AGROTON PUBLIC LIMITED

(incorporated as a public company with limited liability under Cypriot law)

Offering of 5,670,000 ordinary shares with a nominal value of EUR 0.021 each

This document (the "**Prospectus**") has been prepared for the purpose of: (i) the initial public offering (the "**Offering**") of 5,670,000 new ordinary shares with a nominal value of EUR 0.021 per share (the "**Offer Shares**") in Agroton Public Limited ("**Agroton**", the "**Company**" or the "**Issuer**" and together with its consolidated subsidiaries, "**Agroton Group**" or the "**Group**"), a company incorporated with limited liability in the Republic of Cyprus, and (ii) applying for the admission of 16,000,000 existing ordinary shares in the Company (the "**Existing Shares**") and the Offer Shares to trading on the main market of the Warsaw Stock Exchange ("**WSE**").

The Offering conducted on the basis of this Prospectus consists of a public offering in Poland to: (i) individual investors (natural persons) (the "**Retail Investors**"), and (ii) legal persons (which includes persons managing portfolios for their clients) and unincorporated organizations and selected institutional investors located outside of the United States (and outside of Poland) in reliance on Regulation S under the U.S. Securities Act of 1933 (as defined below) (the "**Institutional Investors**" and together with Retail Investors, the "**Potential Investors**"). Subject to certain limited exceptions, U.S. Persons within the meaning of Regulation S cannot participate in the Offering.

The maximum price per Offer Share is PLN 30.00 (the "**Maximum Price**"). The price per the Offer Share (the "**Offer Price**") may not exceed the Maximum Price. The Offer Price will be determined by the Company upon recommendation of the Managers (as defined below) prior to commencement of the Subscription Period (as defined below) but not later than on October 22, 2010, based on the book-building results, and will be published in accordance with the Cyprus law on the conditions for making an offer to the public of securities, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market of 2005, Law 114 (I)/2005, as amended (the "**Public Offer and Prospectus Law**"). When determining the Offer Price, the following criteria will be taken into account: (i) the volume and price sensitivity of the demand estimated in the book-building process; (ii) the current and forecast situation in the capital market; and (iii) development outlook, risk factors and other information concerning the Issuer's business.

This Prospectus constitutes a prospectus in the form of a single document for the purposes of Section 9 of the Public Offer and Prospectus Law of the Republic of Cyprus and has been prepared in accordance with the provisions of the European Commission Regulation (EC) 809/2004 (the "**Regulation 809/2004**"). This Prospectus has been approved by the Cyprus Securities and Exchange Commission (the "**Cyprus SEC**") in its capacity as competent authority in the Republic of Cyprus as the Issuer's home member state within the meaning of the Prospectus Directive. The Issuer will be authorized to carry out the Offering in the public in Poland once the Polish Financial Supervisory Authority (the "**Polish FSA**"), which is the competent authority in Poland, is notified of the approval of this Prospectus by the Cyprus SEC. Pursuant to this Prospectus an application will be made for all the Existing Shares and the Offer Shares (together, the "**Shares**") to be admitted to trading on the WSE.

The subscription period for the Offer Shares is expected to be between October 22, 2010 and October 27, 2010 for Retail Investors and Institutional Investors (the "**Subscription Period**"). The commencement of trading on the WSE is expected to occur within approximately one month from the date of the allotment of the Offer Shares. If the Offering is cancelled or postponed prior to the Settlement Date, all subscriptions for the Offer Shares will be disregarded, any allotments made will be deemed null and void, and any subscription payments made will be returned without interest or compensation. All dealings in the Offer Shares prior to settlement of the Offering and delivery of the Offer Shares are at the sole risk of the parties concerned.

The Company and the Company's directors that are signing this Prospectus accept the responsibility for the information contained in this Prospectus. To their best knowledge and belief, the Company and the Company's directors that are signing this Prospectus declare that, having 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.

THE PUBLIC OFFERING IS MADE ONLY IN POLAND. THIS PROSPECTUS MAY NOT BE REGARDED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO PURCHASE THE OFFER SHARES OUTSIDE OF POLAND. SUBJECT TO CERTAIN LIMITED EXCEPTIONS THE SECURITIES OFFERED IN THIS PROSPECTUS MAY NOT BE OFFERED OR SOLD OUTSIDE POLAND, INCLUDING IN THE UNITED STATES OF AMERICA. THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY U.S. STATE, AND SUBJECT TO CERTAIN LIMITED EXCEPTIONS, MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, OR TO, OR FOR THE BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND IN COMPLIANCE WITH ANY APPLICABLE U.S. STATE SECURITIES LAWS.

The Offering does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be illegal.

Any person considering acquiring Offer Shares in the Offering should read this Prospectus in its entirety and, in particular, "*Risk Factors*".

Phoenix Capital Limited
International Lead Manager

Dom Maklerski BZ WBK S.A.
Domestic Lead Manager and Offering Broker

Bank Zachodni WBK S.A.
Financial Advisor

Sharelink Securities and Financial Services Limited
Underwriter responsible for the drawing up of the Prospectus

The date of this Prospectus is September 30, 2010

IMPORTANT INFORMATION

In certain limited circumstances Offer Shares are being offered outside the United States and Poland in offshore transactions in reliance on Regulation S under the U.S. Securities Act (the "**Regulation S**").

Phoenix Capital Limited ("**Phoenix**" or an "**International Lead Manager**") and Dom Maklerski BZ WBK Spółka Akcyjna (the "**DM BZ WBK**" or a "**Domestic Lead Manager**" or "**Offering Broker**" and together with Phoenix referred to as the "**Managers**") are acting for the Company and no one else in connection with the Offering, and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for providing advice in relation to the Offering or any transaction or arrangement referred to in this prospectus.

Sharelink Securities and Financial Services Limited ("**Sharelink**") is acting as underwriter responsible for the drawing up of the Prospectus. Sharelink will not underwrite any portion of the Offering. Sharelink has appointed independent parties to carry out legal and financial due diligence reviews on the Group, whose summaries are reflected in various sections in the Prospectus.

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. Accordingly, neither this Prospectus nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. No action has been or will be taken at the date of this Prospectus, by the Company, the Managers or any other legal entity to permit a public offering of the Offer Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Offer Shares) in any jurisdiction where action for that purpose may be required.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Offer Shares in any jurisdiction in which such offer or sale would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further information with regard to restrictions on offers and sales of Offer Shares and the distribution of this Prospectus is set out in the section headed "*Terms and Conditions of the Offering*".

The information contained in this Prospectus has been provided by the Company and other sources identified herein. The Managers do not make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, or the Managers that any recipient of this document should subscribe for or purchase Offer Shares.

The Company and the directors of the Company signing the present Prospectus have exercised the necessary diligence in collecting and recording all the information required by the Public Offer and Prospectus Law and they take responsibility for the accuracy, correctness and completeness of the information and data contained in the present Prospectus and confirm that to the best of their knowledge, there is no other significant information the omission of which would make any statement contained in the Prospectus misleading. The Company and the directors of the Company signing the present Prospectus accept, jointly and severally all responsibility for the accuracy and completeness of the information and facts contained in this present Prospectus.

Prospective investors should rely only on the information in this Prospectus. No legal entity has been authorized to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorized by the Company or the Managers.

Potential Investors should read this Prospectus in its entirety and determine for themselves the relevance of the information contained in this Prospectus and their subscription of Offer Shares should be based upon such investigation as they deem necessary. In making an investment decision, prospective investors must rely upon their own examination of the Group and the terms of this document, including the risks involved. The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. If in any doubt about the contents of this Prospectus, prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

In connection with the Offering, the Managers, and any of their respective affiliates acting as an investor for its or their own account(s) may acquire Offer Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer Shares being issued, offered, acquired or otherwise dealt with should be read as including any issue or offer to, or acquisition or dealing by, the Managers or either of them and any of their affiliates acting as an investor for its or their own account(s). The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Issuer and the Managers are not planning to conclude any public offer of the Offer Shares separate from the Offering.

Subject to the decription in section "*Terms and Conditions of the Offering*" the Company and the Managers reserve the right to reject any offer to purchase the Offer Shares in whole or in part and to sell to any prospective investor less than the full amount of the Offer Shares requested by such investor.

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PROSPECTUS SUMMARY

This summary should be read 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'' section, any supplements to this Prospectus required under applicable laws and the consolidated financial statements, 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 in respect of this summary (including financial highlights) 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 EU Member State, the plaintiff may, under the national legislation of the EU Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Overview

The Agroton Group is a diversified vertically integrated agricultural producer in eastern Ukraine. The Group's core business is crop production, comprising principally wheat and sunflower seeds, as well as the processing, storage and sale of such crops. Currently, the Group is the fifth largest producer in Ukraine by land under control among publicly traded agribusinesses. In addition, the Group is engaged in livestock and agricultural products processing. Management believes that combining its crop farming, livestock and food production operations offers a strategic advantage for the Group.

Crop production sales to external customers accounted for 43.3%, 56.6%, 54.7% and 52.7% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008, 2007, respectively. Livestock sales to external customers accounted for 35.6%, 28.0%, 25.9% and 11.7% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008, 2007, respectively. Agricultural products processing sales to external customers accounted for 18.7%, 15.0%, 19.1% and 31.5% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008, 2007, respectively.

From time to time the Group's revenues and sales are influenced by the actions of various governmental agencies, including the Ukrainian Agriculture Fund (the "**UAF**"), a governmental agency that regulates the minimum and maximum prices of agricultural products and prevents undesirable speculative practices in the Ukrainian agriculture industry. The UAF provides loans which are secured by pledges over grain volumes at prices fixed by the Ministry of Agriculture of Ukraine. The pledgor is entitled to repurchase the pledged grain at a price equal to the loan principal plus interest. If the UAF decides to purchase the pledged grain, or the pledgor is unable to repay the loan, the UAF purchases the pledged grain, whereby the total amount paid by the UAF may be substantially above market price.

For instance, in 2009, as a result of a combination of a variety of factors including the global financial turmoil, increased crop supply, low export demand and a devaluation of the hryvnia, Ukrainian crop prices plummeted and the UAF intervened to support domestic prices. Accordingly, the UAF and the Group entered into two loan agreements in 2009 for the hryvnia-equivalent of approximately U.S. $ 10.9 million against which the Group pledged approximately 100,000 tonnes of wheat and 3,000 tonnes of rye. The loans matured and were repaid in full as of July 31, 2010. See "*Risk Factors − Risks Relating to the Group's Business and Industry − State subsidies from which the Group benefits are significant and are subject to government approval on an annual basis and could be discontinued.*"

History and development of the Issuer

Agroton Public Limited was incorporated in Cyprus on September 21, 2009 as a public limited liability company. On October 29, 2009, Agroton Public Limited became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro". Following a reorganization of the Group, the Group became controlled by "Living" LLC which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group. As the ultimate owner of the Group was the same before and after the restructuring and his control was not transitory, the assets and liabilities were transferred to the new holding company at carrying values. The Company prepared consolidated financial statements that cover periods prior to its incorporation, because its subsidiary companies were under common control by the same person both before and after their acquisitions and the control was not transitory.

The history of the companies forming the Group dates back to 1992, when Iurii Zhuravlov started being active in the production of honey. Mr. Iurii Zhuravlov has since managed the Group and is currently the Issuer's Chief Executive Officer.

Set forth below are the significant milestones in the development of the Group.

1992	Mr. Zhuravlov establishes several companies that are engaged in the production and distribution of honey and other beekeeping products in Luhansk region. The Group eventually becomes one of the region's leading honey-producing farms.
1997	Crop farming begins.
1999	Acquisition and modernization of an elevator storage facility with total capacity of 30,000 tonnes. In addition, the Group starts large-scale cultivation of cereals and oilseeds on farms located close to these elevators.
2000	Tripling the storage facilities under control to 110,000 tonnes.
2001	The Group focuses on thorough soil analysis and training the workers in modern, large-scale farming technologies. Concentrating crop farming operations on high-margin wheat and sunflower and other complementary crops required for crop rotation.
2002	Launching flour, bakery and pasta production as part of vertical integration strategy of the Group. Launching of cheese production under the brand "Markovskiy Cheese".
2004	Expanding the harvested land bank to 63,000 hectares, or approximately 4% of all arable land in Luhansk region.
2005	Beginning of pork production.
2006	Completing the acquisition of the Luhansk Cheese Factory, producers of the brand "Zoloto Gildii" and modernization of the Chernuhiyska Poultry Farm.
2007	Beginning chicken production at the modernized Chernuhiyska Poultry Farm. Production for the year reaches 2,630 tonnes of poultry.
2008	Increasing the harvested land bank by 40,117 hectares to 134,075 hectares, and its elevator storage facilities by 50,000 tonnes to 235,000 tonnes.
2009	Agroton was incorporated on September 21, 2009. GDRs listing on the Open Market of the Frankfurt Stock Exchange (representing almost 25% of Agroton's share capital) to finance further business growth.

Competitive strengths

Management believe that the Group is well placed to exploit its existing assets and deliver strong, consistent financial growth due to its competitive strengths, including a diversified revenue mix, vertically integrated operations, a concentration of operations in a region with the nation's highest per capita income, self-sufficiency in storage facilities and an experienced management team and strong industry expertise.

Strategy

The Group's overall business strategy is to become the leading agricultural producer in Ukraine. Key elements of the Group strategy include improving the Group's financial results and operational performance, manageable expansion of its harvested land bank, increasing elevator storage capacities in line with expansion of its harvested land bank and achieving Western standards of corporate governance.

Directors and Senior Management

The following table sets out the current Directors of the Company:

Name	Position/Function
Iurii Zhuravlov	Chief Executive Officer
Alex Lissitsa*	Non-executive Director
Boris Supihanov*	Non-executive Director
Tamara Lapta	Deputy CEO

Nikolai Rozdymaha	Chief Operational Officer

* *Indicates an independent director.*

** *Any director appointed in office by or whose appointment is ratified by the general meeting of the company, there is no expiration in his term of office unless so specified by the general meeting. The Term of Office for any directors who have been appointed by the Board of Directors expires at the next Annual General Meeting of the Company. No term of office has been set for the above named Directors.*

The Board of Directors is supported by the following Senior Management

Name	Position/Function
Andrei Anpilov	Chief Financial Officer
Sergei Shylov	Chief Agronomist
Valeriy Nikulin	Head of the Food Production Division
Victor Poltenko	Head of the Livestock Division

Employees

The table below shows the breakdown of the Group's permanent employees by profession as of June 30, 2010:

Profession	Number of employees
Administrative staff	167
Bread production	146
Laboratories	10
Sales and commercial department	68
Pasta production	51
Technical staff	529
Transportation Department	431
Supply Department	11
Accounting	113
Crops growing	401
Engineering service	123
Elevators facilities	243
Livestock breeding	328
Security	26
Controlling	9
Total	**2 656**

Independent Auditors

Baker Tilly Klitou, independent auditors, with their address at 11, Bouboulinas Street, 1060 Nicosia, Cyprus, have audited the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007, which have been prepared according to IFRS as adopted by the European Union and have reviewed the consolidated condensed interim financial statements for the six months ended June 30, 2010, which have been prepared in accordance with IAS34 (interim financial reporting).

Related Party Transactions

Net asset distribution to related party transactions amounted to U.S. $ 3,365 million on December 31, 2009, U.S. $ 2,524 million on December 31, 2008. Other related party transactions were not material. There were no net asset distributions to related party transactions as of June 30, 2010.

The Group performs transactions with related parties in the ordinary course of business. Related parties comprise the Group parent's associates, the shareholders, companies under common control of the Group's controlling owners, key management personnel of the Group and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined when these transactions are to be effected. The terms of some related party transactions may differ from the market terms. According to the opinion of the Group's management, no transaction with related parties has a material effect on the Group's business. More detailed information, including examples of related party loans and guarantees, please see *"Related Party Transactions – Loans and Guarantees"*.

No material related party transactions have occurred since the end of the last financial period, i.e. since June 30, 2010 and up to the date of the Prospectus.

Summary of Risk Factors

Before investing in the Offer Shares, Potential Investors should carefully consider, together with all of the information set out in the Prospectus, certain risk factors pertaining to the Group as set out in the section "*Risk Factors*".

The Issuer's business, prospects, financial condition or results of operations and consequently, the value of the Shares may be adversely affected by the following risks:

Risks Relating to the Group's Business and Industry:

- The Group currently benefits from tax exemptions, which may be discontinued in the future.
- State subsidies from which the Group benefits are significant and are subject to government approval on an annual basis and could be discontinued.
- The Issuer may face changes in the double tax treaty regime between Ukraine and Cyprus.
- The Group could be subject to liabilities if it is determined that past actions violated Ukrainian corporate laws or regulations.
- The Group could be subject to material fines if it is determined that its actions violated Ukrainian competition law requirements.
- The Group's financial condition and operating results have been and may continue to be adversely affected by market risks.
- The Company has been, and will continue to be, controlled by a majority shareholder.
- Poor or unexpected weather conditions may disrupt the Group's production of crops.
- Diseases in the Group's livestock and food products could adversely affect the Group.
- The Group's financial results are sensitive to fluctuations in market prices of its products in Ukraine.
- Failure by the Group to properly manage its storage system may result in damage to products in storage thereby resulting in operating losses.
- The Group's operating costs could increase.
- Disruption in railway transportation or increases in railway costs could affect the Group's business.
- The Group is dependent on the availability of third party suppliers of equipment and raw materials.
- Competition in the agriculture industry in Ukraine could adversely affect the Group.
- The Group's business could be materially adversely affected if its land lease agreements are not renewed upon expiry or invalidated.
- The lease registration process in Ukraine is complicated and lengthy.
- The payments under the Group's land lease agreements may increase.
- The Group may be limited in its ability to renew its land lease agreements or to obtain full ownership rights to land in the future.
- Covenants in the debt agreements of the Group's subsidiaries may restrict the Group's ability to borrow and invest which could affect its flexibility to operate and its ability to expand.
- Failure to generate or raise sufficient capital may restrict the Group's development strategy.
- The Group depends on obtaining required permits and other administrative approvals from the State, as well as rights to the land plots.
- Loss of established relationships with regional governmental authorities may have a negative effect on the Group's business.
- The Group is dependent on key personnel.
- The Group may not be able to manage its growth.

- If the Group's products became contaminated, the Group may be subject to product recalls and liability claims.
- The Group may be subject to claims and liabilities under environmental, health, safety and other laws and regulations which could be significant.
- The Group's insurance coverage may be insufficient for any incurred losses.
- There are weaknesses in the Group's accounting and reporting systems, accounting personnel and its internal controls and procedures relating to the preparation of IFRS financial statements.
- The Group is highly dependent on a few key customers.
- Agroton is a holding company and is, therefore, financially dependent on receiving distributions from its subsidiaries.
- The Group is exposed to interest rate risk.
- The Group is exposed to credit risk.
- The Group is exposed to liquidity risk.

Risks Related to Ukraine:

- Further deterioration of the global economy could have a material adverse effect on the Ukrainian economy and the Group's business.
- Emerging markets such as Ukraine are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt the Group's business.
- The Ukrainian economy has been severely affected by the world financial and economic crisis.
- The Ukrainian currency is volatile.
- Ukraine has limited external sources of public financing.
- Sectors of the Ukrainian economy are dependent on the maintenance of positive relationships with Russia.
- Any deterioration in Ukraine's relationships with western governments and institutions may adversely affect the Ukrainian economy and the Group's business.
- Any deterioration in Ukraine's business environment prolonged lack of liquidity could adversely affect the Group.
- Continued lack of access to foreign trade and investment could have a material adverse effect on the Ukrainian economy and the Group's business.
- Ukraine is experiencing political uncertainty.
- The Ukrainian legal system is continuing to develop, which may result in an uncertain environment for investment and business activity.
- Weaknesses in relation to the Ukrainian legal system and Ukrainian law create an uncertain environment for investment and business activity.
- Ukrainian tax law and practice are not fully developed and are subject to frequent change and reinterpretation.
- There are weaknesses in corporate governance standards under Ukrainian law.
- Official economic data and third-party information may be unreliable.
- Nationalization, expropriation, government intervention and regulation.

Risks Relating to the Offering:

- We may cancel or suspend the Offering.
- There is no guarantee that active and liquid trading in our Shares will develop.

- Investment risk and volatility on the WSE.
- We may be unable to list our Shares on the WSE.
- Trading in our Shares on the WSE could be suspended.
- Our Shares could be delisted or excluded from trading on the WSE.
- We will not pay any cash dividends in the foreseeable future so that any return on shareholders' investment may depend on an increase in the value of their shares.

Risks Relating to the Shares:

- The interests of the Company's Principal Shareholders may differ from the interests of other shareholders.
- Exercise of certain shareholders' rights and tax treatment for non-Cypriot investors in a Cypriot company may be more complex and costly.
- The Company is not in full compliance with the corporate governance rules of the WSE and may not be able to be fully compliant in the near future.
- Future capital measures may lead to considerable dilution of shareholders' holdings in the Company.

Detailed description of all risk factors can be found in "*Risk Factors*" below.

Recent Developments

For the purpose of financing its working capital, one of the Group companies, PE Agricultural Production Firm "Agro", has received in 2010 a credit line facility from Public Joint Stock Company "Alfa-Bank" with the lending limit of UAH 55,000,000 at 24% interest rate. The interest is paid on a monthly basis; the principal is to be repaid in equal monthly installments starting from September 2010. The facility is secured by the suretyships provided by Mr. Zhuravlov, another Group Company "Agroton" PJSC, the mortgage over milk complex and the pledge of equipment owned by PE Agricultural Production Firm "Agro".

On April 16, 2010 "Agroton" PJSC entered into a loan agreement with LLC "Vostochno-promyshlennyi bank" for UAH 5 million at 23% for the financing of working capital maturing on October 18, 2010.

On April 30, 2010 PE Agricultural Production Firm "Agro" and "Agroton" PJSC entered into two loan agreements with OJSC "Raiffeisen Bank Aval" (corporate investment loan non-revolving credit line) for the purposes of restructuring the existing indebtedness. The loan amounts are UAH 29.62 million and UAH 19.15 million, respectively. The interest rate is 24% per annum and the maturity date is November 1, 2010 for both loans.

On May 27, 2010 "Agroton" PJSC entered into a loan agreement (non-revolving credit line) with JSC "Ukraiinskyi Innovatsiynyi Bank". The interest rate is 30% and the lending limit is UAH 10 million: UAH 2 million shall be used for financing the company's working capital, and UAH 8 million was used for refinancing of the UAF loan. The facility is secured by the suretyship provided by Mr. Zhuravlov and a pledge over 22,000 tonnes of wheat.

On August 8, 2010 JSCB "Forum" extended the maturity date of a loan in the amount of U.S. $ 26.8 million to November 15, 2010. In accordance with the provisions of the loan extension, U.S. $ 5.7 million is converted into hryvnia and the Group has pledged an additional 5,500 tonnes of sunflower as security for the loan.

On August 16, the Group received UAH 20 million from Kernel as prepayment for the supply of 30,000 tonnes of sunflower seeds to be delivered by October 1, 2010. The final price shall be determined by reference to the market price for sunflower seeds as of the end of December 2010, March 2011 and April 2011.

The Group is considering the issue of U.S. $ 50,000,000 notes with interest of 11 per cent, due in 2013 for the sole purpose of repayment of the Group's indebtedness. The issue of notes is subject to debt capital markets conditions at the end of 2010. As of the date of this Prospectus, the Group has not entered into any agreement in respect of the issuance of bonds.

Ukraine has experienced unsettled weather conditions in 2010, characterized by high frost in the winter, above-average rain fall in the spring and a heat wave in the summer. The net result of these unsettled weather conditions has been a loss of certain harvested crops. The table below sets out the Group's sowed and harvested area by crops for the 2009/2010 year:

Crop	Sowed area, hectares	(Loss) / gain due to weather conditions, hectares	Harvested area, hectares
Sunflower	54,857	(1,661)	53,196
Winter wheat	43,397	(11,779)	31,618
Corn	11,346	145	11,491
Winter rapeseed	6,995	(3,715)	3,280
Winter barley	2,137	(559)	1,578
Sorghum	1,763	(166)	1,597
Winter rye	626	-	626
Oats	149	-	149
Livestock crops	3,791	5,730	9,521
Fallow	9,014	-	9,014
Total	**134,075**	**(12,005)**	**122,070**

Recent Trends

This section covers the most significant recent trends observed since the end of the last financial year until the effective date of this Prospectus.

Production

The Group has sowed approximately 40,000 hectares with winter wheat in August, September 2010.

Sales

Sales revenue relating to crop production decreased 36.8% to U.S. $ 8.5 million for the six months ended June 30, 2010 from U.S. $ 13.5 million for the six months ended June 30, 2009, primarily due to an increased volume of sunflower sold at the end of 2009 resulting in a decrease in inventory of sunflower and consequently a decrease in the volume of sunflower sold during the first half of 2010. In July, August 2010, the Group sold approximately 48,000 tonnes of winter wheat for average price 1,287 UAH per tonne (including VAT), rape seed in quantity of 2,000 tonnes for average price 2,425 UAH per tonne (including VAT), sunflower in quantity of 1,036 tonnes for average price 3,229 UAH per tonne (including VAT) and concluded agreements for receiving prepayment for forward sales of sunflower in quantity of 35,000 tonnes for the average amount of 1,500 UAH per tonne (including VAT).

Inventory

As at June 30, 2010, the Group's inventory primarily decreased due to the sale of 41,366 tonnes of winter wheat. In July, August 2010, the Group sold approximately 48,000 tonnes of winter wheat for average price 1,287 UAH per tonne (including VAT), rape seed in quantity of 2,000 tonnes for average price 2,425 UAH per tonne (including VAT), sunflower in quantity of 1,036 tonnes for average price 3,229 UAH per tonne (including VAT) and concluded agreements for receiving prepayment for forward sales of sunflower in quantity of 35,000 tonnes for the average amount of 1,500 UAH per tonne (including VAT).

Costs

In the first six months ended June 30, 2010, the Group's operating costs were fluctuating in line with the sales revenues. There were no significant changes in variable production costs. Fixed costs remained at a stable level.

Selling prices

Between July and August 2010, the price of sunflower seeds increased by approximately 26.5% to approximately U.S. $ 358 per tonne (excluding VAT) compared to the price in June 2010. Similarly, the price of winter wheat increased by approximately 23.1% to approximately U.S. $ 169 per tonne (excluding VAT) compared to the price in June 2010. In addition, between July and August 2010, the price of pork increased by approximately 13.3% to UAH 17 per kilogram compared to the price in June 2010, whereas prices for other livestock did not change significantly.

Major shareholders

IFG DIRECTORS LIMITED and BNY (NOMINEES) LIMITED are the major shareholders, who own 74.99996% (11,999,994 shares) and 25.0% (4,000,000 shares), respectively.

Capitalization and Indebtedness of the Group

The following tables set out the Group's consolidated indebtedness and capitalization on an actual basis as of June 30, 2010 and December 31, 2009. This information should be read in conjunction with the section headed "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Group's audited consolidated financial statements, including accompanying notes. Deferred tax position has been excluded from the analysis presented below.

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
CAPITALIZATION AND INDEBTEDNESS	*U.S. $ thousands*	
Equity and reserves attributable to owners of the parent	**84 565**	**56 049**
Share capital	494	494
Share premium	38 474	38 474
Retained earnings	54 977	26 800
Effect from foreign currency translation	(9 381)	(9 719)
Total current debt	**71 561**	**63 242**
Short-term loans	47 375	48 145
Current portion of long-term loans and borrowings	2 155	3 664
Trade accounts payable	4 568	2 001
Other liabilities and accounts payable	17 463	9 432
Total Non-current debt	**4 920**	**6 260**
Long-term loans and borrowings	447	516
Long-term liabilities for finance leases	4 473	5 744
Total capitalization and indebtedness	**161 046**	**125 551**
NET INDEBTEDNESS		
Cash and cash equivalents	14 687	35 106
Total liquidity	**14 687**	**35 106**
Short-term loans	47 375	48 145
Current portion of long term loans and borrowings	2 155	3 664
Current financial debt	**49 530**	**51 809**
Net current financial indebtedness	**34 843**	**16 703**
Long term loans and borrowing, including finance lease liabilities	4 920	6 260
Non current financial indebtedness	**4 920**	**6 260**
Net financial indebtedness	**39 763**	**22 963**

No significant change in the consolidated indebtedness and capitalization of the Group has occurred since the end of the last financial period, i.e. since June 30, 2010 and up to the date of the Prospectus.

Summary of Historical Financial and Operating Information for the Group

Consolidated Statement of Financial Position

	June 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
		U.S. $ thousands		
ASSETS				
Non-current assets				
Property, plant and equipment	40 185	40 114	44 917	48 340
Intangible assets	8 009	10	9	10
Non-current biological assets	1 828	1 932	1 683	1 442
Long-term financial assets	168	154	152	180
Other non-current assets	314	63	619	1 137
	50 504	**42 273**	**47 380**	**51 109**

	June 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
			U.S. $ thousands	
Current assets				
Current biological assets	68 844	8 700	9 831	6 602
Inventories	21 072	30 968	19 747	23 001
Trade receivables	5 044	7 482	3 869	6 413
Prepayments and other current assets	1 145	1 515	2 256	8 203
Cash and cash equivalents	14 687	35 106	820	1 385
	110 792	**83 771**	**36 523**	**45 604**
Total assets	**161 296**	**126 044**	**83 903**	**96 713**
EQUITY AND LIABILITIES				
Equity and reserves attributable to owners of the parent				
Share capital	494	494	156	156
Share premium	38 474	38 474	0	0
Retained earnings	54 977	26 800	24 998	42 576
Effect from foreign currency translation	(9 381)	(9 719)	(9 158)	0
	84 565	**56 049**	**15 996**	**42 732**
Minority interest	250	368	236	9 362
Total equity	**84 815**	**56 417**	**16 232**	**52 094**
Long-term liabilities				
Deferred income	0	125	553	1 274
Long-term bank loans	447	516	841	3 797
Long-term finance lease liabilities	4 473	5 744	6 945	4
	4 920	**6 385**	**8 339**	**5 075**
Short-term liabilities				
Short-term loans	47 375	48 145	48 168	33 482
Current portion of long-term liabilities	2 155	3 664	2 416	413
Trade accounts payable	4 568	2 001	4 043	2 064
Other short-term liabilities and accrued expenses	16 447	8 304	3 967	2 733
Short-term provisions	1 016	1 128	738	852
	71 561	**63 242**	**59 332**	**39 544**
Total liabilities	**76 481**	**69 627**	**67 671**	**44 619**
Total equity and liabilities	**161 296**	**126 044**	**83 903**	**96 713**

Consolidated Statement of Comprehensive Income

	For the 6 months ended June 30, 2010 (unaudited)	2009 (unaudited)	Year ended December 31, 2009	2008	2007
				U.S. $ thousands	
Sales revenue	19 667	26 390	55 288	75 749	51 626
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	44 290	21 521	20 807	17 683	16 123
Cost of sales	(21 049)	(26 929)	(56 223)	(78 492)	(43 963)
Gross profit	**42 908**	**20 982**	**19 872**	**14 940**	**23 786**
Administrative expenses	(3 107)	(2 373)	(5 332)	(7 727)	(6 339)
Distribution expenses	(924)	(843)	(1 638)	(2 579)	(1 866)
Other income, net	(3 841)	920	3 737	133	3 237
Financial expenses, net	(6 960)	(5 417)	(11 588)	(23 657)	(4 246)
Profit/(loss) before tax	**28 076**	**13 269**	**5 051**	**(18 890)**	**14 572**
Income tax expenses	0	0	0	0	(2)
Profit/(loss) for the year	**28 076**	**13 269**	**5 051**	**(18 890)**	**14 570**
Other comprehensive income/(loss) for the year:					
Effect of change in reporting entity	341	217	(572)	(9 656)	0
Total comprehensive income/(loss) for the year	**28 417**	**13 486**	**4 479**	**(28 546)**	**14 570**

	For the 6 months ended June 30,		Year ended December 31,		
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**	**2007**
			U.S. $ thousands		
Profit/(loss) attributable to:					
Owners of the parent	28 090	13 292	5 070	(18 418)	15 174
Minority interest	(14)	(23)	(19)	(472)	(604)
Earnings per share attributable to the equity holders of the Company during the year: (expressed in USD cents)					
Basic earnings per share	176	N/A	35	N/A	N/A
Diluted earnings per share	176	N/A	35	N/A	N/A
Total comprehensive income/(loss) attributable to:					
Owners of the parent	28 428	13 512	4 509	(27 576)	15 174
Minority interest	(11)	(26)	(30)	(970)	(604)

Consolidated Statement of Changes in Equity

	Share capital	Share premium[1]	Retained earning[2,3]	Effect from currency translation	Total equity attributable to the owner of the parent company	Minority interest	Total
				U.S. $ thousands			
December 31, 2006	**150**	**0**	**27 402**	**0**	**27 552**	**9 966**	**37 518**
Share capital increase	6	0	0	0	**6**	0	**6**
Comprehensive income for the year	0	0	15 174	0	**15 174**	(604)	**14 570**
December 31, 2007	**156**	**0**	**42 576**	**0**	**42 732**	**9 362**	**52 094**
Comprehensive loss for the year	0	0	(18 418)	0	**(18 418)**	(472)	**(18 890)**
Acquisition of non-controlling share	0	0	3 364	0	**3 364**	(8 156)	**(4 792)**
Net assets distributions	0	0	(2 524)	0	**(2 524)**	0	**(2 524)**
Effect from foreign currency translation	0	0	0	(9 158)	**(9 158)**	(498)	**(9 656)**
December 31, 2008	**156**	**0**	**24 998**	**(9 158)**	**15 996**	**236**	**16 232**
Comprehensive income for the year	0	0	5 070	0	**5 070**	(19)	**5 051**
Acquisition of subsidiary	0	0	0	0	**0**	160	**160**
Effect of change in reporting entity (Note 16)	214	0	97	0	**311**	2	**313**
Issue of additional share capital (Note 16)	124	38 791	0	0	**38 915**	0	**38 915**
Expenses in relation to the increase of share	0	(317)	0	0	**(317)**	0	**(317)**
Net asset distributions	0	0	(3 365)	0	**(3 365)**	0	**(3 365)**
Effect from foreign currency translation	0	0	0	(561)	**(561)**	(11)	**(572)**
December 31, 2009	**494**	**38 474**	**26 800**	**(9 719)**	**56 049**	**368**	**56 417**
Comprehensive income for the year	0	0	28 090	338	**28 428**	(11)	**28 417**
Acquisition of non-controlling share	0	0	87	0	**87**	(107)	**(20)**
Net asset distributions	0	0	0	0	**0**	0	**0**
June 30, 2010 (unaudited)	**494**	**38 474**	**54 977**	**(9 381)**	**84 565**	**250**	**84 815**

[1] In accordance with the Cyprus Companies Law, Section 55 (2) the share premium, reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

[2] Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

[3] In accordance with the Company's Articles of Association, par. 120, dividends can only be paid out of retained earnings.

Consolidated Statement of Cash Flows

	For the 6 months ended June 30,		Year ended December 31,		
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**	**2007**
				U.S. $ thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit/(loss) before tax	28 076	13 269	5 051	(18 890)	14 572
Adjustments for:					
Depreciation and amortization	2 517	2 327	4 578	5 710	3 504
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(44 290)	(21 521)	(20 807)	(17 683)	(16 123)
Interest income	(2)	(4)	(23)	(24)	(433)
Interest expense	11 379	4 858	9 910	9 356	4 334
Gain on revaluation of long-term accounts receivable at amortized value	(14)	(12)	(26)	7	(17)
Provision for doubtful debts	52	74	106	83	620
Prepayments and other current assets written-off	358	241	93	1 403	130
Loss on write-off of non-current assets	57	302	161	71	160
Gain on write-off of accounts payable	(46)	(4)	(151)	(1)	(93)
Gain on acquisitions of subsidiaries	0	(189)	(186)	(1 925)	(644)
Impairment of goodwill	(95)	(91)	-	166	76
Gain/(losses) on disposal of non-current assets, net	0	0	171	5	(25)
Losses from foreign exchange differences, net	683	571	1 671	13 978	180
Impairment of inventories and harvest failure	2 127	140	500	4 110	-
Compensation for creation of new jobsites	(125)	(213)	(419)	(430)	-
	677	**(252)**	**629**	**(4 064)**	**6 241**
Changes in working capital:					
(Increase)/decrease in trade accounts receivable	2 640	(648)	(3 927)	417	(2 598)
Decrease/(increase) in prepayments and other current assets	276	774	699	128	(2 512)
Decrease in inventories and biological assets	(7 266)	5 060	9 222	3 202	1 083
(Decrease)/increase in trade accounts payable	2 554	(1 129)	(2 038)	3 172	672
Increase/(decrease) in other short-term liabilities and accrued expenses	5 148	3 638	1 685	2 361	(461)
Increase in other provisions accrued	(100)	(429)	421	264	320
Cash generated from operations	**3 929**	**7 014**	**6 691**	**5 480**	**2 745**
Income tax paid	0	0	0	0	(2)
Net cash from operating activities	**3 929**	**7 014**	**6 691**	**5 480**	**2 743**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(1 697)	(589)	(437)	(8 626)	(11 271)
Proceeds from disposal of property, plant and equipment	0	0	11	12	682
Purchase of non-current biological assets	0	(317)	(317)	(832)	(258)
Proceeds from disposal of non-current biological assets	0	0	0	0	141
Purchase of intangible assets	(8 000)	0	0	0	(8)
Purchase of investments into subsidiary	(20)	(27)	(72)	(5 308)	(180)
Interests received	0	0	23	24	15
Short-term and long-term loans issued to employees and related parties	0	(5)	(14)	(94)	(84)
Repayment of short-term and long-term loans to employees and related parties	4	20	37	115	37
Net cash used in investing activities	**(9 713)**	**(918)**	**(769)**	**(14 709)**	**(10 926)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Movements in credit lines, net	9 780	(2 528)	(5 526)	14 075	22 504
Receipts from short-term and long-term loans and borrowings	0	1 496	11 558	2 676	11 767
Repayment of short-term and long-term loans and borrowings	(10 325)	(529)	(1 230)	(718)	(22 236)
Borrowing costs paid	(5 360)	(2 083)	(6 886)	(8 904)	(4 055)

	For the 6 months ended June 30,		Year ended December 31,		
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**	**2007**
				U.S. $ thousands	
Receipts from government grants as deferred income	0	0	0	18	1 274
Net assets distributions	0	(2071)	(3 365)	(2 524)	0
Receipts from short-term bonds	0	0	0	9 489	0
Repayment of short-term bonds	(1 785)	0	(4 211)	0	0
Repayment of financial lease liabilities	(6 999)	(820)	(929)	(5 561)	0
Proceeds from issue of share capital	0	0	38 968	0	0
Net cash provided with financing activities........................	**(14 689)**	**(6 535)**	**28 379**	**8 551**	**9 254**
NET INCREASE IN CASH	**(20 473)**	**(439)**	**34 301**	**(678)**	**1 071**
Effect from foreign currency translation	**54**	**8**	**(15)**	**293**	**0**
Cash at the beginning of the year...	**35 106**	**820**	**820**	**1 205**	**134**
Cash at the end of the year	**14 687**	**389**	**35 106**	**820**	**1 205**

Memorandum

The following is a brief summary of certain material provisions of the Company's Memorandum and Articles of Association in effect on the date of prospectus.

