected over VAT paid is allowed to be used for other production needs. The relevant amounts of VAT should be collected on special accounts opened with banks. Agricultural producers qualify for this special VAT regime provided that sales of their own-produced agricultural products represent more than 75% of their total gross revenue during the preceding twelve months. Currently, three out of seven of the Group's Ukrainian Subsidiaries enjoy this special VAT regime. This benefit was received by the Group in 2009 and it continues to be available to the Group. Prior to 1 January 2009, taxpayers were not entitled to retain the difference between the VAT that they charged on sales of their agricultural products and the VAT that they paid on purchases of goods or services for their agricultural operations. However, they were entitled to another special VAT benefit. Income from the special VAT treatment which was received by the Group amounted to USD2.81 million in 2010. The VAT benefit will be cancelled as of 1 January 2018.

Cancellation of the special tax regimes in the future could have a material adverse effect on the Group's business, results of operations and financial condition. See "*Risk Factors – Risks Relating to the Group's Business and Industry - The Group currently benefits from special tax regimes, which may be discontinued in the future*".

Partial Compensation for Finance Costs

Agricultural producers (including those producing animal feed) receive partial compensation for finance costs under loans from Ukrainian banks. The aggregate amount of this benefit is determined by the annual state budget of Ukraine. Each year the Government adopts plans which further detail the types of loans qualifying for this compensation and the terms and conditions of such compensation.

On 13 September 2010 a new annual plan on interest rate rebates came into force. According to the 2010 annual plan, interest rate rebates were expected to be provided, subject to compliance with certain conditions, to companies, which secured loans in relation to, among other things: (i) construction and reconstruction of poultry farms and acquisition of the equipment for them, as well as with regards to related expenses in connection with egg production, if such interest rate rebate was not provided in 2009; (ii) purchase of compound fodder, veterinary medicine, hatching eggs under short-term (up to 12 months) loan agreements, including extended or refinanced loan agreements in 2010; (iii) purchase of compound fodder, veterinary medicine, hatching eggs, equipment for poultry farms, construction and reconstruction of poultry farms under mid-term (up to 36 months) loan agreements, including extended or refinanced loan agreements in 2010; (iv) construction and reconstruction of poultry farms, purchase of equipment for keeping and servicing chickens and laying hens, as well as purchase of breeder flock under loans secured in 2006-2009 or under long-term (more than 36 months) loan agreements, including extended or refinanced loan agreements in 2010. In addition, the 2010 annual plan provided for interest rate rebates in the amount of 90% of the interest rate under long-term loans in hryvnia or in foreign currency obtained in 2009 or in 2010 for the construction of poultry farms or egg processing facilities.

On 7 February 2011 the Government has amended the procedure on interest rate rebates. According to the amended procedure, interest rate rebates are expected to be provided, subject to compliance with certain conditions, to companies, which secured loans in relation to, among other things: (i) purchase of compound fodder, veterinary medicine, hatching eggs under short term (up to 12 months) loans in 2010 and current years, including extended and refinanced loans in 2010, interests under which were calculated and paid in the current year; (ii) purchase of compound fodder, veterinary medicine, hatching eggs, equipment for poultry farms, construction and reconstruction of poultry farms under mid-term loans (up to 36 months), secured in current and 3 preceding years, including extended or refinanced loan agreements in 2010, interests under which were calculated and paid in the current year; (iii) construction and reconstruction of poultry farms, purchase of equipment for keeping and servicing chickens and laying hens, as well as purchase of breeder flocks under loans secured in 2006-2010 under long-term loans (more than 36 months) secured in the current and 4 preceding years, including extended or refinanced loan agreements in 2010, interests under which were calculated and paid in the current year. Additionally, interest rate rebates in the amount of 90% of the interest rate under long-term loans secured not earlier than 2009 interests under which was calculated and paid in the current year in Hryvnia or in foreign currency for the construction of poultry farms or egg processing facilities.

Under the above listed loan agreements, the interest rate rebate constitutes 2 times the NBU discount rate for loans in Hryvnia and 10% for loans in foreign currency. From 10 August 2010 the NBU discount rate is 7.75%.

Under the 2010 State Budget Law, the Ukrainian agricultural sector was entitled to partial compensation for finance costs in the amount of UAH621.6 million (USD78 million). Under the 2011 State Budget Law, the Ukrainian agricultural sector is expected to receive partial compensation for finance costs in the amount of UAH531.4 million (USD66.7 million).

The Group has been receiving partial compensation for finance costs under loans from Ukrainian banks since 2007, and the value of such financial support received by the Group in 2010 amounted to USD1,436 thousand. Cancellation of this type of financial support in the future could have a material adverse effect on the Group's business, results of operations and financial condition. See "*Risk Factors – Risks Relating to the Group's Business and Industry - State support currently enjoyed by the Group could be discontinued in the future*".

Partial Compensation of Complex Agricultural Equipment Cost

Agricultural producers also receive partial compensation of cost of complex agricultural equipment acquired from Ukrainian producers. The procedure of the provision of this type of financial compensation is determined on annual basis but acts for indefinite period of time until the new procedure is approved by the Government. The aggregate amount of this benefit is determined by the annual state budget of Ukraine. Under the 2011 State Budget Law the Ukrainian agricultural sector is expected to receive partial compensation of cost of purchased complex agricultural equipment produced by Ukrainian producers in the amount of UAH10 million. The partial compensation is provided by the Government on the competitive basis in the amount of 30% of cost of the complex agricultural equipment, excluding VAT, in accordance with the list of such equipment approved by the respective state authorities.

In 2010, the Group did not benefit from this type of financial compensation provided by the Government. However, in 2009, the Group received the financial compensation in the amount of USD5.9 thousand. The Group also expects also to benefit from this type of financial compensation in 2011. Cancellation of this type of financial support in the future could have a material adverse effect on the Group's business, results of operations and financial condition. See "*Risk Factors – Risks Relating to the Group's Business and Industry - State support currently enjoyed by the Group could be discontinued in the future*".

Partial Compensation of Cost for Construction and Reconstruction of Farms and Fodder Production Premises

Additionally, agricultural producers are entitled to receive partial compensation of cost for construction and reconstruction of farms and fodder production premises. The procedure of the provision of this type of financial compensation is determined on annual basis but acts for indefinite period of time until the new procedure is approved by the Government. The aggregate amount of this benefit is determined by the annual state budget of Ukraine. Under the 2011 State Budget Law the Ukrainian agricultural sector is expected to receive partial compensation of cost for construction and reconstruction of farms and fodder production premises in the amount of UAH500 million. The partial compensation is provided by the Government on the competitive basis in the amount up to 50% of cost for construction and reconstruction of farms and fodder production premises, excluding VAT, for completed in 2009-2011 stages of the construction and reconstruction of farms in which, according to the project plan, can be kept not less than 1 million birds and up to 30% of the cost for works, excluding VAT, completed in 2009-2011 for stages of the construction and reconstruction of fodder production facilities.

The Group did not benefit from this type of financial compensation in 2010, since no construction or reconstruction qualified for such compensation was conducted.

State Price Control

Under Ukrainian law, local state authorities may regulate prices for some food products. In particular, the local state authorities may from time to time oblige producers of certain food products, including shell eggs, to declare any change in the wholesale prices of such products which exceed 1% per month. The State Inspection on Pricing may refuse to approve the submitted declaration if it considers that the economic grounds for the increase in prices are not properly justified. In practice, the Group did not experience any obstacles from local state authorities in establishing prices for its products. Furthermore, the Government introduced a procedure for the determination of prices of food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products and profits from such sales and it limits the profit margin charged on such products. The Group believes that the approach the Group uses for determining the wholesale prices for the Group’s products is in line with the formula established by the above procedure. If detrimental price controls are introduced for the Group’s key products or the Group fails to comply with the Ukrainian price regulation, its business, prospects, results of operations, financial condition or the price of the Shares could be materially adversely affected. See “*Risk Factors – Risks Relating to the Group’s Business and Industry - The Group’s business could be adversely affected if detrimental price controls are introduced for Group’s key products*”.

GENERAL INFORMATION ON THE ISSUER

The Issuer

Ovostar Union N.V. is a Dutch limited liability company (*naamloze vennootschap*). The Issuer is registered under number 52331008 with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands. The statutory seat of the Issuer is in Amsterdam, the Netherlands and the registered offices of the Issuer are at Koningslaan 17, 1075 AA Amsterdam, the Netherlands. The telephone number of the registered office is +31206731090.

History and Development

The Issuer was incorporated on 22 March 2011 as Ovostar Union N.V., a Dutch limited liability company. The ministerial statement of no-objection was granted on 10 March 2011 under number NV 1636115. The articles of association of the Issuer were most recently amended on 27 May 2011.

The Issuer’s founder is Prime One Capital Limited, a company organized and existing under the laws of Cyprus, under registration number HE 278593, having its registered and business offices at 21, Pandoras Street, Hadjimatheou Yiannouri Crt, 2nd Floor, Suite 10, Larnaca 6042, Cyprus.

The Group's headquarter in Ukraine is located at 34 Petropavlivska Str., Kyiv, 04086, Ukraine. Its telephone/fax number is +38 044 354 29 60; fax number +38 044 354 29 61, e-mail: secretar@ovostar.ua.

The Issuer’s financial year begins on first of January of each year and terminates on thirty first of December of the same calendar year. The first financial year of the Issuer will end 31 December 2011.

Corporate Purpose

The Issuer is a holding company and does not conduct any operational activity. According to article 3 of the Articles of Association, its objects are:

a. to incorporate, participate in, conduct the management of and take any other financial interest in other companies and enterprises;

b. to render administrative, technical, financial, economic or managerial services to other companies, persons or enterprises;

c. to acquire, dispose of, manage and exploit real and personal property, including patents, trademarks licenses, permits and other industrial property rights;

d. to borrow and / or lend moneys, act as surety or guarantor in any other manner, and bind itself jointly and severally or otherwise in addition to or for others,

the foregoing whether or not in collaboration with third parties and inclusive of the performance and promotion of all activities which directly or indirectly relate to those objects, all this in the broadest sense of the terms.

Corporate Resolutions and the Share Capital

- Upon the Issuer's incorporation on 22 March 2011, its issued share capital amounted to EUR45,000.00, consisting of 45,000 ordinary registered shares, with a nominal value of EUR1.00, each.
- On 27 May 2011, pursuant to an amendment of the articles of association of the Company, the existing 45,000 registered shares with of a nominal value of EUR1.00 were converted into bearer shares and split into 4,500,000 Shares with nominal value of EUR0.01, each.
- On 27 May 2011, pursuant to a shareholders resolution, the Board of Directors has been authorized to issue such number of new shares in the capital of the Issuer of up to the maximum authorized capital of the Issuer, with the power to limit or exclude pre-emptive rights of the Issuers’ existing shareholders and as such the Board of Directors is authorized to issue or grant rights to subscribe for up to 1,500,000 new Shares, with the power to limit or exclude pre-emptive rights of the Issuers’ existing shareholders.
- In connection with the Offering, the Issuer will issue up to 1,500,000 Offer Shares, while pre-emptive rights of the existing shareholders will be excluded, for the benefit of the Issuer. For information on resolutions adopted for the purpose of the Offering and Admission see “*Terms and Conditions of the Offering*”.

Consequently, as at the date of this Prospectus, the authorized share capital of the Issuer amounts to EUR225,000.00 divided into 22,500,000 ordinary shares in bearer form, with a nominal value of EUR0.01 each. The issued and paid-up share capital of the Issuer, as at the date of this Prospectus, amounts to EUR45,000.00 and is divided into 4,500,000 Shares with a nominal value of EUR0.01 each. All of the Shares are ordinary Shares, are fully paid up and rank pari passu with each other and there is no other class of shares authorized. There are no different voting rights, and each share shall carry one vote. No depositary receipts for Shares in the capital of the Issuer have been issued with the agreement of the Issuer, and the Issuer has not been informed that depositary receipts for Shares in the capital of the Issuer have been issued without its agreement.

All the Shares including the Offer Shares have been or will be issued under Dutch law.

All the Issuer's Shares will be in bearer form. In Poland the Shares will exist in book-entry form following registration with the NDS.

The table below shows the current Issuer's issued and paid-up share capital and the Issuer's issued and paid-up share capital after the Offer Shares have been issued:

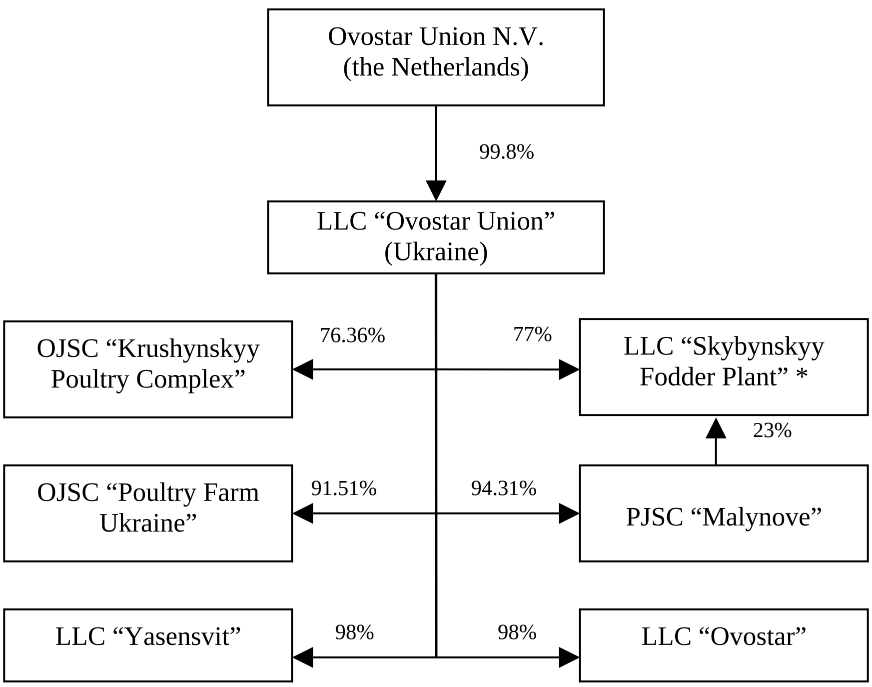
Issued ordinary share capital	Cumulative number of shares	Nominal value (EUR per share)
Current shares issued as at the date hereof	4,500,000	0.01
Offer Shares to be issued for the Offering	1,500,000	0.01
Total issued shares post-Offering	6,000,000	0.01

The charter capital of Ovostar Union LLC, which is a Ukrainian sub-holding of the Group, amounts to UAH304,850 (approximately USD38,290). The charter capital has been fully paid in. Since Ovostar Union LLC is limited liability company, it has not issued shares and its charter capital is divided into the participatory interests. Within the period covered by the Consolidated Financial Statements of Ovostar Union LLC, more than 10% of its charter capital has been paid for with assets other than cash. In particular, in addition to cash, the charter capital of Ovostar Union LLC has been paid for with the shares and corporate rights of Yasensvit, Ovostar LLC, and Malynove.

Description of the Group

The Issuer is a parent company of the Group. It is a holding company which does not carry out any operations except for indirect holding of interests in the Ukrainian companies.

The following chart shows the Group structure and interests in particular subsidiaries as of date hereof. For a more detailed description of the assets, see: "*Business*".



* - the company is in the process of liquidation

The main production assets of the Group, including shell egg, egg-derivatives and animal feed production facilities are located in Ukraine. Within domestic operations, Yasensvit and Ovostar LLC act as the Group's key operating companies. Ovostar Union LLC has 6 Ukrainian subsidiaries. The subsidiaries are divided into two business divisions including: production and trading and assets holding. Ovostar Union LLC is holding non-operational company.

The Group believes that the organisation and division of the Group will allow it to conduct its operations, manage the entire Group and generate profits in the most efficient, flexible and beneficial way to create additional value for the shareholders.

The links and relationships existing between the Group companies are of a stable organizational, business and technological nature.

The Group's headquarter in Kyiv is located at 34 Petropavlivska St., 04086 Kyiv, Ukraine. Its telephone number is +38 044 354 29 60 and its fax number is +38 044 354 29 61.

The table below indicates the most important information on the Issuer and its subsidiaries:

Company name	Registered office	Date of incorporation / formation	Charter Capital	Registration number	Number of directors	Effective Interest of the Issuer	Profile of Business
Ovostar Union N.V.	Koningslaan 17, 1075AA**,** Amsterdam**,** the Netherlands	22 March 2011	Issued: EUR45,000 Paid in: EUR45,000	52331008	3	-	Holding of shares
Limited Liability Company "Ovostar Union"	22A Lenina St., village Romashky, Kyiv Region, 09623	28 July 1999	UAH304,850	30455716	1	99.8%	Holding of shares and assets
Limited Liability Company "Ovostar"	Village Krushynka, Kyiv Region, 08635	31 July 2002	UAH90,000	32086437	1	97.8%	Egg-derivatives production and distribution
Limited Liability Company "Yasensvit"	22A Lenina St., village Romashky, Kyiv Region, 09623	1 September 2003	UAH33,000	32619343	1	97.8%	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
Limited Liability Company "Skybynskyy Fodder Plant"	1 Malynova St., village Teleshivka, Kyiv Region, 09622	10 January 2001	UAH73,994.36	00687770	1	98.5%	In the process of liquidation
Open Joint Stock Company "Poultry Farm Ukraine"	11 Kolgospna St., village Krushynka, Kyiv Region, 08635	17 January 1996	UAH18,571,023	05477066	7	91.3%	Production of shell eggs, assets holding
Private Joint Stock Company "Malynove"	1 Malynova St., village Teleshivka, Kyiv Region, 09622	11 February 1999	UAH100,000	30249520	4	94.1%	Production of shell eggs, assets holding
Open Joint Stock Company "Krushynskyy Poultry Complex"	11 Kolgospna St., village Krushynka, Kyiv Region, 08635	09 December 2002	UAH105,723,582	30967249	3	76.2%	Trading company

BUSINESS

Overview

The Group is one of the leaders on the Ukrainian shell eggs and egg products market specializing in the production of high-quality branded products. The Group operates under two commercial names: “YASENSVIT” for shell eggs, and “OVOSTAR” for egg products.

According to UPFU in 2010, the Group’ share of the eggs market stood at 5.4% of total industrially produced eggs and 38% of egg products by volume. The domestic markets of eggs and egg products are strategically important for the Group as it displays higher stabilityand faster growth in comparison to the export markets.

The Group has developed a vertically integrated business model which allows to offer diversified product portfolio while sustaining competitive advantage through tight controls over production costs and quality of its products at each stage of the production process.

Management believes that the Group’s production facilities are the most modern in Ukraine. All production sites operated by the Group are located in close proximity to each other in Kyiv and Cherkasy Region, which allows for efficient internal and external logistics. The Group’s production facilities comprise of one breeder farm, one hatchery, 2 farms for growing young laying hens, 2 farms for laying hens, 2 fodder mills producing animal feed, and one grain storage facility. The Group also operates the modern egg processing plant, the Ovostar EPP.

The Group owns two poultry farms with a total of 2.1 million productive laying hens as at 31 December 2010. The Group produced 546.1 million shell eggs in 2010, 540.1 million shell eggs in 2009, and 527.5 million shell eggs in 2008. The Group produced 4.7 thousand tons of egg products in 2010, 3.5 thousand tons of egg products in 2009, and 3.2 thousand tons of egg products in 2008. The Group’s poultry farms are located in rural areas far from any industrial companies or big highways, which ensures the ecological cleanliness of the eggs.

In 2010, the Group had revenues of USD37,033 thousand and, accordingly, a net profit of USD9,163 thousand. Eggs segment sales in 2010 accounted for 72.9% and egg products segment sales accounted for 27.1% of the Group’s revenues.

The Group is actively developing its sales channels together with the biggest retailers and companies operating in the oil-and-fat, confectionery, fish, bakery industries, producers of frozen and semi-finished products, and the HoReCa sector.

Competitive Strengths and Advantages

Management believes that the Group benefits from the following competitive strengths and advantages:

- ***The most recognized egg trademark in Ukraine.*** The Group owns highly recognized nationwide umbrella brand for shell eggs “YASENSVIT” with the long-standing history of more than 10 years (registered back in 2001). The Group owns diversified portfolio of sub-brands, delivering the widest range of packed chicken eggs in Ukraine for each of the existing consumer groups. The Group offers products with a high added value such as the vitamin-enriched eggs “Molodylni” (“Rejuvenating”), “Super”, “Rankovi” (“Morning Eggs”), “XXL”, and the special certified baby food product “Moye Sonechko” (“My Sunny”).

  The Group is the only egg producer in Ukraine to own national brand in shell egg category, as opposed to other manufacturers in Ukraine offering shell eggs either unbranded, or branded only at regional level. Both nationwide brand recognition and customer loyalty enable the Group to further expand its customer base and allow for premium pricing. The Group invests in the development of its brand on a continuous basis. The marketing expenses in the total share of sale proceeds comprised 1.15% (USD422 thousand) in 2008, 0.17% (USD55 thousand) in 2009, and 1.22% (USD451 thousand) in 2010.

- ***Product and superior quality leadership.*** The Group provides complete offering to B2B market including pasteurized liquid, dry and frozen egg products. The Group is a supplier of choice for industry leaders in B2B segment and Private Label market. Domestic customer base currently includes close to 260 companies operating in oil-and-fat (Nestle), confectionery (Roshen, Konti, AVK), bakery, meat processing and HoReCa industries (McDonald’s Ukraine) as well as leading domestic and international retail chains such as Metro, Auchan. Quality and safety of egg products under “OVOSTAR™” ensures ongoing acquisition of new business clients: the client base has expanded 4.5 times since the production launch in 2002. Further customer base development on both domestic and foreign markets is secured by keeping track of the needs of target consumer industries as well as continuous quality improvement and product portfolio development.

- ***High degree of vertical integration.*** The Group’s business model includes all activities related to egg and egg products production. Other than breeder flock, the Group owns and operates each of the key stages of egg production process, from the production of hatching eggs (from which laying flock is hatched) to the production of shell eggs. To support its egg production operations, 100% of animal feed is produced internally. Vertical integration reduces the Group's dependence on suppliers. Management believes this is particularly important in developing markets, such as Ukraine, to avoid supply interruption and price volatility. The Group also processes egg shells into powder in order to use its high quality components of calcium. Management believes that vertical integration also creates synergies in a number of other areas and stronger control over production cost. Furthermore, vertical integration allows to maintain strict biosecurity standards and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale. For the purpose of further integration in animal feed production, the Group started construction of sunflower seed processing plant for the production of high-quality sunflower meal (key component of animal feed) and fuel briquettes made of sunflower seed peels. Managements plans to launch the sunflower seed processing plant in 2012.

- ***Experienced and motivated management team.*** Most of companies of the Group have been operating in the egg industry for over 13 years. Key members of its senior management have been employed with the Group up to 13 years, driving the transformation of the Group to become one of the leaders of Ukrainian egg industry. The Management has developed a strategy to further strengthen its position as the leading producer of high quality branded eggs and egg products in Ukraine.
- ***Diversified sales channels.*** All shell eggs and egg products produced by the Group are effectively distributed among diverse sales channels. The Group has pioneered sale of packaged eggs in modern supermarket chains in Ukraine which also remain the key sales channel today. The Group has long-standing contracts with domestic and foreign retail chains and views these partners as strategically important. Own retail chain with 130 points of sale in Kyiv and other cities remains the Group's second biggest distribution channel. The Group operates 100 own branded points of sale in food markets of Kyiv with 25% share by trade volume in this segment (according to UPFU). During low season the Group sells part of its shell eggs to wholesale customers. Egg products are sold via direct agreements to industrial food producers and HoReCa customers. By supplying tailored products the Group has been able to implement and constantly win customer loyalty.

  Exports of both eggs and egg products allow the Group to capitalize on favorable export prices as well as to compensate for demand fluctuations on domestic market. In 2008-2010, the Group exported eggs and egg products to 15 countries (shell eggs to 12 countries and egg products to 9 countries, being the second largest egg exporter in Ukraine (with 13.9% share of Ukrainian export in terms of volume in 2010). Management believes that the Group has a good potential for utilizing growing demand on export markets and increasing its sales of eggs and egg products at its key export destinations. Export sales accounted for approximately 9.3% (USD2,235 thousand) of its eggs segment sales and approximately 11.7% (USD1,170 thousand) of its egg products segment sales in 2010.
- ***Geographical concentration and nationwide coverage.*** The Group's production facilities are located in the central region of Ukraine. The distance of all facilities from Group's Kyiv headquarters ranges between 40 and 180 km. The geographical concentration of its production facilities enables the Group to reduce the cost of its products and enhance the economic effectiveness of its business. Cooperation with major domestic and foreign retailers and the use of their logistics and distribution centers, most of which are located in Kyiv Oblast secures the Group's access to a majority of the Ukrainian population.
- ***Modern technology for quality management.*** The Group has developed and effectively implemented unique centralized management, accounting and trading system, allowing for control and monitoring of all the business processes on a daily basis. The Group employs advanced technologies at its breeding, hatchery, production and processing facilities. The Group's production process is largely automated, which ensures and promotes consistently high-quality products in a cost-effective manner. The Group sources the equipment for its egg production facilities from both leading domestic and European suppliers, including Salmet International GmbH, Big Dutchman GmbH, Techna, Ovobel, Conrads, and Moba. Management believes that the benefits of its modern equipment and advanced technologies are directly reflected in the Group's favourable performance indicators, production costs and the superior quality of its eggs and egg products.

  To improve product quality control procedures, the Group has implemented the international food product quality and safety management standards ISO 9001:2000, ISO 9001:2008 and ISO 22000:2005 (HACCP - Hazard Analysis and Critical Control Point ("HACCP") principles, an internationally recognised approach for increasing the safety of food and other products). The high quality of its products and services allowed the Group to become the sole preferred supplier of eggs and pasteurized whole egg for McDonald's Ukraine. Following the implementation of abovementioned international food product quality and safety management standards, the Group became the supplier of eggs and egg products for such international giants as Nestle, Auchan, Metro. The Group is complying with internal audits of international clients' confirming the existing quality and safety standards.

- ***Strict biosecurity standards.*** The Group employs a broad range of biosecurity measures in order to minimise the risk of disease infection and its transmission at its egg production facilities. These measures include keeping all chickens at specially-equipped indoor facilities, strictly controlling access to the facilities, disinfecting employees and vehicles entering production areas, allocating vehicles to specific production facilities and constantly monitoring the health of chicks, chickens and the Group's employees. In line with best international practice, the Group also uses the system of single-aged growing farms, with an 'all-in/all-out' principle, so as to prevent the transmission of disease from older flocks to younger, susceptible flocks. In addition, chicks hatched at the same time are raised together as a group and kept in separate barns from birds of other ages in order to facilitate the thorough cleaning of barns when birds reach slaughter age prior to the introduction of a new group of birds.

- ***Potential for growth.*** Share of industrial production of eggs in Ukraine has been steadily growing (59.9% in 2010 vs. 49.6% in 2005). This is due to increasing industrial production of eggs and egg products while declining household egg production. On the other hand, consumer demand has been continuously growing, particularly for high quality branded eggs, in line with general economy rebound and growing real disposable income (up 11% in 9 months 2010 vs. 9 months 2009 according to the State Statistics Committee of Ukraine). Product portfolio for egg products has been expanding driven by development of food industry and growing consumption of egg products. Historically high barriers of entry for foreign players result in the absence of egg imports and there is potential to replace egg products import due to lower production costs.

  The Group already holds a leading market position and intends to capitalize on significant future market growth potential on the back of modern retail development, increasing egg products consumption and disposable income growth of the target group of its customers. Management also believes that the Group has an additional competitive advantage over potential new market participants in view of having established its national brand recognition and high loyalty of its clients. Other factors that have a positive impact on the competitiveness of the Group are high industry entry barriers due to the capital-intensive production processes. It is highly improbable that any producer would be able to achieve the comparable economic indicators using outdated and highly deteriorated equipment and low-quality flock. Export markets representing further growth potential, particularly the regions of Middle East, Africa, Japan, China, Korea and Russia to be exploited by the Group.

- ***Solid financial performance.*** Management believes that the Group has delivered a strong financial performance in recent years despite the difficult economic and financial situation in Ukraine. Net sales increased by 14.5% to USD37.0 million in 2010 as compared to USD32.3 million in 2009 due to higher prices as well as increase in sales of egg products. In 2010 the Group's EBITDA reached USD11.6 million as compared to USD5.7 million in 2009, and EBITDA margin improved to 31.2% as compared to 17.6% in 2009. Throughout the period of operation, the Group has successfully managed its growth and has secured and effectively allocated financial resources to meet the needs of its expanded and diversified business. Investment program planned for 2011-2012 is intended to support further sales growth and profitability improvement as a result of economies of scale and effect of vertical integration.

Business Strategy

The overall objective of the Group is to further strengthen its position the leading producer of high quality branded eggs and egg products in Ukraine. The Group's business strategy includes the following key elements:

- ***Development of national brands.*** The Group currently has 2 national umbrella brands: "OVOSTAR™" for egg products and "YASENSVIT™" for shell eggs, and has also developed additional 14 sub-brands. Each of them has its own history and its own loyal consumers. The Group intends to continue to focus its marketing efforts on building brand loyalty, enhancing the status of its respective umbrella brands and successfully launching new sub-brands in the market. Management believes that its trademarks are perceived as high quality and reliable.

- ***Customer segmentation with focus on growing middle class.*** The Group intends to further focus its activities on quickly emerging middle class of Ukrainian population, who are also the main target group for large retail chains. Further customer base expansion is to be achieved through segmentation of the consumers. In particular, this strategy will be employed for packed eggs. This is a niche strategy aimed at developing a stable attachment of each of the consumer segments to the Group's products. On top of that, the Group intends to strengthen further customer loyalty by creating new products which are appealing to consumers with their healthy, genuine qualities, such as, for example, nutritionally-enhanced omega-3 fatty acid-enriched eggs and others in line with shifting tastes and preferences.

- ***Strengthening position as a leader in product quality.*** Management believes that the high quality of the Group's products can strengthen the Group's position as a leader in both B2B and B2C markets. This would also allow securing long-term contracts with the biggest companies operating in the food industry of Ukraine, including multinational companies. Management believes that Private Label production for large retail chains would secure long term cooperation and access to shelves. In addition, partnership relations would also help to obtain best shelf spaces for its premium-priced branded products. The Group's supplies Private Label eggs to such large retail chains as Auchan, Billa, Furshet, Perekrestok, Velyka Kyshenia, Kray and Kontinent. The supermarket chain's rapid expansion across the country at an approximate annual growth rate of 20% and centralization of the procurement process creates additional opportunity for the Group to continue developing this sales channel.

- ***Expansion of production capacities.*** The Group's expansion strategy includes expanding the number of bird places at the existing poultry farms through further reconstruction of chicken runs and the installation of new efficient cage equipment and automated egg collecting lines. Following such reconstructions, the Group's production capacity is expected to increase from 2.1 million laying hens places as at 31 December 2010 to 3.9 million by the end of 2012. The Group also intends to gradually increase the production capacity of the Ovostar EPP from 1.2 million eggs per day as at 31 December 2010 to 2 million eggs in 2012. As a result of its expansion program, the Group expects to achieve further economies of scale, and to decrease per unit operating costs. Being among the largest domestic egg market players, the Group intends to capitalise on the market's fragmented structure by identifying attractive add-on acquisition opportunities to complement its organic growth.
- ***Continuous focus on the production process efficiency.*** The Group will continue focusing on vertical integration as a key in supporting consistent high quality of its products and ensuring reliability of supplies. For the same purpose, the Group signs contracts directly with domestic and foreign manufacturers of machinery, equipment, raw materials, veterinary products, transportation containers and consumer packs. Production capacity expansion would in turn allow realizing economies of scale. Added value is also to be achieved through the use of the sub-products of own production, such as egg shells and meal in animal feed production.
- ***Further export markets development.*** The Management plans to capitalise on favourable export prices. Foreign trade is also to be viewed as an instrument of compensation for price and demand fluctuations on domestic market. Geography of export sales is to be expanded into Middle East, Africa, Japan, China, Korea and Russia. Management believes that the Group may be more competitive in the EU market due to its lower production costs compared to EU producers. One of the two poultry farms of the Group was audited in 2010 by Ukrainian government agencies and EU inspectors for the purposes of its accreditation for selling egg products to the EU. However, Management also realises that this sales channel way not be available for Ukraine sooner than 2015.
- ***Key strategic targets.*** According to the Management, the Group's organic growth plan is to double shell eggs production, double liquid egg products production and increase dry egg products production by 2.4 times by 2013.

Key strategic targets	**2010**	**2011F**	**2012F**	**2013 Target**	**3Y CAGR**
Laying flock (year end), million	2.1	2.7	3.9	4.5	29%
Production volumes					
Shell eggs, million	546.1	697	865	1,097	26%
Liquid egg products, tons	3,447	3,800	6,800	6,800	25%
Dry egg products, tons	1,229	1,500	2,900	2,900	33%

History

The Group was formed in 2008 when the Beneficial Owners merged their egg production businesses, but each of the Group's companies had its own history prior to the merger. The milestones of the history of the Group's companies are outlined below.

1998 Mr. Veresenko launched egg and poultry business through the acquisition of a stake in Malynove in the village of Teleshivka of Rokytnianskyi region in Kyiv Oblast. Malynove specialized in breeder flock with shell egg production and trade.

1999 Mr. Bielikov set up the management company LLC "Boryspil Agro Trade" (later renamed to Ovostar Union LLC) to ensure more effective management of the structural units and better control procedures.

2000 Each of the Beneficial Owneres took the first steps towards vertically-integrated structure.

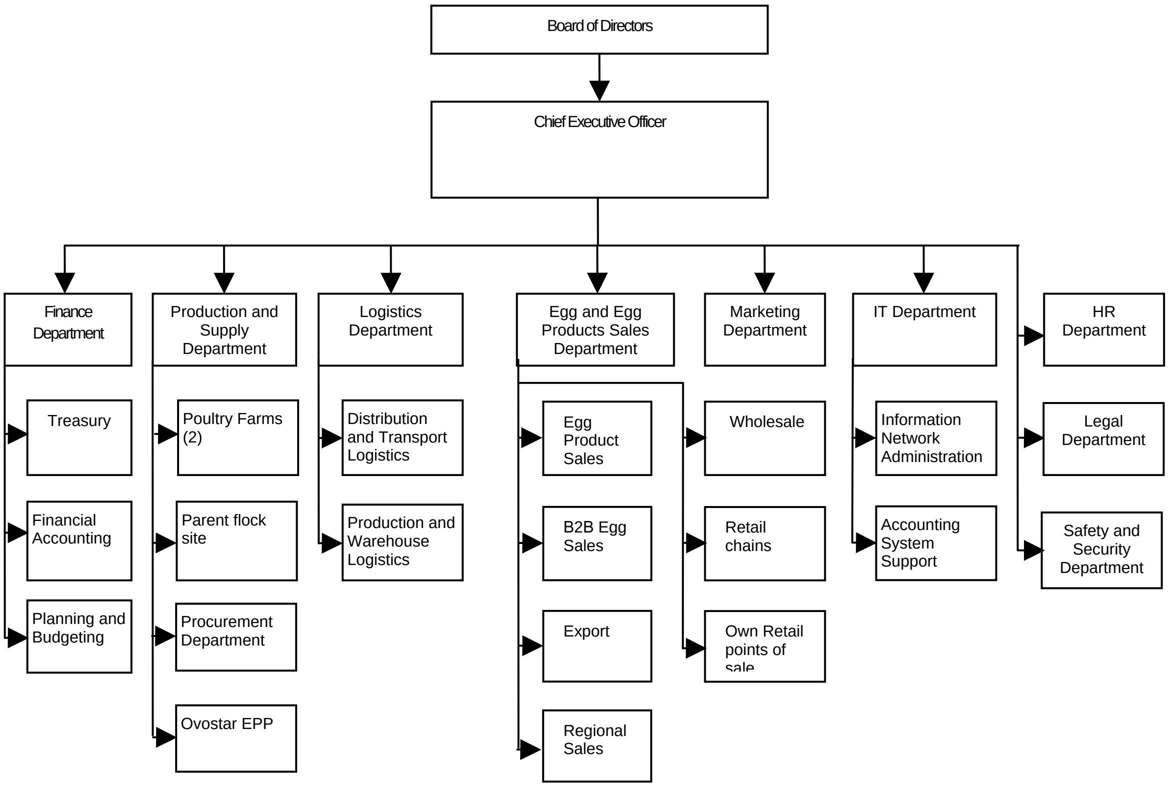
Malynove, which was under control of Mr. Veresenko, acquired LLC "Zhashkivskyi Inter-farm Fodder Plant" in the village of Skybyn in Zhashkivskyi region of Cherkasy Oblast (which was then reorganized into Skybynskyy in 2001).

	Mr. Bielikov acquired Poultry Farm Ukraine, one of Ukraine's largest farms for laying hens located in Vasylkivskyi region of Kyiv Oblast and a farm for growing young laying hens in the village of Saltanivka, Kyiv Oblast. Poultry Farm Ukraine established Krushynskyy, a trading company, to ensure effective sales of the entire range of the products to large retail chains, which were identified as a strategically important target.
2001	Mr. Bielikov launched the national trademark for shell eggs – "YASENSVIT™" in order to implement the quality leadership strategy. The YASENSVIT-branded products were the first products sold in Ukraine as packaged products in individual consumer packaging.
	In order to boost production capacities and further implement the vertical integration and geographical concentration strategy, Malynove (controlled by Mr. Veresenko) acquired hatchery in the town of Kaharlyk in Kaharlyk region of Kyiv Oblast and the assets of a farm for laying hens in the town of Stavyshche in Stavyshche region of Kyiv Oblast.
2002	Mr. Bielikov established Ovostar LLC and set up the Ovostar EPP at the facilities of Poultry Farm Ukraine.
2003	In order to achieve 100% self-sufficiency in hatching eggs, day-old hens and young flock, Mr.Veresenko established LLC "Zolote Kurcha" (later renamed to Yasensvit) to keep its own breeder flock, produce hatching eggs and young laying hens.
2004	In order to boost replacement breeder flock capacities, Yasensvit purchased a breeding farm in the village of Nahirna in Zhashkivskyi region of Cherkasy Oblast, which is located in immediate proximity to a fodder mill and thus allowed the minimization of logistics costs.
2005	Ovostar LLC (controlled by Mr. Bielikov) registered the first national trademark for egg products – "Ovostar™"
2006	Ovostar LLC (controlled by Mr. Bielikov) completed overall reconstruction and modernization process at the Ovostar EPP and launched pioneering production of first Ukrainian separated and pasteurized egg products in both dry and liquid form under "Ovostar™".
2008	The Beneficial Owners merged their companies into one group under a local holding in order to create a market-leading vertically integrated producer in egg industry, thus forming the Group.
	In August 2008, the companies which now form party of the Group became a member of the International Egg Commission - the Global Network for the egg industry with members in over 55 countries around the world – and regularly participates in the semi-annual international conferences.
2009	The Beneficial Owners intensified internal integration processes at the companies of the Group to form a single management, reporting and trading system.
	The Group's second own fodder mill was launched in the village of Krushynka to provide for the increasing animal feed demand of the poultry kept at Poultry Farm Ukraine. The fact that the mill was located within the area of the second poultry farm resulted in better geographical concentration and more efficient logistics.
2010-2011	Teleshivka poultry farm (which was one of Malynove's production sites) was sold as the Group's remotest facility and an inefficient depreciated asset. Ovostar Union LLC was transferred into direct ownership of the Beneficial Owners, and it acquired corporate rights and shares of other Ukrainian subsidiaries of the Group, thus becoming the Ukrainian sub-holding company.
	In order to increase the capitalization of the national umbrella "Yasensvit" trademark and improve the brand awareness among B2B customers, LLC "Zolote Kurcha" was renamed to Yasensvit, while the management company LLC "Boryspil Agro Trade" was renamed to Ovostar Union LLC.
	The Issuer was incorporated on 22 March 2011 under the laws of The Netherlands, to serve as the ultimate holding company of the Group. The Issuer acquired 99.8 % of the shares in Ovostar Union LLC. This finalized the internal integration processes and the formation of the corporate structure of the Group.
	Further pursuing vertical integration strategy, the Group started construction of sunflower seed processing plant to produce sunflower oil, high-quality sunflower meal with considerable oil residues and fuel briquettes made of sunflower seed peels.
	In March 2011 the Group finished installation of the egg shell processing unit at the Ovostar EPP, which produces egg shell powder for the Group's animal feed. This enables further implementation of the vertical integration strategy and completes the Group's waste-free production cycle.

Organizational Structure

The Group has established an operational control corporate governance system that ensures efficient operation of all services and enables control over manufacturing costs, improve the quality of output as well as to plan the Group's activities and exercise control over the accomplishment of operating and strategic objectives.

Organizatioal structure of the Group is outlined on the below chart.



Products

The Group produces high quality eggs and egg products accounting for about 65% and 27%, respectively, of the revenues in 2010. Besides, the Group sells young laying hens, meat and mature laying hens at the end of its production cycle. The Group also produces animal feed, which it used to sell to third parties, but currently all of the produced animal feed is consumed internally.

The following table provides detailed information about the Group's revenues by the key products.

