Annual report for the period
1st January 2012 – 31st December 2012

14th June 2013

Table of contents

1. The Letter of the Board of Directors

Dear Shareholders and Investors,

I am pleased to inform you about our achievements and development of 2012 year. It is more pleasant, that Agroliga group that year have a lot to be proud of.

The year 2012 was a final step in our company's development plan for 2010-2012 years. And we could say proudly, that this plan is totally completed. In 2012 Agroliga group managed to finish re-equipping our oil refining factory with new machinery and started it at the full power. Last year agricultural branch of Agroliga group completed program of increasing efficiency of agriculture and reported about raising yield of wheat by 36%, barley by 32% and sunflower by 38% comparing 2010 year. Our dairy herd last year has reached excellent level of 6300 liters of milk per cow. In November 2012 we reported about completion of the first stage of our strategy plan.

As well, this year we obtain first results of our development. Our revenue in 2012 4 times more then 2010, and net profit – 2,6 times more.

Looking ahead, in 2013 we are going to revise our strategy for the next period. Our new strategy was published several days ago and consist of switching to the new oil extracting technology, expanding our land bank and increasing our dairy herd as well as starting some new projects in different areas. In 2013 Agroliga will focus at the planning and preparations for this development. Also, our company will change the Stock exchange market and become a member of Warsaw Stock Exchange main market. With market switching, we will issue additional shares to funding of our additional expanding.

We remain convinced that the market opportunities for Ukrainian food as in Ukraine, as across Europe will remain attractive for the foreseeable future and that management's most important task will be the successful management of our company's growth.

In concluding of my letter, I would like to thanks our early investors, which have been made possible the success of our company. I really hope, that our share prices this year will please you.

Aleksandr Berdnyk
Chairman of the Board of Directors of Agroliga Group PLC

2. The Statement of the Board of Directors

The Board of Directors of Agroliga Group PLC ("Issuer") declares that, according to their best knowledge, the consolidated annual financial statement and comparative figures have been prepared in accordance with official regulations and the International financial standards.

Consolidated annual financial statement gives a true and fair view of Issuer's financial position and his financial performance including a description of the main threats and risks.

On behalf of the The Board of Directors

Aleksandr Berdnyk

Chairman of the Board of Directors of Agroliga Group PLC

The Board of Directors of Agroliga Group PLC ("Issuer") declares that the authorized entity to audit financial statements, Markos Drakos & Co LTD which audited annual financial statements, was chosen in accordance with the law regulations and that the entity and the auditors, who audited the financial statements fulfilled the requirements to give impartial and independent opinion about report in accordance with applicable national law and regulations.

Aleksandr Berdnyk

Chairman of the Board of Directors of Agroliga Group PLC

3. Selected financial results

3.1 Profit and loss summary

The items in the profit and loss account presented in Euro converted at the arithmetic average of the Euro average exchange rates set by the Polish National Bank on the last day of each month of the year.

31.12.2011: 1 EUR = 4,1401 PLN

31.12.2012: 1 EUR = 4.1850 PLN

List 1 Selected financial data of the profit and loss account of Agroliga Group from 1.01.2012 to 31.12.2012 with comparative data for 2011

Selected Financial Results	PLN (tys.)		EUR (ths)	
	Period from 1.01.2012 to 31.12.2012	Period from 1.01.2011 to 31.12.2011	Period from 1.01.2012 to 31.12.2012	Period from 1.01.2011 to 31.12.2011
Revenues from the sales	67 064	29 241,53	16 025	7 063,00
Profit / loss on sale	15 281	8 934,34	3 651	2 158,00
Profit / loss from operating activities	14 218	7 770,97	3 397	1 877,00
Profit / loss Gross	12 987	7 009,19	3 103	1 693,00
Profit / loss net	13 229	7 149,95	3 161	1 727,00
Depreciation	490	289,08	117	69,82

source: the Issuer

3.2 Consolidated balance sheet

Balance sheet items presented in Euro converted at the National Bank Polish Euro average exchange rate at the balance sheet

31.12.2011: 1 EUR = 4,4168 PLN

31.12.2012: 1 EUR = 4,0882 PLN

List 2 Selected financial data of the balance sheet of Agroliga Group from 1.01.2012 to 31.12.2012 with comparative data for 2011

Selected financial data from balance sheet	PLN (tys.)		EUR (ths)	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Tangible fixed assets	416	5 388	1 699	1 220
Long-term receivables	0	0	0	0
Current assets	2224	29 937	9 092	6 778
Short-term receivables	891	9 372	3 643	2 122
Cash and cash equivalents	25	455	103	103
Equity	2316	27 185	9 467	6 155
Long-term liabilities	44	1 197	179	271
Short-term liabilities	398	8 798	1 628	1 992

source: the Issuer

4. The annual detailed analysis of 2012 financial results

4.1 The introduction to the Annual Report

Independent auditor's report
To the Members of Agroliga Group Plc.

- Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Agroliga Group Plc. (the ''Company'') and its subsidiaries (together with the Company, the 'Group') on pages 6 to 26, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

- Board of Directors' responsibility for the consolidated financial statements

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

- Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as discussed in the basis for qualified opinion paragraph, 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 about 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 of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors 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.

- Basis for qualified opinion

These consolidated financial statements contain combined income and expenses, assets and liabilities ofLLC Vostokagrokontract, a company registered in Ukraine, which is under common control of the Group's shareholders. Despite the fact that Agroliga Group Plc. does not have control over LLC Vostokagrokontract, this has been combined in the consolidated financial statements of Agroliga Group

Plc. This combination was prepared without following the acquisition method which is in breach of IFRS 3, Business Combinations.
Further to the above, we did not observe the counting of inventories and biological and fixed assets as at 31 December 2012. It was impracticable to satisfy ourselves as to those inventories, biological and fixed assets by other audit procedures. As the inventories and biological and fixed assets are used for calculating financial results, we could not determine whether any adjustments might be necessary to financial results and retained earnings for the year ended 31 December 2012.

- Qualified opinion

In our opinion, except for the effects of such adjustments, as might have been determined to be necessary based on the issues raised above, the financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

- Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matter discussed in the basis for qualified opinion paragraph.
- In our opinion, proper books of account have been kept by the Company, except in the case of inventories discussed in the basis for qualified opinion paragraph.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required, except in the case of inventories discussed in the basis for qualified opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Andreas Constantinides FCA
Certified Public Accountant and Registered Auditor for and on behalf of Markos Drakos & Co Ltd
Chartered Accountants Nicosia, 14 June 2013

4.2 Profit and loss statement

List 3 Consolidated profit and loss statement of Agroliga Group PLC for the period from 1.01.2012 to 31.12.2012 with comparative data from 2011 [ths euro]

	1.01.2012 – 31.12.2012 €'000	01.01.2011 – 31.12.2011 €'000
Revenue	16.020	7.063
Cost of sales	(12.369)	(4.905)
Gross profit	3.651	2.158
Other income	341	191
Selling and distribution expenses	(126)	(118)
Administration expenses	(469)	(353)
Other expenses	-	(1)
Operating profit	3.397	1.877
Finance costs	(294)	(184)
Profit before tax	3.103	1.693
Tax	58	34
Net profit for the period	3.161	1.727
Other comprehensive income	-	-
Total comprehensive income for the period	3.161	1.727
Attributable to:		
Equity holders of the parent	3.110	1.704
Non controlling interests	51	23
	3161	**1.727**

*Data from the consolidation of the group.

Source: the Issuer

4.3 Consolidated balance sheet

List 4 Consolidated balance sheet of Agroliga Group PLC for the period from 1.01.2012 to 31.12.2012 with comparative data from 2011 [ths euro]

	31.12.2012 €'000	31.12.2011 €'000
ASSETS		
Non-current assets		
Property, plant and equipment	1.699	1.220
Biological assets	183	171
Non-current loans receivable	225	225
Deferred tax assets	75	24
	2.182	1.640
Current assets		
Inventories and work in progress	4.677	3.477
Biological assets	669	1.076
Trade and other receivables	3.643	2.122
Cash at bank and in hand	103	103
	9.092	6.778
Total assets	11.274	8.418
EQUITY AND LIABILITIES		
Equity		
Share capital	51	32
Share premium	953	1.046
Translation reserve	(126)	40
Retained earnings	8.452	4.951
	9.330	6.069
Non controlling interests	137	86
Total equity	9.467	6.155
Non-current liabilities		
Borrowings	137	198
Deferred tax liabilities	42	73
	179	271
Current liabilities		
Trade and other payables	1.114	1.392

Borrowings	505	591
Current tax liabilities	9	9
	1.628	1.992
Total liabilities	1.807	2.263
Total equity and liabilities	11.274	8.418

Source: the Issuer

4.4 Cash flow statement

List 5 Consolidated statement of cash flows of Agroliga Group PLC for the period from 1.01.2012 to 31.12.2012 with comparative data from 2011 [ths euro]