The Company was incorporated in Cyprus as Agroton Public Limited, a Public Company limited by shares on September 21, 2009 with registration number 255059, having its registered office address in 1 Lampousas Street, P.C. 1095, Nicosia Cyprus. The Company's telephone number is +357 22 777 000.

The Company was incorporated with a share capital of EUR 252,000.00 divided into 12,000,000 ordinary shares of nominal value of EUR 0.021 each. On November 4, 2009 our share capital was increased to EUR 336,000.00 divided into 16,000,000 ordinary shares EUR 0.021 each. The ordinary shares are in registered form. The Company's authorized and issued fully paid share capital immediately following this offering, will be EUR 455,070.00 and 21,670,000 shares, respectively. The Company has not in issued any listed or unlisted securities not representing the Company's share capital.

Articles of Association

Our current articles of association were adopted on September 21, 2009 and amended on May 3, 2010. On an issue of shares, each shareholder has a right of pre-emption to subscribe for shares (apart from shares issued for a non-cash consideration) in cash in proportion to the aggregate amount of their shareholding.

THE OFFER

The Company	Agroton Public Limited, with its registered office at Lampousas Street, P.C. 1095, Nicosia, Cyprus, a company incorporated under the laws of the Republic of Cyprus with registration number 255059 with the authorized share capital amounted to EUR 1,000,000.008 (one million Euro and eight thousands of one cent) divided into 47,619,048 ordinary shares of EUR 0.021 each. The current issued share capital amounts to EUR 336,000.00 divided into 16,000,000 ordinary shares of Euro 0.021 each.
Legal form of the Company	Public company with limited liability under Cypriot law.
The Offering	The Offering comprises 5,670,000 newly issued ordinary shares are to be offered by the Company in a public offering in Poland and, solely in certain limited circumstances outside of the United States and Poland, in offshore transactions in reliance on Regulation S and to a limited number of the U.S. persons within the United States pursuant to our applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable the U.S. securities laws.
Subscription Period	Subscription Period for the Offer Shares is expected between October 22, 2010 and October 27, 2010 for Retail Investors and Institutional Investors.
Maximum Price	The maximum price per Offer Share is PLN 30.00.
Offer Price	The price per the Offer Shares may not exceed the Maximum Price. The Offer Price will be determined by the Company upon recommendation of the Managers prior to commencement of the Subscription Period, based on the book-building results. When determining the Offer Price, the following criteria will be taken into account: (i) the volume and price sensitivity of the demand estimated in the book-building process; (ii) the current and forecast situation in the capital market; and (iii) development outlook, risk factors and other information concerning the Group's business. Information on the Offer Price will be announced publicly pursuant to Section 27 of the Public Offer and Prospectus Law and Article 54 Section 3 of the Polish Offering Act no later than the first day of the subscription period. The Offer Price will be the same for both Retail Investors and Institutional Investors.
Offer Shares	5,670,000 new ordinary shares in the share capital of the Company, each with a nominal value of EUR 0.021 per share.
Listing Date	The commencement of trading on the WSE is expected to occur within approximately one month from the date of the allotment of the Offer Shares. Prior to the Offering, there was no public market for our Shares, however currently there are 4,000,000 GDRs (applicable to 25% of the existing share capital of the Company) out of which 3,985,870 GDRs are traded on the Open Market of the Frankfurt Stock Exchange since November 12, 2009.
Shares issued and outstanding	Prior to the Offering, the Company's share capital consisted of 16,000,000 Existing Shares issued and outstanding. On the Closing Date, following the issue of 5,670,000 Offer Shares, the Company's share capital will consist of 21,670,000 shares issued and outstanding.
Voting rights	Each Share (including Offer Shares) gives its holder one vote. The decisions at the general meeting of shareholders are taken by a simple or an increased majority of votes of shares whose holders are present or represented by proxy at a meeting. As at the date of the

	Prospectus, the Company's articles of association do not contain any limitations on the number of shares or voting rights that may be held by any one or more persons.
Use of proceeds	The Company intends to use the net proceeds from the Offering to finance the expansion of its grain growing operations including land lease rights acquisition, potential land acquisition, acquisition of leased elevator storage facilities, expansion of elevator storage facilities, expansion of its livestock business, selective acquisitions in the Ukrainian agricultural and livestock sectors, increase in working capital needs following operations expansion. The expenses of the issue are estimated to be from U.S. $ 1.7 million to U.S. $ 2.1 million.
Reasons for the Offer..............................	The Offering and the admission are expected to provide a number of benefits to both the Company and the Company's shareholders, including the enabling the Company to raise funds with a view to implementing its strategy and achieving its strategic goals; facilitating the Company's access to the capital markets and improving opportunities for further growth, expansion and development of our business and thus increasing share value to our shareholders; raising the profile of the Company's business; and strengthening the Company's reputation as a leading Eastern Ukrainian agroholding, which in turn, may increase the customers base and create better conditions for long-term relationships with clients and suppliers.
Dilution	Upon completion of the Offering and assuming that all Offer Shares are issued, the Offer Shares will represent a total of 26.2% of the share capital of the Issuer.
Dividends and dividend policy	The Board of Directors intends for the Company to re-invest any net earnings to finance the development of its assets and accordingly it is not intended that the Company shall pay any dividends in the foreseeable future. However, the Board of Directors intends to review this policy as the business develops and intend to commence the payment of a dividend as soon as is appropriate and practicable.
Settlement and delivery of the Offer Shares	The issuance and release of the Offer Shares is expected to take place no later than on October 29, 2010 upon payment of the total offer price. The delivery will take place through the book-entry facilities of the Polish National Deposit of Securities (the "**NDS**"), in accordance with their normal settlement procedures applicable to initial public offerings of equity securities.
Principal shareholders.............................	IFG DIRECTORS LIMITED holding 11,999,994 shares (approx. 74.99996% of issued share capital) together with: CONFUCIUS NOMINEES LIMITED, CONFUCIUS DIRECTORS LIMITED, CONFUCIUS SERVICES LIMITED, CONFUCIUS TRUSTEES LIMITED, IFG NOMINEES LIMITED and IFG TRUSTEES LIMITED, where each of these entities holds 1 share (approx 0.00001% of issued share capital) are entities who all hold the shares in the Company in trust for Mr. Iurii Petrovich Zhuravlov. BNY (NOMINEES) LIMITED is holding 4,000,000 shares (approx. 25% of issued share capital).
Lock-up	The Company and the Principal Shareholders will undertake that, without the Managers' prior written consent, they will not issue, offer, sell, enter into sale contracts, pledge or otherwise transfer or dispose of the Shares or other equity securities or securities entitling to acquire shares in the Company's share capital, or announce its intention to sell the Shares or such other securities within the lock-up period of 9 months after the Allotment Date.

Fees..	In connection with the Offering, the Company will agree to pay the Managers a combined management and placing commission of 3.5% of the gross proceeds from the Offering and to reimburse them for reasonable expenses incurred in connection therewith. The Company will also agree to pay all commissions and expenses in connection with the Offering.
ISIN code..	CY0101062111.
Managers	Phoenix as the International Lead Manager and DM BZ WBK as the Domestic Lead Manager and Offering Broker.
Financial Advisor	Bank Zachodni WBK S.A.
Underwriter responsible for the drawing up of the Prospectus................................	Sharelink Securities and Financial Services Limited.
Documents available for inspection.........	• the Articles of Association of the Company; • the Auditors' Reports of Baker Tilly Klitou on the Company's Consolidated Financial Statements; • the Consolidated Financial Statements of the Company for the three years ended December 31, 2009, 2008 and 2007; • the Consolidated Condensed Interim Financial Information for the six months ended June 30, 2010 and 2009 (unaudited); • the letters specified in detail under the INFORMATION FROM THIRD PARTIES, OPINIONS OF EXPERTS AND DECLARATIONS OF INTEREST section; • the due diligence reviews conducted by independent parties on behalf of the underwriter, responsible for the drawing up of the Prospectus as follows: (a) the Legal due diligence report as to Ukrainian subsidiaries provided by Schneider Law Group, within the parameters set by and for the sole benefit of Sharelink Securities and Financial Services Limited, and does not constitute legal opinion for the benefit of third parties; (b) the Legal due diligence as to the Cypriot Law, by Pamboridis LLC; (c) the Financial due diligence as to financial affairs of the Group, by Grata Audit and Consulting Company LLC; and • this Prospectus.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's website do not form part of this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which reflect the current view of the Company or, as appropriate, of the Board of Directors or the senior management of the Company (the “**Management**”), as the context may require, with respect to financial performance, business strategy, plans and objectives of the Company for future operations (including development plans relating to the Group's products and services).

These forward-looking statements relate to the Group and the sectors and industries in which the Group operates. Statements which include the words “expects”, “intends”, “plans”, “believes”, “projects”, “anticipates”, “will”, “targets”, “aims”, “may”, “would”, “could”, “continue” and similar statements of a future or forward-looking nature identify such forward-looking statements.

All forward-looking statements included in this Prospectus address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to:

- increases or decreases in demand for the Group's products;
- the effects of competition;
- price pressure;
- increases in operating costs;
- availability of funds, through borrowings or otherwise, for the Group's future operations and planned capital expenditures;
- the Group's ability to successfully implement any of its business or financing strategies;
- developments in, or changes to, the laws, regulations and governmental policies applicable to the Group's business;
- substantial inflation, interest rate and exchange rate fluctuations;
- changes in the Group's ability to obtain, maintain or renew the distribution contracts necessary to conduct its businesses;
- the effects of international political events; and
- the Group's success in identifying additional risks to its businesses and managing risks associated with the aforementioned factors.

Any forward-looking statements in this Prospectus reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

Any forward-looking statements speak only as of the date of this Prospectus. Notwithstanding that this Prospectus does not contain profit forecasts or estimates within the meaning of the Regulation 809/2004, the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Prospectus all references to the Company apply to Agroton and all references to the Group apply to Agroton and its consolidated subsidiaries. Expressions such as “we”, “us”, “our” and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed), unless from the context it is clear that they apply to the Company alone.

Financial and Operating Data

This Prospectus contains financial statements of, and financial information relating to the Group. In particular, this Prospectus contains the Company's audited consolidated annual financial statements for the three years ended, and as at, December 31, 2009, 2008, 2007. Consolidated condensed interim financial information for the six months ended June 30, 2010 have also been reviewed by Baker Tilly Klitou, an auditor certified to audit financial statements pursuant to Cypriot law. The Financial Statements appended to this Prospectus are presented in USD and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "**IFRS**").

Transactions of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. For all the subsidiaries of the Company, which are operating in Ukraine, UAH is the functional currency. USD is the Company's functional and the Group's presentation currency. Accordingly, transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Certain arithmetical data contained in this Prospectus, including financial and operating 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.

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 our knowledge of our sales and markets and assessments made by our management.

Certain statistical data and market, economic or industry information and forecasts relating to the world and Ukrainian edible oil industry and grain trade have been extracted and derived by us from reports and analysis produced by, inter alia, the following sources:

- information available on website owned and operated by the State Statistics Committee of Ukraine (www.ukrstat.gov.ua);
- information, reports and analysis available on website owned and operated by the United States Department of Agriculture, and its Foreign Agricultural Service (www.usda.gov);
- information available on website of the Food and Agriculture Organisation of the United Nations (www.fao.org);
- information published by the Food and Agriculture Policy Research Institute (FAPRI) (www.fapri.org);
- information available on website of the newspaper Delo (www.delo.ua);
- information available on website of the newspaper Apk-Inform Online (www.apk-inform.com);
- market researches provided by AgroSphere Weekly;
- market researches provided by UkrAgroConsult;
- statistical data of National Bank of Ukraine (www.bank.gov.ua);
- statistical data of National Bank of Poland (www.nbp.gov.pl);
- International Centre for Policy Studies (www.icps.com.ua);
- Eurostat (www.epp.eurostat.ec.europa.eu);
- United States Agency for International Development (USAID) (www.usaid.gov):
  - Farm Reference Handbook for Ukraine
  - National Exhibition of Ukraine in the U.S.
- IMF - International Monetary Fund;

- Center for Land Reform Policy in Ukraine;
- World Data Center;
- NationMaster: World Development Indicator (www.nationmaster.com);
- Gateway Ukraine (www.ukraine-gateway.org.ua);
- Bloomberg (www.bloomberg.com);
- Euromonitor, 2008;
- Derzhreestr Ukraine;
- Knight Frank;
- Economist.

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Company 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 we are 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. Subject to the foregoing, none of the Company or the Managers can assure investors of the accuracy or completeness of, or take any responsibility for, such data. The source for such third party information is cited whenever such information is used in this Prospectus.

With respect to industries in which we operate, some of our estimates and assessments could not be substantiated by reliable external market and/or industry information as such information is not often available or may be incomplete. While we have taken every reasonable care to provide the best possible assessments of the relevant market situation and the information about the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigations of the relevant markets or employ a professional consultant. Industry publications generally state that their information is obtained from sources they believe reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. We have relied on the accuracy of such data and statements without carrying out an independent verification thereof, and therefore cannot guarantee their accuracy and completeness. Furthermore, we believe that our management's estimates and assessments are accurate and reliable, however, they have not been verified by independent external professionals. Consequently, we can guarantee neither their accuracy and completeness nor that estimates or projections made by another entity relying on other methods of collecting, analyzing and assessing market data would be the same as ours.

Save where required by mandatory provisions of laws, we do not intend and do 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 our future performances and actual trends.

In this Prospectus, we make certain statements regarding our competitive position, our growth and market leadership. We believe these statements to be true based on market data and industry statistics regarding the competitive position of certain of our competitors. In presenting the overview of our competitive position in the relevant markets, we have also relied on our management's assessments and analysis of such competitive position. In making such assessments and analysis our 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.

Currency Presentation

Unless otherwise indicated, all references in this Prospectus to "**U.S. $**", "**U.S. dollars**" or "**USD**" are to the lawful currency of the United States; all references to "**€**", "**EUR**" or the "**Euro**" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98; all references to "**PLN**" or "**Polish Zloty**" are to the lawful currency of the Republic of Poland, and all references to "**UAH**" or "**hryvnia**" are to the lawful currency of Ukraine.

EXCHANGE RATES

The UAH/USD exchange rate

The table below summarizes the median, highest and lowest exchange rates as well as period-end exchange rates as announced by the National Bank of Ukraine (the "**NBU**") for UAH/USD foreign exchange transactions in the respective periods. The Issuer cannot guarantee, however, that the actual value of the hryvnia corresponds to the given value of the USD or that it might have corresponded or been translated into USD at the referred rate or any other rate or exchanged at all.

	UAH/USD exchange rate			
	Median	**High**	**Low**	**Period Ended**
2007	5.0500	5.0500	5.0500	5.0500
2008	5.2177	7.8788	4.8400	7.7000
2009:				
January	7.7000	7.7000	7.7000	7.7000
February	7.7000	7.7000	7.7000	7.7000
March	7.7000	7.7000	7.7000	7.7000
April	7.7000	7.7000	7.7000	7.7000
May	7.6228	7.7156	7.6158	7.6188
June	7.6121	7.6303	7.6100	7.6303
July	7.6405	7.7000	7.6224	7.6980
August	7.7490	7.9890	7.6815	7.9890
September	8.0008	8.0100	7.9800	8.0100
October	8.0050	8.0100	7.9700	8.0000
November	7.9914	8.0148	7.9809	7.9809
December	7.9806	7.9905	7.965	7.9850
2010:				
January	8.0012	8.0100	7.9850	8.0012
February	8.0008	8.0100	7.9900	7.9900
March	7.9767	7.9900	7.9250	7.9250
April	7.9257	7.9265	7.9242	7.9259
May	7.9257	7.9259	7.9251	7.9251
June	7.9157	7.9256	7.9070	7.9070

Source: National Bank of Ukraine

On August 25, 2010, the UAH/USD exchange rate announced by the NBU was UAH 7.8900 per USD.

The PLN/UAH exchange rate

The table below summarizes the median, highest and lowest exchange rates as well as period-end exchange rates as announced by the National Bank of Poland (the "**NBP**") for PLN/UAH foreign exchange transactions in the respective periods. The Issuer cannot guarantee, however, that the actual value of the PLN corresponds to the given value of the UAH or that it might have corresponded or been translated into UAH at the referred rate or any other rate or exchanged at all.

	PLN/UAH exchange rate			
	Median	**High**	**Low**	**Period Ended**
2007	0.5563	0.6018	0.4797	0.4814
2008	0.4618	0.6102	0.3009	0.3730
2009:				
January	0.3827	0.4462	0.3479	0.4462
February	0.4443	0.4801	0.3903	0.4417
March	0.4292	0.4743	0.4066	0.4307
April	0.4161	0.4352	0.3991	0.4095
May	0.4143	0.4357	0.3888	0.4155
June	0.4209	0.4294	0.4095	0.4144
July	0.3981	0.4160	0.3638	0.3705
August	0.3590	0.3707	0.3356	0.3398
September	0.3350	0.3538	0.3222	0.3538
October	0.3454	0.3542	0.3378	0.3542
November	0.3428	0.3542	0.3375	0.3438
December	0.3568	0.3677	0.3388	0.3558
2010:				
January	0.3548	0.3620	0.3423	0.3620
February	0.3620	0.3723	0.3509	0.3671
March	0.3548	0.3676	0.3515	0.3630

	PLN/UAH exchange rate			
	Median	**High**	**Low**	**Period Ended**
April	0.3636	0.3786	0.3583	0.3705
May	0.4056	0.4293	0.3732	0.4181
June	0.4243	0.4406	0.4105	0.4293

Source: National Bank of Poland

On August 25, 2010, the PLN/UAH exchange rate announced by the NBP was PLN 0.3981 per UAH.

The PLN/USD exchange rate

The table below summarizes the median, highest and lowest exchange rates as well as period-end exchange rates as announced by the NBP for PLN/USD foreign exchange transactions in the respective periods. The Issuer cannot guarantee, however, that the actual value of the PLN corresponds to the given value of the USD or that it might have corresponded or been translated into USD at the referred rate or any other rate or exchanged at all.

	PLN/USD exchange rate			
	Median	**High**	**Low**	**Period Ended**
2007	2.7692	3.0400	2.4260	2.4350
2008	2.4062	3.1303	2.0220	2.9618
2009:				
January	3.1740	3.4561	2.8844	3.4561
February	3.6340	3.8978	3.4653	3.6758
March	3.5487	3.7906	3.3330	3.5416
April	3.3592	3.5222	3.1946	3.2859
May	3.2319	3.3281	3.1543	3.1812
June	3.2172	3.2742	3.1248	3.1733
July	3.0547	3.1852	2.9230	2.9525
August	2.8964	2.9795	2.8460	2.8675
September	2.8587	2.9401	2.7969	2.8852
October	2.8428	2.9237	2.7750	2.8595
November	2.7949	2.9195	2.7364	2.7538
December	2.8342	2.9293	2.7093	2.8503
2010:				
January	2.8518	2.9315	2.7571	2.9083
February	2.9385	3.0334	2.9213	2.9251
March	2.8673	2.9163	2.8083	2.8720
April	2.8799	3.0038	2.8325	2.9305
May	3.2137	3.3595	2.9928	3.3132
June	3.3571	3.4916	3,2463	3.3946

Source: National Bank of Poland

On August 25, 2010, the PLN/USD exchange rate announced by the NBP was PLN 3.1492 per USD.

Timetable of the Offering

October 18 – October 21, 2010 until 4 p.m.	Book-building
October 22, 2010 until 9.00 a.m.	Announcement of the Offer Price and the final number of Offer Shares in each tranche
October 22 – October 27, 2010	Accepting subscriptions in the Retail Tranche
October 22 – October 27, 2010 until 6 p.m.	Accepting subscriptions in the Institutional Tranche
not later than October 29, 2010	Allocation of the Offer Shares

After consulting the Offering Broker, the Issuer may decide to change the above dates. Information as to the change of dates, if any, will be made public in the form of an announcement pursuant to section 27 of the Public Offer and Prospectus Law or a supplement to the Prospectus in accordance with Section 14 of the Public Offer and Prospectus Law (if required). If in the Issuer's opinion, a change of dates for subscriptions would be a material factor affecting the evaluation of the Offer Shares, then such change should be made public in the form of a supplement to this Prospectus.

RISK FACTORS

In addition to the other information contained in the Prospectus, prospective investors should consider carefully the specific risks set out below before making a decision to invest in the Shares. These risks and uncertainties may not be the only ones facing the Group. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial may also impair the Group's operations. The business, results of operations, financial condition or prospects of the Group could be materially adversely affected by any of the following risks, together with possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Group's business. The trading price of the Shares could decline due to any of these risks and investors could lose part or all of their investment.

Risks Relating to the Group's Business and Industry

The Group currently benefits from tax exemptions, 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 Law of Ukraine "On the Fixed Agricultural Tax", dated December 17, 1998, as amended (the "**Law on Fixed Agricultural Tax**"), 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 sales of agricultural goods of their own production account for more than 75% of their gross revenue. FAT is paid in lieu of corporate income tax, land tax, municipal tax, duties for geological survey works and duties for trade patents. The amount of FAT payable is calculated as a percentage of the deemed value of all land plots (determined as of July 1, 1995) leased or owned by a taxpayer. In accordance with the Law on Fixed Agricultural Tax, the Group elected to pay FAT in lieu of other taxes in 2010, and currently all of the Group's subsidiaries, except "Living" LLC, pay FAT. For the year ended December 31, 2009, the Group paid FAT in an aggregate amount equivalent to approximately 0.01% of its income before tax. If the FAT regime is repealed or the Group's application to be registered as a payer of FAT is rejected, the Group would be required to pay corporate income tax at the standard rate (currently 25%) for Ukrainian companies as well as other taxes and duties listed above, which would have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the Ukrainian government allows certain agricultural producers to retain the difference between the value added tax (the "**VAT**") that they charge on their agricultural products and the VAT that they pay on items purchased for their operations, rather than remitting such amounts to the state budget. The VAT benefits received by the Group amounted to U.S. $ 3.7 million in 2009. Any failure by the Group to receive the VAT benefit could have a material adverse effect on the Group's business, results of operations and financial condition.

State subsidies from which the Group benefits are significant and are subject to government approval on an annual basis and could be discontinued.

The Ukrainian government provides various types of financial support to agricultural producers, including certain forms of price regulation. The UAF is a governmental agency that regulates the minimum and maximum prices of agricultural products and prevents undesirable speculative practices in the Ukrainian agricultural industry. The UAF provides loans which are secured by pledges over grain volumes at prices fixed by the Ministry of Agriculture of Ukraine. The pledgor is entitled to repurchase the pledged grain at a price equal to the loan principal plus interest. If the UAF decides to purchase the pledged grain, or the pledgor is unable to repay the loan, the UAF purchases the pledged grain, whereby the total amount paid by the UAF may be substantially above market price.

For instance, in 2009, as a result of a combination of a variety of factors including the global financial turmoil, increased crop supply, low export demand and a devaluation of the hryvnia, Ukrainian crop prices plummeted and the UAF intervened to support domestic prices. Accordingly, the UAF and the Group entered into two loan agreements in 2009 for hryvnia-equivalent of approximately U.S. $ 10.9 million against which the Group pledged approximately 100,000 tonnes of wheat and 3,000 tonnes of rye. The loans matured and were repaid in full as of July 31, 2010.

Any failure by the Ukrainian parliament to approve state subsidies for Ukrainian agricultural producers in the future could have a material adverse effect on the Group's business, results of operations and financial condition.

The Issuer may face changes in the double tax treaty regime between Ukraine and Cyprus.

The Company is incorporated in Cyprus. A company which has its effective management and control exercised from Cyprus, thus having a tax resident status in Cyprus is subject to Cypriot taxation and qualifies for benefits available under the Cypriot tax treaty network, including the double tax treaty between the Government of the Union of Soviet Socialist Republics and the Government of Cyprus, dated October 29, 1982, to which Ukraine is successor and which is still applied in Ukraine (the "**Double Tax Treaty**"). In the event that the majority of the Directors of the Company are not Cyprus tax residents and the effective management and control of the Company is not exercised in Cyprus, there is a risk that foreign tax authorities seeking to establish that Company is a tax resident of their jurisdiction, may challenge the Cypriot tax residency status of the Company.

There can be no assurance that the Double Tax Treaty between Cyprus and Ukraine will not be replaced. Recent reports indicate that the terms of the Double Tax Treaty are being currently renegotiated but a final text for a proposed new Treaty has not as yet been agreed and/or ratified by the two countries. Adverse changes in the Double Tax Treaty may significantly increase the Company's tax burden and interest expenses and adversely affect the Company's business, results of operations and financial condition.

The Group could be subject to liabilities if it is determined that past actions violated Ukrainian corporate laws or regulations.

Ukrainian corporate laws and regulations have developed considerably since Ukraine's transition to a market economy. Some of these laws and regulations contain ambiguities, imprecision and inconsistencies which make compliance with them difficult. As a result, the Group's prior transactions may not have complied with all corporate formalities. In particular, the Group may not have complied or may not have fully complied with all the technical requirements of Ukrainian corporate law with respect to net assets sufficiency, certain transfers of interests in the Group's subsidiaries, reporting requirements for joint-stock companies, privatization, and formation of charter capital.

The above instances of non-compliance with applicable laws and regulations may result in fines, warnings from governmental authorities, a request from governmental authorities to remedy the violations within a prescribed time period, inability to increase share capital of a joint-stock company until the violation is remedied, requests for mandatory winding-up proceedings, or requests to unwind a previous transaction. To date, the Group has not received any notice of material violation from any third party or governmental authority, and although it does not expect that any party would seek to review or modify any of the above-listed transactions or challenge the above-mentioned irregularities, there can be no assurance that this will not occur. Any successful challenge to prior transactions could materially adversely affect the Group's business, results of operations and financial condition.

The Group could be subject to material fines if it is determined that its actions violated Ukrainian competition law requirements.

The Group's business has grown substantially through the acquisition of companies or assets and the establishment of companies incorporated and operating in Ukraine. Many of these acquisitions or formations could have required the prior approval of the Anti-Monopoly Committee of Ukraine (the "**AMC**"). In recent years, the AMC has sought to increase business transparency and to improve Ukraine's competitive environment through changes to competition legislation, the procedures for conducting investigations and through challenges to various anti-competitive practices. Applicable antimonopoly legislation restricts companies and individuals from directly or indirectly acquiring control over other companies or certain assets without the prior approval of the AMC where certain financial or market share thresholds are met. The failure to obtain the necessary approvals for such transactions could subject the Group to fines of up to 5% of the revenue of all entities/persons related to the Group's controlling shareholder and/or the Group by relations of control for the year preceding the year when the fine is imposed, or in the worst case the invalidation of such transactions and the divestment of the relevant companies.

The Group's financial condition and operating results have been and may continue to be adversely affected by market risks.

In the past two years, there has been significant downward pressure on the hryvnia against both the U.S. dollar and the Euro. From September 2008 to July 2010, the official UAH/USD rate has weakened by approximately 62.8% as a result of, among other things, capital outflows. The depth of future depreciation of the hryvnia depends on the level of further capital outflows, the current account deficit and inflation, all of which are conditional on domestic monetary and fiscal policies, as well as the global financial situation. Given the current uncertainties facing the Ukrainian economy and the instability in its political situation, it is likely that the hryvnia will continue to fall in value against both the U.S. dollar and the Euro in 2010.

Fluctuations in interest rates could adversely affect the Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of the Group's fixed rate loans and raise the Group's funding costs. There can be no assurance that the Group will be able to protect itself from the adverse effects of future interest rate fluctuations. Any fluctuations in market interest rates could adversely affect the Group's financial condition.

The Company has been, and will continue to be, controlled by a majority shareholder

Prior to the Offering, majority of the issued and outstanding Shares of the Company are beneficially owned by Mr Iurii Zhuravlov. Following the Offering, Mr Iurii Zhuravlov will beneficially own approximately 56.1% of the Company's Shares. Save for those matters which require the unanimous consent of all shareholders, following the Offering, Mr Iurii Zhuravlov will have the ability to control any action requiring shareholder approval, including electing the majority of the Company's Board of Directors and determining the outcome of most corporate matters without recourse to the Company's minority shareholders. For example, Mr Iurii Zhuravlov could cause the Group to pursue acquisitions and other transactions, even though such transactions may involve increased risk for the holders of Shares. The interests of Mr Iurii Zhuravlov and other shareholders and members of the Group's management may, in some circumstances, conflict with the interests of holders of Shares. Conflicts of interest may arise among the Group, resulting in the conclusion of transactions otherwise than on an arms' length basis. Any such conflicts of interest or transactions could materially adversely affect the Group's business, results of operations and financial condition.

Poor or unexpected weather conditions may disrupt the Group's production of crops.

In 2009, 56.6% of the Group's revenue was attributable to crop production, its principal business segment. Weather conditions are a significant operating risk affecting the Group's crop production. Poor weather conditions (whether too dry or too wet) and unpredictable climate changes may have a negative impact on the Group's operations and performance and may adversely affect crop volumes which may have a material adverse effect on the Group's business, results of operations and financial condition. For example, Ukraine has experienced unsettled weather conditions in 2010, characterized by high frost in the winter, above-average rain fall in the spring and a heat wave in the summer. The net result of these unsettled weather conditions has been a loss of certain harvested crops, including the loss of approximately 11,000 hectares of wheat.

Diseases in the Group's livestock and food products could adversely affect the Group.

In 2009, 28.0% of the Group's revenue was attributable to livestock production. Livestock such as cows, pigs and birds are vulnerable to virus infections and other infection deceases, including foot and mouth decease. Although the Board of Directors believes the Group's dairy operations follow high sanitary standards that minimize the risk of spreading infectious decease, no assurances can be given that the Group's livestock will not be infected from sources outside the Group's control. In recent years, major international food scares such as foot and mouth epidemics have particularly affected the farming sector through import/export bans which have limited the business' access to export markets. Since the Group is mainly oriented on Ukrainian market, such bans are not likely to prevent the Group from accessing its customers. Nevertheless, a serious outbreak of infectious animal disease could have a material adverse effect on the Group's business, financial conditions, result of operations and prospects.

The Group's financial results are sensitive to fluctuations in market prices of its products in Ukraine.

Profitability in the agriculture industry is affected by the prevailing price of such products, which is primarily determined by supply and demand in the market.

Prices for agricultural commodities are the main determinants of the Group's income and its decisions regarding total planting acreage. Agricultural product prices therefore may adversely impact the Group's business, financial condition, results of operations and prospects. Prices of agricultural commodities are influenced by a variety of unpredictable factors, which are beyond the control of the Group, including weather, global population growth and higher living standards, global production of similar and competitive crops and changes in planting strategies, governmental regulations or policies and changes in consumer preferences.

In addition, the Group has in the past experienced fluctuations in its earnings due to seasonality of demand for agriculture products. In a typical year, the prices for sunflower seeds and wheat, for example, generally reach their peak in March and April, followed by a decrease in prices during the autumn months which correspond with the harvesting period. Although the Group is largely able to manage this seasonality by storing its crops in its elevator storage facilities, if the Group was unable to effectively manage inventories to address seasonal changes in demand, it may have a material adverse effect on the Group's business, results of operations and financial condition.

In 2009, sales of poultry, beef and pork products accounted for approximately 28.0% and in the first six months of 2010 sales of poultry, beef and pork products accounted for approximately 35.6% of the Group's revenues. Accordingly, any factors influencing the supply of, or demand for, or price of poultry, beef or pork products in Ukraine could have a material adverse effect on the Group's business, results of operations and financial condition. Such factors may include, among others, increased output by other poultry, beef or pork product suppliers, bird flu, mad cow disease and other livestock diseases, unfavorable fluctuations in the prices for poultry, beef or pork products, changes in consumer preferences and contamination of poultry, beef or pork meat during processing or distribution.

While not as volatile as its other business segments, factors influencing the supply, or demand for, or price of, the Group's food processing products could also have a material adverse effect on the Group's business, results of operations and financial condition.

Failure by the Group to properly manage its storage system may result in damage to products in storage thereby resulting in operating losses.

Crop and seed storage entails significant risks associated with the storage environment, including moisture, temperature and humidity levels, deviations of which may result in damage of crops and seeds. Any significant damage to the products we have in storage could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's operating costs could increase.

Costs related to energy and labor constitute a significant portion of the Group's operating costs. According to the State Statistics Committee of Ukraine, energy prices and wages in Ukraine have been rising and are expected to rise further in the coming years. Therefore, there can be no guarantee that energy price, wage and transportation cost increases could not materially adversely affect the Group's business, results of operations and financial condition.

Disruption in railway transportation or increases in railway costs could affect the Group's business.

Railway transportation is the principal means of transporting the Group's products from its facilities to its customers. As a result, the Group's operations depend on the Ukrainian railway system and the Ukrainian railway operator (the "**Ukrainian Railways**") for transportation and delivery of its products to its customers. Although the Group does not arrange for or assume any of the costs in relation to transportation of its products sold to customers, any increased costs suffered by its customers from disruption in transportation or increased tariffs could put downward pressure on the prices of the Group's products.

The Ukrainian railway system is subject to risks of disruption as a result of the declining physical conditions of the facilities, a shortage of rail cars and load shedding. Failure by Ukrainian Railways to upgrade rolling stock within the next few years could result in a shortage of available working rolling stock, a disruption in transportation of the Group's sold products and increased costs of rail or other substituted transport on the part of the Group's customers. The need to lease additional rail cars in the future, if such need arises, and the costs associated with that, could also have a material adverse effect on the Group's customers and consequently, on the Group's business, financial condition, results of operations and prospects. In addition, the Ukrainian government sets rail tariffs and may further increase these tariffs. The cost of upgrading the rolling stock and other facilities and infrastructure could further contribute to increased tariffs for the Group's customers.

Any disruption in transportation or increase in tariffs for the Group's customers could result in downward pressure on the Group's prices which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is dependent on the availability of third party suppliers of equipment and raw materials.

The Group is dependent on its ability to secure reliable supplies of equipment and other materials, such as seeds, fuel, feed, pesticides and fertilizer, in order to carry out its operations. The Group often interacts with many inexperienced or unsophisticated suppliers that are poorly managed and undercapitalized, which may limit the Group's ability to obtain sufficient quantities of equipment and materials for its operations.

For example, although quality seeds are a prerequisite for successful cropping, Ukraine suffers from a lack of quality seeds, due to (i) a large number of Ukrainian seed suppliers experiencing financial difficulties, (ii) the global decline of the agricultural sector in the late 1990s and early 2000s, and (iii) international suppliers' reluctance to sell seed into Ukraine due to its poor enforcement of intellectual property rights. The Group does attempt to mitigate its exposure by purchasing its seeds from international suppliers, however, there can be no assurance of the quality of such seed production and no assurance can be given that the Group will have continual access to international suppliers and good quality seeds in sufficient quantities for conducting its business.

If the Group is unable to secure sufficient supplies of equipment and materials and at reasonable prices, or that any of its third party suppliers do not perform as expected, it may have a material adverse effect on the Group's business, financial conditions, result of operations and prospects.

Competition in the agriculture industry in Ukraine could adversely affect the Group.

In general, competitive factors in the agriculture industry in Ukraine include price, product quality, breadth of product line and customer service. The Group faces competition from other vertically integrated agriculture companies in Ukraine in respect of its principal products as well as, to a lesser extent, from foreign importers of livestock and food products, particularly from importers of U.S. products, illegal imports and from Ukrainian households that produce food products, such as chicken and other meat products. The Group may also in the future face increased competition from new entrants into the Ukrainian agricultural market, either domestic or foreign. Any new entrants in to the Ukrainian agriculture market from abroad may have greater financial, technical and other resources, more operating expertise and lower cost structures. Competition in the Ukrainian agriculture market could force the Group to reduce its prices for its products or could result in a reduction in the Group's sales volumes. If prices or sales volumes decrease significantly due to increased competition, it could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business could be materially adversely affected if its land lease agreements are not renewed upon expiry or invalidated.

The Group's land bank is leased directly or indirectly from numerous lessors who own the land. The term of the standard lease with each individual lessor is on average for 10 years. In addition, the Group leases the land plots on which all of its production facilities, administrative buildings and staff facilities are situated. The lease agreements can be terminated in certain circumstances including, inter alia, following a court election that there has been a breach of the terms of the lease agreement and as a result of a compulsory purchase of land by the Ukrainian Government. There is also a risk that the Group's land leases may not be renewed upon expiry. Although the Group has a pre-emption right to renew its leases, the cost of renewal may not be commercially viable.

Some of the Group's leases may not contain all of the provisions required under Ukrainian law and thus may be invalidated in court. 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 land use rights.

In addition, prior to 2009, Ukrainian law contained conflicting requirements with respect to notarization of land lease agreements. As of June 2009, notarization of land lease agreements is no longer required by law. None of the Group's land lease agreements entered into before June 2009 have been notarized. Therefore, any challenge of these agreements on the basis of their lack of notarization may result in the invalidation of such lease agreements. Any loss by the Group of its right to use certain land plots could materially adversely affect the Group's business, results of operations and financial condition.

The lease registration process in Ukraine is complicated and lengthy.

Currently, the Group is in the process of registering lease agreements for approximately 16,000 hectares of agricultural land. The lease registration process in Ukraine is long and complicated and may take up to several months to complete.

Due to the complexity of and length of time required for the registration process, the Group sometimes commences operations on the land before the registration process is complete. The Group, therefore, incurs costs without having proper title to the land and consequently might suffer losses should the lease registration not complete. In addition, until registration is complete, the Group does not benefit from certain lessee rights, including pre-emptive rights to extend the term of the lease and purchase the land in the event that the restrictions from owning agricultural land are repealed.

The payments under the Group's land lease agreements may increase.

Under Ukrainian legislation, the parties to a lease agreement are generally free to determine the payments under a land lease agreement. However, 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 that particular 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. Any increase of the land lease payments above the Group's current expectations could materially adversely affect the Group's business, results of operations and financial condition.

The Group may be limited in its ability to renew its land lease agreements or to obtain full ownership rights to land in the future.