	2008		2009		2010	
	Amount (USD), thousand	**Percentage of Total Revenues, %**	**Amount (USD), thousand**	**Percentage of Total Revenues, %**	**Amount (USD), thousand**	**Percentage of Total Revenues, %**
Shell eggs	24,960	68%	20,102	62%	24,161	65%
Poultry and other	991	3%	1258	4%	2,838	8%
Dry egg products	8,759	24%	8,800	27%	4,916	13%
Liquid egg products	1,994	5%	2,185	7%	5,118	14%
Total	**36,703**	**100%**	**32,345**	**100%**	**37,033**	**100%**

Shell Eggs

The Group produces edible chicken shell eggs. The shell eggs produced by the Group meet the requirements of the effective Ukrainian State Standard (DSTU 5028:2008 "Edible Chicken Eggs. Technical Specifications" and international sanitary and epidemiological requirements and standards. The production of shell eggs is certified under the quality and safety system (ISO 9001:2000) and HACCP (ISO 22000:2005), which guarantees high product quality.

Before being packed, each egg is marked with an eco-friendly and safe paint authorized by the Ministry of Health of Ukraine, which allows to track every aingle produced egg in producuction process. Quality and veterinary certificates are issued for each consignment of the products.

Due to varying consumer preferences both on domestic and foreign markets, the Group produces white and brown shell eggs. In accordance with Ukrainian laws, edible shell eggs are divided into dietary eggs, table eggs, cooled eggs and eggs for industrial processing, depending on their shelf life and quality. Fresh shell eggs with a shelf life of no more than 7 days (excluding the date of production) are classified as dietary eggs if stored at a temperature not higher than +20°C and not lower than 0°C. Table eggs have a shelf life of 25 days (excluding the date of production) if stored at similar temperature, or 33 days if stored at a temperature of 0°C to +5°C. Cooled eggs have a shelf life of 90 days if stored at a temperature of - 2°C to 0°C and are used solely for processing.

The Group sells table and dietary edible shell eggs. Depending on their weight, dietary and table eggs are divided into 5 categories: premium, supreme, first, second and small.

Shell eggs by category

Category	1 egg weight, no less than, grams	10 eggs' weight, no les than, grams	360 eggs' weight, no less than, kilograms
XL	73 and more	735	26.5
L	63 to 72.9	640	23
M	53 to 62.9	540	19.4
S	45 to 52.9	460	16.6
Small	35 to 44.9	360	13

Egg size is to a large extent genetically determined, but the size will also depend upon the body weight of the laying hen at maturity, maturity level, and nutritional factors. The Group strictly controls nutrient consumption and does not use animal protein (meat and bone meal tankage, etc.) in animal feed formula, using exclusively vegetable protein. This allowed the Group to obtain Kosher and Halal Certificates and expand the client base both in domestic and foreign markets, particularly considering the dynamically developing markets of Asia and the Middle East. The Group obtained a Kosher Certificate in April 2011.

Considering the fact the shell eggs are perishable products, the Group have established a diversified sales channels and does not hold shell egg in its inventories more than 3-4 days ofollowing the production.

The range of shell eggs offered by the Group is currently represented by 35 products clearly divided into different price segments:

- The products of the *Premium segment* (value added eggs in labeled cardboard packaging Imagic produced by German-based company Hartmann) are represented by two product items: Molodylni (Rejuvenating) (M, 6 eggs), Molodylni (Rejuvenating) (M, 10 eggs), Molodylni (Rejuvenating) (L, 10 eggs), Moye Sonechko (My Sunny) (M, 6 eggs), XXL (XL, 6 eggs), Super (L, 10 eggs), Rankovi (Morning Eggs) (M, 10 eggs), Rankovi (Morning Eggs) (L, 10 eggs), and Bio Yaytsia (Bio Eggs) (M, 20 eggs). "Moye Sonechko" eggs are iodated and have increased content of vitamins. The product was approved and recommended by the Ministry of Health of Ukraine.
- The products of the *Standard segment* (edible table chicken eggs in labeled cardboard and plastic packaging) are represented by the following product items: Teleshovskiye (M, 10 eggs), Zolote Yayechko (Golden Egg) (M, 10 eggs), Svizhi Yaitsya (Fresh Eggs) (M, 10 eggs), Spravzhni Veletni (Real Giants) (XXL, 10 eggs), Vidbirni Barvysti (L, 10 eggs), Dlya Vashoyi Rodyny (For Your Family) (M, 15 eggs), and Svizhi Yaitsya (Fresh Eggs) (M, 18 eggs).
- The products of the *Economy segment* (edible table eggs in foiled and cardboard packaging directly sealed) are represented by the following product items: Ukraina (Ukraine) (M, 10 eggs), Ukraina (S, 10 eggs), Selianski (Country Eggs) (M, 10 eggs), Selianski (Country Eggs) (M, 20 eggs), Fermerski (Farm Eggs) (M, 10 eggs), Ukraina (M, 30 eggs) and Ukraina (S, 30 eggs).

In 2010, top products of the Group by contribution to the Group's domestic eggs sales were Ukraina (Ukraine™), Svizhi Yaitsya (Fresh Eggs - Yasensvit ™), and Zolote Yayechko (Golden Egg - Yasensvit ™), contributing 8.3%, 5.6% and 2.2%, respectively, of total Group's domestic eggs sales.

Shell eggs by contribution to Group's domestic sales

	Gross margin	Contribution to Group's shell eggs sales
Ukraina (Ukraine™)	24%	8.3%
Svizhi Yaitsya (Fresh Eggs - Yasensvit ™)	24%	5.6%
Zolote Yaechko (Golden Egg - Yasensvit ™)	26%	2.2%

The Group's top products by gross margin were Molodylni (Rejuvenating - Yasensvit ™), Rankovi (Morning Eggs - Yasensvit ™) and Super (Yasensvit ™), with gross margin of 34%, 34%, and 38%, respectively in 2010.

Shell eggs by gross margin

	Gross margin	Contribution to Group's shell eggs sales
Super	38%	0.8%
Rankovi (Morning Eggs)	34%	1.7%
Molodylni (Rejuvenating)	34%	2.4%

Share of branded eggs in total Group's egg sales accounted for 85% by value in 2010, compared to 64% in 2009, as outlined in the following table.

Branded vs unbranded egg sales

	2008		2009		2010	
	Amount (USD), thousand	Percentage of total Group's egg sales, %	Amount (USD), thousand	Percentage of total Group's egg sales, %	Amount (USD), thousand	Percentage of total Group's egg sales, %
Branded eggs	16,058	64%	12,800	64%	20,550	85%
Unbranded eggs	8,902	36%	7,302	36%	3,611	15%
Total	**24,960**	**100%**	**20,102**	**100%**	**24,161**	**100%**

After retail chains had started selling chicken eggs under Private Label, the Group became the first partner of choice to domestic and foreign retailers. According to UPFU, the Group holds 83% of supermarket private label eggs volume in Ukraine. This index shows highly efficient partner relations with retail chains valuing chicken eggs as a key traffic generating product. The compliance of the products of the Group with strict requirements of the domestic and international retail networks underlines high quality standards.

Shell Eggs Product development

Management believes that constant innovation and introduction of new types of products is vital for the development of the Group. The Group was the first to offer eggs in individual packages to Ukrainian consumers (2001) and pioneered the production of value added eggs (such as iodated in 2007 and organic eggs in 2011).

Following the strategy of product differentiation, the Group has been introducing a series of new value-added products, which are fundamentally distinguished from competitors' offering. The eggs sold under the "Rejuvenating" and "Super" trademarks enriched with vitamins and microelements and are on the market since 2003 and 2005, respectively. These products target consumer groups that are willing to eat healthy food and be confident in the product quality. The superior design that emphasizes the feeling of belonging to the premium segment also influences the decision to purchase. Both product lines are highly appreciated by the customers and are now one of the fundamental premium-class products in the Group's product portfolio. With increasing disposable income levels and urbanisation trends, the share of premium segment products have increased and is expected to follow this trend in the future.

In spring 2007 the Group introduced three premium product lines with niche positioning. "Moye Sonechko" being specially designed as baby food, "XXL" positioned specifically for men and "Ideal Balans" being intended for females looking for diet food. All three product lines have a distinctive labeling and motivational text appeal inside the packaging to promote, respectively, the care for their children, active and healthy lifestyle.

In 2010 the Group introduced two product lines in mid-price segment: “Selyanski”, which are rapidly gaining popularity among consumers appealing to the perceived purity of the rural eggs and “Fermerski” intended for sale outside Kyiv Oblast. Both products are sold in cost-efficient plastic packaging.

In April 2011 the Group has introduced a new product "Bio Yaytsia” being the only organic product in the category of chicken eggs on the Ukrainian market. Based on the preliminary feedback received from consumers, Management believes that the product will be a successful addition to the Group’s premium segment product range.

Egg Products

The condition of the Group’s equipment and flexible technological processes enable to separate egg into yolk and white and produce pasteurized egg products in dry, liquid and frozen forms.The egg product portfolio of the Group, being the most fully diversified in the domestic market, is represented by the following products:

- Egg powder (State Standard 30363-96)
- Dry pasteurized egg yolk (State Standard 30363-96)
- Dry fermented thermostable egg yolk (Technical Specification of Ukraine (TU U) 15.8-32086437-001:2007)
- Desugarized dry egg albumen (State Standard 30363-96)
- Liquid pasteurized (cooled/frozen) whole egg (TU U 15.8-32086437-002:2007/State Standard 30363-96)
- Liquid pasteurized (cooled/frozen) egg yolk (TU U 15.8-32086437-002:2007/State Standard 30363-96)
- Fermented thermostable (cooled/frozen) egg yolk (TU U 15.8-32086437-001:2007/State Standard 30363-96)
- Liquid pasteurized (cooled/frozen) egg albumen (TU U 15.8-32086437-001:2007/State Standard 30363-96)
- Treated shell eggs (TU U 01.2-32086437-003:2007)

The following table outlines the Group’s Ukrainian market share in each of the product segment as well as average farm gate prices as at 31 March 2011.

	Price per kg at farm gate (USD), March 2011	**Group’s market share by value in Ukraine, 2010, %**
Egg powder	3.95	60%
Dry pasteurized egg yolk	5.41	80%
Dry fermented thermostable egg yolk	5.92	80%
Desugarized dry egg albumen	8.48	11%
Liquid pasteurized (cooled/frozen) whole egg	1.55	90%
Liquid pasteurized (cooled/frozen) egg yolk	3.68	100%
Liquid pasteurized (cooled/frozen) egg albumen	1.09	100%

Dry egg products can be stored in dry and well ventilated premises at a 75% maximum humidity level at a temperature of no more than +20°C for no longer than 6 months and at a temperature of no more than +2°C for no longer than 2 years. Liquid egg products can be stored in a clean and well ventilated cooling or freezing chamber at a temperature of 0 – +4°C for no longer than 21 days and in a frozen state – at a temperature of -6°C for no longer than 6 months, at a temperature of -12°C for no longer than 10 months, and at a temperature of -18°C for no longer than 15 months.

Dry egg products are packed into 20 kg three-layer craft bags and boxes for export, at the customer’s choice, with polyethylene in-liners. Liquid egg products are packed into aseptic bags SCHOLLE PACKAGING, Smurfit Kappa Group. The raw materials for liquid pasteurized albumen are fresh whole eggs, without any additives and preservative agents. The main advantage of such product is the preservation of native features of a natural egg since albumen is subjected to mechanical and thermal treatment to a lesser extent. For this reason, liquid albumen preserves better taste and foam-producing qualities, compared to dry albumen, and ensures maximum whipping and foam-holding capacity. This product also ensures maximum safety since its pasteurization process guarantees the absence of pathogenic organisms. The product is largely consumed by the confectionery and fish industries.

In addition, the Halal and Kosher Certificates for the whole range of Group's egg products enables the Group to expand its client base within Ukraine and to more efficiently transport these products to the Middle Eastern countries.

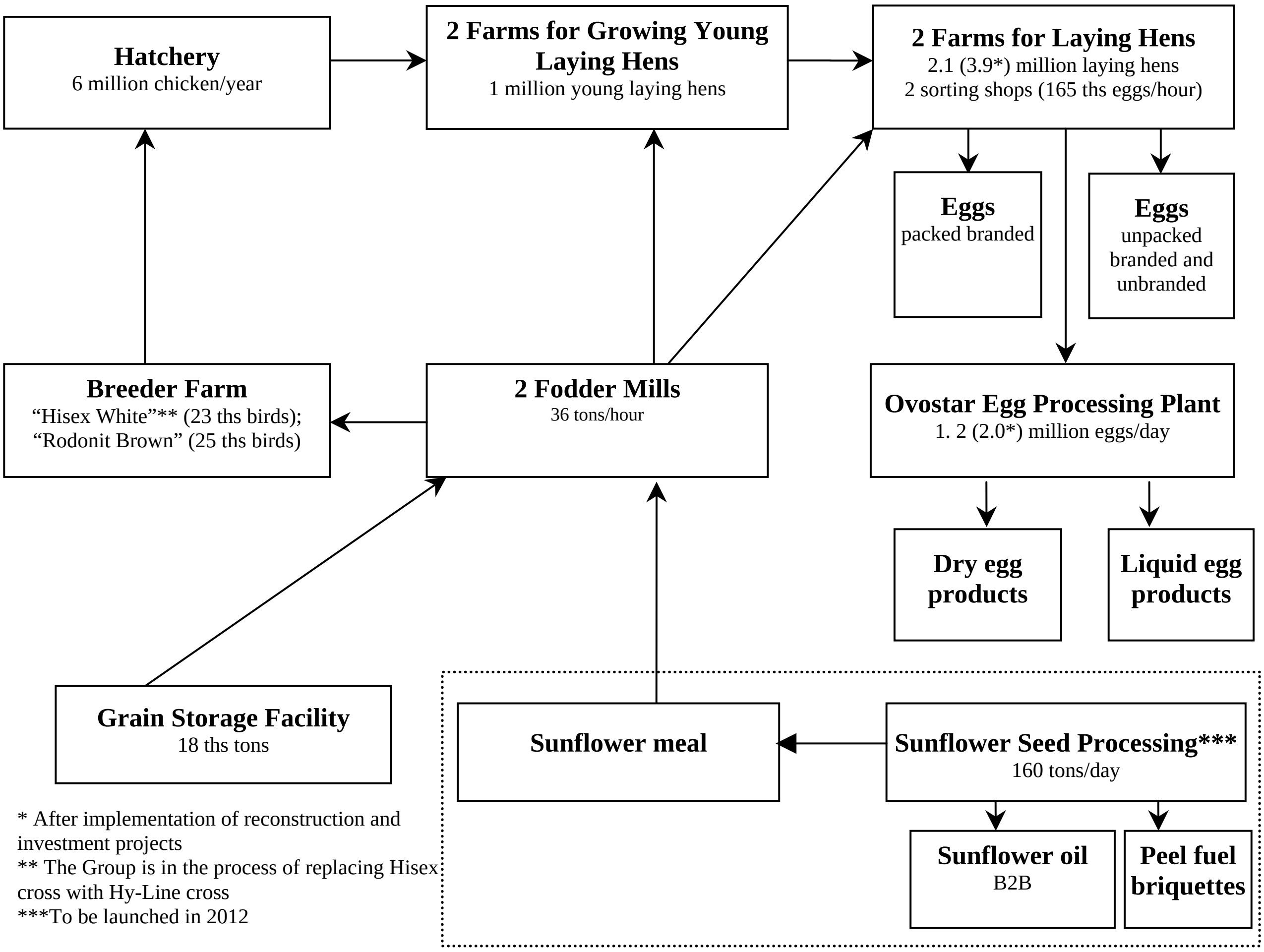
Egg Products development

The range of egg products produced by the Group has been actively expanding. In 2008 Ovostar EPP started production of thermostable yolk. In 2009 the product range was expanded to include albumen i.e. sugar-free egg white.

Existing capacities allow the Group to produce sugared or salted egg products per client's specifications. However, such products are not currently demanded by domestic clients. Additionally, Management is considering launching production of liquid whole egg in TetraPack packaging for retail trade, which would require some additional investment in packaging machinery.

Overview of Operations

The Group's business model (as outlined on a chart below) represents a vertically-integrated production processes. This business model allows to be independent from third party suppliers, have better quality control of eggs and egg products at all stages of production as well as reduced prices volatility eficient internal logistics is achieved through geographical concentration of the interconnected facilities.



Shell Eggs Production and Egg-Related Operations

The Group's shell egg production facilities are comprised of the following:

- one breeder farm: second-order reproducer, which fully satisfies the Group's needs in hatching eggs, taking into consideration the future expansion (total capacity of 58,000 bird places);
- one hatchery fully satisfying the Group's needs in one-day young laying hen (total processing capacity of 6 million chickens per year);
- 2 farms for growing young laying hens (total capacity of 1 million young hen places);
- 2 farms for laying hens (2.1 million bird places; 165,000 eggs per hour egg sorting facilities);

- 2 fodder mills producing animal feed located in close proximity to poultry farms, which enables the Group to minimize animal feed delivery costs and guarantees control over animal feed freshness, quality and supply (total capacity of 36,000 tons per hour);
- 1 grain storage facility (storage capacity of 18,000 tons).

As part of its vertical integration strategy, the Group to a large extent is self-sufficient in terms of core production materials. In 2010, the Group independently produced all 100% of hatching eggs for its in-house needs and 100% of animal feed required for its poultry. All ingredients for the production of animal feed are purchased from third parties. See " – *Raw Materials and Suppliers – Animal Feed Ingridiends*". By launching sunflower seed processing plant in 2012, the Group will internally produce meal as one of the key components of animal feed (constituting approximately 15-20% of animal feed). See *" – Overview of Operations – Sunflower Seed Processing"*.

The Group purchases modern cage equipment form leading global manufacturers such as Salmet International GmbH, Big Dutchman GmbH, as well as cooperates with leading domestic producers such as Techna. The Group purchased Moba and Staalkat machines to equip its egg collecting, sorting and packing lines. The Group was the first Ukrainian company to install automated packing lines in 2002.

The Group strives to maintain modernization of its production facilities on an ongiong basis. The equipment of all poultry farms owned by the Group has been undergone upgrades for the last 10 years in accordance with its general reconstruction and business development plan. 90% of laying hens farms equipment used by the Group was installed between 2002 and 2010. The equipment for breeder farm was installed between 2005 and 2008.

The Group's investments into eggs production accounted for USD2.1 million (5.7% of net sales) in 2010, USD1.2 million (3.7% of net sales) in 2009, and USD3.9 million (10.6% of net sales) in 2008.

The table below outlines the dynamics of the Group's shell eggs production volume.

Production of Shell Eggs for 2008-2010

	2008	**2009**	**2010**
Volume, million eggs	527.5	540.1	546.1
Increase in comparison with the previous year, %	6.8%	2.5%	1.1%

Flock

The Group maintains two types of flock, laying flock, which is required for the commercial production of shell eggs, and breeder (parent) flock, which provides a source of pullets for laying flock replacement (breeder flock lays hatching eggs from which laying flock is hatched). In line with different consumer preferences, white and brown shell eggs are produced by the Group in equal proportion. The Group currently acquires all of its brdder flock from Hy-Line W-36 and Hy-Line Brown breeds produced by Hy-Line International. The Group is in the process of replacing its laying flock from Hy-sex white egg cross to Hy-Line white egg breed, which is expected to be completed by April 2012.

The Group used to purchase breeder flocks of other breeds, but it is currently purchasing solely Hy-Line W-36 and Hy-Line Brown breeds in order to to unify all vaccination, poultry keeping and feeding processes at its farms. Any remaining birds from other breeds are approaching the end of their production cycle. Having one supplier of genetic material and a closed system of internal interaction and exercising systematic control, the Group efficiently handles a biosafety issue.

The structure of the Group's laying flock is outlined in the table below:

	31 December 2007	**31 December 2008**	**31 December 2009**	**31 December 2010**
Lohman	1,400	258	46	-
Hy-Line	48	293	166	123
Hisex	1,032	1,117	1,279	1,273
Rodonit (brown)	256	124	1,053	1,009
Dekalb (white)	-	102	-	-
Iza (brown)	38	74	-	-
Total flock	**2,774**	**1,968**	**2,545**	**2,405**

Flock Management

The demand for shell eggs is highly seasonal and reaches its peak in spring. This affects egg production dynamics requiring the producers to plan in advance the process of young hen rearing and egg laying.

The management realizes that effective flock management is a key in sustaining high standards of egg production rates, egg size, egg quality and average flock viability.

For the maintenance of all of its breeder flock, young flock and productive laying hens, the Group uses a specialized cages and automated systems to maintain optimal conditions with respect to microclimate, light, temperature and air circulation, as well as the supply of food and water at regular intervals. All poultry premises are equipped with the necessary control and management equipment. A microclimate and light regime is managed automatically. Poultry feeding is performed in accordance with the program set by system operators according to a specific technological requirements. Central control station is equipped with the alarm system in case if any deviations from set parameters in the indoor facilities.

The Group's premises are connected to the first-category power lines (ensuring standby power supply in case of emergency power cut-off). In emergency cases, the Group is connected to independent power sources available at each of the Group's premises. In addition, an external independent microclimate control system is used by the Group, enabling to control the automatic equipment.

The Group uses ventilation system to provide the optimum micro-climate. It is important to provide each bird with an adequate supply of oxygen and to remove carbon dioxide produced by the birds and dust particles that have become aerosolised. Controlled ventilation ensures good health of birds and consequently the quality of eggs.

The Group closely monitors lighting programmes at its farms for its flock as the flock's exposure to light is in direct correlation with the egg production. In order to minimize energy consumption, the Group uses modern techniques for day length arrangement for various poultry breeds and advanced energy-saving technologies.

The Group operates a system of programs and diets for all poultry categories, which proved to be effective and constitute the Group's technological experience. The Group's breeder flock feeding program is intended to obtain a final quality hybrid in the end. The breeder flock diets are somewhat more expensive compared to other poultry. Besides, a stable quality of this category of feed is guaranteed by a special organizational and technical feed production regime.

The laying hen diet is developed to ensure correct nutrition throughout a bird's production cycle in order to match performance demands and control egg size. The feed consumption rate is usually governed by several factors, including body weight and age, rate of egg production, egg weight, effective ambient temperature, feed texture, dietary nutrient imbalance and dietary energy content.

The Group strives to ensure that its animal feed contains adequate amounts of calcium, phosphorus, trace minerals, vitamins and other elements, each of which is essential to egg quality. For this purpose, the Group independently purchases all basic vitamins and trace minerals in Europe, under long-term contracts, from official representatives of well-known producers, such as DSM Nutritional Products SP. The purchase of grain and other components in the domestic market is controlled by the Group's own laboratories at the initial stage.

Key Performance Benchmarks

The Group exercises comprehensive on-going control over all indicators for compliance with the benchmarks specified in the Hy-Line International and Hisex process flowcharts and instructions. Internally developed add-ons to the integrated accounting system now allows keeping track of the plan/actual ratio of the key benchmarks. The daily, weekly, monthly, quarterly, semiannual, annual and ad-hoc reports are produced. In combination with the planning system it allows to monitor current situation and undertake relevant management measures on a timely basis.

The following are the key indicators used by the Management to monitor the segment's performance:

- productivity of final hybrid flock
- livestock survival rate
- feed conversion rate
- egg marketability.

Productivity is an essential indicator subject to the daily monitoring and comparison to the planned benchmark. The availability of the daily information about the productivity and its monitoring makes it possible to draw proper conclusions as to the condition of pullets and any required corrective actions. Poultry productiveness directly depends on the feeding quality and sufficiency. It is the key metrics of daily productivity monitoring and the poultry bodyweight is controlled on a weekly basis. The weight below target bodyweight may result in the loss of productivity if no corrective feeding schedule or ration measures are applied.

The survival rate is one of the key performance indicators and is used to monitor the overall efficiency of the whole flock. Daily information about the survival rate is both a valuable source of data on the physical condition of the poultry and an indirect assessment of the operation of all life support systems. The survival rate should be monitored daily by the veterinary department of the Group. This shows the good immunity of chicks, which has been formed from the first day of their lives due to vaccination and proper rearing.

The feed conversion rate is the most effective way to measure the efficiency of production. This ratio shows the volume of the feed (in kilograms) consumed to produce ten eggs. The feed conversion rate may be also stated in money terms of the feed consumed to produce a dozen eggs. The feed conversion rate is monitored on a weekly basis and it directly depends on the type of breed, proper rearing of young hens, quality of feeding, maintenance microclimate and the biological resistance of hens.

Egg marketability ratio is calculated monthly as the percentage of total laid eggs which can be passed into distribution channel after all collection operations and premarket preparations subject to compliance with the target quality norms. Egg marketability is the comprehensive assessment of the work performed by the Group's product engineers and the equipment operation quality at all breeding stages.

Production of Hatching Eggs

Breeder flocks are capable of egg production at approximately 19 weeks, although eggs for hatching are sourced only from approximately 24-25 weeks onwards. From 23-24 weeks the hatching eggs are checked for fertilization. The obtained results give the ground to decide on the placing of the first sitting in the hatchery and draw up the long-term plan of sittings.

Key benchmarks used to control all birds will be added with a daily egg-laying rate and a hatching rate. Before eggs are moved to the hatcheries, they are sorted for their fitness for incubation. The hatching egg output is about 96%.

Hatching eggs produced by breeder flocks are moved to the hatcheries. The key production processes at the hatcheries include placement of the hatching eggs into a fully automated hatchery which maintains the necessary temperature, humidity and air circulation regime; monitoring and maintainance of the hatching process for 18 days, after which the chicks hatch from hatching eggs at the hatchery for a duration of approximately three days; and finally sorting out the chicks to separate from cockerels. The final process at the hatcheries includes vaccination of the newly hatched pullets before they are moved to the barns intended for growing young laying hens.

The Group's hatcheries operate as closed facilities having certificates from the state veterinary authorities. As of the end of 2010, the hatcheries had an aggregate annual capacity (assuming a 76-84% hatch rate) of approximately 3.5 million one-day-old pullets.

Growing of Young Laying Hens

One-day-old pullets from the hatcheries are transferred to the farms for growing young laying hens. Continuous microclimate monitoring is conducted while transferring young hens. When the pullets are placed in the farm for growing young laying hens, the temperature inside should be approximately 32-34 degrees at minimal air movement. On of the most important tasks of the personnel is creation of conditions which woulld facilitate the pullets to start consuming the animal feed and water.

The daily activities provide for monitoring of the bodyweight dynamics. At approximately 13-14 weeks, chicks are transferred to the Group's farms for mature laying hens. Young laying hens are vaccinated in accordance with approved vaccination schemes. The quality of young bird rearing is estimated by such indicators as the survival rate during the rearing phase and uniformity of the flock at the date of transfer.

As at 31 December 2010, the Group's farms for growing young laying hens had an indicative capacity for the simultaneous maintenance of 1 million young laying hens.

Laying of Shell Eggs

The Hy-Line W-36 and Hy-Line Brown laying hens have an estimated productivity of approximately 336-352 and approximately 348-358 shell eggs, respectively, per production cycle of approximately 80 weeks. During the production process, the Group continuously monitors, amongst other things, the feeding, egg-laying capacity, bodyweight and survival rate of its laying hens.

Cages are designed to allow eggs to roll out to a special holding area by means of a slatted wire floor. Eggs are then collected automatically. Sorted and placed into special grading and packaging facilities either manually or mechanically. The increased use of automated facilities has generated significant cost savings as well as a higher percentage of higher-grade eggs.

At each of the Group's farms for laying hens, shell eggs are sorted by category, marked, packed into 360-egg carton boxes sourced from local suppliers and sent to storage facilities, all in accordance with the state standards, and veterinary and sanitary-epidemiological norms. All shell eggs are issued with quality and veterinary certificates.

Each farm for laying hens is equipped with a short-term storage facility where shell eggs are kept. The eggs are stored not longer than 25 days until they reach the customers (in practice, shell eggs tend to reach the customers much earlier). As shell eggs are perishable, inventories rarely exceed approximately 3-4 days of production. One of the Group’s strengths is the availability of the egg processing facilities with the capacity of 4 million eggs per week. Proper planning ensures sales of only fresh products of high quality.

As at 31 December 2010, the Group had 2.1 million laying hens. In order to meet the expected growth in demand, in March 2011 the Group began the re-construction of 6 laying hens houses of the egg production complex located on the territory of Poultry Farm Ukraine. Management plans to finish the reconstruction by the end of 2012. Upon completion, each of the reconstructed laying hens houses will be fully automated with the capacity for the simultaneous maintenance of over 300 thousand hens, and the Group’s laying hens flock is expected to grow by to 1.825 million heads. Shell eggs will be automatically transferred via a conveyor to the Ovostar EPP or the sorting facility. As a result of this reconstruction program, the Group expects to achieve a 25% annual increase in physical indicators of egg production for 2011 and 2012 in comparison to 2010 and sufficiently decrease its operating costs per dozen eggs produced, which is planned to strengthen the Group’s presence on the domestic market.

Post Production Cycle

At the end of the production cycle when the breeder flock and laying flock are approximately 65 and 80 weeks old, respectively, they are either sold to third parties on a wholesale basis, for further processing, or slaughtered at the Group’s facilities, which contain fully automated slaughtering and processing facilities. The slaughterhouse waste is disposed of in accordance with Ukrainian law.

Production of Egg Products

The Group operates one of the most modern dry and liquid egg production facilities, the Ovostar EPP, located in Kyiv Oblast in direct proximity to one of the poultry farms. Such an arrangement enables the minimization of logistics costs and ensures the fastest possible transfer of an egg produced by a laying hen to the processing facilities. Therefore, the highest possible quality and safety of the finished egg products can be guaranteed. Eggs can be processed as soon as 1.5 hours after they are laid, a particularly important factor for liquid egg products.

Moreover, the enhanced vertical integration allows the Group to control the quality at various stages of production, including grain quality, production of animal feed, hatching, growing and rearing of laying hens and, certainly, the quality and freshness of the eggs themselves.

The Ovostar EPP’s production capacity is about 1.2 million eggs per day. Management belives that the Ovostar EPP is one of the most technologically advanced egg processing facilities in the CIS. The almost threefold production increase is largely justified by the high profitability of egg products and the continuously growing target market. The qualitative and quantitative development of companies operating in the oil-and-fat, confectionery, fish, bakery industries, producers of frozen and semi-finished products, and the HoReCa sector in Ukraine is an additional incentive for the Group to raise its egg processing capacity rates.

Currently, the Ovostar EPP produces the widest range of products in Ukraine, including both dry and liquid egg products. One of the upcoming trends and the most profitable business areas of the Group is the production of high-quality egg products. The modern equipment of the Ovostar EPP and its flexible technological processes allow for the separation of eggs into yolk and albumen, and the manufacturing of dried, liquid, and frozen egg products. Due to the application of advanced technologies, upon processing, the egg products fully preserve their contained caloric value and nutrient materials.

In March 2011 the Group finished installation of the egg shell processing unit at the Ovostar EPP, which produces egg shell powder for the Group’s animal feed. This enables further implementation of the vertical integration strategy and completes the Group’s waste-free production cycle. The availability of such facilities enable the Group’s expansion of the product portfolio, receipt of additional profit, also allow avoiding contamination of the environment with the Group’s production wastes.

The Group plans to start reconstruction of the Ovostar EPP in fourth quarter of 2011 by installation of pasterisation and egg breaking equipment. Upon completion of this reconstruction, which is scheduled to complete in first quarter of 2012, the production capacity of the Ovostar EPP will increase up to 2 million eggs per day.

The table below outlines the Group’s *dynamics of egg products production volume*.

Production of Egg Products for 2008-2010	**2008**	**2009**	**2010**
Volume, tons	**3,177**	**3,497**	**4,706**
Increase in comparison with the previous year, %	**39.3%**	**10.1%**	**34.6%**

Egg Products Production Process at the Group

The Group has invested heavily into the Ovostar EPP. The Group’s investments into the Ovostar EPP accounted for USD0.1 million (0.3% of net sales) in 2010, USD0.3 million (0.9% of net sales) in 2009, and USD2.5 million (6.8% of net sales) in 2008.

The Ovostar EPP is equipped with the following modern equipment: Ovobel (Belgium) equipment, which includes a pasteurizer and a fermentation machinery; Coenraadts machinenfabriek BV (Holland) equipment, which includes breaking machines, centrifuge, filtering units; FES International (USA) equipment, which includes spray drying units; Machine fabric Van Meurs b.v. (Holland) - filling machine; KUHL CORP (USA) – egg-washing machines. The technologically advanced equipment allows for production of egg products of sustained quality and varied range.

The technological process at the Ovostar EPP includes sanitary treatment of shell eggs, breaking, separation, pasteurization, fermentation, drying, treatment of the liquid egg products and packaging of dry products as well as drying of egg shells. Majority of the technological processes are carried out through closed pipelines and reservoirs.

The Ovostar EPP’s breaking facility is equipped with egg-breaking machines which may be operated at a capacity of up 61 thousand eggs per hour. The products are pasteurized at a temperature of 58-67°C with further cooling of up to 4-6°C. The pasteurization process tasks include ensuring the biological security of the product, removal of pathogenic micro flora, extension of the egg products’ shelf life and preservation of their natural properties.

Fermented yolk products may have enhanced gelling qualities and thermal stability which allow to obtain stable emulsion under high-temperature conditions with prolonged shelf life. Sugar extraction facilities allows for production of the dried protein (albumen). The fermentation process helps extract glucose from the whites and prolongs their shelf life, so that albumen attains perfect palatability traits and sensory qualities. Upon pasteurization, the product is moved to spray drying units which can be operated with the capacity of about 13.2 tons per day. Due to their highly dispersed structure, dry egg products have good soluble and reducing abilities.

To avoid loss of albumen qualities, the whites are not be pasteurized at temperature similar to those maintained at egg powder production. It is the key reason why the pasteurization process is substituted by ‘aging’ in ‘hot rooms’ (high temperature regulators). Depending on the temperature regimes and humidity levels maintained when the whites are treated in temperature regulators, the albumen may have enhanced gelling or whipping qualities.

With the aid of Ultra Clean equipment designed for spraying liquid egg products, the products may be filled in aseptic packages by the most reputed European manufacturers. Therefore, it provides the conditions under which no microbial risk arises and extends the shelf life of the liquid egg product up to a 21-day period. Dry egg products are filled and packaged in a three-layer craft bag with polyethylene lining.

Upon the completion of each technological process, all product pipelines and reservoirs are automatically washed.

Each production lot is checked for microbiologic security by the district sanitary-epidemiological station and the Kyiv Oblast Laboratory of Veterinary Medicine. The Ovostar EPP also has an internal production laboratory qualified by State Enterprise Kyiv Oblast Scientific and Production Center for Standardization, Metrology, and Certification. The laboratory independently and promptly carries out the whole range of physico-chemical and microbiological analyses of the finished products, raw materials, and sanitary production conditions (including equipment, facilities, water, air, personnel). The outstanding quality and high-level security of the egg products are certified by ISO 9001:2000 and ISO 22000:2005 (HACCP).

Over 260 food industry companies specializing in confectionary, bakery, fish, oil and fat, and HoReCa sector in Ukraine and abroad have greatly appreciated the quality and safety of the dry and liquid products manufactured by the Group.

Animal Feed Production

Animal feed is the primary cost component in the production of shell eggs and it represents over 70% of the production costs. One of advantages of the Group is that it produces 100% its needs for animal feed at its two fodder mills. The Group’s fodder mills having total production capacity of 36 tons of animal feed per hour operate exclusively to supply the demand of the Group. Additionally, the Group owns a grain storage facility.

The fodder mills are located in close proximity to the egg production complexes. One fodder mill is located in village of Skybin, Cherkassy Oblast, 15 kilometers from Stavyshche egg production site, and second fodder mill is located in the village of Krushynka, on the territory of the largest egg production complex of the Group, Ukraine poultry farm. Such location of fodder mills allows supplying animal feed in the fastest way and at minimum logistics cost, and operating management to be performed in accordance with production needs in terms of formulation and necessary quantity.

The Group produces animal feed using agricultural commodities such as wheat, corn and animal feed additives which it purchases from third party suppliers. The Group does not cultivate such commodities itself to any significant degree and has no plans to do so. The shell egg production units of the Group consume 8,500-9,000 tons of animal feed per month. In 2010, the Group produced 8,000-10,000 tons of animal feed per month on average. The capacity of Group's fodder mills producing animal feed allow to increase their production by 2.5 times without additional re-constructions.

The animal feed production process starts with the procurement of high-quality raw and other materials purchased and tested according to strict quality control standards. The Group's main nutritionist develops animal feed ratios using a specialized computer model. On average, wheat and/or corn constitute approximately 55%-65% of animal feed and sunflower meal constitute approximately 15-20% of animal feed. Other ingredients include limestone, soy or sunflower oil, vitamin and mineral mixes and other elements of animal feed. In order to increase birds' productivity, approximately 40% of animal feed is fed to birds in the morning and approximately 60% in the evening.

Own laboratories allow the fodder mills to ensure permanent quality control over produced animal feed and ingridients purchased for its production. Group's grain storage facilities are sufficient to ensure a grain stock for 4.5 months, which warrants stable operation of poultry farms, and allows optimizing the cost of animal feed for 6 months.

Sunflower Seed Processing

In 2010, the Management took a strategic decision to expand the Group's scope of activities by starting sunflower seed processing activity. The underlying reason for this was the ability to establish waste-free production. The main by-product of sunflower oil is meal, which is used in poultry farming as one of the key animal feed component, and peel, which can be used as fuel for hen rows heating.

Vertigal integration into meal production would lead to savings on animal feed costs in terms of meal purchase price and logistics expenses and will yield considerable amounst of sunflower oil as a by-product. Sunflower oil will be sold in bulk (up to 20 tons per order) to B2B clients in food processing industry.

In 2010 and first quarter of 2011 the Group invested approximately USD1 million in sunflower seed processing equipment and construction works. The Management plans to complete all the set-up works by the end of 2011 to launch the project at full-scale in 2012.

Other Agricultural Operations

Sales of Manure

The Group makes regular sales of manure to agricultural producers. Chicken manure is in great demand with a strong trend within the area where the Group's facilities are located. On average, the price increase over the last 15 months has been increasing USD2.5 to USD3.75 (50% rise) per 1 ton. Due to the characteristics of the cage facilities used, manure can be easily loaded on special-purpose vehicles and transported to special storage areas prior to use. Against the annual increase of prices for manure, crop producers mostly receive a significant improvement in yielding capacity subject to the proper application of chicken manure.

Meat and Live Poultry Sales

The Group sells its laying flock at the end of its production cycle of approximately 80 weeks or 105 weeks on a live weight basis to slaughtering facilities for further processing. One of the Group's poultry farms has its own specialized slaughtering facility. It allows to optimize the process of vacating poultry yards from poultry before new egg laying hens are brought in and creates both in terms of time and selling cost.

Having excess capacity of the breeder flock, hatchery and growing young laying hen facilities, the Group sells breeder flock either in the form of hatching eggs, one-day chicks or started pullets during a high-demand season, thus utilising 100% of the capacity and optimizing related costs. Based on the Group's plans to expand its production capacity, current excess of breeder flock will be used by the Group for its own production needs for a period between 2011 and 2012.

Biosecurity

The Group employs a broad range of biosecurity measures in order to minimize the risk of disease infection and its transmission to egg production facilities. These measures include keeping all chickens at indoor production facilities, strictly controlling access to facilities, disinfecting employees and vehicles entering production areas, allocating vehicles to specific production facilities and constantly monitoring the health of the chickens and the Group's employees.

In accordance with best international practice, the Group also uses the system of single-aged growing farms, with an `all-in/all-out' principle, to prevent the transmission of disease from older flocks to younger, susceptible flocks. The Group also follows the practice of multi-site farming involving barns within each facility being located at a certain distance away from each other, determined in accordance with the biosecurity norms to prevent the spread of disease between units.

In addition, birds hatched at the same time are raised together as a group and kept in separate barns from birds of other ages in order to facilitate the thorough cleaning of barns when birds reach slaughter age prior to the introduction of a new group of birds.

The Group has equipped in-house laboratories at its production facility with 2-3 fulltime employees each. The laboratories are accredited by competent regional certification authorities. Their operations are based on the Law of Ukraine "On Veterinary Medicine" and decrees of the State Committee for Veterinary Medicine, as well as internal regulations of the Group. The Group constantly monitors the health of the birds in accordance with the approved schedule for each type of poultry depending on their age. See also "*Regulatory Information – Food and Feed Regulations - Biosecurity*".

Quality Control

The Group carries out its business in line with biologically and environmentally safe practices, constantly seeking to improve the quality of its products and services in order to maitain and build its reputation among its customers.

In the nineties, when there were no ISO and HACCP quality and safety control systems on the Ukrainian market and the majority of companies worked based on the standards of GOST 27583-88, the Group developed its own products quality control system. This system had stricter requirements for the products quality indicators than those provided in the Ukrainian state standards. Only in 2010 new DSTU 5028:2008 took effect in Ukraine, the requirements of which were in compliance with the internal requirements of the Group.

The technologists and veterinary specialists of our poultry plants continuously control the health of the flock which are raised without any antibiotic drugs and growth-promoting substances. We exercise strict control over the bodyweight indices, shell integrity and cleanness at all production stages, including egg placement into the storage area for finished products and their further logistics.

The freshness and safety of hens and egg products is strictly controlled by internal and state laboratories of veterinary medicine.

Certification

To enhance control over the products' quality, the Group introduced at itsproduction facilities the international Quality Management System and Food Safety Management Systems ISO 9001:2000, ISO 9001:2008 and ISO 22000:2005 (HACCP).