	1.01.2012 – 31.12.2012 €'000	1.01.2011 – 31.12.2011 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3.103	1.693
Adjustments for:		
Depreciation of property, plant and equipment	61	71
Exchange difference arising on the translation of noncurrent assets in foreign currencies		(1)
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	(22)	(29)
Excess of Group's interest in the net fair value of the subsidiaries' assets and liabilities over cost on acquisition		-
Impairment charge of property, plant and equipment		1
Interest income	(21)	(18)
Interest expense	228	200
Cash flows from operations before working capital changes	3.349	1.918
Increase in inventories and work in progress	(1.200)	(1.408)
Increase in trade and other receivables	(1.521)	(27)
Decrease in trade and other payables	(278)	614
Decrease in biological assets	419	-
Cash flows used in operations	769	1.097
Tax paid	58	25
Net cash flows used in operating activities	827	1.122
CASH FLOWS FROM INVESTING ACTIVITIES		

Payment for purchase of property, plant and equipment	**(578)**	**(653)**
Payment for purchase and cost of rearing biological assets		**(2.162)**
Proceeds from sales of biological assets		**1.556**
Acquisition of subsidiaries, net cash outflow on acquisition		**141**
Interest received	**21**	**18**
Net cash flows from investing activities	**(557)**	**(1.285)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	**-**	**-**
Repayments of borrowings	**(147)**	**-**
Proceeds from borrowings	**-**	**273**
Interest paid	**(228)**	**(200)**
Suspense account (pending correction of Depreciation, Minority interest and share capital)	**104**	
Net cash flows from financing activities	**(271)**	**73**
Net increase in cash and cash equivalents	**(1)**	**(90)**
Cash and cash equivalents:		
At beginning of the period	**104**	**(193)**
At end of the period	**103**	**103**

Source: the Issuer

4.5 Statement of changes in equity

List 6 Statement of changes in equity of Agroliga Group PLC for the period from 1.01.2012 to 31.12.2012 with comparative data from 2011 [ths euro]

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Translation reserve €'000	Retained earnings €'000	Non controlling interests €'000	Total €'000
Balance at 1 January 2011	**31**	**1.046**	**(72)**	**3.108**	**63**	**4.176**
Net profit for the period	-	-	-	1.704	23	1.727
Issue of share capital	-	-	-	(1)	-	(1)
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	-	-	112	-	-	112
Result of aggregation with Ukrainian entity Vostoragrokontakt LLC	1	-	-	140	-	141
Balance at 31 December 2011	**32**	**1.046**	**40**	**4.952**	**86**	**6.156**

Balance at 31 December 2011/1 January 2012	**32**	**1.046**	**40**	**4.952**	**86**	**6.156**
Net profit for the period				3.081	51	3.132
Exchange difference arising on the translation and consolidation of foreign companies' financial			(166)			(166)

statements						
Result of aggregation with Ukrainian entity Vostoragrokontakt LLC	19			390		409
Share issue cost		(93)				(93)
Balance at 31 December 2012	**51**	**953**	**(126)**	**8.423**	**137**	**9.438**

Source: the Issuer

5. Factors that affect achieved financial results in 2012, and events after the balance sheet date

Year 2012 was the final period of first strategic stage of Agroliga Group development. At this year Group finished the renovation of oil refinery and launched second line of production on full power.

Our company as finished as well integration of the new land bank purchased in 2011 in our production processes and technologies, and takes firs full-scale harvest from 7,5 ths ha.

Also, according our strategy, we increased the output of the milk of the dairy herd. We managed to achieve 6300 liters from dairy cow, comparing with 4419 average in Ukraine.

2012 was a good for agriculture, not as previous year, but much better than in many other companies in Ukraine.

An average productivity of wheat this year has made 35 centner per hectare, which provided the gross gathering of 5 709 tons of a crop.

Herewith, the average yield on the Kharkov region does not exceed 28,5 centner per hectare.

Last year productivity at the fields of the Group of Companies made 45 centner per hectare, which approximately 25% higher of the average productivity on the Kharkov region and Ukraine as well, and this tendency keep stable in 2012.

An average productivity of barley this year has made 32,6 centner per hectare, which provided the gross gathering of 1905 tons of a crop. Productivity of this culture on the Kharkov area makes 26,6 c/hectares in 2012. Last year winter barley on our fields has been harvested at the rate of 30 centner per hectare.

There were no significant event after the balance sheet date, that could affect 2012 year performance.

6. Report on the Group's activities in 2012

The Issuer was established as Public Limited Company in accordance with the Cyprus Company Law, Chapter 113th.
The Issuer was registered in the Register of Companies kept by the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus on the 23 06. 2010 under the number 269325 HE 44U.

Company details:

Company name:	Agroliga Group PLC
Seat:	Nicosia, Cyprus
Address:	2 Romanou Street, Tlais Tower, 6th Floor, Office 601, P. O. Box 28153, 2091, 1070 Nicosia, Cyprus
Telephone:	+38 (057) 719-49-84
Fax:	+38 (057) 719-49-84
E-mail:	info@agroliga.com.ua
www:	www.agroliga.com.ua

The issuer is a holding company and as such does not run a business. Business is run by subsidiaries companies taking part in the Capital Group.
The Group operates in three production areas:
- oil production;
- cereal production;
- milk production.

Producing oil and milk, the Group reduces the seasonality of generated revenues. Three lines of business run by the Group partly complete mutual production processes. This results in increasing production efficiency and greater processing of individual goods.
The individual production branches benefit from the components supply.
Below there is detailed diagram that presents the movement between different areas of activity.

6.1 The Board of Directors and Employees

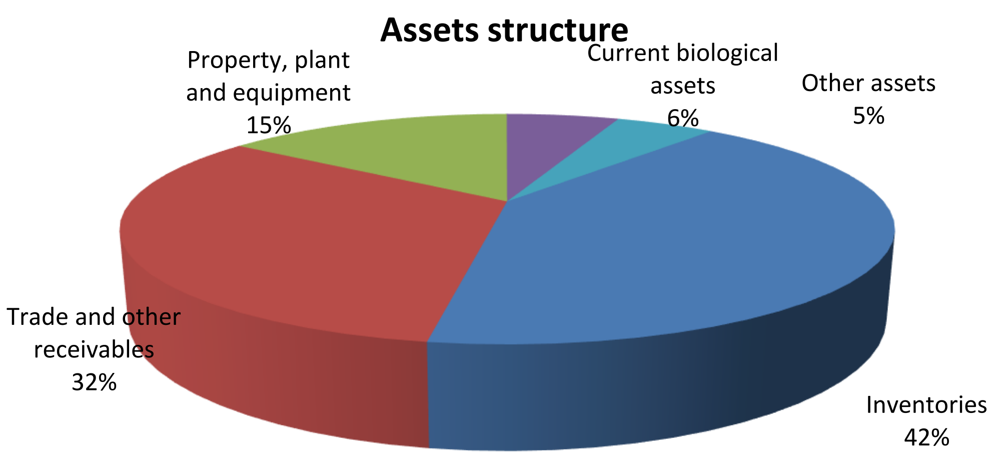
The Board of Directors of Agroliga Group PLC on 31st December 2011 consisted of:

First name and surname	Position held	Term From	Term till
Aleksandr N. Berdnyk	Chairman of the Board of Directors	08 September 2012	Next Annual General Meeting
BIZSERVE MANAGEMENT LIMITED	Director	08 September 2012	Next Annual General Meeting
BIZSERVE INVESTMENTS LIMITED	Director	08 September 2012	Next Annual General Meeting

Aleksandr N. Berdnyk (47) – In 1984 graduated from Institute of Economic and Catering Trade in Kharkov. From 1987 - till 1990 he worked at Kharkov Committee of the CPSU as a deputy director of Economic Department. In 1990 he started a business. He was involved in trade and organization of a garment's factory . Aleksandr Berdnyk plays a key role as a Chief Executive of Liga A company and a Chairman of The Board of Directors of Agroliga Group PLC.