The Group's land lease agreements are entered into for a limited period 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 that lease, the lessor being willing to continue leasing the land and the absence of any other potential lessees offering better terms for the lease, there can be no assurance that all lease agreements will be renewed upon their expiration. In addition, Ukrainian legislation requires the lease rights to the 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.

The Group's ability to obtain full ownership rights to agricultural land plots it currently leases is limited by an effective moratorium on the sale of agricultural land in Ukraine. If this moratorium is lifted, the Group might consider acquiring ownership rights to the land plots it currently leases. However, there can be no assurance that the owners of these land plots will agree to sell their land to the Group at commercially acceptable terms or at all. In addition, any material changes to existing laws and regulations on land ownership could limit the Group's ability to obtain full ownership rights to relevant land plots. Furthermore, the Group may face increasing competition for suitable land plots from other companies operating in the Ukrainian agro-industrial sector which may result in higher prices for land. Although under Ukrainian law the Group is entitled to continue leasing land plots on the same conditions if the owner of the relevant land plot changes, unless otherwise provided in the lease agreement, any inability by the Group to secure ownership rights to suitable land plots either at commercially acceptable terms or at all could materially adversely affect the Group's business, results of operations and financial condition.

Covenants in the debt agreements of the Group's subsidiaries may restrict the Group's ability to borrow and invest which could affect its flexibility to operate and its ability to expand.

In order to finance the development of the Group's business, e.g. to maintain regular activities and to make significant acquisitions, the Group has needed, and may further need, to incur debt. To obtain loans, the Group has been, and may continue to be, required to secure such loans by granting suretyships or other types of security over its significant assets owned by the Group. Such credit facilities may provide restrictive covenants that would limit the Group's flexibility to operate. In addition, any onerous collateral requirement may limit the Group's ability to raise additional funds. Some of the Group's current debt facilities contain covenants that impose operating and financial restrictions, including, among other things, restrictions on its ability to incur and extend loans, credit and other debt financing; encumber any assets; receive credits from other banks and use other banks' accounts for Group operational activities. Events beyond the Group's control could prevent it from complying with these covenants and could result in a breach of any such obligations, thus triggering an event of default. Such default could result in the Group's creditors proceeding against collateral securing its indebtedness. Such action could materially adversely affect the Group's business, results of operations and financial condition. If the Group's indebtedness were to be accelerated the Group's assets may not be sufficient to generate the funds necessary to repay to it.

Failure to generate or raise sufficient capital may restrict the Group's development strategy.

The Group's cash flow from operations, as well as proceeds of the Offering and the Group's cash balances may not be sufficient to finance the Group's planned capital expenditures and additional financing may be required. Certain circumstances may affect the Group's ability to raise adequate capital, such as the terms of existing financing arrangements or any changes thereto, existing encumbrances over the Group's assets, expansion of facilities at a faster rate or higher capital cost than anticipated, slower than anticipated revenue growth, and regulatory developments. Disruptions experienced in the international and domestic capital markets since 2007 have led to reduced liquidity and increased credit risk premiums for certain market participants which has resulted in a reduction of available financing or a "credit crunch". See "*Risk Factors −Risks related to Ukraine − Further deterioration of the global economy could have a material adverse effect on the Ukrainian economy and the Group's business*." For example, in 2009, because of the Group's inability to raise adequate capital from lending institutions, the Group significantly scaled back its capital expenditure programme.

To ensure its financing requirements are in line with its development strategy, the Group may need to attract additional equity investments or incur more debt. It may be difficult for the Group to obtain debt financing in Ukraine in local currency on commercially acceptable terms in the future. In addition, certain currency control regulations may hinder the Group's ability to obtain hard currency denominated financings from international lenders on favorable terms, because loans in foreign currency extended to Ukrainian borrowers are subject to prior registration with the NBU. These regulations may be subject to changes and varying interpretations, complicating both the process of determining whether registration is required and the process of obtaining such registration. Although the Group has not experienced any complications in connection with such NBU registration process in the past, there can be no assurance that this will continue to be the case. If the Group cannot obtain adequate funds to satisfy its future capital requirements, it may need to curtail or discontinue the expansion of its facilities which could slow the Group's growth, lead to a loss of market share and otherwise materially adversely affect the Group's business, results of operation and financial condition.

The Group depends on obtaining required permits and other administrative approvals from the State, as well as rights to the land plots.

The Group's operation in the agricultural market is subject to numerous governmental regulations. The requirements are sometimes contradictory, they are changed without public notice and may occasionally be applied retrospectively. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of law, regulations and standards, the issuance and renewal of permits and in monitoring compliance with the terms. The Group is actively monitoring its compliance with existing regulations and requirements. However, violations of any such regulations could result in various penalties or monetary fines that may have adverse effect on the Group's business. Moreover, Group's operation and production facilities could be affected by governmental programs including sanitary inspection, environmental protection or tax and market reforms that, in turn, negatively affect its business. Changes in regulatory regimes could be directly or indirectly related to production or export of the Group's products.

Although we believe that the existing legal and regulatory compliance programmes within the Group adequately address the above mentioned concerns, they may turn out to be insufficient to cover the risks inherent to the respective regulations in Ukraine, which could have a material adverse effect on the Group's business, financial condition and results of operation.

Loss of established relationships with regional governmental authorities may have a negative effect on the Group's business.

State and local authorities are the main landowners, and decisions regarding the sale or rent of land are at their discretion. Therefore, the Group's business depends on maintaining positive working relationships with the relevant regional governmental authorities. It is assumed that the Group currently maintains good constructive working relationships with substantially all of the state and local authorities relating to the business. However, the Group's business and financial state and results of operations could be materially adversely affected, if the relationships with the governmental authorities deteriorate in the future.

The Group is dependent on key personnel.

The Group's success depends, to a significant degree, upon the efforts and abilities of certain key personnel, including the Group's senior management. The Group also benefits from the extensive contacts and relationships of certain of the Group's key personnel. Since Ukraine is currently an emerging economy, with a rapidly developing labor market, it is difficult to employ and retain appropriate executives and specialists who are willing to work for the Group. Furthermore, because of the Group's rapid growth, there is and most probably will be a relatively large personnel turnover. There may be cases when the hired personnel will not actually possess the required qualifications, or will not have the capacity to excel as quickly as required. The loss of any of the Group's key personnel or the Group's inability to hire and retain additional qualified personnel could materially affect the Group's business, results of operations, financial condition and prospects.

The Group may not be able to manage its growth.

The Group intends to grow in terms of quantity and quality of land under control and cultivation. However, it may not be able to successfully integrate such acquisitions or manage to implement its strategy in a timely manner.

Difficulties may arise or material additional expenditure may be necessary in connection with the land lease procedure or such expenditure may require the Group to raise additional debt and/or equity financing.

The Group will also need to maintain the relations with its current customers and to develop relations with new customers and suppliers. There can be no assurance that the Group will be able to achieve any or all of the above successfully.

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

The Group's products may be subject to contamination by disease producing organisms, or pathogens, such as *listeria monocytogenes*, *salmonella* and generic *E. coli*. These pathogens are found generally in the environment and therefore there is a risk that they could be present in the Group's products. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product recalls, liability claims and increased scrutiny by governmental regulatory agencies and could have a material adverse effect on the Group's business, results of operations and financial condition.

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

The Group's operations are subject to various environmental, health, safety and other laws and regulations, including those governing air emissions, solid waste and wastewater discharges and the use, storage, treatment and disposal of hazardous materials, such as disinfectants. The applicable requirements under these laws are subject to amendment, imposition of new or additional requirements and changing interpretations by governmental agencies or courts. No assurance can be given that the Group will be in compliance with these laws and regulations at all times.

In addition, the Group anticipates increased regulation by various governmental agencies concerning food safety, the use of medication in fodder formulations, the disposal of animal by-products and wastewater discharges. Furthermore, business operations currently conducted by the Group or previously conducted by others at property owned or operated by the Group expose the Group to the risk of claims under environmental, health and safety laws and regulations. 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 and other unanticipated events could give rise to expenditures and liabilities, including fines, penalties or even criminal sanctions, which could have a material adverse effect on the Group's business, results of operations and financial condition. The Group could also experience interruptions in its operations for actual or alleged violations of environmental, health and safety laws.

The Group could also incur material costs or liabilities in connection with defending claims related to any of the foregoing. The defence of these proceedings and claims could be time-consuming and significantly divert the efforts and resources of the Group's management personnel. In addition, any such proceeding, even if ultimately determined in the Group's favor, could damage the Group's market reputation and prevent it from maintaining or increasing sales and market share. Protracted litigation could also result in the Group's customers or potential customers deferring or limiting their purchase of the Group's products.

The Group's insurance coverage may be insufficient for any incurred losses.

The Group's insurance may be insufficient to cover all liabilities arising out of or in connection with its business activities. The insurance maintained by the Group may be deemed inadequate compared with the insurance coverage customary in Western Europe for a business of the Group's size and nature.

There are weaknesses in the Group's accounting and reporting systems, accounting personnel and its internal controls and procedures relating to the preparation of IFRS financial statements.

Similar to many other companies that operate in emerging markets, the Group's accounting and reporting systems are not as sophisticated or robust as those of companies organized in jurisdictions with a longer history of compliance with IFRS and the production of complete monthly financial statements for management purposes. The internal audit function of the Group is not presently fully operational and the lack of established accounting and reporting systems which have been in operation for an extended period of time may make the Group's financial information less reliable than that of companies that have implemented these systems over a longer period of time. These shortcomings could adversely impact the quality of decision making by the Group's senior management due to delays in producing complete management accounts on a basis consistent with IFRS. Historically, the Group's senior management has largely based its decisions on sales and cost figures and demand and price trends rather than complete IFRS monthly financial statements.

Each of the Group's Ukrainian subsidiaries prepares separate financial statements under Ukrainian accounting standards for statutory purposes. The preparation of IFRS consolidated financial statements involves, first, the conversion of the statutory financial statements of the Group's subsidiaries into IFRS financial statements through accounting adjustments and, second, the consolidation of all subsidiaries' financial statements. This process is complicated and time-consuming, and requires significant attention from the Group's senior accounting personnel at its corporate headquarters and subsidiaries. The Group's accounting systems and the internal controls and procedures relating to the preparation of the IFRS financial statements are not as advanced as those of companies operating in more developed countries and the preparation of financial statements and their conversion into IFRS may require more time for the Group and its subsidiaries than it does for such other companies. As a result, the Group may not be able to ensure that its consolidated financial statements are prepared and converted into IFRS in a timely manner in accordance with applicable requirements under the Group's financing arrangements or market expectations, or that complete management accounts are produced on a timely basis.

The preparation of the Group's IFRS financial statements requires IFRS-experienced accounting personnel. The Group lacks accounting personnel with substantial experience in IFRS, in particular the complex IFRS rules relating to agricultural companies. In addition to that, in Ukraine there is a limited pool of accounting personnel with IFRS expertise, which makes it difficult for the Group to hire and retain such personnel. There is a risk that any inability to hire or to retain qualified accounting staff could have a material adverse effect on the Group's ability to prepare accurate financial information in a timely manner.

The Group trades with a limited number of customers, the loss of which could disrupt the Group's business.

The Group is highly dependent on a few key customers. If, in the future, these customers fail to purchase the Group's products or decide to purchase fewer products, this could disrupt the Group's business and require it to expend time and effort to develop relationships with new customers, which could have a material adverse effect on the Group's business, results of operations and financial condition. There can be no assurance that, even if the Group could find alternate customers, the Group could receive the same price for its products. See "*Business – Crop Production – Sales and customer management*".

Agroton is a holding company and is, therefore, financially dependent on receiving distributions from its subsidiaries.

Agroton is a holding company and all of its operations are conducted through its subsidiaries. Consequently, it relies on dividends or advances from its subsidiaries, including subsidiaries that are not wholly-owned. The ability of these subsidiaries to pay dividends, and Agroton's ability to receive distributions from its investments in other entities are subject to applicable laws and other restrictions. In addition, such dividends and distributions may be subject to withholding and other taxes which may lead to double taxation or other costs to Agroton. These laws, restrictions, taxes and costs could limit the payment of dividends and distributions which could restrict Agroton's ability to fund the operations which could have a material adverse effect on Agroton's business, results of operations and financial condition.

The payment of dividends to Agroton by its Ukrainian subsidiaries is subject to a number of procedural requirements. Agroton is required to submit documents evidencing its investment in shares of its Ukrainian subsidiaries in order to convert the dividends into U.S. dollars or Euro and transfer them outside Ukraine. As a general rule, the 15% Ukrainian withholding tax is withheld at source in Ukraine on payments of dividends to Agroton, unless Agroton is entitled to the benefits of the double tax treaty.

The dividends distributed to Agroton by a Ukrainian subsidiary will be exempt from withholding tax if Agroton satisfies the procedural requirements of Ukrainian tax legislation, namely, by providing the Ukrainian tax authorities with a tax residency certificate attesting to Agroton's tax residency in Cyprus. There can be no assurance that further restrictions on the payment of dividends to a non-Ukrainian shareholder will not be applied in Ukraine in the future. See also "*–The Group may face changes in the double tax treaty regime between Ukraine and Cyprus*".

The Group is exposed to interest rate risk.

The Group is exposed to interest rate risk principally in relation to its outstanding borrowings. The Group's borrowings are at both fixed and variable rates. With respect to its fixed rate borrowings, there is a risk that over the life of the loan, the rate payable will be higher than the market rate. The Group had financial liabilities with a fixed interest rate of U.S. $ 54.5 million and U.S. $ 57.7 million as at June 30, 2010 and December 31, 2009, respectively. With respect to variable rate borrowings, there is a cash flow risk that the Group may not have enough cash on hand to pay interest due if the rate increases.

The Group is exposed to credit risk.

Credit risk is the risk of financial loss due to the non-fulfillment of the obligations of the Group's customers and counterparties. The Group's credit risk is mainly related to its trade accounts receivable. The majority of the Group's customers are long-standing and there were no significant losses during 2009, 2008, 2007 or the first six months of 2010 resulting from non-fulfillment of obligations by clients. The Group has made provisions relating to trade accounts receivable in 2009, 2008, 2007 and the first six months of 2010 of U.S. $ 0.4 million, U.S. $ 0.4 million, U.S. $ 0.6 million, U.S. $ 0.4 million respectively. Despite the Group's credit risk evaluation procedures, The Group can be unable to correctly evaluate the current financial condition of its customers and counterparties and to accurately determine the ability of such parties to fulfil their relevant financial obligations.

A significant number of the Group's customers and counterparties could experience poor financial performance, or the Group may fail to analyse the credit risk of such parties. Any decrease in the overall credit quality of the Group's customers and counterparties may have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group is exposed to liquidity risk.

Liquidity risk is the risk that the Group will be unable to fulfill its financial liabilities at the date of their maturity. The Group's short-term assets exceeded its short-term liabilities by U.S. $ 39.3 million as at June 30, 2010, compared to U.S. $ 20.5 million as at December 31, 2009.

The Group's ability to raise funding from domestic and international markets in amounts sufficient to meet its liquidity needs could be adversely affected by a number of factors, including in particular Ukrainian and international economic conditions and the state of the Ukrainian financial and market systems. If short-term funding is not available on commercially reasonable terms, the Group would be required to utilize other, more expensive methods to meet its liquidity needs which may not be available on commercially reasonable terms. The use of more expensive funding sources may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Related to Ukraine.

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state. Concurrently with this transformation, Ukraine has been progressively developing into a market economy. In particular, Ukraine's achievements in market oriented reforms have been recently recognized by the EU, which granted market economy status to Ukraine at the end of 2005, followed by the US, which also granted such status to Ukraine in February 2006. Important stage in the process of transformation into a market economy was completed in May 2008, when Ukraine became the World Trade Organization's member. Although substantial progress has been made since independence in reforming Ukraine's economy, along with the country's political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms.

Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into the first quarter of 2010. Despite signs of stabilization, major questions remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centered on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernization of the economy. Set forth below is a brief description of some of the risks incurred by investing in Ukraine, although this list is not an exhaustive one.

Further deterioration of the global economy could have a material adverse effect on the Ukrainian economy and the Group's business.

Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The 2008/2009 global economic crisis severely impacted Ukraine's economy. As Ukraine is a major producer and exporter of metal, chemicals and machinery, its exports have decreased substantially due to weak external demand and low international commodity prices since the end of 2008. In particular, in 2009, export of metallurgical products, chemicals and machinery declined by 53.6%, 51.1% and 63.1%, respectively. Aggravated by other negative factors, such as the increase in energy prices and the absence of financial support from domestic and international lenders, this caused the decrease in the production volumes of the Ukrainian industrial enterprises, suspension of production processes and mass layoffs. Unless external commodity prices significantly increase in the second half of 2010, major Ukrainian exporters may continue to experience difficulties with sales of their products. Any further global economic downturns or deterioration in international commodity prices may have negative effects on the Ukrainian economy as a whole and thus on the Group's business, financial condition, results of operations and prospects.

Furthermore, disruptions experienced in the international and domestic capital markets since 2007 have led to reduced liquidity and increased credit risk premiums for certain market participants which has resulted in a reduction of available financing or a "credit crunch". Companies located in emerging market countries have been particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs which resulted in them experiencing financial difficulty. If the "credit crunch" were to continue and the Group were to suffer from reduced liquidity and increased costs of financing as a result, this may have negative effects on the Group's business, financial condition, results of operations and prospects.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Thus, deterioration in the investment climate in emerging markets since the end of 2008 resulting in a decrease in sovereign and corporate credit ratings affected the price and availability of funding for entities within these markets. Any further decrease in investor confidence within the emerging markets may have a negative effect on the price or availability of funding within such markets for the Group and, as a result, on its business, financial condition, results of operations and prospects.

Emerging markets such as Ukraine are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt the Group's business.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. In particular, investors should be aware that emerging markets such as Ukraine are subject to greater risk than more developed markets, including significant political, economic and legal risks. Prospective investors should also note that emerging economies such as Ukraine's are subject to rapid change, and that some or all of the information set out in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market tends to adversely affect prices in debt and equity markets of all emerging markets as investors move their money to more stable, developed markets. Since the second half of 2008, financial problems caused by global economic slowdown and an increase in the perceived risks associated with investing in emerging economies dampened foreign investment in Ukraine, resulted in an outflow of capital and an adverse effect on the Ukrainian economy. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide whether, in light of those risks, their investment is appropriate.

The Ukrainian economy has been severely affected by the world financial and economic crisis.

In recent years, the Ukrainian economy has been characterized by a number of features that contribute to economic instability, including a relatively weak financial system providing limited liquidity to Ukrainian enterprises, tax evasion, significant capital flight, and low (but rising) wages for a large portion of the Ukrainian population.

Although the Ukrainian economy has been growing at the average of approximately 7% each year since 2000, this growth has been driven mainly by a rapid increase in foreign demand, rising commodity prices on external markets and the availability of foreign financing. While positively affecting the pace of Ukrainian economic growth in recent years, these factors made the Ukrainian economy overly vulnerable to adverse external shocks. Thus, as the global economic and financial situation started to deteriorate, Ukraine's economy was one of the most heavily affected by the downturn. The negative influence of these external factors has been compounded by the weaknesses in the Ukrainian economy, which has been vulnerable to external and internal events. In particular, although the Government has generally been committed to economic reform, the implementation of reform has been impeded by lack of political consensus, controversies over privatization (including the lifting of moratorium on the sale of land in the agricultural sector and privatization of large industrial enterprises), restructuring of the energy sector, and removal of exemptions and privileges for certain state owned enterprises or for certain industry sectors. As a result, according to the State Statistics Committee of Ukraine, in 2009, Ukraine's GDP declined by 15.1% as compared to 2008.

In 2009, due to high decrease in consumption level, social expenditures of the Government, macroeconomic imbalances, decreasing external commodity prices and stabilization of the Ukrainian currency, the annual rate of inflation decreased to 15.9%, compared to 25.2% in 2008 and 16.6% in 2007 (as reported by the State Statistics Committee of Ukraine). In the beginning of 2010 slow recovery in aggregate demand, relatively stable exchange rate and frozen utilities tariffs, resulted in a slowdown of inflation.

In addition, industrial output has decreased dramatically in 2009. In particular, according to the State Statistics Committee of Ukraine, the decline in industrial output in 2009 amounted to 21.9%, compared to a decline of 3.1% in 2008 and a growth of 10.2% in 2007. Industrial output further increased in the period ended February 28, 2010 by 8.8%, as compared to a 32.6% decrease for the same period in 2009 and 8.9% growth for the same period in 2008.

The negative trends in Ukrainian GDP and decreases in industrial output are likely to continue while commodity prices on the external market remain low and access to foreign credit is constricted, and unless the Ukrainian Government undertakes certain important structural reforms in the near future while continuing to exercise monetary policies aimed at reduction of inflation rate. 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) reforms 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) reforms of social benefits and pensions. No assurance can be given that policies favoring these and other reforms will be implemented and, even if implemented, that these policies will be successful, or that the economy in Ukraine will rapidly improve in 2010. Any further economic downturn may adversely affect the Ukrainian economy in general and, as a result, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Ukrainian currency is volatile.

In view of the high dollarization of the Ukrainian economy and increased activity of the Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of hryvnia exchange rate fluctuations.

In the past few years, the official exchange rate for the hryvnia against other currencies has been fixed by the NBU within a range which was set annually. In 2003 and 2004, the U.S. dollar/hryvnia exchange rate had averaged UAH 5.33 and UAH 5.32 per U.S. dollar, respectively. In April 2005, the NBU revalued the hryvnia, fixing the rate against the U.S. dollar at UAH 5.05 per U.S. dollar. The official exchange rate remained at this level until May 2008, when the NBU revalued the hryvnia, fixing the rate against the U.S. dollar at UAH 4.85 per U.S. dollar.

Since September 2008, the official U.S. dollar/hryvnia exchange rate has increased from UAH 4.85 per U.S. dollar as at September 24, 2008 to UAH 7.93 per U.S. dollar as at April 15, 2010. The NBU sought to address the hryvnia instability by taking administrative measures (including certain currency market restrictions), and, according to the statements of the NBU officials, reportedly more than U.S. $ 10 billion of the NBU's foreign exchange reserves were used to support the Ukrainian currency in the last quarter of 2008 and in 2009. Subsequently, the official exchange rate decreased to UAH 7.998 per U.S. dollar as at August 31, 2009. Such fluctuations in the U.S. dollar/hryvnia exchange rate have negatively affected the ability of the Ukrainian borrowers to repay their indebtedness to Ukrainian lenders (more than 50 per cent. of the domestic loans are denominated in foreign currency) as well as to external lenders.

No assurance can be given that the hryvnia will not depreciate further in the near future, given the absence of significant currency inflow from exports and foreign investment, as well as the anticipated need for borrowers to repay a substantial amount of the short-term external private debt (estimated by the NBU to be more than, U.S. $ 20 billion). Any further currency fluctuations may negatively affect the Ukrainian economy in general, the ability of Ukrainian borrowers to service their loans and, as a result, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Ukraine has limited external sources of public financing.

Ukraine's internal debt market remains illiquid and underdeveloped as compared to markets in most western countries. In the wake of the emerging market crisis in the autumn of 1998 and until the second half of 2002, loans from multinational organizations such as the International Monetary Fund (the "**IMF**"), the European Group for Reconstruction and Development (the "**EBRD**"), the World Bank and the EU comprised Ukraine's only significant sources of external financing. From 2003 through the beginning of 2008, international capital markets have been Ukraine's main source of external financing. However, since the second half of 2008, prospects for raising new financing on international capital markets have worsened substantially. Following downgrades of Ukrainian credit ratings in 2008, in March 2010, Fitch Ratings Ltd., Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and Moody's Investor Service revised their long-term foreign currency sovereign credit ratings on Ukraine to B (stable) B-/C and Ba3, respectively.

Due to the reduced access to international financing, Ukraine sought financial support from the international financial organizations. In particular, following negotiations between Ukraine and IMF in November 2008 the Executive Board of the IMF approved a 24-month Stand-By Arrangement for SDR 11 billion (approximately U.S. $ 16.4 billion) designed to help Ukraine meet the balance of payments needs created by the collapse of steel prices, and the global financial turmoil and related difficulties in Ukraine's financial system. The Stand-By Arrangement established certain requirements to Ukraine's economic and financial policies, including introduction of the flexible exchange rate regime, elimination of certain exchange controls, implementation of a comprehensive bank resolution strategy and compliance with certain fiscal policy requirements (e.g., pension and tax reforms in the context of the 2010 state budget). Although some of the requirements and thresholds have subsequently been revised due to the continued economic downturn (the fiscal deficit target has been relaxed from balanced to a deficit of 5% of GDP), the IMF has generally acknowledged Ukraine's progress in its implementation of measures aimed to restore economic and financial stability. On July 28, 2010 the IMF approved a 29-month SDR 10 billion (about U.S. $ 15.15 billion) Stand-By Arrangement (SBA) for Ukraine in support of the authorities' economic adjustment and reform program. An initial disbursement equivalent to SDR 1.25 billion (U.S. $ 1.89 billion) is available immediately, with subsequent disbursements subject to quarterly reviews. The SBA entails exceptional access to IMF resources, amounting to 728.9 percent of Ukraine's quota in the Fund. The first tranche of U.S. $ 1.89 billion was already disbursed, U.S. $ 1 billion of which will be applied towards financing the budget deficit, and the remainder will be used for currency reserves of the National Bank of Ukraine. It is expected that successful cooperation with the IMF will have a positive effect on Ukraine's ability to receive support from other financial institutions (e.g., EBRD and World Bank).

The absence of a deep and liquid market for domestic treasury bonds means that Ukraine remains vulnerable in the current external environment where access to international capital markets is not possible or if such markets are only accessible on unfavorable terms. Currently, the Government relies on official borrowings to finance part of the budget deficit, fund its payment obligations under domestic and international borrowings and support foreign exchange reserves. These borrowings (such as the Stand-By Arrangement with the IMF) are often conditioned on Ukraine's satisfaction of certain requirements, which may include, among other things, implementation of certain strategic, institutional and structural reforms; reduction of overdue tax arrears; no increase of budgetary arrears; improvement of sovereign debt credit ratings; reduction of overdue indebtedness for electricity and gas and responsible monetary policy. Under such circumstances, any failure of Ukraine to receive further support from international financial institutions (such as the IMF and the World Bank) or any problems in the administration of Ukraine's external debt could adversely affect Ukraine's financing of its budget deficit, the level of inflation and/or the value of the hryvnia, which, in turn, may adversely affect the Ukrainian economy as a whole, and thus, the Group's business, financial condition, results of operations and prospects.

Sectors of the Ukrainian economy are dependent on the maintenance of positive relationships with Russia.

Ukraine generally maintains positive relations with its neighbors. Taking into account its geographical position and history, Ukraine's closest relationships are with the Russian Federation and Poland. Significant relations have also been developed with countries of the EU (including Germany, Hungary, Slovakia and Romania), Commonwealth of Independent States countries (including Belarus and Georgia), as well as Turkey.

As an energy-dependent country, Ukraine relies to a significant extent on supplies of energy resources from, or deliveries of such resources through, Russia. In addition, a large share of Ukraine's services receipts comprises transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. As has been demonstrated in recent years, any significant change in the relationship between the two countries has tended to affect their relations in the energy sphere.

In particular, relations between Ukraine and Russia in the sphere of gas supplies have been intense since late 2005 when gas prices in Ukraine rose as a result of disagreements between Gazprom, the Russian gas monopoly, and National Joint-Stock Company "Naftogas of Ukraine" ("**Naftogas**"), the Ukrainian stateowned oil and gas company over the prices and methods of payment for gas delivered by Gazprom to, or for transportation through, Ukraine. In January 2006, Gazprom temporarily stopped supplies of natural gas to Naftogas in connection with a dispute over an increase in prices and the companies subsequently entered into new gas supply arrangements, which reportedly included higher natural gas prices and higher transit fees for Russian natural gas through the territory of Ukraine. In 2006 and 2007 the companies reportedly agreed to further increase prices for supplies of natural gas to Ukraine.

A recent dispute between Gazprom and Naftogas erupted in January 2009, resulting in disruptions in the supply of Russian gas to Ukraine, as well as to the Balkans and Central Europe. The dispute was caused by disagreements on the status of Naftogas' debt for gas supplies and failure by the companies to agree on the price for natural gas in 2009. The dispute was resolved upon repayment of indebtedness of Naftogas to Gazprom and execution on January 19, 2009 of an agreement between the companies for the supply of natural gas to Ukraine in 2009-2019. According to the agreement, Ukraine and Russia started to implement market pricing mechanisms based on a formula tied to the price of oil, which resulted in another increase of gas supplies prices for Ukraine. Thus, reportedly the price for natural gas for Ukraine more than doubled since 2006, while the increase in the Ukrainian transit fee for Russian gas has not been comparable. Following the recent election of President Yanukovych, however, in March 2010, Russia and Ukraine signed certain agreements to increase the transit of natural gas through Ukraine. In addition, in April 2010, Russia agreed to a 30% decrease in the price of its gas supplies to Ukraine in exchange for a 25 year extension of the lease relating to the stationing of the Russian.

Approximately 20% of Ukrainian export goods currently go to Russia, while much of Russia's exports of energy resources are delivered to the EU via Ukraine. The considerable dependence of the Ukrainian economy on Russian energy resource exports, accompanied by the increase of the price for natural gas by Russia, may adversely affect the Ukrainian economy. Further, the gas price increases have increased pressure for reforms in the energy sector and modernization of major energy consuming industries of Ukraine through the implementation of energy-efficient technologies and modernization of production facilities. However, there can be no assurance that this will take place.

Russia has also opposed Ukraine's efforts to join the North Atlantic Treaty Organization (see "*–Any deterioration in Ukraine's relationships with western governments and institutions may adversely affect the Ukrainian economy and the Group's business*"), stating that joining the North Atlantic Treaty Organization by Ukraine would negatively affect its relations with Russia in various fields, including military and economic cooperation.

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

Any deterioration in Ukraine's relationships with western governments and institutions may adversely affect the Ukrainian economy and the Group's business.

Trading in goods with the EU member-states in 2009 accounted for approximately 23.9% and 33.9% of Ukraine's total exports and imports of goods, respectively, while trading in services in the same period accounted for approximately 31.4% and 58.1% of total export and import volumes, respectively. In addition to maintaining trade relations, the Ukrainian Government also indicated that it would look to the EU and the EU member-states to provide financing in order to replace sources of funding previously available from the international capital markets. In addition, discussions have reportedly been held between the Ukrainian Government and the European Commission recently on modernization of the Ukrainian gas-transporting system. Ability to maintain trade relations with and to source financing from the EU member-states will have a material impact on the overall condition of Ukraine's economy.

Any major changes in Ukraine's relations with western governments and institutions, in particular any such changes adversely affecting the ability of Ukrainian manufacturers to access world export markets, may have negative effects on the Ukrainian economy as a whole and thus on the Group's business, financial condition, results of operations and prospects.

Any deterioration in Ukraine's business environment prolonged lack of liquidity could adversely affect the Group.

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 characterized by management that lacks experience in responding to changing market conditions, and in particular to economic disruptions, and limited capital resources with which to develop their operations. In addition, Ukraine has a limited infrastructure to support a market system, with communications, banks and other financial infrastructure being less well developed and less well regulated than their counterparts in more developed jurisdictions. The current financial and economic crisis has put even more pressure on Ukrainian enterprises, which are currently facing significant liquidity problems due to a limited supply of domestic savings, absence of, or limited, foreign sources of funds and lending by the Ukrainian banking sector, high taxes and 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. Any further deterioration in the business environment in Ukraine or prolonged lack of liquidity could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Continued lack of access to foreign trade and investment could have a material adverse effect on the Ukrainian economy and the Group's business.

The Ukrainian economy is to a certain extent dependent on foreign investment. Despite improvements in the economy from 2005 to 2008, Ukraine has experienced a severe contraction of cumulative foreign direct investment, as well as a considerable foreign capital outflow due to the economic downturn and political instability in Ukraine since the 4th quarter of 2008. The increased risk of sovereign debt default amidst the severe economic crisis and lack of political consensus undermined foreign investors' confidence in Ukraine. In 2009, foreign direct investment declined by 2.2 times compared to 2008, which together with extensive repayments of external debt by the Ukrainian government and private sectors with little or no refinancing opportunities in the international markets, resulted in Ukraine's financial account deficit of U.S. $ 11.8 billion in 2009 compared to a U.S. $ 9.6 billion surplus in 2008.

No assurance can be given that Ukraine will be able to restore its receptiveness to foreign trade and investment in a timely manner. Further, although the Government has repeatedly emphasized that the plans announced in early 2005 to review the privatization of a number of major companies are no longer under consideration, any future attempts to nationalize private enterprises could adversely affect the climate for foreign direct investment. Any further deterioration in the climate for foreign direct investment in Ukraine could have a material adverse effect on the economy and thus on the Group's business, financial condition, results of operations and prospects.

Ukraine is experiencing political uncertainty.

Recent political uncertainty in the lead-up to the elections (held on January 17, 2010 with a second round on February 7, 2010) has contributed to the issues facing the Ukrainian economy. The recent election resulted in the declaration of Viktor Yanukovych as president by a small margin. Losing the presidential race, the incumbent Prime-Minister Yulia Tymoshenko was voted out of the Government on 3 March, following a vote of no confidences. On March 11, 2010, factions of Yanukovich's 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 the members of the President's Party of Regions with a few positions being occupied by other political forces.

As at the date of this Prospectus, relations between the President, the Government and Parliament, as well as the procedures and rules governing the political process in Ukraine remain in a state of uncertainty.

It is possible that reforms and economic growth may be hindered as a result of such instability or the results of the last elections. Any circumstances or changes affecting the stability of the government or involving a rejection or reversal of reform policies favoring privatization, industrial restructuring and administrative reform may have a material adverse effect on the economy and, thus, on the Group's business, financial condition, results of operations and prospects.

The Ukrainian legal system is continuing to develop, which may result in 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: (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) a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism through which the Constitutional Court of Ukraine exercises its constitutional jurisdiction; (iv) general inconsistency in the judicial interpretation of Ukrainian legislation in the same or similar cases and difficulty in predicting the outcome of judicial application of Ukrainian legislation; (v) corruption within the judiciary and (vi) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in an understandably organized form.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Parliament. For example, with effect from 2004 and 2005, Ukraine adopted a new civil code, a new commercial code, new civil and administrative procedural codes, a new law on state registration of proprietary rights to immovable property, a new law on international private law, new secured finance laws and a new law on personal income tax. In June 2005, Ukraine adopted a new law on credit histories and credit bureaus which entered into force in January 2006. With effect from 2006, new laws on securities and stock market, holding companies and mortgage bonds were adopted and the laws on mortgage and real estate construction financing schemes were significantly amended. In September 2008, Ukraine adopted a new law on joint-stock companies, which entered into force in April 2009.

Following the outbreak of the economic and financial crisis in the 4th quarter of 2008 and in 2009, the Parliament adopted several new laws intended to support the Ukrainian financial sector and agricultural enterprises, encourage industrial innovations, increase demand for domestic industrial products and improve the Ukrainian balance of payments. Furthermore, on June 23, 2009, the Parliament adopted another law aimed at minimizing the negative consequences of the financial crisis.

However, the recent origin of many of the Ukrainian laws, their limited history of applicability in the conditions of economic downturn, as well as lack of consensus as to measures necessary to address adverse developments in the Ukrainian economy may place the enforceability and underlying constitutionality of such 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 weaknesses in Ukraine’s legal system could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Weaknesses in relation to the Ukrainian legal system and Ukrainian law create an uncertain environment for investment and business activity.

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 mostly been impartial, the system of constitutional jurisdiction itself remains complicated. 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.

Ukraine’s court system is understaffed and underfunded. Judicial decisions under Ukrainian law generally have no precedential effect. Not all Ukrainian legislation is readily available to the public or organized in a manner that facilitates understanding. Further, only a small number of judicial decisions are publicly available and, therefore, the role of judicial decisions as guidelines in interpreting applicable Ukrainian legislation to the public at large is generally limited. However, according to a law “On Access to Court Decisions” which became effective on June 1, 2006, all decisions of courts of general jurisdiction in civil, economic, administrative and criminal matters issued from June 1, 2006 onward (and, in the case of local courts of general jurisdiction, from January 1, 2007) have become available to the public.

The Ukrainian judicial system became more complicated and hierarchical as a result of the recent judicial reforms. The generally perceived result of these reforms is that the Ukrainian judicial system has become even slower than before.

The enforcement of court orders and judgments can, in practice, be very difficult in Ukraine. The State Execution Service, a body independent of the Ukrainian courts, is responsible for the enforcement of court orders and judgments in Ukraine. Often, enforcement procedures are very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient bank account funds, the complexity of auction procedures for the sale of the defendant’s property or the defendant undergoing bankruptcy proceedings. In addition, the State Execution Service has limited authority to enforce court orders and judgments quickly and effectively. Ukrainian enforcement agencies are bound by the method of execution envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealizable. Furthermore, notwithstanding the successful execution of a court order or a judgment, a higher court could reverse the court order or judgment and require that the relevant funds or property be restored to the defendant. Moreover, in practice, the procedures employed by the State Execution Service do not always comply with applicable legal requirements, resulting in delays or failures in the enforcement of court orders and judgments.

These uncertainties also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights or responsibility to investors and in certain cases, the courts may not enforce these rights. In the event courts take a consistent approach in protecting rights of investors granted under applicable Ukrainian legislation, the legislature of Ukraine may attempt legislatively to overrule any such court decisions by backdating such legislative changes to a previous date.

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. The Group may be subject to such claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties of the Ukrainian judicial system could have a negative effect on the Ukrainian economy as a whole, and thus, on the Group's business, financial condition, results of operations and prospects.

Ukrainian tax law and practice are not fully developed and are subject to frequent change and reinterpretation.

Ukraine currently has a number of laws related to various taxes imposed by both central and local authorities. Applicable taxes include value-added tax, corporate income tax (profits tax), customs duties, payroll (social) taxes and other taxes. These tax laws have not been in force for significant periods of time, compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, tax laws in Ukraine are subject to frequent changes and amendments, which can result in either a friendlier environment or unusual complexities for the Group and its business generally.

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. 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 fines, penalties and interest charges. These circumstances generally create tax risks in Ukraine more significant than typically found in countries with more developed tax systems. Generally, 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 declarations, unless criminal proceedings against tax payers are commenced. However, this statutory limitation period may not be observed or may be extended in certain circumstances (for example, when the taxpayer fails to file tax returns for the relevant period as required by Ukrainian law). Moreover, the fact that a period has been reviewed by the competent tax authority does not exempt that period, or any tax declaration/return applicable to that period, from further review.

While Management believes 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, financial condition, results of operations and prospects.