The high quality of the group's products is supported by their leading positions in the Private Label domestic sector in the Eggs category. Shell eggs produced by the Group were twice awarded the top positions in the ratings of best products created by the TV program "Znak Yakosti" ("Quality Mark"), the only independent TV program about the quality of food products in Ukraine. On 23 November 2007 the Group was awarded the top place in the categories "Sensor Analysis", "Chemical Expertise" and "Public Degustation". On 14 April 2009 the Group was awarded the second top place in the above mentioned categories. The TV program "Znak Yakosti" does not cooperate with any advertisers and was set up solely in the interests of consumers at the cost of the leading national TV channel "Inter" with the support of the State Committee of Ukraine for Technical Regulation and Consumer Policy.

Production Control

Ukrainian law regulates the production and distribution of eggs. The production of eggs is only permitted at facilities which operate in compliance with all applicable sanitary and veterinary norms. According to the applicable regulatory documents, the production facilities should be issued with the operational permit. All the Group's facilities producing shell eggs and egg products have the necessary operational permits.

The distribution of eggs is only permitted following a veterinary and sanitary inspection, which is carried out by veterinary inspectors. Furthermore, to distribute eggs, producers are required to obtain veterinary certificates for each shipment of eggs confirming the absence of any contagious diseases at the production facilities, as well as the quality and safety of products. In addition, the quality and safety of eggs produced by the relevant producer must be checked at state veterinary laboratories at least monthly as a result of which an expert conclusion is issued. Without such expert conclusion producers may not obtain the relevant veterinary certificates mentioned above.The Group believes that it has all the necessary documents and permits, and it is included in the list of suppliers eligible to export their products. For further information see "*Regulatory Information – Food and Feed Regulations – Vererinary and Sanitary Control and Supervision*".

Competition in the Ukrainian Egg and Egg Products Market

The Ukrainian egg market is relatively consolidated. According to UPFU, the Group is the second largest industrial producer of eggs with a market share of 5.4% in 2010.

The following table sets out yearly information on industrial egg producers for the years 2008 to 2010.

Industrial egg producers

	2008		2009		2010	
	Production volume, million eggs	**Market share %**	**Production volume, million eggs**	**Market share %**	**Production volume, million eggs**	**Market share %**
Avangard	2,422	28.8%	3,634	39.9%	4,317	42.9%
The Group	528	6.3%	540	5.9%	546	5.4%
Kyivska Poultry Farm	263	3.1%	305	3.3%	263	2.6%
Agrofirma Berezanska Poultry Farm	260	3.1%	303	3.3%	232	2.3%
Other producers	4,925	58.7%	4,332	47.5%	4,715	46.8%
Total	**8,398**	**100%**	**9,114**	**100%**	**10,073**	**100%**

Source: UPFU

Management considers the Group's main competitors to be Kyivska Poultry Farm and Agrofirma Berezanska Poultry Farm. Kyivska Poultry Farm is a part of a vertically integrated group of companies Landgut Ukraine and is located in Kyiv Oblast. Besides egg production, Landgut produces animal feed and sells day-old chicks. In 2010, Landgut's share of industrially produced egg market was 2.6%. Agrofirma Berezanska Poultry Farm is also located in Kyiv Oblast. In 2010, this company held a market share of 2.3%. Even though Avangard has a cost leadership strategy and is not a direct competitor to the Group with its niche strategy, it is the biggest player on the market is capable of affecting the Group's market share on both markets of eggs and egg products.

Management does not expect any possible changes in the situation to occur in short-term outlook, keeping in mind the need for intensive investments in order for a company to vertically integrate.

The Group plans to further expand its market share in the priority channels of sales (retail chains, food markets, HoReCa, B2B) and segment its customers. This strategy particularly concerns the packed/branded eggs. In 2010, the market share of the Group decreased due to the rapid expansion of the Avangard's production capacities and outputs

Competition in Egg Products Market

According to UPFU, the Group is a leading producer of egg products in Ukraine currently producing a full range of liquid and dry egg products, with a total market share of 38% of egg products by volume in 2010.

The following table sets out information on Ukrainian industrial egg products producers for 2010.

Egg products producers

Producer	**2010 output (in tons)**	**Dry egg products (in tons)**	**Liquid egg products (in tons)**	**Dry egg products, % of output**	**Liquid egg products, % of output**	**Egg products, market share**
The Group	4,706	1,229	3,477	26%	74%	38%
Imperovo Foods	3,481	3,481	-	100%	-	29%
Others	4,090	4,002	88	98%	2%	33%
Total	12,277	8,712	3,565	71%	29%	100%

Source: UPFU

Sales, Distribution and Marketing

Geography of sales

Strategically, the Group sales are oriented at direct cooperation with customers and the sale of branded products. Although the Group has long-standing relationships with many of its customers, it is constantly developing its customer base by identifying and developing new domestic and international sales channels for both shell eggs and egg products.

The following table shows structure of the Group’s distribution channels by shell eggs sales in 2010.

Distribution channel	**Share of distribution channel in shell eggs sales**
Retail chains	39%
Branded POS	37%
Wholesale	15%
Export	9%

The Group’s sales are primarily oriented at the domestic market as the most steady and predictable market. The Group also intends to focus on exports of its products. Currently, the Group primarily exports its shell eggs and egg products to African countries (Liberia, Sierra Leone, Congo, Angola, etc.), to CIS and neighbouring countries (Azerbaijan, Georgia, Kazakhstan, Moldova, etc.), and Sudan, China, Japan, Iran, etc. Ukraine is not currently an accredited importer of egg products into the EU, but the Group intends to focus on exports of egg products to EU countries, as the Group is able to provide European consumers with quality products at a competitive price.

Sales of Shell Eggs

The Group actively uses the following marketing channels to sell its shell eggs: modern retail chains, own retail network, wholesale trade and export. In 2010, 91% of the shell eggs were sold in the domestic market thereby amounted to 65% (USD24,161 thousand) of the total Group revenues in 2010, 62% (USD20,102 thousand) in 2009, and 68% (USD24,960 thousand) in 2008. The proceeds from sales of eggs through export amounted to USD2,235 thousand in 2010, USD2,887 thousand in 2009 and USD1,275 thousand in 2008.

The Group is able to adjust its product range for a particular customer or region thereby allowing to broaden its customer base and achieve better pricing by creating a competitive balance between its principal sales channels.

Sales to Supermarket Chains and Other Retailers

Sales through supermarket chains and other retailers is currently the priority channel for the Group. Management considers it as the most steady and predictable, while higher marketing costs and longer payment terms associated with it allow to restrain competition creating additional barriers to small-scale producers.

Currently, the Group has long-term agreements almost with all domestic and regional supermarket chains in Ukraine (39 chains, approximately 2,000 retail outlets). METRO, Auchan, Furshet, Fozzi and many other supermarkets are among its customers. In addition, the Group entered into exclusivity agreements with some of these supermarket chains for the Group's products and developed Private Labels in cooperation with seven major Ukrainian retail chains. The Group’s Private Label shell eggs sales accounted for 22% of the Group’s shell eggs sales through retail chains distribution channel in 2010.

The Group was the first to sell packaged products and gained experience working with retail chains. Currently the range of the Group's products may satisfy any consumers’ demands and fit the positioning of any outlet. Customer loyalty to “Yasensvit”™ further supports sales through retail chains and will be aligned with future expansion of retail chains currently operating on the market as well as new international retailer entrants.

Own Retail Network – Branded Points of Sale

The Group also distributes its “Yasensvit”™ labeled shell eggs through own extensive retail network, which includes specially equipped stationary market stands positioned at open marketsm in stores, stalls, kiosks with roller shutters, or company cars. The Group has over 130 points of sale, 100 of them are located in Kyiv and others are located in different regions of Ukraine. By 2012 the Group plans to open new 50 points of sale in line with increasing egg production volumes.

Sales to Wholesale Purchasers

The Group sells part of its shell eggs to wholesale customers. This sales channel includes direct sales to industrial food producers, foodservice businesses (including hotels, restaurants and cafes) and minor sales positions to intermediary agents which buy the Group's eggs for subsequent resale to third parties. Thease are comprised of companies or private entrepreneurs who have the experience in the market, channels for large sale volumes and warehouses. This channel, however, is of no priority for the Group.

Shell Egg Sales for Export

Currently, the Group actively sells its products through the export channel as it is an additional sales channel to the strategic one - the domestic market - and is used for sustained currency loan servicing. Therefore, in 2010 the Group became the second largest among companies exporting shell eggs and increased its share in the total export volume of Ukraine from 9.2% in 2009 up to 13.9% in 2010. This sales channel developed rapidly in 2010 due to increased demand from foreign customers. Up unill the end of 2010, the Group's export sales of shell eggs included 9 countries. The Group intends to develop this sales channel further and focus on other more prospective export markets, including the Middle East and CIS.

Sales of Egg Products

In 2010, sales of the Group's egg products amounted to 27% (USD10,033 thousand) of the Group revenues in 2010, 34% (USD10,985 thousand) in 2009, and 29% (USD10,753 thousand) in 2008. Export sales amounted to 3.2% (USD1,170 thousand) of the Group revenues in 2010, 2.9% (USD929 thousand) in 2009, and 2.1% (USD777 thousand) in 2008.

All export and domestic sales of the Group's egg products are carried out by the Group directly without involvement of intermediary companies. On domestic market the Group sells its egg products mainly to industrial food producers for the production of food products, food ingredients and food mixes.

Due to high-quality products and European servicing standards the Group became exclusive supplier of egg products for McDonalds Ukraine Ltd. and the principal suppliers of raw materials for Roshen TM, Konti, AVK, Torchyn, Shchedro, etc. The following table summarizes information on the Group's major clients for egg products and the share of the Group in its clients' relevant procurement.

Client name	**Client description**	**Share in procurement**
HoReCa		
McDonalds Ukraine	Large fast food operator with 70 restaurants (24 in Kiev) in 21 cities in Ukraine	100%
Mayonnaise producers		
Volynholding (Nestle)	#1 Ukrainian sauces producer in Ukraine, acquired by Nestle in 2003	50%
Lviv Zhyrokombinat	Large Ukrainian sauces producer	100%
JV South Food (Chumak)	Large Ukrainian sauces producer	100%
Confectionary producers		
Roshen	#1 Ukrainian confectionary producer with market share of 25%	50%
Konti	#2 Ukrainian confectionary producer with market share of 15%	42%
AVK	#3 Ukrainian confectionary producer with market share of 12%	20%
Zhytomiski Lasoschi	#5 Ukrainian confectionary producer with market share of 5%	30%
Zhako	#1 Ukrainian zephyr producer	100%
Semi-finished foods producers		
/Technokom (Nestle)	#1 producer of instant noodles and fast-cooking noodles. Acquired by Nestle in 2010	50%
Hercules	One of the leading producer of frozen food and ice-cream in Ukraine	50%
Donetsk frozen food factory	One of the leading producer of frozen food in Ukraine	100%
Acquafrost	Large producer of crab sticks	42%

Source: the State Statistics Committee of Ukraine, the Group

The Group currently exports its egg products to 12 countries, primarily to the CIS (Azerbaijan, Belarus, Kazakhstan, Moldova, etc.), as well as to Sudan, China, Japan, Iran and others. The Group's export customers are large foreign trading companies purchasing the Group's egg products for further sale to end users on home markets.

Pricing

As a general Ukrainian market feature, egg prices are highly dependant on seasonal fluctuations of supply and demand. Egg prices normally reach their annual maximum in autumn and winter months until the Easter due to increased consumption of eggs and reduction in households production. Right after the Easter holidays the prices start to fall until the beginning of July due to both decrease in eggs consumption and increase in household production. The reversed tendencies are observed from July to December. Impact of seasonal factor on domestic market prices became less significant during 2007-2010 due to increasing share of industrial egg production and ability of the Group together with other producers to mitigate the volatility in supply through effective inventory management.

The Group's pricing policy is applied centrally to all products taking into account, among other things, the supply and demand level, production costs, market conditions and seasonal patterns. Moreover, the Group performs daily monitoring of prices as set by all major eggs producers of Ukraine: both nationwide and including the regional players as pricing policies of the latter are of significant importance in key regions of the country.

The Group has established a unique market position, mainly due to brand reconginition and high product quality, that generally allows it to set prices exceeding the prices of its competitors not only in medium price segment, but also in premium and economy segments.

Shell eggs

The Group approves a price list for shell eggs for each of its sales channels on a daily basis, depending on market conditions. The Group operates a discount system for its long-standing customers. Also, depending on market conditions the Group sets regulary retail prices at its company outlets in markets.

Egg products

The Group revises a wholesale price list for all egg products on a weekly basis, although it is able to adjust its prices more frequently in response to market conditions. When determining prices for its egg products, the Group takes into account its costs of production, raw materials, packaging and logistics and prevailing market prices. Due to limited competition on Ukrainian market, the Group has required to act as a price-leader and set more favorable prices for its products while maitaining the sales volume. The Group operates a discount system for its long-standing customers for both the domestic and export sales of its egg products based on volumes purchased and the purchaser's relationship with the Group.

Poultry

When determining prices for breeder flock and laying flock at the end of their production cycle, the Group takes into account prevailing market prices for one-day old laying hens and young laying hens.

Marketing and Advertising

Brand overview

Currently the Group owns two umbrella brands for its shell eggs: "Yasensvit"™ and "Ukraine" ™. The Group's portfolio of sub-brands reflects the strategy of precise customer segmentation and product positioning. A package of shell eggs with similar design items (key elements are the logo with the name placed on the vertical one-color strip on the right or the left edge of the package) allows the Group to increase sales of its less popular since the customer is attached to the umbrella brand and perceives all products produced under it to be of premium quality.

"Yasensvit"™ is an umbrella brand for products in premium and medium price segments. The target audience is middle class Ukrainian population, including families and young professionals. This group of customers values high product quality and its ecological safety along with the quality and design of packaging and displays low price sensitivity. The recent growth of the premium segment sales is attributed to the increasing disposable incomes of the urban population and customer conversion from medium to premium segment. Management believes that the two aforementioned segments have the biggest potential for growth in the future. The original "Yasensvit" brand was presented in 3 packed positions, and when proved successful, has been transformed into an umbrella brand. Following the Group's marketing strategy, in 2011 umbrella brand "Yasensvit" has united different types of packaged and unpacked eggs under one brand name.

"Ukraine" ™ is an umbrella brand for products in the economy price segment. The target audience is highly price sensitive and includes students, elderly and retired people. This segment is, however, displaying stable growth resulting from the shift of purchasing habits from open markets to the modern retail chains and supermarkets, along with the switch from alternative private label and competitors' products. The "Ukraine" trademark was introduced in 2005. The brand combines four product categories (in terms of package and egg size) and is designed to compete with the private label eggs and similar inexpensive competitors' offerings.

In 2010, the Group's revenue contribution from "Yasensvit"™ brand constituted about 50.1% (USD18,550 thousand) share, and the Group's revenue contribution from "Ukrayina"™ had 5.4% (USD1,841 thousand) share.

"Ovostar" trademark is an umbrella brand for the entire range of egg products offered by the Group (introduced in 2005). All of the egg products sold by the Group are sold under the "Ovostar" trademark, which reinforces the brand position and increases brand recognition in the B2B segment.

Marketing and Advertising

The Group distributes its products under two brands: "Yasensvit" (edible chicken eggs) under the slogan "Egg as it should be" and "Ovostar" (egg products) under the slogan "100% egg". Currently the Group carries out active marketing policy aimed at attracting and retaining both B2C-customers and B2B-partners depending on a marketing goal and ultimate consumer. In particular, the Group uses BTL-communications (promotional support, merchandising, POS-materials, direct mail, exhibitions and so on) and PR-tools. Marketing and advertising costs are for last three years in terms of key products are given below as a percent of sales revenue.

Marketing and advertising costs, % of sales revenue

	2008		**2009**		**2010**	
	Amount USD thousand	**Percent of sales revenue, %**	**Amount USD thousand**	**Percent of sales revenue, %**	**Amount USD thousand**	**Percent of sales revenue, %**
Marketing and advertising costs	422	1.15	55	0.17	451	1.22
Total	**422**		**55**		**451**	

In addition to external marketing policy the Group carries out an active internal marketing policy. In particular, in order to create positive image of the Group's chief executives, develop and strengthen corporate culture and promote the Group in target community groups through bridging communication with well informed and loyal employees the Group publishes *Ovosvit*, a corporate monthly.

Additionally, in order to create a single information field, improve the awareness of key staff the Group issues OvoNews, a weekly electronic information bulletin is published. It provides the flash on the most important events in poultry and similar industries.

The Group pays due attention and devotes efforts and resources to maintain brand awareness on a national level and keep positive brand image. Among recently held big-scale social events were the following:

- *Omelet Show* (September 2010). Kyiv golf club "GolfStream" hosted a charitable Omelette Show together with "Star Golfstream" tournament starring Ukrainian showbiz and sport celebrities. 7 hours of golf play were accompanied by "Yasensvit"TM omelets, prepared by specially invited chef. The event was actively supported by the celebrities and mass media.
- *Omelet Day* (July 2010). Big-scale charitable event was held in Kyiv. Ukrainian celebrities were preparing and handing out for free more than 1,000 omelets' prepared of 3 branded "Yasensvit"TM eggs each. Guests were also able to take part in a variety of quizzes with prizes being Ovostar-branded recipe books "Egg dishes of countries around the world". The event was supported by mass media who published information on the Group in a number of leading nationwide printed and electronic publications. Kyiv City Council provided citylight event advertisements in Kyiv, attracting more than 3 million contacts in a month.
- *Architectural Egg Show* (April 2008). On the threshold of Easter holidays, the Group held a 9-day exhibition of cultural monuments of Ukraine made of hen eggs located in Kyiv city center. Total exhibition area was 48 square meters and represented the map of Ukraine with the most notable monuments of the past and present of

Ukraine. More than 17,000 shell eggs were used, while the height of selected monuments was up to 1.5 m. Exposition included among others an egg copy of St. Sophia's Cathedral, the castles of Kamenets-Podilsky, and Kodak castle in Zaporizhzhya, Vorontsov's lighhouse (Odesa), Swallow Nest castle (Crimea) and "Pysanka" museum (Kolomya, the Carpathians). Key PR message communicated: "Yasensvit"TM is a nationwide brand and is presented in all regions of Ukraine. The event attracted a massive public interest with more than 100,000 of attendants as well as mass media attention: Ukrainian and Russian TV channels, nationwide radio stations, printed and electronic media all covered the event.

The Group engages in charity in line with the Law of Ukraine "On Charity and Charitable Organizations", dated 16 September 1997. The Group's charity is primarily targeted at supporting the residents and organizations in those regions where the Group operates.

Raw Materials and Suppliers

Animal Feed Ingredients

The Group produces 100% of its needs of animal feed and it does not purchase animal feed from third party suppliers. The Group purchases animal feed ingridients from a variety of suppliers. The costliest ingredients in the animal feed are feed grains and sunflower meal.

The purchasing system is based on implementation of short-term (3-5 months) and long-term plans (up to 1 year) which are approved by the management of the Group following analytical calculations and forecasts regarding relevant lines of activities. The Group's strategy is aimed at the strengthening of cooperation with direct manufacturers located in regions adjacent to the purchase areas (Vasylkiv, Kyiv Oblast, and Skybin, Cherkasy Oblast). Necessary quantity of feed grains is purchased during the harvest period from direct manufacturers which ensures additional competitive advantages regarding principal consumers of feed grains in the region (Mironovskiy ZKK, Agromars) and allows minimum prices and deferral of payment for 1.5-2 months. Share of manufacturers is accounted for 60-70% of total suppliers depending on market conditions.

Having a long-term experience of work with manufacturers the Group supplies its demand for sunflower meal with the help of 3-4 plants located throughout the territory of Ukraine (Vinnytsya, Peresechansk, Zaporizhzhya and Chernivtsi oilseed processing plants). This approach allows to get minimum prices in the market and hedge against interruption of sunflower meal supplies regardless availability of sunflowers in one or another region of Ukraine. All animal feed ingredients are supplied to the Group's fodder mills. Each fodder mill has certified laboratories that ensure necessary control over the quality of supplied goods. Products which do not meet the required standards are returned to their supplier. The Group regularly checks animal feed ingredients by sending them to independent laboratories for testing.

In addition to principal animal feed ingredients such as feed grains (wheat and corn), sunflower meal, there are other items with stable demand throughout a year, including: been cake, primary calcium phosphate, yeasts. The Group generally purchases such items through tenders which optimizes supplies and allows to efficiently allocate Group's cash flows. A separate group of the animal feed components is amino acid, which is imported by the Group. In previous year the Group imported the following items: methionine (Poland), carophyllin (France), vitamin blends (Poland) produced by DSM Nutritional Products SP (France).

In order to minimize dependence on increasing prices on sunflower meal and oil as the most expensive ingridends of the animal feed, the Group is building a sunflower seeds processing plant with production capacity of 160 tons per day. See *" – Overview of Operations – Sunflower Seed Processing"*.

Breeder Flock

The Group currently sources its entire Hy-Line W-36 and Hy-Line Brown breeder frock from a single supplier, Hy-Line International, a United Kingdom based independent poultry producer.

The Group previously purchased other breeder flocks in addition to Hy-Line, but it currently purchases only Hy-Line W-36 and Hy-Line Brown in order to integrate all vaccination and other technological processes. All other bredder flocks such as Hisex white and Rodonit will reach the end of their production period mainly by the end of 2011. It is expected that starting from April 2012 all laying hens of the Group will be of Hy-Line breed.

Utilities

The Group's facilities use gas, electricity and water provided by local utility companies for its production facilities. The Group primarily uses gas for the heating of incubator facilities for laying hens. The Ovostar EPP is the Group's second largest consumer of gas. The maximum price for natural gas is established by a regulator and is uniform for all privately owned Ukrainian enterprises. Ukraine's economy depends heavily on its trade flows with Russia and the rest of the CIS and any major change in relations with Russia could have adverse effects on the economy. See “*Risk Factors – Risks Relating to Ukraine - Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business*”. Launching of the sunflower seed processing will enable the Group to implement heating systems running on oil processing waste and save energy costs. The Group currently obtains electricity at regulated rates from regional power distribution companies. The Group has not experienced any problems with gas or electricity supply in the last five years.

Facilities and Properties

The Group owns all key administrative buildings and production facilities, including one breeder farm, one hatchery, 2 farms for growing young laying hens, 2 farms for laying hens, 2 fodder mills producing animal feed, one grain storage facility, and the Ovostar EPP. Renewable intragroup lease agreements with regard to the production facilities and administrative buildings with a 3 year term are executed between the companies of the Group.

The Group owns its Ukrainian headquaters building of approximately 1,549 square meters which is located at 34 Petropavlivska Street, Kyiv.

The Group leases land and also uses land on the basis of the right of permanent use land plots which total area amounts to 141.45 hectares, of which 18.12 hectares are used on the basis of the right of permanent use, and 123.33 hectares are used on the basis of the right of lease under production facilities, office buildings, and land plots intended for commercial agricultural production. Save for a land plot located underneath hatchery located in Kagarlyk and owned by Yasensvit and which is leased for the period of one year, all of the land plots under the Group’s production facilities are leased by the Group from local municipal authorities on a long-term basis (from 25 up to 49 years) or used on the basis of permanent use. None of such agreements is subject to renewal in next 10 years.

Save for land plot located underneath hatchery located in Kagarlyk and owned by Yasensvit, all land upon which Group’s production facilities are located is properly registered with the state land registers under executed land lease agreements and acts on permanent use of land. The Group has a right to extend each of its current leases and has not experienced any difficulties with extension of the term of its leases in the last 5 years. See “*Risk Factors – Risks Relating to Group’s Business and Industry - Certain of the Group's land lease agreements may be subject to challenge, the Group may not be able to renew its lease agreements or the payments under the Group’s land lease agreements may increase*”.

Encumbrances

Majority of the Group’s assets, including real estate, plant and equipment are encumbered under a number of mortgages and pledge agreements concluded to secure the Group’s existing loan facilities agreements. See “*Material Contacts – Financing agreements*”.

Financing agreements of the Group are secured with the mortgages of the following real estate objects owned by the Group:

- non-residential real estate complexes, located at Ukraine, Cherkassy Oblast, Zhashkivskiy region, Skybin, 100 Lenin Str.;
- non-residential real estate complexes, located at Ukraine, Kyiv Oblast, Stavyshchevskiy region, Stavyshche, 1 Veresneva Str.; and
- non-residential real estate complexes, located at Ukraine, Kyiv Oblast, Vasylkiv region, Krushynka village, 11 Kolgospna Str.

Under Ukrainian law, encumbered property may not be freely disposed of by its owner and the prior consent of the creditor, holding the property as security, or the prior fulfillment by the owner of its secured obligations is a pre-condition to such disposal.

As at 31 December 2010, property, plant and equipment valued at USD9.5 million was pledged by the Group as collateral against bank loans. As at 31 December 2010 production equipment valued USD1.1 million was held under finance lease.

Environmental and Regulatory Matters

The Group is subject to a variety of environmental and other regulation. The Group's business depends on the continuing validity of several licenses, the issuance of new licenses and its compliance with the terms of its licenses and obtaining a number of permits. For further information, see *"Regulatory Information"*.

Intellectual Property

The Group holds a number of trademarks in Ukraine to protect its products. In particular, the Group holds 22 registered trademarks and 6 trademark registration certificates in Ukraine. In addition to the trade marks the Group registered utility models and entered into a copyright license on the packaging for Yasensvit eggs.

The major trade marks of the Group are "Yasensvit" (for shell eggs) and "Ovostar" (for egg products). In addition to these trademarks, the Group also holds trademarks "Molodylni" (Rejuvenating), "Zolote Yayechko" (Golden Eggs), "Veletni", "Rankovi" (Morning Eggs), "XXL", "Super", "Moye Sonechko" , "Bio Yaytsia".

The Group believes that it has taken all the appropriate steps to be the rightful owner of, or to be entitled to use, the intellectual property rights necessary to the proper conduct of its business. See *"Risk Factors – Risks Relating to the Group's Business and Industry – The Group's key brands or reputation could be damaged in the future - The Group's trade marks and other intellectual property rights may not adequately protect its products and brands and it may face challenges to its intellectual property rights and applications and claims that it has infringed the intellectual property rights of others"*.

Information Technology

The Group operates modern computer technologies: FreeBSD servers for network and Internet technologies, Windows 2008 for office purposes, and Windows 7 as clients' operating system. The Group also uses 1C 8.1 management and accounting system which covers all operating within the Group.

Uniform IT policy of the Group provides centralized management of all technical resources and optimization of maintenance costs.

Insurance

The Group insures its pledged assets (which include buildings and operational equipment) against the risk of loss or damage caused by fire, lightning, explosions, arson, natural disasters, water damage, burglary, robbery and mechanical damages. The Group also maintains civil liability insurance of owners of motor vehicles. The above mentioned insurances are for amounts which the Group believes are sufficient and customary in Ukraine.

The Group does not maintain any other types of insurance. It does not have any insurance against losses arising from the interruption of its business, including environmental damage, or "key man" insurance, or any insurance coverage in respect of any losses it may incur as a result of outbreaks of bird flu, Newcastle Disease, Marek's Disease or any other livestock disease.

Furthermore, under Ukrainian law, the Group is required to maintain certain types of insurance, for example, insurance on mortgaged assets and third party liability insurance as a supplier of products of animal origin, civil liability insurance for enterprises with respect to damage which may be caused by fire and accidents in high-risk operations, including inflammable objects and objects where business activity can cause accidents of an ecological and sanitary-epidemiological nature. However, the law is not clear as to the full list of types of insurance the company is required to maintain. In addition, the Group currently does not maintain all of the types of insurance required by law because of their lack of availability in the Ukrainian market. There are no prescribed penalties for non-compliance with these insurance requirements, and the Group does not believe that there are material risks associated with its failure to comply with these requirements. However, in the event that a product liability or other claim is brought against the Group which is not covered by the insurance policies described above, it could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, there is no guarantee that the Group will be able to obtain insurance on economically viable terms. See "*Risk Factors – Risks Relating to the Group's Business and Industry – Outbreaks of livestock diseases could have a material adverse effect on Issuer's business - The Group's insurance coverage may be inadequate"*.

Legal and Administrative Proceedings

From time to time in the ordinary course of business, the Group is involved in governmental, legal and arbitration proceedings relating to its operational and trading activities, including proceedings involving Ukrainian state authorities, which may arise in the ordinary course of business. To the Issuer's best knowledge, there are no governmental, legal or arbitration proceedings involving the Issuer and/or the Group (including any such proceedings which are pending or threatened of which the Issuer is aware) within the 12 months prior to the date hereof that may have or have had in the recent past a significant effect on the Issuer and/or the Group's financial position or profitability. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group is currently and may in the future be subject to litigation*".

Employees

The Group employed 1504, 1647 and 1,389 employees as at 31 December 2008, 2009, and 2010, respectively.

	Staff number as of 31 December 2010
Production	1,063
Administration	165
Sales and Marketing	162
Total	**1,389**

As at 31 December 2010, the Group also employed 6 non-residents who have the right to work in Ukraine.

In general, the Group considers its employee relations to be good. No facility has experienced any strikes or other cases of industrial action in the last five years. Business targets of the Group are reached by combined efforts of highly professional team of experts and managers. Staff policy of the Group is based in the strategy of the Group and effective management principles on the whole and human resources management in particular. The staff policy is aimed at creation of a well consolidated and highly professional team of like-minded persons able to response adequately to changing market environment.

Legal relationships between the Group and its employees are regulated by the Labor Code of Ukraine and executed in the form of term and termless labor agreements. The Group generally does not have written employment contracts with its employees located in Ukraine.

Salary levels for Ukrainian employees are set with reference to the statutory minimum wage. As from 1 April 2011, workers with the lowest qualifications are entitled to the minimum wage of UAH960 per month. The Group endeavours to create fair remuneration system. Salary levels are higher for persons working in strenuous working conditions and employees with higher qualifications. The Group differentiates its salaries payable in different regions to reflect local conditions of relevant competitive market. Overall remuneration of Group's employees is divided into material and nonmaterial. Direct material remuneration is composed of a fixed amount (basic salary) and variable component – premiums, bonuses, which depends on achievement of business targets of the Group.

The Group also operates social support programs, which form an integral part of the Group's remuneration system. Main social support programs and corporate benefits of the Group include:

- Option to purchase subsidized vouchers and recovery at Ukraine recreation center located in village of Khorly, Kherson Oblast. From 2008 to 2010, 530 employees of the Group benefetited from this option and underwent a recreational program at a Ukrainian recreation center;
- Participation in the housing program (preferential loans offered by the Group to employees of key significance for successful business of the Group);
- Issuing limited consumer loans on preferred terms. In 2008 - 2010 consumer loans were issued to more than 100 employees of the Group;
- Payment of 50 % of the amount of individual medical insurance for employees of the Group (2008 program);
- Corporate mobile communication and compensation of expenses for use of personal vehicles for business purposes;
- Arranging at cost hot meals at production facilities of the Group;
- Making one-time payments (valuable gifts) on the occasion of different holidays (New Year, Easter, February 23, March 8, agriculture workers day, payments and gifts made to veterans on occasion of the Victory Day, persons celebrating jubilees);
- One-time retirement benefits, depending on the length of service in the Group;

- Publication of employees achievements in Ovosvit corporate newspaper;
- Awarding honorary degrees and signs, entering on board of honor, Golden Fund, Mentors;
- Holding the Best Manager and the Best Sales Representatives contests;
- Providing employees training opportunities aimed at development of professional potential of each employee of the Group;
- Participation in corporate events arranged to demonstrate corporate values, strengthen the corporate spirit and ensure the unity of the Group and create positive working environment.

The Group has concluded collective agreements at majority of the Group's production companies. The term, for which such collective agreements are concluded, constitutes from 3 to 4 years. These agreements regulate such matters as labour conditions, safety, uniforms and vacations, but do not provide for post-employment benefits, which are provided for by Ukrainian legislation**.**

The Group makes mandatory monthly social insurance contributions, ranging from 36.95% to 37.26% (depending on the risk class established for the relevant company of the Group) of total payroll to the Ukrainian State Pension Fund and other mandatory state funds as part of its statutory employer's contribution to social security taxes on behalf of its employees. The Group does not have any unfunded pension liabilities. The Group does not cooperate with private pension funds and does not have any corporate pension schedules. Contribution of the Group to the State Pension Fund in 2010 amounted to UAH14 million (USD1.7 million).

Safe for the Beneficial Owners, the Group's employees do not have any shareholdings in the Issuer, do not hold any stock options or other rights to Shares and do not participate in any other way in the capital of the Issuer. There are currently no arrangements relating to such participation.

Trend Information

Significant recent trends

In the 1st quarter 2011, the Group produced 141 million shell eggs. As at 31 March 2011, the Group's poultry flock amounted to 2.5 million.

The Group experienced seasonal shell egg price decrease in February 2011, while enjoyed stable shell egg price growth in March 2011. As a result, average selling price for the 1st quarter 2011 amounted to UAH0.60 (excluding VAT) for 1 shell egg.

During the three months ended on 31 March 2011, the Group continued to execute its strategy of focusing on the development of its customer base on domestic market and product portfolio extension for the packaged eggs. In April 2011 Group successfully introduced on the Ukrainian market the new shell egg product category – "Bio Yaytsia" (Bio-eggs).

In the 1st quarter 2011 the Group increased shell egg export volumes 5 times compared to 1st quarter 2010 to 22.2 million eggs. Key export destinations were Angola, Republic of the Congo, Liberia, Sierra Leone, Moldova, Armenia, Azerbaijan and Georgia.

Egg products

The Group processed 43.7 million shell eggs in the 1st quarter 2011, representing 49.7% increase compared to 1st quarter 2010. Average selling price for dry egg products constituted USD4.99 (excluding VAT) per 1 kg, average selling price for liquid egg products constituted USD1.62 (excluding VAT), while significant growth in demand for liquid egg products and albumin was observed on Ukrainian market.

Export destinations for the Group's dry egg products in the 1st quarter 2011 were Iran and Azerbaijan.

In April 2011, the Group's egg products were certified by the Kosher standards. Kosher certification allows to expand the Group's customer base for egg products both in Ukraine and abroad.

Other matters

The Group has launched egg shell processing facility at the Ovostar EPP. Egg shells are processed into powder to be added back into egg production through animal feed in the form of high quality calcium ingredient.

In line with the strategy of vertical integration, the Group has started the process of construction sunflower seed processing plant for production of sunflower oil and sunflower meal.

In March 2011 the Group started reconstruction of 6 laying hens houses of the egg production complex aimed at the phased laying flock increase with the use of modern technology.

Other recent developments

There have been no significant changes or developments in the Group's financial or trading position since 31 December 2010. The Issuer is not aware of any other known trends, uncertainities, demands, commitments or events that are likely to have a material effect on the Issuer's and the Group's prospects for the current financial year.

MATERIAL CONTRACTS

The following contracts are the only contracts (not being contracts entered into in the ordinary course of business) that (i) have been entered into by the Issuer or any of its Group Subsidiaries within the two years immediately preceding the date of this Prospectus which are or may be material to the Group's business or (ii) have been entered into by the Issuer or any of its Group Subsidiaries at any other time but which contain provisions under which the Issuer or any of its Group Subsidiaries has an obligation or entitlement that is material to the Group as at the date of this Prospectus:

Financing Agreements

Loan Agreements with Banks

The Group's operations are partially financed through short and medium term loans from one financial institution. In particular, Poultry Farm Ukraine, Malynove and Ovostar LLC have entered into loan agreements with OJSC UniCredit Bank ("UniCredit"). The loans are granted in both UAH and USD and their maturity ranges up to 2015. The loans are generally granted to fund the liquidity and operational activities of the companies and are secured with pledge of movable and immovable property and suretyships provided by the Group companies. As of 31 March 2011, the Group had total borrowings of approximately USD 4.2 million, and ithe Group expects that it would maintain similar level of total borrowing within the next 12 months

As of 31 March 2011, the Group is a party to the following financing arrangements with UniCredit:

- Loan Agreement No. 050-CB, dated 19 December 2007, entered into by and between Poultry Farm Ukraine and UniCredit for the total amount of USD1.1 million maturing on 19 December 2012. The purpose of the loan is the acquisition of equipment. The interest rate is the aggregate of the margin of 5% per annum and 3 months USD LIBOR. The loan is secured with property, plant, equipment of the Group, and suretyships provided by other companies of the Group. As of 31 March 2011, the aggregate amount outstanding under this facility is USD0.4 million;
- Loan Facility Agreement No. 73-CB, dated 20 September 2010, as amended, entered into by and between Poultry Farm Ukraine, Malynove, Ovostar LLC and UniCredit with regard to uncommitted credit line in a maximum amount of up to USD3.7 million maturing on 30 June 2015. The interest rate is the aggregate of the margin of 10.5% per annum and 1 month USD LIBOR. The loan is secured with property, plant, equipment of the Group, and suretyships provided by other companies of the Group. As of 31 March 2011, the aggregate outstanding amount under this facility is USD0.43 million;
- Loan Facility Agreement No. 230-CB, dated 30 January 2004, as amended, entered into by and among Poultry Farm Ukraine, Malynove, Ovostar LLC and UniCredit with regard to uncommitted credit line in a maximum amount of up to USD6.8 million maturing on 30 June 2011. The credit line can be granted both in USD and in UAH. On 29 April 2011, the parties entered into restated agreement No. 230-CB, pursuant to which Yasensvit was added as additional borrower under this loan facility agreement, the maturity date was changed to 31 March 2012, and the interest rates have been changed. Other conditions of the loan facility agreement remained unchanged. The current interest rate under this agreement is the aggregate of the margin of 10.5% per annum and 1 month USD LIBOR for loan facilities granted in USD, and 9% per annum for loan facilities granted in UAH. The loan is secured with property, plant, equipment of the Group, and suretyships provided by other companies of the Group. As of 31 March 2011, the aggregate outstanding amount under this facility is USD3.2 million;
- Loan Agreement No. 135-CB, dated 17 July 2008, as amended, entered into by and among Poultry Farm Ukraine and UniCredit Bank for the total amount of UAH3 million (USD0.38 million), with interest rate 17.75% per annum maturing on 10 May 2011. As of 31 March 2011, the loan has been repaid;
- Overdraft Agreement No. 394-CB, dated 27 September 2005, entered into by and between Poultry Farm Ukraine and UniCredit in a maximum amount of up to UAH4 million (USD0.5 million) maturing on 30 June 2011. The interest rate is 14% per annum. The loan is secured with property, plant, equipment of the Group, and suretyships provided by other companies of the Group. As of 31 March 2011, there was no outstanding amount under this overdraft.

All of the Group's loan facilities may be repayable on demand in case of breach of the contract and there can be no guarantee that the Group will not be required to repay such facilities in the future with limited advance notice and when not provided for in the Group's budgets. Any such failure may lead to the default under the Group's credit facilities and could result in the Group's creditors proceedings against the collateral securing its indebtedness. Any such action could materially and adversely affect the Group's business, results of operations, financial condition and prospects. See "*Risk*

Factors – Risks Relating to the Group's Business and Industry – Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions".

The Group's existing financing arrangements are subject to certain covenants and restrictions which could limit the Group's ability to obtain future financing and/or limit the terms on which such financing may be available. In particular, the Group's loan arrangements contain the following material covenants, restrictions and other obligations: (i) the Group Subsidiaries are prohibited from concluding any loan, credit agreements or any other agreement on attracting financing from other third partiess or providing suretyship or guarantee to other potential lenders without prior written consent of the bank; (ii) the Group Subsidiaries are obliged to maintain certain level of cash flow on their bank accounts, opened with UniCredit, proportional to the share of the UniCredit Loans in the total loan portfolio of the Group; (iii) the Group Subsidiaries are obliged to provide UniCredit with regular financial statements and loan portfolio reports; (iii) the Group Subsidiaries are obliged to notify UniCredit on the changes in statutory documents, legal and factual address, contact and bank details, as well as any changes of participants within 5 business days upon occurrence of such events; and (iv) UniCredit has the right to deduct the outstanding amounts from the bank accounts of the borrower to fulfill its payment obligations. Furthermore, loan agreements No 73-CB and No 230-CB require, that prior written consent of Unicredit for any changes in structure of shareholders of the Group for any reason (including but not limited to alienation of shares of shareholders) due to which the transition/transfer of ownership at 20 % or more shares of the borrower (by committing one or more transactions) takes place. The Group has duly obtained the prior written consent of the bank for the change in the shareholding structure of the Group as the result of the Offering. See "*Principal Shareholder – Shareholding Structure*".

There can be no assurance that, even if the Group is able to identify sources of financing, including in the form of debt and equity financing on commercially acceptable terms, it will be able to obtain approvals from UniCredit to enter into such arrangements. Any failure to obtain or difficulty or delay in obtaining requisite financing could result in delays to or cancellation of the Group's expansion plans or restrict normal operations in ways which could have a material adverse effect on the Group's business, results of operations and financial condition. To date, the Group has not breached any of the covenants in its financing arrangements. See "*Risk Factors – Risks Relating to the Group's Business and Industry – Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions"*.

Loans provided by the Group

In 2008 Krushynskyy has granted the interest free loan to Mr. Borys Bielikov for the total amount of UAH22 million (approximately USD2.77 million), maturing on 12 November 2013. See "*Related Party Transactions – Loans*".

Material Agreements

Material agreements of the Group include the following:

- agreements on purchase of breeder flock, vaccines, premixes and vitamins, animal feed and packaging materials from the suppliers (both foreign and domestic) (the "**Purchase Agreements**");
- agreements on sale of the products in Ukraine (the "**Supply Agreements**"):
  a. Supply of shell eggs;
  b. Supply of egg products;
- agreements on export of the products (the "**Export Agreements**"); and
- agreements on transportation of the products transportation service providers (the "**Transportation Agreements**").

