

Threats and opportunities associated with the current political situation in Ukraine.

In connection with recent significant changes in Ukraine's political and economic situation, there is a need to comment on their impact on the operations of the Group companies.

Hryvna devaluation.

Despite significant rate shocks caused by political events, the euro rate against hryvna from the beginning of the year rose only 13%, which demonstrates the ability of NBU to control the situation. Ukraine also has been offered the EU and U.S. financial and credit support of up to 25 billion euros.

Currently, all the Agroliga's loans are denominated in local currency, while the price of sales of agricultural products mainly tied to the euro or US dollar. Thus devaluation will reduce the finance and other costs in the cost structure.

At the same time, the Group has unused credit lines, in case of increase in raw material costs in hryvnia.

Raising capital in the foreign markets.

The group planned to raise additional financing on the WSE in the 1st quarter of 2014, simultaneously with the transition to the upper market. Due to the stock prices instability of Ukrainian companies associated with the dynamic political situation in Ukraine, these plans has been postponed, but not canceled. Once the market calms down a bit, Group will return to this issue.

The initial stage of development program 2013-2015 does not require substantial investments, and the Group is proceeding with his own funds.

Risk of changes in taxation.

The main efforts of the new government aimed at budget savings. Any significant changes in taxation in the near future were not announced from the new Minister of Finance as well. Thus, the risk that in the near future the land tax, which is primary for the most companies of the Group, will be significantly changed or canceled, can be considered quite low.

At the same time, the new government announced increased transparency of administration of the tax system that can reduce the number of tax audits and increase the ease of paying taxes.

The risk of partition or secession regions of Ukraine.

At the moment, Crimea is preparing for referendum on the increase in the state independence of Crimea within Ukraine or become part of the Russian Federation, which will be held March 16. Proposals for similar referendums registered in Donetsk and Lugansk regions, but the decision on their conduct has not been made because it did not get needed votes from local deputies.

In any event all the Group's land plots are located in the Kharkiv region, where there are no proposals for any territorial changes.

Replacement of the ruling political party.

The main asset of the Group is a land that was taken in a long term lease from a large number of individuals. In addition, the assets include machinery, equipment and real estate.

None of these assets is obtained from a state and none is disputed. None of the Group's majority shareholder, or their related entities is a politician or a government official, even at the local level.

In the context of political instability the Group suspended transaction to purchase additional land, scheduled for February, to clarify the situation.

Decline in living standards and changing markets .

The main market for Agroliga's crops is export. Significant changes in the export market does not happen, the denomination of the hryvna will allow to speak of obtaining additional profits from exchange rate differences. Logistically main point of export for the partners of the group is either Odessa or Kherson, both located in southern Ukraine. Changes in quotas or export rules are not announced by the new government.

The main sales market for crude sunflower oil is the East and Centre of Ukraine - confectioneries, manufacturers of mayonnaise, sauces and refined oil. They mainly produce low-end products, the demand for which varies only slightly with the worsening economic situation, so no significant change in the projected volumes and sales prices. Price and volume of oil going for export, similarly projected grain exports.

Milk is supplied to local dairies for processing. No significant change in the projected volumes and prices of its sales.

Market of the Russian Federation is not material to the Group or the Group's customers.

Despite significant changes in Ukraine, there are insufficient grounds for adjusting forecasts or Group's development strategy.