There are weaknesses 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 that are in line with U.S. standards, including the standards set forth in the U.S. Sarbanes-Oxley Act of 2002. The concept of fiduciary duties of management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Violations of disclosure and reporting requirements or breaches of fiduciary duties by the Group's shareholders, directors, management or other employees could significantly affect the receipt of material information or result in inappropriate management decisions, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Official economic data and third-party information may be unreliable.

Although a range of government agencies, along with the State Statistics Committee of Ukraine and the NBU, produce statistics on Ukraine and its economy, there can be no assurance that these statistics are as accurate or as reliable as those compiled in more developed countries. Prospective investors should be aware that figures cited in this Prospectus may be subject to some degree of uncertainty and may not be fully in accordance with international standards. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to the application of different methodologies. Starting in the 1st quarter of 2003, Ukraine has been producing data in accordance with the IMF's Special Data Dissemination Standard. There can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation in the early 1990s. Unless indicated, the information and figures presented in this Prospectus have not been restated to reflect such inflation and, as a result, period-to- period comparisons may not be meaningful. Prospective investors should be aware that none of these statistics has been independently verified by any person in connection with the offering of the Notes and is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, prospective investors should be aware that certain statistical information and other data contained in this Prospectus has been extracted from official governmental sources in Ukraine and was not prepared in connection with the preparation of this Prospectus. The Group accepts responsibility only for the correct extraction and reproduction of such information.

Nationalization, expropriation, government intervention and regulation.

Shortly after independence in 1991, Ukraine undertook a programme for privatization of state owned businesses. Although legislation has been implemented to protect private property owners from expropriation and nationalization, there is no assurance that such legislation could not at some point in the future be changed or that all of the rights and interests of owners and creditors of such expropriated and nationalized property would be protected. Restrictive government regulation also may be seen as a form of indirect nationalization.

Risks Relating to the Offering

We may cancel or suspend the Offering.

Until the commencement of acceptance of subscriptions for the Offer Shares, we may withdraw the Offering without providing any reasons for such withdrawal. From the date of commencement of subscriptions for the Offer Shares to the date of allocation of the Offer Shares, we may withdraw the Offering for valid reasons only. Valid reasons may include but are not limited to: (a) sudden or unforeseeable changes in the domestic or international economic or political situation that may have a material adverse effect on the financial markets, the economy or the future of our operations (e.g., terrorist acts, wars, ecological disasters, floods); (b) sudden and unforeseeable changes directly affecting our operations; or (c) according to us or our management, an unsatisfactory level of demand for the Offer Shares in the book building process. In the event of a withdrawal of the Offering, information about the withdrawal will be made available to the public in the form of a supplement to the Prospectus and in the form of a current report in accordance with the applicable legal requirements. Should the Offering be cancelled, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments that have been made will be returned, without interest or compensation, no later than seven business days after the date of the notice of withdrawal from the Offering. The return of payment for the Offer Shares without interest or compensation may also take place if the Offer Shares are not allotted or where there is a reduction of subscriptions placed under the rules set out in this Prospectus or, if excess payments are being returned.

There is no guarantee that active and liquid trading in our Shares will develop.

Prior to the Offering, there was no public market for our Shares. However, currently there are 4,000,000 GDRs (applicable to 25% of the existing share capital of the Company) out of which 3,985,870 GDRs are traded on the Open Market of the Frankfurt Stock Exchange since November 12, 2009. Although all the Shares will be subject to trading on the WSE (including the Shares deposited in Bank of New York Mellon) there is no guarantee that the price of GDRs will not influence the Share price.

In addition, there is no guarantee that active and liquid trading will develop in our Shares after this Offering or, if active trading exists, that it will continue. Investors may not be able to sell their Shares rapidly or, at the current stock price, if there is no active and liquid trading of our Shares. The Share price at the time of this Offering is no guarantee of the stock prices that will develop in the market thereafter.

Investment risk and volatility on the WSE.

The Offer Shares are to be admitted to trading on the WSE. Investors should be aware that the value of the Offer Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Offer Shares may not reflect the underlying value of our net assets. The price at which investors may dispose of their shares will be influenced by a number of factors, some of which will be outside of our control. On any disposal, shareholders may realize less than the original amount invested.

Stock markets have also from time to time experienced extreme price and volume fluctuations, which have affected the market prices of securities and which have been unrelated to the operating performance of the companies affected. These broad market fluctuations, as well as general economic and political conditions, could adversely affect the market price of our shares.

We may be unable to list our Shares on the WSE.

The admission of our Shares to trading on the WSE requires that the Polish FSA receives a certificate from the Cyprus SEC confirming that this Prospectus has been approved in Cyprus, that the NDS registered our Shares and that the management board of the WSE approves that our Shares are listed and traded on the WSE. We intend to take all necessary steps to ensure that our Shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that our Shares will be admitted to trading on the WSE on the date expected or at all.

The admission of the Shares to stock exchange trading on the official listing market (main WSE market) requires the satisfaction of the conditions set out in § 2 and § 3 of the Ordinance of the Minister of Finance dated May 12, 2010 regarding detailed conditions of the market of official stock exchange listing and issuers of securities admitted to trading on such market (the "**Market Ordinance**") and § 3 of the Rules of the Warsaw Stock Exchange adopted in the Resolution of the Board of the Warsaw Stock Exchange No. 1/1110/2006 of January 4, 2006, as amended (the "**WSE Regulations**") and requires a decision of the WSE Management Board. The WSE Management Board may refuse to admit the Shares to trading on the main market if the conditions set out in § 2 Section 1 and § 3 of the Market Ordinance are not met. The WSE Management Board resolution shall be adopted based on an application filed by the Issuer within fourteen days of such application being filed, subject to detailed provisions of WSE Regulations. When examining the application for the admission of Shares to trading on the stock market, the WSE Management Board will take into account: (i) the Issuer's financial situation and its forecasts, especially its profitability, liquidity and debt-servicing ability, as well as other factors affecting the Issuer's financial performance; (ii) the Issuer's development prospects, in particular assessment of a possibility to carry out investment plans taking into account their financing sources; (iii) the experience and qualifications of members of the management and the supervisory bodies (or their equivalents) of the Issuer; (iv) the terms on which the Shares were issued and the compliance of these terms with the principles of the public nature laid out in § 35 of the WSE Regulations; (v) the security of stock exchange trading and the interests of its participants.

On January 1, 2009 certain amendments to the WSE Regulations came into force providing for additional requirements for the admission of shares to stock exchange trading. Such additional requirements include: (i) an obligation to keep the market value of the shares admitted to trading or the equity of the issuer to an amount at least the equivalent of EUR 10,000,000 in PLN in total; and (ii) shareholders holding shares representing less than 5% of the votes at a meeting of shareholders must hold at least 15% of the shares covered by an application for the admission of shares to stock exchange trading or 100,000 shares, with a value of not less than EUR 1,000,000 calculated pursuant to the latest issue price.

There is a risk that the we may be unable to list our Shares on the WSE or we may fail to meet the criteria set out in the Market Ordinance and WSE Regulations and fail to obtain the consent of the WSE Management Board to the admission and introduction of the Shares, including the Offer Shares, to stock exchange trading.

Trading in our Shares on the WSE could be suspended.

If the Polish FSA determines that trading in the Offer Shares on the WSE might jeopardize the proper functioning of the regulated market or the security of trading thereon or cause infringement of investors' interests, it may demand that the WSE suspend the Offer Shares from trading on the WSE for a period not exceeding one month or to permanently exclude the Offer Shares from trading on the WSE.

The Management Board of the WSE may suspend trading in the Offer Shares on the WSE for up to three months: (i) upon the Issuer's application, (ii) if the Management Board of the WSE deems that such suspension is required by the interests and safety of the trading participants, or (iii) if the Issuer is in breach of the regulations governing the WSE.

A decision to suspend the Offer Shares from trading on the WSE could adversely affect the liquidity of the Offer Shares in Poland. There can be no assurance that such a situation will not occur in relation to the Offer Shares.

Our Shares could be delisted or excluded from trading on the WSE.

If the Polish FSA, which is the competent authority of a host member state of the Issuer, finds that the Issuer has committed irregularities or infringed its obligations, it shall refer its findings to the Cyprus SEC, which is the competent authority of the Issuer's home member state. If despite the measures taken by the Cyprus SEC or because such measures prove inadequate, the Issuer persists in infringing the relevant legal or regulatory provisions, the Polish FSA shall, after informing the Cyprus SEC, take all the appropriate measures in order to protect investors. The Polish FSA shall notify the European Commission immediately on application of such measures.

Following the above procedure, Polish FSA could issue a decision to exclude the Issuer's securities from trading on the regulated market, for a specified term or unspecified period of time, impose a fine of up to PLN 1 million or apply both measures simultaneously.

Pursuant to the WSE Regulations, the Management Board of the WSE will exclude the Offer Shares from trading on the WSE in the following events: (i) if the Offer Shares' transferability is restricted; (ii) upon the Polish FSA's demand made pursuant to the provisions of the Polish Trading Act; (iii) if the Offer Shares are reverted from book-entry form; (iv) if the Offer Shares are excluded from trading by the Polish FSA. The Management Board of the WSE may also exclude the Offer Shares from trading on the WSE: (i) if the financial instrument no longer meets the requirements for admission to exchange trading on a given market other than relating to transferability; (ii) if the issuer is persistently in breach of the regulations governing the exchange, (iii) if so requested by the issuer, (iv) if the Issuer's bankruptcy is declared or the petition in bankruptcy is dismissed by the court because the issuer's assets are insufficient to cover the costs of the proceedings, (v) if it considers this necessary to protect the interests and safety of trading participants, (vi) following a decision on a merger, split or transformation of the issuer, (vii) if, for a period of three months, there are no transactions in the Offer Shares on the WSE (viii) if the Issuer undertakes any activity prohibited by law, or (ix) if the Company is placed in liquidation. Delisting of the Offer Shares from the WSE could also result from the Company's application to the Polish FSA for permission to revert the Offer Shares from book-entry to documentary form.

We cannot guarantee that our Shares will never be delisted from the regulated market operated by the WSE. Any such action to delist or exclude the Offer Shares from trading on the WSE would decrease liquidity of the Offer Shares.

We will not pay any cash dividends in the foreseeable future so that any return on shareholders' investment may depend on an increase in the value of their shares.

Our initial focus will be the achievement of capital growth for shareholders and therefore we do not intend to pay any cash dividends in the foreseeable future. As such, it is not possible at this stage to give an indication of the likely level or timing of any future dividends. As a result of the foregoing, any return on shareholders' investment may depend on an increase in the value of the Offer Shares.

Risks Relating to the Shares

The interests of the Company's Principal Shareholders may differ from the interests of other shareholders.

The Company's Principal Shareholders will retain a significant shareholding following the completion of the Offering. Following the completion of the Offering, and assuming full allocation of the Offer Shares, the Principal Shareholders are expected to control 56.1% of the Company's outstanding share capital. As a result, the Principal Shareholders will be able to exercise significant voting control over the resolutions adopted by the General Meeting of Shareholders, including resolutions relating to dividend payments and the appointment of Board members. No assurance can be given that the interests of these Principal Shareholders will be aligned with or will not conflict with the interests of other shareholders.

Exercise of certain shareholders' rights and tax treatment for non-Cypriot investors in a Cypriot company maybe more complex and costly.

The Company organized and existing under the laws of Cyprus, in particular, in accordance with the Cyprus Companies Law, as amended (the "**Cyprus Companies Law**"). The rights and responsibilities of holders of Shares are governed by the Company's articles of association and the laws of Cyprus. Accordingly, the Company's corporate structure as well as rights and obligations of the Company's 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 non-Cypriot investors in a Cypriot company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the General Meeting of Shareholders may be adopted with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Rectification of the Company's registers and/or some corporate actions may require the approval of Cypriot Courts.

Although Poland and Cyprus have a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force.

The Company is not in full compliance with the corporate governance rules of the WSE and may not be able to be fully compliant in the near future.

The Company is not, as of the date of this prospectus, in full compliance with the WSE Corporate Governance Rules of May 19, 2010 (the "**WSE Rules**"), which is a result of differences between Polish and Cypriot law. Certain principles contained in the WSE Rules will apply to the Company only to the extent allowed by the Cyprus corporate law and subject to certain reservations stemming from the Company's corporate structure, especially the single board structure as opposed to the two-tier system that the Rules assume. In cases where the Company will be unable to comply with the principles directly, the Company should endeavor to create procedures maintaining the spirit of such principle.

Future capital measures may lead to considerable dilution of shareholders' holdings in the Company.

We may expand our business in the future, which could lead to considerable need for investment and capital. The procurement of additional capital through future capital increases after expiration of the lock-up period and/or the exercise of conversion rights in connection with convertible bonds or warrants, which may be issued in the future, the acquisition of other companies or corporate holdings using shares of the Company, which have yet to be issued and other capital measures would lead to considerable dilution of shareholders' holdings in the Company.

PERSONS RESPONSIBLE

The Company, the Company's directors that are signing this Prospectus and the Underwriter responsible for the drawing up of the Prospectus accept the responsibility for the information contained in this Prospectus. To their best knowledge and belief, the Company, the Company's directors that are signing this Prospectus and the Underwriter responsible for the drawing up of the Prospectus, declare that having 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.

In accordance with the provisions of the Public Offer and Prospectus Law 2005 of the Republic of Cyprus, the Prospectus is signed by the following persons, who are responsible as to the accuracy, completeness, clarity and update of the prospectus:

On behalf of the Company**, AGROTON PUBLIC LIMITED:**

Iurii Zhuravlov, Chief Executive Officer

Tamara Lapta, Deputy CEO

Nikolai Rozdymaha, Chief Operational Officer

On behalf of the Underwriter responsible for the drawing up of the Prospectus, **Sharelink Securities and Financial Services Limited**

The Managers accept no responsibility whatsoever for the contents of this Prospectus, or for its transaction, or for any other statement made or purported to be made by any of them or on their behalf in connection with us. The Managers disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by the Managers 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.

USE OF PROCEEDS

The amount of the gross proceeds from this Offering depends on the number of the New Shares actually placed and the set Offer Price. The Company and the Managers expect the gross proceeds from the Offering, provided that all of the New Shares are sold, to be approximately U.S. 54.0 million (based on a presumed Offer Price of PLN 30.00, being the Maximum Price). The net proceeds which we will receive from the Offering are estimated to be up to approximately from U.S. $ 52.1 million (based on a presumed Offer Price of PLN 30.00, being the Maximum Price).

The Company intends to use the proceeds from the Offering for the purposes of:

- expansion of storage capacities for agricultural commodities at existing facilities by 82,000 tonnes at a cost approximately equaled to U.S. $ 8.5 million;
- increase by 16,000 hectares of our farm land bank in Ukraine at a cost approximately equal to U.S. $ 4.0 million;
- purchase of additional agricultural machinery for cultivation of 32,000 hectares at a cost approximately equal U.S. $ 16 million;
- acquisition of 130,000 tonnes of storage facilities from SJSC “Khlib Ukrainy” at approximately U.S. $ 13 million.
- increase in working capital needs following capacity expansion.

To the extent that the net proceeds from the Offering are not invested as described above, proceeds will be used to take advantage of other opportunities in line with the Group’s business strategy. The Issuer estimates that the anticipated proceeds will be sufficient to fund all the proposed uses.

Reasons for the Offering

The Offering and the admission are expected to provide a number of benefits to both the Company and the Company’s shareholders, such as the following:

- enabling the Company to raise funds with a view to implementing the Group’s strategy and achieving its strategic goals;
- facilitating the Company’s access to the capital markets and, improving opportunities for further growth, expansion and development of our business and, thus increasing share value to our shareholders;
- raising the profile of the Group’s business;
- strengthening the Group’s reputation as a leading Eastern Ukrainian agroholding, which in turn, may increase the customers base and create better conditions for long-term relationships with clients and suppliers.

DIVIDENDS AND DIVIDEND POLICY

The Board of Directors intends for the Company to re-invest any net earnings to finance the development of its assets and accordingly it is not intended that the Company shall pay any dividends in the foreseeable future.

The dividend policy will be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the Board of Directors and the general meeting of shareholders after taking into account various factors, including the Company’s business prospects, future earnings, financial position, expansion plans and requirements of Cypriot law. Cypriot law does not limit dividends that may be paid out except that the law states that dividends may only be paid of profits and may not be higher than recommended by the Board of Directors.

The distribution of profits and payment of dividends by the Company are subject to compliance with the Cyprus Companies Law, as amended and the Company’s Articles of Association.

The Company in a general meeting may declare dividends to be paid out of profits but no dividend shall exceed the amount recommended by the Board of Directors. The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves.

No distribution of dividends may be made if the net assets of the Company (on the closing date of the previous financial year) are, or following such a distribution would become, lower than the amount of the subscribed share capital plus those reserves which may not be distributed under Cyprus law or the Company’s Articles of Association.

The Board of Directors may declare interim dividends if they determine such interim dividends to be justified by the profits of the Company. Interim dividends can only be paid if interim accounts are drawn up showing that the funds available for distribution are sufficient. In addition, the amount to be distributed may not exceed the total profits since the end of the last financial year plus any profits brought forward and sums drawn from reserves available for this purpose (less any losses brought forward and reserves created pursuant to the requirements of Cyprus law and the Articles of Association).

CAPITALIZATION AND INDEBTEDNESS OF THE GROUP

The following tables set out our consolidated indebtedness and capitalization on an actual basis as of June 30, 2010 and December 31, 2009. This information should be read in conjunction with the section headed "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our audited consolidated financial statements, including accompanying notes. Deferred tax position has been excluded from the analysis presented below.

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
CAPITALIZATION AND INDEBTEDNESS	*U.S. $ thousands*	
Equity and reserves attributable to owners of the parent	**84 565**	**56 049**
Share capital	494	494
Share premium	38 474	38 474
Retained earnings	54 977	26 800
Effect from foreign currency translation	(9 381)	(9 719)
Total current debt	**71 561**	**63 242**
Short-term loans	47 375	48 145
Current portion of long-term loans and borrowings	2 155	3 664
Trade accounts payable	4 568	2 001
Other liabilities and accounts payable	17 463	9 432
Total Non-current debt	**4 920**	**6 260**
Long-term loans and borrowings	447	516
Long-term liabilities for finance leases	4 473	5 744
Total capitalization and indebtedness	**161 046**	**125 551**
NET INDEBTEDNESS		
Cash and cash equivalents	14 687	35 106
Total liquidity	**14 687**	**35 106**
Short-term loans	47 375	48 145
Current portion of long term loans and borrowings	2 155	3 664
Current financial debt	**49 530**	**51 809**
Net current financial indebtedness	**34 843**	**16 703**
Long term loans and borrowing, including finance lease liabilities	4 920	6 260
Non current financial indebtedness	**4 920**	**6 260**
Net financial indebtedness	**39 763**	**22 963**

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
	U.S. $ thousands	
Total Current Debt		
Secured/guaranteed	42 779	32 161
Secured/unguaranteed	3 290	13 442
Unguaranteed/unsecured	1 307	2 541
Guaranteed/unsecured	0	0
Total Current Debt	**47 375**	**48 145**
Total Non-current Debt		
Secured/guaranteed	401	480
Secured/unguaranteed	315	343
Unguaranteed/unsecured	0	0
Guaranteed/unsecured	0	0
Total Non-current debt	**716**	**823**

Contingent Liabilities

The table below sets forth data regarding the off-balance conditional commitments granted by the Group.

	June 30, 2010 (unaudited)	December 31, 2009 (audited)	Change
	U.S. $ thousands		(%)
Financing commitment	1 912	1 985	(3.6)
Credit commitments	0	17	n/a
Operating lease commitments	1 912	1 968	(2.8)
Guarantees and other financial facilities	0	0	0
Other commitments	0	0	0
Total	**1 912**	**1 985**	(3.6)

In its operating business the Group enters into transactions which, upon being entered into, result in contingent liabilities which are not disclosed in the Group's statement of financial position as assets or liabilities. There were no significant off-balance sheet arrangements other than the contractual obligations and commitments with respect to land and fixed assets operating lease agreements. The contingent liabilities expose the Group to various risks, including credit risk.

Significant Change

No significant change in the consolidated indebtedness and capitalization of the Group has occurred since the end of the last financial period, i.e. since June 30, 2010 and up to the date of the Prospectus.

Working Capital Statement

The Company hereby declares that, in its opinion, having duly considered the nature of the Group's banking arrangements and any restrictions on the transfer of, the working capital (on a consolidated basis) is sufficient for present requirements for the next 12 months of the business activities from the date of approval of this Prospectus.

SELECTED FINANCIAL AND OPERATIONAL INFORMATION FOR THE GROUP

The selected information presented in U.S. dollars set out below has been derived from and should be read in conjunction with the Group's audited financial statements as at and for the years ended December 31, 2009, 2008 and 2007, which have been prepared according to IFRS and with the consolidated condensed interim financial information for the six months ended June 30,2010 which have been prepared in accordance with IAS34 (interim financial reporting) and have been reviewed by the auditors, including the accompanying notes thereto, which are included elsewhere in this Prospectus. The following information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

Consolidated Statement of Financial Position

	June 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
		U.S. $ thousands		
ASSETS				
Non-current assets				
Property, plant and equipment	40 185	40 114	44 917	48 340
Intangible assets	8 009	10	9	10
Non-current biological assets	1 828	1 932	1 683	1 442
Long-term financial assets	168	154	152	180
Other non-current assets	314	63	619	1 137
	50 504	**42 273**	**47 380**	**51 109**
Current assets				
Current biological assets	68 844	8 700	9 831	6 602
Inventories	21 072	30 968	19 747	23 001
Trade receivables	5 044	7 482	3 869	6 413
Prepayments and other current assets	1 145	1 515	2 256	8 203
Cash and cash equivalents	14 687	35 106	820	1 385
	110 792	**83 771**	**36 523**	**45 604**
Total assets	**161 296**	**126 044**	**83 903**	**96 713**
EQUITY AND LIABILITIES				
Equity and reserves attributable to owners of the parent				
Share capital	494	494	156	156
Share premium	38 474	38 474	0	0
Retained earnings	54 977	26 800	24 998	42 576
Effect from foreign currency translation	(9 381)	(9 719)	(9 158)	0
	84 565	**56 049**	**15 996**	**42 732**
Minority interest	250	368	236	9 362
Total equity	**84 815**	**56 417**	**16 232**	**52 094**
Long-term liabilities				
Deferred income	0	125	553	1 274
Long-term bank loans	447	516	841	3 797
Long-term finance lease liabilities	4 473	5 744	6 945	4
	4 920	**6 385**	**8 339**	**5 075**
Short-term liabilities				
Short-term loans	47 375	48 145	48 168	33 482
Current portion of long-term liabilities	2 155	3 664	2 416	413
Trade accounts payable	4 568	2 001	4 043	2 064
Other short-term liabilities and accrued expenses	16 447	8 304	3 967	2 733
Short-term provisions	1 016	1 128	738	852
	71 561	**63 242**	**59 332**	**39 544**
Total liabilities	**76 481**	**69 627**	**67 671**	**44 619**
Total equity and liabilities	**161 296**	**126 044**	**83 903**	**96 713**

Consolidated Statement of Comprehensive Income

	For the 6 months ended June 30,		Year ended December 31,		
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**	**2007**
				U.S. $ thousands	
Sales revenue	19 667	26 390	55 288	75 749	51 626
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	44 290	21 521	20 807	17 683	16 123
Cost of sales	(21 049)	(26 929)	(56 223)	(78 492)	(43 963)
Gross profit	**42 908**	**20 982**	**19 872**	**14 940**	**23 786**
Administrative expenses	(3 107)	(2 373)	(5 332)	(7 727)	(6 339)
Distribution expenses	(924)	(843)	(1 638)	(2 579)	(1 866)
Other income, net	(3 841)	920	3 737	133	3 237
Financial expenses, net	(6 960)	(5 417)	(11 588)	(23 657)	(4 246)
Profit/(loss) before tax	**28 076**	**13 269**	**5 051**	**(18 890)**	**14 572**
Income tax expenses	0	0	0	0	(2)
Profit/(loss) for the year	**28 076**	**13 269**	**5 051**	**(18 890)**	**14 570**
Other comprehensive income/(loss) for the year:					
Effect of change in reporting entity	341	217	(572)	(9 656)	0
Total comprehensive income/(loss) for the year	**28 417**	**13 486**	**4 479**	**(28 546)**	**14 570**
Profit/(loss) attributable to:					
Owners of the parent	28 090	13 292	5 070	(18 418)	15 174
Minority interest	(14)	(23)	(19)	(472)	(604)
Earnings per share attributable to the equity holders of the Company during the year: (expressed in USD cents)					
Basic earnings per share	176	N/A	35	N/A	N/A
Diluted earnings per share	176	N/A	35	N/A	N/A
Total comprehensive income/(loss) attributable to:					
Owners of the parent	28 428	13 512	4 509	(27 576)	15 174
Minority interest	(11)	(26)	(30)	(970)	(604)

Consolidated Statement of Changes in Equity

	Share capital	Share premium[4]	Retained earning[5,6]	Effect from currency translation	Total equity attributable to the owner of the parent company	Minority interest	Total
				U.S. $ thousands			
December 31, 2006	**150**	**0**	**27 402**	**0**	**27 552**	**9 966**	**37 518**
Share capital increase	6	0	0	0	**6**	0	**6**
Comprehensive income for the year	0	0	15 174	0	**15 174**	(604)	**14 570**
December 31, 2007	**156**	**0**	**42 576**	**0**	**42 732**	**9 362**	**52 094**
Comprehensive loss for the year	0	0	(18 418)	0	**(18 418)**	(472)	**(18 890)**
Acquisition of non-controlling share	0	0	3 364	0	**3 364**	(8 156)	**(4 792)**

[4] In accordance with the Cyprus Companies Law, Section 55 (2) the share premium, reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

[5] Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defense at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defense is paid by the Company for the account of the shareholders.

[6] In accordance with the Company's Articles of Association, par. 120, dividends can only be paid out of retained earnings.

	Share capital	Share premium[4]	Retained earning[5,6]	Effect from currency translation	Total equity attributable to the owner of the parent company	Minority interest	Total
Net assets distributions	0	0	(2 524)	0	**(2 524)**	0	**(2 524)**
Effect from foreign currency translation	0	0	0	(9 158)	**(9 158)**	(498)	**(9 656)**
December 31, 2008	**156**	**0**	**24 998**	**(9 158)**	**15 996**	**236**	**16 232**
Comprehensive income for the year	0	0	5 070	0	**5 070**	(19)	**5 051**
Acquisition of subsidiary	0	0	0	0	**0**	160	**160**
Effect of change in reporting entity (Note 16)	214	0	97	0	**311**	2	**313**
Issue of additional share capital (Note 16)	124	38 791	0	0	**38 915**	0	**38 915**
Expenses in relation to the increase of share	0	(317)	0	0	**(317)**	0	**(317)**
Net asset distributions	0	0	(3 365)	0	**(3 365)**	0	**(3 365)**
Effect from foreign currency translation	0	0	0	(561)	**(561)**	(11)	**(572)**
December 31, 2009	**494**	**38 474**	**26 800**	**(9 719)**	**56 049**	**368**	**56 417**
Comprehensive income for the year	0	0	28 090	338	**28 428**	(11)	**28 417**
Acquisition of non-controlling share	0	0	87	0	**87**	(107)	**(20)**
Net asset distributions	0	0	0	0	**0**	0	**0**
June 30, 2010 (unaudited)	**494**	**38 474**	**54 977**	**(9 381)**	**84 565**	**250**	**84 815**

Consolidated Statement of Cash Flows

	For the 6 months ended June 30,		Year ended December 31,		
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**	**2007**
				U.S. $ thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit/(loss) before tax	28 076	13 269	5 051	(18 890)	14 572
Adjustments for:					
Depreciation and amortization	2 517	2 327	4 578	5 710	3 504
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(44 290)	(21 521)	(20 807)	(17 683)	(16 123)
Interest income	(2)	(4)	(23)	(24)	(433)
Interest expense	11 379	4 858	9 910	9 356	4 334
Gain on revaluation of long-term accounts receivable at amortized value	(14)	(12)	(26)	7	(17)
Provision for doubtful debts	52	74	106	83	620
Prepayments and other current assets written-off	358	241	93	1 403	130
Loss on write-off of non-current assets	57	302	161	71	160
Gain on write-off of accounts payable	(46)	(4)	(151)	(1)	(93)
Gain on acquisitions of subsidiaries	-	(189)	(186)	(1 925)	(644)
Impairment of goodwill	(95)	(91)	-	166	76
Gain/(losses) on disposal of non-current assets, net	-	0	171	5	(25)
Losses from foreign exchange differences, net	683	571	1 671	13 978	180
Impairment of inventories and harvest failure	2 127	140	500	4 110	-
Compensation for creation of new jobsites	(125)	(213)	(419)	(430)	-
	677	**(252)**	**629**	**(4 064)**	**6 241**
Changes in working capital:					
(Increase)/decrease in trade accounts receivable	2 640	(648)	(3 927)	417	(2 598)
Decrease/(increase) in prepayments and other current assets	276	774	699	128	(2 512)
Decrease in inventories and biological assets	(7 266)	5 060	9 222	3 202	1 083
(Decrease)/increase in trade accounts payable	2 554	(1 129)	(2 038)	3 172	672
Increase/(decrease) in other short-term liabilities and accrued expenses	5 148	3 638	1 685	2 361	(461)
Increase in other provisions accrued	(100)	(429)	421	264	320
Cash generated from operations	**3 929**	**7 014**	**6 691**	**5 480**	**2 745**
Income tax paid	-	0	0	0	(2)
Net cash from operating activities	**3 929**	**7 014**	**6 691**	**5 480**	**2 743**

	For the 6 months ended June 30,		Year ended December 31,		
	2010 (unaudited)	2009 (unaudited)	2009	2008	2007
			U.S. $ thousands		
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(1 697)	(589)	(437)	(8 626)	(11 271)
Proceeds from disposal of property, plant and equipment	0	0	11	12	682
Purchase of non-current biological assets	-	(317)	(317)	(832)	(258)
Proceeds from disposal of non-current biological assets	0	0	0	0	141
Purchase of intangible assets	(8 000)	0	0	0	(8)
Purchase of investments into subsidiary	(20)	(27)	(72)	(5 308)	(180)
Interests received	0	0	23	24	15
Short-term and long-term loans issued to employees and related parties	-	(5)	(14)	(94)	(84)
Repayment of short-term and long-term loans to employees and related parties	4	(20)	37	115	37
Net cash used in investing activities	**(9 713)**	**(918)**	**(769)**	**(14 709)**	**(10 926)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Movements in credit lines, net	9 780	(2 528)	(5 526)	14 075	22 504
Receipts from short-term and long-term loans and borrowings	0	1 496	11 558	2 676	11 767
Repayment of short-term and long-term loans and borrowings	(10 325)	(529)	(1 230)	(718)	(22 236)
Borrowing costs paid	(5 360)	(2 083)	(6 886)	(8 904)	(4 055)
Receipts from government grants as deferred income	0	0	0	18	1 274
Net assets distributions	0	(2071)	(3 365)	(2 524)	0
Receipts from short-term bonds	0	0	0	9 489	0
Repayment of short-term bonds	(1 785)	0	(4 211)	0	0
Repayment of financial lease liabilities	(6 999)	(820)	(929)	(5 561)	0
Proceeds from issue of share capital	0	0	38 968	0	0
Net cash provided with financing activities	**(14 689)**	**(6 535)**	**28 379**	**8 551**	**9 254**
NET INCREASE IN CASH	**(20 473)**	**(439)**	**34 301**	**(678)**	**1 071**
Effect from foreign currency translation	**54**	**8**	**(15)**	**293**	**0**
Cash at the beginning of the year	**35 106**	**820**	**820**	**1 205**	**134**
Cash at the end of the year	**14 687**	**389**	**35 106**	**820**	**1 205**

Tangible fixed assets

The below information sets forth the existing material tangible fixed assets owned by PE Agricultural Production Firm "Agro", including leased properties, and any major encumbrances thereon:

PE Agricultural Production Firm "Agro" owns:

- Novoaydarskyy Elevator 1 and leases the land plot under Novoaydarskyy Elevator 1 from municipalities Novoaydarska Township Council. The property complex is mortgaged with JSCB "Forum".
- Belokurakinskiy elevator and leases the land plot under Belokurakinskiy elevator from Bilokurakinska Township Council. The property complex of Belokurakinskiy elevator is mortgaged with JSCB "Forum".
- Mirnyy chicken farm, Chernukhivska chicken farm, Volkodayevo pig farm and Varvarivka pig farm and leases land under the premises of these farms from the respective municipalities. All 4 farms are mortgaged with JSCB "Forum".
- Markivskyy Cheese factory and leases the land plot under the premises form Markivska Township Council. The factory is mortgaged with JSCB "Forum".
- Luhansk Cheese Factory and operates the land based on the right of permanent use, which will be transformed into lease immediately after perfection of all required technical documentation. The property complex is mortgaged with JSCB "Forum".

- The premises of the headquarters of the Group, Derkulskiy and Milk Complex in Dontsovka, and premises of the bread production facility. The land under the headquarters and land plot under Milk Complex in Dontsovka are leased from Luhansk City Council. The land plots located under the bread production facility and Derkulskiy Milk Complex are not leased yet and will be leased immediately after perfection of all required technical documentation. The headquarters of the Group, the bread production facility and Derkulskiy Milk Complex are mortgaged with JSCB "Forum" and Milk Complex in Dontsovka is mortgaged with the Joint-Stock Commercial Bank "Alfa Bank".

In addition, Novoaydarskyy Elevator 2 is leased by PE Agricultural Production Firm "Agro" from State Joint Stock Company "Khlib Ukrayiny" and the land plot under it is used by PE Agricultural Production Firm "Agro" on the basis of the right to permanent use of land vested in "Novoaydarskyy Elevator", subsidiary company of State Joint Stock Company "Khlib Ukrayiny".

Moreover, Zorynivskyy Elevator is used by PE Agricultural Production Firm "Agro" through the Joint Venture Agreement executed with the Subsidiary Enterprise "Zorynivskyy Elevator" of Sate Joint Stock Company "Khlib Ukrayiny", valid until March 27, 2017. The right to use the land under Zorynivskyy Elevator is contributed by the Subsidiary Enterprise "Zorynivskyy Elevator" of State Joint Stock Company "Khlib Ukrayiny" under the said agreement.

Other companies of the Group do not operate any tangible fixed assets, including leased properties, which are material to the Group's business or profitability.

The Company does not plan any material tangible fixed assets, including leased properties other than those stipulated in section "*Use of Proceeds*".

None of the machinery or equipment of the Group is material to the Group's business or profitability.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's financial condition and results of operations covers the six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008, 2007. The financial information presented in this discussion has been extracted or derived from the consolidated financial statements and should be read together with such consolidated financial statements and related notes included elsewhere in this Prospectus.

Certain information contained in the discussion and analysis set forth below and elsewhere in this Prospectus includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause the actual results to differ materially from those expressed or implied by such forward-looking statements. See "Forward-Looking Statements".

Overview

The Group is a diversified vertically integrated agricultural producer in eastern Ukraine. The Group's core business is crop production, comprising principally wheat and sunflower seeds, as well as the processing, storage and sale of such crops. Currently, the Agroton Group is the fifth largest producer in Ukraine by land under control among publicly traded agribusinesses. In addition, the Group is engaged in livestock and agricultural products processing. Management believes that combining its crop farming, livestock and food production operations offers a strategic advantage for the Group. According to AgroSphere Weekly, Agroton is currently the largest sunflower producer and fourth largest wheat producer in Ukraine.

Crop production sales to external customers accounted for 43.3%, 56.6%, 54.7% and 52.7% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively. Livestock sales to external customers accounted for 35.6%, 28.0%, 25.9% and 11.7% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively. Agricultural products processing sales to external customers accounted for 18.7%, 15.0%, 19.1% and 31.5% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively.

Despite a decrease of 25.5% in sales revenue in the six months ended June 30, 2010 compared to the same period in 2009, the Group's net profit increased 111.7% for the six months ended June 30, 2010 to U.S. $ 28.1 million from U.S. $ 13.3 million for the same period in 2009. This increase primarily resulted from an increase in income from changes in fair value of biological assets and agricultural products, net which was due to valuing the Group's biological assets at a date subsequent to the reporting date.

From time to time the Group's revenues and sales are influenced by the actions of various governmental agencies, including the UAF, a governmental agency that regulates the minimum and maximum prices of agricultural products and prevents undesirable speculative practices in the Ukrainian agriculture industry. The UAF provides loans which are secured by pledges over grain volumes at prices fixed by the Ministry of Agriculture of Ukraine. The pledgor is entitled to repurchase the pledged grain at a price equal to the loan principal plus interest. If the UAF decides to purchase the pledged grain, or the pledgor is unable to repay the loan, the UAF purchases the pledged grain, whereby the total amount paid by the UAF may be substantially above market price.

For instance, in 2009, as a result of a combination of a variety of factors including the global financial turmoil, increased crop supply, low export demand and a devaluation of the hryvnia, Ukrainian crop prices plummeted and the UAF intervened to support domestic prices. Accordingly, the UAF and the Group entered into two loan agreements in 2009 for the hryvnia-equivalent of approximately U.S. $ 10.9 million against which the Group pledged approximately 100,000 tonnes of wheat and 3,000 tonnes of rye. The loans matured and were repaid in full as of July 31, 2010. See "*Risk Factors − Risks Relating to the Group's Business and Industry − State subsidies from which the Group benefits are significant and are subject to government approval on an annual basis and could be discontinued.*"

Factors Affecting the Group's Results of Operations

The Group's performance and results of operations have been and continue to be affected by a number of factors, including, among others, state support for agricultural production in Ukraine, macroeconomic conditions in Ukraine, prices of commodities, harvest yields, exchange rates and interest rates, tax laws and seasonality. See also "*Risk Factors*".

Foreign currency exchange rate

The Group's operating assets are located in Ukraine and its revenues and costs are denominated primarily in hryvnia. However, certain of the Group's finance costs are denominated in foreign currencies, principally U.S. dollars. For the first six months of 2010, approximately 25% of the Group's finance costs were denominated in foreign currencies. In 2009, approximately 20% of the Group's finance costs were denominated in foreign currencies.

As at June 30, 2010, approximately U.S. $ 13.5 million or approximately 28% of the aggregate principal amount of the Group's long-term and short-term bank borrowings (including current portion) consisted of foreign-currency denominated debt, all of which was U.S. dollar-denominated. The Group's short-term bank borrowings and bonds issued (excluding current portion) balance of U.S. $ 33.8 million at June 30, 2010 was hryvnia-denominated.