Purchase Agreements

The Group has concluded agreements on purchase of equipment, breeder flock, animal feed, vaccines, premixes and vitamins and packaging materials with the following foreign suppliers: DSM Nutrition Products Sp. Z o.o. (Poland), Hy-Line (UK) International Ltd., OJSC Sverdlovsky Breeding Poultry Plant (Russia); Salmet International GmBH (Germany) and with domestic suppliers: LLC AT Biofarm, LLC EUROVET; LLC Agroolimp, LLC Voloshkove Pole, Private agricultural enterprise Askold Agro, Private Enterprise DGM, Private enterprise Smaragd, LLC Zhytomyrsky Kartonny Kombinat, PJSC Kyivsky Kartonno-Bumazhniy Kombinat, LLC Okulivska Bumazhna Fabryka, LLC Osnova-Papir, LLC Agropolygraphservice and LLC Julia-print etc.

Prior to 2011, the Group purchased Hisex breeder flock. In the Group has concluded agreement on purchase of brdder flock from Hy-line (UK). The Group purchases vaccines mailny from Ukrainian companies, namely LLC Bio-Test-Laboratory (Kyiv), LLC AT Biofarm, LLC EUROVET and Triplex LLC.

The agreements with domestic suppliers of animal feed are concluded normally for a few months and provide that goods shall be delivered to the buyers' premises (DDP Incoterms 2000 delivery terms), while agreements on purchase of veterinary medicines and package materials are signed for at least one year and provide the goods shall be delivered under EXW or FCA Incoterms 2000 delivery terms or otherwise agreed by the parties in the specifications (supplements) to the respective agreements**.** Packages, labeling and transportation wrapping is mainly purchased by the Group from Ukrainian manufacturers.

Some packaging Purchase Agreements, namely with LLC Agropolygraphservice and LLC Julia-print, contain confidentiality provisions, forbidding the parties from disclosing terms and conditions of the relevant agreements to third parties. Therefore, the conditions of the relevant Purchase Agreements are not disclosed in this Prospectus and the above description does not apply to them.

Pursuant to most of the Purchase Agreements, the goods are supplied under DDP Incoterms 2000 delivery terms to the warehouses of the group in Cherkasy or Kyiv regions (animal feed), or according to EXW, FCA Incoterms 2000 delivery terms for package and wrapping agreements.

Supply Agreements

The Group sells shell egs directly to major Ukrainian retain chains, inlcuding Metro, Auchan, Billa, Furshet, Velyka Kyshenya, Eko, Continent, and Perekryostok.

The Group also sells egg products to major Ukrainian manufactures namely: Aquafrost LLC (Illichivsk); OJSC Volynholding (Lutsk); Zhako LLC (Kyiv); CJSC Kharkovsky Zhyrovy Kombinat (Kharkiv); CJSC "Proizvodstvennoe Obyedinenie Konti" (Donetsk); Subsidiary "Kondyterska Korporaciya Roshen" (Kyiv); CJSC AVK (Donetsk), CJSC Chumak (Kahovka), CJSC Lvivsky Zhyrokombinat (Lviv), Donetsk Frozen Food Factory LLC, CJSC Hercules.

The details of the products to be supplied, i.e., the names, price, quantity, and assortment, are to be defined in the purchase orders and specifications, which become supplements to the Supply Agreements. Normally, the products are supplied under DDU Incoterms 2000 delivery terms. In some cases, the Supply Agreements do not refer to Incoterms and specify that the delivery is performed by the supplier and at its expense.

Under the Supply Agreements the purchasers are eligible for different periods of delay in payment and discounts. In addition, the supplier may be required to pay the purchaser for rendering marketing or merchandizing services.

Some of the Supply Agreements (namely, executed with OJSC "Volynholding" and CJSC "Proizvodstvennoe Obyedinenie Konti") contain confidentiality provisions, forbidding the parties from disclosing terms and conditions of the relevant agreements to third parties. The purchaser may unilaterally terminate the agreements if their conditions are disclosed to third parties. Therefore, the conditions of the relevant Supply Agreements are not disclosed in this Prospectus and the above description does not apply to them.

The below tables summarized Supply Agreements.

Egg supply agreements:

No.	Contracting party	Valid from (dd.mm.year)	Valid till (dd.mm.year)	Delivery
1.	Auchan Ukraine Hypermarket	01 January 2011	31 December 2019	DDP place as specified in order
2.	Auchan Ukraine Hypermarket	16 December 2010	16 December 2020 -	As specified in supplements
3.	Billa Ukraine	01 January 2011	31 December 2011	As specified in order
4.	EKO	01 January 2011	31 December 2011	CIP buyers warehouse or store (according to order)
5.	Retail Company EUROTEK	01 January 2011	31 December 2011	DDP place as specified in supplements
6.	FOZZI-Food	31 December 2010	31 December 2011	DDP 2010, places as specified in supplements
7.	Subsidiary Garantiya–Market (FURSHET)	05 January 2011	31 December 2011	DDP, buyers warehouse (according to supplements)

8.	KVIZA-TRADE (Velyka Kyshenya)	31 October 2010	31 December 2014	DDP, place as specified in order
9.	Fudmarket	01 January 2011	31 December 2011	DDP, place as specified in order
10.	Fudmarket	01 January 2011	31 December 2011	DDP, place as specified in order
11.	Fudmarket	01 January 2011	31 December 2011	DDP, place as specified in order
12.	Fudmarket	01 January 2011	31 December 2011	DDP, place as specified in order
13.	Metro Cash and Carry	01 January 2011	31 December 2011	DDP Metro store

Egg Products Supply Agreements:

No.	Contracting party	Valid from (dd.mm.year)	Valid till (dd.mm.year)	Delivery	Remarks
1.	Aquafrost (Odessa)	04 September 2007	31 December 2007	DDU Odessa Oblast, Ilyichivsk, Burlachya balka, Centralnaya Street, 1-E	Supply of liquid pasteurized albumen
2.	Volynholding (Lutsk)	9 November 2010	01 February 2011	DDP Lutsk	Supply Egg solids and egg yolk
3.	Zhako (Kyiv)	16 August 2007	Full performance of parties' obligations or upon their written consent	DDU warehouse, Kyiv, Rodyscheva lane, 3	Supply of liquid pasteurized egg liquid whole egg
4.	Kharkovsky Zhyrovy Kombinat (Kharkiv)	29 October 2007	31 December 2011	DDU Kharkiv, Pr. Illicha, 120	Supply of egg solids, dry egg yolk, liquid egg yolk etc.
5.	Proizvodstvennoe Obyedinenie Konti (Donetsk)	23 October 2009	31 December 2011	As agreed in specification	Supply of raw material for confectionary industry
6.	Subsidiary "Kondyterska Korporaciya Roshen" (Kyiv)	10 March 2010	31 December 2010	According to supplements	Supply of egg products
7.	AVK	25 March 2009	31 December 2012	DDU buyer's warehouse	Supply of eggs solids and dry albumen
8.	Lviv Zhyrokombinat	25 January 2011	31 January 2013	DDP buyer's warehouse	Supply of eggs solids and liquid egg yolk

Export Agreements

The Group exports also its products mostly to African countries, Europe, Middle East and CIS countries.

The Group concluded export agreements with the following exporters ("Export Agreements"): Sanovo International A/S (Denmark), Best Poultry International A/S (Denmark), Kukhnia Bez Hranits Trade House, Amir Akbar Sani (Iran), Private enterprise Energy Service (Iraq), FAIK LAIK MAHMUD (Iraq,Rebia), Al Mungeth Co (Iraq), Al Shemal International Company (Syria), Almaganbetov A.A. private entrepreneur (Kazakhstan), Birlik-Yntymak (Kazakhstan), Aliev Ismail Hudgu ogly (Azerbaidzhan), Sheriff LLC (Moldova).

The Export Agreements are normally signed for at least 1 year. The details of the products to be supplied, i.e., the names, price, quantity, and assortment, are defined in the purchase orders and specifications, which become supplements to the Export Agreements. Normally, the products are supplied under FOB, FCA, EXW and CIF Incoterms 2000 delivery terms. In some cases, the Export Agreements do not refer to Incoterms and specify that the delivery terms are to be defined in the supplements. Most of Export Agreements prescribe 100 % pre-payment, while under some of them the exporters are eligible for delay in payments.

The below table summarizes Export Agreements of the Group

Export Agreements

No.	Contracting party	Valid from (dd.mm.year)	Valid till (dd.mm.year)	Delivery	Remarks
1.	Sanovo International A/S (Denmark)	26 August 2009	31 December 2010	FOB Ilyichevsk, Ukraine	Supply of egg powder
2.	Best Poultry International A/S (Denmark)	7 May 2010	31 December 2011	FCA Kyiv Oblast, Vasylkovsky region, Krushynka village, Kolhoznaya street 11	Supply of egg powder
3.	Sara Food Group Sal (France)	8 June 2010	31 December 2011	FOB Ilyichevsk, Ukraine	Supply of shell eggs
4.	Amir Akbar Sani (Iran)	19 July 2010	31 December 2011	CIF Tabriz, Sahlan, Iran	Supply of egg powder
5.	Private enterprise Energy Service (Iraq)	19 January	31 December 2011	FCA, Kyiv Oblast, Stavyshche region, Veresneva 1	Supply of shell eggs
6.	FAIK LAIK MAHMUD (Iraq,Rebia)	6 August 2010	31 December 2011	FCA Krushynka	Supply of shell eggs
7.	Al Mungeth Co (Iraq)	19 January 2010	31 December 2011	EXW Kyiv Oblast, Stavyshche region, Veresneva 1	Supply of shell eggs
8.	Al Shemal International Company (Syria)	04 October 2010	31 December 2010	EXW Kyiv Oblast, Ukraine	Supply of shell eggs
9.	Almaganbetov A.A., private entrepreneur (Kazakhstan)	15 April 2010	31 December 2011	EXW Kyiv Oblast, Stavyshche region, Veresneva 1	Supply of shell eggs
10.	Aliev Ismail Hudgu ogly (Azerbaidzhan)	01 March 2011	31 December 2012	FCA Stavyshche, Ukraine	Supply of egg products
11.	Sheriff (Moldova)	04 March 2010	31 December 2010	FCA Krushynka	Supply of shell eggs

Transportation Agreements

The Group has concluded the automobile Transportation Agreements with LLC Vigor and LLC “Autotransport Company “Garant”.

The Group normally concludes automobile Transportation Agreements based on its standard template for an initial period of a few months with possibility of automatic extension for the following year, provided that parties continue to perform their obligations under the agreement.

In most cases, the Transportation Agreements are framework contracts according to which the parties execute transportation orders with transportations details specified. Payments under the automobile Transportation Agreements should be made by the Group after the delivery of the products and within 10 business days after the certificate of acceptance of performed work with the transportation company.

RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Group has engaged, and continues to engage, in transactions with related parties. Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control. Other than the transactions with entities under common control described herein, the Group did not engage in any transactions with members of the Board of Directors during the period under review. See Note 30 to the Consolidated Financial Statements.

The Group seeks to conduct all transactions with entities under common control or otherwise related to it on market terms and in accordance with relevant Ukrainian legislation. The terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. However, there can be no assurance that any or all of these transactions have been or will be conducted on market terms.

The Board of Directors intends to adopt, shortly after the launch of the Offering, certain procedures relating to the approval of transactions with the majority shareholder and his affiliates, including the requirement that the majority of the independent non-executive directors votes in favor of a resolution to enter into any related party transactions exceeding EUR1,5 million in value. Significant transactions with related parties (including with the Benifical Owners) during the year ended 31 December 2008, 31 December 2009, 31 December 2010 are set out below. The Group has had no significant related party transactions during the period from 31 December 2010 to the date of this Prospectus, other than transactions and continuations of the trading relationships described under - *‘‘-Past and Ongoing Transactions with Other Related Parties’’* below.

The following companies and individuals are considered to be related parties to the Group.

Name of the related party	**Nature of relations with the Group**
Mr. Borys Bielikov	Chief Executive Officer of the Issuer and the Beneficial Owner
Mr. Vitalii Versenko	Chairman of the Board of Directors of the Issuer and the Beneficial Owner
Mr. Vitaliy Voron	Key Manager of the Group
LLC Alexa Ltd.	Mr. Bielikov holds 99% of participatory interests in the charter capital of this company
LLC Agrofirma Boryspilsky Hutir	Mr. Bielikov holds 80% of participatory interest in the charter capital of this company
Anglo-Brit Management Limited	Mr. Bieliekov controlled 100% of this company. The company was dissolved in 2009
LLC BVV Invest	The Beneficial Owners controlled this company, which they disposed in December 2010 to an unrelated third party
OJSC Poltavarybgosp	Mr. Veresenko controlled this company till 2008
OJSC Boryspilsky EKZ	Mr. Bielikov controlled this company till 2008
LLC Ovostar LTD	Ovostar LLC owns 52% of the shares of this company, which is currently in the process of being liquidated
LLC Zootechnologiya	The Group controlled 33,66 % of the charter capital of this company, which it disposed to an unrelated third party in February 2011
LLC Kompromis - Invest	The Group controlled 100% of the charter capital of this company, which it disposed to an unrelated third party in February 2011
CJSC Lagoda Confectionery Firm	The Group controlled 61,96 % of the company’s shares, which it disposed to an unrelated third party in 2011

Past and Ongoing Transactions with Other Related Parties

Group Reorganization

In 2008, 2010 and 2011, in preparation for the Offering and for various other corporate purposes, the Group has completed the reorganisation to restructure the Group's corporate structure. The Group's shareholding structure following the reorganisation is described in detail under *"General Information on the Issuer – Description of the Group"*.

Loans

On 12 November 2008 Krushynskyy has granted the interest free loan to Mr. Borys Bielikov for the total amount of UAH22 million (approximately USD2.77 million), maturing on 12 November 2013. As of 31 December 2010, the discounted value of outstanding amount under this loan was USD1.149 million.

On 19 October 2010 Malynove has granted the interest free loan to Mr Vitaliy Voron for the total amount of UAH2.2 million (approximately USD0.275 million), maturing on 19 October 2011. As of 31 March 2011, the outstanding amount under this loan was UAH2,179,500 (USD0.27 million).

On 29 May 2008 Malynove has granted the interest free loan to Mr. Vitaliy Voron for the total amount of UAH0.11 million (approximately USD14 thousand), maturing on 29 November 2008. As the date hereof the loan have been fully repaid.

In 2008 and 2009 Malynove has granted interest free loans to Mr. Vitalii Veresenko for the total amount of UAH9.2 million (approximately USD1.16 million), which as the date hereof have been fully repaid.

Lease Agreements

The Group companies have signed two lease agreements with its related parties:

- Lease Agreement No 2, dated 3 May 2006, entered into by and between Krushynskyy and LLC Alexa Ltd., under which Krushynskyy leases from LLC Alexa Ltd. 15 sq m of office space, located at Kyiv, 63-a Tolstogo Street. The agreement automatically extends every year.
- Lease Agreement No YAS0102, dated 1 February 2011, entered into by and between Yasensvit and LLC Alexa Ltd., under which Yasensvit leases from LLC Alexa Ltd. 800 sq m of warehouse premises, located at Kyiv, 63-a Tolstogo Street. The agreement is valid for the period of two years.

Agreements with CJSC Lagoda Confectionery Firm

The Group engaged in a number of transactions with CJSC Lagoda Confectionery Firm.

For period from 2008 till end of 2010 the Group sold shell eggs to CJSC Lagoda Confectionery Firm for export by the latter. The Group does not currently sell shell eggs to CJSC Lagoda Confectionery Firm.

Additionally, in 2008 the Group granted interest free loan to CJSC Lagoda Confectionery Firm for the total amount of USD45.5 thousand, and in 2008 the Group also received interest free loan from CJSC Lagoda Confectionery Firm for the total amount of USD43.5 thousand. These loans have been fully repaid in 2008. Furthermore, in 2010 the Group granted interest free loans to CJSC Lagoda Confectionery Firm for the total amount of UAH251.2 thousand. The loans have been fully repaid.

REGULATORY INFORMATION

See also ‘‘*Industry Overview*’’ for the description of state support and state price controls in the Ukrainian egg industry.

General

Other than as stated below, the Management believes that the Group operates its facilities in compliance with the requirements of all applicable sanitary and epidemiological regulations and also observes all applicable fire prevention measures. The Group outsources all of its building and construction works, which are subject to a licensing regime, to third parties. The Group has not been subject to any material claims relating to the safety of its products, compliance with veterinary, sanitary, health and safety, processing control, labeling requirements, use of genetically modified materials, pesticides, agrochemicals, steroids or antibiotics in the last five years.

Food and Feed Regulations

As the Group produces products for human and animal consumption, its products are subject to numerous safety, sanitation and related regulations.

Food Safety

The the Law of Ukraine “On Safety and Quality of the Food Products”, dated 23 December 1997, as amended (the “**Food Safety Law**”) and the Law of Ukraine ‘‘On the Protection of Consumers’ Rights’’, dated 12 May 1991, as amended, are the principal laws in Ukraine dealing with food safety. According to the Food Safety Law, entities engaged in producing foodstuffs are prohibited from producing and/or putting into circulation products that are dangerous, unsuitable for consumption or incorrectly labelled. Producers are further required to use only permitted, safe and quality ingredients in the permitted amounts for producing food products. Producers and sellers are allowed to sell only those food products of animal origin for which relevant veterinary documents have been issued confirming their safety. Under Ukrainian legislation, a consumer who has sustained damages as a result of buying and consuming a low-quality, dangerous or incorrectly labelled food product may bring a claim for damages against both the producer and the seller of the product.

The Group must also obtain approval for all technological processes used for food production from the Agrarian Ministry. As of the date of this Prospectus, there are no regulations or procedures in place enabling companies to obtain approval for newly introduced technological processes and, accordingly, such approvals are not currently being issued. The Group plans to obtain all necessary approvals as soon as implementing regulations and procedures become available. See “*Risk Factors – Risks Relating to the Group’s Business and Industry – The Group’s business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*”.

Veterinary and Sanitary Control and Supervision

Under the Food Safety Law, the Group, as an operator of food production facilities, is required to obtain operational permits in respect of all of its facilities for production of food products of animal origin (shell eggs and egg products) which isissued by local departments of the of State Committee of Veterinary Medicine of Ukraine (“SCVM”). Without such permits, the Group is not permitted to produce, process, store, transport or sell its shell eggs or egg products. All of the companies within the Group which are engaged in shell egg production and manufacture of egg products have obtained operational permits in respect of all of the facilities for production, processing and sale of food products.

The SCVM officials monitor compliance with applicable sanitary standards of fodder production, eggs production, storage and transportation. In particular, such officials authorise the commissioning into operation of newly built or renovated production facilities, approve food products for further circulation and issue veterinary certificates confirming the quality and safety of unprocessed food products of animal origin, including eggs. SCVM officials also inspect food production facilities and products of animal origin, including eggs, for compliance with applicable sanitary standards and regulations. The SCVM is authorised to determine the frequency of such inspections and generally carries them out on a monthly basis. The Group generally complies with the relevant requirements.

In addition, facilities for the production of egg products and facilities for the production, processing and storage of grains and sunflower seeds are monitored by the and the State Sanitary and Epidemiological Service of Ukraine (the “SSES”). The Group generally complies with the relevant requirements.

Furthermore, according to the Law of Ukraine “On Veterinary Medicine”, dated 25 June 1992 (the “Law on Veterinary Medicine”), Group’s fodder mills are required to obtain operational permits issued by the SCVM in order to produce and sell animal feed. In the absence of the relevant operational the fodder mill is prohibited from producing or selling the animal feed. Each fodder mill is assigned an identification number by the SCVM and such number is registered in the state register of fodder mills. The Group's fodder mills currently operate without such operational permits. The Group intends to comply with such requirement in the future. Companies producing, shipping, storing, selling and using animal feed on its facilities are subject to regular assessments by the SCVM. The SCVM may temporarily suspend the activities of the companies producing, shipping, storing, selling and using animal feed, if such companies violate applicable regulations and standards. If operation of the Group's fodder mills is suspended to the failure to obtain the operational permit or to register the animal feed, it can have material adverse effect on the operations of the Group and the Group may be required to source animal feed from third party suppliers. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*".

Furthermore, only registered animal feed can be used or sold in Ukraine. Animal feed is registered by the SCVM following an application by an enterprise, expert reports and appraisals by the National Agency of Veterinary Medicine and Fodder Additives, and conclusions of the State Pharmacological Commission of the Veterinary Medicine. Once the animal feed is registered the SCVM provides the applicant with a registration certificate and includes the animal feed into the Register of Veterinary Products maintained by the SCVM. The term of validity of the registration certificate may not exceed 5 years. The Group believes that in the production of its animal feed it uses components which have been duly registered by the SCVM, and, therefore, its animal feed has not been registered with the SCVM. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*".

Biosecurity

All Ukrainian producers of food products of animal origin must comply with the principal legislation related to biosecurity measures. This legislation is the Law on Veterinary Medicine, the Law of Ukraine "On Ensuring the Sanitary and Epidemiological Welfare of the Population", dated 24 February 1994, the Food Safety Law and the Law of Ukraine "On the Withdrawal from Circulation, Processing, Utilisation, Destruction and Further Usage of Dangerous and Low-Quality Products", dated 14 January 2000.

The SCVM has enacted more precise regulations based on the foregoing biosecurity legislation applicable to companies operating poultry production facilities. In light of the recently increased threat of bird flu in the world and following the detection of bird flu in Ukraine, in October 2005, the SCVM enacted the Instruction on Bird Flu Control, which established mandatory measures for bird flu prevention to be undertaken by all entities operating poultry production facilities. It also provides for a series of veterinary and sanitary measures to be undertaken in the event of a bird flu outbreak and that all poultry production facilities must operate in a closed regime. In the event of a bird flu outbreak, all infected birds are subject to culling. Moreover, depending on the epizootic situation, clinical course and other factors, the relevant state authorities are authorised to take a decision to cull all bird livestock within a particular unit. In such cases, the owners of such livestock are entitled to receive compensation.

In addition, the SCVM adopted a number of instructions aimed at the prevention and elimination of various other bird diseases, including Newcastle and Marek's Disease. The measures include compulsory vaccination. The Group complies with the relevant biosecurity requirements. See "*Business - Biosecurity*".

Producer's Declaration of Quality

According to the Food Safety Law, the Group as the producer of food products must issue a declaration in respect to its products. The declaration certifies that the relevant products of the Group have been produced in conformity with all of the applicable standards and regulations. Producers are only allowed to issue a producer's declaration if they are able to confirm the accuracy of the declaration based on documentary evidence, which includes, among other things, confirmations of the introduction of quality control systems at their facilities, relevant conclusions of veterinary and sanitary examinations, veterinary certificates and operational permits. Management believes that the Group complies with these requirements. The Group issues such Producer's Declarations of Quality for its products for a definite period and for a particular batch production or parcel.

Labelling Requirements

According to the Food Safety Law all products must have labels in the Ukrainian language containing the following information: name of the product, details of the producer and production facilities, net weight, ingredients, calories and nutritive value, date of production and expiry date, number of the shipment, storage conditions and warning on possible harmful impact on the health of certain categories of the consumers (allergies). Recently, the list of information to be reflected on the label of the food product was extended and currently must contain the information whether a product contains GMO or not.

All shell eggs must have labels in the Ukrainian language containing their group and category. Labels for dietary eggs and eggs intended for export must also contain the date of laying. The Group complies with the relevant requirement.

Use of Genetically Modified Organisms

Ukrainian law prohibits the use of GMO in the production of baby food products. Imports to, or production in, Ukraine of other food products produced with the use of GMO is permitted, provided that a particular GMO has been registered with the state register of GMO. Recently Ukraine has introduced a system of mandatory labeling of food products which contain GMO, or were produced with the use of products containing GMO.

The Group does not use GMO in its products. So far as the Management is aware, the Group does not purchase grain or animal feed which contains GMO. The products of the Group are tested for the presence of GMO at least once a year (Test Protocol No. 3179-3197/10-x for egg products and Test Protocol No. 21548-21552/10-x for edible hen eggs-in-shell).

Pedigree Resources

According to the Law on Veterinary Medicine, Group’s breeder farm is required to obtain operational permits issued by the SCVM. In the absence of the relevant operational the breeder farm is prohibited from producing or selling the pedigree resources, including hatching eggs. The Group’s breeder farm currently operates without such operational permit. The Group intends to comply with such requirement in the future. If operation of the Group’s breeder farm is suspended to the failure to obtain the operational permit, it can have material adverse effect on the operations of the Group and the Group may be required to source hatching eggs from third party suppliers. See “*Risk Factors – Risks Relating to the Group’s Business and Industry – The Group’s business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*”.

Furthermore, according to the Law of Ukraine "On Licensing of Certain Types of Business Activities" dated 1 June 2000, companies engaged in sale of pedigree resources (including hatching eggs) and conducting of genetic assessment of origin and anomaly of animals are required to receive licenses for such activities from the Agrarian Ministry. According to current version of this law, licenses for the sale of pedigree resources and conducting of genetic assessment of origin and anomaly of animals are issued for an unlimited period. Such licenses are conditional on the issuance of a pedigree farm status certificate by the Agrarian Ministry and registration of a particular pedigree resource with the state pedigree register maintained by the Agrarian Ministry. A pedigree farm status certificate is issued following a state audit. Mandatory state audits are conducted every 4 years. Sales of pedigree resources to third parties are subject to additional certification of each consignment by local state pedigree inspectors. The Group is in the process of obtaining of such license in order to be able to sale pedigree resources, if required.

Use of Steroids, Antibiotics and Other Substances in the Egg Production Process

Under Ukrainian law, the use of certain steroids, antibiotics and other substances in the chicken production process is allowed, provided that certain maximum thresholds are not exceeded. Control of thresholds applies to poultry breeding. The Management believes that the Group complies with these requirements of Ukrainian law. The Group does not use steroids other than in regular vaccines given to its chickens, which all meet international standards. The use of steroids would generally be detrimental to the Group's business as it does not sell poultry meat and therefore has no interest in artificially increasing the weight of its flock. Poultry vaccination and generation of its biosecurity is performed during the young flock growing period and is over by 14-15 week of poultry life long before eggs commodity flow is created.

Use of Pesticides and Agro-Chemicals

The Group does not use pesticides or other agro-chemicals in its operations.

Fire, Health and Safety Regulation

The Group’s production facilities are subject to various fire and health and safety regulatory requirements. Under Ukrainian law, the operation of newly constructed properties that have not been duly commissioned is prohibited. The commissioning of a newly constructed property must be certified by a commissioning certificate issued by the respective local state inspectorates for architecture and construction control. Such certificate confirms the compliance of a constructed property with the design and construction standards, requirements of local utility providers, safety rules, sanitary, fire protection, and technical standards under Ukrainian law. Violation of this requirement may lead to imposition of fines in the amount of 10% of the value of the construction services.

Fire Safety

Ukrainian law requires a fire permit to be obtained from the fire safety supervision authorities for the start of operations of newly established companies, the commissioning of new or reconstructed production, residential and other facilities and the use of new fire hazardous equipment for production purposes, or the lease of any premises. In case of a fire safety violation (including absence of the described permit) the state fire safety authorities may impose fines or apply preventive measures (suspension of operation of operation of enterprises, manufacturing facilities, exploitation of buildings, premises and equipment). Some companies of the Group have not obtained relevant permits. Management believes that all production facilities of the Group have been properly commissioned, including by the fire safety supervision authorities. In practice, fire safety supervision authorities have not revealed any material violations of the Group during its audits. However, pursuant to Ukrainian law, the failure to obtain any such permits may lead to the suspension, or the closure of operations of such companies or their equipment and buildings. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*".

Health and Safety

The production and processing of food products, including eggs and egg products, involves the performance of certain hazardous activities, including sanitising and disinfecting production, storage and transportation facilities, working with dangerous substances, gas-hazardous work and work with objects under high pressure, which give rise to a general risk of accidents. Conducting hazardous activities is allowed upon obtaining of the respective permits for commencement of hazardous works and use of hazardous equipment issued by the Labour Protection Committee. Failure to obtain the respective permits may lead to stopping usage of any hazardous equipment and commencement of hazardous works. The Group is generally in compliance with this requirement, however, Yasensvit and Malynove are in the process of obtaining of such permits due to the change of their names. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*".

Ukrainian producers are subject to various Ukrainian laws governing workplace safety. Their operations are monitored by the State Committee of Ukraine for Industrial Safety, Labour Protection and Mining Supervision (the ''Labour Protection Committee''). The Labour Protection Committee has the power to inspect, at any time, the condition of producers' equipment and to monitor dangerous manufacturing processes. The Labour Protection Committee also has wide powers to take remedial measures, including stopping any equipment and processes not in compliance with applicable laws and regulations or deemed to be dangerous to the health and safety of employees. The Labour Protection Committee is authorised to impose fines for violations of applicable labour regulations. The Group generally complies with requirements relating to workplace safety.

Environmental Regulation

Under applicable Ukrainian law, egg producing facilities are considered to pose increased environmental hazards. As such, they are subject to mandatory state ecological examination, requiring pre-project documentation and documentation on the installation of new machinery or the introduction of new technologies to be submitted to the state for review. The Management believes that the Group complies with these requirements.

In its operations, the Group produces solid, liquid and gaseous wastes that could have a negative impact on wildlife and vegetation in adjacent areas, if improperly discharged. These and other activities are subject to various laws and regulations concerning environmental protection. In accordance with applicable Ukrainian law, the Group makes regular environmental payments to the Ukrainian state budget to compensate for pollution generated by the Group's facilities. These payments are effectively an environmental tariff. The Group's annual payments are rather insignificant.

Under the Law of Ukraine "On Waste", waste of animal origin, such as slaughterhouse waste, dead birds and bird manure, except for manure, used for production of biogas or organic fertilizers, must be disposed of through specialized enterprises and generally may not be disposed of by the producers of such waste, unless they have specialized departments dealing with the disposal of waste of animal origin. The Group's companies have executed waste collection and recovery agreements with relevant specialized companies.

The Law of Ukraine On Waste and the regulations implementing this law introduced by the Government require companies using packaging in their operations to make regular payments to a State controlled company, Ukrekokomresursy, to fund the recycling of such packaging or to create their own recycling systems. The Group does not recycle or dispose of any packaging as its disposal is the responsibility of the Group's customers purchasing the Group's products.

The Group operates two artesian well. Under Ukrainian law, companies which operate artesian wells of depths greater than 20 metres obtain permits for sub-soil use and permits for special water use. One of the Group companies holds valid permit for special water use, while other Group company is in the process of receiving the permit for special water use. The Group has not obtained a permit for sub-soil use with regard to its artesian wells. The Group is in the process of obtaining of such permits for sub-soil use. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*".

In addition, the Group's companies, where applicable, must obtain other environmental permits such as permits for air emissions, permits and limits for generation and disposal of solid waste. Although the Group is generally in compliance with these requirements, some companies of the Group have not obtained relevant permits and are currently in the process of their obtaining. Such Group companies may be subject to fines, suspension or restriction of the activities for the failure to comply with the environmental regulations. See "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation*".

In the ordinary course of business, the Group is subject to inspections by Ukrainian environmental authorities. The Group seeks to achieve a high level of environmental protection. The Group has not incurred material environmental liabilities and has not been subject to material environmental investigations in the past.

Antimonopoly Laws

In its activities the Group makes all efforts to comply with Ukrainian legislation regulating the competition issues. In particular, when creating the group, the companies being the members thereof, and ultimate owners as well, obtained a number of permits from the Antimonopoly Committee of Ukraine for the concentration in connection with purchase of shares and stocks in the companies in the amount exceeding 25%, and also equaling and exceeding 50% of the authorized capital.

Under Ukrainian antitrust law, an undertaking (including all entities connected to it by relations of control) having more than 35% of the relevant market share is considered to have a dominant position on that product market, unless it can prove that high competition exists on such product market and it is subject to such competition. Ukrainian law also provides that a company with a market share of 35% or less can also be recognised as having a dominant market position, if such company does not face high competition on such product market, for example, due to the low market shares of its competitors.

Dominant position status is not itself sanctioned. However, the law applies additional restrictions on companies with a dominant position and the AMC reviews the activities of such companies with particular scrutiny. Ukrainian law provides a non-exhaustive list of activities that can be regarded as abuse of dominant market position. The abuse of dominant position is prohibited by law and is punishable by (i) fines in the amount of up to 10% of the annual global group turnover of the company and its related entities; and/or (ii) the compulsory split of the company.

Ukrainian law provides that if damages are caused to third parties as a result of abuse of a dominant position by a company, such damages can be sought by third parties through court proceedings in a punitive amount. The company's directors may be personally subject to administrative fines.

The activities which can be regarded as abuse of monopolistic position include, but are not limited to, fixing of unreasonably high prices with no alternatives for consumers to purchase the same goods from other producers; fixing of unreasonably low prices making the prices of other competitors uncompetitive; fixing of such prices or conditions for the sale of goods which would not be possible in a competitive environment; limiting or stopping the production and sale of goods so as to create a shortage of such goods; substantially limiting the competitiveness of other producers or distributors of the same goods; and creating barriers to enter the product market for new competitors or eliminating existing competitors from the product market.

MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The Issuer has a one-tier corporate governance structure and is administered and managed by a Board of Directors.

Composition, Powers and Functioning

The Issuer has a one-tier board structure consisting of executive and non-executive Board of Directors' members.

The Board of Directors as a whole is charged with the Issuer's management. The Board of Directors is required to consist of executive directors and non-executive directors. All members of the Board of Directors are appointed and/or dismissed by the General Meeting.

The Board of Directors may charge the executive director(s) with the operational management of the Issuer, the preparation of the decision-making process of the Board of Directors and the implementation of the decision taken thereby. The executive director(s) may subsequently determine which operational duties will be carried out by each of the executive director(s). The non-executive director(s) are charged with the supervision of the general policy and the fulfilment of duties by the executive directors and the general affairs of the Issuer.

In the meeting of the Board of Directors each director has a right to cast one vote. All resolutions by the Board of Directors shall be adopted by an absolute majority of the votes cast. If there is a tie in votes, the chairman of the Board of Directors shall have the casting vote

Under the Articles of Association, a member of the Board of Directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Issuer.

Under the Articles of Association, resolutions of the Board of Directors require approval of the General Meeting when these relate to an important change in the identity or character of the Issuer or the undertaking, including in any case:

a. the transfer of the enterprise or almost the entire enterprise to a third party;

b. the commencement or termination of a long-term co-operation of the company or a subsidiary with another legal entity or partnership, or participation as a general partner with full liability in a limited partnership or general partnership, if such a co-operation or participation, or the termination thereof, is of far-reaching significance for the company;

c. acquisition or disposal by the company or by a subsidiary, of a participating interest in the capital of a company with a value of at least one third of the amount of the assets as shown on the company's balance sheet with explanatory notes or, if the company prepares a consolidated balance sheet, as shown on the consolidated balance sheet with explanatory notes according to the most recently adopted annual accounts of the company.

Members of the Board of Directors

As at the date hereof, the Company’s Board of Directors is composed of four directors. The table below sets forth the names, respective ages and business addresses of the members of the Board of Directors.

Name	Age	Position/Class/Function	Business address
Mr. Vitalii Veresenko	42	Chairman of the Board of Directors / non-executive director	34 Petropavlivska St., 04086 Kyiv, Ukraine
Mr. Borys Bielikov	42	Member of the Board of Directors /CEO/ executive director	34 Petropavlivska St., 04086 Kyiv, Ukraine
Mr. Oleksandr Borysovych Bakumenko	52	Member of the Board of Directors / non-executive director	13 Pimonenka, K6A, office 23, Kyiv, Ukraine
Marc van Campen	66	Member of the Board of Directors / non-executive director	Koningslaan 17, 1075AA Amsterdam, The Netherlands

Mr. Bielikov and Mr. Veresenko were appointed on 23 March 2011. Their term of office will expire at the annual General Meeting convened to approve the annual accounts of the Issuer for the financial year that will end on 31 December 2015. Mr. Bakumenko shall be appointed upon completion of the Offering and his term of office will expire at the annual General Meeting convened to approve the annual accounts of the Issuer for the financial year that will end on 31

December 2015. Mr. van Campen shall be appointed upon completion of the Offering and his term of office will expire at the annual General Meeting convened to approve the annual accounts of the Issuer for the financial year that will end on 31 December 2015.

It is the Issuer's intention that immediately after the Offering the Board of Directors would consist of at least two non-executive members fulfilling the criteria of independence (described in the Articles of Association) from the Issuer.

The following is a summary of the relevant expertise and experience of the current members of the Issuer’s Board of Directors.

Vitalii Andriyovych Veresenko - the Beneficial Owner, Chairman of the Board of Directors and non-executive Director of the Issuer, Head of the Supervisory Counsel of Malynove. Vitalii Andriyovych Veresenko graduated from Kyiv Air Defense Radio Technical Engineers College as a automated management systems engineer in 1990. From 1985 to 1991 Vitalii Andriyovych Veresenko served in the armed forces of the USSR. Vitalii Andriyovych Veresenko started his activities in 1991 as a director of Dyvosvit LLC. From 1999 to 2001 he worked as the General Director of Malynove, and from 2001 until now is the Head of the Supervisory Counsel of Malynove. Vitalii Andriyovych Veresenko is a member of the Board of Directors of Ukrainian Poultry Breeders Association. Vitalii Andriyovych Veresenko has been working in the companies of the Group since 1998 (13 years).

Borys Oleksandrovych Bielikov - the Beneficial Owner, member of the Board of Directors and Chief Executive Officer of the Issuer, the Chairman of the Supervisory Counsel of Poultry Farm Ukraine, Deputy Head of the Supervisory Counsel of Malynove, General Director of Yasensvit, Director of Ovostar Union LLC, member of the Audit Committee of Krushynskyy. Borys Oleksandrovych Bielikov in 1994 graduated from National Aviation University as an aircrafts operation mechanic-engineer. Borys Oleksandrovych Bielikov started his activities in 1993 in UkrOptService LLC. From 1997 to 1998 he worked as the Deputy Director of UKRAGROTRADE LLC. From 2007 to 2010 he worked as the General Director of Ovostar Union LLC. From 2010 until now he has been working as the General Director of Yasensvit. Borys Oleksandrovych Bielikov is a member of the Board of Directors of Ukrainian Poultry Breeders Association starting from 2003. Borys Oleksandrovych Bielikov has been working in the companies of the Group since 1999 (12 years). Borys Oleksandrovych Bielikov is awarded with: 2005 - Certificate of Honor of the Cabinet of Ministers of Ukraine; 2006 - “Badge of Honor” labor mark of distinction awarded by the Agrarian Ministry; and 2007 - Ukrainian government award - the Labor and Valor medal.

Oleksandr Borysovych Bakumenko – signed a commitment letter with the Issuer on 23 May 2011, to serve as a non-executive Board member of the Issuer. His tenure will commence immediately after the listing of the Issuer’s Shares on WSE. Mr. Bakumenko is Head of Board of Ukrainian Poultry Farmers Association. Mr. Bakumenko graduated from Kharkiv Veterinary Institute in 1983 as an animal technician. Mr. Bakumenko started his carrier as brigader EF “Progress” of Kharkiv Veterinary Institute in 1983, starting from 1985 he worked as senior animal technician of Kharkiv Meat Production Association. Starting from 1987 he worked as the Government controller of Department of Regional State Inspection on harvesting and quality of agricultural products at Kharkov regional agroindustrial committee. From 1988 till 1995 he worked at PA “Kharkivptakhoprom”, first as Senior animal technician, and then as Deputy General Manager. Later he worked as Director of LLC “Zodiak LTD” (1995-1996), General Manager of LLC “Barvinok” (1996-1998), First Deputy Head of Board CJSC “Agropromsoyuz-98” (1998-1999), Vice President of “Regional culture centre” Association (1999-2001), and from 2001 till 2004 he worked as the General Manager of Kharkiv regional poultry association “Kharkivptakhoprom”. Mr. Bakumenko is awarded with Gratitude of Prime Minister of Ukraine, “Sign of Honor” by the Agrarian Ministry, and Honored worker of agriculture.

Marc van Campen signed a commitment letter with the Issuer on 25 May 2011, to serve as a non-executive Board member of the Issuer. His tenure will commence immediately after the listing of the Issuer’s Shares on WSE. In 1968 Mr. van Campen earned his degree in law at the University of Nijmegen (the Netherlands). Prior to joining us, Mr. van Campen served in several positions with Océ Van der Grinten N.V., and most recently until 2002 as a general counsel of NBM-Amstelland N.V. (currently known as AM N.V.) at that time one of the largest companies in the field of construction and project development in The Netherlands quoted on the Amsterdam Stock Exchange and has hold director’s positions with the following privately held companies: Nice Group B.V. (Amsterdam), GMT (PEP COM) B.V. (Amsterdam), and Sympak International B.V. (Amsterdam). Mr. van Campen is now holding director positions at Astarta Holding N.V., a Dutch public company listed at WSE, and at the privatly held companies Montferland Beheer B.V., Voorgrond Beheer B.V. (Schoonhoven) and Do It Yourself (DIY) Orange Holding B.V. (Amersfoort).

Key Executives

In the opinion of the Issuer, apart from the Board of Directors members, the following persons, directors of the Group, are the most important for the Group (the “**Key Executives**”). Business address of Key Executives is 34 Petropavlivska St., 04086 Kyiv, Ukraine.