6.2 Characteristics of the structure of assets and liabilities of the Group

Chart 1 Asset structure of Agroliga Group PLC on 31.12.2012 (percent)

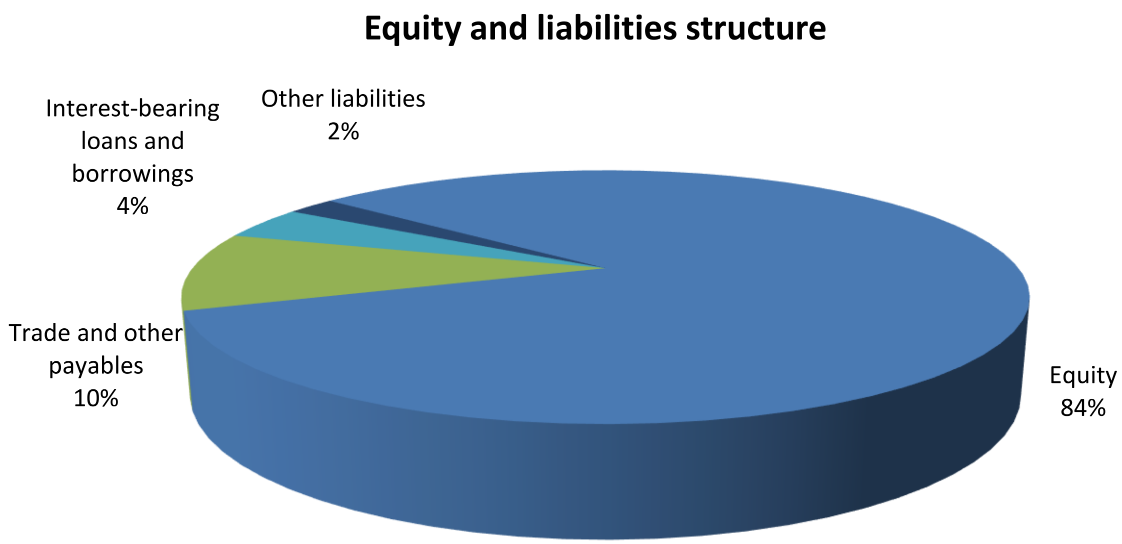


Source: the Issuer

Most of inventories are agricultural products – raw materials for our oil refinery and stock of our crops for sale.

Most of our receivables are short-term, less than year. For other were formed provisions. Current biological assets are our winter crops, non-current – our cattle.

Chart 2 Equity and liabilities structure of Agroliga Group PLC on 31.12.2012 (percent)



Source: the Issuer

As shown at this chart, most our sources is equity.

Trade and other payables are less, than receivables and also mostly short-terms.

Loans and borrowings are about 4% of equity and liabilities and most of it – one to three year credit lines.

6.3 The most important events in 2012

List 7 Record of the most important events in the life of the Company in 2012

Date	Event	Report
04 January 2012	The first line of the renewed oil refining factory of Agroliga has entered full capacity. At the factory have been completely replaced oil extractors, the	EBI 1/2012

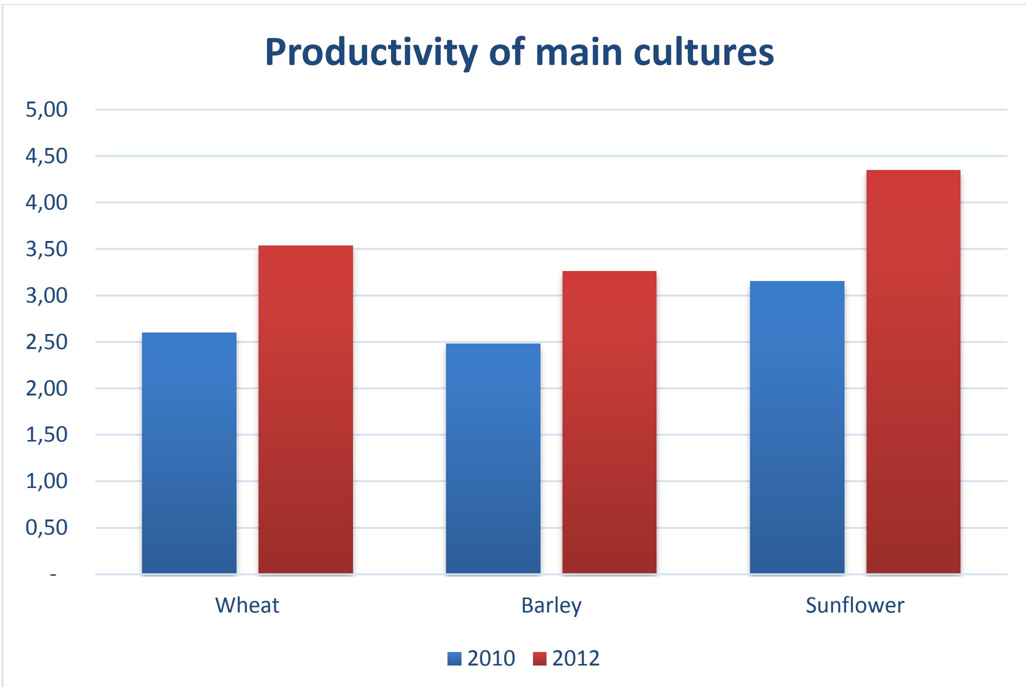
	heating equipment, product and oil pipelines, there were expanded storage reservoirs as well.	
06 February 2012	Agroliga group began to sell their own production of sunflower oil for export. A contract was signed with a Swiss company Allseeds for the supply of oil through the port Nikolaev.	*not applicable*
15 May 2012	The Board of Directors of Agroliga Group PLC ("Group", "Issuer") announces the revision of financial forecasts for 2012, published in the Information Document of the Issuer dated on 21st January 2011. The reason for revision of the forecasts of the Group's financial result is a delay in the installation of the second new line of sunflower refinery.	EBI 4/2012
12 September 2012	Annual General Meeting.	EBI 10/2012
18 September 2012	The oil refining factory of Agroliga group was launched after the end of renovation.	EBI 11/2012
19 November 2012	Agroliga Group has acquired a new office.	*not applicable*
22 August 2011	Preliminary results of the agricultural year summarized.	EBI 13/2012
17 December 2011	Agroliga group informs about completion of the first stage of company development plan for 2010-2012.	EBI 14/2012

Source: the Issuer

Summary of progress Agroliga Group PLC in implementing its development strategy

Main points of the strategic plan of company development to 2010-2012, were announced in New Connect Information document at 2010 year.

1. Information document: ***Increase agriculture productivity by 20-50%.***
   Status: ***Completed.***



Wheat - +36%
Barley – +32%
Sunflower – +38%

Factors of productivity increasing:

- using new CAS fertilizer
- using of chelate fertilizers at the stage of vegetation
- high-yield hybrids for planting

2. Information document: ***Reequip the first line at our oil refinery to achieve production 10 ths. ton sunflower oil per year (24 ths. ton of sunflower processing.) Launch second line for production increasing to 16 ths. ton sunflower oil per year (38 ths. ton of sunflower processing.)***
   Status: ***Completed.***

February 2011

Funds for equipment received

April 2011

Contract with equipment supplier signed

July 2011

Installation of the 1-st line started

November 2011

Reequipped 1-st line launched

January 2012

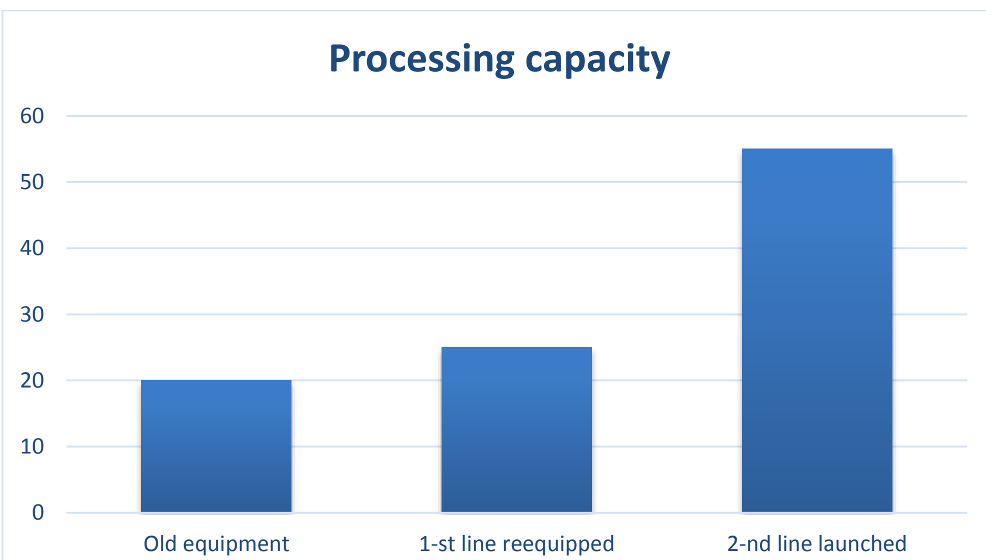
1-st line full capacity operation

July 2012

Installation of the 2-nd line started

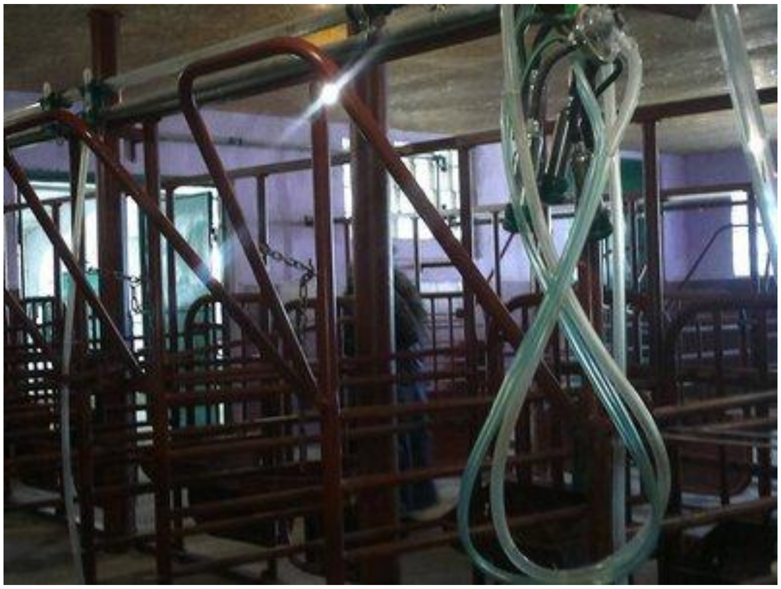
September 2012

2-nd line launched



Total processing capacity after new equipment installed reach 55 38 ths. ton of sunflower per year.