As at December 31, 2009, approximately U.S. $ 20.2 million, or 41% of the aggregate principal amount of the Group's long-term and short-term bank borrowings (including current portion) consisted of foreign-currency denominated debt, all of which was U.S. dollar-denominated. The Group's short-term bank borrowings and bonds issued (excluding current portion) balance of U.S. $ 28.1 million at December 31, 2009 was hryvnia-denominated.

In accordance with market practice and certain regulatory restrictions in Ukraine, the Group does not use any derivative financial instruments to hedge against currency exchange rates.

Since 2008, there has been significant downward pressure on the hryvnia against both the U.S. dollar and the Euro. From September 2008 to July 2010, the official UAH/USD rate weakened by 62.8% as a result of, among other things, capital outflows.

As a result of the depreciation of the hryvnia against the U.S. dollar, the Group's finance costs and certain of its production costs have increased significantly. Furthermore, the Group's reporting currency is in U.S. dollars and therefore, because of the translation from hryvnia to U.S. dollars, the decrease in the UAH/USD exchange rate is responsible for substantial decreases in reported revenue notwithstanding that revenue in hryvnia may have actually increased.

State support for agricultural production in Ukraine

Due to the importance of the agricultural sector to the national economy as well as the need to improve living conditions in rural areas, support of the agricultural sector has always been a major priority for the Ukrainian government. Currently, state support to the agricultural sector is provided in various forms, including direct purchases of production, special tax treatment, VAT refunds and grants.

State loans via pledges of production

In 2009, the Ukrainian government granted loans to the Group which are secured by pledges over 100,000 tonnes of winter wheat and 3,000 tonnes of rye. The financing received by the two Group companies totaled U.S. $ 11,295 million at annual interest rates of 9.05%. The loans matured and were repaid in full as of July 31, 2010.

Special tax treatment

The Group and several of its subsidiaries are exempt from corporate income tax and pay FAT in accordance with the Law on Fixed Agricultural Tax. FAT is paid in lieu of corporate profits tax, land tax, duties for special use of water objects, municipal tax, vehicle tax, duties for geological survey works and duties for trade patents. The amount of FAT is calculated as a percentage of a deemed value of all land plots (determined as of July 1, 1995) leased or owned. In 2009, the Group paid FAT at a rate equal to approximately 0.01% of its profits. Initially, the FAT regime was introduced to apply until December 31, 2009, however, the crisis-management legislation adopted by the Ukrainian government on October 31, 2008 extended the regime indefinitely.

VAT refunds

According to Ukrainian VAT Law, Ukrainian agricultural companies are entitled to retain the difference between VAT paid on items purchased by such companies for their operations and VAT charged on products sold. The amounts so retained are transferred to special bank accounts and may be used for payments for goods and services related to the Group's agricultural activities. The Group recorded other income related to Grant VAT in the amount of U.S. $ 0.3 million, U.S. $ 3.7 million, U.S. $ 0.4 million and U.S. $ 1.8 million for the six months ended June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007, respectively. See

"*Risk Factors − Risks Relating to the Group's Business and Industry − The Group currently benefits from tax exemptions, which may be discontinued in the future*".

Grants

The Group recorded other income related to government grants, based on legislated subsidies, in the amount of U.S. $ 0.2 million, U.S. $ 0.9 million, U.S. $ 4.1 million and U.S. $ 1.8 million for the six months ended June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007, respectively. See "*Risk Factors − Risks Relating to the Group's Business and Industry − State subsidies from which the Group benefits are significant and are subject to government approval on an annual basis and could be discontinued*".

Macroeconomic conditions in Ukraine

The Group's results of operation and financial condition are dependent on the general economic conditions in Ukraine and particularly on economic growth and inflation and their impact on the purchasing power of the Ukrainian population.

The 2008/2009 global economic crisis severely impacted Ukraine's economy. As Ukraine is a major producer and exporter of metal, chemicals and machinery, its exports have decreased substantially due to weak external demand and low international commodity prices since the end of 2008. In particular, in 2009, export of metallurgical products, chemicals and machinery declined by 53.6%, 51.1% and 63.1%, respectively. Aggravated by other negative factors, such as the increase in energy prices and the absence of financial support from domestic and international lenders, this caused the decrease in the production volumes of the Ukrainian industrial enterprises, suspension of production processes and mass layoffs. However, in the first half of 2010, a recovery in external demand has resulted in increases of 43.6%, 30.8% and 44.9% in exports of metallurgical products, chemicals and machinery, respectively, compared to the same period in 2009.

Furthermore, disruptions experienced in the international and domestic capital markets since 2007 have led to reduced liquidity and increased credit risk premiums for certain market participants which has resulted in a reduction of available financing or a "credit crunch". Companies located in emerging market countries, such as Ukraine, have been particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs which resulted in them experiencing financial difficulty.

As an energy-dependent country, Ukraine also relies to a significant extent on supplies of energy resources from, or deliveries of such resources through, Russia. In addition, a large share of Ukraine's services receipts comprises transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. As has been demonstrated in recent years, any significant change in the relationship between the two countries has tended to affect their relations in the energy sphere and, accordingly, the Ukrainian economy. See "*Risk Factors − Risks Related to Ukraine − Sectors of the Ukrainian economy are dependent on the maintenance of positive relationships with Russia.*"

GDP in Ukraine decreased 3.5% to UAH 914,720 million in 2009 from UAH 949,864 million in 2008 which represented a 31.8% increase from UAH 720,731 million in 2007. In the 1st half of 2010 GDP increased 6.0% as compared to the 1st half of 2009. The following table sets forth the principal macroeconomic indicators for Ukraine for the years indicated.

	For the 1st half of 2010 ended June 30	**For the year ended December 31,**		
		2009	**2008**	**2007**
		(%)		
Change in real GDP	6.0	(15.1)	2.3	7.9
Consumer price index	3.3	15.9	25.2	16.6
Real household income growth	103.7*	91.5	107.6	114.8

Source: State Statistics Committee of Ukraine

* *Three months ended March 31, 2010*

Prices of commodities

The Group generates a significant portion all of its revenues from the sale of wheat and sunflower. As a result, its revenues are directly related to the market prices of these crops. Historically, the market prices of these crops have fluctuated. They are affected by numerous factors over which producers do not have control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes and the trading actions of participants in the commodities markets. Price variations and market cycles have historically influenced the financial results of the Group and management expects that they will continue to do so in the future.

The actual prices the Group receives for its crops can vary significantly from international spot prices. This is due to a number of factors, including that the prices for crops in the Ukrainian domestic market are generally lower than international prices, the quality of the crop that is being sold, the time of year that the crop is being sold and the delivery terms for such sale.

Currently, the Group only sells its crops in the Ukrainian domestic market and prices in the Ukrainian domestic market tend to vary from international prices primarily due to transportation costs, local supply and demand patterns and the absence of a regulated domestic trading market.

The following table sets out the Ukrainian high, low and average spot prices of wheat and sunflower per metric tonne in USD without VAT during the periods indicated:

	For the eight months ended		For the year ended December 31,					
	August 31, 2010		2009		2008		2007	
				(USD per metric tonne)				
	Wheat	Sunflower	Wheat	Sunflower	Wheat	Sunflower	Wheat	Sunflower
Spot high....................	169	359	144	324	249	759	269	540
Spot low	134	284	103	141	100	138	161	191
Spot monthly average	142	320	131	245	214	524	210	337

The Group's current policy is generally not to hedge its exposure to the risk of fluctuations in the market prices of crops, and the Group has not to date engaged in any such hedging activities. However, the Group may consider from time to time using hedging instruments to fix the selling price of a portion of its anticipated crop production and to protect revenues against downward price movements. Any use of such hedging instruments by the Group in the future would only protect against a drop in commodity prices for a limited period of time, and the use of some of those instruments may prevent the Group from realizing the positive impact on income from any subsequent increase in commodities prices.

Prices for seeds, fertilizer, pesticides, fuel, labor, fodder and land leases have a significant effect on the Group's costs in the production of crops, livestock and processed foods, and fluctuations in these commodities have a significant effect on the Group. In order to reduce costs and improve operational efficiency, the Group has implemented certain measures, including the advance purchase of seeds, pesticide and fertiliser in the low season rather than later in the season when prices tend to be higher.

In the first six months of 2010, the costs of seeds, fertilizers, pesticides, fuel, labor, fodder and land leases represented approximately 82% of the Group's total costs.

In 2009, the costs of seeds, fertilizer, pesticides, fuel, labor, fodder and land leases represented approximately 81% of the Group's total costs.

Harvest yields

The Group believes that the impact of adverse weather conditions, which is outside of its control, if significant, could result in a material adverse impact on not only harvest yields but also the Group's operations and financial condition. In the event that the Group experiences significant disruptions to its harvest yields, it would have an adverse impact on the Group's revenues.

Seasonality

A substantial majority of the Group's revenues result crop production and this segment of the Group's business is highly seasonal, and its production cycle is different from its financial year. Production of crops is influenced by both the time of the year and the relative severity of the weather. The Group's crops are generally sown in July and harvested in the period from July to September of the following year. Due to the seasonal nature of agricultural activity, the Group typically generates significantly higher revenues in the second half of the year, when the harvested crops are typically sold, than in the first half of the year.

The Group's business cycle is long and may vary from year to year. The Group aims to sell crops when prices are at their peak. If prices are not favorable following a harvest, the Group may store a particular crop and sell it when prices are more favorable, which may be as late as December of a particular year or even during the first quarter of the following year. Changes in the timing of receipt of revenues may result in variations in the Group's results on a quarterly basis from year to year and may result in increased working capital requirements for the Group, particularly during periods when crops are stored prior to being sold. In addition, the Group typically purchases fertilizer and fuel in the winter period and stores it for future use later in the year, which results in higher cash outflows in the first quarter relative to other quarters.

Factors Affecting Comparability

The Group commenced poultry production in April 2007. Therefore, the Group's results with respect to its livestock segment as at and for the year ended December 31, 2007 are not directly comparable to future years in which operating results for poultry production were accounted for the fully year.

Explanation of Key Income Statement Items

The key consolidated income statement items are defined and explained below.

Sales revenue

Sales revenue from crop production segment

The Group's sales revenue from its crop production segment is generated mainly from the sale of wheat and sunflower, with the remaining sales revenue from its crop production segment generated by the sale of corn, barley, rape seed and rye. Crop production segment revenue from sales to external customers accounted for 43.3%, 56.6%, 54.7% and 52.7% of revenue from sales to external customers for the six months ended June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007, respectively.

Sales revenue from livestock segment

The Group's sales revenue from its livestock operations is generated mainly from the sale of poultry, cattle, pigs and milk. Livestock segment revenue from sales to external customers accounted for 35.6%, 28.0%, 25.9% and 11.7% of revenue from sales to external customers for the six months ended June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007, respectively.

Sales revenue from agricultural products processing segment

The Group's sales revenue from its agricultural products processing segment is generated mainly from the sale of baked and macaroni goods, hard cheese, fodder, flour and butter. Agricultural products processing segment revenue from sales to external customers accounted for 18.7%, 15.0%, 19.1% and 31.5% of revenue from sales to external customers for the six months ended June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007, respectively.

Biological assets

According to IAS No 41 "Agriculture", biological assets are measured on initial recognition and at each reporting date at their fair value less estimated costs to sell, except where the fair value cannot be measured reliably on initial recognition. The Group's biological assets consist of (i) current biological assets, being assets with a useful life of less than one year (such as crops under cultivation) and animals in grow-out (such as cattle, pigs and poultry) and (ii) non-current biological assets, being assets with a useful life of over one year (such as milk-producing cattle and pigs for breeding).

Income / (loss) from changes in fair value of biological assets and products, net

"Income (loss) from changes in fair value of biological assets and agricultural products, net" is the difference between the fair value less estimated cost of sales and manufacturing costs of biological assets. Fair value of livestock assets is determined using current market prices in Ukraine as at the reporting date less the cost of selling one kilogram of meat. Fair value of crops under cultivation as at the relevant reporting date is based on the following key assumptions: (i) expected crop yield based on past crop yields and adjusted for weather conditions, (ii) grain prices in Ukraine as established by certain publicly available, third party sources (*Source: Apk-Inform – www.apk-inform.com, leading agri agency in Ukraine*), (iii) cultivation and production costs based on historical costs and (iv) a discount rate which takes into account certain interest and currency rate calculations.

Cost of sales

The Group's cost of sales consists of costs of raw materials and other inventory used, payroll of laborers and related expenses for employees at production facilities, depreciation, utilities and other costs.

Cost of sales related to the crop production segment

The Group's cost of sales related to its crop production segment generally consists of expenses for seeds, fertilizers, pesticides, fuel, depreciation of agricultural machinery, lease payments and payroll and related expenses.

Cost of sales related to the livestock segment

The Group's cost of sales related to its livestock segment generally consists of expenses for feeds, veterinary services and medicines, payroll and related expenses, depreciation of livestock equipment and utilities for buildings and facilities.

Cost of sales related to the agricultural products processing segment

The Group's cost of sales related to its agricultural products processing segment generally consists of expenses for raw materials (such as milk, grain and flour), payroll and related expenses, depreciation of equipment, utilities for buildings and facilities and expenses for purchased materials such as rennet for cheese production.

Administrative expenses

The Group's administrative expenses consist of payroll of administrative personnel and related tax expenses, depreciation and amortization, transport cost, other material cost, insurance, bank services, professional and information services, communication services and other administrative expenses.

Payroll of administrative personnel and related tax expenses primarily consists of salaries paid to administration and sales employees, payroll contributions with respect to such employees.

Depreciation and amortization primarily consists of depreciation of administrative buildings, cars, computers and office equipment.

Transport costs primarily consist of expenses for fuel and spares for cars used in administrative purposes.

Other material costs primarily consist of office accessories and maintenance of buildings.

Administrative expenses related to insurance primarily consists of premiums paid for insurance.

Administrative expenses related to bank services primarily consists of fees for banking transactions.

Administrative expenses related to professional and information services primarily consists of auditors fees, lawyers fees and notary officer fees.

Administrative expenses related to communication services primarily consists of expenses for telephone and internet services.

Other income (expenses), net

The Group's other income (expenses), net primarily consists of income derived from its VAT exemption.

Financial income (expenses), net

The Group's financial income (expenses), net consists of interest expenses and losses from foreign exchange in connection with credit facilities.

Recent Developments

For the purpose of financing its working capital, one of the Group companies, PE Agricultural Production Firm "Agro", has received in 2010 a credit line facility from Public Joint Stock Company "Alfa-Bank" with the lending limit of UAH 55,000,000 at 24% interest rate. The interest is paid on a monthly basis; the principal is to be repaid in equal monthly installments starting from September 2010. The facility is secured by the suretyships provided by Mr. Zhuravlov, another Group Company "Agroton" PJSC, the mortgage over milk complex and the pledge of equipment owned by PE Agricultural Production Firm "Agro".

On April 16, 2010 "Agroton" PJSC entered into a loan agreement with LLC "Vostochno-promyshlennyi bank" for UAH 5 million at 23% for the financing of working capital maturing on October 18, 2010.

On April 30, 2010 PE Agricultural Production Firm "Agro" and "Agroton" PJSC entered into two loan agreements with OJSC "Raiffeisen Bank Aval" (corporate investment loan non-revolving credit line) for the purposes of restructuring the existing indebtedness. The loan amounts are UAH 29.62 million and UAH 19.15 million, respectively. The interest rate is 24% per annum and the maturity date is November 1, 2010 for both loans.

On May 27, 2010 "Agroton" PJSC entered into a loan agreement (non-revolving credit line) with JSC "Ukraiinskyi Innovatsiynyi Bank". The interest rate is 30% and the lending limit is UAH 10 million: UAH 2 million shall be used for financing the company's working capital, and UAH 8 million was used for refinancing of the UAF loan. The facility is secured by the suretyship provided by Mr. Zhuravlov and a pledge over 22,000 tonnes of wheat.

On August 8, 2010 JSCB "Forum" extended the maturity date of a loan in the amount of U.S. $ 26.8 million to November 15, 2010. In accordance with the provisions of the loan extension, U.S. $ 5.7 million is converted into hryvnia and the Group has pledged an additional 5,500 tonnes of sunflower as security for the loan.

On August 16, the Group received UAH 20 million from Kernel as prepayment for the supply of 30,000 tonnes of sunflower seeds to be delivered by October 1, 2010. The final price shall be determined by reference to the market price for sunflower seeds as of the end of December 2010, March 2011 and April 2011.

The Group is considering the issue of U.S. $ 50,000,000 notes with interest of 11 per cent, due in 2013 for the sole purpose of repayment of the Group's indebtedness. The issue of notes is subject to debt capital markets conditions at the end of 2010. As of the date of this Prospectus, the Group has not entered into any agreement in respect of the issuance of bonds.

Ukraine has experienced unsettled weather conditions in 2010, characterized by high frost in the winter, above-average rain fall in the spring and a heat wave in the summer. The net result of these unsettled weather conditions has been a loss of certain harvested crops. The table below sets out the Group's sowed and harvested area by crops for the 2009/2010 year:

Crop	**Sowed area, hectares**	**(Loss) / gain due to weather conditions, hectares**	**Harvested area, hectares**
Sunflower	54,857	(1,661)	53,196
Winter wheat	43,397	(11,779)	31,618
Corn	11,346	145	11,491
Winter rapeseed	6,995	(3,715)	3,280
Winter barley	2,137	(559)	1,578
Sorghum	1,763	(166)	1,597
Winter rye	626	-	626
Oats	149	-	149
Livestock crops	3,791	5,730	9,521
Fallow	9,014	-	9,014
Total	**134,075**	**(12,005)**	**122,070**

Operating and Financial Results

Six months ended 30 June 2010 compared to the six months ended 30 June 2009

The following table sets forth the Group's results of operations for the six months ended June 30, 2010 and 2009 derived from the unaudited consolidated financial statements:

	For the six months ended June 30,		
	2010 (unaudited)	**2009 (unaudited)**	Change
	(U.S. $ in thousands)		*(%)*
Sales revenue	19,667	26,390	(25.5)
Income from changes in fair value of biological assets and agricultural products, net	44,290	21,521	105.8
Cost of sales	(21,049)	(26,929)	21.8
Gross profit	**42,908**	**20,982**	**104.5**
Administrative expenses	(3,107)	(2,373)	(30.9)
Distribution expenses	(924)	(843)	(9.6)

	For the six months ended June 30,		
	2010 (unaudited)	2009 (unaudited)	Change
	(U.S. $ in thousands)		*(%)*
Other income (expenses), net	(3,841)	920	-
Financial income (expenses), net	(6,960)	(5,417)	(28.5)
Profit/(loss) before tax	**28,076**	**13,269**	**111.6**
Income tax expenses	-	-	-
Profit for the period	**28,076**	**13,269**	**111.6**

Sales revenue

The Group's sales revenue decreased 25.5% to U.S. $ 19.7 million for the six months ended June 30, 2010 from U.S. $ 26.4 million for the six months ended June 30, 2009. The following table sets forth the Group's sales revenue by segment for the periods indicated:

	For the six months ended June 30,		
	2010 (unaudited)	2009 (unaudited)	Change
	(U.S. $ in thousands)		*(%)*
Crop production	8,524	13,489	(36.8)
Livestock	6,997	7,922	(11.7)
Agricultural products processing	3,681	4,429	(16.9)
Other	465	550	(15.5)
Total	**19,667**	**26,390**	**(25.5)**

The most significant portion of the Group's sales revenue comes from its primary business of selling crops, which represented 43.3% and 51.1% of revenue from sales to external customers for the six months ended June 30, 2010 and 2009, respectively. The following table sets forth the volume of crops sold and the revenues generated from the sale of such crops broken down by crops produced:

	For the six months ended June 30,	
	2010 (unaudited)	2009 (unaudited)
Winter Wheat		
Sales of winter wheat to external customers *(in tonnes)*	41,366	24,434
Revenue from sale of winter wheat to external customers *(U.S. $ in thousands)*	5,272	2,710
Sunflower		
Sales of sunflower to external customers *(in tonnes)*	6,001	33,028
Revenue from sale of sunflower to external customers *(U.S. $ in thousands)*	1,807	7,985
Corn		
Sale of corn to external customers *(in tonnes)*	1,675	7,237
Revenue from sale of corn to external customers *(U.S. $ in thousands)*	245	645
Barley		
Sales of barley to external customers *(in tonnes)*	28	4,981
Revenue from sale of barley to external customers *(U.S. $ in thousands)*	2	420
Rape Seed		
Sales of rape seed to external customers *(in tonnes)*	0	190
Revenue from sales of rape seed to external customers *(U.S. $ in thousands)*	0	52
Rye		
Sale of rye to external customers *(in tonnes)*	3,000	0
Revenue from sales of rye to external customers *(U.S. $ in thousands)*	234	0
Other (produced only)		
Sales of other to external customers *(in tonnes)*	1,372	4,230
Revenue from sales of other to external customers *(U.S. $ in thousands)*	103	334
Total sales of crop to external customers *(in tonnes)*	53,443	74,100
Total revenue from crop sales to external customers *(U.S. $ in thousands)*	**7,663**	**12,146**

Sales revenue relating to crop production decreased 36.8% to U.S. $ 8.5 million for the six months ended June 30, 2010 from U.S. $ 13.5 million for the six months ended June 30, 2009, primarily due to the significant decrease in actual volumes of wheat and sunflower sold during respective periods, as a result, of presence of crop storage facilities and sale of harvested crops in a period different from harvesting period. In July 2010, the Group sold 28,940 tonnes of wheat for approximately UAH 35.7 million.

The second most significant portion of the Group's sales revenue comes from its livestock segment, which includes the sale of poultry, cattle, pork and milk, which represented 35.6% and 30.0% of revenue from sales to external customers for the six months ended June 30, 2010 and 2009, respectively. Sales revenue relating to the livestock segment decreased 11.7% to U.S. $ 7.0 million for the six months ended June 30, 2010 from U.S. $ 7.9 million for the six months ended June 30, 2009, primarily due to decrease in the sale of poultry for approximately U.S. $ 1.2 million, as a result of shortages in hatching egg supply, and increase in the sale of cattle and milk for approximately U.S. $ 0.2 million.

Sales revenue relating to agricultural products processing represented 18.7% and 16.8% of revenue from sales to external customers for the six months ended June 30, 2010 and 2009, respectively. Sales revenue relating to agricultural products processing decreased 16.9% to U.S. $ 3.7 million for the six months ended June 30, 2010 from U.S. $ 4.4 million for the six months ended June 30, 2009, primarily due to the suspension of the Group's cheese production at the end of 2009. The suspension of the Group's cheese production resulted from the increased purchase price for milk.

Income from changes in fair value of biological assets and agricultural products, net

Income from changes in fair value of biological assets and agricultural products, net increased 105.8% to U.S. $ 44.3 million for the six months ended June 30, 2010 from U.S. $ 21.5 million for the six months ended June 30, 2009. The significant increase for the six months ended June 30, 2010 was primarily due to a significant increase in prices for winter wheat and sunflower seed following a significant decrease in commodity prices in 2008 which continued into the beginning of 2009 and which resulted from the financial crisis.

Cost of sales

The Group's cost of sales decreased 21.8% to U.S. $ 21.0 million for the six months ended June 30, 2010 from U.S. $ 26.9 million for the six months ended June 30, 2009. The decrease in cost of sales was primarily due to decrease in sale volumes of sunflower.

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

	For the six months ended June 30,		
	2010 (unaudited)	**2009 (unaudited)**	Change
	(U.S. $ in thousands)		*(%)*
Livestock and related operations	(7,810)	(8,501)	(8.1)
Plant breeding and related operations	(9,084)	(14,242)	(36.2)
Agricultural products processing and related operations	(3,891)	(3,912)	(0.5)
Other activity and related operations	(294)	(274)	7.2
Total	**(21,049)**	**(26,929)**	**(21.8)**

Costs related to crop production, which primarily consists of expenses for fertilizer, feed, fuel, seeds and pesticides, decreased 36.2% to U.S. $ 9.1 million for the six months ended June 30, 2010 from U.S. $ 14.2 million for the six months ended June 30, 2009. This decrease in costs related to crop production was primarily due to a decrease in the volume of sunflower sold which was only partially offset by the cost of sales of winter wheat as the cost per tonne of sunflower sales is significantly higher than the cost per tonne of winter wheat sales.

Costs related to livestock and related operations, which consist of expenses for feeds, veterinary services and medicines, payroll and related expenses, depreciation of livestock equipment and utilities for buildings and facilities, decreased 8.1% to U.S. $ 7.8 million for the six months ended June 30, 2010 from U.S. $ 8.5 million for the six months ended June 30, 2009, primarily as a result of a decrease in the amount of poultry sold which resulted from decrease in the Group's inventory of chicks.

Costs related to agricultural products processing and related operations, which consist of expenses for raw materials (such as milk, grain and flour), payroll and related expenses, depreciation of equipment, utilities for buildings and facilities and expenses for purchased materials such as rennet for cheese production, did not change significantly.

Gross profit

The Group's gross profit margin increased to 218.2% for the six months ended June 30, 2010 from 79.5% for the six months ended June 30, 2009. This was primarily due to a significant increase in income from changes in fair value of biological assets and agricultural products, net combined with a decrease in cost of sales for the six months ended June 30, 2009.

Gross profit increased 104.3% to U.S. $ 42.9 million for the six months ended June 30, 2010 from U.S. $ 21.0 million for the six months ended June 30, 2009.

Administrative expenses

Administrative expenses increased 30.9% to U.S. $ 3.1 million for the six months ended June 30, 2010 from U.S. $ 2.4 million for the six months ended June 30, 2009. The increase in administrative expenses was primarily the result of increased legal and auditing expenses related to the Offering.

The following table sets forth the principal components of the Group's administrative expenses for the periods indicated:

	For the six months ended June 30,		
	2010 (unaudited)	2009 (unaudited)	Change
	(U.S. $ in thousands)		*(%)*
Payroll of administrative personnel and related tax expenses	1,700	1,589	7.0%
Depreciation and amortization	129	139	(7.2)%
Transport cost	225	158	42.4%
Other material cost	81	73	11.0%
Insurance	54	17	217.6%
Bank services	89	66	34.8%
Professional and information services	525	40	1,212.5%
Communication services	31	31	0.0%
Other administrative expenses	273	260	5.0%
Total	**3,107**	**2,373**	**30.9%**

Payroll of administrative personnel and related tax expenses increased 7.0% to U.S. $ 1.7 million for the six months ended June 30, 2010 from U.S. $ 1.6 million for the same period in 2009 primarily as a result of a marginal pay raise for certain personnel.

Transport costs, which are expenses for fuel and spares for cars used in administrative purposes, increased 42.4% to U.S. $ 0.23 million for the six months ended June 30, 2010 from U.S. $ 0.16 million for the six months ended June 30, 2009, primarily as a result of increase in fuel prices.

Professional and information services increased 1,212.5% to U.S. $ 0.53 million for the six months ended June 30, 2010 from U.S. $ 0.04 million for the six months ended June 30, 2009, primarily as a result of an increase in legal fees due to the Offering and auditing expenses.

Distribution expenses

Distribution expenses increased 9.6% to U.S. $ 0.9 million for the six months ended June 30, 2010 from U.S. $ 0.8 million for the six months ended June 30, 2009 primarily as a result of an increase in payroll for distribution personnel and related expenses.

Other income (expenses), net

The Group recorded other expenses, net of U.S. $ 3.8 million for the six months ended June 30, 2010 compared to income of U.S. $ 0.9 million for the six months ended June 30, 2009. The Group recorded other income in the first six months of 2009 primarily as a result of the amount the Group received pursuant to its VAT exemption of U.S. $ 1.3 million for that period compared with U.S. $ 0.3 million in the first six months of 2010. In addition, the Group recorded other expenses, primarily as a result of crop damage from adverse weather conditions and certain provisions recordeed for onerous contracts relating to forward contracts at less than fair value prices as at June 30, 2010.

Financial income (expenses), net

The Group recorded net financial expenses for the six months ended June 30, 2010 and 2009, respectively. Net financial expenses increased 28.5% to U.S. $ 7.0 million for the six months ended June 30, 2010 from U.S. $ 5.4 million for the six months ended June 30, 2009. This increase was primarily attributable to the Group receiving a credit facility from Alfa Bank in 2010 with a lending limit of UAH 55,000,000 at 24%.

Profit for the period

Profit for the period increased 111.6% to U.S. $ 28.0 million for the six months ended June 30, 2010 from U.S. $ 13.3 million for the six months ended June 30, 2009. This increase was primarily due to a significant increase in income from changes in fair value of biological assets and agriculture products, net combined with a decrease in cost of sales for the six months ended June 30, 2010.

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

The following table sets forth the Group's results of operations for the years ended December 31, 2009 and 2008 derived from the consolidated financial statements:

	For the year ended December 31,		
	2009	**2008**	Change
	(U.S. $ in thousands)		*(%)*
Sales revenue	55,288	75,749	(27.0)
Income from changes in fair value of biological assets and agricultural products, net	20,807	17,683	18.7
Cost of sales	(56,223)	(78,492)	(28.3)
Gross profit	**19,872**	**14,940**	**33.9**
Administrative expenses	(5,332)	(7,727)	(31.0)
Distribution expenses	(1,638)	(2,579)	(36.5)
Other income (expenses), net	3,737	133	-
Financial income (expenses), net	(11,588)	(23,657)	(51.0)
Income/(loss) before tax	**5,051**	**(18,890)**	**-**
Income tax expenses	0	0	-
Profit for the period	**5,051**	**(18,890)**	**-**

Sales revenue

The Group's sales revenue decreased 27.0% to U.S. $ 55.3 million for the year ended December 31, 2009 from U.S. $ 75.8 million for the year ended December 31, 2008. The following table sets forth the Group's sales revenue by segment for the years indicated:

	For the year ended December 31,		
	2009	**2008**	Change
	(U.S. $ in thousands)		*(%)*
Crop production	31,309	41,455	(24.5)
Livestock	15,480	19,610	(21.1)
Agricultural products processing	8,294	14,436	(42.5)
Other	205	248	(17.3)
Total	**55,288**	**75,749**	**(27.0)**

The most significant portion of the Group's sales revenue comes from its primary business of selling crops, which represented 56.6% and 54.7% of total sales revenue for the year ended December 31, 2009 and 2008, respectively. The following table sets forth the volume of crops sold and the revenues generated from the sale of such crops broken down by crops produced:

	Year ended December 31,	
	2009	**2008**
Wheat		
Sales of wheat to external customers *(in tonnes)*	42,208	87,211
Revenue from sale of wheat to external customers *(U.S. $ in thousands)*	5,248	14,459
Sunflower		
Sales of sunflower to external customers *(in tonnes)*	74,626	39,704
Revenue from sale of sunflower to external customers *(U.S. $ in thousands)*	18,550	14,816

	Year ended December 31,	
	2009	**2008**
Corn		
Sale of corn to external customers *(in tonnes)*	8,273	2,418
Revenue from sale of corn to external customers *(U.S. $ in thousands)*	847	340
Barley		
Sales of barley to external customers *(in tonnes)*	2,351	2,329
Revenue from sale of barley to external customers *(U.S. $ in thousands)*	197	398
Rape Seed		
Sales of rape seed to external customers *(in tonnes)*	1,194	9,551
Revenue from sales of rape seed to external customers *(U.S. $ in thousands)*	345	4,287
Rye		
Sale of rye to external customers *(in tonnes)*	3	2,409
Revenue from sales of rye to external customers *(U.S. $ in thousands)*	1	424
Other (produced only)		
Sales of other to external customers *(in tonnes)*	829	60
Revenue from sales of other to external customers *(U.S. $ in thousands)*	72	14
Total sales of crop to external customers *(in tonnes)*	**129,484**	**143,682**
Total revenue from crop sales to external customers *(U.S. $ in thousands)*	**25,260**	**34,738**

Sales revenue relating to crop production decreased 27.3% to U.S. $ 25.3 million for the year ended December 31, 2009 from U.S. $ 34.7 million for the year ended December 31, 2008, primarily due to a decrease in sales volume due to adverse market conditions which in turn resulted in the Group pledging 100,000 tonnes of winter wheat and 3,000 tonnes of rye to the UAF in 2009 as security for a loan in the amount of U.S. $ 10.9 million. Accordingly, this pledged grain is reflected in the Group's inventories as at December 31, 2009. The decrease in sales revenue relating to crop production in 2009 was also due to the depreciation of hryvnia against the U.S. dollar. These decreases were partially offset by an increase in revenue from sunflower seed sales in 2009 of approximately 25.2%, primarily due to low sales in 2008 resulting from the Group's decision to store sunflower seeds in 2008 due to depressed sunflower seeds prices.

The Group increased its production of its primary crops, being winter wheat and sunflower seeds, in 2009 compared to 2008, due to an increase in the number of harvested hectares. The number of harvested hectares for winter wheat and sunflower seeds increased to 50,228 hectares and 47,619 hectares, respectively, at December 31, 2009 from 29,428 hectares and 39,400 hectares, respectively, at December 31, 2008. Average yields for winter wheat and sunflower seeds decreased to 2.7 tonnes per hectare and 1.6 tonnes per hectare, respectively, for the year ended December 31, 2009 from 4.5 tonnes per hectare and 1.7 tonnes per hectare, respectively, for the year ended December 31, 2008 primarily due to unusually good weather conditions in 2008 resulting in a record harvest and lower than average harvest due to weather conditions in 2009.

The second most significant portion of the Group's sales revenue comes from its livestock segment, which includes the sale of poultry, cattle, pork and milk, which represented 28.0% and 25.9% of total sales revenue for the year ended December 31, 2009 and 2008, respectively. Sales revenue relating to the livestock segment decreased 21.1% to U.S. $ 15.5 million for the year ended December 31, 2009 from U.S. $ 19.6 million for the year ended December 31, 2008, primarily due to the depreciation of hryvnia against the U.S. dollar, despite an increase in hryvnia-denominated sales, in addition to lower prices achieved for sales of poultry, beef and pork resulting from increased imports from Brazil and Poland.

Sales revenue relating to agricultural products processing represented 15.0% and 19.1% of total sales revenue for the year ended December 31, 2009 and 2008, respectively. Sales revenue relating to agricultural products processing decreased 42.5% to U.S. $ 8.3 million for the year ended December 31, 2009 from U.S. $ 14.4 million for the year ended December 31, 2008, primarily due to the elimination of certain lines of cheese production, together with the depreciation of hryvnia against the U.S. dollar

Income from changes in fair value of biological assets and agricultural products, net

Income from changes in fair value of biological assets and agricultural products, net increased 18.7% to U.S. $ 21.0 million for the year ended December 31, 2009 from U.S. $ 17.7 million for the year ended December 31, 2008. The increase for the year ended December 31, 2009 was primarily due to an increase in prices for winter wheat and sunflower seed following a significant decrease in commodity prices by the end of 2008 resulting from the financial crisis.

Cost of sales

The Group's cost of sales decreased 28.3% to U.S. $ 56.3 million for the year ended December 31, 2009 from U.S. $ 78.5 million for the year ended December 31, 2008, and decreased as a percentage of total revenues to 73.9% for the year ended December 31, 2009 from 84.0% for the year ended December 31, 2008. The decrease in cost of sales was primarily due to the depreciation of the hryvnia against the U.S. dollar. The 10% decrease in cost as percentage of total revenue was primarily due to a general decrease in crop prices.

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

	For the year ended December 31,		
	2009	**2008**	Change
	(U.S. $ in thousands)		*(%)*
Livestock and related operations	(17,283)	(14,042)	(23.1)
Plant breeding and related operations	(30,271)	(49,472)	(38.8)
Agricultural products processing and related operations	(8,557)	(14,590)	(41.4)
Other activity and related operations	(112)	(338)	(66.9)
Total	**(56,223)**	**(78,492)**	**(28.3)**

Costs related to crop production, which primarily consists of expenses for fertilizer, feed, fuel, seeds and pesticides, decreased 38.8% to U.S. $ 30.3 million for the year ended December 31, 2009 from U.S. $ 49.5 million for the year ended December 31, 2008. This decrease was primarily due to the depreciation of hryvnia against the U.S. dollar.

Costs related to livestock and related operations, which consist of expenses for feeds, veterinary services and medicines, payroll and related expenses, depreciation of livestock equipment and utilities for buildings and facilities, increased 23.1% to U.S. $ 17.3 million for the year ended December 31, 2009 from U.S. $ 14.0 million for the year ended December 31, 2008, primarily as a result of an increase in the number of livestock, including pigs and chickens.

Costs related to agricultural products processing and related operations, which consist of expenses for raw materials (such as milk, grain and flour), payroll and related expenses, depreciation of equipment, utilities for buildings and facilities and expenses for purchased materials such as rennet for cheese production, decreased 41.4% to U.S. $ 8.6 million for the year ended December 31, 2009 from U.S. $ 14.6 million for the year ended December 31, 2008, primarily due to a significant increase in the price of milk which resulted in increased milk sales to external customers and reduction in the Group's cheese production, together with the depreciation of hryvnia against the U.S. dollar.

Gross profit

The Group's gross profit margin increased to 26.2% for the year ended December 31, 2009 from 16.0% for the year ended December 31, 2008. This was primarily due to an increase in income from changes in fair value of biological assets and agricultural products, net combined with a decrease in cost of sales for the year ended December 31, 2009.

Gross profit increased 33.9% to U.S. $ 19.9 million for the year ended December 31, 2009 from U.S. $ 14.9 million for the year ended December 31, 2008. The increase in gross profit was due to an increase in the Group's gross profit margin which was partially offset by a decrease in total revenue.

Administrative expenses

Administrative expenses decreased 31.0% to U.S. $ 5.3 million for the year ended December 31, 2009 from U.S. $ 7.7 million for the year ended December 31, 2008. The decrease in administrative expenses was primarily the result of a decrease in payroll of administrative personnel and related tax expenses and a decrease in transport costs.

The following table sets forth the principal components of the Group's administrative expenses for the years indicated:

	For the year ended December 31,		
	2009	2008	Change
	(U.S. $ in thousands)		(%)
Payroll of administrative personnel and related tax expenses	(3,024)	(4,729)	(36.1)
Depreciation and amortization	(390)	(368)	6.0
Transport cost	(339)	(980)	(65.4)
Other material cost	(289)	(157)	(84.1)
Insurance	(75)	(233)	(67.8)
Bank services	(167)	(148)	12.8
Professional and information services	(530)	(412)	28.6
Communication services	(55)	(118)	(53.4)
Other administrative expenses	(463)	(582)	20.4
Total	**(5,332)**	**(7,727)**	**(31.0)**

Payroll of administrative personnel and related tax expenses decreased 36.1% to U.S. $ 3.0 million for the year ended December 31, 2009 from U.S. $ 4.7 million in 2008 primarily as a result of the depreciation of the hryvnia against the U.S. dollar.