Vitaliy Ivanovych Voron - the Head of the Management Board of Malynove, Operating Director of Yasensvit. Vitaliy Ivanovych Voron in 1990 graduated from Kyiv Communications Military College as a radio engineer, and in 2003 from KROK Economy and Law Institute - business economics. From 1985 to 1992 Vitaliy Ivanovych Voron served in the armed forces of the USSR. From 1993 to 1999 Vitaliy Ivanovych Voron worked at Dyvosvit LLC, and from 1999 to 2003 held different titles in Lagoda Confectionary Plant LLC from the head of sales department to the HR Manager. From 2003 to 2007 Vitaliy Ivanovych Voron worked as the Operating Director of Malynove, and from 2007 until now is the Head of the Management Board of Malynove, Operating Director of Yasensvit and from 2009 has his secondary employment as the Operating Director of Yasensvit. Vitaliy Ivanovych Voron has been working it the companies of the Group since 2003 (8 years).

Yuriy Filipovych Doroshev - the Financial Director of Yasensvit, Deputy Chairman of the Management Board of Krushynskyy. Yuriy Filippovych Doroshev in 1999 graduated from Kyiv National Economics University with a specialization in financial management. Yuriy Filippovych Doroshev started his professional activities in 1998 as an accountant in Tiso firm. From 2009 to 2010 Yuriy Filippovych Doroshev worked as the Deputy General Director for financial accounting of Ovostar Union LLC, and from 2010 until now has been working as the Financial Director of Yasensvit. Yuriy Filippovych Doroshev has been working in the Group since 2009 (2 years).

Natalia Oleksandrivna Malyovana - the Chairman of the Management Board of Krushynskyy, Commercial Director of Yasensvit, Commercial Director of Ovostar LLC. Natalia Oleksandrivna Malevana in 2001 graduated from Kyiv National Economics University with the specialization in marketing. Natalia Oleksandrivna Malevana started her activities in 1999 in Firma M3 Grafika Private Enterprise as a marketing manager. From 2001 to 2002 Natalia Oleksandrivna Malevana worked as a director’s assistant in Borispol Agro Trade LLC. From 2002 to 2009 she held different positions from the sales manager to the Chairman of the Management Board of Krushynskyy. In 2009-2010 Natalia Oleksandrivna worked as the Commercial Director of Ovostar LLC, and from 2010 until now holds the position of the Chairman of the Management Board of Krushynskyy, Commercial Director of Yasensvit and Commercial Director of Ovostar LLC (secondary employment). Natalia OleksandrIvna Malevana has been working in the Group of since 2001 (10 years)

Viacheslav Zinoviyevych Protsyshyn - the Chairman of the Management Board of Poultry Farm Ukraine, Director of the Department for production site in Vasylkiv of Yasensvit, the Logistics Director of Yasensvit. In 1996 Viacheslav Zinoviyevych Protsyshyn graduated from Riga Technology Civil Aviation University as an economist. Viacheslav Zinoviyevych Protsyshyn started his activities in 1997 in Podol branch of Kyiv JSCB. He has been working in the Group since 2002. Viacheslav Zinoviyevych Protsyshyn held the position of the director of Ovostar LLC from 2002 to 2005. From 2005 until now he holds the position of the Chairman of the Management Board of Poultry Farm Ukraine. Since 2010 until now he works as the Director of the Department for production site in Vasylkiv of Yasensvit, the Logistics Director of Yasensvit (secondary employment). In 2009 Viacheslav Zinoviyevych Protsyshyn was awarded with a government award of Ukraine - medal “Honorary Employee of the Agrarian Ministry”. Viacheslav Zinoviyevych Protsyshyn has been working in the Group since 2002 (9 years).

Natalia Anatoliyevna Vlasniuk - the Marketing Director of Yasensvit. In 1994 Natalia Anatoliyevna Vlasniuk graduated from Dnipropetrovsk State University with the specialization in Ukrainian language and literature, and in 2002 Kyiv National Taras Shevchenko University, High School of Advertising, and in 2008 Krok Economy and Law University with the specialization in projects management. Natalia Anatoliyevna Vlasniuk started her activities in 1989 in secondary school No. 112 in Dnipropetrovsk. Since 2006 until 2010 Natalia Anatoliyevna Vlasniuk worked as a senior public and media relations specialist, head of the marketing department, deputy general director for marketing of Ovostar Union LLC. From 2010 until now works as the Marketing Director of Yasensvit. Natalia Anatoliyevna Vlasniuk has been working in the Group since 2006 (5 years).

Directorships of Members of the Board of Directors and Key Executives

The following table sets out additional past and current directorships held by the Issuer’s Board of Directors’ members and Key Executives in the past five years:

Name	Positions Held
Oleksandr Borysovych Bakumenko	**Current:** Non-executive Director of the Issuer Head of Board of Directors of Ukrainian Poultry farmers Association **Former:** General Manager Kharkiv regional poultry association "Kharkivptakhoprom" Vice President of "Regional culture centre" Association First Deputy Head of Board CJSC "Agropromsoyuz-98" General Manager of LLC "Barvinok" Director of LLC "Zodiak LTD" Deputy General Manager of PA "Kharkivptakhoprom" Senior animal technician of PA "Kharkivptakhoprom" Government controller of Department of Regional State Inspection on harvesting and quality of agricultural products at Kharkiv regional agroindustrial committee Senior animal technician of Kharkiv meat production association Armed Forces of the USSR Brigadier of EF "Progress" of Kharkiv Veterinary Institute
Borys Oleksandrovych Bielikov	**Current:** Member of the Board of Directors and Chief Executive Officer of the Issuer Chairman of the Supervisory Counsel of Poultry Farm Ukraine Deputy Head of the Supervisory Counsel of Malynove General Director of Yasensvit Director of Ovostar Union LLC Member of the Audit Committee of Krushynskyy **Former:** CEO of LLC "Boryspil Agro Trade" (former name of Ovostar Union LLC), from June 2007 to November 2008 and from February 2009 to December 2010 Deputy Director in Innovations and Business Development at LLC "Boryspil Agro Trade", from December 2008 to February 2009 Director of Yasensvit from September 2010 to January 2011 Deputy Chairman on Economic Issues at Poultry Farm Ukraine
Vitalii Andriyovych Veresenko	**Current:** Chairman of the Board of Directors and non-executive Director of the Issuer Head of the Supervisory Counsel of Malynove
Marc van Campen	**Current:** executive board member at Astarta Holding N.V., Amsterdam director of Montferland Beheer B.V., Schoonhoven director of Voorgrond Beheer B.V., Schoonhoven director of Do It Yourself (DIY) Orange Holding B.V., Amersfoort **Former:** director of Montferland Beheer B.V., Schoonhoven

Name	Positions Held
	director of Voorgrond Beheer B.V., Schoonhoven director of Do It Yourself (DIY) Orange Holding B.V.., Amersfoort director at Nice Group B.V., Amsterdam, Director at GMT (PEP COM) B.V.,Amsterdam, Director at Sympak International B.V.,Amsterdam
Vitaliy Ivanovych Voron	**Current:** Head of the Management Board of Malynove Operating Director of Yasensvit **Former:** Director of the Production Site at Malynove, from June 2003 to February 2007 Economics Director at Yasensvit from March 2006 to November 2007
Yuriy Filipovich Doroshev	**Current:** Financial Director of Yasensvit **Former:** Director of AF Exprofesso from October 2004 to October 2009 Deputy Director of Finance and Financial Accounting at LLC “Boryspil Agro Trade” from October 2009 to February 2010 CFO at LLC “Boryspil Agro Trade” from February 2010 to September 2010
Natalia Aleksandrovna Malyovana	**Current:** Chairman of the Management Board of Kryshynskyy Commercial Director of Yasensvit Commercial Director of Ovostar LLC **Former:** Deputy Director on Commercial Issues at Ovostar LLC from August 2007 to September 2008 Chairman of the Management Board of Krushynskyy from December 2005 to June 2009
Viacheslav Zinoviyevych Protsyshyn	**Current:** Chairman of the Management Board of Poultry Farm Ukraine Director of the Department for production site in Vasylkiv of Yasensvit \\ Logistics Director of Yasensvit **Former:** Production Director at Ovostar LLC from April 2005 to September 2006
Natalia Anatolievna Vlasniuk	**Current:** Marketing Director of Yasensvit **Former:** Leading PR and Media Relations Specialist at LLC “Boryspil Agro Trade”, Head of the Marketing Department at LLC “Boryspil Agro Trade” from December 2006 to August 2010 Deputy Director in Marketing at LLC “Boryspil Agro Trade” from August 2010 to September 2010

Shares and Share Options held

Except for Mr. Veresenko, the Chairman of the Board of Directors, who indirectly holds 50% of the Issuer's shares, Mr. Bielikov, the Chief Executive Officer and member of the Board of Directors who indirectly holds 50% of the Issuer's shares, no member of the Issuer's Board of Directors nor any Key Executive holds any shares or stock options over such shares in the Issuer.

At the date of this Prospectus, the Issuer has no arrangements in place for members of the Board of Directors, Key Executives or Group employees pursuant to which such persons can acquire shares or options of such shares in the Issuers' capital or its subsidiaries.

Committees

As at the date of this Prospectus, the Board of Directors has decided to appoint the Audit Committee from among its members. The Audit Committee will commence its activity after the Offering and listing on the WSE and primarily will be composed of 2 non-executive members of the Board of Directors. The Issuer envisages that in the near future the Audit Committee will be composed of three members, of which two of them will be non–executive members.

The Issuer decided to establish only an Audit Committee. The tasks and duties contemplated by a remuneration committee and selection and appointment committee are performed by the entire Board of Directors.

Audit Committee

The Audit Committee will be responsible for supervising the Board of Directors' activities with respect to:

- operation of internal risk management and control systems, including supervision of the enforcement of relevant legislation and regulations;
- provision of financial information by the Issuer (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial accounts, forecasts, work of internal and external auditors, etc.);
- compliance with recommendations and observations of internal and external auditors;
- the role and functioning of the Issuer's audit department;
- the Issuer's tax planning policy;
- the Issuer's relations with the external auditor, including, in particular, its independence, remuneration and non-audit services for the Issuer; and
- the financing of the Issuer.

The role and responsibilities of the Audit Committee, as well as its composition and the manner in which it operates and discharges its duties, are set out in regulations for the Audit Committee, as drawn up by the Board of Directors. The Audit Committee regulations and its composition will be placed on the Issuer's website. As the members of the Audit Committee will be appointed Messrs. Van Campen and Veresenko. Mr. Van Campen will be appointed Chairman of the Audit Committee and is considered to be the financial expert, as referred to in the Dutch Corporate Governance Code and the Dutch Act on Supervision on Audit organisations. The Audit Committee meets as often as one or more members of the Audit Committee deems necessary, but in any event will meet at least once a year with the Issuer's external accountant, without the Board of Directors being present.

Remuneration and Terms of Service Contracts

The general policy with regard to the remuneration of members of the Board of Directors shall be determined by the General Meeting, upon a proposal of the Board of Directors. The current remuneration policy will be adopted by the General Meeting not later than at the first meeting after the listing of the Offer Shares on the WSE.

The objective of the Group's remuneration policy is to provide a compensation programme allowing for the attraction, retention and motivation of members of the Board of Directors who have the character traits, skills and background to successfully lead and manage the Issuer.

In 2010, the members of the Board of Directors did not receive any remuneration in the Issuer as well as from subsidiaries, except for Mr. Bielikov, who received in 2010 USD10 thousand, and Mr. Veresenko, who received in 2010 USD4 thousand. The aggregate remuneration (including benefits in kind) paid to Key Executives in 2010 totalled USD55 thousand, mainly in the form of salaries and contributions to social security fund.

The Group's policy towards the members of the Board of Directors and Key Executives, as well as employment contracts of the members of the Board of Directors Members and Key Executives do not provide for any benefits in the case of dismissal or termination of such person's service, employment contract or other similar agreement.

The members of the Board of Directors and Key Executives are not granted any pensions, retirement or similar benefits by the Issuer or the Group Subsidiaries.

Certain information on the members of the Board of Directors and of the Key Executives

Within the past five years, no member of Board of Directors and no Key Executive:

- has been convicted of any offences relating to fraud;
- has been the subject of any official public incrimination or has been sanctioned by statutory or regulatory authorities (including professional associations);
- there are no other family relationships among the members of the Board of Directors and Key Executives;
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conducting the affairs of any company; or
- has been associated with any bankruptcy, receivership or liquidation, or similar proceedings, in their capacity as members of any administrative, managing, or supervisory body or as a senior executive.

No member of the Board of Directors and no member of the Key Executives, other than Mr. Van Campen, hold a supervisory or a non-executive position in any other listed company or perform principal activities outside the Issuer which are significant with respect to the Issuer.

There are no actual or potential conflicts of interest between private interests and any duties to the Issuer of the members of the Board of Directors and members of the Key Executives toward the Issuer and their respective private interests and or other duties or obligations to the Issuer, except of the direct and indirect conflict of interests of Mr. Bielikov and Mr. Veresenko as set out in the below paragraph and as further described under – "*Related Party Transactions -Past and Ongoing Transactions with Other Related Parties*".

There is a potential conflict of interest between private interests of Mr. Bielikov and Mr. Veresenko and the interests of the Issuer. These potential conflict of interest could arise, because the Group's subsidiaries have engaged in and continue to engage in insignificant transactions with related parties, including parties that are controlled by Mr. Bielikov and Mr. Veresenko. Conflicts of interest may arise among the Group, Mr. Bielikov and Mr. Veresenko and other companies controlled by them, resulting in transactions otherwise than on an arms' length basis. See also "*Risk Factors – Risks Relating to the Group's Business and Industry – The Group has been, and will continue to be, controlled by the Beneficial Owners, and depends on their services*". To the extent (potential) conflict of interest between the Issuer and the members of the Board of Directors materialize, such conflict of interest shall be published in the Issuer's annual report.

There are no arrangements or understandings with the Principal Shareholder of the Issuer, customers, suppliers or others pursuant to which any member of the Board of Directors or of the Key Executives was selected or appointed.

Corporate Governance Rules

Although the Issuer will be listed on the WSE, it will still be required to apply the Dutch Corporate Governance Code since the Code applies to all Dutch companies listed on a government-recognised stock exchange, whether in the Netherlands or elsewhere. However, the application of the Dutch Corporate Governance Code is not compulsory and is subject to the "comply or explain" principle.

The Netherlands

Such Dutch companies are required under the laws of the Netherlands to disclose in their annual reports whether or not they apply those provisions of the Dutch Corporate Governance Code that are addressed to the managing board or, if any, supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. The Dutch Corporate Governance Code recognises that non-application of its Best Practice Provisions is not in itself objectionable and indeed may be justified under certain circumstances.

The Issuer acknowledges the importance of good corporate governance and intends to apply with Dutch corporate governance codes as wide as it is practicable. Notwithstanding, the Issuer will not comply with the following rule of the Dutch Corporate Governance Code:

Best Practice provision III.8.1

states that: the chairman of the Board of Directors may not also be or have been an executive director.

In connection with this Best Practice provision III.8.1, the Issuer however believes that it is in the best interest of the Issuer and the Group to maintain Mr. Veresenko as Chairman of the Board of Directors due to his extensive knowledge of the Group's business.

Best Practice provision III.8.3

states that: the Board of Directors shall apply chapter III.5 of this code. The committees referred to in chapter III.5 shall consist only of non-executive Board of Directors member. In connection with this Best Practice provision III.8.3, the Issuer however believes that it is currently in the best interest of the Issuer that except for the audit committee no specific committees are formed, however the entire board of Directors shall conduct the duties of such committees.

Best Practice provision III.8.4

states that: The majority of the members of the Board of Directors shall be non-executive directors and are independent within the meaning of the Dutch Corporate Governance Code. In connection with this Best Practice provision III.8.4, the Board of Directors of the Issuer is currently composed in such way that the majority of the members of the Board of Directors comprises of non-executive directors, however that the majority of all members of the Board of Directors is not independent. Nevertheless, the Issuer believes that the current composition of the Board of Directors is such that it will provide for proper management and supervision.

Further deviations (if any) from the Best Practice Provisions of the Dutch Corporate Governance Code will be included and explained in the Issuer's annual report.

Poland

Warsaw Stock Exchange, on which the Shares will be listed have their own corporate governance code, it is the Code of Best Practice for WSE Listed Companies (“WSE Corporate Governance Rules”). With respect to the code the “comply or explain” principle is applied. The Issuer will be obliged to report on each non-compliance together with a justification of such non-compliance and should include summary information on non-compliance with the WSE Corporate Governance Code in the annual report.

The Issuer has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles will apply to the Issuer only to the extent allowed by Dutch corporate law and corporate structure of the Group, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Issuer does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, its Board of Directors performs both the management and supervisory functions. As a result, the Issuer will apply those principles of the WSE Corporate Governance Rules which refer to relations between supervisory boards and management boards not directly, but accordingly.

PRINCIPAL SHAREHOLDER

Principal Shareholder

As of the date of the Prospectus, all the Shares in the Issuer are held by Prime One Capital Limited, a company established under the laws of the Cyprus, with its address at Pandoras, 21, Hadjimatheou-Yiannouri Court, 2nd floor, Flat/Office 10, P.C. 6042, Larnaca, Cyprus (the "**Principal Shareholder**"). The company is a special purpose holding company and does not have any operations other than holding shares.

The shares held by the Principal Shareholder will not have different voting rights than the Offer Shares.

Indirect shareholders in the Principal Shareholder, and ultimate beneficial owners of all the shares in the Issuer are Mr. Borys Bielikov, a citizen of Ukraine, Mr. Vitalii Veresenko, a citizen of Ukraine (together the "Beneficial Owners"). Each of Mr. Borys Bielikov and Mr. Vitalii Veresenko indirectly hold 50 % of shares in the Issuer.

Shareholding Structure

The tables below indicate the Issuer's shareholding structure as at the date of this Prospectus and after the Offering:

	Shares held prior to the Offering		**Shares held after the Offering(1)**	
Shareholder	**Number**	**%**	**Number**	**%**
Prime One Capital Limited	4,500,000	100.0	4,500,000	75.0
Public	0	0	1,500,000	25.0
Total	**4,500,000**	**100.0**	**6,000,000**	**100.0**

(1) Assuming all the Offer Shares have been subscribed

The nature of any position office and material relationships between the Issuer and the Principal Shareholder

Apart from holding of the following positions by the Beneficial Owners who are the indirect shareholders of the Principal Shareholder, i.e., the Chairman of the Board of Directors and non-executive director by Mr. Veresenko, and the member of the Board of Directors and CEO of the Issuer, the director of Ovostar Union LLC and Yasensvit by Mr. Bielikov, as well as the relationships described in the chapter "*Related Party Transactions*", there are no other material relationships between the Issuer and the Principal Shareholder.

DESCRIPTION OF THE SHARES AND CORPORATE RIGHTS AND OBLIGATIONS

The following is a summary of certain information in relation to the Issuer and of certain significant provisions of Dutch corporate law and the Articles of Association. This summary is intended to contain all material information in relation to the Issuer and the rights attaching to the Shares and in relation to the Articles of Association of the Issuer, but does not purport to be complete. This summary is qualified entirely by reference to the Articles of Association, which can be obtained from the commercial register in Amsterdam, and by Dutch law in effect at the date of this Prospectus.

General Meeting

The Issuer, as a Dutch company, must hold at least one annual General Meeting, to be held in the Netherlands and not later than six (6) months after the end of the financial year. The annual General Meeting is, among other things, entitled to discuss the annual report of the Board of Directors with respect to the general state of affairs of the Issuer, approve the financial statements for the previous financial year, vote whether to grant discharge to members of the Issuer's corporate bodies, and/or appoint members to fill any vacancies on any of the corporate bodies. Notices of shareholders' meetings must be published on the Issuer's website and via any other electronic communication method directly or indirectly accessible until the meeting and also in accordance with applicable regulations in Poland, at least forty two (42) days before the day of the meeting. The Board of Directors determines the items on the agenda for the General Meeting. Furthermore, the agenda shall contain such items as requested in writing by one or more persons entitled to attend the general meeting, representing solely or jointly at least 1% of the issued capital or holding shares of the Issuer which according to the official price list of the regulated market represent a value of at least EUR50,000,000, at least sixty days before the date of the meeting. The meeting shall not adopt resolutions on matters other than those that have been placed on the agenda.

An extraordinary General Meeting may be convened as often as the Board of Directors or shareholders together representing at least 10% of the issued capital deem necessary. Under Dutch law, valid shareholders' resolutions can be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such meeting.

Voting at General Meeting

Shareholders may participate in the General Meeting and exercise their voting right personally or by written proxy. Each share in the capital of the Issuer confers the right to cast one vote, subject to the relevant provisions of the Articles of Association. The Issuer considers other solutions which in future may facilitate shareholders to participate in the meeting.

Every holder of shares and every other party entitled to attend the General Meeting who derives his rights from such shares, is only entitled to attend the General Meeting in person, or represented by a person holding a written proxy, to address the General Meeting and, in as far as he has voting rights, to vote at the meeting, if he has lodged documentary evidence of his voting rights. The requirement of a written proxy is also met if the proxy is recorded electronically.

For this purpose, Dutch law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting. Such record date is fixed at the twenty eighth (28th) day before said General Meeting. The voting rights and the right to attend the General Meeting shall accrue to those holding such entitlements and are registered as such in a register designated for that purpose by the Board of Directors on this record date. The convocation to the General Meeting shall state the record date, the place where and the manner in which registration shall take place.

The Chairman of the General Meeting shall further decide whether persons other than those who are entitled to admittance pursuant to the aforementioned shall be admitted to the Meeting.

The Members of the Board of Directors shall have the right to attend the General Meeting. In these Meetings they shall have an advisory vote.

Unless provided otherwise in the Articles of Association or the law, all resolutions are adopted by absolute majority of votes. The Issuer must record the voting results for each resolution adopted at a shareholders' meeting. These results must be posted on the Issuer's website not later than on the fifteenth (15th) day following the day of the shareholders' meeting and should be available on the website for at least one year.

Detailed information regarding participation and voting at General Meetings will be included in the notice of the General Meeting published in accordance with relevant regulations in the Netherlands and Poland.

Challenging Resolutions of General Meetings

Under Dutch law the conflict of law rules that a resolution of the general meeting of shareholders of a Dutch company may only be appealed to a Dutch court in accordance with the Dutch company and civil proceedings law.

Pursuant to Dutch law, a resolution of the general meeting of shareholders may be appealed by each shareholder regardless of the number of shares held by him, if the resolution is (i) in conflict with the statutory law, provisions of the articles of association on the proceedings for taking resolutions, (ii) in conflict with principles of reasonableness and fairness as set forth in Article 2:8 of the Dutch Civil Code; or (iii) in conflict with the internal regulation of the company itself (inter alia the articles of association). Article 2:8 of the Dutch Civil Code includes a general clause which appeals for the exercise of corporate rights and obligations in compliance with principles of reasonableness and fairness.

The appeal should be filed with a district court having jurisdiction over the relevant company's seat within the period of one year starting from the day of publication of such a resolution. In the case of the Issuer the competent court is the District Court of Amsterdam, the Netherlands. The plaintiff should show a legal interest in appealing against the resolution. Under Dutch civil proceedings rules, the appeal should be filed in the Dutch language and should be signed by an attorney qualified to practice in the Netherlands. Generally, the appeal will be subject to court fees. If the court finds in favour of the appealing shareholder, the resolution will be nullified (*vernietigd*).

Similarly, under Dutch law each shareholder also has a right to appeal any action of other governing bodies (i.e. the Management Board) on the same grounds as specified above. The same appeal procedure will apply.

Annual Accounts

Annually, within four months after the end of the financial year, the Board of Directors shall prepare the annual accounts and shall make them available free of charge for inspection by the shareholders at the offices of the Issuer. The Issuer shall further make the annual accounts, together with the auditor's statement and the annual report, available to the public and shall keep such information available for at least five years. The Board of Directors shall furthermore publish the annual accounts in a public register of the AFM following adoption thereof by the General Meeting and issue a press release announcing the publication of the annual accounts. The annual accounts are deposited with the Chamber of Commerce in Amsterdam within eight days after adoption thereof and made public on their website. The annual accounts must be accompanied by an auditor's statement, the annual report and certain other information required under Dutch law. The annual accounts shall be signed by the members of the Board of Directors.

The annual accounts, auditor's statement, annual report and other information required under Dutch law must be made available to shareholders for review from the date of the notice convening the annual General Meeting. The annual accounts shall be adopted by the General Meeting and will be sent to the AFM within five (5) days after adoption. Within two (2) months after the end of the first six (6) months of the financial year, the Board of Directors shall prepare the semi-annual financial reporting and shall make it publicly available. If the semi-annual financial reporting is audited, the auditor will make the auditors statement publicly available as well along with the semi-annual financial reporting.

Distribution of Profits

The Issuer may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the Issuer's shareholders equity exceeds the aggregate nominal value of all of the Issuer's issued and outstanding shares plus the amount of any reserves that the Issuer is required to maintain pursuant to the Articles of Association or the provisions of applicable law.

Any distribution of profits will be made after the adoption of the annual accounts showing that such distribution of profits is permitted. Each shareholder is entitled to dividends pro rata to the number of shares held by such shareholder. The Board of Directors shall determine which portion of the profits shall be reserved. The profit remaining less such reserved portion, if any, shall be at the disposal of the General Meeting. The General Meeting may resolve to partially or totally reserve such remaining profit. The Board of Directors may resolve to pay interim dividends or to make distributions to shareholders from share premium or other reserves. The General Meeting decides what part of profits for any year will be distributed as a dividend and which portion of profits for such year will be added to reserves.

Dividends not claimed by shareholders within five (5) years of the date they are payable are forfeited and will be retained by the Issuer. Under Dutch law and the Articles of Association, there is no restriction on the ability of the Issuer to pay dividends to non-Dutch shareholders and there are no special procedures applicable to the payment of dividends to non-Dutch shareholders. For information on taxation on dividends please see "*Taxation*".

Dividend payments

Dividend payments and other payments will be made by the Issuer, through the NDS. The Issuer will transfer the dividend to the NDS on the dividend payment day. The NDS will pay the amount to the accounts of its members (investment firms and custodians) that will then pay dividend directly to the shareholders. The NDS will distribute successive dividends (if any) in accordance with the regulations prevailing on the Polish capital market and the rules of the NDS. .

Issuance of Shares

The Issuer may only issue shares pursuant to a resolution of the General Meeting or of another corporate body designated to do so by a resolution of the General Meeting for a fixed period not exceeding five (5) years. Such designation must specify the maximum number of shares that may be issued pursuant to the designation. The designation may each time be extended for a further period of up to five (5) years. The designation may not be revoked, unless the designation provides otherwise.

Pre-emptive Rights

Each shareholder has a pre-emptive right in respect of all share issuances or grants of the right to acquire shares, in proportion to the number of shares held by such holder. Shareholders, however, have no pre-emptive right in respect of the issuance of shares, or the grant of the right to acquire shares, which are issued or granted for a consideration other than cash, to employees of the company or of a group company of the company, or in respect of the issuance of shares to any person who exercises a previously existing right to subscribe for shares. Pre-emptive rights may be restricted or excluded by a resolution of the General Meeting. Pre-emptive rights may also be excluded or restricted by the corporate body to which the power to exclude or restrict pre-emptive rights has been granted by a resolution of the General Meeting for a fixed period not exceeding five (5) years.

Transfer of Shares

The transfer of shares shall require a deed intended for that purpose, and also, except if the company itself is a party to that legal act, a written acknowledgement of the transfer by the company. The acknowledgement takes place in the deed, or by a declaration stating the acknowledgement provided with a date on the deed or on a copy or excerpt thereof, this copy or excerpt being certified by a civil law notary or by the transferor. The service of that deed or that copy or excerpt is deemed to be an acknowledgement. The previous provisions shall equally apply to the allotment of shares in the event of a partition of any community of property, the transfer of a share as a consequence of foreclosure of a right of pledge, the creation, surrender and transfer of a right of usufruct on a share and the creation and surrender of a right of pledge on a share.

Bearer shares are transferred by way of delivery of the share certificate. However, shares which are listed on a regulated stock exchange are transferred by delivery through the clearing and deposit system operating in accordance with the law of the jurisdiction in which the stock exchange is located.

Acquisition of Own Shares by the Issuer

Other than fully paid up shares acquired for no consideration, shares may only be acquired following a resolution of the Board of Directors, acting pursuant to a general authorization for the repurchase of shares granted by the General Meeting for each specific repurchase of shares. A general authorization by the General Meeting for the repurchase of shares is valid for a maximum period of eighteen (18) months. Such authorization must specify the number of shares to be acquired, the manner in which these shares may be acquired and the price range within which the shares may be acquired. No authorization of the General Meeting is required if shares are acquired by the Issuer with the intention of transferring them to one or more employees of the Group.

In the General Meeting, no voting rights may be exercised for any share held by the Issuer or any of the Group Companies.

Reduction of Share Capital

The General Meeting may, subject to Dutch law and the Articles of Association, resolve to reduce the issued share capital by cancellation of shares or reduction of the nominal value of shares by amendment of the Articles of Association. A resolution of the General Meeting to reduce the issued share capital must designate the shares to which the resolution applies and must contain provisions for the implementation of such resolution. A resolution to cancel shares in the capital may only be adopted in relation to shares the Issuer holds in its own capital. A partial repayment of the capital may only be made pro rata, in respect of all outstanding shares. For a resolution to reduce the capital, a majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is represented at the General Meeting.

Inquiry Right

One or more shareholders, individually or jointly representing at least 10% of the issued capital, or entitled to an amount of shares up to a nominal value of EUR225,000 may assert an inquiry right. This means that they may request the Enterprise Chamber of the Court of Appeals in Amsterdam in writing to appoint one or more persons to conduct an inquiry into the policies and the course of affairs of a legal entity (either entirely, or with regard to a part of a certain time period).

The Enterprise Chamber only honours the request if it finds well-founded reasons for questioning a correct policy (for example, an impasse in the decision-making process, a conflict between the managing directors and the company and a failure to provide information or to supply correct information).

The following sanctions may be imposed by the Enterprise Chamber, after taking notice of the findings reported by the inquirers, in the event of improper policy: (a) suspension or nullification of a resolution of the Board of Directors, the General Meeting or of any other constituent or corporate body of a legal person; (b) suspension or dismissal of one or more members of the Board of Directors (c) temporary appointment of one or more members of the Board of Directors; (d) temporary deviation from such provisions in the articles as shall be specified by the Enterprise Chamber; (e) temporary transfer of shares to a nominee; (f) the winding up of the legal person.

Statutory Merger and Statutory Demerger

Following a proposal of the Board of Directors, the General Meeting may resolve that the Issuer enters into a statutory merger or demerger.

Dissolution and Liquidation

The Issuer may only be dissolved pursuant to a resolution of the General Meeting, in accordance with a proposal by the Board of Directors. The Issuer’s remaining equity after payment of debts and liquidation costs will be distributed among the shareholders in proportion to the number of shares that each shareholder holds.

Amendment of Articles of Association

The General Meeting can resolve to amend the Articles of Association upon the proposal of the Board of Directors. Such resolution is to be taken by an absolute majority of votes cast.

If a proposal to amend the Articles of Association is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the Articles of Association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the company's office for inspection by the shareholders and depositary receipt holders until the meeting is adjourned.

CERTAIN DUTCH AND POLISH SECURITIES MARKET REGULATIONS AND PROCEDURES AND THE WARSAW STOCK EXCHANGE

The Issuer intends to apply for admission to trading and to list all the Issuer's Shares, including the Offer Shares on the main market of the WSE. As a result, the Issuer will be subject to certain Polish securities and capital market regulations, in particular with respect to disclosure of information. The Issuer will also be subject to supervision of relevant regulatory authorities and of the PFSA in particular. Moreover, the Issuer, being incorporated under the laws of the Netherlands, will be subject to certain aspects of the EU and Dutch securities regulation.

The information set out below describes certain aspects of Dutch and Polish securities market regulation relevant in connection with the acquisition, holding and disposal of the Shares and is included for general information only. This summary does not purport to be a comprehensive description of all Dutch and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares of the Issuer. Each prospective investor should consult a professional legal adviser regarding legal consequences of acquiring, holding and disposing of the Shares of the Issuer under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation, in force as at the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

EU Tender Offer Regulations

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

Mandatory takeover bids

Polish regulations will govern the take-over bids. However, the threshold that is deemed to constitute the control is determined in accordance with Dutch law. According to Dutch law, any person or persons who individually or collectively, directly or indirectly, acquire 30% or more of the Issuer's voting rights will be obliged to launch a public offer for all outstanding shares in the share capital of the Issuer. Shareholders acting in concert who have a combined interest of at least 30% of the voting rights will also be obliged to make a public offer. An exception is made for shareholder(s), such as the Principal Shareholder, who, individually or acting in concert, have a combined interest of at least 30% of the voting rights before the Offering and who still maintain such an interest after the Offering.

The Takeover Directive allows the Member States to introduce additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments.

Pursuant to Article 72 of the Public Offering Act, any acquisition of shares in a public company in secondary trading and within a period of less than 60 days by a shareholder who holds shares entitling it to less than 33% of votes at a general shareholders' meeting, leading to the increase of its share in the total number of voting rights by more than 10%, shall be effected exclusively through a public tender offer.

Furthermore, any acquisition of shares in a public company by a shareholder who holds shares entitling it to at least 33% of votes at a general shareholders' meeting, in secondary trading and within a period of less than twelve months, leading to the increase of its share in the total number of voting rights by more than 5%, shall be effected exclusively through a public tender offer.

Additionally a shareholder that wishes to cross the 33% voting rights threshold is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. However, if the indicated thresholds are exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events, the shareholder must either launch a public tender as described above within three months, or sell the appropriate amount of shares so that the number of votes to which the shareholder is entitled is no more than 33% of votes.

It should be noted that Polish law explicitly excludes application of Polish regulations concerning thresholds only with respect to 66% threshold as the mandatory threshold under the Takeover Directive. In such cases, the Dutch threshold of

30% should apply. On the other hand, the additional threshold of 33% stipulated in Polish law is a separate obligation imposed by Poland irrespective of the Takeover Directive. Therefore, the announcement of a take-over bid when exceeding 30% of votes to satisfy the obligations imposed by the Takeover Directive should be deemed a different obligation from the obligation to announce a bid for 66% of votes when exceeding 33% of votes to satisfy additional Polish requirements. This could mean that if an investor announces a take-over bid when exceeding the 30% threshold and it fails to gain more than 33%, it would also be obliged to announce a bid when exceeding the 33% threshold in the future.

The regulations set a number of detailed conditions to be followed in connection with a public tender offer, including without limitation the rules of determining the tender price, required security and settlement.

Squeeze-out and Sell-out Rules

After a public offer, a holder of at least 95% of the outstanding shares and voting rights has the right to require the minority shareholders to sell their shares to the majority shareholder. Any proceeding to require the minority shareholders to sell their shares to the majority shareholder must be filed with the Enterprise Chamber of the Court of Appeal of Amsterdam within three months after the end of the acceptance period of the public offer. Conversely, in such a case, each minority shareholder has the right to require the holder of at least 95% of the outstanding shares and voting rights to purchase its shares. The minority shareholder must file such claim with the Enterprise Chamber of the Court of Appeal of Amsterdam within three months after the end of the acceptance period of the public offer.

For situations not following a public offer, where a person or company or group company holds a total of at least 95% of the Issuer's issued share capital by nominal value for its own account (the ''controlling entity''), Dutch law permits the controlling entity to acquire the remaining shares in the Issuer by initiating proceedings against the holders of the remaining shares. The price to be paid for such shares will be determined by the Enterprise Chamber.

Obligations of Shareholders to Disclose Holdings

Dutch law

Pursuant to chapter 5.3 of the Dutch Financial Supervision Act, any person who, directly or indirectly, acquires or disposes of an interest in the Issuer's capital and/or its voting rights must immediately give written notice to the AFM by means of a standard form of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%,10%,15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) Shares directly held (or acquired or disposed of) by any person, (ii) Shares held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment and (iv) Shares which such person (directly or indirectly), or any third party referred to above, may acquire pursuant to any option or other right to acquire Shares. Special rules apply to the attribution of Shares which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Shares can also be subject to reporting obligations, if such person has, or can acquire, the right to vote on the Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger reporting obligations as if the pledgee or beneficial owner were the legal holder of the Shares.

Under the Dutch Financial Supervision Act the Issuer is required to file a report with the AFM promptly after the Settlement Date setting out the Issuer's issued and outstanding share capital and voting rights. Thereafter the Issuer is required to notify the AFM promptly of any changes of 1% or more in the Issuer's issued and outstanding share capital or voting rights. Other changes in the Issuer's issued and outstanding share capital or voting rights must be notified periodically to the AFM. The AFM will publish all notifications by the Issuer of its issued and outstanding share capital and voting rights in a public register. If a person's capital or voting rights meet or pass the above-mentioned thresholds as a result of a change in the Issuer's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Issuer's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 5% or more of the Issuer's issued and outstanding share capital at the Settlement Date must notify the AFM of such holding without delay.

Pursuant to the Dutch Financial Supervision Act every managing and supervisory director must notify the AFM immediately after the Settlement Date of (a) the number of shares he holds and the number of votes he is entitled to cast in respect of the Issuer's issued and outstanding share capital, and subsequently (b) each change in the number of shares he holds and each change in the number of votes he is entitled to cast in respect of the Issuer’s issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an offence and may lead to criminal prosecution. The AFM may impose administrative penalties or a cease-and-desist order with penalties for non-compliance. Furthermore, the AFM is in principle obliged to publish the fact that it has imposed an administrative fine or issued a cease-and-desist order. In addition, a court can impose measures against any person who fails to notify, or incorrectly notifies, the AFM of matters required to be notified. A proceeding requiring that such measures be imposed may be instituted by the Issuer and/or one or more shareholders who alone or together with others represent(s) at least 5% of the Issuer’s issued and outstanding share capital. Such proceeding has to be initiated within three months from the date the person initiating the proceeding knew or should have known about the non-compliance.

The measures that the court may impose include:

- an order requiring the person violating the disclosure obligations under the Dutch Financial Supervision Act to make appropriate disclosure;
- suspension of voting rights in respect of such person’s Shares for a period of up to three years as determined by the court;
- declaring a resolution adopted by the General Meeting void, if the court determines that the resolution would not have been adopted but for the exercise of voting rights by a person who failed to comply with his notification obligation, or suspension of a resolution until the court makes a decision whether such resolution should be declared void; and
- an order to the person violating the disclosure obligations under the Dutch Act on Financial Supervision to refrain, during a period of up to five years as determined by the court, from acquiring Shares and/or exercising voting rights in respect of Shares.

Polish law

The Public Offering Act provides for disclosure obligations when acquiring or selling shares in a public company. In accordance with Article 69 of the Public Offering Act an investor must, within four business or six trading days (if the transaction is executed on the regulated market) from the date on which the shareholder becomes, or by exercising due diligence could have become, aware of the change in his share in the total vote, notify the PFSA and the company concerned (and the company concerned should reveal that information to the public through an information agency and the stock exchange) about:

- reaching or exceeding 5, 10, 15, 20, 25, 33, 50, 75 or 90% of the total number of voting rights at the general shareholders’ meeting of the company;
- selling shares owned by the investor so that they constitute less than 5, 10, 15, 20, 25, 33, 50, 75 or 90% of the total number of voting rights at the general shareholders’ meeting;
- a change in the number of shares currently owned by the investor by at least 2% if it currently holds more than 10% (but less than 33%) of the voting rights at the general shareholders’ meeting; and
- a change in the number of shares currently owned by the investor by at least 1% if it currently holds more than 33% of the voting rights at the general shareholders’ meeting.

The notification shall include information on the date and type of transaction resulting in the change in the number of shares held, the number of shares held prior to the transaction, the number of shares held after the transaction as well as information concerning further acquisitions or disposals of shares during the next 12 months, if the notification is made in connection with reaching or exceeding the 10% threshold, subsidiaries of the notifying investor, who hold company shares, persons with which the notifying investor entered into an agreement on the transfer of right to exercise voting rights.

Moreover the obligations described above also apply to the entity that has reached or exceeded a given threshold of total vote in connection with a legal event other than legal action, acquisition or disposal of financial instruments from which an unconditional right or obligation arises to acquire the already issued shares of a public company or indirect purchase of shares of a public company.

Disclosure of Information

Upon the implementation of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC in Poland the scope and content of disclosure obligations regarding current and periodic reports imposed on the Issuer may be regulated by Dutch law. Therefore, the Issuer may decide whether it will publish its current and periodic information only in English or also in the Polish language.

Insider Trading and Market Abuse

Dutch Law

The Issuer – pursuant to chapter 5.4 of the Dutch Financial Supervision Act and the rules promulgated there under in the Market Abuse Decree (*Besluit Marktmisbruik WFT*) – is required to have a code of conduct with rules governing the ownership of, and transactions in, the Shares.

Such a code of conduct must include, amongst others, rules relating to:

- the tasks and powers of the person appointed by the Issuer to make notifications on behalf of persons associating with the Issuer, who are required to make notifications to the AFM of the transactions in the Issuer's securities pursuant to insider trading rules;
- the obligation of employees, members of the Board of Directors and managers with respect to the ownership of, and transactions in, the Shares; and
- if relevant, the period during which such persons may not effect transactions in the Shares.

The Issuer must also draw up a list of persons involved with the Issuer, under a contract of employments or otherwise, who could have access to inside information, to regularly update this list of persons and to inform persons on this list about the relevant prohibitions and sanctions in respect of insider trading and market abuse.

The Shares are further subject to the Dutch prohibitions on insider trading. Furthermore, the prohibition on disclosing inside information and the prohibition on market manipulation pursuant to the Dutch Financial Supervision Act apply in relation to any of the Shares that the Issuer holds. In case of violation of the Dutch market abuse rules, the AFM may take enforcement action. It may impose administrative fines and issue injunctions. Furthermore, the AFM is in principle obliged to publish the fact that it has imposed an administrative fine and/or issued an injunction, mentioning the name of the offender. In addition, non-compliance with certain prohibitions and obligations qualifies as a criminal offence.