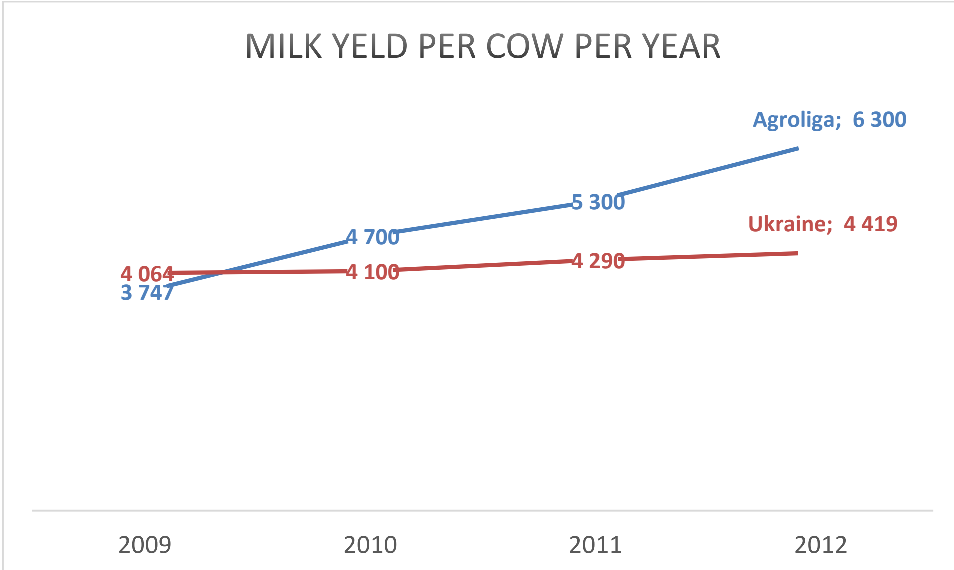
3. Information document: ***Launch renovated dairy farm with two milk barns and 600 heads herd.***
Status: ***Completed.***



July 2011

The new building of cowshed for 180 cows on a dairy farm was renovated at Agroliga.
The automatic milking of the company «Westfalia Surge GMBH» is installed in the milk barn.
In 2012 all existed cowsheds were renovated as well.
At the end of 2012 Agroliga's herd is 800 heads.

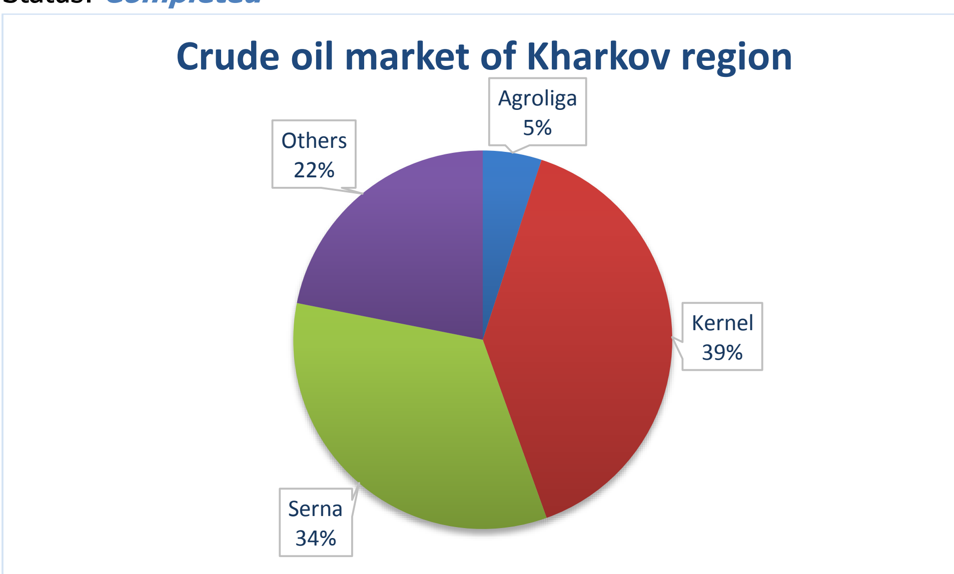
4. Information document: ***Reach 5500 l milk yield per cow per year.***
Status: ***Completed***



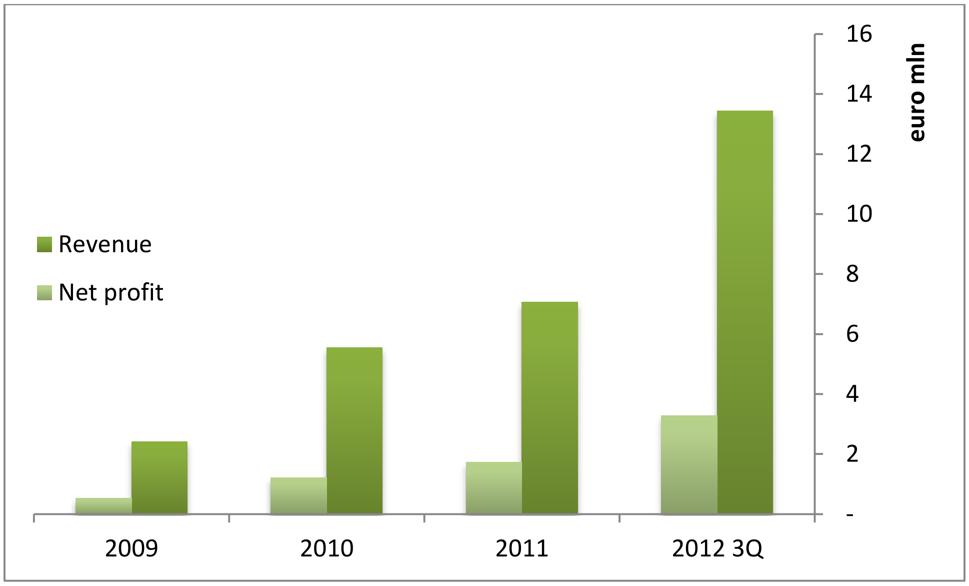
Factors of yield increasing:

- New breed (high-milk Holstein)
- Change in breed structure
- Change in feed (new-technology own produced cow-feed)

5. Information document: ***Achieve 5% of crude oil market in Kharkov region.***
Status: ***Completed***



6. Information document: ***Reach euro 15 mln. revenue.***
Status: ***Completed***



At 01/12/12 euro 15 mln level reached.

First stage of company development plan completed.

6.4 Description of the structure of main equity deposits or main capital investments made within the issuer's group during the financial year.

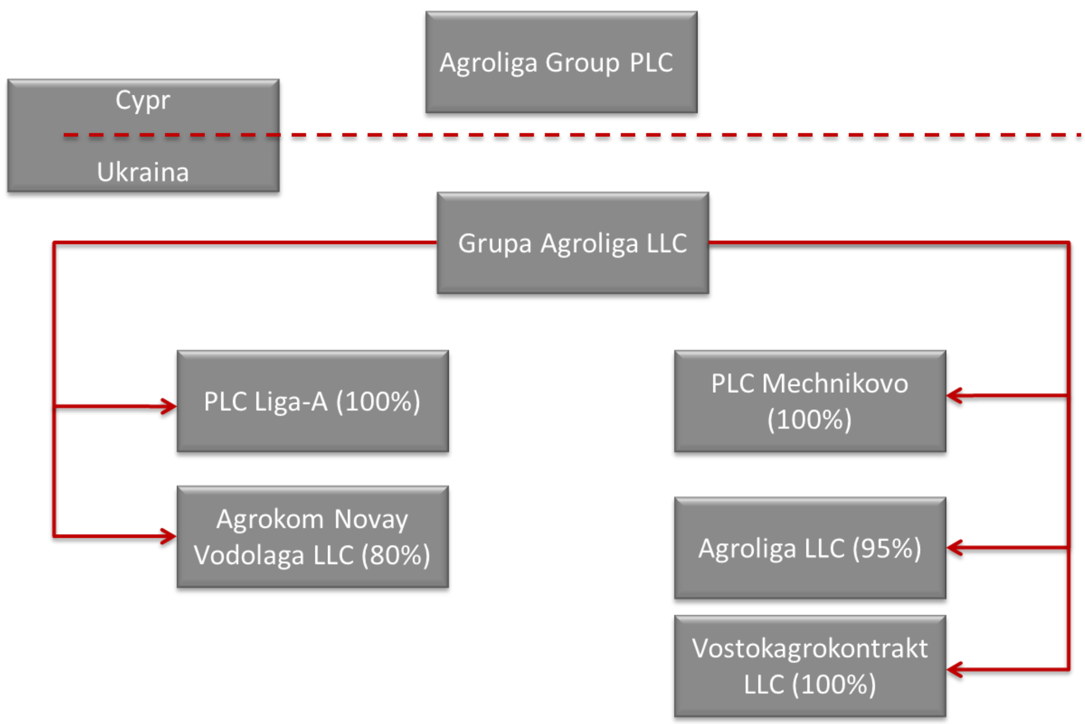
There were neither significant equity deposits nor capital investments in 2012 year.