Transport costs, which are expenses for fuel and spares for cars used in administrative purposes, decreased 65.4% to U.S. $ 0.3 million for the year ended December 31, 2009, from U.S. $ 1.0 million for the year ended December 31, 2008, primarily as a result of the depreciation of the hryvnia against the U.S. dollar.

Distribution expenses

Distribution expenses decreased 36.5% to U.S. $ 1.6 million for the year ended December 31, 2009 from U.S. $ 2.6 million for the year ended December 31, 2008 primarily as a result of the depreciation of the hryvnia against the U.S. dollar.

Other income (expenses), net

The Group's other income (expenses), net increased to U.S. $ 3.7 million for the year ended December 31, 2009 from U.S. $ 0.1 million for the year ended December 31, 2008. The Group recorded other income primarily as a result of an increase in the amount the Group received pursuant to its VAT exemption of 808.0% to U.S. $ 3.65 million for the year ended 2009 compared to U.S. $ 0.4 million for the year ended 2008, resulting from the sale of a large amount of sunflower seed at the end of 2009. In addition, other income (expenses), net increased as a result of a decrease in impairment of inventories and harvest failure of 87.8% to U.S. $ 0.5 million for the year ended December 31, 2009 from U.S. $ 4.1 million for the year ended December 31, 2008, as a result of a decline in book value of wheat and sunflower seed between the date of harvest and the reporting date in 2008. These increases were partially offset by a decrease in government grants of 78.1% to U.S. $ 0.9 million for the year ended December 31, 2009 from U.S. $ 4.1 million for the year ended December 31, 2008, primarily due to the Government's liquidity constraints resulting from financial crisis.

Financial income (expenses), net

The Group recorded net financial expenses in each of 2009 and 2008. Net financial expenses decreased 51% to U.S. $ 11.6 million for the year ended December 31, 2009 from U.S. $ 23.7 million for the year ended December 31, 2008. This decrease was primarily attributable to less of a decline in the rate of depreciation of the hryvnia against the U.S. dollar in 2009 compared to 2008, which resulted in a revaluation gain on the Group's U.S. dollar denominated indebtedness.

Profit for the year

The Group recorded a profit of U.S. $ 5.1 million for the year ended December 31, 2009, as compared to a loss of U.S. $ 18.9 million for the year ended December 31, 2008, primarily as a result of decreased financial expenses resulting from less of a decline in the rate of depreciation of the hryvnia against the U.S. dollar in 2009 compared to 2008 and a recovery in prices for wheat and sunflower seed in 2009. See "−*Financial income (expenses), net*".

Year ended December 31, 2008 compared to year ended December 31, 2007

The following table sets forth the Group's results of operations for the years ended December 31, 2008 and 2007 derived from the consolidated financial statements.

	For the year ended December 31,		
	2008	**2007**	Change
	(U.S. $ in thousands)		*(%)*
Sales revenue	75,749	51, 626	46.7
Income from changes in fair value of biological assets and agricultural products, net	17,683	16,123	9.7
Cost of sales	(78,492)	(43, 963)	78.5
Gross profit	**14,940**	**23,786**	(37.2)
Administrative expenses	(7,727)	(6,339)	21.9
Distribution expenses	(2,579)	(1,866)	38.2
Other income (expenses), net	133	3,237	0
Financial income (expenses), net	(23,657)	(4,246)	457.2
Income/(loss) before tax	**(18,890)**	**14,572**	**0**
Income tax expenses	0	(2)	0
Profit for the period	**(18,890)**	**14,570**	**0**

Sales revenue

The Group's sales revenue increased 46.7% to U.S. $ 75.7 million for the year ended December 31, 2008 from U.S. $ 51.6 million for the year ended December 31, 2007. The following table sets out the Group's sales revenue by segment for the years indicated:

	For the year ended December 31,		
	2008	**2007**	Change
	(U.S. $ in thousands)		*(%)*
Crop production	41,455	27,202	52.4
Livestock	19,610	6,053	224.0
Agricultural products processing	14,436	16,278	(11.3)
Other	248	2,093	(88.2)
Total	**75,749**	**51,626**	**46.7**

The most significant portion of the Group's sales revenue comes from its primary business of selling crops, which represented 54.7% and 52.7% of total sales revenue for the year ended December 31, 2008 and 2007, respectively. The following table sets forth the volume of crops sold and the revenues generated from the sale of such crops broken down by crops produced:

	Year ended December 31,	
	2008	**2007**
Wheat		
Sales of wheat to external customers *(in tonnes)*	87,211	39,492
Revenue from sale of wheat to external customers *(U.S. $ in thousands)*	14,459	7,711
Sunflower		
Sales of sunflower to external customers *(in tonnes)*	39,704	38,693
Revenue from sale of sunflower to external customers *(U.S. $ in thousands)*	14,816	14,404
Corn		
Sale of corn to external customers *(in tonnes)*	2,418	10,577
Revenue from sale of corn to external customers *(U.S. $ in thousands)*	340	2,215
Barley		
Sales of barley to external customers *(in tonnes)*	2,329	6,089
Revenue from sale of barley to external customers *(U.S. $ in thousands)*	398	1,239
Rape Seed		
Sales of rape seed to external customers *(in tonnes)*	9,551	510
Revenue from sales of rape seed to external customers *(U.S. $ in thousands)*	4,287	201
Rye		
Sale of rye to external customers *(in tonnes)*	2,409	7
Revenue from sales of rye to external customers *(U.S. $ in thousands)*	424	4

	Year ended December 31,	
	2008	**2007**
Other (produced only)		
Sales of other to external customers *(in tonnes)*	60	5,469
Revenue from sales of other to external customers *(U.S. $ in thousands)*	14	1,190
Total sales of crop to external customers *(in tonnes)*	**143,682**	**100,833**
Total revenue from crop sales to external customers *(U.S. $ in thousands)*	**34,738**	**26,963**

Sales volumes increased 42.5% from 100,833 tonnes in 2007 to 143,682 tonnes in 2008 and total sales increased 28.9%. The increase in sales revenue relating to crop production from 2007 to 2008 was primarily due to increased production, which was partially offset by a decrease in the average realized price of crops.

The Group increased its production of most of its crops in 2008 compared to 2007, due to an increase in the number of harvested hectares. The number of harvested hectares increased from 93,509 hectares at December 31, 2007 to 133,626 hectares at December 31, 2008.

The second most significant portion of the Group's sales revenue comes from its livestock segment, which includes the sale of poultry, cattle, pork and milk, which represented 25.9% and 11.7% of total sales revenue for the year ended December 31, 2008 and 2007, respectively. Sales revenue relating to the livestock segment increased 224.0% to U.S. $ 19.6 million for the year ended December 31, 2008 from U.S. $ 6.1 million for the year ended December 31, 2007, primarily due to an increase in poultry production in 2008 of 162.4%, having only commenced poultry production in April 2007. In addition, the Group increased its pork production in 2008 by 81.9% due to an increase in the number of pigs.

Sales revenue relating to agricultural products processing represented 19.1% and 31.5% of total sales revenue for the years ended December 31, 2008 and 2007, respectively. Sales revenue relating to agricultural products processing decreased 11.3% to U.S. $ 14.4 million for the year ended December 31, 2008 from U.S. $ 16.3 million for the year ended December 31, 2007, primarily due to the elimination of the Group's production of sunflower oil in 2008, which was partially offset by an increase in bread production.

Income from changes in fair value of biological assets and agricultural products, net

Income from changes in fair value of biological assets and agricultural products, net increased to U.S. $ 17.7 million for the year ended December 31, 2008 compared to U.S. $ 16.1 million for the year ended December 31, 2007. The increase in 2008 was due to a significant increase in the Group's crop production, which was largely offset by a significant decline in the price of grain.

Cost of sales

The Group's cost of sales increased 78.5% to U.S. $ 78.5 million for the year ended December 31, 2008 from U.S. $ 44.0 million for the year ended December 31, 2007, and increased as a percentage of total revenues to 84.0% for the year ended December 31, 2008 from 64.9% for the year ended December 31, 2007. The increase in cost of sales was primarily due to the acquisition of leases covering 40,000 hectares of additional agricultural land.

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

	For the year ended December 31,		
	2008	**2007**	Change
	(U.S. $ in thousands)		*(%)*
Livestock and related operations	(14,042)	(7,719)	(81.9)
Plant breeding and related operations	(49,472)	(21,033)	(135.2)
Agricultural products processing and related operations	(14,590)	(13,346)	(9.3)
Other activity and related operations	(338)	(1,865)	(81.9)
Total	**(78,442)**	**(43,963)**	**(78.5)**

Costs related to crop production, which primarily consists of costs relating to fertilizer, fuel, seeds and pesticides, increased 135.2% to U.S. $ 49.5 million for the year ended December 31, 2008 from U.S. $ 21.0 million for the year ended December 31, 2007, primarily as a result of the acquisition of leases covering 40,000 hectares of additional agricultural land in 2008.

Costs related to livestock and related operations, which consist of expenses for feeds, veterinary services and medicines, payroll and related expenses, depreciation of livestock equipment and utilities for buildings and facilities, increased 81.9% to U.S. $ 14.0 million for the year ended December 31, 2008 from U.S. $ 7.7 million for the year ended December 31, 2007, primarily as a result of an increase in the number of livestock.

Costs related to agricultural products processing and related operations, which consist of expenses for raw materials (such as milk, grain and flour), payroll and related expenses, depreciation of equipment, utilities for buildings and facilities and expenses for purchased materials such as rennet for cheese production, increased 9.3% to U.S. $ 14.6 million for the year ended December 31, 2008 from U.S. $ 13.3 million for the year ended December 31, 2007, primarily as a result of an increase in the amount of cheese produced.

Gross profit

The Group's gross profit margin decreased to 16.0% for the year ended December 31, 2008 from 35.1% for the year ended December 31, 2007. This decrease was primarily due to the Group's cost of goods sold increasing as a percentage of total revenues to 84.0% for the year ended December 31, 2008 from 64.9% for the year ended December 31, 2007.

Gross profit decreased 37.2% to U.S. $ 14.9 million for the year ended December 31, 2008 from U.S. $ 23.8 million for the year ended December 31, 2007. The decrease in gross profit was primarily due to a decrease in the Group's gross profit margin, which was partially offset by an increase in total revenues for the year ended December 31, 2008.

Administrative expenses

Administrative expenses increased 21.9% to U.S. $ 7.7 million for the year ended December 31, 2008 from U.S. $ 6.3 million for the year ended December 31, 2007. The increase in administrative expenses was primarily due to an increase in payroll of administrative personnel and related tax expenses.

The following table sets forth the principal components of the Group's administrative expenses for the years indicated:

	For the year ended December 31,		
	2008	**2007**	Change
	(U.S. $ in thousands)		*(%)*
Payroll of administrative personnel and related tax expenses	(4,729)	(2,978)	58.8
Depreciation and amortization	(368)	(329)	11.9
Transport cost	(980)	(918)	6.8
Other material cost	(157)	(647)	(75.7)
Insurance	(233)	(393)	(40.7)
Bank services	(148)	(146)	1.4
Professional and information services	(412)	(243)	69.5
Communication services	(118)	(157)	(24.8)
Other administrative expenses	(582)	(528)	10.2
Total	**(7,727)**	**(6,339)**	**21.9**

Payroll of administrative personnel and related tax expenses increased to U.S. $ 4.7 million for the year ended December 31, 2008, compared to U.S. $ 3.0 million in 2007 primarily as a result of growth of the Group's business and the Group increasing the number of administrative and managerial employees to support such growth, together with an increase in salaries.

Transport costs, which are expenses for fuel and spares for cars used in administrative purposes, increased 6.8% to U.S. $ 1.0 million in 2008 from U.S. $ 0.9 million in 2007, primarily as a result of growth of the Group's business and the Group increasing the number of administrative and managerial employees to support such growth.

Other income (expenses), net

The Group's other income (expenses), net decreased to U.S. $ 0.1 million for the year ended December 31, 2008 from U.S. $ 3.2 million for the year ended December 31, 2007. The Group recorded other income primarily as a result of a 125.6% increase in the amount the Group received in government grants to U.S. $ 4.1 million for the year ended 2008 compared to U.S. $ 1.8 million for the year ended 2007, as a result of an increase in the number of livestock. This increase was offset by an impairment of inventories and harvest failure of $4.1 million due to a fall in wheat and sunflower seed prices in 2008, and an increase in write-offs of prepayments and other current assets of U.S. $ 1.3 million in 2008 as a result of the financial crisis affecting the Group's external customers.

Financial income (expenses), net

The Group recorded net financial expenses in each of 2008 and 2007. Net financial expenses increased 457.2% to U.S. $ 23.7 million for the year ended December 31, 2008 from U.S. $ 4.2 million for the year ended December 31, 2007. This increase was primarily attributable to the significant depreciation of the hryvnia against the U.S. dollar, which resulted in a revaluation loss on the Group's U.S. dollar denominated indebtedness, increased finance lease expenses resulting from the acquisition of leases covering 40,000 hectares of additional agricultural land together with an increase in leases relating to machinery and equipment and increased interest expenses resulting from an increase in the Group's outstanding loans.

Profit for the period

The Group recorded a loss of U.S. $ 19.2 million for the year ended December 31, 2008, as compared to a profit of U.S. $ 14.6 million for the year ended December 31, 2007, primarily as a result of cost of sales increasing as a percentage of revenues and increased financial expenses.

Liquidity and Capital Resources

The Group's liquidity needs arise principally from the need to finance its working capital and capital expenditures. In the periods under review, the Group has met most of its liquidity needs through cash generated from its operating activities and financing activities, consisting of credit lines and overdrafts, loans, issuances of bonds and issuances of additional share capital.

Working capital, defined as current assets minus short-term liabilities, was U.S. $ 39.3 million, U.S. $ 20.6 million, negative U.S. $ 22.8 million and U.S. $ 6.1 million as at June 30, 2010, December 31, 2009, December 31, 2008 and December 31, 2007, respectively. The Group's current assets primarily consist of current biological assets cash and cash equivalents and inventories.

As at June 30, 2010, the Group had U.S. $ 68.8 million in current biological assets compared to U.S. $ 8.7 million, U.S. $ 9.8 million and U.S. $ 6.6 million as at December 31, 2009, 2008 and 2007, respectively. Current biological assets increased as at June 30, 2010 due to the revaluation at fair value of the Group's biological assets of crops under cultivation at a date subsequent to the reporting date. Biological assets of crops under cultivation as at December 31, 2009, 2008 and 2007 were not revalued at fair value and were recorded at cost due to the unreliability of estimating the fair value of biological assets at the respective reporting dates. It was impossible to determine the fair value of the biological assets of crops under cultivation due to early stage of the biological transformation of crops and impossibility to determine condition and expected yield of crops under cultivation as at December 31, 2009, 2008 and 2007.

As at June 30, 2010, the Group had U.S. $ 14.6 million in cash and equivalents compared to U.S. $ 35.1 million, U.S. $ 0.8 million and U.S. $ 1.4 million as at December 31, 2009, 2008 and 2007, respectively. Cash and cash equivalents decreased as at June 30, 2010 due to the Group's repayment of debt, acquisition of leasing rights for an additional 16,300 hectares of agricultural land and purchase of agricultural equipment. The increase in cash and cash equivalents as at December 31, 2009 was due to the issuance of global depositary receipts in November 2009.

As at June 30, 2010, the Group had inventories of U.S. $ 22.2 million compared to U.S. $ 31.0 million, U.S. $ 19.7 million and U.S. $ 23.0 million as at December 31, 2009, 2008 and 2007, respectively. Inventories decreased significantly as at June 30, 2010 primarily as a result of the sale of 41,336 tonnes of winter wheat compared to 24,434 tonnes of winter wheat for the same period in 2009. The increase in inventories as at December 31, 2009 was primarily as a result of the Group pledging 100,000 tonnes of winter wheat and 3,000 tonnes of rye to the UAF in 2009 in connection with loans between the UAF and the Group in 2009, resulting in this wheat and rye remaining as inventory. See "*−Factors Affecting the Group's Results of Operations − State support for agricultural production in Ukraine – State loans via pledges of production*".

The Group's short-term liabilities primarily consist of short-term loans. As at June 30, 2010 the Group had U.S. 47.4 million in short-term loans, compared to U.S. $ 48.1 million, U.S. $ 48.2 million and U.S. $ 33.5 million as at December 31, 2009, 2008 and 2007. The Group's short-term loans primarily consist of short-term bank loans in both U.S. dollars and hryvnia and government loans.

Cash flows

The following table sets out a summary of the Group's cash flows for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2010 (unaudited)	2009 (unaudited)	2009	2008	2007
			(U.S. $ in thousands)		
Net cash flow from operating activities	3,929	7,014	6,691	5,480	2,743
Net cash flow from investing activities	(9,713)	(918)	(769)	(14,709)	(10,926)
Net cash flow from financing activities	(14,689)	(6,535)	28,379	8,551	9,254
Net decrease in cash and cash equivalents	**(20,473)**	**(439)**	**34,300**	**(678)**	**1,071**

Net cash flow from operating activities

Net cash from operating activities decreased 44.0% to U.S. $ 3.9 million for the six months ended June 30, 2010 from U.S. $ 7.0 million for the six months ended June 30, 2009, primarily as a result of a decrease in the volume of sunflower sold. This decrease in sunflower sales resulted from an increase in the volume of sunflower sold at the end of 2009 which resulted in lower sunflower inventories at the beginning of 2010 and consequently a decrease in the volume of sunflower sold in the first six months of 2010. The decrease in the volume of sunflower sold was only partially offset by an increase in the volume of winter wheat sold, as the price for winter wheat was U.S. $ 136 per metric tonne and the price for sunflower was U.S. $ 284 per metric tonne for the six months ended June 30, 2010.

The Group's net cash inflow from operating activities increased 21.2% to U.S. $ 6.3 million for the year ended December 31, 2009 from U.S. $ 5.2 million for the year ended December 31, 2008, which represented a 99.1% increase from U.S. $ 2.7 million for the year ended December 31, 2007. The increase in 2009 was primarily attributable to a significant decrease in the Group's cost of sales, whereas the increase in 2008 was primarily attributable to an increase the Group's total revenue.

Net cash flow from investing activities

The Group's net cash outflow from investing activities increased to U.S. $ 9.7 million for the six months ended June 30, 2010 from U.S. $ 0.9 million for the six months ended June 30, 2009, primarily as a result of the acquisition of leasing rights for an additional 16,300 hectares of agricultural land in Luhansk region and the purchase of agricultural equipment.

The Group's net cash outflow from investing activities decreased 94.8% to U.S. $ 0.8 million for the year ended December 31, 2009 from U.S. $ 14.7 million for the year ended December 31, 2008, which represented a 34.6% increase from U.S. $ 10.9 million for the year ended December 31, 2007. The decrease in 2009 was primarily attributable to the Group's suspension of its capital expenditure program due to adverse market conditions and therefore, less cash was used for the purchase of property, plant and equipment and the purchase of non-current biological assets, together with a one-time outflow in connection with the acquisition of a non-controlling share of "Agroton" PJSC in 2008. In 2008, the increase in net cash flow from investing activities was primarily attributable to the purchase of new machinery and equipment in connection with the expansion of the Group's harvested land bank.

Net cash flow from financing activities

Net cash outflow from financing activities increased 124.8% to U.S. $ 14.7 million for the six months ended June 30, 2010 from U.S. $ 6.5 million for the six months ended June 30, 2009, primarily as a result of the Group's repayment of debt and related borrowing costs and refinancing of certain lease obligations.

Net cash inflow from financing activities increased 216.1% to U.S. $ 28.9 million for the year ended December 31, 2009 from U.S. $ 8.9 million for the year ended December 31, 2008, which represented a 5.4% decrease from U.S. $ 9.4 million for the year ended December 31, 2007. The increase in 2009 was primarily due to the proceeds from the issue of GDRs in November 2009 and receipts from short-term and long-term loans and borrowings, which was partially offset by movements in credit lines and overdrafts. The decrease in 2008 was primarily due to movements in credit lines and overdrafts, decreased receipts from short-term and long-term loans and borrowings, increased borrowing costs paid and repayment of financial lease liabilities, which were partially offset by decreased repayment of short-term and long-term loans and borrowings and increased receipts from short-term bonds.

Capital expenditures

The Group has been expanding its operations and expects to continue to make significant investments for the expansion of its business primarily in relation to increasing its harvested land bank. In addition, in 2009, the

Group constructed two dairy production facilities, containing Bou Matic milking equipment, at Derkulsky and Dontsovsky and each accommodating 1200 head of cattle. Between 2007 and 2008, the Group also constructed 47 poultry facilities.

The following table sets forth details of the Group's capital additions as of the periods indicated:

	For the six months ended June 30,		**For the year ended December 31,**		
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**	**2007**
	(U.S. $ in thousands)				
Buildings	54	75	2,419	12,816	573
Equipment	1,593	252	635	17,331	3,892
Vehicles	34	247	281	9,399	2,047
Computers and office equipment	13	3	9	65	52
Instruments, tools and other equipment	8	15	32	311	36
Construction in progress	566	232	272	4,800	5,160
Total	**2,268**	**823**	**3,648**	**44,722**	**11,760**

The Group invested approximately U.S. $ 2.3 million in the first six months of 2010 compared to U.S. $ 0.8 million in the first six months of 2009. The increase in capital expenditures in 2010 was primarily due to the purchase of agricultural equipment, resulting from the acquisition of land-lease rights for additional hectares of agricultural land.

The Group invested approximately U.S. $ 3.6 million, U.S. $ 44.7 million and U.S. $ 11.8 million in its capital expenditure programs in 2009, 2008 and 2007, respectively. The decrease in capital expenditures in 2009 compared to 2008 was primarily due to the Group's suspension of its capital expenditure program due to adverse market conditions. The increase in capital expenditures in 2008 over 2007 was primarily attributable to the purchase of new machinery and equipment in connection with the expansion of the Group's harvested land bank and upgrading the Group's pig farms.

In February 2010, the Group bought 8 seeders John Deere 7200 for a U.S. $ 0.29 million from PPCE "Agrodetal'" and 4 sprayers Case SPX 3330 and 2 sprayers Case SPX 3230 for a U.S. $ 1.35 million from LLC "Agroal'yans".

In 2010, the Group plans to acquire land leases for 32,300 hectares of agricultural land, 16,300 hectares of which is in the process of being registered and was acquired at an average cost of approximately U.S. $ 500 per hectare (or U.S. $ 8.0 million in aggregate), and the acquisition of leases for the remaining 16,000 hectares is still be negotiated. In addition, the Group is in the process of constructing grain elevators to provide an additional 82,000 tonnes of storage which it expects to complete by the end of 2011 at a total cost of U.S. $ 8.5 million. In addition, the Group is in the process of negotiating the acquisition of 130,000 tonnes of storage capacity, which it currently leases from Novoaydarskyy, at a cost of U.S. $ 13 million which it expects to complete by the end of the year. The Group's actual capital expenditures may vary significantly from its estimates and depend on a variety of factors, including the availability of funding and other factors fully or partially outside of the Group's control.

The principal funding sources for capital expenditures are cash flows from operating activities, short- and medium-term UAH and USD denominated bank loan. Net cash from operating activities gradually improved from USD 2.7 million in 2007 to USD 5.5 million in 2008 and USD 6.7 million in 2009.

No significant change in the capital expenditure of the Group has occurred since the end of the last financial period, i.e. since June 30, 2010 and up to the date of the Prospectus.

Indebtedness

The Group's indebtedness primarily consists of long-term and short-term bank loans and long-term finance lease liabilities. As at December 31, 2009, the outstanding balance on long-term loans was U.S. $ 0.5 million and the outstanding balance on short-term bank loans was U.S. $ 48.1 million.

The following table sets forth details of the Group's long-term and short-term bank loans as of the periods indicated:

Lender	Currency	Coupon rate	Amount outstanding June 30, 2010	Amount outstanding December 31, 2009	Maximum limit under credit line	Maturity	Security
			(in U.S. dollars)				
Long-term borrowings:							
JSCB "Forum"...................	UAH	21%	315,340	343,000	578,000	September 6, 2012	Secured by property, plant and equipment with a book value of U.S. $ 356,000
CB "Privatbank"................	U.S. $	13%	307,518	325,000	649,060	June 10, 2012	Secured by property, plant and equipment with a book value of U.S. $ 234,983
OJSC "Raiffeizen bank Aval"..................................	UAH	17%	130,194	156,000	267,000	November 25, 2012	Secured by property, plant and equipment with a book value of U.S. $ 148,068
Short-term borrowings:							
JSCB "Forum" U.S. $ Loan........................	U.S. $	14%	870,597	1,295,000	1,371,000	November 15, 2010	Secured by property, plant and equipment and inventory with a book value of U.S. $ 2,171,349
JSCB "Forum" UAH Loan..................................	UAH	25%	1,300,551	73,000			
JSCB "Forum"...................	U.S. $	14%	5,733,224	5,660,000	5,743,000	November 15, 2010	Secured by property, plant and equipment of OJSC "Belokurakinskiy elevator" and the Company's inventory with an aggregate book value of U.S. $ 2,827,852
JSCB "Forum"...................	UAH	25%	5,620	6,000	569,000	November 15, 2010	Secured by property, plant and equipment with a book value of U.S. $ 500,078
JSCB "Forum"...................	UAH	25%	1,087,440	1,077,000	1,265,000	November 15, 2010	Secured by property, plant and equipment and inventories with a book value of U.S. $ 1,573,99
JSCB "Forum" U.S. $ Loan........................	U.S. $	14.0%	8,548,000	8,548,000	10,576,042	November 15, 2010	Secured by property, plant and equipment with a book value of U.S. $ 213,195
JSCB "Forum" UAH Loan..................................	UAH	25%	2,044,363	1,981,000			
JSCB "Forum" U.S. $ Loan........................	U.S. $	14%	2,360,348	2,360,000	4,447,267	November 15, 2010	Secured by property, plant and equipment and biological assets with a book value of U.S. $ 4,482,051
JSCB "Forum" UAH Loan..................................	UAH	25%	2,107,505	2,087,000			
JSCB "Forum" U.S. $ Loan........................	U.S. $	14%	929,071	929,000	2,645,249	November 15, 2010	Secured by property, plant and equipment and biological assets with a book value of U.S. $ 617,436
JSCB "Forum" UAH Loan..................................	UAH	25%	1,733,106	1,716,000			
JSCB "Forum"...................	UAH	25%	587,460	582,000	587,463	November 15, 2010	Secured by property, plant and equipment with a book value of U.S. $ 314,556
OJSC "Raiffaisen Bank Aval"..................................	UAH	18.25%	0	1,576,000	1,893,939	November 1, 2010	Secured by inventories with a book value of U.S. $ 3,872,55
OJSC "Raiffaisen Bank Aval"..................................	UAH	18.25%	0	2,129,000	2,129,000	November 1, 2010	Secured by inventories with a

Lender	Currency	Coupon rate	Amount outstanding June 30, 2010	Amount outstanding December 31, 2009	Maximum limit under credit line	Maturity	Security
			(in U.S. dollars)				
							book value of U.S. $ 4,353,181
OJSC "Raiffaisen Bank Aval".................................	UAH	18.25%	0	1,142,883	1,262,626	November 1, 2010	Secured by inventories with a book value of U.S. $ 2,581,700
OJSC "Raiffaisen Bank Aval".................................	UAH	18.25%	0	1,002,000	1,002,000	November 1, 2010	Secured by inventories with a book value of U.S. $ 2,048,79
OJSK "Raiffaisen Bank Aval".................................	UAH	24,00%	3,746,047	0,000	3,746,047	November 1, 2010	Secured by inventories with a book value of U.S. $ 5,288,455
OJSK "Raiffaisen Bank Aval".................................	UAH	24,00%	2,421,905	0,000	2,421,905	November 1, 2010	Secured by inventories with a book value of U.S. $ 2,817,047
OJSC "Ukrkommunbank".	U.S. $	17%	1,243,776	1,244,000	2,000,000	December, 29, 2010	N/A
OJSC "Ukrkommunbank".	UAH	24%	379,410	626,000	626,000	December 29, 2010	Secured by property, plant and equipment with a book value of U.S. $ 206,128
"Vostochno-promyshlennyi bank" LLC	UAH	24%	670,292	664,000	1,300,505	December 1, 2010	Secured by inventories with a book value of U.S. $ 5,105,627
"Vostochno-promyshlennyi bank" LLC	UAH	23%	631,351	0	631,351	October 18, 2010	Secured by inventories with a book value of U.S. $ 3,161,755
PJSC "Alfa-Bank"	UAH	26%	8,818,904	0	8,804,429	February 4, 2011	Secured by the suretyships provided by Mr. Zhuravlov, "Agroton" PJSC, the mortgage over milk complex and the pledge of equipment owned by PE Agricultural Production Firm "Agro" with a book value of U.S. $ 499,668

The following table sets forth certain information with respect to the Group's long-term finance lease liabilities for the periods indicated:

	As at June 30, 2010 (unaudited)		As at December 31, 2009	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	(U.S. $ in thousands)		(U.S. $ in thousands)	
Amounts payable:				
Within 1 year	2,607	1,886	4,579	3,356
From 1 to 5 years	5,492	4,473	6,922	5,744
Total	**8,099**	**6,359**	**11,501**	**9,100**

The Group also intends to use the net proceeds it receives from the Offering to finance part of its capital expenditures in the future.

The availability of external financing is influenced by many factors, including the Group's financial position and market conditions. Under certain circumstances, the Group may be required to repay certain indebtedness. The Group expects that its current and expected capital resources will be sufficient for its anticipated capital expenditures and other operating needs under its current business plan.

Off-balance Sheet Arrangements

There were no significant off-balance sheet arrangements other than the contractual obligations and commitments and contingencies described below.

Contractual Commitments

The following table summarizes the Group's contractual obligations, commercial commitments and principal payments that it was obliged to make as at the dates indicated with respect to land and fixed assets operating lease agreements. The information presented in the table below reflects the contractual maturities of the Group's obligations, which may differ significantly from the actual maturity of these obligations.

	As at June 30,	As at December 31,		
	2010 (unaudited)	2009	2008	2007
	(U.S. $ in thousands)			
Within 1 year	1,911	1,968	1,923	1,879
From 1 to 5 years	7,205	7,411	7,192	6,482
More than 5 years	5,393	6,320	7,634	6,559
Total	**14,510**	**15,699**	**16,749**	**14,920**

Quantitative and Qualitative Disclosures about Market Risks and Other Risks

The Group is exposed to market risks with respect to commodity prices, foreign currency exchange rates and interest rates. The Group is also exposed to credit risk and liquidity risk.

Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices. See "*—Factors Affecting the Group's Results of Operations — Prices of commodities*".

Currency risk

Currency risk is the risk of a change in the value of financial instruments due to changes in foreign exchange rates. The Group has significant exposure to both the U.S. dollar and the Euro and therefore is exposed to risk in the event of adverse movements in the exchange rate between these currencies and the hryvnia. The exchange rate between the hryvnia and the U.S. dollar has historically fluctuated, but in recent years the hryvnia has depreciated against the U.S. dollar. See "*Exchange Rates*". The Group does not use derivative financial instruments to hedge currency risks. The following table sets forth certain information with respect to the Group's exposure to currency risk for the periods indicated:

	As at June 30, 2010 (unaudited)		As at December 31, 2009	
	U.S. $	EUR	U.S. $	EUR
	(U.S. $ in thousands)		*(U.S. $ in thousands)*	
Cash	14,614	0	34,982	16
Bank and other loans	13,476	0	20,361	0
Trade and other accounts payable	1,744	41	0	21,688
Total book value exposed to currency risk	**29,834**	**41**	**55,343**	**21,704**

The following table sets forth certain information with respect to the Group's sensitivity to changes in certain foreign exchange rates for the periods indicated:

	As at June 30, 2010 (unaudited)		As at December 31, 2009	
	Increase in exchange rate against UAH	**Effect on Income before tax**	**Increase in exchange rate against UAH**	**Effect on Income before tax**
			(%)	*(U.S. $ in thousands)*
U.S. dollars	15	4,475	15	2,193
Euro	10	(4)	10	(2,167)

Interest rate risk

The Group is exposed to interest rate risk principally in relation to its outstanding borrowings. The Group's borrowings are at both fixed and variable rates. With respect to its fixed rate borrowings, there is a risk that over the life of the loan, the rate payable will be higher than the market rate. As at June 30, 2010 the Group had financial liabilities with a fixed interest rate of U.S. $ 54.5 million. With respect to variable rate borrowings, there is a cash flow risk that the Group may not have enough cash on hand to pay interest due if the rate increases. As at June 30, 2010 the Group had financial liabilities with a fixed interest rate of U.S. $ 54.5 million.

Credit risk

Credit risk is the risk of financial loss due to the non-fulfillment of the obligations of the Group's customers and counterparties. The Group's credit risk is mainly related to its trade accounts receivable. The majority of the Group's customers are long-standing and there were no significant losses during 2009, 2008, 2007 or the first six months of 2010 resulting from non-fulfillment of obligations by clients. The Group has made provisions relating to trade accounts receivable in 2009, 2008, 2007 and the first six months of 2010 of U.S. $ 0.4 million, U.S. $ 0.4 million, U.S. $ 0.6 million and U.S. $ 0.4 million, respectively.

For the six months ended June 30, 2010 trade accounts receivable amounted to U.S. $ 5.0 million, a decrease of 33.3% from U.S. $ 7.5 million for the year ended December 31, 2009. The decrease in the first six months of 2010 was primarily due to a decrease in receivables from sunflower sales compared to the year ended December 31, 2009.

For the year ended December 31, 2009 trade accounts receivable amounted to U.S. $ 7.5 million, an increase of 93.4% from U.S. $ 3.9 million for the year ended December 31, 2008, which represented a 39.7% decrease from U.S. $ 6.4 million for the year ended December 31, 2008. The increase in 2009 was primarily due to an increase in receivables from sunflower seed sales at the end of 2009, whereas the decrease in 2008 was primarily due to the depreciation of the hryvnia against the U.S. dollar.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to fulfill its financial liabilities at the date of their maturity. As at June 30, 2010, the Group's short-term assets exceeded its short-term liabilities by U.S. $ 39.3 million, compared to U.S. $ 20.5 million as at June 30, 2009.

The following table sets forth certain information with respect to the Group's assets and liabilities as at June 30, 2010:

	On Demand	**< 3 months**	**3-6 months**	**6-12 months**	**>1 year**	**Total**
			(U.S. $ in thousands)			
Assets						
Long-term loans granted to related parties	0	0	0	0	156	156
Long-term loans granted to employees	0	0	0	6	16	22
Trade accounts receivable	1,026	4,018	0	0	0	5,044
Other current assets, net	222	37	0	0	0	259
Cash and cash equivalents	14,687	0	0	0	0	14,687
Total	**15,935**	**4,055**	**0**	**6**	**172**	**20,168**
Liabilities						
Long-term bank loans	0	0	0	0	(716)	(716)

	On Demand	< 3 months	3-6 months	6-12 months	>1 year	Total
			(U.S. $ in thousands)			
Current portion of long-term bank loans	0	(45)	(90)	(134)	0	(269)
Short-term borrowings	(893)	(1,265)	(35,621)	(9,596)	0	(47,375)
Trade accounts payable	(1,140)	(3,428)	0	0	0	(4,568)
Long-term finance lease liabilities	(0)	(0)	(0)	(0)	(4,473)	(4,473)
Other short-term liabilities and accrued expenses	(1,939)	(12,224)	(444)	(105)	0	(14,712)
Total	**(3,972)**	**(16,962)**	**(36,155)**	**(9,835)**	**(5,189)**	**(72,113)**
Net	**11,963**	**(12,907)**	**(36,155)**	**(9 829)**	**(5,017)**	**(51 945)**

As at December 31, 2009, the Group's short-term assets exceeded its short-term liabilities by U.S. $ 20.7 million, compared to a shortfall of U.S. $ 22.8 million as at December 31, 2008. As at June 30, 2010, the Group's short-term assets exceeded its short-term liabilities by U.S. $ 39.2 million

The following table sets forth certain information with respect to the Group's assets and liabilities as at December 31, 2009:

	On Demand	< 3 months	3-6 months	6-12 months	>1 year	Total
			(U.S. $ in thousands)			
Assets						
Long-term loans granted to related parties	0	0	0	0	137	137
Long-term loans granted to employees	0	0	0	7	17	24
Trade accounts receivable	1,587	5,895	0	0	0	7,482
Other current assets, net	10	12	0	0	0	22
Cash and cash equivalents	35,106	0	0	0	0	35,106
Total	**36,703**	**5,907**	**0**	**7**	**154**	**42,771**
Liabilities						
Long-term bank loans	0	0	0	0	(516)	(516)
Current portion of long-term bank loans	0	(45)	(109)	(154)	0	(308)
Short-term borrowings	(5,848)	(664)	(11,922)	(29,711)	0	(48,145)
Trade accounts payable	(909)	(1,061)	0	0	(31)	(2,001)
Long-term finance lease liabilities	(1,000)	(1,192)	(1,160)	(2,239)	(5,910)	(11,501)
Other short-term liabilities and accrued expenses	(1,057)	(6,358)	(803)	(48)	0	(8,266)
Total	**(8,814)**	**(9,320)**	**(13,994)**	**(32,152)**	**(6,457)**	**(70,737)**
Net	**27,889**	**(3,413)**	**(13,994)**	**(32,145)**	**(6,303)**	**(27,966)**

Critical Accounting Policies

The Group's significant accounting policies are described in the consolidated financial statements. The Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with IFRS. Actual results could differ from these estimates.

The Group has identified the following accounting policies that it believes are the most critical to an understanding of the results of operations and financial condition of the Group.

Inventories

Agricultural products are initially recognized at fair value less costs to sell at the date of harvest. Fair value is determined using the average price of the three largest markets or buyers in Ukraine as these products are sold within the Ukrainian market at the date of harvesting less costs to sell. As at the year end any agricultural products that have been harvested and no sold are reported within inventories at the lower of cost (fair value at date of harvest) and net realizable value at the consolidated balance sheet date.

Impact of the ongoing global financial and economic crisis

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Provisions for doubtful debts

The Group provides for doubtful debts to cover the potential losses when a customer may be unable to make necessary payments. Assessing the adequacy of allowance for doubtful debts, management considers the current economic conditions in general, of the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of allowance for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Legal proceedings

The Group's management applies significant assumptions in measurement and reflection of reserves and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or crystallizing of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as far as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have significant effect on the future results of operating activity.

Recent Accounting Developments

In accordance with IAS 23, as of January 1, 2009, the Group will capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously, the Group recognized all borrowing costs as expenses.

Recent Trends and Developments

This section covers the most significant recent trends observed since the end of the last financial year until the effective date of this Prospectus.

Production

The Group has sowed approximately 40,000 hectares with winter wheat in August, September 2010.