Polish law

The Trading in Financial Instruments Act defines "insider information" as specific information relating to, directly or indirectly, the issuer, financial instruments (including securities) or acquisition or disposal of such financial instruments, if such information has not been disclosed to the public and, if so disclosed, it could materially influence the price of such financial instruments (or the price of derivative rights arising from such financial instruments).

Subject to certain exceptions, the public company is obliged to disclose the insider information promptly upon the occurrence of events or circumstances which require the disclosure, or upon becoming aware of such events or circumstances, but not later than within 24 hours. The company is also obliged to disclose such information on its website, except for personal data of any persons to whom such information refers.

Subject to certain exceptions, any individual who acquires insider information as a result of his position(s) in a company's governing bodies or as the owner of a company's shares, or as a result of his employment in such company, or any other similar legal relationship, is prohibited by law from using or disclosing such information to third parties. The above also applies to individuals who illegally obtain insider information or obtain such information in another manner, but should have known that such information was insider information.

Market manipulation

The Trading in Financial Instrument Act forbids share price manipulation, defined by reference to a number of activities, including, without limitation, taking actions of which effect could be misleading as to the actual demand, supply or price of the shares in question or actions involving placing orders or executing transactions that cause an artificial fixation of the share price, unless the grounds on which such actions were effected are legitimate and such actions have not infringed the established market trading rules. Manipulation may also include disseminating false or inaccurate information that may mislead investors, as well as placing orders or executing transactions in order to profit from investors having been misled as to the price or value of the shares in question.

Warsaw Stock Exchange

The WSE operates one of the two regulated markets in Poland within the meaning of the MiFID. The other regulated market (BondSpot, the subsidiary of the WSE) concentrates mainly on bond trading and OTC transactions. The WSE is a private joint-stock company and is controlled by the Polish State. Members of the WSE include banks and Polish and international brokers.

Shares listed on the WSE may be traded in a continuous price-setting system or in the single-price auction system, depending on capitalisation and intensity of trading. In addition, there are two markets for shares: Basic and parallel, the latter being for smaller, less liquid issuers. Listed companies are classified into four segments according to their capitalisation: MINUS 5, 5 PLUS, 50 PLUS or 250 PLUS. To be traded in a specific market and segment, certain non-statutory criteria must be met by the securities in addition to the statutory listing criteria. Shares of companies which have high price volatility, or which are under bankruptcy proceedings may be classified into the Alert List segment and then moved to listing under the single-price auction system.

The settlement of all transactions executed on the WSE is handled by the NDS, a joint-stock company in which the WSE has a 33.3% stake (with the remaining shares held by the National Bank of Poland and the State Treasury of the Republic of Poland).

The electronic trading system used by the WSE is WARSET, a trading system similar to the system used in Paris, Brussels, Amsterdam, Chicago, and Singapore.

As of 31 March 2011, shares of 402 companies were listed on the WSE.

TERMS AND CONDITIONS OF THE OFFERING

General Information

The Issuer is offering for subscription up to 1,500,000 newly issued ordinary bearer Shares of the Issuer. The Offer Shares are being offered at the Offer Price, which shall be determined through a bookbuilding process and after taking into account other conditions.

The final number of the Offer Shares in the Offering will not be higher than 1,500,000. The Issuer reserves the right to allocate in total a smaller number of Offer Shares than the total maximum number. This may happen, for instance, as a result of insufficient demand at a price level satisfactory to the Issuer.

This Offering consists of a (i) public offering to retail investors in Poland (the "**Retail Investors**"), (ii) public offering to institutional investors in Poland (the "**Polish Institutional Investors**"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act (the "**International Investors**", and together with the Polish Institutional Investors, the "**Institutional Investors**"), in each case in accordance with applicable securities laws.

Only such prospective investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with entities of their choice which are licensed to provide such services within the territory of the Republic of Poland.

In Poland, the Offering will be only conducted in two tranches, a retail tranche, and an institutional tranche.

The Issuer reserves the right to shift the Offer Shares between tranches; provided that only those Offer Shares, which have not been duly subscribed and paid for in each of the tranches and Shares which have not been taken by investors as a result of investors avoiding the legal consequences of their subscriptions, can be transferred to another tranche. This will not have any impact on a change of the final number of the Offer Shares.

The information about the final number of the Offer Shares allocated to each tranche will be published in the same manner as the Prospectus, after the end of the bookbuilding process for Institutional Investors.

No public offering in the Netherlands will take place, although for the purpose of the public offering in Poland the Issuer has taken and will take certain actions in the Netherlands as its home Member State.

For information on corporate resolution's and share capital, please refer to "*General Information on the Issuer*" and for information applicable selling restrictions in respect of the Offer Shares, please refer to "*Selling Restrictions*".

Notices

Any notices relating to the Offering and in particular the final Offer Price, and final results of the Offering will be filed with the AFM and the PFSA, and will be published on the website of the Issuer www.ovostar.ua and of the Lead Manager (www.dmbzwbk.pl) and in a manner compliant with applicable regulations, as well as market practices in the Netherlands and Poland.

Corporate Resolutions

The issuance of the Offer Shares is scheduled to occur upon the Board of Director’s execution of a resolution to that effect shortly prior to delivery and listing of the Offer Shares, as outlined below.

The Issuer, upon agreement with the Lead Arranger, the Capital Advisor and the Lead Manager, will determine the final terms on which the Offer Shares will be offered, including: (i) the final number of Offer Shares and, (ii) the final Offer Price. Upon the decision thereon, the Board of Directors will issue the Offer Shares.

For information on applicable selling restrictions in respect of the Offer Shares, please refer to "*Selling Restrictions*" and for information regarding the rights pertaining to the Shares, please refer to "*Description of the shares and corporate rights and obligations*".

Place of Subscription

Subscriptions will be accepted at the offices of the Lead Manager and at the certain offices of the Capital Advisor, who operates as an agent of the Lead Manager. A detailed list of places where subscriptions in each tranche will be accepted will be published before the start of the subscriptions at the Issuer’s website (www.ovostar.ua) and the website of the Lead Manager (www.dmbzwbk.pl).

For information on detailed rules governing the placement of subscription orders, in particular: the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, the investors should contact the Lead Manager.

The Lead Manager reserves the right to establish a distribution consortium. If such a consortium is created, it will be publicly announced in compliance with applicable regulations. In such a case, an updated list of points accepting subscriptions will also be made available on the aforesaid websites.

Subscriptions via the Internet and by phone will be accepted from investors who have a brokerage account agreement with the Lead Manager and the agreement provides for placing subscriptions via the Internet or by phone. Such subscriptions will be accepted in accordance with such agreement, internal regulations of the Lead Manager accepted by the investor when entering into such agreement and technical requirements of using the Internet application made available by the Lead Manager for placing subscriptions. If the Lead Manager establishes a selling syndicate and subscription orders are accepted by other investment firms or other licensed entities, such entities may agree with particular investors to accept subscriptions via the Internet or by phone.

Expected timetable of the Offering

9 – 10 June 2011 (till 2.00 pm CET)	Bookbuilding
13 June 2011 (not later than 9:00 am CET)	Pricing Date – the announcement of the Offer Price, the final number of Offer Shares, and the final number of Offer Shares in each tranche
13 – 15 June 2011	Accepting subscriptions in the retail and institutional tranches
not later than 17 June 2011	Allotment Date – allocation of the Offer Shares to investors
20 June 2011	Settlement Date
on or around 27 June 2011	Listing Date

The Issuer in consultation with the Lead Arranger and Financial Advisor, the Capital Advisor and the Global Coordinator and Lead Manager may decide to change the above dates if it deems so necessary for the successful completion of the Offering and Admission. Information on any changes in the above dates shall be announced on the websites of the Issuer (www.ovostar.ua) and the Lead Manager (www.dmbzwbk.pl). Where required by law, any changes in the Offering dates shall be published in the form of an update report or, if applicable, a supplement to the Prospectus. Information on any change of the dates shall be published no later than on the originally set date, provided that if the period of acceptance of subscription orders or the book-building period is shortened, relevant information shall be published no later than on the date preceding the last day (according to the new schedule) of acceptance of subscription orders or of the bookbuilding process.

Bookbuilding

Before the start of subscriptions for the Retail Investors and Institutional Investors, the bookbuilding process will be conducted, during which selected Institutional Investors, who have been invited by the Issuer through the Lead Manager or the Co-Lead Manager will make declarations as to the acquisition of the Offer Shares. In their declarations, the investors will determine the total number of the Offer Shares they would like to buy and the price they are willing to pay for the Offer Shares, being not higher than the Maximum Price.

Invitations can be made in any form.

In order to obtain more detailed information as to the participation in the bookbuilding process, Institutional Investors interested should contact the Lead Manager or the Co-Lead Manager.

On the basis of declarations as to the acquisition of the Offer Shares, the Issuer, following the Lead Manager's recommendations, will determine the Offer Price and will preliminarily allot the Offer Shares to selected Institutional Investors who during the bookbuilding process have offered a price for Offer Shares not less than the Offer Price.

The bookbuilding results will not be made public.

Subscription Procedure

In the retail tranche, a Retail Investor may subscribe for the minimum of 20 Offer Shares. The Retail Investor may make any number of subscriptions; provided that the total number of the Offer Shares subscribed for by him in the retail tranche cannot exceed the total amount of Offer Shares in the retail tranche. Any subscriptions resulting in the permitted limit per one Retail Investor being exceeded will be rejected.

In the institutional tranche:

- in the case of Institutional Investors who have been invited to subscribe, they are required to place a subscription order or orders for a number of the Offer Shares no less than the number of the Offer Shares given in the invitation. However, the Lead Manager may at its own discretion deem valid also those subscriptions, which do not comply with the aforementioned requirement;
- other Institutional Investors may place a subscription order or orders for a minimum of 10,000 Offer Shares per one subscription order.

Subscriptions will be accepted on a subscription form in Polish or in English (for persons who are not Polish residents).

At the time of placing a subscription order, investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

By placing a subscription order, each investor is deemed to have read this Prospectus and the Issuer's Articles of Association and accepted their content, as well as has read the terms of the Offering, consented to being allotted a lower number of Offer Shares than the number specified in such investor's subscription orders, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

More detailed information concerning the identification of investors, including requirements concerning documents submitted and the rules for acting through authorized representatives, can be obtained by investors from the entities accepting subscription orders.

Any consequences of a form of subscription for the Offer Shares being incorrectly filled out will be borne by the investor.

Cancellation or postponement of the Offering

The Issuer may cancel the Offering, upon recommendation of the Lead Arranger, the Capital Advisor and the Lead Manager or at its own initiative, at any time prior to the Settlement Date. The Issuer may also change the dates of opening and closing of the bookbuilding and subscription periods for the investors, or decide that the Offering will be postponed and that new dates of the Offering will be provided by the Issuer later.

The Issuer may cancel the Offering, upon recommendation of the Lead Arranger, the Capital Advisor and the Lead Manager if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the WSE, as well as any other official stock exchange in the EU and the United States; (ii) sudden and material adverse change in the economic or political situation in Ukraine, Poland, the Netherlands or worldwide; (iii) a material loss or interference with the Issuer's business; (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Group, or (v) an insufficient, in the Issuer's opinion or that of the the Lead Arranger, the Capital Advisor and the Lead Manager, expected free float of the Issuer's shares on the WSE talking into account preliminary results of the book-building or of the subscriptions. In such event, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation.

Any decision on cancellation, suspension, postponement or changes of dates of the Offering will be published by way of an update report and a press release in Poland and in a manner compliant with applicable regulations, as well as market practices in the Netherlands and Poland. The Offering may not be cancelled or suspended after the official trading in the Offer Shares on the WSE has begun.

If the Offering is suspended, the Issuer may decide that subscriptions made, book-building declarations submitted and payments made will be deemed to remain valid, however for not longer than 60 days. In such case, investors may withdraw subscriptions and declarations made by submitting a relevant statement to that effect within two business days after report on the suspension if announced.

All dealings in the Offer Shares prior to the commencement of the official trading on the WSE will be at the sole risk of the investor concerned, irrespective of whether or not the investor concerned has been notified of the number of Shares allocated to him.

Settlement of Payments

If the total number of Shares subscribed for in the retail tranche exceeds the number of Shares offered in that tranche, then the subscriptions will be subject to proportionate reduction.

If the total number of Shares subscribed for in the institutional tranche exceeds the number of Shares offered in that tranche, then the reduction of subscriptions is possible in the case of:

- subscription orders placed by Institutional Investors who have been invited to subscribe, but only with respect to the number of the Offer Shares in the subscription which exceeds the number specified in the invitation;
- subscription orders made by Institutional Investors who have not been invited to subscribe.

The return of payments in connection with the allotment of a lower number of the Offer Shares than subscribed for, non-allotment of any Offer Shares at all or potential overpayments will start no later than within seven business days after the date of the Offer Shares allotment. The return of payments will be made in accordance with the subscription order.

If the Offering is cancelled or suspended, the investors who have placed subscription orders and paid for the subscription, will get their payments back:

- if the Offering is cancelled – within three business days after the public announcement by the Issuer of the Offering cancellation;
- if the Offering is suspended – within three business days after the date on which the investor has made a statement cancelling his subscription or three business days after the date that Issuer announce in the supplement to the Prospectus that the orders placed are not valid.

The timely repayment of money paid will be without any interest or compensation.

Procedure and Dates for Payment for the Offer Shares

Subscriptions for the Offer Shares in the retail tranche should be fully paid for no later than on the day on which they are made. Subscription in the institutional tranche should be fully paid for no later than on the last day of accepting subscriptions in that tranche.

Full payment means payment equal to the number of the Offer Shares indicated in the subscription order multiplied by the Offer Price.

All monetary amounts used in the Offering will be expressed in PLN. In particular, the Maximum Price and the Offer Price will be set and the book-building process will be carried out in PLN.

Payments can be made in cash or by wire transfer and should be made in PLN to the account of the entity accepting the subscription.

Payments for the Offer Shares are interest free.

A legal consequence of non-payment on time or a partial payment for the Offer Shares will be the invalidity of the entire subscription, provided that in the case of the institutional tranche a partial payment before the deadline results in the subscription being valid only for the number of shares for which the payment has been made, ignoring fractional entitlements.

Withdrawal of Subscription

A subscription for the Offer Shares is irrevocable except when after the start of the Offering, a supplement is made public concerning an event or circumstances occurring before the allotment of the securities, of which the Issuer became aware before the allotment. In such case, pursuant to article 51a of the Public Offering Act, the investor who has made a subscription before the publication of the supplement may withdraw such subscription by submitting a written statement to the institution where the subscription was made, within two business days from the date of the publication of the supplement. Under article 51a of the Public Offering Act, the right to withdraw the subscription will not apply to those cases when a supplement is made available in connection with errors in the prospectus of which the Issuer became aware after the allotment, and in connection with factors which occurred or of which the Issuer became aware after the allotment. In such case, if necessary, the Settlement Date will be adjusted in order to enable the investors to withdraw their subscriptions.

Refund of payment for Offer Shares included in the withdrawn subscription will be made in accordance with instructions included in the subscription form within three business days after withdrawal of the subscription. The refund will be without interest or compensation.

Registration and Delivery of the Offer Shares

The National Deposit of Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*), with its seat at Książęca 4, 00-498 Warsaw, Poland, the Polish central clearinghouse and securities depository, will act as depositary of the Offer Shares.

An application will be made for the Offer Shares to be accepted for delivery through the book-entry facilities of the NDS, either directly as a participant of that system or indirectly through participants of the NDS. Investors should note that in order to trade the Offer Shares on the WSE the Shares must be in book entry form.

All of the Offer Shares are bearer shares. All Offer Shares will be registered with the NDS and will be held by shareholders in a book entry form with a custodian bank or an investment firm as a participant of the NDS.

Delivery of the Offer Shares will be made in accordance with settlement instructions placed by investors upon subscription, through the facilities of the NDS, by registration of the Offer Shares on the investors' securities accounts indicated by such investors. Delivery of the Offer Shares is expected to take place on or about 20 June 2011, barring unforeseen circumstances, by appropriate entry on the Investor's securities accounts held through members of the NDS. The exact delivery dates will depend on timing of registration of Offer Shares in the facilities of the NDS.

No share certificates or other documents confirming subscription of Offer Shares will be issued by the Issuer to investors. Investors shall be notified of registration of the Offer Shares on their securities accounts in accordance with the rules applicable at their respective investment firms or banks holding securities accounts. However, the date of delivery of such notifications shall not affect the date of the first listing of the Offer Shares and such notices may be delivered following the first day of listing of Offer Shares on the Warsaw Stock Exchange.

As of the date of the Prospectus, all of the Shares have been assigned ISIN code NL0009805613.

Public Announcement of the Offering Results

The Issuer will announce the results of the Offering within 14 days from the Settlement Date, by means of a press release in Poland and in a manner compliant with applicable regulations, as well as market practices in the Netherlands and Poland. Results of the Offering will be published on the website of the Issuer (www.ovostar.ua) and on the website of the Lead Manager (www.dmbzwbk.pl).

The Offering will close on the Delivery Date, upon subscription, Allotment and payment for the Offer Shares and issuance by the Issuer of the Offer Shares. The Placement Agreement will include customary conditions to the closing of the Offering, such as lack of material adverse change and receipt of legal opinions.

Intentions of the Shareholders and Members of Management, Supervisory and Administrative Bodies of the Issuer as to participation in the Offering

According to the information available to the Issuer, obtained after a review carried out with due diligence, none of the present members of the management, supervisory or administrative bodies, including the existing shareholders of the Issuer intend to subscribe for the Offer Shares and subscribe for more than 5% of the Offering.

According to the information available to the Issuer as of the date of this Prospectus, no other persons intend to subscribe for more than 5% of the Offering.

Rules of Offer Shares Allocation

Allotment in the Retail Tranche

If the total number of the Offer Shares subscribed for in the retail tranche is equal to or less than the number of the Offer Shares in that tranche, shares will be allotted based on subscription orders placed.

If the total number of the Offer Shares subscribed for in the retail tranche is more than the number of the Offer Shares in that tranche, also after potential shifts between the tranches, the Offer Shares will be allotted in accordance with the proportionate reduction principle.

The Issuer will not give preferential treatment or discriminate against and between Retail Investors.

There is no target minimum individual allotment within the retail tranche.

Dealing in the shares may begin before subscribers are notified of the amount of the Offer Shares alloted.

Allocation in the Institutional Tranche

Preliminary Allotment

Shares will be preliminarily allotted to selected investors who in declarations for the acquisition have offered a price no less than the finally determined Offer Price. Making a declaration with a price equal to or higher than the finally determined Offer Price does not guarantee that the investor will be placed on the preliminary allotment list or that the investor will be allocated all the shares that the investor declared in its declaration.

The Offer Shares will be preliminarily allotted in an entirely discretional manner, i.e. the allotment rate can be different for different investors.

After the completion of the book-building, the Lead Arranger, the Capital Advisor and the Lead Manager will advise investors of the number of the preliminarily allotted Offer Shares and will request them to place a subscription order and make a payment.

Final Allocation in the Institutional Tranche

If the total number of the Offer Shares subscribed for in the institutional tranche is equal to or less than the number of the Offer Shares in that tranche, the Offer Shares will be allotted based on subscription orders placed.

If the total number of the Offer Shares subscribed for in the institutional tranche is more than the number of the Offer Shares in that tranche, also after potential shifts between the tranches, the Offer Shares will be allotted in accordance with the following principles:

- first, the Offer Shares will be allotted to Institutional Investors, who have participated in the book-building process and who have been invited to subscribe – the number of the Offer Shares will be allotted based on subscription orders placed, but no more than the number of the Offer Shares given in the invitation to subscribe;
- next, the Offer Shares will be allotted to Institutional Investors, referred to above, with respect to subscriptions made by them in excess of the number of the Offer Shares specified in the invitation – the allotment will be made in accordance with the proportionate reduction principle;
- next, the Offer Shares will be allotted to the remaining Institutional Investors – the allotment will be made in accordance with the proportionate reduction principle.

Dealing in the shares may begin before subscribers are notified of the amount of the Offer Shares alloted.

Overallotment

The Issuer has not granted and will not grant any overallotment option.

In case of the withdrawal of subscription by Institutional Investors according to article 51a of the Public Offering Act, the Lead Arranger, the Capital Advisor and the Lead Manager may decide to allot shares not subscribed to other Institutional Investor.

Offer Price

The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions as specified below.

The Offer Price shall not exceed PLN62.00. (the "**Maximum Price**").

During a book-building process amongst Institutional Investors invited by the Lead Manager or the Co-Lead Manager, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, which they will be willing to pay per one Offer Share.

The Offer Price will be determined by the Issuer upon agreement with the Lead Arranger, the Capital Advisor and the Lead Manager, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.

The Offer Price will be identical for both Institutional Investors and Retail Investors and will not exceed the Maximum Price. The price will be expressed in PLN.

The Issuer will announce the Offer Price not later than on 13 June 2011 (9:00 am) (“**Pricing Date**”), prior to commencement of the subscription period in the retail and institutional tranche. The Offer Price will be filed with the AFM and the PFSA, and published in the same manner as the Prospectus.

There are no expenses or taxes specifically charged to the investors who subscribe for the Offer Shares.

Supplements to the Prospectus

In accordance with Article 51.1 of the Public Offering Act, any significant change to the Prospectus, as defined in the aforementioned regulations will be communicated through a supplement to the Prospectus, if required. The supplement to the Prospectus will need to be approved by the AFM, notified the PFSA and published in the same matter as the Prospectus. If the supplement is published after approval of the Prospectus by the AFM and relates to events or circumstances which occurred prior to the Allotment Date and about which the Issuer or the Lead Manager have learnt prior to the allotment, investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions.

Listing and Trading

The Issuer intends to apply for admission of all the Offer Shares to listing and trading on the main market of the WSE, immediately after the Settlement Date. The main market of the WSE is a regulated market pursuant to MiFID. The Issuer expects that the trading in the Shares on the WSE will commence on 27 June 2011 or as soon as possible thereafter.

In connection with the listing of the Shares on the WSE, all the Offer Shares will be registered with and cleared through the NDS which is the central clearinghouse and depository of securities in Poland, including those listed on the WSE. The NDS will act as paying agent for any distributions payable to holders of the Offer Shares.

Investors trading on the WSE should consider that since under the laws of the Netherlands no court registration process is needed in order to validly issue new shares, the Offer Shares will be eligible for the listing application upon payment by investors, together with the Issuer’s existing Shares. Consequently, the Issuer will not be seeking to apply for listing on the WSE of any temporary share receipts, such as "rights to shares" (*prawa do akcji*) within the meaning of the Trading in Financial Instruments Act.

At present the Issuer does not intend to seek a listing of the Shares at any stock exchange other than the WSE but may consider such listing in the future.

Lead Manager and Co-Lead Manager

The Issuer has appointed Dom Maklerski BZ WBK Spółka Akcyjna, Pl. Wolności 15, Poznań, Poland, to act as the Global Coordinator and Lead Manager in Poland.

The Company has appointed KBC Securities N.V. Polish Branch, ul. Chmielna 85/87, Warsaw, Poland, to act as the Co-Lead Manager for the purposes of the Offering.

PLACING

The Issuer intends to enter, prior to the Pricing Date and Allotment Date, into a placement agreement (the "**Placement Agreement**") in respect of the Offering with the Principal Shareholder and the Managers, in which the Lead Manager and the Co-Lead Manager will commit, on a best efforts basis, to procure subscribers for the Offer Shares. The Placement Agreement will include customary representations and warranties provided by the Issuer as well as by the Principal Shareholder.

Dom Maklerski BZ WBK S.A. whose registered office is at Plac Wolności 15, 60-967 Poznań, Poland, acts as the Lead Manager in Poland for the purposes of the Offering in Poland and admission to trading on the WSE.

KBC Securities N.V. Polish Branch. whose registered office in Poland is at Chmielna 85/87, 00-805 Warsaw, Poland, acts as the Co-Lead Manager.

BIC Securities SIA, whose registered office is 16 Z.A. Meierovica Blvd., Riga, LV-1050, Latvia, acts as the Lead Arranger and Financial Advisor in the Offering, providing financial, organizational and management advice to the Issuer in connection with preparation of the Offering.

Bank Zachodni WBK S.A., whose registered office is at Rynek 9/11, 50-950 Wroclaw, Poland, acts as Capital Advisor in the Offering, providing financial, organizational and management advice to the Issuer in connection with preparation of the Offering.

In connection with the Offering, the Issuer has agreed to pay the Managers a total fee (including insentive fees) of up to 5.5% of the gross proceeds from the placement and sale of the Offer Shares. In addition, the Issuer has agreed to indemnify the Managers against certain liabilities and to reimburse the Managers for certain of their expenses in connection with the management of the Offering. The Managers are entitled in certain circumstances to be released and discharged from their respective obligations under the Placement Agreement prior to the Listing Date. Such circumstances include the non-satisfaction of certain conditions precedent and the occurrence of certain force majeure events.

The Issuer or the Principal Shareholder does not intend to enter into any underwriting agreements in connection with the Offering.

Other Relationships

The Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and the Principal Shareholder and any of its affiliates. The Managers and their affiliates have received and may receive in the future customary fees and commissions for these transactions and service.

Stabilization

The Managers did not undertake to enter into any transactions aiming at stabilization of the price of Offer Shares.

Expenses of the Offering

As of the date of this Prospectus, the Issuer estimates the amount of total expenses for preparation of the Offering at approximately USD2 million. These expenses consist of costs of preparation of the Prospectus, advisory services, marketing of the Offering and costs of analyses prepared with respect to the Offering.

The final amount of expenses will be calculated after the Offering and will be published within two weeks from the Settlement Date in the same manner as the Prospectus.

Lock-up Agreements

Subject to certain exceptions, the Issuer and the Principal Shareholder have agreed that for a period of 12 months from the Settlement Date, they will not, without the prior written consent of the Managers, propose or otherwise support an offering of any of the Shares, announce any intention to offer new shares and/or to issue any securities convertible into the Shares or securities that in any other manner represent the right to acquire the Issuer's Shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Shares.

In addition, the Principal Shareholder has agreed that in the period of 12 months from the Settlement Date, the Principal Shareholder will not, without a prior written consent of the Managers, which shall not be unreasonably withheld, sell or otherwise transfer any Shares, or propose or otherwise support an offering of any of the Shares, announce any intention to sell any shares and/or to issue any securities convertible or exchangeable into the Issuer's stock or securities that in any other manner represent the right to acquire the Issuer's shares, or conclude any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of selling the Issuer's stock.

Interests of Natural and Legal Persons Participating in the Offering

Since all proceeds form the Offering will accrue to the Issuer, the Principal Shareholder does not have any direct monetary interest in outcome of the Offerring. However, the Offering and Admission the will benefit the Principal Shareholder indirectly by the fact the Issuer, in which the Pricnipal Shareholders holds a controlling interest, will become a listed company.

The Managers have a contractual relationship with the Issuer and the Principal Shareholder in connection with the Offering and the Admission.

The Managers advise the Issuer and the Principal Shareholder in connection with the Offering and Admission and coordinate the structuring and execution of the transaction. Furthermore, the Managers are involved in the Prospectus preparation process. If the transaction is successfully executed, the Managers will receive a combined commission which depends on the actual value of sold Offer Shares.

Dom Maklerski BZ WBK S.A. has a contractual responsibility in connection with the Offering and the admission of the Shares to listing and trading on the WSE, and has been mandated to act as the Lead Manager for the Offer Shares.

The Lead Manager advises in connection with the Offering and admission to the offering and listing and is involved into the structuring and execution of the transaction. If the transaction is successfully executed, the Lead Manager will receive a combined commission which depends on the actual value of the Offer Shares sold in the offering.

The Lead Manager or its affiliates may acquire in connection with the Offering the Offer Shares as investors and hold or sell those Shares for their own account, also outside of the offering period, which shall not constitute a preferential allotment. The Lead Manager does not intend to disclose the extent of such investments or transactions unless required by law.

The Lead Manager and its affiliates have engaged in and may in the future engage in investment banking, advisory services and other commercial dealings in the ordinary course of business with the Issuer and the Principal Shareholder and any of its affiliates. The Lead Manager and its affiliates may receive in the future receive customary fees and commissions for these transactions and services.

Bank Zachodni WBK S.A., which is an affiliate of the Lead Manager acts as advisor in the Offering. The advisor will receive a fee for its services which depends on the actual value of Offer Shares sold in the Offering.

The Managers or their affiliates may acquire in connection with the Offering the Offer Shares as investors and hold or sell those Shares for their own account, also outside of the offering period, which shall not constitute a preferential allotment. The Managers do not intend to disclose the extent of such investments or transactions unless required by law.

The Managers and its respective affiliates have in the past engaged and may in the future engage in investment and commercial banking and other commercial dealings in the ordinary course of business with the Principal Shareholder or with the Issuer, for which they have received customary fees and commissions.

SELLING RESTRICTIONS

Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Dutch Financial Supervision Act, for the purpose of giving the information with regard to the Issuer and the Shares it intends to offer pursuant to this Prospectus which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of article 5.3 of Prospectus Directive and Article 5:15 of the Dutch Financial Supervision Act. This Prospectus has been filed with, and was approved on 31 May 2011 by the AFM, which is the competent authority in the Netherlands to approve this document as a prospectus. Under the Prospectus Directive and the Dutch Financial Supervision Act, this Prospectus, once approved by the competent authority of one member state of the EU ("**Home Member State**") may be used for making a public offering and admission of securities to listing on a regulated market in another Member State of the EU ("**Host Member State**"), provided that the competent authority of the Home Member State provides the competent authority of the Host Member State with a certificate, within the meaning of Article 5:10 of the Dutch Financial Supervision Act.

The Issuer will be authorized to carry out the Offering to the public in Poland, once the AFM, in accordance with Art. 37 of the Public Offering Act, provides the PFSA with a certificate of approval of this Prospectus (in accordance with Art. 5:10 of the Dutch Financial Supervision Act, Art. 18 of the Prospectus Directive and Art. 37 of the Public Offering Act), and after the Prospectus in the English language and its summary in the Polish language has been made available to the public, which is equivalent to authorizing the Offering to the public in Poland.

No Public Offering Outside Poland

This Prospectus has been prepared on the basis that there will be no offers of the Offer Shares, other than the Offering to the public in the territory of Poland in accordance with the Prospectus Directive, as implemented in the Netherlands and Poland, respectively. Accordingly, any person making or intending to make any offering, resale or other transfer within the EEA, other than in Poland, of the Offer Shares may only do so in circumstances under which no obligation arises for the Issuer or the Managers to produce an approved prospectus or other offering circular for such offering. Neither the Issuer, nor the Managers have authorized, nor will any of them authorize, the making of any offer of the Offer Shares through any financial intermediary, other than offers made by the Managers under this Prospectus.

No action has been or will be taken by the Issuer or the Managers in any jurisdiction other than Poland that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

European Economic Area

This Prospectus has been approved by the AFM, being the competent authority in the Netherlands. However, in relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Managers have represented and agreed that it has not made and will not make an offer of Shares to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that it may make an offer of Shares to the public in that Relevant Member State under the following exemptions under the Prospectus Directive, if such exemptions have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) total balance sheet of more than EUR43 million and (iii) an annual net turnover of more than EUR50 million, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons in such Relevant Member State or to fewer than 100 natural or legal persons in all Member States, depending on the method of calculation provided for under applicable regulations of such relevant member state; and
- in any other circumstances falling within Art. 3(2) of the Prospectus Directive,
- provided that (i) no such offer of Shares shall result in the requirement for the publication by the Issuer or any Manager of a Prospectus pursuant to Art. 3 of the Prospectus Directive, and (ii) any such legal or natural person (a "**Permitted Investor**") is acquiring such Shares either for its own account and not with a view to the Shares being resold or placed within any Relevant Member State other than to other permitted investors or for the account of other Permitted Investors, or (iii) for the account of other persons or entities for whom it makes investment decisions on a wholly discretionary basis.

Each investor who in a Relevant Member State acquires any Offer Shares in the offering shall be taken by so doing to have represented and warranted to the Issuer and the Managers that it is a Permitted Investor and that it has complied with any other restrictions applicable to that Relevant Member State.

For the purposes of this provision, the expression an "offer of Shares to the public" in relation to any Shares in any Relevant Member State means the communication, in any form and by any means, of sufficient information on the terms of the Offering and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In addition, in the United Kingdom, this Prospectus may be distributed only to and may be directed only at (a) persons who have professional experience in matters relating to investments who fall within Art. 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (b) high net worth entities falling within Art. 49(2) (a) to (d) of the Order. Neither this Prospectus nor any other offering material has been submitted to the clearance procedures of the Financial Services Authority in the United Kingdom. The Offer Shares have not been offered or sold and, prior to the expiry of a period of six months from the sale of the Offer Shares, will not be offered or sold to persons in the United Kingdom except to "qualified investors" as defined in section 86(7) of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Each of the Managers has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any the Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

In relation to member states of the EEA other than the United Kingdom, there may be further rules and regulations of such country or jurisdiction within the EEA relating to the offering of the Offer Shares or distribution or publication of this Prospectus or any other offering material or advertisement; persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of the Prospectus and the offer of Offer Shares applicable in such EEA member state.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions in reliance on Regulation S under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Offer Shares within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date, and that it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Offer Shares outside the United States and for the listing of the Offer Shares on the main market of the Warsaw Stock Exchange. The Issuer and the Managers reserve the right to reject any offer to purchase the Offer Shares, in whole or in part, for any reason.

Canada

This Prospectus is not, and under no circumstances is to be construed as, a Prospectus, an advertisement or a public offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organized under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

TAXATION

Taxation in the Netherlands

The information set out below describes the principal Dutch tax consequences of the acquisition, holding and disposal of shares admitted to trading on the regulated market for both Dutch resident and non-Dutch resident Holders and is included for general information only.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisers. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

Dutch dividend withholding tax

Dividends distributed by the Issuer are generally subject to Dutch dividend withholding tax at a rate of 15%. Dividends distributed include, amongst others, (i) distributions in cash or in kind; (ii) liquidation proceeds, proceeds of redemption of the Issuer's shares, or proceeds of the repurchase of the Issuer's shares by the Issuer or one of the subsidiaries of the Issuer or other affiliated entities to the extent such proceeds exceed the average paid-in capital of the Issuer's shares recognized for Dutch dividend withholding tax purposes; (iii) an amount equal to the par value of the Issuer's shares, to the extent that it does not appear that a contribution, recognized for the purposes of Dutch dividend withholding tax, has been made or will be made; and (iv) partial repayment of the paid-in capital, recognized for Dutch dividend withholding tax purposes, if and to the extent that the Issuer has net profits (*zuivere winst*), unless the holders of the Issuer's shares have resolved in advance at a General Meeting to make such repayment and the par value of the relevant shares has been reduced by an equal amount by way of an amendment to the articles of association of the Issuer.

The Issuer will be obliged to file a dividend withholding tax return and withhold tax from the distribution and remit it to the tax authorities. Dividend withholding tax must be withheld at the moment the distribution becomes payable. Dividend withholding tax withheld from dividends to which entitlement has lapsed is non-refundable.

Dutch Resident Holders

Generally a credit for Dutch dividend withholding tax against the Dutch taxable income is available for holders of the Issuer's shares, individuals and corporate entities, who are, or who are deemed to be, resident of the Netherlands or, if they are individuals, who have opted to be taxed under the rules of the Dutch Income Tax Act 2001 (Wet Inkomstenbelasting 2001).

In general, the Issuer will be required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities. Nevertheless, the abovementioned holders can be entitled to a refund of dividend withholding taxes exceeding their aggregate Dutch income tax or Dutch corporate income tax liability, provided that certain conditions are met, unless a holder of the Issuer's shares is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of the dividends.

Non-Dutch Resident Holders

A holder of the Issuer's shares who is not treated as a resident of the Netherlands for purposes of Dutch taxation and who is considered to be a resident of Aruba, Curacao or St. Maarten under the provisions of the Tax Convention for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), or who is considered to be a resident of Bonaire, St. Eustatius or Saba under the provisions of the Decree on avoidance of double taxation on income from BES Islands, or who is considered to be a resident of a country other than the Netherlands under the provisions of a double taxation convention the Netherlands has concluded with such country may, depending on the applicable terms be eligible for a full or partial exemption from, or reduction or refund of, Dutch dividend withholding tax. In addition, subject to certain conditions and based on Dutch legislation implementing the Parent Subsidiary Directive (Directive 90/435/EEC as amended by Council Directive 2003/123/EC) an exemption from Dutch dividend withholding tax will generally apply to dividends distributed to entities that are resident of another EU member state.

Anti-Dividend Stripping Legislation

In general terms, "dividend stripping" can be described as the situation in which a foreign or domestic person (usually, but not necessarily, the original shareholder) has transferred his shares in the Issuer or his entitlement to dividend distributions to a party that has a more favourable right to a refund or reduction of Dutch dividend withholding tax than the foreign or domestic person. In these situations, the foreign or domestic person (usually the original shareholder), by transferring shares in the Issuer or his entitlement to dividend distributions, avoids Dutch dividend withholding tax while retaining his "beneficial" interest in the Issuer's shares and the dividend distributions. This regime may also apply to the transfer of the Issuer's shares or the entitlement to dividend distributions as described above, if the avoidance of dividend withholding tax is not the main purpose of the transfer.

According to Dutch anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Issuer is not considered the beneficial owner of the dividend as defined in these rules. A recipient of a dividend is not considered the beneficial owner of the dividend if such recipient:

- paid a consideration (in cash or in kind) in connection with the dividend distribution; and
- such payment forms part of a sequence of transactions, whereby it is likely that (i) an individual or legal entity benefited in whole or in part from the dividend, and such individual or legal entity is entitled to a less favourable exemption, refund or credit of dividend withholding tax than the recipient of the dividend distribution; and (ii) this individual or legal entity directly or indirectly retains or acquires a position in the Issuer's shares that is comparable with its position in the Issuer's shares that it had before the sequence of transactions commenced.

The term "sequence of transactions" includes transactions that have been entered into on a regulated stock market and transactions with respect to the sole acquisition of one or more dividend rights or of the establishment of short-term rights of enjoyment on the Issuer's shares (e.g. usufruct).

Dutch Corporate Investors

A holder of the Issuer's shares that is resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes and that is: (i) a corporation, (ii) another entity with a capital divided into shares, (iii) a cooperative (association) or (iv) another legal entity that has an enterprise or an interest in an enterprise to which the Issuer's shares are attributable, but which is not: (v) a qualifying pension fund, (vi) a qualifying investment fund or (vii) another entity exempt from corporate income tax, will in general be subject to regular corporate income tax under the Dutch Corporate Income Tax Act (*Wet op de Vennootschapsbelasting 1969*), currently levied at a rate of 25% (tax rates for 2011; 20% over profits up to EUR200 thousand and 25% over profits in excess of EUR200 thousand) on income derived from the Issuer's shares and gains realized upon acquisition, redemption and disposal of the Issuer's shares.

Any benefit derived or deemed to be derived from the Issuer's shares held by Dutch resident entities, including any actual distributions on the Issuer's shares and actual capital gains realized upon the disposal thereof, will generally be subject to corporate income tax, unless the Dutch participation exemption (*deelnemingsvrijstelling*) applies or unless the benefit is deemed to be included in the cost price of the Issuer's shares. The Dutch participation exemption is generally applicable if such entities own at least 5% of the Issuer's nominal paid-up share capital.

Qualifying Dutch resident pension funds are exempt from Dutch corporate income tax.

Qualifying Dutch resident investment funds (*fiscale beleggingsinstellingen*) are subject to Dutch corporate income tax at a special rate of 0% if they meet certain conditions with respect to their shareholder base and the annual distribution of dividends to their shareholders. Distributions on the Issuer's shares and capital gains realized upon the disposal of the Issuer's shares will be exempt from Dutch corporate income tax or subject to a special rate of 0% in the hands of shareholders who are qualifying Dutch resident pension funds or qualifying Dutch resident investment funds.

Dutch Individual Investors

The 2001 Personal Income Tax Act (*Wet op deIinkomstenbelasting 2001*) distinguishes three types of income that are subject to personal income tax, and classifies them under "Box I," "Box II," or "Box III." Box I income includes profits, employment income, income from other activities and deemed income from residential home ownership. Box II income includes income from the Issuer's shares in case of a substantial interest of five percent or more. Box III income includes income from savings and investments. Each box has its own rules for determining the tax base and its own tax rate. Income from Box I is taxed at progressive rates with a maximum of 52 % (rate for 2011). Income from Box II is taxed at a flat rate of 25 % and income from Box III is taxed at a flat rate of 30 % (rates for 2011).

Generally income derived from the Issuer's shares will be allocated to Box III. The exceptions in which the income is taxed in Box I or Box II are described below.

Box III

Individuals who are resident or deemed to be resident of the Netherlands for Dutch tax purposes, including individuals who have opted to be taxed as a resident of the Netherlands for the purposes of the Dutch Income Tax Act 2001, are in general annually taxed on deemed income in the amount of 4% of their average so-called "yield basis" (*rendementsgrondslag*) for the year at an income tax rate of 30% ("Box III taxation").