6.5 Description of the organizational changes in the group

During 2012 there were no changes in structure of the Group.

The current Group structure is shown at the below chart.

Chart 3 The organizational structure of the group Agroliga



source: the Issuer

6.6 Expected development of the Group

The goal of the plan for 2013-2015 is ensuring a growth in the value of Agroliga Group. The key plan of Agroliga Group is creating vertical food processing holding joining the group of leading suppliers of food in Kharkov region, third most populous region in Ukraine (almost 3 mln people). Implementation of this strategy will be conduct in three areas.

1) One of the main part of this strategy is developing oil refinery and significant increasing this segment in result of company. Agroliga Group will be conduct this task by increasing capacity from 55 000 tons to 70 000 tons in 2015 and - up to 100 000 tons until 2017 accordingly. Agroliga plans to be produce more profitable products through implementation of new technology of oil extraction and in the long term perspective starting of bottling oil.

2) Agroliga Group plans to be mostly use own sunflower seeds for production what allow to better control prices of raw material and finally to achieve a better margin. For this Company will be expand land bank to 12,3 ths ha. and will be actively working for significant increasing of efficiency and yields crops.

3) Company will be also develop dairy farm. Besides significant increasing of cowherd to 1400 cows Agroliga will be establish production of processing products. In plan of company is a starting dry milk and soft chesse.

The indicated strategies of the development of Agroliga Group under no circumstances constitute a projection or estimates of financial results of the Issuer or its Group. The quoted figures relating to the future constitute no projections or estimates, but only goals which the Issuer and its Group wish to accomplish. The detail financial guidelines for 2013 will be published to the end of second quarter.

The structure of funding investment plan will be mixed. Company considering to use own funds, debt and other external funding.

A more detailed description of the adopted development plan in the Board's table "Development Plan of Agroliga Group for 2013-2015" is available on the Issuer's website.

Forecast of economic development of Ukraine in 2013-2016

The government forecasts GDP growth of 3%-4% y/y in 2014-2016, reads the project called "Forecasts of Ukraine's economic development and macro indicators for 2014-2016" prepared by the cabinet. According to it, Ukrainian economy can grow by 3% next year (the forecast is already used in the preparation of the 2014 budget). The 3% growth rate assumes gradual recovery of global economy. In this case, Ukraine's nominal GDP will reach UAH 1.63tn, with inflation of 4.3%. However, even this level of inflation is considered high on the background of almost two years of consumer deflation. The resumption of inflationary trend, according to EconMin, will highly affect incomes of the population - the real wages will grow by only 3.2% (UAH 3,600).

The optimistic scenario assumes global economy growth of 4% (eurozone and Russia). This may allow the country to increase exports of goods and services by 2.7%, in particular thanks to the "significant grain harvest" (52.8mn tonnes) as well as to the national currency exchange rate fluctuations. The government forecasts the average annual hryvnia exchange rate to reach 8.7 UAH/USD by the year end.

However, not all the sectors of the economy will show significant growth, the cabinet notes. Against the background of nearly 2% drop in steel prices, metallurgical industry can grow only by 1.5% next year.

At the same time, investment inflows-both foreign and domestic-should have positive impact on domestic economy. By reducing the tax rate from 19% to 16% it is expected to free up funds which, the government believes, can become capital investments. The share of equity investment is expected to grow from 60.2% to 62.1% over the next year.
The government expects imports to grow by 1.1% due to slight decline in gas prices, however, not because of a possible revision of the contract with Gazprom, but thanks to a drop in world oil prices (4%-5%). In this case, the foreign trade deficit will be reduced to USD 12.7bn.

At the same time, the government is considering an alternative scenario of more rapid growth of the world economy - by 4.4%. In this case, investment in Ukrainian economy might grow to USD 7.7bn (USD 6bn in 2012), steel prices may increase by 3-4%, which, in turn, will accelerate the growth of both the Ukrainian economy (up to 4%) and inflation (up to 5.2%).
Already in 2015-2016, the government expects further acceleration of economic growth by 4%-5.5%. At the same time, EconMin recognizes the existence of risks that can threaten the forecasts of the government. The cabinet acknowledges the probability of enhancement of negative developments in the external markets, as well as the possibility of a sharp rise in energy prices in the event of military actions in the Middle East. Also, there are domestic risks: the probability of limited crediting of economy because of declining trust of foreign investors in Ukrainian politics and reforms.

Among the factors that will influence Ukraine, but are hardly taken into account by the government, remain additional opportunities for the economy offered by trade liberalization with the EU.

Standard & Poor's expects a GDP growth rate of 1% in Ukraine in 2013 under optimistic scenario. Under the pessimistic scenario, GDP growth in Ukraine in 2013 will be around 0.5%. The inflation rate in Ukraine in 2013 will be 2.6%, the current-account deficit of the balance of payments will be 8.2% of the GDP, and the state budget deficit will be 5% of the GDP.

The EBRD forecasts GDP to decline by 0.5% y/y in 2013. The IMF forecasts zero GDP growth in 2013. In early April, the World Bank has worsened Ukraine’s GDP growth forecast from 3.5% y/y to 1% y/y in 2013. The inflation forecast was improved from 9.5% to 8.7% for 2013.

6.7 Major achievements in research and development

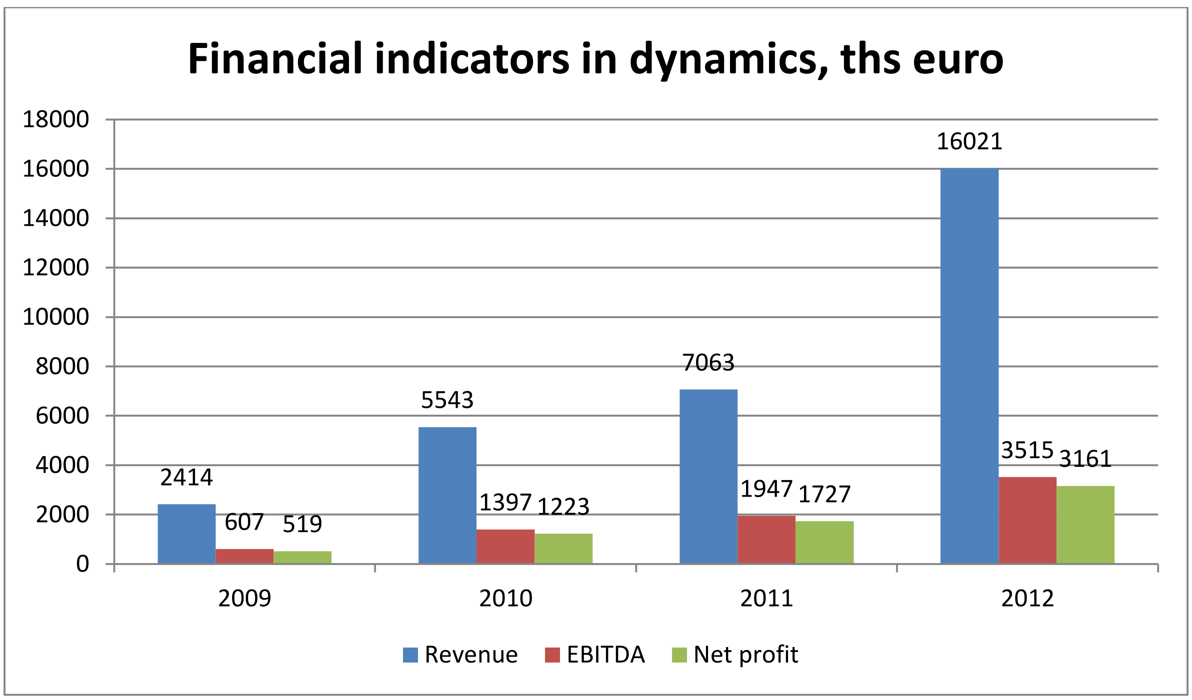
No research and development was made for the reporting year.