Sales

Sales revenue relating to crop production decreased 36.8% to U.S. $ 8.5 million for the six months ended June 30, 2010 from U.S. $ 13.5 million for the six months ended June 30, 2009, primarily due to an increased volume of sunflower sold at the end of 2009 resulting in a decrease in inventory of sunflower and consequently a decrease in the volume of sunflower sold during the first half of 2010. In July, August 2010, the Group sold approximately 48,000 tonnes of winter wheat for average price 1,287 UAH per tonne (including VAT), rape seed in quantity of 2,000 tonnes for average price 2,425 UAH per tonne (including VAT), sunflower in quantity of 1,036 tonnes for average price 3,229 UAH per tonne (including VAT) and concluded agreements for receiving prepayment for forward sales of sunflower in quantity of 35,000 tonnes for the average amount of 1,500 UAH per tonne (including VAT).

Inventory

As at June 30, 2010, the Group's inventory primarily decreased due to the sale of 41,366 tonnes of winter wheat. In July, August 2010, the Group sold approximately 48,000 tonnes of winter wheat for average price 1,287 UAH per tonne (including VAT), rape seed in quantity of 2,000 tonnes for average price 2,425 UAH per tonne (including VAT), sunflower in quantity of 1,036 tonnes for average price 3,229 UAH per tonne (including VAT) and concluded agreements for receiving prepayment for forward sales of sunflower in quantity of 35,000 tonnes for the average amount of 1,500 UAH per tonne (including VAT).

Costs

In the first six months ended June 30, 2010, the Group's operating costs were fluctuating in line with the sales revenues. There were no significant changes in variable production costs. Fixed costs remained at a stable level.

Selling prices

Between July and August 2010, the price of sunflower seeds increased by approximately 26.4% to approximately U.S. $ 359 per tonne (excluding VAT) compared to the price in June 2010. Similarly, the price of winter wheat increased by approximately 24.3% to approximately U.S. $ 169 per tonne (excluding VAT) compared to the price in June 2010. In addition, between July and August 2010, the price of pork increased by approximately 13.3% to UAH 17 per kilogram compared to the price in June 2010, whereas prices for other livestock did not change significantly.

INDUSTRY OVERVIEW AND COMPETITION

The following overview includes extracts from publicly available information, data and statistics, and has been extracted from official sources and other sources management believes to be reliable. The Company accepts responsibility for accurately reproduction of such information, data and statistics, but accepts no further responsibility with respect to such information, data and statistics. Such information, data and statistics may be approximations or may use rounded numbers.

Introduction

With an area of 603,700 square kilometers and approximately 46 million inhabitants, Ukraine is the second-largest country in Europe by land area and the fifth-largest in terms of population. The Ukrainian economy has experienced growth in of 7.3% and 2.1% in 2007 and 2008, respectively. In 2009 real GDP declined by 15.1% according to the State Statistics Committee of Ukraine. Real disposable incomes have increased by 15.0% in 2007 and 9.6% in 2008 but have decreased in 2009 by 8.5% that have led to a decrease in demand for agricultural products.

The following table illustrates the key macroeconomic indicators of Ukraine for this respective period:

Key macroeconomic indicators	2009	2008	2007
GDP, real growth (end of period, change in %)	(15.1)	2.1	7.3
Consumer Price Index (end of period, change in %)	15.9	25.2	16.6
Real disposable income (end of period, change in %)	(8.5)	9.6	15.0
Exchange rate UAH to USD (annual average)	7.79	5.27	5.05
Exchange rate UAH to EUR (annual average)	10.87	7.84	6.34
Foreign Direct Investments (USD bln, cumulative, end of period)	40.0	35.7	29.5

Source: State Statistics Committee of Ukraine, the Economist, the International Centre for Policy Studies

Market Drivers

The world is on the cusp of major changes in global agriculture. A number of factors that will contribute to these changes are as follows:

Global warming and scarcity of new arable lands.

Global warming resulting from industrial practices around the world means industrialized countries have begun a gradual shift towards environment friendly technologies. The net result will be fewer agricultural commodities added to the balance of food and feed provided to industries worldwide.

Soaring world population growth.

The world population continues to outpace food availability in many countries. Great pressure is being placed on utilizing arable land and providing adequate supplies of food and animal feed. The world population is expected to double from about 6 billion to more than 12 billion in less than 50 years, and as it continues to expand the food and feed problem will become increasingly severe, pushing prices of agricultural commodities higher and higher.

Rising life expectancy.

The average life expectancy in the world is rising. In the long-term, the average life expectancy in China is expected to increase from 70 years in 2000 to 77 years in 2050, while the average life expectancy in India is expected to increase from 62 years in 2000 to 75 years in 2050. This process is also expected to result in higher agricultural commodities prices.

Increasing well-being of emerging markets.

World agricultural commodities prices have been influenced by increasing consumption in Asia and other emerging markets. In short, persistent economic growth in developing economies has resulted in growth in disposable incomes, allowing people to increase their food consumption. As consumption in the emerging markets increase, the IMF expects China's GDP to grow at a rate 9.84% CAGR between 2010-2014.

Growth of local livestock.

The Ukrainian government's concern regarding domestic livestock depletion following the break-up of the

Soviet Union has led to national programs to increase livestock. In addition, increasing meat consumption in Ukraine has led to an increase in livestock, in particular poultry and pork. An increase in livestock subsequently has led to an increase in demand for grain to feed growing livestock (e.g. 1 kg beef weight growth results in an increase of 7 kg of consumed grain). Extra livestock production necessitates large areas of farmland to provide the requisite animal feed.

Climate change.

Rising global temperatures and soil erosion are likely to constrain agricultural production growth in traditional producer countries. Black-earth regions may be less susceptible to the effects of climate change compared to traditional regions of agricultural production and are therefore expected to be in an advantageous position vis-à-vis traditional producer countries.

Urbanization.

The decline in the agricultural workforce is expected to result in a proportional decrease of arable lands from 0.5 hectares of land per inhabitant in 1950 to 0.2 hectares in 2020.

Soil deterioration.

Declining soil productivity due to human and industrial misuse resulted in a 16% deterioration of arable lands in India in 2005 alone.

Natural conditions

Ukraine has favorable agriculture climatic conditions, rich agricultural soils, access to abundant land and water resources.

Geography and landscape

The agricultural area of Ukraine totals 42.9 million hectares according to State Statistics Committee of Ukraine, or about 71% of the country's total surface area. For comparison, in the EU agricultural land represents 41% of its total surface area. 76% of Ukrainian agricultural land is arable land, while for the EU this figure is only 61%. The total amount of the Ukrainian arable land is equal to 19% of EU arable land (Source: Eurostat).

Ukraine shares borders with Russia, Romania, Hungary, Poland, Moldova, Belarus and Slovakia. Due to its favorable geographic location in the centre of Europe and its diversified system of railway, motor, and sea transport, Ukraine serves as a transit country for cargo from different countries and has easy access to foreign markets.

The table below compares agricultural areas of Ukraine and selected countries:

Country	Total agricultural area, mln ha	Arable land, mln ha
Argentina	133.4	32.5
Brazil	263.5	59.5
Canada	67.6	45.1
China	552.8	140.6
EU	190.2	108.6
France	27.6	18.3
Germany	17.0	11.9
India	179.9	158.7
Poland	14.8	11.3
Russia	215.5	121.6
UK	16.0	6.1
Ukraine	**42.9**	**32.4**
US	411.2	170.4
World	4,931.9	1,411.1

Source: State Statistics Committee of Ukraine, Eurostat 2008, FAO 2007

Ukraine is essentially a flat country: 95% of its land is made up of plains, while only 5% is mountainous. The landscape is highly suitable for agriculture and large-scale farming, since 60% of this agricultural land is virtually flat and the remaining 35% has slopes ranging from 1° to 3°.

The territory of Ukraine is divided into three main natural and climatic areas: a mixed forest zone, a forest steppe zone and a steppe zone.

The mixed forest zone is the least-ploughed part of the country and is characterized by a diverse mosaic of natural complexes – hayfields and pastures, which account for 18% of all domestic agricultural holdings with 77% as natural pasture and 23% seeded with crops. The percentage of ploughed land in Ukraine is 36% of the total zonal terrain or 66% of all cultivated areas in this zone. Conditions are good for growing various cereals, pulse crops, potatoes, flax, forage crops and for the traditional development of beef and dairy cattle ranching.

The forest steppe zone has fertile soils and favorable moisture conditions, as characterized by a higher percentage of ploughed land, reaching 59% of the total zonal terrain or 82% (up to 88%) of all such cultivated lands. Conditions in this zone are excellent for cereals, especially winter wheat and corn, peas, sugar beets and potatoes. The more moist northern and north-west areas are better suited to perennial grasses. This zone is conducive to producing sugar beet and beef/dairy cattle ranching and hog farming. Sugar beets and grains are the main commodities supported by such soils.

The steppe zone of roughly 240,200 square kilometers is largely free of relief being mainly flat. This is the maximum ploughable area for Ukraine; about 48% of Ukraine's arable land is located in the steppe zone. Agriculture in this zone supports grain, fruit and vegetable farming, and vineyards. The main crops are wheat, sunflower, corn and barley. (Source: Farm Reference Handbook for Ukraine, USAID).

Climate

With its mild climate and rich soil covering a large part of the country, Ukraine has highly suitable conditions for agricultural production. Seasonal changes are evident throughout the year. Average annual precipitation is about 500 millimeters, including approximately 300 millimeters that fall during the growing season (from April to October), which makes it ideal for the cultivation and seeding of both winter and spring crops of wheat, sunflower and corn (Source: WDC).

The following table shows average annual precipitation and temperature levels in selected regions:

Region	Average annual precipitation level, mm	Average temperature in winter, °C	Average temperature in summer, °C
Donetsk region	460-556	-6°C	+21°C
Kharkiv region	475-568	-7°C	+20°C
Luhansk region	400-500	-7°C	+21°C

Source: Gateway Ukraine, National Exhibition of Ukraine in the US

The average annual temperature in Ukraine usually ranges from 20°C to 25°C in summer and from -10°C to -3°C in winter. Above-average snow cover protects most winter crops from sudden frosts. Snow generally covers the ground for 70-90 days in most areas, from early December to the end of February, but sometimes lasting until April.

Soil

Ukraine accounts for one-third of the world's chernozem (black soil) areas, which are characterized by their enriched humus layer of between 40-60 centimetres, giving it the highest-quality black soils in the world (Source: National Exhibition of Ukraine in the US, USAID). The chernozem areas and related soils occupy 44% of Ukraine's surface and even more of its agricultural land (62%). It is highly fertile and contains a very high percentage of humus, which enables the achievement of high agricultural yields (Source: FAO).

The table below shows the soil map of regions where the Group operates:

Region	Major soil layer
Donetsk region	Superior chernozems
Kharkiv region	Superior chernozems
Luhansk region	Superior chernozems

Source: FAO, State Statistics Committee of Ukraine

Donetsk, Kharkiv and Luhansk regions all have intensively cultivated areas with fertile soils and favorable moisture conditions for the production of wheat and sunflower.

Overview of global and Ukrainian markets for wheat and sunflower

Global wheat and sunflower market

Volume

In 2010, global wheat production is forecasted to reach nearly 664 million tonnes, a decrease of 2.7% compared to 2009.

The table below illustrates the production of wheat and sunflower seeds in selected countries over 2007-2009:

	Wheat production, thousands tonnes			Sunflower seed production, thousands tonnes		
Country	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Argentina	14,601	9,500	16,300	4,369	3,630	4,650
Brazil	5,331	5,800	3,825	n/a	n/a	105
Canada	26,000	28,610	20,054	n/a	n/a	124
China	109,665	113,000	109,298	1,507	1,500	1,250
EU	144,565	150,514	119,442	6,053	6,950	4,771
France	39,446	39,001	32,769	1,691	1,614	1,307
Germany	25,091	25,988	20,828	51	49	51
India	80,042	78,400	75,810	n/a	n/a	5,656
Poland	9,717	9,274	8,317	4	4	5
Russia	56,504	63,000	49,400	n/a	7,350	5,656
UK	14,181	17,227	13,137	n/a	n/a	n/a
Ukraine	**20,885**	**25,500**	**13,900**	**6,364**	**6,526**	**4,200**
US	59,693	68,026	55,821	1,395	1,552	1,301
World	672,140	682,865	610,188	32,145	33,421	27,196

Source: FAPRI, Eurostat

Yields

The table below illustrates the yield levels of wheat and sunflower seeds in selected countries over 2007-2009:

	Wheat yield, tonnes per ha			Sunflower seed yield, tonnes per ha		
Country	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Argentina	2.8	2.3	2.8	1.8	1.7	1.8
Brazil	2.3	2.4	2.1	n/a	n/a	1.5
Canada	2.7	2.9	2.3	n/a	n/a	1.6
China	4.7	4.7	4.6	1.8	1.8	1.6
EU	5.4	5.6	4.8	1.8	1.9	1.4
France	7.4	7.1	6.3	2.5	2.6	2.5
Germany	7.8	8.1	7.0	2.7	2.0	2.6
India	2.8	2.8	2.7	n/a	n/a	0.8
Poland	4.1	4.1	3.9	1.9	1.8	1.8
Russia	2.1	2.4	2.0	n/a	1.2	1.1
UK	n/a	8.3	7.2	n/a	n/a	n/a
Ukraine	**3.1**	**3.6**	**2.3**	**1.5**	**1.5**	**1.2**
US	2.9	3.0	2.7	1.6	1.6	1.6
World	3.0	3.1	2.8	1.4	1.4	1.2

Source: FAPRI, Eurostat

Export

The table below provides information on major global wheat and sunflower net exporters:

	Wheat net export, thousands tonnes			Sunflower seed net export, thousands tonnes		
Country	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Argentina	8,770	4,295	10,496	16	75	20
Australia	15,614	12,925	7,392	n/a	n/a	n/a
Canada	16,792	18,700	15,726	n/a	n/a	n/a
China	n/a	n/a	n/a	82	113	142
EU	9,840	13,000	5,296	n/a	n/a	n/a
Russia	13,200	14,600	11,876	n/a	n/a	n/a

	Wheat net export, thousands tonnes			Sunflower seed net export, thousands tonnes		
Country	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Ukraine	**7,215**	**8,900**	**902**	**349**	**445**	**67**
US	24,626	24,222	31,338	132	119	112

Source: FAPRI

Prices

Shortages in many exporting and producing countries and strong international demand drove crop prices to rise sharply in 2008. An adequate supply response and the world economic crisis softened prices in 2009.

The table below shows the average prices of wheat and sunflower over 2007-2009:

	Average price, USD per tonne		
Crop	**2009**	**2008**	**2007**
Wheat	169	248	215
Sunflower	267	557	396

Source: Bloomberg

Ukrainian wheat and sunflower markets

Historically, wheat and sunflower have been the main agricultural export crops of Ukraine. The major destinations of these crops are EU member states, especially Spain and Italy, with a combined 22% share in Ukraine's total wheat exports. The Ukrainian agricultural industry is export-oriented and traditionally grows wheat and sunflower for foreign markets. Ukraine produces about 2% of the world's grain (Source: National Exhibition of Ukraine in the US, USAID).

The table below illustrates the area seeded with wheat and sunflower in Ukraine over 2007-2009:

	Seeded area, mln ha		
Crop	**2009**	**2008**	**2007**
Wheat	7,2	7.0	6.0
Sunflower	4.0	4.1	3.4

Source: FAPRI

The table below provides average crop yields of wheat and sunflower in Ukraine over 2007-2009:

Crop	Crop yields, tonnes per ha		
	2009	**2008**	**2007**
Wheat	2.9	3.6	2.3
Sunflower	1.4	1.5	1.2

Source: FAPRI

Competition

The main competitors of the Group in crop production in Ukraine are „NIBULON Ltd.", Privat-Agro-Holding, LLC „Astarta-Kyiv", Kernel Holding S.A., Agrocomplex imeni Illicha OJSC „MMK imeni Illicha" Agro-industrial complex "Shakhtar", OJSC „Shahta imeni Zasad'ko" and Agro-Soyuz Corporation.

Agricultural inputs

Ukraine possesses all the preconditions necessary to increase its agricultural production (fertile soil, skilled professionals, availability of agricultural land, large cheap labor force, and rising world demand for commodities).

Agricultural chemicals

The present consumption of fertilizers in Ukraine is very low compared with what it was in 1990. The Ukrainian Institute of Agronomy and Agrochemistry states that the annual need in Ukraine for mineral fertilizers is about 4.4 million tonnes. However, due to domestic farmers' lower purchasing power, actual demand is limited to 27% of the country's annual needs.

Although Ukraine has a highly developed chemical industry, most agricultural enterprises apply little or no fertilizers during their operations. Proper financing of agricultural enterprises may result in an increase in fertilizer application and, as a result, an increase in agricultural yields.

The table below illustrates average fertilizer consumption in selected countries:

Country	Fertilizer consumption, kg per ha
Argentina	27
Canada	57
France	215
Germany	220
India	101
Poland	116
Russia	12
UK	311
Ukraine	**18**
US	110
World	139

Source: NationMaster: World Development Indicator

Agricultural machinery

According to USAID estimates, the current level of physical depreciation of agricultural machinery and equipment is about 70-80% in Ukraine. The need to replace obsolete machinery and equipment is crucial. High-quality agricultural machinery and equipment could have a positive effect on agricultural productivity in the country.

The table below presents the average quantity of tractors per 1,000 hectares of arable land in selected countries:

Country	Tractors per 100 ha
Argentina	107
Canada	160
France	685
Germany	798
India	159
Poland	1,089
Russia	48
UK	884
Ukraine	**120**
US	269
World	390

Source: NationMaster: World Development Indicator

Grain elevators

Grain storage allows agribusinesses and farmers to increase their grain trading and profitability from farming. The current storage capacity deficit in Ukraine exceeds 20 million tonnes, or 46% of the total harvest in 2009. A company with its own storage facilities can sell at up to a 50% premium to high season prices.

The table below illustrates the total grain production and storage capacities in Donetsk, Luhansk and Kharkiv regions:

Region	Production, mln tonnes	Capacity, mln tonnes	Quantity
Donetsk region	2.3	1.2	1.2
Luhansk region	1.6	1.0	1.0
Kharkiv region	3.8	2.1	2.1
Ukraine total	53.3	28.8	28.8

Source: Derzhreestr Ukraine, Ukragroconsult

Agriculture employment

Ukraine's rural population is mostly engaged in agricultural production. Currently Ukraine has a large surplus of labor in the agricultural industry. According to State Statistics Committee of Ukraine, the unemployment rate has increased from 6.9% in 2007 to 9.6% in 2009. As a result of the oversupply of rural labor, agricultural companies can pay wage levels that are almost half the level those paid to workers in other industries.

The table below shows average wage levels in the agriculture and the rest of the economy:

	Average monthly wage, USD		
	2009	2008	2007
Average wage in agriculture	143	134	173
Average wage in other industries	259	253	332

Source: State Statistics Committee of Ukraine

Implications of joining the WTO for Ukrainian agriculture

Ukraine became a member of the WTO on May 16, 2008. This has forced the country to reduce tariffs and eliminate export quotas according to WTO rules. The government lifted export quotas for grain, resulting in the export of 25 million tonnes of grain in 2008.

The table below shows Ukrainian net exports of wheat and sunflower over 2007-2009:

	Net export, thousands tonnes		
Crop	**2009**	**2008**	**2007**
Wheat	8,000	13,037	1,236
Sunflower seed	445	585	75

Source: FAPRI

Land market overview

The Ukrainian Land Code has imposed a moratorium on the sale of agricultural land. The ban on the sale of agricultural land has expired on January 1, 2008, but has remained in force and likely will continue for the foreseeable future, until the adoption of a law on land registry and a law on land markets, after which the ban will be reversed.

Introduction to the land market

The break-up of the Soviet Union in 1991 led to the liberalization of the agricultural land market and the establishment of private ownership of land. In the beginning, former collective farms were restructured, with the Ukrainian government then disseminating land for ownership by individuals.

These new landowners have had two options historically: use the land as a productive asset or lease it to agricultural enterprises. Most of these landowners are pensioners for whom the lease payments constitute a key source of income and who are not able to cultivate the land therefore they lease it. As of today, with the moratorium on agricultural land sales expired, the sale of land should eventually take place, but only when changes in relevant legislation are adopted.

Ukraine’s average private land ownership is 1.7 hectares of agricultural land per person. Ukraine is a world leader in relation to its quality fertile soils with one-third of the worlds’ richest black soils.

Ownership status of agricultural land

The principal types of agricultural land owned by rural citizens are the following:

- Land plot – an identified plot of land included in the state cadastre;
- Land allotment – a partial interest in a land plot previously owned by the state held together with other land shareholders. Boundaries of the land allotment cannot be known until it is converted into a land plot, and the holder of the land allotment does not have the right to cultivate the land personally. The only way in which the holder of the land allotment can derive any benefit from the land share is to lease the share to a separate enterprise.

The majority of agricultural land owners are represented by Ukraine’s rural population, most of whom are pensioners who do not have access to reliable market information on land and rent values. For these reasons, land rent remains at globally record low levels (about USD 30-50 per hectare per year), and land prices, following amendments to state legislation, are assumed to be among the lowest in the world.

Land price determinants

Agricultural land prices vary widely across different countries due to the following factors:

- Limitations upon foreigners' right to acquire the land;
- Fertility of the land;
- Current and potential yield levels;
- Current and expected crop prices;
- Climate;
- Location of the land (access to market);
- Taxation;
- Other country specific factors.

The following table summarizes the information on agricultural land prices in different countries in 2009:

Country	Average price per ha, USD
Ireland	58,500
England	17,100
France	12,500
US	11,000
New Zealand	9,643
Poland	6,600
Romania	4,855
Australia	3,450
Bulgaria	3,120
Russia	800

Source: Knight Frank

Due to gradual improvements in technologies, production methods used, and land market liberalization, differences in land prices across countries might over time fall and disappear altogether.

Land sales and the lease market

Land lease is currently the only form of transaction on the agricultural land market of Ukraine, as the Land Code imposes a ban on agricultural land sale. Under Ukrainian legislation, a lessee has the preemptive right to purchase the land it leases. Due to their dominant position in local markets, agricultural companies will enjoy substantial bargaining power in the process of land acquisition once the ban is lifted.

A land plot/share may be leased out for any period between 1 and 50 years. Upon expiration of the lease contract, the land owner has three choices: to prolong the contract, to find a different tenant, or to cultivate the land. The easiest and most obvious choice is to prolong the contract. The other two alternatives (finding a different tenant, cultivating the land) may be difficult or impossible, because land plots are small (average land plot size is 1.7 hectare) and are located somewhere in a large field and therefore not interesting to other agricultural enterprises.

The Ukrainian parliament has been prolonging the land moratorium on an annual basis for several years in a row now. Effective laws provide that the sale of agricultural land will be allowed once the necessary legislative changes are adopted, but not earlier than January 1, 2012.

Once the necessary changes are adopted, a massive sale of agricultural land might develop due to the following factors:

- 53-56% of land owners are pensioners who live on government pensions, the level of which currently averages USD 108 per month (Source: Ministry of Labor and Social Policy of Ukraine);
- 30% of such pensioners do not have heirs, or their heirs reside abroad (Source: Center for Reform and Policy in Ukraine);
- Leasing is not a logical choice for current land owners because it is currently set at about USD 40 per year for 1 hectare;
- The standard of living for rural land owners is extremely low.

World and Ukrainian Meat Market Overview

Introduction

The consumption of meat products in Ukraine has increased in line with rising income levels of the population. Management believes that consumption levels of meat in Ukraine will continue to increase.

The table below shows the level of meat consumption and per capita income of the Ukrainian population over 2007-2009:

	2009	2008	2007
Gross domestic product per capita, USD	2,538	3,910	3,100
Meat consumption per capita, kg	44.2	43.7	39.5

Source: FAPRI, IMF

The level of meat consumption in Ukraine remains below the average consumption level in developing countries and significantly below the consumption levels in developed countries. According to FAPRI, in 2008 the level of meat consumption in Ukraine was 43.7 kilograms per capita, as compared to 80.0 kilograms per capita in the European Union and 113.4 kg per capita in the United States.

As part of a trend observed in other countries, Ukrainian consumers are starting to eat more poultry compared to beef and pork since poultry is cheaper than beef or pork. In part this is due the number of kilograms of fodder required to produce one kilogram of increase in live weight of poultry – sufficiently lower than for pork or beef, at two kilograms and four kilograms, respectively.

The following table shows the relative percentages of meat consumption in Ukraine represented by poultry, beef and pork over 2007-2009:

	Percentage of meat consumption, %		
	2009	2008	2007
Poultry	42	39	33
Beef	25	24	28
Pork	33	37	39

Source: FAPRI

Poultry production and consumption

World chicken production increased from 68.3 million tonnes in 2005 to 71.7 million tonnes in 2009.

The table below shows the production volumes of broiler meat in selected countries over 2007-2009:

	Poultry production, thousands tonnes		
Country	**2009**	**2008**	**2007**
Argentina	1,425	1,280	1,200
Brazil	10,895	10,305	9,355
Canada	1,030	1,006	971
China	12,650	11,354	10,350
EU	8,400	8,250	7,740
France	1,670	1,706	1,716
Germany	1,276	1,191	1,086
India	2,490	2,240	2,000
Poland	1,267	1,186	1,142
Russia	1,550	1,350	1,180
UK	1,459	1,432	1,454
Ukraine	**570**	**475**	**372**
US	16,383	16,556	16,211

Source: FAPRI, Eurostat

The table below shows per capita consumption of poultry meat in selected countries over 2007-2009:

	Poultry consumption, kg per capita		
Country	**2009**	**2008**	**2007**
Argentina	35	32	30
Brazil	39	39	38
Canada	31	31	30
China	10	10	9

Country	Poultry consumption, kg per capita 2009	2008	2007
EU	17	17	17
France	26	27	25
Germany	16	14	18
Russia	21	20	18
UK	24	23	27
Ukraine	**19**	**17**	**13**
US	44	44	45

Source: FAPRI, Eurostat

Competition

The main competitors of the Group in poultry production in Ukraine are TM "Nasha Ryaba" of OJSC "Myronivsky Hliboproduct", TM "Gavrylivski kurchata" and "Kurganskyi Broiler" of CJSC "Agromars", TM "Slavna" of LLC "Agroukrptaha", TM "Morozivski kurchata" of LLC "Ruby Rose Agricole", TM "Landgut Broiler" of LLC "Landgut Ukraine", etc.

Beef production and consumption

According to the FAPRI 2009 Agricultural Outlook, world beef trade has recovered and is projected to continue to grow at an average rate of 2.0% through 2018.

The table below shows the production volumes of beef in selected countries over 2007-2009:

Country	Beef production, thousands tonnes 2009	2008	2007
Argentina	3,220	3,200	3,300
Brazil	9,525	9,205	9,303
Canada	1,248	1,270	1,279
China	6,403	6,260	6,134
EU	8,197	8,220	8,203
France	1,467	1,518	1,531
Germany	1,178	1,209	1,185
India	2,735	2,655	2,500
Poland	385	381	364
Russia	1,269	1,330	1,370
UK	870	862	882
Ukraine	**422**	**480**	**542**
US	11,961	12,093	12,031

Source: FAPRI, Eurostat

The table below shows per capita consumption of beef in selected countries over 2007-2009:

Country	Beef consumption, kg per capita 2009	2008	2007
Argentina	68	69	69
Brazil	37	37	37
Canada	32	32	32
China	5	5	5
EU	17	17	18
France	23	24	26
Germany	14	15	13
India	2	2	2
Russia	17	17	17
UK	14	14	21
Ukraine	**11**	**10**	**11**
US	40	41	42

Source: FAPRI, Eurostat

Per capita consumption of beef in Ukraine remains low relative to that in other developing and developed countries.

Competition

The main competitors of the Group in beef production in Ukraine are CJSC "Bakhmutskyi Agrarnyi Soyuz", Agrokombinat "Kalita" LLC "Evroresurs", etc.

Pork production and consumption

According to the FAPRI, average annual pork consumption in Ukraine was 14.6 kilograms in 2009 as compared to 15.4 kilograms in 2007. Per capita pork consumption in the country remains relatively low compared to other developing countries.

The table below shows the production volumes of pork in selected countries over 2007-2009:

	Pork production, thousands tonnes		
Country	**2009**	**2008**	**2007**
Argentina	227	220	215
Brazil	3,283	3,055	2,990
Canada	1,823	1,845	1,894
China	46,100	44,593	42,878
EU	22,160	22,300	22,858
France	2,004	2,276	2,281
Germany	5,254	5,111	4,985
Poland	1,608	1,888	2,090
Russia	2,176	2,040	1,910
UK	757	739	738
Ukraine	**593**	**603**	**635**
US	10,342	10,604	9,961

Source: FAPRI, Eurostat

The table below shows per capita consumption of pork in selected countries over 2007-2009:

	Pork consumption, kg per capita		
Country	**2009**	**2008**	**2007**
Argentina	7	6	6
Brazil	12	12	12
Canada	29	30	31
China	35	34	32
EU	43	43	44
France	31	36	35
Germany	64	62	56
Russia	22	21	20
UK	n/a	n/a	23
Ukraine	**15**	**16**	**15**
US	22	22	23

Source: FAPRI

Competition

The main competitors of the Group in pork production in Ukraine are CJSC "Bakhmutskyi Agrarnyi Soyuz", LLC "Agro-Oven", Agrokombinat "Kalita" LLC "Evroresurs", etc.

World and Ukrainian milk, cheese and bread markets

Milk market

World dairy prices are recovering from the low levels posted in mid-2007. In the long-term, growth in population and incomes should continue to put upward pressure on dairy prices. Australia, New Zealand and the European Union remain the world's biggest dairy exporters, but as excess supply from the European Union levels off, Argentina and Brazil could expand their dairy exports. Over the next decade, milk production is expected to increase in most countries.

Most of the global dairy trade is in processed milk products such as milk powder, cheese and butter rather than in raw milk. This is because raw milk has a short useful economic life and transporting milk is expensive relative to its selling price. Dairy farming is a local business, with raw milk usually transported to processors within a 300 kilometers radius of the farm.

The table below illustrates milk production in selected countries over 2007-2009:

	Milk production, thousands tonnes		
Country	**2009**	**2008**	**2007**
Argentina	10,664	10,100	9,550
Brazil	30,181	28,890	26,750
Canada	8,338	8,270	8,212
China	41,695	37,790	36,334
EU	136,248	134,000	132,604
France	n/a	23,819	22,969
Germany	n/a	27,465	27,320
India	107,167	104,275	100,625
Poland	n/a	8,893	8,744
Russia	32,854	32,500	32,200
UK	n/a	13,350	13,646
Ukraine	**9,921**	**11,070**	**11,997**
US	85,913	86,046	84,187
World	531,968	520,876	509,583

Source: FAPRI, Eurostat

The table below shows the number of head of dairy cattle in selected countries over 2007-2009:

	Dairy cow, thousands head		
Country	**2009**	**2008**	**2007**
Argentina	2,204	2,150	2,150
Brazil	16,983	16,700	15,925
Canada	979	985	995
China	19,137	18,219	16,685
EU	24,157	24,176	24,305
France	3,673	3,793	3,758
Germany	4,169	4,229	4,087
India	38,753	38,375	38,000
Poland	2,585	2,696	2,677
Russia	9,705	9,800	9,910
UK	1,876	1,903	1,977
Ukraine	**2,607**	**2,979**	**3,221**
US	9,25	9,22	9,13

Source: FAPRI

Cheese market

The table below shows the production volumes of cheese in selected countries over 2007-2009:

	Cheese production, thousands tonnes		
Country	**2009**	**2008**	**2007**
Argentina	599	540	520
Canada	310	306	308
China	262	248	237
EU	6,872	6,840	6,760
France	n/a	1,874	1,879
Germany	n/a	1,940	1,927
Poland	n/a	594	594
Russia	427	425	435
UK	n/a	343	339
Ukraine	**256**	**256**	**244**
US	4,468	4,462	4,400
World	15,637	15,416	15,139

Source: FAPRI, Eurostat

The table below shows per capita consumption of cheese in selected countries over 2007-2009:

	Cheese consumption, kg per capita		
Country	**2009**	**2008**	**2007**
Argentina	13.6	12.1	11.8
Brazil	3.4	3.2	3.0
Canada	9.6	9.6	9.7

Country	2009	2008	2007
	Cheese consumption, kg per capita		
China	0.2	0.2	0.2
EU	13.2	13.1	12.9
France	n/a	23.4	23.7
Germany	n/a	20.4	20.5
Russia	4.9	4.9	4.8
UK	n/a	10.0	10.1
Ukraine	**4.1**	**4.2**	**4.2**
US	14.8	14.8	14.9

Source: FAPRI, Eurostat

Competition

The main competitors of the Group in milk and cheese production in Ukraine are TM „Shostka" of OJSC "Shostkynskyi gormolkombinat" , TM "Pyryatin" of CJSC "Pyryatynskyi cheese plant, TM "Dobriana" of DE "Milkiland-Ukraine", TM "Komo"of LLC "TH West milk group", TM "Voznesenskii syry" of OJSC "Voznesenskyi Cheese Plant" and TM "Slavia" of CJSC "Bashtanskyi cheese factory", among others.

Bread market

The capacity of the Ukrainian bread market is approximately 2-2.5 million tonnes per year. Approximately 1,000 bakeries exist nationwide, of which 400 are large-scale operations. The domestic bread market is highly concentrated, with seven manufacturers controlling about 40% of the market and divided by regions that reflect the product's short shelf life.

The table below illustrates the consumption volumes of bread in selected countries:

Country	Bread consumption per capita, kg
Australia	1.9
France	1.6
Ireland	5.6
New Zealand	2.3
Saudi Arabia	1.6
Switzerland	1.5
UK	4.8
Ukraine	**1.3**
US	2.0

Source: Euromonitor, 2008

Competition

The main competitors of the Group in bread production in Ukraine are OJSC "Korovay" and OJSC "Luganskmlyn", who are producers of pasta.

Regulation of the Ukrainian agricultural market

As a matter of state policy, and to enhance the development of its agricultural industry, Ukraine provides various types of support to domestic agricultural producers. The following types of financial support or subsidies are currently available to Ukrainian agricultural producers:

Income tax exemption

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, and in accordance with the Law on the Fixed Agricultural Tax, agricultural companies engaged in the production, processing and sale of agricultural products may choose to be registered as payers of the Fixed Agricultural Tax provided that their sales of agricultural goods of their own production account for more than 75% of their gross income. The Fixed Agricultural Tax is paid in lieu of corporate income tax, land tax, duties for special use of water bodies, municipal tax, duties for geological survey works and duties for trade patents. The amount of Fixed Agricultural Tax payable is calculated as a percentage of the deemed value of all of the land plots leased or owned by a taxpayer (determined as of July 1, 1995).

Special VAT regime

According to the Law on VAT, Ukrainian agricultural companies are entitled to retain the difference between input VAT paid on items purchased by such companies for their operations and VAT charged on products sold (currently at a rate of 20%). The amounts so retained are transferred to special bank accounts and may be used for payment of goods and services related to the company's agricultural activities.

Other state subsidies

Since May 16, 2008, the date of Ukraine’s accession to the WTO, Ukraine has been able to provide so-called “yellow” and “green” subsidies to its agricultural producers. Green subsidies (subsidies which do not affect the trade – financing of infrastructure, marketing services, environmental matters, education etc.) are not limited by the WTO. The yellow subsidies are capped on an annual basis at (i) 5% of the overall agricultural production value generated in Ukraine in the relevant year in non-product-specific support, (ii) 5% of the total value of production of each of the basic agricultural products in the relevant year in product-specific support, plus (iii) up to an additional UAH 3 billion. This type of subsidy may be provided in the form of direct financial aid to agricultural producers as well as through tax exemptions and minimum price support.

The Law of Ukraine “On State Support of Agriculture of Ukraine” dated June 24, 2004 provides also for other state subsidies, but their scope and availability generally depends on the funds allotted for these purposes in the state budget for relevant financial year.

Partial Compensation for Finance Costs

The state partially subsidizes interest paid by agricultural producers on loans received from Ukrainian commercial banks. The amounts of such subsidies are determined annually by respective Resolution of the Cabinet of Ministers of Ukraine (no such resolution for 2010 has, as yet, been passed). The state also partially subsidizes agricultural machinery purchased by agricultural producers. Agricultural producers are required to meet certain criteria to qualify for these subsidies.

Subsidies for livestock farming

The law provides that certain types of livestock farming, in particular, pig farming, cattle farming and poultry farming are also subject to state subsidies. The subsidies are calculated as fixed amount per ton of produced meat and are annually determined by the Cabinet of Ministers of Ukraine (no such resolution for 2010 has, as yet, been passed).

The state budget law with respect to each particular year might also provide for additional subsidies for crops growing and other means for agricultural support. However, the state budget for 2010 has not, as yet, been adopted, therefore, as a practical matter, no subsidies are currently available.

BUSINESS

Overview

The Group is a diversified vertically integrated agricultural producer in eastern Ukraine. The Group's core business is crop production, comprising principally wheat and sunflower seeds, as well as the processing, storage and sale of such crops. Currently, the Agroton Group is the fourth largest producer in Ukraine and sixth largest producer in Europe by harvested land among publicly traded agribusinesses. In addition, the Group is engaged in livestock and agricultural products processing. Management believes that combining its crop farming, livestock and food production operations offers a strategic advantage for the Group.

Crop production sales to external customers accounted for 43.3%, 56.6%, 54.7% and 52.7% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively. Livestock sales to external customers accounted for 35.6%, 28%, 25.9% and 11.7% of revenue from sales for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively. Agricultural products processing sales to external customers accounted for 18.7%, 15.0%, 19.1% and 31.5% of revenue from sales to external customers for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively.

From time to time the Group's revenues and sales are influenced by the actions of various governmental agencies, including the UAF, a governmental agency that regulates the minimum and maximum prices of agricultural products and prevents undesirable speculative practices in the Ukrainian agriculture industry. The UAF provides loans which are secured by pledges over grain volumes at prices fixed by the Ministry of Agriculture of Ukraine. The pledgor is entitled to repurchase the pledged grain at a price equal to the loan principal plus interest. If the UAF decides to purchase the pledged grain, or the pledgor is unable to repay the loan, the UAF purchases the pledged grain, whereby the total amount paid by the UAF may be substantially above market price.