The average yield basis for a certain year is calculated as the average of (i) the fair market value of portfolio investments (not including business assets or substantial shareholdings) less the qualifying liabilities at the beginning of that year and (ii) the fair market value of portfolio investments less the qualifying liabilities at the end of that year. The Issuer's shares are generally included as investment assets. An annual tax-free threshold of EUR20,785 (for the year 2011) is generally available for each Dutch resident individual taxpayer. Because of the fixed yield of 4%, the actual benefits derived from the net portfolio investments, including any actual distributions on the Issuer's shares and actual capital gains realized upon the disposal of the Issuer's shares, are not as such subject to Dutch income tax.

As described above, income derived by individuals from the Issuer's shares will in most cases be subject to taxation in Box III. The income may be taxed differently in the following cases:

Box I

A holder of the Issuer's shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Dutch income tax purposes, will be subject to regular Dutch income tax on the income derived from the Issuer's shares and the gains realized upon the acquisition, redemption and/or disposal of the Issuer's shares, if the Issuer's shares are attributable to an enterprise from which a Dutch resident individual derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth of such enterprise, without being an entrepreneur or a shareholder, as defined in the Dutch Income Tax Act 2001. Any benefit derived or deemed to be derived from the Issuer's shares in this case, including any income and capital gains realized on the disposal of the Issuer's shares, will be subject to Box I taxation.

A holder of the Issuer's shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Dutch income tax purposes, will be subject to regular Dutch income tax on the income derived from the Issuer's shares and the gains realized upon the acquisition, redemption and/or disposal of the Issuer's shares, if the holding and/or disposal of the Issuer's shares qualify as income from "miscellaneous activities" (*resultaat uit overige werkzaamheden*). Any benefit derived from the Issuer's shares in this case will be subject to Box I taxation. The holding and/or disposal can be treated as "miscellaneous activities" in the event that the management of the portfolio of which the Issuer's shares form part exceeds regular active portfolio management.

Box II

A holder of the Issuer's shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Dutch income tax purposes, will be subject to regular Dutch income tax on the income derived from the Issuer's shares and the gains realized upon the acquisition, redemption and/or disposal of the Issuer's shares, if the Issuer's shares constitute a substantial interest or deemed substantial interest in the Issuer. Any benefit derived from the Issuer's shares in this case will be subject to Box II taxation.

Generally, a holder of the Issuer's shares will have a substantial interest in the Issuer if he/she, his/her partner, certain other relatives (including foster children) or certain persons sharing his/her household, alone or together, directly or indirectly:

- hold shares of the Issuer representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of the Issuer's shares) of the Issuer;
- hold or have rights to acquire the shares of the Issuer (including the right to convert notes or stock options into the shares of the Issuer), whether or not already issued, that at any time (and from time to time) represent 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of the Issuer's shares) of the Issuer; or
- hold or own certain profit participating rights that relate to 5% or more of the Issuer's annual profit and/or to 5% or more of the Issuer's liquidation proceeds.

A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Non-Dutch Resident Holders: entities and individuals

Distributions on the Issuer's shares or capital gains realized upon the disposal of the Issuer's shares by a holder that is not resident, nor deemed to be resident of the Netherlands for Dutch tax purposes (and, in the case of an individual holder, that has not opted to be taxed as a resident of the Netherlands) are not taxable in the Netherlands, provided that:

- such holder does not have an interest in an enterprise or a deemed enterprise that is, in whole or in part, carried on through a permanent establishment, a deemed permanent establishment (a statutorily defined term) or a permanent representative in the Netherlands to which (part of the) enterprise, or to whom, the Issuer's shares are attributable or deemed to be attributable; or
- such holder is not entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands to which the Issuer's shares are attributable, other than by way of securities or through an employment contract; or

- the activities of such holder do not qualify as income from “miscellaneous activities” carried out in the Netherlands, as defined under “Dutch Resident Individuals” above; or
- such holder does not have a substantial interest or deemed substantial interest in the Issuer (as defined under “Dutch Resident Individuals” above), or, if such holder has a substantial interest or a deemed substantial interest, it forms part of the assets of an enterprise.

If the non-Dutch resident holder is taxable in the Netherlands pursuant to one of the four eventualities mentioned above, such holder will, in principle, be taxed in the same way as Dutch resident taxpayers, as described above.

If a tax treaty is in force between the Netherlands and the state of residence of the non-Dutch resident holder of the Issuer’s shares and if such holder qualifies as a resident under that tax treaty, capital gains on the Issuer’s shares will, in general, not be taxable in the Netherlands, except insofar as they are attributable to a permanent establishment in the Netherlands.

Non-Dutch resident pension funds which are non-resident taxpayers for Dutch corporate income tax purposes can qualify for the above-mentioned corporate income tax exemption for Dutch-resident pension funds, provided that the conditions formulated by the Dutch State Secretary for Finance in the Decree of 16 May 2006, nr. CPP2005/3043M, are met.

Dutch Gift, Estate and Inheritance Tax

Dutch Resident Holders

Generally, inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of the Issuer’s shares by way of an inheritance or bequest on the death of a holder of the Issuer’s shares who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by a holder of the Issuer’s shares who is resident or deemed to be resident in the Netherlands at the time of his death. For the purposes of Dutch gift and inheritance tax, an individual with Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For the purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Non-Dutch Resident Holders

No Dutch gift or inheritance taxes will arise in respect of the acquisition of the Issuer’s shares by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in the Netherlands, unless:

- such holder at the time of the gift has, or at the time of his/her death had, an enterprise or an interest in an enterprise that, in whole or in part, is or was carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Issuer’s shares are or were attributable, or are or were deemed to be attributable; or
- such holder at the time of the gift is, or at the time of his/her death was, entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities, or through an employment contract, to which enterprise the Issuer’s shares are or were attributable, or are or were deemed to be attributable; or
- in case of a gift of the Issuer’s shares by an individual who at the date of the gift was neither resident nor deemed to be resident of the Netherlands, such individual dies within 180 days after the date of the gift, while at the time of his/her death being resident or deemed to be resident of the Netherlands.

Dutch Value-Added Tax (“VAT”)

No Dutch VAT will arise in respect of the acquisition, ownership and disposal of the Issuer’s shares.

Other Dutch Taxes and Duties

No Dutch registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of the Issuer’s shares in respect of the subscription, issue, placement, allotment, holding or disposal of the Issuer’s shares.

Taxation in Poland

This section provides information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this section also pertain to the Shares.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisors. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

Polish Corporate Investors

Taxation of Income Relating to Holding Shares

Dividends and other income (revenue) actually earned on holding shares (such as remuneration for redeemed shares, liquidation proceeds) by legal persons and capital companies in organization, as well as other unincorporated entities (except civil, general, limited partnerships, professional partnerships, and limited joint-stock partnerships) with their registered office or place of management in Poland (the "Polish Corporate Shareholders"), shall be subject to taxation in Poland under the Corporate Income Tax ("CIT") Act. They are taxed at the basic 19% rate.

Pursuant to Art. 20 section 3 of the CIT Act, an income tax exemption applies to dividends and other revenue earned on the holding of shares in companies whose registered or management office is outside Poland by Polish companies whose worldwide income is subject to CIT in Poland, regardless of where the source of income is located, if all of the following conditions are met:

- the entity which distributes the dividends and other revenue earned on shares is a company whose worldwide income (regardless of where the source of income is located) is subject to income tax in a EU Member State other than Poland, or in a other Member State of the European Economic Area;
- Polish company holds directly not less than 10% of shares in the capital of the company referred to in item (a) above for an uninterrupted period of at least 2 years.

CIT Act expressly provides that in order to benefit from the above exemption, the 2-year holding period requirement may be also met after the dividend is paid, provided that a given taxpayer would actually satisfy that requirement afterwards. Otherwise, a taxpayer who did not meet the 2-year holding period requirement would be obliged to pay the due income tax along with penalty interests.

The above exemption will not apply, however, if distributions are made upon liquidation of a company.

Moreover, dividends paid out by a Dutch company to Polish Corporate Shareholders may be exempt from Dutch withholding tax under Council Directive of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, provided that the conditions specified by the Dutch tax laws are satisfied.

The Double Tax Treaty concluded by the Republic of Poland and the Kingdom of the Netherlands ("Double Tax Treaty") provides that dividends paid by a company with its registered office in the Netherlands to Polish Corporate Shareholders may be taxed both in Poland and the Netherlands, although such Dutch tax cannot exceed 5% of the gross amount of the dividend if the recipient of the dividend is a company (other than a partnership) holding at least 10% of the capital of the Dutch company distributing the dividend, or 15% of the gross amount of the dividend in all other situations.

It should be noted that in relation to the dividends which may be subject to taxation in the Netherlands, pursuant to Art. 23 sec. 5(a) of the Double Tax Treaty, a tax credit applies in Poland.

Pursuant to the provisions of the Double Tax Treaty, if a Polish Corporate Shareholder carries on business in the Netherlands through a permanent establishment situated in the Netherlands g (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in the Netherlands as business profits earned by that permanent establishment.

Taxation of Income from Disposal of Shares

Income earned by Polish Corporate Shareholders on disposal of shares of a Dutch company is subject to corporate income tax in Poland in accordance with the general rules. This income is aggregated with the business incomes of the given fiscal year, and subject to the general 19% CIT rate.

The income is computed as the difference between the revenue (in principle, the price agreed for the shares) and tax deductible costs (in principle, the costs of acquisition of the shares and costs related to the sale).

However, it should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, such agreed price may be challenged by the tax authorities.

Polish Individual Investors

Taxation of Income Relating to Holding Shares

Income earned by individuals domiciled in Poland (the "Polish Individual Shareholders") on dividends from a Dutch company is considered income from a separate basket and it is not aggregated with incomes from other sources. Such income is subject to the 19% flat rate Personal Income Tax ("PIT"). The tax is settled on an annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which the income was earned.

It is not absolutely clear whether the tax due on dividend income earned by a Polish Individual Investor from a Dutch company shall be withheld by a Polish brokerage house assisting in the payment or not. On the one hand, there is a regulation (Art. 41 sec. 4 of the PIT Act) that clearly imposes on brokerage houses the obligation to withhold the tax. On the other hand, there is a regulation which provides that amounts of tax due on dividends earned outside Poland and the amounts of tax paid outside Poland on such dividends should be reported by a taxpayer (i.e. Polish Individual Investor) in his annual tax return (Art. 30a sec. 11 of the PIT Law). Most tax advisers seem to regard the latter provision as overruling the first one, and are thus of the opinion that a Polish brokerage house should not withhold any tax. However, in case of any doubt, a tax adviser should be consulted by the taxpayer.

The Double Tax Treaty provides that dividends paid by a company with its registered office in the Netherlands to Polish Individual Shareholders may be taxed both in Poland and the Netherlands, but such Dutch tax cannot exceed 15% of the gross amount of the dividend.

It should be noted that in relation to dividends which may be subject to tax in the Netherlands, the tax credit method of avoidance of double taxation shall apply in Poland, pursuant to Art. 23 sec. 5(a) of the Double Tax Treaty.

Pursuant to the provisions of the Double Tax Treaty, if the Polish Individual Shareholder carries on business in the Netherlands through a permanent establishment situated in the Netherlands (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on) or performs in the Netherlands independent personal services from a fixed base situated in the Netherlands, and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment or fixed base, dividends will be taxed in the Netherlands as business profits or as income from independent personal services earned by that permanent establishment or fixed base.

Taxation of Income from Disposal of Shares

Income earned by Polish Individual Shareholders on the sale of shares should be classified as income from capital gains and as such it should not be combined with incomes from other sources but should be subject to the 19% flat PIT rate.

The income is computed as the difference between the revenue earned on disposal of shares (in principle, the price for the shares) and the related costs (in principle, the costs of acquisition of the shares and costs related to the sale). The tax is settled on an annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which income was earned (this also being the deadline for paying the tax). No obligation exists to pay tax advances during the tax year.

The above is not applicable if a Polish Individual Shareholder holds the shares within the scope of its business activity. If this is the case, the income should be classified as business income. In such a case, income tax shall be paid at the progressive tax rates, which varies from 18% to 32%, or at the 19% flat rate (depending on the form of taxation chosen by the given Polish Individual Shareholder).

It should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, this may be challenged by the tax authorities.

It should also be noted that pursuant to Art. 9 section 6 of the Polish PIT Act, losses incurred during a fiscal year on account of the disposal of shares may be deducted from the income received from that source over five consecutive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of the loss in any single fiscal year of the five-year period.

Foreign Investors

Individuals who do not have their place of residence in Poland and legal entities, companies in organization and other entities with no legal personality, if they are treated as tax residents under the tax law of a given state, that have their registered office and place of management outside Poland are subject to PIT and CIT respectively, only with respect to the profits that are derived sources of income from the territory of Poland.

Although this is not expressly provided for in Polish tax law, it should be noted that dividends from a Dutch company should not be treated as income derived from Poland, even if the company is listed on the Warsaw Stock Exchange. Consequently, it should be noted that dividends paid by a Dutch company to a foreign investor should not be subject to Polish income tax.

Polish tax law does not give clear direction on whether income from a sale of shares of a Dutch company should be treated as income derived from Poland if the shares are traded on the Warsaw Stock Exchange. It seems that the prevailing approach of the tax authorities is that trades on the Warsaw Stock Exchange shall be treated as, Polish source income. Consequently, as a rule, such income would be subject to Polish income tax and settled on general rules. In practice, however, most of the tax treaties would exempt such income from taxation in Poland. This should be verified on a case-by-case basis.

Tax on Civil Law Activities

The tax on civil law transactions ("TCLT") is levied on agreements providing for a sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the purchaser is a Polish tax resident and the transaction is effected in Poland.

The tax rate on the sale of shares and the exchange of shares is 1% at their market value and should be paid within fourteen days of the date on which the tax obligation arose (that is, the date the sale or exchange agreement is concluded), unless the sale of shares and the exchange of shares agreements are concluded in a form of a notary deed. In that case the due tax should be collected by the notary public acting as a tax remitter. The purchaser of shares is liable for paying the due tax on civil law transactions. In the case of an exchange of shares, the liability for paying the due tax is borne jointly and severally by the parties to the exchange of shares transaction.

Exemptions from the tax on civil law transactions apply, without limitation, to transactions concerning the sale of property rights constituting financial instruments (including shares) to investment firms or, through them, and the sale of such property rights within the boundaries of a regulated market, as defined in the Trading in Financial Instruments Act.

INDEPENDENT AUDITORS

The Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 presented in the Prospectus were audited by Baker Tilly Ukraine LLC, with its seat at 28 Fizkultury Street, Kyiv 03680, Ukraine.

Baker Tilly Ukraine LLC is a member of the Ukrainian Chamber of Audit – the professional organisation of auditors in Ukraine.

Baker Tilly Ukraine LLC has given, and has not withdrawn, its written consent to the inclusion of its reports and the reference to themselves herein in the form and context in which they are included. Baker Tilly Ukraine LLC has no interest in the Issuer.

The signatory of the independent auditors' reports on the Consolidated Financial Statements of Ovostar Union LLC on behalf of Baker Tilly Ukraine LLC is Alexander Pochkun.

Within the period covered by the historical financial statements no auditor resigned, was dismissed or not appointed for the next year.

Under the Issuer's Articles of Association, the Issuer's auditor is appointed by the Board of Directors.

The Issuer believes that the auditor appointed by the Board of Directors to audit the financial statements included in this Prospectus is independent from the Issuer, as defined by relevant laws.

ADDITIONAL INFORMATION

Capitalized terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to such terms in Annex I "Defined Terms".

This Prospectus has been prepared by the Issuer in connection with the Offering and Admission solely for the purpose of enabling a prospective investor to consider an investment in the Offer Shares. The information contained in this Prospectus has been provided by the Issuer and other sources identified herein.

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should, therefore, read this Prospectus in its entirety, and in particular, the section "Risk Factors", when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and not rely exclusively on the legal, financial or tax information contained in this Prospectus.

Save for the provisions of mandatory laws, no person is or has been authorized to give any information or to make any representation in connection with the Offering and/or Admission, other than as contained in this Prospectus, and if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, or by the Managers.

The corporate governance structure of the Issuer is set out in its Articles of Association which are available on the Issuer's website: www.ovostar.ua.

Responsibility for this Prospectus

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Neither the delivery of this Prospectus nor any sale made hereby at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of its subsidiaries or the Company and its subsidiaries taken as a whole (the "**Group**") since the date hereof or that the information contained herein is correct as of any date subsequent to the earlier of the date hereof or any date specified with respect to such information.

Neither the Managers nor the legal advisers to the Issuer accept any responsibility whatsoever for the contents of this Prospectus, or for its transaction, determination of the final number of Offer Shares and/or the final Offer Price, or for any other statement made or purported to be made by any of them or on their behalf in connection with the Issuer or the Offering. The Managers and the legal advisers to the Issuer accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus, determination of the final number of Offer Shares and/or the final Offer Price, or any such statement. No representation or warranty, express or implied, is made by the Manager as to the accuracy or completeness of the information set forth herein and nothing contained in this Prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future.

Notice to Prospective Investors

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or any solicitation or invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such an offer or solicitation or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under "*Selling Restrictions*". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition to the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties and will be required to take certain actions described in particular in "*The Offering and Plan of Distribution*", which will be relied upon by the Issuer, the Managers and others. The Issuer reserves the right, in its sole and absolute discretion, to reject any purchase of Offer Shares that the Issuer, the Managers or any agents believe may give rise to a breach or a violation of any law, rule or regulation. See, in particular: "*Selling Restrictions*".

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other Unites States regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Presentation of Financial and Other Information

In this Prospectus, the terms "Issuer", "the Group" and similar terms refer to Ovostar Union N.V. and its direct and indirect consolidated subsidiaries, unless the context requires otherwise. Since the Issuer was incorporated only on 22 March 2011, the term “the Group” applies to Ovostar Union LLC and its direct and indirect consolidated subsidiaries for the period before the incorporation of the Issuer and acquisition of Ovostar Union LLC by the Issuer in March 2011. Unless otherwise noted, references to “management” are to the members of the Board of Directors and the Key Management, and statements as to the Issuer’s beliefs, expectations, estimates and opinions are to those of the Issuer’s management. The term “Group Subsidiaries” refers to any direct or indirect subsidiary of the Issuer, if the context indicates.

The Issuer maintains its financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the International Accounting Standards Board ("**IASB**"), and interpretations, issued by the International Financial Reporting Interpretations Committee ("**IFRIC**") and as applicable in the respective years.

The IFRS Financial Statements included in this Prospectus comprise the audited Consolidated Financial Statements of Ovostar Union LLC as at and for each of the past three years ended 31 December 2010, 2009 and 2008.

The Issuer believes it has a complex financial history in the meaning as prescribed in the Prospectus Regulation. The Prospectus Regulation stipulates that in case when the issuer’s business is not fully reflected in the historical financial information relating to the issuer and consequently the historical financial information may not constitute sufficient information that allows investors to make informed assessment whether to invest in offered securities, such issuer should consider whether to include other financial information relating to another entity. Since the Issuer was incorporated on 22 March 2011 and had no operation till acquisition of Ovostar Union LLC in March 2011, the Issuer decided to include into the Prospectus the audited Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2010, 2009 and 2008. The Consolidated Financial Statements in the Prospectus together with other information contained in the Prospectus are representative of the Group’s business in 2008, 2009, and 2010 and should enable investors to make informed assessment whether to invest the Offer Shares.

The Consolidated Financial Statements are presented in USD which is the accounting currency of the Group. The Group Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Consolidated Financial Statements, which have been prepared based on the Group Subsidiaries’ local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded and accordingly the totals in these tables may not add up to 100%.

No significant change in the financial and trading position of the Group has occured since the end of the last financial period of Ovostar Union LLC ending on 31 December 2010 (See “*Business – History*”).

Unless otherwise indicated, all references in this Prospectus to "USD" or "US Dollars" are to the lawful currency of the United States and all references to "EUR", "Euro" or "€" are to the lawful currency of the European Economic and Monetary Union, of which the Netherlands is a member. References to "UAH" or "Hryvnia" are to the lawful currency of Ukraine, whereas all references to "PLN" and "Polish zloty" are to the lawful currency of Poland.

Potential investors should consult their own professional advisers to gain an understanding of the financial information contained herein.

The Independent Auditor’s Report on the Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2010, 2009 and 2008 includes qualification regarding property, plant and equipment, see Independent Auditor’s Report on the Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2010, 2009 and 2008, p. F – 5’.

Market, Economic and Industry Data

All references to market, economic or industry data, statistics and forecasts in this Prospectus consist of estimates compiled by professionals, state agencies, market and other organizations, researchers or analysts, publicly available information from other external sources as well as the Group’s knowledge of its sales and markets and assessments made by the Group’s management.

Certain statistical data and market, economic or industry information and forecasts relating to the world, Ukrainian egg industry have been extracted and derived from reports and analysis produced by, *inter alia*, the following sources:

- information available on the website owned and operated by the State Statistics Committee of Ukraine (www.ukrstat.gov.ua);
- information, reports and analysis available on the website owned and operated by the United States Department of Agriculture, and its Foreign Agricultural Service (www.usda.gov);
- information, reports and analysis available on the website of International Egg Commission (IEC) (www.internationalegg.com);
- information, reports and analysis available on the website of the World Bank (www.worldbank.org);
- information available on the website of the Food and Agriculture Organization of the United Nations (FAO) (www.fao.org);
- statistical data of the National Bank of Ukraine (www.bank.gov.ua);
- statistical data of the National Bank of Poland (www.nbp.gov.pl);
- information provided by Ukrainian Poultry Farmers Union (www.ptaha.kiev.ua);
- information available on the website of the EU Commission Data (CIRCA) (www.epp.eurostat.ec.europa.eu);
- information and reports available the website of GfK GeoMarketing (www.gfk-geomarketing.com);
- information available on the website owned and operated by the Central Statistical Office of Poland (www.stat.gov.pl).

While the Issuer has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Issuer or the Managers have independently verified that data. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by the cited sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. The source for such third party information is cited whenever such information is used in this Prospectus.

Save where required by mandatory provisions of laws, the Issuer does not intend and does not undertake to update market, economic or industry data, statistics and forecasts contained in this Prospectus. Industry trends may change or significantly differ from the one projected in this Prospectus. Therefore investors should be aware that estimates made in this Prospectus may not be relied upon as indicatives of the Group’s future performances and actual trends.

In this Prospectus, the Issuer makes certain statements regarding the Group’s competitive position, growth and market leadership. The Issuer believes these statements to be true based on market data and industry statistics regarding the competitive position of certain of the Group’s competitors. In presenting the overview of the Group’s competitive position in the relevant markets, the Issuer also relied on management’s assessments and analysis of such competitive position. In making such assessments and analysis the management has used market information collected by its own employees and advisors for such purpose, either available on the basis of public information or derivable from the same.

Documents Incorporated by Reference

No documents or content of any website are incorporated by reference in this Prospectus.

Documents Available for Inspection

The following documents will be available free of charge at the registered office of the Issuer during the normal business hours from the date of this Prospectus for a period of one year from the date when the Prospectus was made available to the public:

- Articles of Association of the Issuer;
- copies of the Consolidated Financial Statements included in this Prospectus;
- copies of the corporate resolutions mentioned in the section General Information on the Issuer;

Moreover the following documents will be available through the Issuer’s website www.ovostar.ua:

- this Prospectus together with its summary translated into Polish language;
- the Articles of Association;

- copies of the documents required to be published on the Issuer’s website pursuant to the Dutch Corporate Governance Code and the WSE Corporate Governance Rules; and
- statement of the Issuer’s compliance or non-compliance with the WSE Corporate Governance Rules.

Forward-looking Statements

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer’s current views with respect to future events and financial performance of its Group. Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms such as “believes”, “expects”, “estimates”, “anticipates”, “intends”, “plans”, “may”, “will”, “should”, “would”, “could” or, in each case, their negatives or other variations or comparable terms. All statements other than statements of historical facts included in this Prospectus are forward-looking statements. Such items in this Prospectus include, but are not limited to, statements under “*Risk Factors*”, “*Business*”, “*Industry Overview*” and “*Operating and Financial Review*”

By their nature, forward-looking statements involve known and unknown risk and uncertainty, and other factors that may cause the Group’s actual results, performances and achievements to differ materially from any future results, performances, achievements or developments expressed in or implied by such forward-looking statements. The Management has based these forward-looking statements on numerous assumptions regarding the Group’s present and future business strategies, current expectations and projections about future events and the environment in which the Group will operate in the future. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group, including, among other things:

- the Issuer’s ability to develop and expand its business;
- the Issuer’s ability to keep up with new technologies and expand into new markets;
- the Issuer’s and the Group Subsidiaries ability to control their costs;
- the Issuer’s future capital spending and availability of financial resources to finance capital spending;
- political and economic conditions in the countries in which the Group Subsidiaries operate;
- volatility in the world’s securities markets; and
- the effects of regulation (including tax regulations) in the Netherlands and other countries in which the Group Subsidiaries operate.

The forward-looking statements speak only as at the date of this Prospectus. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, whether to reflect any new information, future events, any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statements is based, except as required by law, including under the Dutch Financial Supervision Act and the Public Offering Act.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Prospective investors are cautioned not to place undue reliance on such forward-looking statements, which are based on facts known to the Issuer only as at the date of this Prospectus.

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Audited Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2010, 2009, 2008

LLC Ovostar Union and its subsidiaries
Consolidated Financial Statements

For the years ended 31 December 2010, 2009 and 2008

BAKER TILLY
UKRAINE

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 4-5 is made with a view of distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of LLC Ovostar Union and subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2010, 2009 and 2008 and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2010, 2009 and 2008 were authorised for issue on 21 April 2011 by:

Borys Bielikov Chief Executive Officer	Yuriy Doroshev Chief Financial Officer

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF LLC OVOSTAR UNION AND ITS SUBSIDIARIES

BAKER TILLY
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www.bakertillyukraine.com

Independent auditor's report

To the attention of Shareholders and Directors of LLC Ovostar Union

We have audited consolidated financial statements of LLC Ovostar Union and its subsidiaries (the Group hereinafter), which comprise the consolidated statement of financial position as at 31 December 2010, 2009 and 2008 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

an independent member of
BAKER TILLY
INTERNATIONAL

Basis for Qualified Opinion

In the adoption of IFRS 1 "First-time Adoption of International Financial 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 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 financial statements, the Group should have assumed the fair value of property, plant and equipment as their deemed cost. The effect of these deviations from the requirements of International Financial Reporting Standards on the carrying amount of property, plant and equipment and the amount of net profits, income taxes and retained earnings for the year ended 31 December 2010, 2009 and 2008 was not identified.

Qualified Opinion

In our opinion, except for the effects on the consolidated financial statements of the matter referred to in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, 2009 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Other Emphasis of Matter

We would like to draw your attention to the fact that the consolidated financial statements prepared to reflect the Group's consolidated financial position, financial performance and cash flows as if the restructuring completed prior to 31 December 2010 occurred on 1 January 2008 may not reflect the Group's consolidated financial position, financial performance and cash flows for the year ended 31 December 2010, 2009 and 2008, which would be achieved if the restructuring described in Note 1 actually occurred on 1 January 2008. Our opinion is not qualified in respect of this matter.

Managing Partner

"BAKER TILLY UKRAINE" LLP

ДЛЯ ВИСНОВКІВ ТА ЗВІТІВ

Alexander Pochkun

21 April 2011

Kiev, Ukraine

Registration # 1687

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December 2010, 2009 and 2008
(in USD thousand, unless otherwise stated)

	Notes	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Revenue	6	37 033	32 345	36 703
Net change in fair value of Biological assets	17	1 137	(4 043)	5 318
Cost of sales	7	(28 133)	(20 136)	(26 241)
Gross profit		**10 037**	**8 166**	**15 780**
Other operating income	11	5 612	2 139	5 912
Selling and distribution costs	8	(3 184)	(3 691)	(5 353)
Administrative expenses	9	(1 870)	(2 190)	(2 893)
Other operating expenses	13	(1 091)	(811)	(1 275)
Operating profit		**9 504**	**3 613**	**12 171**
Finance costs	14	(876)	(1 633)	(7 898)
Finance income	15	642	440	1 328
Profit before tax		**9 270**	**2 420**	**5 601**
Income tax expense	16	(107)	118	(275)
Profit for the year		**9 163**	**2 538**	**5 326**
Other comprehensive income				
Exchange differences on translation of foreign operations		(159)	(696)	(9 259)
Other comprehensive income for the year, net of tax		**(159)**	**(696)**	**(9 259)**
Total comprehensive income for the year, net of tax		**9 004**	**1 842**	**(3 933)**
Profit attributable to:				
Owners of the parent		9 731	2 695	5 150
Non-controlling interests		(568)	(157)	176
		9 163	**2 538**	**5 326**
Other comprehensive income attributable to:				
Owners of the parent		(151)	(586)	(6 873)
Non-controlling interests		(8)	(110)	(2 386)
		(159)	**(696)**	**(9 259)**

"ОВОСТАР ЮНІОН" 30455716

Borys Bielikov
Chief Executive Officer

Yuriy Doroshev
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010, 2009 and 2008
(in USD thousand, unless otherwise stated)

	Notes	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Assets					
Non-current assets					
Non-current biological assets	17	6 121	1 468	894	612
Property, plant and equipment	18	11 629	12 210	13 873	17 936
Intangible assets	19	2	16	2	4
Other investments	20	-	3 288	2 083	3 114
Other non-current assets	21	1 149	1 359	1 364	467
Deferred tax assets	16	29	132	57	-
		18 930	18 473	18 273	22 133
Current assets					
Inventories	23	8 990	5 591	4 097	5 937
Current biological assets	17	5 026	5 950	7 946	5 345
Trade and other receivables	24	7 174	9 277	12 250	6 624
Prepayments		326	568	215	57
Short-term deposits	26	-	1 370	-	11 248
Cash and cash equivalents	26	358	577	335	281
		21 874	23 333	24 843	29 492
Total assets		**40 804**	**41 806**	**43 116**	**51 625**
Equity and liabilities					
Equity					
Issued capital	27	45	18	18	18
Foreign currency translation reserve		(7 610)	(7 459)	(6 873)	-
Merger reserve		-	11 551	12 099	10 889
Retained earnings		36 637	22 970	20 099	17 857
Equity attributable to owners of the parent		**29 072**	**27 080**	**25 343**	**28 764**
Non-controlling interests		2 353	2 929	3 196	5 406
Total equity		**31 425**	**30 009**	**28 539**	**34 170**
Non-current liabilities					
Interest-bearing loans and other non-current financial liabilities	22	230	2 194	3 560	3 555
Deferred tax liabilities	16	5	79	206	-
		235	**2 273**	**3 766**	**3 555**
Current liabilities					
Trade and other payables	28	4 448	3 378	4 078	4 815
Advances received		524	130	120	6
Interest-bearing loans and borrowings	22	4 150	5 894	6 453	8 865
Income tax payable		-	2	6	24
Provisions	29	22	120	154	190
		9 144	**9 524**	**10 811**	**13 900**
Total liabilities		**9 379**	**11 797**	**14 577**	**17 455**
Total equity and liabilities		**40 804**	**41 806**	**43 116**	**51 625**

Borys Bielikov
Chief Executive Officer

Yuriy Doroshev
Chief Financial Officer

Notes on pages F-11-F-48 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2010, 2009 and 2008
(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 2007	**18**	**-**	**10 889**	**17 857**	**28 764**	**5 406**	**34 170**
Profit for the period	-	-	-	5 150	5 150	176	5 326
Other comprehensive income	-	(6 873)	-	-	(6 873)	(2 386)	(9 259)
Total comprehensive income	-	(6 873)	-	5 150	(1 723)	(2 210)	(3 933)
Dividends	-	-	-	(2 908)	(2 908)	-	(2 908)
Other equity movements	-	-	1 210	-	1 210	-	1 210
As at 31 December 2008	**18**	**(6 873)**	**12 099**	**20 099**	**25 343**	**3 196**	**28 539**
Profit for the period	-	-	-	2 695	2 695	(157)	2 538
Other comprehensive income	-	(586)	-	-	(586)	(110)	(696)
Total comprehensive income	-	(586)	-	2 695	2 109	(267)	1 842
Other equity movements	-	-	(548)	176	(372)	-	(372)
As at 31 December 2009	**18**	**(7 459)**	**11 551**	**22 970**	**27 080**	**2 929**	**30 009**
Profit for the period	-	-	-	9 731	9 731	(568)	9 163
Other comprehensive income	-	(151)	-	-	(151)	(8)	(159)
Total comprehensive income	-	(151)	-	9 731	9 580	(576)	9 004
Issue of share capital	27	-	-	-	27	-	27
Loss from restructuration (Note 20)	-	-	-	(3 306)	(3 306)	-	(3 306)
Other equity movements	-	-	(11 551)	7 242	(4 309)	-	(4 309)
As at 31 December 2010	**45**	**(7 610)**	**-**	**36 637**	**29 072**	**2 353**	**31 425**

Borys Bielikov
Chief Executive Officer

ОВОСТАР ЮНІОН
30455716

Yuriy Doroshev
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended 31 December 2010, 2009 and 2008
(in USD thousand, unless otherwise stated)

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Operating activities			
Profit before tax	**9 270**	**2 420**	**5 601**
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment and amortisation of intangible assets	2 056	2 083	2 802
Net change in fair value of Biological assets	(1 137)	4 043	(5 318)
Gain on disposal of property, plant and equipment	(218)	-	-
Finance income	(642)	(440)	(1 328)
Finance costs	876	1 633	7 898
Shortages and losses from damage of valuables	58	130	201
Movements in provisions	(98)	(34)	(36)
Other operating income	-	(236)	-
Working capital adjustments:			
(Increase)/Decrease in trade and other receivables less receivables for securities sold but not yet settled	(2 067)	2 153	(2 356)
(Increase)/Decrease in prepayments to suppliers	242	(353)	(158)
(Increase)/Decrease in inventories	(3 399)	(1 494)	1 840
(Increase)/Decrease in biological assets	(2 592)	(2 621)	2 435
(Increase)/Decrease in short-term deposits	1 370	(1 370)	11 248
Increase/(Decrease) in trade and other payables and Advances received	1 536	(754)	(629)
	5 255	**5 160**	**22 200**
Interest received	73	80	1 328
Income tax paid	(78)	(88)	(78)
Net cash flows from/(used in) operating activities	**5 250**	**5 152**	**23 450**
Investing activities			
Proceeds from sale of property, plant and equipment	1 363	-	-
Purchase of property, plant and equipment	(2 231)	(754)	(4 196)
Purchase of intangible assets	(66)	(15)	(1)
Proceeds from repayment of loan to Beneficial Owner	393	562	-
Outflow from long-term loan issued to the Beneficial Owner	-	-	(4 175)
Outflow from current loans issued	(146)	-	-
Proceeds from repayment of current loans issued	-	660	1 206
Acquisition of other investments	-	(1 261)	(56)
Net cash flows from/(used in) in investing activities	**(687)**	**(808)**	**(7 222)**
Financing activities			
Proceeds from borrowings	7 365	7 285	11 532
Repayment of borrowings	(11 073)	(9 210)	(13 939)
Interest paid	(948)	(1 481)	(1 903)
Dividends paid to equity holders of the parent	-	-	(2 908)
Net cash flows from/(used in) financing activities	**(4 656)**	**(3 406)**	**(7 218)**
Net increase/(decrease) in cash and cash equivalents	(93)	938	9 010
Net foreign exchange difference	(126)	(696)	(8 956)
Cash and cash equivalents at 1 January	577	335	281
Cash and cash equivalents at 31 December	**358**	**577**	**335**

NOTES TO THE CONSOLIDATED 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 "Boryispiol 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. 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").

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 27. As the Group has been formed through the reorganisation of entities under common control, these consolidated financial statements have been presented as if the transfers of the ownership interests in subsidiaries had occurred on the beginning of the earliest period presented (1 January 2008) through the application of the pooling of interest method as at that date.

The Group's included the following subsidiaries as at 31 December 2010, 2009, 2008 and 2007:

		Ownership			
Name of the company	**Business activities**	**As at 31 December 2010**	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
Limited Liability Company "Ovostar"	Egg-derivatives production and distribution	98%	98%	98%	98%
Open Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding	92%	92%	92%	92%
Open Joint Stock Company "Krushynskyy Poultry Complex"	Trading company	76%	76%	76%	76%
Closed Joint Stock Company "Malynove"	Production of shell eggs, assets holding	94%	94%	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%	98%	98%
Limited Liability Company "Skybynskyy Fodder Plant"	In the process of liquidation	99%	99%	99%	99%

The consolidated financial statements for the year ended 31 December 2010, 2009 and 2008 were authorised for issue on 21 April 2011.

2.1. Basis of preparation

The consolidated 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 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 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 Group adopted IFRS as its reporting framework as at 1 January 2008 and this is the first set of consolidated financial statements of the Group in accordance of IFRS. IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires a first-time adopter to disclose reconciliations that give sufficient detail to enable users to understand the material adjustments to the balance sheet and requires specific reconciliations of equity reported under previous GAAP to its equity under IFRS. No reconciliation is presented in the notes to the consolidated financial statements because no consolidated financial statements have been prepared by the Group in the past.

As discussed above, the Group was formed through the reorganization of entities under common control using the pooling of interest method. Assets and liabilities were recognised using the carrying value of the predecessor companies.

The Group applied an IFRS 1 exemption which allows the Group not to apply purchase accounting to the business combinations which occurred prior to the date of transition to IFRS. Accordingly, the Group calculated the deemed cost of goodwill arising on the acquisition of the subsidiaries at the date of transition to IFRS as the difference between the predecessor's interest in the net assets of the subsidiaries and the predecessor's cost of these subsidiaries.

Because the predecessor's interest in the net assets exceeded the cost of the subsidiaries, the difference was recorded as part of the equity attributable to equity holders of the parent as at 1 January 2008.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets, agricultural produce, and certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in US dollars and 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 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 financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

The consolidated 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 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, except when the intragroup losses indicate an impairment that requires recognition in the consolidated 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. Use of estimates and assumptions

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

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

Impairment of property, plant and equipment

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

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

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 operations segment and egg products operations segment, safety of livestock, selling prices as well as 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 revenues and costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of production volumes, selling prices and costs are taken into account, as well as the expected 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 modernisation expenses.

Applicable annual discount rate for impairment of property, plant and equipment was equal to 24%.

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 and market overviews;
- production data (egg operations segment and egg products operations segment, safety of livestock) based on internal forecasts of the Group's management and market overviews
- selling prices and costs for eggs and egg products 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 2% change in the discount rate or 2% 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 27.44% (2009, 2008: 12.1%).

Management determined that calculations of the recoverable amount 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 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.

4. Summary of significant accounting policies

Recognition and measurement of financial instruments

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

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

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

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

Financial assets

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

Financial assets are classified into the following categories: financial assets at fair value through profit or loss; held-to-maturity financial assets; available-for-sale financial assets; loans and receivables. Classification of financial assets depends on their nature and purpose of acquisition and takes place at the time of recognition in the accounting records.

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 statement of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset. Fair value is determined in the manner set out in Note 33 "Fair values". During the period covered by these consolidated financial statements, the Group did not hold any investments of this category.

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.

Available-for-sale financial assets - financial assets available for sale represent those non-derivative financial assets that are classified as available for sale or those that do not fall into any of the three previous categories. After initial recognition these assets are measured at fair value with revaluation result transferred directly in equity (in the allowance for unrealized profits) until they are sold; in this situation the accumulated gains and losses previously recognized in equity are recognized in the consolidated statement of comprehensive income. Interest received or paid on these investments is recorded as interest income or expenses using the effective interest rate. Dividends received on these investments are recorded in the consolidated statement of comprehensive income as a part of dividends received at the time of registration of a corresponding right or receipt of payment.

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.

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 fulfils 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 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
USD	7.962	7.985	7.700	5.050
EUR	10.573	11.449	10.855	7.420

Biological assets

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group, fair value or cost of an asset can be estimated with reasonable certainty.

Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses are included in the consolidated income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated statement of comprehensive income.

Inventories

Inventories consist mainly of finished products and goods for sale. 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 labour 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. 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

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

In the years ended 31 December 2008, 2009 and 2010, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

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

Starting from 1 January 2011 VAT rate at 20% was changed by the new Tax Code of Ukraine (Note 31) and it was established at the level of 17%. This change has no effect on these consolidated financial statements.

Government grants

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

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

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

Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions

The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

Related party transactions

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

5. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's 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.

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 governmentrelated 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.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on 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

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

6. 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.