6.8 Information on current and expected financial situation of the Issuer

In the 2012 Agroliga Group PLC reached EUR 16,021,000 revenues. Compared to the previous year, it is an increased to about 127% up. Net profit of the group in 2012 is calculated as EUR 3,161,000, and 83% up to 2011 year.

EBITDA grew by 81% and amounted to 3,515,000 euro compared to 1,946,820 euro in 2011.

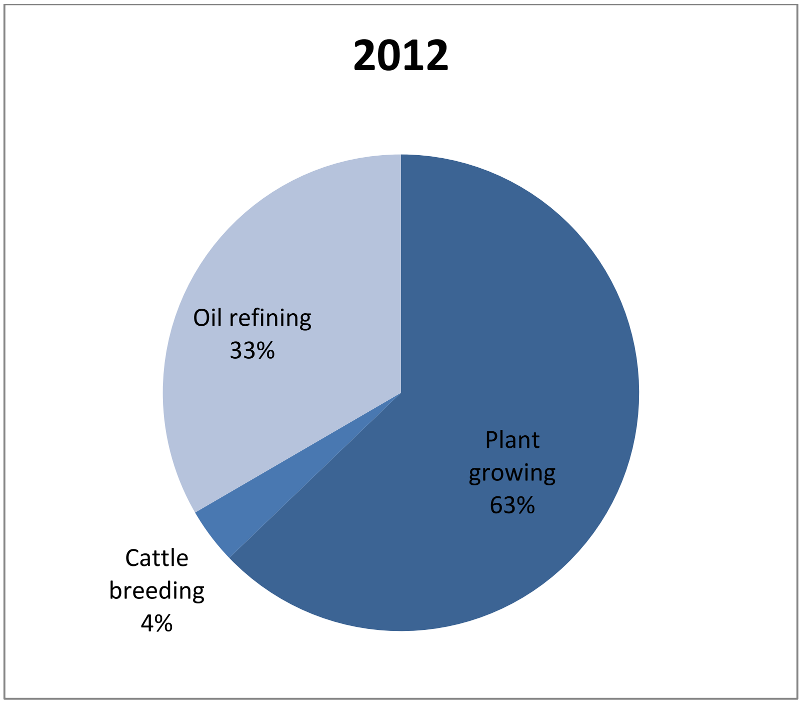
Chart 4 Company's financial results achieved in 2012 together with comparative data



Source: the Issuer

Moreover, in 2012 has been changed revenue structure of the Issuer. Revenue structure is shown in the chart below.

Chart 5 The revenue structure in 2012 of Agroliga Group Plc.



Source: the Issuer

6.9 Purchase of own shares

In 2012, the Company did not purchase its own shares.

6.10 The branches office owned by the Issuer

Except our agricultural divisions and oil refinery in Kharkov district, there are no branches offices.

6.11 Information on financial instruments and associated risk

- **Ukraine's political instability**

Ukraine is a developing country of unstable political situation. The political crisis in 2009 between the President Viktor Yanukovich and the Prime Minister Yulia Tymoshenko resulted in blocking a number of acts and declining the economic situation of the country. The campaign preceding the presidential election strengthened the escalating conflict .As a result of winning the second round of elections was the President of Ukraine, Viktor Yanukovich. On 11 March 2010 the parliament voted to censure Yulia Tymoshenko and thereby the government was dissolved. On the same day the Parliament appointed Mykola Azarov, a member of the Party of Regions, for the new prime minister and approved the new composition of the government.

Currently, most government members are representatives of the Party of Regions, a political party from which derives the President Yanukovich, and a few representatives of other political groups.

Any circumstances and changes affecting the stability of the government, may be associated with the reversal from the reforms policy that supports the economic development. It may adversely affect the economic situation in Ukraine.

- **The investment risk on the emerging markets**

Investments on the emerging markets, that includes Ukraine, are associated with increased political, economic and legal risk in comparison to the developed markets. Moreover, the situation on emerging markets may change at a much greater rate than on developed ones. In addition, any tendency that negatively impacts the price of financial instruments may push the investors to withdraw the capital and move it to a more stable, developed markets. Ongoing financial problems that have lasted since 2008, caused by economic slowdown and increasing risk associated with investing in emerging economies, had a negative input on the economy of Ukraine because of decreasing the inflow of foreign capital.

- **Sensitivity of the Ukrainian economy to fluctuations of the global economy**

The Ukrainian economy is vulnerable to a slump on the global markets and the negative fluctuations to the global economy. Furthermore, because of the great contribution of Ukraine in the world production and exports system of agricultural products and metals, the economy is vulnerable to fluctuations concerning the prices of these products on the global markets.

Inability to smothly adjust to changing conditions of the market concering these products may adversely affect the economic situation in Ukraine as well as the financial results of the Group.

- **The legal system of Ukraine**

Ukraine has undergone several transformations since gaining the independence in 1991. Currently it has been transformed from a centrally planned economy to a market economy. Economic changes involve a number of other changes to adjust to the new resource management system . Despite the great efforts made by the government, Ukraine has been more exposed to negative consequences of market processes than developed countries.

In 2005, Ukraine enacted the Civil Code, Commercial Code, the Code of Civil Procedure, Administrative Procedure Code, the Law concerning a registration property rights to real estate, private international law act, the act concerning various forms of protections, and the income tax low. Introduced legislations often contradict to each other, and allow too much room for personal interpretations that causes conflicts between laws, regulations, and natural and legal bodies applying the law.

Risk connected with the legal standards in Ukraine comes of the lack of precision in the rules, laws and regulations resulting in freely interpretation. This creates favourable conditions for the developing processes of corruption, money laundering and other abuses.

- **The risk of losing the confidence of foreign investors**

Corruption and money laundering have been recognized by the International Monetary Fund for a problem that severely plagued Ukraine. According to the current regulations on prevention against introduction the property values to the financial turnover coming from illegal or undisclosed sources, the National Bank of Ukraine, other state bodies and entities involved in their execution, have been obliged to monitor the financial transitions.

The introduction of these regulations in February 2004 allowed to remove Ukraine from the list of refusing to cooperate countries, and in February 2006, investigation concerning money laundering were suspended too. However, there is still a risk that in future there will be evidence of money laundering found and that it may cause losing the confidence of foreign investors. In turn it will reduce the possibility of obtaining foreign capital to finance business operations and investments. This situation may significantly influence our operating results and financial position of the Group.

- **The judicial system in Ukraine**

All the resulting legal relations in the country are subjected to the competence of the judiciary. In Ukraine, the exclusive administration of justice have the Constitutional Court and the General Courts. The Constitution guarantees the independence and integrity of judges and forbids them to exert any pressure.

One of the main problems of the Ukrainian justice system is underfunding and the derivative problem is its dependence on other branches connected with power authority, corruption and shortages. In addition, there has been increase in complexity and hierarchy resulting in a slowdown of justice. Despite constitutional guarantees of judicial system, Ukraine is still struggling with the problem of independence and autonomy, and is vulnerable to economic and political influences. In spite of impartiality of the Ukrainian Constitutional Court, the complicated procedures that prevent the efficient and effective removal of contradictions between the constitution and other legal acts have been a main concern. In Ukraine, the precedent does not function as a source of law. It means that in similar situations, the court may issue different rulings. Court decisions are passed to the regulatory authorities but the process is a long-term enforcement of sentences .The control of enforcement of sentences is left to the discretion of the courts.

Generally, above-mentioned factors causes that the Ukrainian law courts is difficult to predict, and the effectiveness regarding asserting the rights, despite the court decision, may not always been prove effectively.

- **Ukrainian tax system**

<u>Fixed agricultural tax</u>

According to Ukrainian law, agricultural producers can choose between general and specific tax system. In accordance with the law on fixed agricultural tax, a company engaged in the production, processing and sale of agricultural products may apply for registration as a permanent agricultural tax payers (hereinafter "SPR"). SPR is paid in particular to replace the income tax, property tax and local taxes.

According to 2 Article of the Act of fixed agricultural tax, payers of SPR can be private person or legal one that run registered business based on legal laws concerning organizational and legal form. This applies to farms and other agricultural enterprises engaged in animal husbandry, processing and marketing of agricultural production and fish farms engaged in breeding and catching fish in the inner regions of water (lakes, ponds and other water tanks). However, the basic requirement for achieving SPR is the level of revenues from sales of agricultural commodities or their products from own production .It must represent at least 75% of revenues in the total gross revenue, calculated for the preceding accounting period (tax). The object of SPR taxation is an agricultural area. The amount of tax is calculated as a percentage of the value of their own land and leased by the Company.

VAT

The Ukrainian government allows some agricultural producers to choose a special system for calculating the VAT provided for agriculture, forestry and fish farms. A special system of VAT was introduced in 2005.

To use a special counting system a company should carry out economic activities in agriculture, forestry and inland fisheries, and yet fulfill the requirements for agricultural enterprises at the same time. The company must also have legal status. Regarding the applicability of using the special VAT scheme, "the VAT Act" puts similar requirements to those posed by Law on the SPR. The agricultural enterprises are those ones which sale income of agricultural products from own production or services constitute at least 75% of revenues in the total gross revenue, calculated for the previous annual period (fiscal). A special scheme for calculating the VAT lies in the fact that the sum of VAT from supplied agricultural goods and services is not subject to lead to a budget. It is available to companies that may use it to demand refund the amount of tax (input) to the supplier for the materials delivered by him and other means used for farming. Any surplus can be used for other purposes related to agricultural production. This means that the positive difference between the tax and accrued tax is not, as in the case of ordinary tax payers, paid into the budget, but remains at the disposal of agricultural enterprise and is used for production purposes. Given the above, one can assume that a special system of calculating the VAT, as provided for businesses in the agricultural sector in "Tax Regulatuin" and SPR have been set up in order to create conducive conditions for agriculture development in Ukraine.

Special VAT system was introduced in 2010 but so far it has not been developed any appropriate model to use it.

Using it in practice depends on tax authorities as well as tax payers in the agricultural sector . VAT applied to those not meeting the above criteria regarding the amount of sale of goods and services is 20%.

In case of changing the regulations enabling companies of paying VAT or SPR, companies belonging to the group of the Issuer will be obliged to pa VAT and SPR according to general rules, as well as other taxes and duties, which may have negative impact on the Group's activities, financial position and financial results.

- **Risks associated with the status of tax resident of Cyprus**

The Issuer was formed and registered in Cyprus. A company whose management and supervisory bodies can be found in Cyprus, is a resident of Cyprus. The Issuer is subjected to Cypriot law tax regulation and may be qualified for benefits and privileges resulting from Cyprus law, including an agreement on avoidance of double taxation between the Government of the Soviet Socialist Republic Union, whose legal successor is Ukraine and the Government of Cyprus on 29 October 1982. In the case when the majority of the Board of Directors is not tax resident in Cyprus, or the actual management and control are not exercised in Cyprus, there is a risk that the Cypriot tax authorities may cancel the Company's resident status in Cyprus. The other treat is that the treaty for the avoidance of double taxation between Cyprus and Ukraine could be changed. Unfavourable changes in the treaty may significantly influence the tax obligations of the Issuer. It may also negatively affect the costs of his activities and financial results.

- **The risk of the dependence the Group's revenue on export policy**

The priority tasks of Ukraine Government regarding foreign trade policy concerning agricultural products is to ensure national food security, protect consumers from rising prices, providing material for domestic manufactures. In the past there were export quotas introduced on various production assortments. These steps help Ukraine become a world leader in agricultural production. In October 2010, the Government of Ukraine decided to use export quotas regarding cereals. Ukraine will reduce total exports of wheat, barley and maize to 3.8 million tonnes to the end of this year. Group has already sold or made agreements regarding the sale of this year harvest, therefore, introduced export quotas and price changes will not affect the Group's financial results.

- **Lack of credibility of data and statistics regarding Ukraine.**

Official statistics and data published by the Ukrainian authorities may be less reliable and accurate than in developed countries. Verification of official data and statistics has not been carried out, therefore the information in the Information Document may be incomplete. Potential investors should be aware that some statistics was taken from the Ukrainian government sources that had not been prepared specifically for this document.

- **Risks associated with the land lease**

Group currently leases the land on which run business. Leases contract are signed for a specified period and it involves cyclic renegotiating leases condition before extension of the contract. Because of increasing competition in the Ukrainian agro food sector, there is a great interest in buying and renting land on the area rent by Group, which may lead to rising up lease costs and land prices. Group can not ensure that all leases contracts will be renewed on terms beneficial for the group, which may lead to increased costs associated with the leasing of land.

There is also a risk that tenants will not want to extend the lease for Subsidiaries the Issuer’s Subsidiaries will not be able to carry out production operations at its current level and will be forced to seek new clients and

move crops to other areas. In addition, in accordance with Ukrainian legislation, the sides of lease agreement have full discretion regarding setting the prices. However, where the lease relates to municipal or state land, lease fee can not be less than the property tax for the relevant plot, calculated as a percentage of the value of the property. The Ukrainian authorities verify the value of the land and may unilaterally change the price for the lease of state and municipal land. Any increase of leasing fees above the current expectations of the Group, may have an negative impact on Group's business, operating results and financial condition.
In order to avoid the risk associated with leasing of the land, the Group intends to purchase the land from existing tenants. The Group has pre-emption right regarding the leased the right parcels, as defined in the agreements of the lease. However, due to limitations of the right to land trade, it can not be completed till the moratorium expire date, ie 2012.Until that time, there may be further changes in the laws and regulations relating to land ownership, which may limit Group's ability to obtain full ownership of leased land.

- **The risk of dependence revenues of the Issuer on the financial results of subsidiaries**

The issuer is a holding company and as such does not run a business. Business is run by subsidiaries, Agroliga LLC, A Division, Novaya Agrokom Vologda and Mechnikovo.
The Issuer will earn revenue from the dividend and may pay dividends only so far as it will be paid from subsidiaries or or from the proceeds raised from the sale of assets.
The revenues of the subsidiary come off the quantities of sold products, the price level and the level of operating expenses of the Issuer group. There is a risk that as a result of difficulty in selling goods and products or reduce in the production, subsidiaries will not achieve the financial results of a certain level. Therefore, there is a risk that due to the lower level of revenues generated by the subsidiaries, dividends will not be paid.

- **Risk associated with availability of raw materials**

Group activity is dependable on the effects of oil production, milk, sunflower and cereals. Group, as an investment, intends to develop activity connected with oil production. To achive that, Group plans to modernize the oil company, by installing a second production line. Because of this, group will be able to restrict the share of unprocessed agricultural products. Group intends to increase the share of finished oil in sales to 80-85%, while the milk to about 10%. Receiving the raw materials on time does not depend on the Group, however, due to the large number of providers, the risk associated with a lack of production connected with shortages of raw material, is significantly reduced. But we can not exclude that in the future as a result of unforeseen events such as natural disasters, the amount of available material could be limited, which may reduce the production efficiency and limit the Group's revenue.

- **The risk of changes in market prices**

The sales prices of products manufactured by the Group are variable, and their level is determined by market conditions. Among the main factors affecting the prices level is the availability of commodity on the market, weather, biological factors, yields and government regulations. In case of changing any of the factors there is a risk of decreacing in revenue or increasing the operating costs, which can directly result achieved Group's activities

- **The risk of occurrence of extraordinary events**

Groups is subjected to the risk of extraordinary events, in particular the theft or loss property. In order to reduce the risk of extraordinary events and their consequences, the Group insured the buildings, vehicles and machinery and equipment. The risk can not be excluded that in the case of fortuitous event, despite the insurance, group will not be able to resume operations immediately after the occurrence of an event and it could have a negative impact on business.

- **Risks associated with the machine park**

Technology used in crop and animal production is constantly changing. It requires the using the latest and most effective ways of production. Development of new technologies can play a key role in the competitiveness of the Group and its financial performance, and hence the value of the Issuer to investors. Lack of access to new technologies may significantly affect the Group's operations and reduce its competitiveness. There is a risk that despite the great emphasis on ensuring good conditions of machinery, equipment, buildings and building, a fault may occur, and the repair will be long or too costly. And it might result in limiting use of it or completely excluding the machine from service. This may cause a reduction in production. In order to secure continuity of machinery, equipment and buildings, the Group has set up a workshop where skilled workers are engaged in maintenance and reparation of machines. Additionally, procedure of conducting periodic reviews was introduced as well as the procedure in case of disturbances or failures in the operation of machinery and equipment. Additionally, the Group signed a contract to insure the machines.

- **Risks associated with suppliers**

The Group's activity depends on the supply of agricultural products, machinery, seeds, fertilizers and other products required to conduct business. Supplier selection criteria, in addition to price and quality, are also time and delivery, payment terms, additional services offered services, relevant certificates and compliance with the production ecology requirements. Supplier agreements are signed every year taking into consideration the prices and the situation on the agricultural market in Ukraine and in the world. If the Group will not be able to obtain sufficient quantities of products or equipment from the suppliers offered on agreed price, or if the supplier fails to comply with the terms of the agreement, it may affect the financial results of the Group. There is a risk that the Group may have difficulty with the signing the agreements foregarding purchasing the necessary quantities of raw materials. However, the risk is limited due to long-term cooperation with suppliers and customers.