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

	Egg operations segment	**Egg products operations segment**	**Sunflower products operations segment**	**Eliminations**	**Consolidated**
External sales	27 000	10 033	-	-	**37 033**
Sales between business segments	54 080	203	-	(54 283)	-
Total revenue	**81 080**	**10 236**	**-**	**(54 283)**	**37 033**
Segment results	60 379	3 174	-	(54 283)	**9 270**
Profit before tax	60 379	3 174	-	(54 283)	**9 270**

Other information:

	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**
Additions to property, plant and equipment	4 229	54	353		**4 636**
Depreciation and amortization	1 302	753	-		**2 055**
Net change in fair value of biological assets and agricultural produce	843	294			**1 137**

The following table presents revenue, results of operations and certain assets and liabilities information regarding business segments for the year ended 31 December 2009:

	Egg operations segment	**Egg products operations segment**	**Sunflower products operations segment**	**Eliminations**	**Consolidated**
External sales	21 360	10 985	-	-	**32 345**
Sales between business segments	43 508	551	-	(44 059)	-
Total revenue	**64 868**	**11 536**	**-**	**(44 059)**	**32 345**
Segment results	42 078	4 401	-	(44 059)	**2 420**
Profit before tax	42 078	4 401	-	(44 059)	**2 420**

Other information:

	Egg operations segment	**Egg products operations segment**	**Sunflower products operations segment**	**Eliminations**	**Consolidated**
Segment assets	65 073	6 213	-	(29 480)	**41 806**
Consolidated total assets	**65 073**	**6 213**	**-**	**(29 480)**	**41 806**
Segment liabilities	34 466	5 830	-	(28 499)	**11 797**
Consolidated total liabilities	34 466	5 830	-	(28 499)	**11 797**
Additions to property, plant and equipment	642	138	-		**780**
Depreciation and amortization	1 313	770	-		**2 083**
Net change in fair value of biological assets and agricultural produce	(2 997)	(1 046)	-		**(4 043)**

The following table presents revenue, results of operations and certain assets and liabilities information regarding business segments for the year ended 31 December 2008:

	Egg operations segment	**Egg products operations segment**	**Sunflower products operations segment**	**Eliminations**	**Consolidated**
External sales	25 950	10 753	-	-	**36 703**
Sales between business segments	43 245	2 960	-	(46 205)	-
Total revenue	**69 195**	**13 713**	**-**	**(46 205)**	**36 703**
Segment results	43 720	8 086	-	(46 205)	**5 601**
Profit before tax	43 720	8 086	-	(46 205)	**5 601**

Other information:

	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Eliminations	Consolidated
Segment assets	58 740	3 585	-	(19 209)	**43 116**
Consolidated total assets	**58 740**	**3 585**	**-**	**(19 209)**	**43 116**
Segment liabilities	29 171	3 596	-	(18 190)	**14 577**
Consolidated total liabilities	29 171	3 596	-	(18 190)	**14 577**
Additions to property, plant and equipment	4 301	335	-		**4 636**
Depreciation and amortization	1 882	920	-		**2 802**
Net change in fair value of biological assets and agricultural produce	4 000	1 318			**5 318**

7. Cost of sales

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Costs of inventories recognised as an expense		(15 064)	(11 834)	(14 175)
Wages, salaries and social security costs of production personnel	10	(5 334)	(3 139)	(5 046)
Amortisation, depreciation and impairment	18, 19	(1 622)	(1 452)	(2 120)
Packaging		(2 581)	(2 318)	(2 383)
Service charges and other expenses included in cost of sales		(3 532)	(1 393)	(2 517)
Total cost of sales		**(28 133)**	**(20 136)**	**(26 241)**

8. Selling and distribution costs

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Wages, salaries and social security costs of distribution personnel	10	(723)	(1 535)	(1 971)
Marketing and advertising		(451)	(55)	(422)
Transportation		(683)	(67)	-
Amortisation, depreciation and impairment	18, 19	(22)	(132)	(159)
Service charges and other expenses included in selling and distribution costs		(1 305)	(1 902)	(2 801)
Total selling and distribution costs		**(3 184)**	**(3 691)**	**(5 353)**

9. Administrative expenses

	Notes	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Wages, salaries and social security costs of administrative personnel	10	(588)	(794)	(701)
Service charge expenses		(65)	(308)	(422)
Legal, audit and other professional fees		(51)	(70)	-
Amortisation, depreciation and impairment	18, 19	(412)	(499)	(523)
Material usage		(156)	(236)	(305)
Service charges and other expenses included in administrative expenses		(598)	(283)	(942)
Total administrative expenses		**(1 870)**	**(2 190)**	**(2 893)**

10. Employee benefits expense

	Notes	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Wages, salaries and social security costs of production personnel	7	(5 334)	(3 139)	(5 046)
Wages, salaries and social security costs of distribution personnel	8	(723)	(1 535)	(1 971)
Wages, salaries and social security costs of administrative personnel	9	(588)	(794)	(701)
Total employee benefits expense		**(6 645)**	**(5 468)**	**(7 718)**

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

As at 31 December 2008 – 1504 employees.

As at 31 December 2009 – 1647 employees.

As at 31 December 2010 – 1389 employees.

11. Other operating income

	Notes	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Income from government grants and incentives	12	4 257	1 766	5 325
Gain on disposal of property plant and equipment		218	-	-
Recovery of assets previously written-off		349	224	241
Other income		788	149	346
Total other operating income		**5 612**	**2 139**	**5 912**

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

12. Income from government grants and income from special VAT treatment

12.1. Income from government grants received for the years ended 31 December 2010, 2009 and 2008 were as follows:

	Note	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	1 436	112	921
VAT for development of poultry keeping	b)	-	-	4 403
Other grants	c)	12	6	1
		1 447	**118**	**5 325**

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

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

For the years ended 31 December 2010, 2009 and 2008 the Group received partial compensation of interest for loans received by agro-industrial enterprises from financial institutions in the amount of USD 1 436 thousand, 112 thousand and USD 921 thousand respectively which is presented on a cash received basis.

b) VAT for development of poultry keeping

The following regime for VAT compensation for poultry keeping was effective until 1 January 2009.

c) Other grants

The item "Other grants" comprises the following grants: grants for meat, grants for maintain parent flock and grants for keeping of working places.

12.2. Income from special VAT treatment received for the years ended 31 December 2010, 2009 and 2008 were as follows:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Income from special VAT treatment	2 810	1 648	-
	2 810	**1 648**	**-**

Ukrainian agricultural producers, including the companies of the Group, benefit from a special regime of taxation. According to this special regime, they 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, and negative VAT balance shall be recognised as other operating expenses. These income and expenses are recorded in the consolidated financial statements on a net basis.

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

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

13. Other operating expenses

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Shortages and losses from damage of valuables		(58)	(130)	(201)
Loss on disposal of inventories		(186)	-	(151)
Fines and penalties		(13)	(39)	(52)
Impairment of doubtful accounts receivable	25	(183)	(143)	(410)
Impairment of inventories		(232)	(255)	(430)
Other expenses		(419)	(244)	(31)
Total other operating expenses		**(1 091)**	**(811)**	**(1 275)**

14. Finance costs

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Interest on debts and borrowings		(876)	(1 545)	(1 909)
Exchange difference loss		-	(56)	(3 645)
Loss from amortization of long-term loan issued	21	-	-	(2 259)
Other finance costs		-	(32)	(85)
Total finance costs		**(876)**	**(1 633)**	**(7 898)**

15. Finance income

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Interest income		73	80	1 328
Exchange difference gain		390	-	-
Fair value gain on financial assets at fair value through profit or loss	21	179	360	-
Total finance income		**642**	**440**	**1 328**

16. Income tax

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

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

During the years ended 31 December 2010, 2009 and 2008, 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 (Note 31), introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 December 2010 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the years ended 31 December 2010, 2009 and 2008 are:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Current income tax:			
Current income tax charge	(76)	(84)	(60)
Deferred tax:			
Relating to origination and reversal of temporary differences	(31)	202	(216)
Income tax (expense)/benefit reported in the income statement	**(107)**	**118**	**(276)**

A reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2010 and 2009 is as follows:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Accounting profit before income tax	**9 270**	**2 420**	**5 601**
At Ukraine's statutory income tax rate of 25%	2 318	605	1 400
Tax effect of:			
Effect of changes in tax rates and laws	(834)	-	-
Income generated by FAT payers (exempt from income tax)	(2 181)	(986)	(1 492)
Effect on deferred tax balances due to the change in income tax rate from 25% to 16% (effective 01 January 2011)	2	-	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	475	-	-
Effect of expenses that are not deductible in determining taxable profit	327	263	368
At the effective income tax rate of 1% (2009: -5% 2008: 5%)	107	(118)	276

Deferred tax

As of 31 December 2010, 2009 and 2008, deferred tax assets and liabilities comprised the following:

	As at 31 December 2010	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
Advances received and other payables	357	38	26	-
Inventories	163	-	-	-
Property, plant and equipment	199	94	31	-
less:				
Unrecognized deferred tax assets	(475)	-	-	-
Total deferred tax assets	244	132	57	-
Property, plant and equipment	(2)	(78)	(42)	-
Prepayments to suppliers	(218)	(1)	(164)	-
Total deferred tax liabilities	(220)	(79)	(206)	-
Net deferred tax asset/(liability)	24	53	(149)	-

As of 31 December 2010 the Group did not recognize deferred tax assets arising from temporary differences of USD 1 114 thousand as the Group does not intend to deduct respective expenses for tax purposes in future periods. As of 31 December 2010 the Group did not recognize deferred tax assets on temporary differences in respect of the property, plant and equipment of USD 1 006 thousand due to uncertainties as to whether the Group will be able to realize these deferred tax assets.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated balance sheet as of 31 December 2010, 2009 and 2008:

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Non - current assets	29	132	57	-
Long term liabilities	(5)	(79)	(206)	-
Net deferred tax asset/(liability)	24	53	(149)	-

17. Biological assets

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Non-current biological assets				
Replacement poultry	6 121	1 468	894	612
Current biological assets				
Commercial poultry	5 026	5 950	7 946	5 345
Total biological assets	**11 147**	**7 418**	**8 840**	**5 957**

As at 31 December 2010, 2009 and 2008 commercial and replacement poultry were presented as follows:

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Lohman	-	-	46	89	258	604	1 400	1 662
Hy-line	123	461	166	49	293	934	48	121
Hy-sex	1 273	6 707	1 279	3 168	1 117	6 312	1 032	2 725
Rodonit (brown)	1 009	3 979	1 053	4 112	124	466	256	1 264
Dekalb (white)	-	-	-	-	102	317	-	-
Iza (brown)	-	-	-	-	74	208	38	185
Total biological assets	**2 405**	**11 147**	**2 545**	**7 418**	**1 968**	**8 841**	**2 774**	**5 957**

Reconciliation of commercial and replacement poultry carrying values for the years ended 31 December 2010, 31 December 2009, 31 December 2008 was presented as follows:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
As at 01 January	**7 418**	**8 840**	**5 957**
Increase in value as a result of assets acquisition	180	-	-
Increase in value as a result of capitalization of cost	4 150	4 434	5 719
Increase in value as a result of increase in weight/number	84	13	27
Income/(Losses) from presentation of biological assets at fair value	1 137	(4 043)	5 318
Decrease in value as a result of assets disposal	(1 614)	(574)	(2 735)
Decrease in value as a result of assets slaughter	(217)	(965)	(1 119)
Exchange differences	9	(287)	(4 327)
As at 31 December	**11 147**	**7 418**	**8 840**

For the year ended 31 December 2010 the Group produced shell eggs in the quantity of 546 123 thousand items (2009: 540 125 thousand; 2008: 527 532 thousand).

Fair value of biological assets was estimated by Group's specialists which have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced selling using corresponding discount rate which is equal to 27.44%. Management supposes that sale price and production and distribution costs fluctations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

Till the year ended 31 December 2010 Management has applied indicators of expected cash flow in substantial measurement (less inflationary component) using corresponding discount rate which was in the range 11.7%-12.1%.

Management believes that changes in approach relating to measurement of cash flow amount and discount rate are reasonable in relation to usage of riskfree profitability indexes which are identified and published in nominal measurement.

Changes in approach relating to measurement of cash flow amount and discount rate have not significant influence on value of biological assets as at 31 December 2010.

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

	2010	2009	2008	2007
Eggs sale price, USD/per item	0,07	0,06	0,08	0,07
Discount rate, %	27.44%	12.1%	12.1%	11.7%
Long-term inflation rate of Ukrainian hrivnya, %	108.9%	N/a	N/a	N/a

Changes in key assumptions that were used in fair value estimation of biological assets will have the following influence on the value of biological assets as at 31 December 2010, 2009 and 2008:

	2010	2009	2008
1% decrease in eggs sales price	(899)	(494)	(405)
1% increase in discount rate	(424)	(42)	(46)
1% increase in long-term inflation rate of Ukrainian hrivnya	685	N/a	N/a

18. Property, plant and equipment

	Buildings	Plant and equipment	Vehicles	Furniture and fittings	Construction-in-progress and uninstalled equipment	Total
Cost or valuation						
As at 31 December 2007	**10 337**	**12 775**	**1 182**	**529**	**1 411**	**26 234**
Additions	589	3 354	270	64	359	4 636
Disposals	(52)	(178)	(48)	(35)	-	(313)
Exchange differences	(3 727)	(5 176)	(462)	(189)	-	(9 554)
As at 31 December 2008	**7 147**	**10 775**	**942**	**369**	**1 770**	**21 003**
Additions	347	218	59	32	124	780
Disposals	(29)	(199)	(33)	(39)	-	(300)
Transfer	329	282	-	-	(611)	-
Exchange differences	(266)	(214)	(32)	(16)	-	(528)
As at 31 December 2009	**7 528**	**10 862**	**936**	**346**	**1 283**	**20 955**
Additions	13	1 843	88	79	209	2 232
Disposals	(723)	(1 021)	(43)	(15)	-	(1 802)
Transfer	-	240	-	-	(240)	-
Exchange differences	(14)	(90)	(5)	(2)	-	(111)
As at 31 December 2010	**6 804**	**11 834**	**976**	**408**	**1 252**	**21 274**
Depreciation and impairment						
As at 31 December 2007	**(2 307)**	**(5 158)**	**(506)**	**(327)**	**-**	**(8 298)**
Depreciation charge for the year	(530)	(1 954)	(206)	(105)	-	(2 795)
Disposals	16	17	25	23	-	81
Exchange differences	990	2 509	231	152	-	3 882
As at 31 December 2008	**(1 831)**	**(4 586)**	**(456)**	**(257)**	**-**	**(7 130)**
Depreciation charge for the year	(386)	(1 462)	(162)	(71)	-	(2 081)
Disposals	10	48	32	19	-	109
Exchange differences	82	233	15	27	-	357
As at 31 December 2009	**(2 125)**	**(5 767)**	**(571)**	**(282)**	**-**	**(8 745)**

Property, plant and equipment (continued)

	Buildings	Plant and equipment	Vehicles	Furniture and fittings	Construction-in-progress and uninstalled equipment	Total
Depreciation and impairment (continued)						
As at 31 December 2009	**(2 125)**	**(5 767)**	**(571)**	**(282)**	**-**	**(8 745)**
Depreciation charge for the year	(367)	(1 384)	(160)	(79)	-	(1 990)
Disposals	380	622	24	15	-	1 041
Exchange differences	9	33	3	4	-	49
As at 31 December 2010	**(2 103)**	**(6 496)**	**(704)**	**(342)**	**-**	**(9 645)**
Net book value						
As at 31 December 2010	**4 701**	**5 338**	**272**	**66**	**1 252**	**11 629**
As at 31 December 2009	**5 403**	**5 095**	**365**	**64**	**1 283**	**12 210**
As at 31 December 2008	**5 316**	**6 189**	**486**	**112**	**1 770**	**13 873**
As at 31 December 2007	**8 030**	**7 617**	**676**	**202**	**1 411**	**17 936**

As at 31 December 2010 property, plant and equipment secured long-term and short-term loans. The net book value of secured property pland and equipment is USD 9 457 thousands.

19. Intangible assets

	Computer software	Other intangible assets	Total
Cost			
As at 31 December 2007	**13**	**4**	**17**
Additions	1	-	**1**
Exchange differences	(5)	(1)	**(6)**
As at 31 December 2008	**9**	**3**	**12**
Additions	15	-	**15**
Exchange differences	(1)	-	**(1)**
As at 31 December 2009	**23**	**3**	**26**
Additions	59	7	**66**
Exchange differences	1	-	**1**
As at 31 December 2010	**83**	**10**	**93**
Amortisation and impairment			
As at 31 December 2007	**(12)**	**(1)**	**(13)**
Amortisation	(7)	-	**(7)**
Exchange differences	10	-	**10**
As at 31 December 2008	**(9)**	**(1)**	**(10)**
Amortisation	(1)	(1)	**(2)**
Exchange differences	1	1	**2**
As at 31 December 2009	**(9)**	**(1)**	**(10)**
Amortisation	(59)	(7)	**(66)**
Exchange differences	(15)	-	**(15)**
As at 31 December 2010	**(83)**	**(8)**	**(91)**
Net book value			
As at 31 December 2007	**1**	**3**	**4**
As at 31 December 2008	**-**	**2**	**2**
As at 31 December 2009	**14**	**2**	**16**
As at 31 December 2010	**-**	**2**	**2**

20. Other investments

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Available-for-sale investments:				
Measured at cost	-	3 288	2 083	3 114
Total other investments	**-**	**3 288**	**2 083**	**3 114**

Available-for-sale investments stated at cost comprise unquated equity securities inthe agricultural and food-producting industries. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. However, management belives it unlikely that the fair value at the end of the reporting period would differ significantly from their carrying amount.

In 2010 Beneficial Owners of the Group made decision to spin off available-for-sale investments to entity which is controlled over by them. Above mentioned investments were excluded from the consolidated statement of financial position and charged directly to retained earnings.

21. Other non current assets

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Long-term loan issued to the Beneficial Owner	1 149	1 358	1 337	-
Prepayments for property, plant and equipment	-	1	27	467
Total other non current assets	**1 149**	**1 359**	**1 364**	**467**

Long-term loan issued to the Beneficial Owner represent interest-free loan, issued for a period of 5 years with a nominal value of UAH 22 000 000 (approximately USD 2.77 million), which is recorded at amortized cost using 16% effective interest rate.

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

	Interest rate, %	Maturity	**As at 31 December 2010**	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
Current interest-bearing loans and borrowings						
UniCreditBank loan	10,5% + Libor (1m), 14,5% in UAH	30.06.2011	3 333	3 400	3 552	2 371
UniCreditBank loan	14,5%	30.06.2011	377	-	-	-
UniCreditBank loan	5,0% + LIBOR (3m)	19.12.2012	230	230	230	-
UniCreditBank loan	17,8%	10.05.2011	84	167	130	-
UniCreditBank loan	11,0%	20.06.2010	-	106	212	212
UkrPromBank loan	14,5%	19.03.2009	-	-	215	-
SEB Bank loan	21,5%	29.11.2009	-	-	279	-
Brokbusinessbank loan	24,0%	12.07.2011	-	-	445	4 356
Brokbusinessbank loan	24,0%	01.08.2010	-	1 861	727	1 485
Brokbusinessbank loan	26,0%	05.04.2009	-	-	516	-
Other current loans			126	130	147	441
Total current interest-bearing loans and borrowings			**4 150**	**5 894**	**6 453**	**8 865**
Non-current interest-bearing loans and borrowings						
UniCreditBank loan	5,0% + LIBOR (3m)	19.12.2012	230	460	690	-
UniCreditBank loan	17,8%	10.05.2011	-	83	260	-
UniCreditBank loan	11,0%	20.06.2010	-	-	106	318
Brokbusinessbank loan	24,0%	12.07.2011	-	1 642	1 257	594
Brokbusinessbank loan	24,0%	01.08.2010	-	-	1 203	1 485
Brokbusinessbank loan	26,0%	05.04.2009	-	-	-	787
Brokbusinessbank loan	18,0%	02.07.2008	-	-	-	248
Other non-current financial liabilities			-	9	45	123
Total non-current interest-bearing loans and borrowings			**230**	**2 194**	**3 560**	**3 555**

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

At 31 December 2010 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans or bonds.

23. Inventories

	As at 31 December 2010	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
Raw materials	2 515	1 487	1 278	2 677
Work in progress	146	25	-	-
Agricultural produce and finished goods	5 282	2 926	1 504	1 673
Package and packing materials	728	833	1 086	927
Other inventories	319	320	229	660
Total inventories at the lower of cost and net realisable value	**8 990**	**5 591**	**4 097**	**5 937**

For the year ended 31 December 2010 the Group recognized impairment losses of agricultural produce and finished goods in the amount of USD 337 thousand.

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

24. Trade and other receivables (current)

	Notes	**As at 31 December 2010**	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
Trade receivables		4 564	3 634	4 945	4 334
Allowances for doubtful accounts receivable	25	(387)	(278)	(214)	(440)
VAT for reimbursement		2 569	1 367	1 551	452
Receivables for securities sold but not yet settled		-	4 316	4 476	-
Current loans issued		280	134	794	2 000
Other accounts receivable		148	104	698	278
Total trade and other receivables		**7 174**	**9 277**	**12 250**	**6 624**

25. Movements in formed allowance for doubtful accounts receivable

	Notes	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
As at 01 January		**(278)**	**(214)**	**(440)**
Accrued in the period	13	(183)	(143)	(410)
Use of allowance		46	50	-
Refund of amounts previously recognized as doubtful		23	11	-
Exchange differences		5	18	636
As at 31 December		**(387)**	**(278)**	**(214)**

26. Cash and short-term deposits

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Cash in banks	334	546	315	250
Cash on hand	25	31	20	31
Total cash at banks and on hand	**359**	**577**	**335**	**281**
Short-term deposits	-	1 370	-	11 248
Total cash and short-term deposits	**359**	**1 947**	**335**	**11 529**

27. 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 2007, 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.

As of 31 December 2010 the Shareholders' interest in the Company was as follows:

	As at 31 December 2010
Mr. Borys Bielikov (Beneficial Owner)	50.0%
Mr. Vitalii Veresenko (Beneficial Owner)	50.0%
Total	**100%**

Before year ended 31 December 2010, the Company was controlled by Mr. Borys Bielikov and Mr. Vitalii Veresenko (through his nominal representative).

The shares of the Company were not listed as at 31 December 2010.

Dividends payable of the Company

During the year ended 31 December 2008, the Company paid dividends attributable to profits accumulated which is amounting to USD 1,990 thousand to the shareholders.

During the year ended 31 December 2010 and 2009, 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.

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.

28. Trade and other payables (current)

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Trade payables	3 662	2 133	2 234	3 144
VAT liabilities	7	236	271	394
Interest payable	-	72	8	2
Employee benefit liability	295	303	559	538
Taxes payable	46	48	103	64
Other payables	438	586	903	673
Total trade and other payables	4 448	3 378	4 078	4 815

29. Provisions

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Provisions for unused vacations	22	120	154	59
Other provisions	-	-	-	131
Total provisions	**22**	**120**	**154**	**190**

30. 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 31 December 2010, 31 December 2009 and 31 December 2008:

Individuals (shareholders)

Borys Bielikov

Vitalii Veresenko

Key management personnel

Natalia Malyovana

Natalia Vlasniuk

Petr Shkurat *

Viacheslav Protsyshyn

Vitalii Voron

Yuriy Doroshev

** In 2008 Petr Shkurat left the obtained position*

Parties under the significant influence of the Beneficial Owners

Agrofirma Boryspilsky Hutir LLC

Aleksa LTD LLC

Anglo-Brit Management Limited

Boryspilsky EKZ OJSC **

BVV-Invest LLC****

Kompromis - Invest LLC****

Lagoda Confectionery Firm CJSC****

Ovostar LTD LLC

Poltavarybgosp OJSC ***

Zootechnologiya LLC****

*** In 2008 Borys Bielikov sold his share in Boryspilsky EKZ OJSC to third parties*

**** In 2008 Vitalii Veresenko sold his share in Poltavarybgosp OJSC to third parties*

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

As at 31 December 2010, 31 December 2009, 31 December 2008 and 31 December 2007, trade accounts receivable from related parties, advances issued to related parties and trade and other accounts payable to related parties were presented as follows:

	As at 31 December 2010	**As at 31 December 2009**	**As at 31 December 2008**	**As at 31 December 2007**
Long-term loan issued to the Beneficial Owners				
Borys Bielikov	1 149	1 358	1 337	-
	1 149	**1 358**	**1 337**	**-**
Trade receivables from related parties				
Zootechnologiya LLC	-	-	-	1
Lagoda Confectionery Firm CJSC	699	37	1 080	995
	699	**37**	**1 080**	**996**
Current loans issued to related parties				
Poltavarybgosp OJSC	-	-	-	1 877
Key management personnel	277	-	368	41
	277	**-**	**368**	**1 918**
Current loans issued to Beneficial Owners				
Vitalii Veresenko	3	134	423	82
	3	**134**	**423**	**82**
Other accounts receivable from related parties				
Ovostar LTD LLC	13	13	13	20
Lagoda Confectionery Firm CJSC	-	8	4	15
Poltavarybgosp OJSC	-	-	-	2
Key management personnel	1	1	6	1
	14	**22**	**23**	**38**

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Prepayments to related parties				
Aleksa LTD LLC	145	118	133	208
Agrofirma Boryspilsky Hutir LLC	9	7	6	-
	154	**125**	**139**	**208**
Receivables for securities sold but not yet settled from Beneficial Owner				
Vitalii Veresenko	-	4 316	4 476	-
	-	**4 316**	**4 476**	**-**

	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
Trade payables to related parties				
Boryspilsky EKZ OJSC	-	-	-	38
Lagoda Confectionery Firm CJSC	165	21	23	30
Agrofirma Boryspilsky Hutir LLC	-	-	-	1
	165	**21**	**23**	**69**
Prepayments from related parties				
Poltavarybgosp OJSC	-	-	-	61
	-	**-**	**-**	**61**
Other payables to related parties				
Aleksa LTD LLC	-	1	34	178
Anglo-brit management limited	104	104	108	164
Borys Bielikov	1	5	5	-
Vitalii Veresenko	1	1	1	-
	106	**111**	**148**	**342**

For the years ended 31 December 2010, 31 December 2009, 31 December 2008 revenues and expenses from related parties were presented as follows:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Revenue from related parties			
Lagoda Confectionery Firm CJSC	1 907	8	-
Boryspilsky EKZ OJSC	-	-	206
	1 907	**8**	**206**
Administrative expenses			
Aleksa LTD LLC	5	5	8
	5	**5**	**8**

Compensation of key management personnel of the Group

The amount of remuneration of key management personnel of the Group for the year ended 31 December 2010 amounted to USD 55 thousand (2009: USD 57 thousand; 2008: USD 70 thousand). Remuneration was performed mainly in the form of salaries and contributions to social security fund.

31. 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 global financial turmoil has negatively affected Ukraine's financial and capital markets in 2008 and 2009. While due to the nature of the Group's business the Group's revenues and margins were not affected by these factors, the Group's net profit was impacted by the significant depreciation of Ukrainian currency during the year ended 31 December 2008. The Ukrainian currency remained relatively stable in 2010 and 2009. The Ukraine's economy returned to growth in 2010. Although significant economic uncertainties remain, Ukrainian economy experienced a 4.2% GDP growth in 2010 and further recovery is expected in 2011.

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 31 December 2010, 31 December 2009, 31 December 2008 and 31 December 2007 the Group had no significant contractual liabilities for acquisition of property, plant and equipment and intangible assets.

Liabilities for property, plant and equipment operating lease contracts – As at 31 December 2010, 31 December 2009, 31 December 2008 and 31 December 2007 the Group had no significant contractual liabilities for operating lease contracts.

32. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the issue of new debt or the redemption of existing debt.

The capital structure of the Group consists of debt, which includes the borrowings and cash and cash equivalents disclosed in notes 22 and 26 respectively, and equity attributable to the Company shareholders, comprising issued capital, reserves and retained earnings.

Gearing ratio

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

	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Debt liabilities* (Note 22)	4 380	8 079	9 969	12 297
Cash and cash equivalents (Note 26)	(359)	(577)	(335)	(281)
Net debts	4 021	7 502	9 634	12 016
Equity**	28 902	27 080	25 343	28 764
Gearing ratio	**14%**	**28%**	**38%**	**42%**

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

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

Financial risk management

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

Credit risk

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

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during 2010, 2009 and 2008 resulting from non-fulfilment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

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

For the year ended 31 December 2009 USD 6 514 thousand or 20.1% of Group's sales revenue is related to sales transactions, realised with 5 major customers of the Group. As at 31 December 2009 USD 1 307 thousand or 36.5 % of trade accounts receivable relates to 5 major debtors.

For the year ended 31 December 2008 USD 14 770 thousand or 29.1% of Group's sales revenue is related to sales transactions, realised with 5 major customers of the Group. As at 31 December 2008 USD 1 449 thousand or 29.3 % of trade accounts receivable relates to 5 major debtors.

As at 31 December 2010, 2009, 2008 and 2007 overdue but not impaired trade accounts receivable was presented as follows:

	31 December 2010	31 December 2009	31 December 2008	31 December 2007
0-30 days	2 763	2 681	4 674	2 808
31-90 days	440	138	52	545
91-180 days	566	452	3	360
181-360 days	54	85	2	16
more than 360 days	354	-	-	165
Total	**4 177**	**3 356**	**4 731**	**3 894**

Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfil its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfil its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage the reputation of the Group.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cashflows from operating activities are insufficient for liabilities to be settled. The table below represents the expected maturity of components of working capital:

31 December 2010	**Carrying value**	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Non-derived financial liabilities:					
Trade payables	3 662	3 662	-	-	-
Employee benefit liability	295	295	-	-	-
Current interest-bearing loans and borrowings	4 150	1 399	2 636	115	-
Non-current interest-bearing loans and borrowings	230	-	-	-	230
Other payables	438	438	-	-	-
	8 775	**5 794**	**2 636**	**115**	**230**

31 December 2009	**Carrying value**	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Non-derived financial liabilities:					
Trade payables	2 133	2 133	-	-	-
Interest payable	72	72	-	-	-
Employee benefit liability	303	303	-	-	-
Current interest-bearing loans and borrowings	5 894	3 552	285	2 057	-
Non-current interest-bearing loans and borrowings	2 185	-	-	-	2 185
Other payables	594	594	-	-	-
	11 181	**6 654**	**285**	**2 057**	**2 185**

31 December 2008	**Carrying value**	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Non-derived financial liabilities:					
Trade payables	2 234	2 234	-	-	-
Interest payable	8	8	-	-	-
Employee benefit liability	559	559	-	-	-
Current interest-bearing loans and borrowings	6 452	4 156	816	1 479	-
Non-current interest-bearing loans and borrowings	3 516	-	-	-	3 516
Accounts payable for property, plant and equipment	380	380	-	-	-
Other payables	948	948	-	-	-
	14 097	**8 285**	**816**	**1 479**	**3 516**

Currency risk

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

Exposure to foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2010 were as follows:

	USD	EUR	UAH	Total
(in conversion to USD thousand)				
Assets				
Cash in banks	99	-	235	**334**
Trade accounts receivable	100	-	4 077	**4 177**
Liabilities				
Current interest-bearing loans and borrowings	(1 705)	-	(2 445)	**(4 150)**
Non-current interest-bearing loans and borrowings	(230)	-	-	**(230)**
Trade accounts payable	(20)	(322)	(3 320)	**(3 662)**
Net exposure to foreign currency risk	**(1 756)**	**(322)**	**(1 453)**	**(3 531)**

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2009 were as follows:

	USD	EUR	UAH	Total
(in conversion to USD thousand)				
Assets				
Trade accounts receivable	208	-	3 148	**3 356**
Liabilities				
Current interest-bearing loans and borrowings	(3 736)	-	(2 158)	**(5 894)**
Non-current interest-bearing loans and borrowings	(460)	-	(1 725)	**(2 185)**
Trade accounts payable	(344)	(78)	(1 711)	**(2 133)**
Net exposure to foreign currency risk	**(4 332)**	**(78)**	**(2 446)**	**(6 856)**

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2008 were as follows:

	USD	EUR	UAH	Total
(in conversion to USD thousand)				
Assets				
Cash in banks	57	-	258	**315**
Trade accounts receivable	136	-	4 595	**4 731**
Liabilities				
Current interest-bearing loans and borrowings	(3 994)	(215)	(2 243)	**(6 452)**
Non-current interest-bearing loans and borrowings	(796)	-	(2 720)	**(3 516)**
Trade accounts payable	(189)	(553)	(1 492)	**(2 234)**
Net exposure to foreign currency risk	**(4 786)**	**(768)**	**(1 602)**	**(7 156)**

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

Effect in USD thousand:

31 December 2010	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(263)
EUR	10%	(32)

31 December 2009	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(650)
EUR	10%	(8)

31 December 2008	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(718)
EUR	10%	(77)

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

Interest rate risk

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

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings under facility agreements) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	31 December 2010	**31 December 2009**	**31 December 2008**
	LIBOR	**LIBOR**	**LIBOR**
Profit/(loss)	33/(33)	7/(7)	29/(29)

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

Livestock diseases risk

Livestock diseases risk – The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

33. Fair values

Estimated fair value disclosure of financial instruments is made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The Group does not acquire, hold or issue derivative financial instruments for trading purposes. The following table presents the classification, subsequent measurement, carrying values and fair values of the Group's financial assets and liabilities:

		31 December 2010		31 December 2009		31 December 2008		31 December 2007	
Classification	**Subsequent measurement**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets:									
Available-for-sale investments (b)	Fair value (L3)	-	-	3 288	3 288	2 083	2 083	3 114	3 114
Trade and other receivables (a)	Amortized cost	7 174	7 174	9 277	9 277	12 250	12 250	6 624	6 624
Long-term loan issued to the Beneficial Owner of the Group (c)	Amortized cost	1 149	1 149	1 358	1 358	1 337	1 337	-	-
		8 323	**8 323**	**13 923**	**13 923**	**15 670**	**15 670**	**9 738**	**9 738**
Financial liabilities:									
Current interest-bearing loans and borrowings (a)	Amortized cost	4 150	4 150	5 894	5 894	6 453	6 453	8 865	8 865
Non-current interest-bearing loans and borrowings (c)	Amortized cost	230	230	2 185	2 185	3 516	3 516	3 432	3 432
Trade and other payables (current) (a)	Amortized cost	4 448	4 448	3 378	3 378	4 078	4 078	4 815	4 815
		8 828	**8 828**	**11 457**	**11 457**	**14 047**	**14 047**	**17 112**	**17 112**

The Group uses the following hierarchy for determining the fair value of financial instruments: Level 1 ("L1") - quoted (unadjusted) prices in active markets for identical assets or liabilities; Level 2 ("L2") - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and Level 3 ("L3") - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

a) The Group's short-term financial instruments, comprising trade and other receivables, current interest-bearing loans and borrowings, trade and other payables are carried at amortized cost which, due to their short term nature, approximates their fair value.

b) Available-for-sale investments stated at cost comprise unquated equity securities inthe agricultural and food-producting industries. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. However, management belives it unlikely that the fair value at the end of the reporting period would differ significantly from their carrying amount.

c) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

34. Subsequent events

a) 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 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.

b) In 2011 the Group’s Management made decision regarding liquidation of Limited Liability Company "Skybynskyy 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 financial statements the process of liquidation was not still finished.

ANNEX I
DEFINED TERMS

Admission	Admission of Shares to trading on the WSE
AFM	The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*), the capital market regulatory authority of the Netherlands
Agrarian Ministry	Ministry of Agrarian Policy of Ukraine
Allotment Date	Not later than 17 June 2011 - the date on which the Offer Shares will be allocated to investors
AMC	The Antimonopoly Committee of Ukraine
Articles of Association	The articles of association of Ovostar Union N.V.
B2B	Business to business
B2C	Business to customer
Beneficial Owners	Mr. Borys Bielikov and Mr. Vitalii Veresenko, each indirectly holding 50 % of shares in the Issuer prior to the Offering
Board of Directors	The Board of Directors of Ovostar Union N.V.
Capital Advisor	Bank Zachodni WBK S.A.
CIS	The Commonwealth of Independent States
CJSC	Closed joint-stock company under Ukrainian law
Co-Lead Manager	KBC Securities N.V. Polish Branch
Company, Issuer, Ovostar Union N.V.	Ovostar Union N.V. a public limited liability company, having its registered office at Koningslaan 17, 1075AA, Amsterdam, the Netherlands and registered under number 52331008
Consolidated Financial Statements	Audited Consolidated Financial Statements of Ovostar Union LLC for the years ended 31 December 2008, 2009 and 2010
Dutch Financial Supervision Act	The Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder, which implemented the Prospectus Directive into Dutch law
EEA	European Economic Area
EU	The European Union
EUR, €	The lawful currency of the European Economic and Monetary Union, of which the Netherlands is a member
FAO	Food and Agriculture Organization of the United Nations
FAT	Fixed Agricultural Tax
FATF	Financial Action Task Force on Money Laundering
FSMA	The United Kingdom Financial Services and Markets Act 2000
GDP	Gross domestic product
General Meeting	The general meeting of shareholders of Ovostar Union N.V.
Global Coordinator and Lead Manager (also referred to as either Global Coordinator or Lead Manager)	Dom Maklerski BZ WBK S.A.
GMO	Genetically modified organisms
Government	The Ukrainian Government (Cabinet of Ministers of Ukraine)

Group	Ovostar Union N.V. together with its direct and indirect subsidiaries. Since the Issuer was incorporated only on 22 March 2011, the term "the Group" applies to Ovostar Union LLC and its direct and indirect consolidated subsidiaries for the period before the incorporation of the Issuer and acquisition of Ovostar Union LLC by the Issuer in March 2011
Group Subsidiary	Any direct or indirect subsidiary of Ovostar Union N.V.
HACCP	Hazard Analysis and Critical Control Point principles, an internationally recognised approach for increasing the safety of food and other products
HoReCa	Syllabic abbreviation of the words Hotel/Restaurant/Cafe, which refers to sector of the food service industry involved in preparing and serving food and beverages
Hryvnia or UAH	The lawful currency of Ukraine
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	The International Monetary Fund
Institutional Investors	Selected corporate entities (legal persons) and non-corporate entities other than individuals, legal entities resident in Poland and other investors defined as "qualified investors" pursuant to the Prospectus Directive and investors represented by managers of securities accounts, which were invited to subscribe for the Offer Shares in the Offering within the territory of Poland and selected institutional investors in certain jurisdictions outside Poland, except for US persons, as defined in Regulation S, to whom the Offering is addressed
International Investors	Institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act
Key Executives	the most important managers of the Group
Krushynskyy	Open Joint Stock Company "Krushynskyy Poultry Complex"
Lead Arranger and Financial Advisor (also referred to as the Lead Arranger or the Financial Advisor)	BIC Securities SIA
Listing Date	On or around 27 June 2011 - first day of trading in Shares on the WSE
LLC	Limited Liability Company under Ukrainian law
Lock Up Period	The period of 12 months after Settlement Date
Malynove	Public Joint Stock Company "Malynove"
Managers	The Lead Arranger and Financial Advisor, the Capital Advisor, the Lead Manager, and the Co-Lead Manager
Maximum Price	The maximum Offer Price which shall not exceed PLN62.00
Member State	A Member State of the European Economic Area
MIFiD	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC
NBP	The National Bank of Poland
NBU	The National Bank of Ukraine

NDS	*Krajowy Depozyt Papierów Wartościowych S.A.* (*KDPW S.A*), the National Depository for Securities – the clearing and settlement institution in Poland
Offer Price	The final offer price per Offer Share which shall be determined through a book-building process
Offer Shares	Up to 1,500,000 newly issued ordinary bearer shares in the capital of Ovostar Union N.V., offered in the Offering
Offering	The offering of up 1,500,000 Offer Shares, based on this Prospectus
Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
Ovostar EPP	Ovostar egg processing plant
Ovostar LLC	Limited Liability Company "Ovostar"
Ovostar Union LLC	Limited Liability Company "Ovostar Union", former name – LLC “Boryspil Agro Trade”
PFSA	The Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), the capital market regulatory authority of the Republic of Poland
Placement Agreement	Agreement between the Issuer, the Principal Shareholder and the Managers to be entered prior to the Pricing Date and Allotment Date
PLN, Polish zloty	The lawful currency of the Republic of Poland
Polish Institutional Investors	institutional investors in Poland
Poultry Farm Ukraine	Open Joint Stock Company "Poultry Farm Ukraine"
Pricing Date	not later than on or around 13 June 2011 (9:00 am) – the date on which the Offer Price, the final number of the Offer Shares, and the final number of the Offer Shares allocated to each tranche will be announced
Principal Shareholder	Prime One Capital Limited, a company established under the laws of the Cyprus, with its address at Pandoras, 21, Hadjimatheou-Yiannouri Court, 2nd floor, Flat/Office 10, P.C. 6042, Larnaca, Cyprus
Prospectus	This Prospectus constituting a prospectus in the meaning of the Prospectus Directive prepared or the purpose of the Offering and the Admission
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementing measures
Prospectus Regulation	Commission Regulation (EC) no 809/2004 of 29 April 2004 implementing Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended
Public Offering Act	The Polish Act of 29 July 2005, on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets, and on Listed Companies
Regulation S	Regulation S promulgated under the United States Securities Act of 1933, as amended, governing offers and sales made outside the United States without registration under the US Securities Act
Retail Investors	Individuals and legal entities who intend to purchase Offer Shares in the retail tranche of the Offering
Settlement Date	20 June 2011 - the date of the settlement of the Offering
Shares	The ordinary bearer shares of Ovostar Union N.V. with nominal value of EUR0.01

Skybynske	Limited Liability Company "Skybynskyy Fodder Plant"
Subscription Periods	The period in which investors may place orders to subscribe for or purchase the Offer Shares
Takeover Directive	Directive 2004/25/EC of the European Parliament and of the Council of 21, April, 2004, on takeover bids
Trading in Financial Instruments Act	The Polish Act Instruments of 29 July,2005 on Trading in Financial Instruments (consolidated text in Dz. U. of 2010 No. 211, Item 1384 as amended)
UAH, Hryvnia	Ukrainian Hryvnia, the lawful currency of Ukraine
UniCredit	Open Join Stock Company UniCredit Bank
UPFU	Ukrainian Poultry Farmers Union
US Securities Act	The United States Securities Act of 1933, as amended
USD, US Dollars	US dollar, the lawful currency of the United States of America
VAT	Value Added Tax
WSE	The Warsaw Stock Exchange *(Giełda Papierów Wartościowych w Warszawie S.A.)*, a regulated market in Poland
WSE Corporate Governance Rules	Polish Principles of Corporate Governance contained in "Best Practices in Public Companies" approved by the WSE
WTO	The World Trade Organization
Yasensvit	Limited Liability Company "Yasensvit", former name – LLC “Zolote Kurcha”

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