- **Risks associated with recipients**

In terms of milk production, the main Group's customer is Achtyrskij Cheese Manufactory which buys almost 80% of the total milk production. The remaining 20% is bought by six independent customers. Currently, demand for milk far exceeds supply, and existing customers are interested in purchasing greater quantities of milk than are delivered. In this context, there is a possibility of rapid change of recipients, which greatly reduces the dependence on the main buyer of milk, which is Achtyrskij Cheese Manufactory.

If there is a change in the current market conditions, it may be a risk that after ending or limiting the cooperation with Achtyrskij Cheese, the Group will not be able to find a new customer in a short time on terms as much favourable as the previous ones and it could impact negatively revenues of the Group. Income reduction could result in decreasing profit targets, that in turn could negatively affect the possibility of achieving the strategic objectives of the Group.

This risk is minimized by taking long-term cooperation, maintaining good relationships with existing customers and providing high quality products to customers.

It should be also noted, that in the case of other activities, there is a wide diversity of customers and there is no risk of dependence. Additionally, the Group has carried the sales of pre-payment conditions which reduces the risks associated with the sale. The Issuer has put a strong emphasis on minimizing the costs of his activities as well as subsidiaries companies which results in lower prices and greater competitiveness.

- **Risks associated with key staff**

High performance of the Group and its development depends on management effectiveness and other key employees. If he loses the main key people, the Issuer could be left without experienced stuff with knowledge regarding operational activity. At the same time, due to the uncertain economic situation worldwide and in Ukraine, the demand for skilled workers is very high. Because of the risk connected with inflation there might be financial difficulties regarding paying wages to key employees in accordance with their requirements and to keep them in the Group. It is impossible to ensure that there will not be any loss of employee of considerable importance for the Group. It could have negative consequences on the business activities, implementation strategy and consequently the financial position and financial results.

In order to reduce the risk of key employees leaving, the Group identified the key employees and implemented an incentive program that has been still developed and adjusted to market conditions. The program consists of two factor groups: material and immaterial. In particular, the Group introduced a competitive salary with bonus system for good performance at work and benefits package.

- **The risk of transporting raw materials and finished products**

Risks associated with transportation of goods is limited, because Group had applied sale on Ex Works terms, that makes the number of its own means of transport less meaningful for operational activities. Procurement of raw material (sunflower seeds) for plant producing sunflower oil is used on DDP (Delivered Duty Paid) terms. Thanks to that, all costs and risks associated with the supply of raw material is charged to the vendor.

There is no necessity to make regular journeys between distant production places. And for irregular operations, the Group has own sufficient transport fleets and leased one (14 units including two tanks for the transportation of milk). Because of steps taken by the Group, the risk associated with transport has been minimized.

- **The risk of severe weather conditions**

Weather conditions affect agriculture much more than any other part of the economy. Occurrence of any of the following weather conditions such as floods, droughts, prolonged cold weather or hurricanes, may negatively affect harvest on this area. In particular this may cause a declining in the quality of crops and reduce the crops obtained by the Group and by other companies in this sector, which results in less availability of raw material on the market, and consequently higher prices. Therefore, there is a risk that the lack of the possibility of obtaining the raw material in quantity and quality meeting the production requirements could limit the production. The Group might not be able to implement its production plan and consequently it may directly result in a reduction of income and profitability of the Group.

- **Risks associated with animal husbandry**

In 2009, nearly 10% of Group revenues comes from animal husbandry and milk production. Livestock are vulnerable to viral infections, metabolic diseases, inflammation udder, foot lameness, deficiency of vitamins and minerals. These diseases may limit or restrict the quantity of milk production. The Issuer has taken any action to meet the highest standards of husbandry sanitary facilities that minimizes the risk of spreading the infectious diseases among the culture. Additionally the routine vaccinations and health checks of animals have often been made as well as isolation of sick individuals. The use of proper diet prevents from deficiencies and metabolic diseases, but also increases the resistance of animals to viral disease and bacterial infections.

- **Risks associated with crop**

Diseses of crops and pests can cause substantial losses to yields, and thus worsen the economic results. The Group has minimized the risk of crop losses due to using appropriate mechanisms for cultivation and their storage. The Group employs experienced workers, who have gained the knowledge of the symptoms that cause the crop diseases . They have also the ability of choosing the right formulation to decrease the threat or minimize the effects of diseases or pests. Additionally,the Group meets required standards regarding storage conditions and transportation of products, which reduces the occurrence of losses at this point.

- **The risk of changes in interest rates**

Currently the Group does not bear a high risk of financing investments associated with increased rates, because its debts has been maintained at a low level. In the near
Future, the Group is going to increase the credit liabilities. But we can not exclude that

as a result of increased demand for capital, the Group might increase the financial commitment in financial institutions regarding loans or advances or make use of credit or granted credit line. Because of current economic situation in Ukraine, the risk may appear that in the absence of the availability of credit at low interest rates, the Group
will be forced to use high percentage credits or loans. The increase in credit costs and operating credit obligations may adversely affect the Group's operations, and thus the financial result.

- **Risks associated with competition**

Expanding of the market and steady demand for agricultural products in the world has caused increasing interest in investing in the development of existing entities, as well as the setting of new businesses involved in agricultural production. Group competes with other agricultural enterprises in Ukraine, to a less extent with the foreign importers of raw materials and products for the Ukrainian market and foreign entities caring out activities in Ukraine. The main competitive factors in agriculture is the price and quality.
Increased competition on the Ukrainian market may lead to reduction on prices, or decreased production. Change in price or volume of production may have an adverse impact on operating results and financial position of the Group. The Group is not going to participate in the competition by reducing prices below the levels of profitability. Group strategy focuses on building more stable market position and providing high quality products.

6.12 Adopted aims and methods of financial risk management, including methods of securing the essential types of planned transactions for which hedge accounting is applied.

In the past financial year the Company did not include contracts for financial instruments, not taken out loans in foreign currency. That it was not applied hedge accounting.

6.13 Application of corporate governance in the case of entities whose securities are introduced to trading on a regulated market of the European Economic Area

The securities of Agroliga Group PLC have not been introduced to trading on any regulated market of the European Economic Area in connection with the above, the Issuer is not obliged to apply the principles of corporate governance of these companies.

6.14 Financial forecasts and the opinion of the Board of Directors about presented financial results.

Financial forecasts for 2013+2015 years will be presented at the end of the 2-d quarter of 2013.

7. Dividend Policy

In accordance with the Company Law Cap. 113, the competent authority that adopts a resolution concerning the distribution of profit (or loss refund) and dividend payment is the General Meeting. The General Meeting, sets the amount of dividend, a day of setting the rights for dividend and a day of the dividend payment date in the Resolution concerning a distribution of profit for the last financial year .

The Issuer's The Board of Directors will recommend not to pay dividends to shareholders for the next 4 years. Profits will be reinvested in order to optimise the development of the Company. For the coming years, final decision regarding dividends payment will depend on the investment requirements of the Group and its demand for funds.

The Issuer long-term goal is to provide shareholders with return on investments, which is at least equal to the return on alternative investments of similar risk profile. This return should consist of a cash payment in dividends and increased value of Company Shares.

8. Information on application of the Corporate Governance rules

The Issuer published the declaration regarding application of the "Best Practices of NewConnect Listed Companies" in EBI report No 4 / 2011 on 22 February 2011.
According to the declaration of the Issuer, following practices aren't applied:

Rule 9

In the annual report the issuer should publish:

- information about the total amount of remuneration of all members of the Board of Directors

Issuer will not apply this rule. In the opinion of the Issuer, total amount of remuneration for all members of the Board of Directors isn't relevant information for investors and doesn't affect their investment decisions.

- information about the remuneration paid by the issuer to the Authorised Advisor in respect of all services provided to the issuer.

Issuer will not apply this rule. The remuneration is regulated by an Agreement with Authorized Adviser and is confidential information. The issuer cannot publish such data without Authorized Adviser permission.

Rule 11

An issuer in co- operation with the Authorised Adviser should organize meetings with investors, analysts and the media open to the public at least 2 times per year.

Issuer will not apply this rule. Due to the fact that those meeting are not popular among shareholders, and costs of preparation are relatively high, the Issuer does not intend to apply this practices.

Rule 16

An issuer should publish monthly reports within 14 days after the end of each month. Monthly reports should include at least the following:

- environment which, in the opinion of the issuer, could in future have significant effects to the financial standing and the financial results of the issuer;
- list of all information published by the issuer in the form of current reports in the reporting period;
- information about achievement of the goals of an issue if they were achieved at least partly in the reporting period;
- dates important to investors including events planned in the coming month concerning the issuer and important from the perspective of investor rights, including in particular dates of publication of

periodic reports, planned General Meetings, opening of subscriptions, meetings with investors or analysts and expected dates of publication of analytical reports.

The Issuer believes that the proper performance of information obligations (publication of information on the websites of the Company and NewConnect) is sufficient and is not necessary to provide monthly reports.

Attachments: Opinion and auditor's report