For instance, in 2009, as a result of a combination of a variety of factors including the global financial turmoil, increased crop supply, low export demand and a devaluation of the hryvnia, Ukrainian crop prices plummeted and the UAF intervened to support domestic prices. Accordingly, the UAF and the Group entered into two loan agreements in 2009 for the hryvnia-equivalent of approximately U.S. $ 10.9 million against which the Group pledged approximately 100,000 tonnes of wheat and 3,000 tonnes of rye. The loans matured and were repaid in full as of July 31, 2010. See "*Risk Factors − Risks Relating to the Group's Business and Industry − State subsidies from which the Group benefits are significant and are subject to government approval on an annual basis and could be discontinued.*"

Competitive Strengths

Management believes that the Group is well placed to exploit its existing assets and deliver strong, consistent financial growth due to the competitive strengths outlined below.

Diversified revenue mix.

For the first six months of 2010, sales from the Group's crop production, livestock and food production segments accounted for approximately 43.3%, 35.6%, 18.7% of revenue from sales to external customers respectively. In 2009, sales from the Group's crop production, livestock, and food production segments accounted for approximately 56.6%, 28.0%, and 15.0% of revenue from sales to external customers, respectively. Because prices for crops are cyclical while prices for livestock and food processing products are relatively constant, management believes that this diversified revenue structure helps to normalize the Group's revenue stream.

Vertically integrated operations, which reduce costs and enhance quality control.

The Group owns and operates a vertically integrated business model, from crop, fodder and flour production to livestock production and agricultural products processing. In 2009, approximately 16% of Group cereals were used by its livestock production and agricultural products production segments, and 90% of milk produced was used for cheese production. Vertical integration reduces the Group's dependence on suppliers, ensuring the quality of materials such as feed for its livestock operations, and because intergroup sales are at cost, vertical integration reduces the Group's exposure to increases in raw commodity prices.

Concentration of operations in a region with the nation's highest per capita income.

All of the Group's operations are clustered around three regional centers – Donetsk, Luhansk and Kharkiv – which, according to the State Statistics Committee of Ukraine, are among the highest per capita income in Ukraine. Crop farming facilities are located close to each other in Kharkiv and Luhansk regions so that they can be managed as a cluster, where each farm benefits from access to the Group's grain elevators. Livestock and agricultural products production facilities are located close to the Group's crop farming facilities in Luhansk region, which reduces transportation costs for livestock materials. Management believes that concentration of operations in these highest per capita income regions ensures sustainable demand for the Agroton Group's products and secures long-term business development prospects.

Self-sufficiency in storage facilities.

Unlike many of its competitors in the region, the Group maintains its own treatment and storage facilities. According to publicly available information, Ukraine suffers from a significant deficit in crop storage facilities. As of June 30, 2010, the Group controlled total grain elevator capacity of 235,000 tonnes, which enables it to store all of its current crop production and thereby achieve better pricing terms. Crop prices tend to fluctuate with weather conditions, and they also tend to be at their lowest during the harvest when farms without access to storage facilities must sell their crops, producing a surplus on the domestic market. This provides producers with a strong incentive to store their harvest until a better price can be obtained. The Group enjoys up to 50% higher prices annually due to its ability to sell stored stocks at high season prices compared with selling prices during or immediately after the harvest. All of the Group's elevator storage facilities lie in close proximity to its land holdings and have direct access to railway networks.

Experienced management team and strong industry expertise.

The Group has been active in agricultural operations since 1992. Most of the Group's management team consists of experienced, highly motivated professionals who have worked in the industry for on average 25 years. In addition to knowledge of the local agricultural industry, management has established good working relationships with local, municipal and state authorities that are essential for conducting business in Ukraine. Management believes that the Group's industry expertise will help it capitalize on additional opportunities in the future.

Strategy

The Group's overall business strategy is to become the leading agricultural producer in Ukraine. Key elements of the Group strategy can be summarized below.

Improve financial results and operational performance

The Group has continually sought to improve financial and operational margins and it intends to continue improving its margins by implementing no-till technology on all of its harvested land which the Group expects will result in significant decreases in labor and fuel costs compared to other agricultural producers in Ukraine. Approximately 47,000 hectares in 2009 and 54,900 hectares in the first six months of 2010 were cultivated by the Group using no-till technology.

Manageable Expansion of its harvested land bank.

The Company intends to further expand its harvested land bank by continuing to increase its land-lease rights in Luhansk region, particularly in areas near its elevator storage facilities. In the medium term, the Group's management intends to manageably expand its crop farming capacities through natural growth and by acquiring companies that control land plots, concentrating on fertile soils close to its existing farmlands.

Increase elevator storage capacities in line with expansion of its harvested land bank.

The Group plans to further increase its elevator storage capacities through the acquisition and construction of elevators, in proportion to its planned expansion of its harvested land bank. Management believes that self-sufficiency in storage capacities enables the Group to achieve better pricing terms for its crops than can otherwise be obtained at harvest time.

Western standards of corporate governance.

The Group is focused on good corporate governance and intends to achieve standards comparable to well-governed Western companies. The Board of Directors of Agroton is responsible for setting and reviewing the strategy and approving major Group financial documents, including the annual budget and business plan. Two independent non-executive directors are present on the five-member Board, which meets at least two times per year.

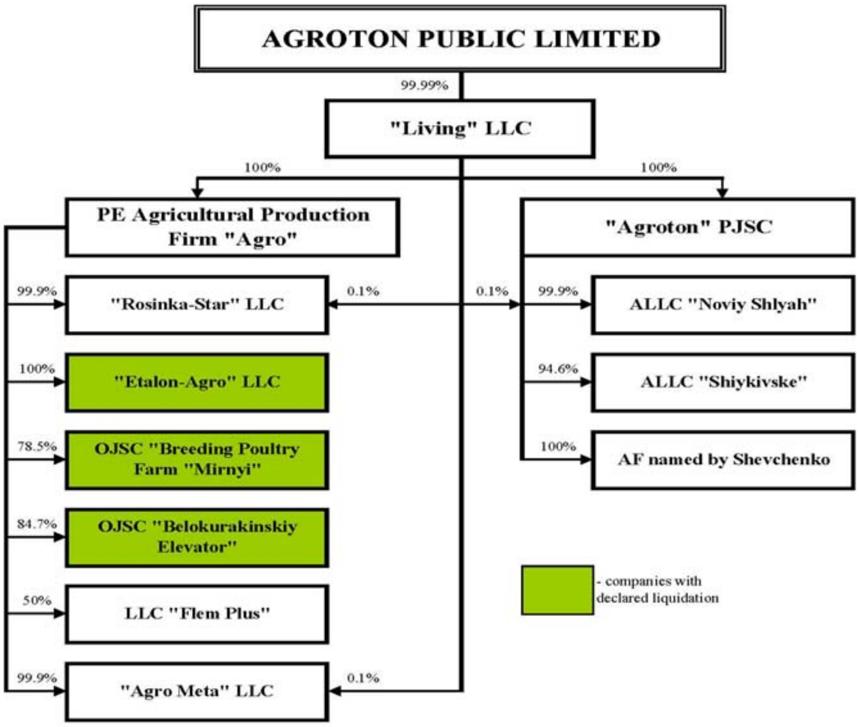
History

Agroton Public Limited was incorporated in Cyprus on September 21, 2009 as a public limited liability company. On October 29, 2009, Agroton Public Limited became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro". Following a reorganization of the Group, the Group became controlled by "Living" LLC which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group. As the ultimate owner of the Group was the same before and after the restructuring and his control was not transitory, the assets and liabilities were transferred to the new holding company at carrying values. The Company prepared consolidated financial statements that cover periods prior to its incorporation, because its subsidiary companies were under common control by the same person both before and after their acquisitions and the control was not transitory.

The history of the companies of the Group dates back to 1992, when Iurii Zhuravlov started being active in the production of honey. Mr. Iurii Zhuravlov has since managed the Group and is currently the Issuer's Chief Executive Officer.

Set forth below are the significant milestones in the development of the Group.

1992	Mr. Zhuravlov establishes several companies that are engaged in the production and distribution of honey and other beekeeping products in Luhansk region. The Group eventually becomes one of the region's leading honey-producing farms.
1997	Crop farming begins.
1999	Acquisition and modernization of an elevator storage facility with total capacity of 30,000 tonnes. In addition, the Group starts large-scale cultivation of cereals and oilseeds on farms located close to these elevators.
2000	Tripling the storage facilities under control to 110,000 tonnes.
2001	The Group focuses on thorough soil analysis and training the workers in modern, large-scale farming technologies. Concentrating crop farming operations on high-margin wheat and sunflower and other complementary crops required for crop rotation.
2002	Launching flour, bakery and pasta production as part of vertical integration strategy of the Group. Launching of cheese production under the brand "Markovskiy Cheese".
2004	Expanding the harvested land bank to 63,000 hectares, or approximately 4% of all arable land in Luhansk region.
2005	Beginning of pork production.
2006	Completing the acquisition of the Luhansk Cheese Factory, producers of the brand "Zoloto Gildii" and modernization of the Chernuhiyska Poultry Farm.
2007	Beginning chicken production at the modernized Chernuhiyska Poultry Farm. Production for the year reaches 2,630 tonnes of poultry.
2008	Increasing the harvested land bank by 40,117 hectares to 134,075 hectares, and its elevator storage facilities by 50,000 tonnes to 235,000 tonnes.
2009	Agroton was incorporated on September 21, 2009. GDRs listing on the Open Market of the Frankfurt Stock Exchange (representing almost 25% of Agroton's share capital) to finance further business growth.



Full name:	**Agroton Public Limited**
Date of incorporation:	September 21, 2009
Registration Number:	255059
Authorised share capital:	Euro 1,000,000.008 divided into 47,619,048 ordinary shares of nominal value of EUR 0.021 each
Issued share capital	EUR 336,000.00 divided into 16,000,000 ordinary shares of Euro 0.021 each
Shareholder(s):	IFG DIRECTORS LIMITED, BNY (NOMINEES) LIMITED, CONFUCIUS NOMINEES LIMITED, CONFUCIUS DIRECTORS LIMITED, CONFUCIUS SERVICES LIMITED, CONFUCIUS TRUSTEES LIMITED, IFG NOMINEES LIMITED and IFG TRUSTEES LIMITED
Registered address:	1 Lampousas Street, P.C. 1095, Nicosia, Cyprus

Full name:	**“Living” LLC**
Date of registration:	November 7, 2006
State Registration Number:	34720415
Charter capital:	UAH 37,500
Shareholder(s):	Agroton Public Limited – 99.99%, Mr. Zhuravlov – 0.01%
Registered address:	107 Oboronna str., Luhansk, 91047, Ukraine

Full name:	**PE Agricultural Production Firm “Agro”**
Date of registration:	April 3, 2000
State Registration Number:	30877035
Charter capital:	UAH 802,209.35
Shareholder(s):	“Living” LLC
Registered address:	107 Oboronna str., Luhansk, 91047, Ukraine

Full name:	**“Rosinka-Star” LLC**
Date of registration:	October 5, 2007
State Registration Number:	34962286
Charter capital:	UAH 46,000
Shareholder(s):	PE Agricultural Production Firm “Agro” – 99.9%, “Living” LLC – 0.1%
Registered address:	67a Svobody str., Starobilsk, Starobilsky region, Luhanska obl., 927, Ukraine

Full name:	**“Etalon-Agro” LLC**
Date of registration:	April 6, 2005
State Registration Number:	32522328
Charter capital:	UAH 26,000
Shareholder(s):	PE Agricultural Production Firm “Agro”-100%
Registered address:	1 pl. Peremohy , Kutkivka village, Dvorichansky region, Kharkivska obl., 62730, Ukraine

Full name:	**OJSC “Breeding Poultry Farm “Mirnyi”**
Date of registration:	February 17, 1995
State Registration Number:	00857999
Charter capital:	UAH 117,405.91
Shareholder(s):	PE Agricultural Production Firm “Agro”- 78.5%
Registered address:	Smt Tsentralnyy, Perevalskyy Region (Rayon), Luhanska obl., Ukraine

Full name:	**OJSC “Belokurakinskiy elevator”**
Date of registration:	July 28, 1998
State Registration Number:	00957181
Charter capital:	1,336,384
Shareholder(s):	PE Agricultural Production Firm “Agro” – 84.7%
Registered address:	238 Chapayeva str., smt. Bilokurakine, Luhanska obl., Ukraine

Full name:	**LLC “Flem Plus”**
Date of registration:	September 7, 2006
State Registration Number:	34579879
Charter capital:	UAH 37,500
Shareholder(s):	PE Agricultural Production Firm “Agro” – 50%, private enterprise “Novyy format plyus” – 50%
Registered address:	107 Oboronna str., Luhansk, 91047, Ukraine

Full name:	**“Agro Meta” LLC**
Date of registration:	March 6, 2002
State Registration Number:	31910336
Charter capital:	UAH 14,000
Shareholder(s):	PE Agricultural Production Firm “Agro” – 99.9%, “Living” LLC – 0.1%
Registered address:	107 Oboronna str., Luhansk, 91047, Ukraine

Full name:	**“Agroton” PJSC**
Date of registration:	February 11, 1999
State Registration Number:	30280120
Charter capital:	UAH 15,800,000
Shareholder(s):	“Living” LLC - 100%
Registered address:	50 rokiv Oborony Luhanska str., Luhansk, 91045, Ukraine

Full name:	**ALLC "Noviy Shlyah"**
Date of registration:	February 14, 2000
State Registration Number:	00708331
Charter capital:	UAH 7,500
Shareholder(s):	"Agroton" PJSC -99.9%, "Living" LLC -0.1%
Registered address:	15 Tsentralna str., Cherneschyna village, Borivsky region, Kharkivska obl., 63842, Ukraine

Full name:	**ALLC "Shiykivske"**
Date of registration:	August 21, 1992
State Registration Number:	00708377
Charter capital:	UAH 7,400
Shareholder(s):	"Agroton" PJSC – 94.6%, Mr. Zhuravlov – 5.4%
Registered address:	4 Kalinina str., Shiykivske village, Borivsky region, Kharkivska obl., 63809, Ukraine

Full name:	**AF named by Shevchenko**
Date of registration:	March 22, 2000
State Registration Number:	30906338
Charter capital:	UAH 2,000
Shareholder(s):	"Agroton" PJSC – 100%
Registered address:	Svystunivka village, Luhanska obl., 92642, Ukraine

The following is description of the formation of the Company and the Group reorganization:

Agroton

The Company was duly incorporated in Cyprus on September 21, 2009 as a public limited liability company with registration number HE 255059 and obtained its license to commence business on October 13, 2009. The first subscribers to the Memorandum and the shares that they acquired on the date of incorporation were the following:

Name of subscriber	Number of shares subscribed for
INTER JURA CY (SERVICES) LIMITED	11,999,994 shares
INTER JURA CY (NOMINEES) LIMITED	1 share
INTER JURA CY (DIRECTORS) LIMITED	1 share
INTER JURA CY (HOLDINGS) LIMITED	1 share
INTER JURA CY (TRUST) LIMITED	1 share
INTER JURA CY (PUBLISHERS) LIMITED	1 share
INTER JURA CY (MANAGEMENT) LIMITED	1 share

In November 2009 the Company increased its issued share capital to EUR 336,000.00 divided into 16,000,000 shares of EUR 0.021 each, by the allotment of 4,000,000 shares to BNY (NOMINEES) LIMITED, of the United Kingdom. In addition, in November 2009 the following transfers of shares took place:

Transferor	Transferee	Number of shares
INTER JURA CY (SERVICES) LIMITED	IFG DIRECTORS LIMITED	11,999,994 shares
INTER JURA CY (NOMINEES) LIMITED	CONFUCIUS NOMINEES LIMITED	1 share
INTER JURA CY (DIRECTORS) LIMITED	CONFUCIUS DIRECTORS LIMITED	1 share
INTER JURA CY (HOLDINGS) LIMITED	CONFUCIUS SERVICES LIMITED	1 share
INTER JURA CY (TRUST) LIMITED	CONFUCIUS TRUSTEES LIMITED	1 share
INTER JURA CY (PUBLISHERS) LIMITED	IFG NOMINEES LIMITED	1 share
INTER JURA CY (MANAGEMENT) LIMITED	IFG TRUSTEES LIMITED	1 share

The current registered shareholders of the Company are the following:

Name of shareholder	Number of shares held
IFG DIRECTORS LIMITED	11,999,994 shares
BNY (NOMINEES) LIMITED	4,000,000 shares

Name of shareholder	Number of shares held
CONFUCIUS NOMINEES LIMITED	1 share
CONFUCIUS DIRECTORS LIMITED	1 share
CONFUCIUS SERVICES LIMITED	1 share
CONFUCIUS TRUSTEES LIMITED	1 share
IFG NOMINEES LIMITED	1 share
IFG TRUSTEES LIMITED	1 share

"Agroton" PJSC

The history of the company dates back to 1999, when Mr. Zhuravlov (acting through affiliated company) and Hemoton Limited (Cyprus) founded "Agroton" PJSC to conduct agricultural business (each founder had 50% of shares). Since then, the title to shares in "Agroton" PJSC was transferred several times (in 1999, 2003, 2006, 2007 and 2008). As the result of last transfer which took place in November 2009, 100% of shares of "Agroton" PJSC are held by "Living" LLC.

PE Agricultural Production Firm "Agro"

In 2000 Mr. Zhuravlov founded PE Agricultural Production Firm "Agro" (as the sole shareholder having 100% of control). Since then, PE Agricultural Production Firm "Agro" has undergone five re-organizations merging with LLC "Novoaydarska stantsiya ptakhivnytstva ta inkubatsiyi" (September 2000), LLC "Markivskyy syrorobnyy zavod" (September 2002), LLC "Promin" (February-March 2005), Agricultural LLC "Ukraine" (January 2010) and subsidiary company "AGRONIT-VOSTOK" (August 2007). Following the transfer in October 2009 of 100% of the participation interest in PE Agricultural Production Firm "Agro" from Mr. Zhuravlov to "Living" LLC, PE Agricultural Production Firm "Agro" is fully controlled by "Living" LLC.

"Living" LLC

"Living" LLC was founded by PE Agricultural Production Firm "Agro" in 2006. Since then the shareholding was transferred two times within the Group (December 2008 and October 2009). Currently, the participation interest in "Living" LLC is divided between "Agroton" PJSC (99.99%) and Mr. Zhuravlov (0.01%). In addition, in 2009 the reorganization of the Group took place as a result of which the Group became controlled by "Living" LLC.

LLC "Flem Plus"

LLC "Flem Plus" has two participants: PE Agricultural Production Firm "Agro" and Private Enterprise "Novyy Format Plyus" holding 50% of the participation interest each. Since foundation of LLC "Flem Plus" no transfer of participation interest took place.

LLC "Flem Plus" is not consolidated due to absence of the operative control.

"Agro Meta" LLC

Initial founders of **"**Agro Meta" LLC were Mr. Yu.V. Korolevskyy (50%) and Mrs. L.P. Korolevska (50%). Since then the shareholding was transferred two times (in July 2007 and in March 2010). As the result of such transfers, currently PE Agricultural Production Firm "Agro" holds 99.9% in charter capital of "Agro Meta" LLC, whereas "Living" LLC holds 0.1%.

"Rosinka-Star" LLC

The initial founder of ""Rosinka-Star" LLC was Mr. Semen Kovalyov. As a result of two transfers of the participation interest in "Rosinka-Star" LLC (November 2007 and March 2010), currently PE Agricultural Production Firm "Agro" holds 99.9% in the charter capital of "Rosinka-Star" LLC, whereas "Living" LLC holds 0.1%.

"Etalon-Agro" LLC

Initial founders of "Etalon-Agro" LLC were Mr. Sergiy Cherepakhin (50%) and Ms. Yevheniya Hamanenko (50%). In November 2007 they sold their participation shares in "Etalon-Agro" LLC to PE Agricultural Production Firm "Agro". In February 2009 decision on liquidation of "Etalon-Agro" LLC was approved by shareholders meeting. Although the status of "Etalon-Agro" LLC was respectively updated in the Unified State Register, no respective procedural actions have been taken. The actual liquidation of "Etalon-Agro" LLC has been postponed until all the existing land leases have been transferred to PE Agricultural Production Firm “Agro” and/or “Agroton” PJSC.

OJSC “Breeding Poultry Farm “Mirnyi”

OJSC “Breeding Poultry Farm “Mirnyi” was registered on February 17, 1995. No information with regard to initial founders is available. Currently, PE Agricultural Production Firm “Agro” holds 78.5% of shares in OJSC “Breeding Poultry Farm “Mirnyi”. According to the court order dated April 16, 2009 OJSC “Breeding Poultry Farm “Mirnyi” was declared bankrupt and the liquidator (arbitrazhnyy keruyuchyi) was appointed. The liquidation procedure of OJSC “Breeding Poultry Farm “Mirnyi” is expected to be completed by September 2010.

OJSC “Belokurakinskiy elevator”

OJSC “Belokurakinskiy Elevator” was founded in 1998 as a result of re-organization of the state enterprise “Bilokurakinskyy elevator” founded in 1991 into an open joint stock company due to privatization procedure. In September 2008 OJSC “Belokurakinskiy Elevator” sold its integral property complex to PE Agricultural Production Firm “Agro” and the general shareholders meeting approved liquidation procedure. However, the liquidation procedure has not been completed yet and the information on liquidation of OJSC “Belokurakinskiy Elevator” was not yet respectively updated in the Unified State Register. The actual liquidation of “OJSC “Belokurakinskiy Elevator” has been postponed until all the existing land leases have been transferred from such companies to PE Agricultural Production Firm “Agro” and/or “Agroton” PJSC.

ALLC “Noviy Shlyah”

The transfer of title to equity shares in ALLC “Noviy Shlyah” could be tracked only as of 2008. Since 2005 the shareholding was split between 8 participants, but as of November 2007 only 4 participants were left, who transferred 100% of their shares to “Agroton” PJSC by the end of 2008. In March 2010 “Agroton” PJSC transferred 0.1% of shares to “Living” LLC. Currently, 99.9% of participation interest in ALLC “Noviy Shlyah” is held by “Agroton” PJSC, and 0.1% share is held by “Living” LLC.

ALLC “Shiykivske”

ALLC “Shiykivske” was founded in 1992 in the form of collective agricultural enterprise, and in 2000 re-organized into a limited liability company. It is not possible to identify original founders of ALLC “Shiykivske” and track the chain of participation interest transfers until April 2009, when the shareholding structure was as follows: 81% belongs to “Agroton” PJSC, 5% - Mr. Zhuravlov, 7% - Mr. Juriy Khaneychuk, and 7% - Ms. Kateryna Khaneychuk. As the result of several participation interest transfers between former founders and “Agroton” PJSC /Mr. Iurii Zhuravlov, currently “Agroton” PJSC owns 94,6% and Mr. Iurii Zhuravlov – 5,4% of participation interest in charter capital of ALLC “Shiykivske”.

AF named by Shevchenko

It is not possible to identify original founders of AF named by Shevchenko. As of March 2000 the sole participant of AF named by Shevchenko was Mr. Kharchenko, who transferred 100% of his shares to “Agroton” PJSC in May 2008. Currently “Agroton” PJSC holds 100% in AF named by Shevchenko.

LLC “Zolotaya Guildia”

LLC “Zolotaya Guildia” was a 100% subsidiary of the Group until 2008 when it was liquidated as an entity.

Liquidation process status

The respective shareholders meetings of “Etalon-Agro” LLC and OJSC “Belokurakinskiy Elevator” have approved decision on liquidation. However, no respective procedural actions have been taken. The actual liquidation of “Etalon-Agro” LLC and OJSC “Belokurakinskiy Elevator” has been postponed until all the existing land leases have been transferred from such companies to PE Agricultural Production Firm “Agro” and/or “Agroton” PJSC. While the status of “Etalon-Agro” LLC was respectively updated in the Unified State Register, the information on liquidation of OJSC “Belokurakinskiy Elevator” remains unregistered. According to the court order dated April 16, 2009 OJSC “Breeding Poultry Farm “Mirnyi” was declared bankrupt and the liquidator (arbitrazhnyy keruyuchyi) was appointed. The liquidation procedure of OJSC “Breeding Poultry Farm “Mirnyi” is expected to be completed by September 2010.

Overview of Operations

The Group's core business is crop production, comprising principally wheat and sunflower seeds, as well as the processing, storage and sale of such crops. In addition, the Group is engaged in livestock and agricultural products processing. The Group also benefits from the consolidated nature of the Group's land holdings and their proximity to its elevator storage facilities, which enable the Group to support vertical integration through reduced transport and storage costs.

Crop production

Crops

Crop production, or land cultivation, is the core business of the Group. The Group currently leases approximately 120,000 hectares of chernozem (black soil) farmland for its crop production, farms an additional 15,000 hectares for which the Group is renegotiating leases, is in the process of registering 16,000 hectares and is in the process of acquiring an additional 16,000 hectares. Crop production sales to external customers accounted for 43.3%, 56.6%, 54.7% and 52.7% of revenue from sales to external customers for the six months ended June 30, 2010, and the years ended December 31, 2009, 2008 and 2007, respectively. Since 1996, "Agroton" PJSC or the Group has produced a variety of grains and oilseeds, including wheat, sunflower, corn and rapeseed. In 2009, the Group produced approximately 136,143 tonnes of wheat and 76,491 tonnes of sunflower seed. As of August 30, 2010, the Group harvested approximately 114,000 tonnes of wheat and expects to harvest approximately 112,000 tonnes of sunflower in 2010.

The Group currently focuses on the following crops:

- *Winter wheat.* Winter wheat has higher yield characteristics than spring crops due to its better established root system. In the 2009/2010 agricultural year which typically runs August to July, the Group cultivated winter wheat on approximately 31,618 hectares of its land. Winter wheat is seeded and starts to grow in the autumn, lies dormant during the winter and is usually harvested at the end of July. Globally, it is considered an important human food grain, with lower quality types of wheat used as livestock feed.
- *Sunflower.* Sunflower seeds are primarily used for food products and for processing into sunflower oil, while the sunflower seed husks are used as livestock feed. Sunflowers have good drought resistance characteristics and therefore play an important role in the overall crop rotation mix. In the 2009/2010 agricultural year, the Group harvested sunflower seed on approximately 53,196 hectares of land. Sunflowers are seeded in spring and harvested in September-October.

Other crops under crop rotation include corn, rapeseed, barley, rye, sorghum, triticale, oats, peas, buckwheat, vetch, millet, coriander, soybeans, flax and livestock crops.

The tables below set out the Group's harvested area by crops and production volumes over 2001-2009:

Harvested area (ha)

	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Winter wheat........	10,655	10,536	10,003	12,277	18,551	8,885	17,301	29,428	50,228
Sunflower seed.....	10,287	10,986	12,937	15,407	19,197	27,965	24,508	39,400	47,619
Corn	788	1,572	671	1,024	1,510	3,318	5,457	9,623	6,106
Barley..................	1,787	2,245	3,955	3,584	3,702	11,069	15,259	3,331	835
Rye......................	1,383	178	83	140	422	774	467	1,117	1,358
Rapeseed	0	35	0	80	778	98	1,350	5,767	1,126
Sorghum..............	0	0	0	0	0	774	2,418	3,756	0
Triticale...............	0	0	0	0	129	15	263	691	176
Oats.....................	733	216	263	623	193	1,018	2,284	488	100
Peas.....................	55	405	1,125	622	424	562	463	182	0
Buckwheat	391	77	0	0	66	0	0	46	0
Vetch...................	0	0	0	0	0	0	0	24	0
Millet...................	739	145	30	0	0	1,030	0	10	0
Coriander	0	70	52	0	0	0	0	0	0
Soybeans	0	0	0	0	0	139	0	0	0
Flax	0	0	0	0	0	123	1,087	0	0
Livestock crops	4,440	4,965	5,746	7,694	8,810	10,744	12,113	11,739	12,302
Fallow	10,039	8,345	8,780	21,810	20,087	6,519	10,539	28,024	14,225
Total	**41,297**	**39,775**	**43,645**	**63,261**	**73,869**	**73,033**	**93,509**	**133,626**	**134,075**

Crop production (tonnes)									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Winter wheat........	40,155	34,663	24,186	50,021	92,108	29,698	44,937	132,401	136,143
Sunflower seed.....	9,852	14,987	20,808	30,974	36,760	57,317	47,980	67,779	76,491
Corn	700	0	2,125	2,731	6,377	8,803	12,424	21,919	17,769
Barley...................	4,199	5,060	6,340	8,799	8,820	24,967	16,236	10,562	2,354
Rye.......................	2,780	499	101	279	1,186	1,985	975	3,475	2,507
Rapeseed	0	68	0	151	1,338	204	746	11,465	1,313
Sorghum	0	0	0	0	0	1,817	5,433	5,764	0
Triticale................	0	0	0	0	458	6	551	1,917	421
Oats......................	1,562	410	602	1,402	507	2,659	3,173	1,418	90
Peas......................	153	607	1,531	1,505	719	1,527	262	499	0
Buckwheat	0	0	0	0	60	0	0	23	0
Vetch....................	0	0	0	0	0	0	0	49	0
Millet....................	0	0	19	0	0	1,644	0	19	0
Coriander	0	0	50	0	0	0	0	0	0
Soybeans	0	0	0	0	0	93	0	0	0
Flax	0	0	0	0	0	220	976	0	0
Total	**59,401**	**56,294**	**55,762**	**95,862**	**148,333**	**130,940**	**133,693**	**257,290**	**237,088**

Ukraine has experienced unsettled weather conditions in 2010, characterized by high frost in the winter, above-average rain fall in the spring and a heat wave in the summer. The net result of these unsettled weather conditions has been a loss of certain harvested crops. The table below sets out the Group's sowed and harvested area by crops for the 2009/2010 year:

Crop	**Sowed area, hectares**	**(Loss) / gain due to weather conditions, hectares**	**Harvested area, hectares**
Sunflower..	54,857	(1,661)	53,196
Winter wheat..	43,397	(11,779)	31,618
Corn	11,346	145	11,491
Winter rapeseed...	6,995	(3,715)	3,280
Winter barley	2,137	(559)	1,578
Sorghum...	1,763	(166)	1,597
Winter rye	626	-	626
Oats..	149	-	149
Livestock crops	3,791	5,730	9,521
Fallow	9,014	-	9,014
Total	**134,075**	**(12,005)**	**122,070**

The table below illustrates the comparison of average crop yields between the Group and average Ukrainian and EU levels over 2001-2009:

Average yields (tonnes/ha)									
			2001			**2002**			**2003**
	Ukraine	**Agroton Group**	**EU**	**Ukraine**	**Agroton Group**	**EU**	**Ukraine**	**Agroton Group**	**EU**
Winter wheat	3.1	3.8	7.0	3.0	3.3	7.2	1.5	2.4	6.4
Sunflower seed	0.9	1.0	2.2	1.2	1.4	2.4	1.1	1.6	2.2
			2004			**2005**			**2006**
	Ukraine	**Agroton Group**	**EU**	**Ukraine**	**Agroton Group**	**EU**	**Ukraine**	**Agroton Group**	**EU**
Winter wheat	3.2	4.1	7.7	2.8	5.0	7.1	2.5	3.3	6.9
Sunflower seed	0.9	2.0	2.4	1.3	1.9	2.4	1.4	2.0	2.2
			2007			**2008**			**2009**
	Ukraine	**Agroton Group**	**EU**	**Ukraine**	**Agroton Group**	**EU**	**Ukraine**	**Agroton Group**	**EU**
Winter wheat	2.3	2.6	6.5	3.7	4.5	5.7	3.1	2.7	5.6
Sunflower seed	1.2	2.0	2.6	1.5	1.7	1.9	1.5	1.6	1.9

Source: USDA PSD on-line, FAPRI, FAOSTAT, State Statistics Committee of Ukraine

Sales and customer management

At present, most of the crops produced on the Group's fields are sold to third party domestic customers, including Kernel Trade, Kargill, Nibulon and Luganskmlyn. Kernel is the largest purchaser of the Group's crops, having purchased approximately 29%, 64%, 16% and 27% of the Group's total crop production sold to external customers in the six months ended June 30, 2010, and 2009, 2008 and 2007, respectively. On August 16, the Group received UAH 20 million from Kernel as prepayment for the supply of 30,000 tonnes of sunflower seeds to be delivered by October 1, 2010. The final price shall be determined by reference to the market price for sunflower seeds as of the end of December 2010, March 2011 and April 2011.

Due to the seasonal nature of the crop production, the Group does not enter into long-term contractual relations with its contractors. Sales agreements are normally on a short-term basis at the prevailing market price. Contracts with external customers such as Kernel, however, are executed on the basis of standard form agreements for 1000 tonnes of sunflower seed per agreement.

In addition, from time to time the Group sells crops to State entities including the UAF and the State Committee for Material Reserves of Ukraine (the "**SCMRU**"). In 2007, the SCMRU purchased 35,000 tonnes of winter wheat at approximately 18% higher than the market price as a result of additional premium for size offered by the SCMRU to fill state grain reserves.

The following table sets out the percentages and relevant volumes of the Group's crops sold to external customers for the years ended 2009, 2008 and 2007:

First six months of 2010		**2009**		**2008**		**2007**	
Name of contractor	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*
Kernel-trade	29%	Kernel-trade	64%	Agrarian fund	32%	Kernel-trade	27%
Nibulon	18%	Agrarian fund	6%	Kernel-trade	16%	SCMRU	24%
Agrarian fund	16%	Nibulon	10%	Dar Soncya TD	13%	Agrex	9%
Niva	13%	Agricultural Group	6%	Kargill	7%	Kargill	9%
Azovska Food	4%	Kargill	4%	Agrex	6%	Nibulon	8%
Other	20%	Other	10%	Other	25%	Other	23%
Total	**100%**	**Total**	**100%**	**Total**	**100%**	**Total**	**100%**

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations − Operating and Financial Results − Year ended December 31, 2009 compared to year ended December 31, 2008 − Sales revenue*"

The following table sets out internal sales of wheat, sunflower, and corn by the Group for the years indicated:

	2007	**2008**	**2009**	**Year to June 30, 2010**
Winter wheat	24,591	23,370	40,865	1,289
Sunflower	17,338	1,225	903	963
Corn	3,554	2,764	8,018	1,762

In line with its strategy of vertical integration, the Group is largely self-sufficient in terms of raw materials for its cattle operations. See "*−Livestock − Cattle and milk production*" In addition, the Group supplies much of its raw materials for poultry production and pork production, including wheat and corn.

Crop production process

The harvesting season usually starts in July with the harvesting of winter and spring wheat and winter rapeseed and ends in September and October with the harvest of corn. It is important to note that the commencement and duration of the various crop phases may vary across regions and may differ from year to year due to weather conditions.

After the crop has been harvested, it is transported by the Group by truck to storage and treatment facilities. Access to crop elevators is critical, since crops can be left in the in-field grain storage facilities for only a relatively short time. Further, crop prices fluctuate with weather conditions and they tend to be at their lowest during the harvest season, since farmers without access to storage facilities must sell their crops immediately, which substantially increases supply.

Farm management

All area under the Group's control is cultivated in accordance with best local practices. The Group implements a crop rotation scheme in order to increase productivity and achieve long-term operational efficiency. Each field is cultivated with different crops in a fixed rotation plan, which ends with a fallow period to allow the soil to recover. The use of a crop rotation scheme ensures that farming practices do not exhaust the soil and that the use of chemical fertilizers and pesticides is minimized.

Agricultural production is broken down into four primary stages:

- *Tillage*. Tillage includes the use of discs and ploughs to break up the top of the soil in order to allow for seeding.
- *Seeding*. Spring or fall seeding occurs within a relatively short time period, so machines operate 24 hours a day.
- *Fertilization and spraying*. Once seeding is finished, the crop growth cycle begins. During this cycle the Group uses a number of chemical fertilizers and pesticides to assist with plant growth and protection.
- *Harvesting*. Harvesting starts in July for winter wheat and ends in late October with the sunflower harvest.

The table below sets out the farming schedule containing cultivated crops and the respective cultivation periods. The cultivation periods may vary across regions and are subject to weather conditions.

	Tillage	**Sowing**	**Fertilization**	**Harvesting**
Winter wheat	July, August	August, September, October	September, October, April, February	July
Sunflower	October, April	April, May	April, May	September, October, November

The Group currently employs two conservation tillage techniques, mini-till and no-till. No-till is a technology that improves soil nutrition, stimulates biological activity, increases the content of soil organic matter and assists the humus formation which improves the physical, chemical and biological condition of the soil. This land conservation technology does not use a plow and the soil is only disturbed by the cutting through of the narrow furrow with a circular cutter.

Mini-till technology is a transitional technology that prepares the land for the implementation of no-till technology. Mini-till is a shallow plowing technique with minimum disturbance of the topsoil. The difference between mini-till and no-till lies in the amount of crop residue remaining on the soil surface after planting.

Operational chain and throughput

Harvested crops arriving from the fields are stored in in-field storage or in the Group's elevators, depending on the level of processing required. Usually, crops which do not require cleaning and drying are stored in the in-field storage facilities. Certain crops such as corn require drying, while wheat and barley usually require cleaning and, when received from third parties, drying as well. In this case, the crops are transported to the elevators, where the required processing is performed. After the crops are cleaned and dried, the crops are stored in the elevators or receive seed treatment. Seeds are then either used later in the season for the seeding of winter wheat or sold. The crops in the elevators that are sold to market are shipped by Ukrainian Railways from the Group's elevators, all of which are in proximity to the railway system. This allows the Group to cost-effectively transport crops to its customers.

The Group's existing crop storage facilities give it a competitive advantage over farm operators that must sell production directly from their fields or otherwise lease storage space from other providers (including the Group). Modern and efficient grain elevators are not common in Ukraine.

Agricultural land under control

The Group currently leases approximately 120,000 hectares of chernozem (black soil) farmland for its crop production, farms an additional 15,000 hectares for which the Group is renegotiating leases, is in the process of registering 16,000 hectares and is in the process of acquiring an additional 16,000 hectares.

The Group has established close working relations with local government authorities. For example, local authorities help to organize meetings with individual landowners at which the Group's management discusses terms with each landowner individually before a standard land lease agreement is signed. Once the land-lease agreement is signed, the lease is registered by the State. During the registration process, the Group prepares the land for cultivation, using modern techniques including soil analysis and soil mapping to determine the level of humus and key nutrients in order to identify optimal farming practices for the specific soil sub-types.

The land holdings for agricultural purposes are leased from local authorities and individual lessors. The areas leased vary from 0.06 to 238 hectares per lease agreement and the term averages ten years.

In Ukraine individual lessors may hold the title to agricultural land on the basis of ownership certificates and land allotment certificates. An ownership certificate is direct evidence of title to a certain land plot, while a land allotment certificate evidences only the right to obtain title to a certain land plot allocated to a holder of a land allotment certificate pursuant to a legal procedure. Management believes that most of its land under control is properly registered with the state land registrars under duly executed land-lease agreements, and that land which is subject to land allotment lease agreements is not voidable.

The Group has a pre-emptive right to extend each of its current leases for agricultural land and has not experienced any significant difficulties in extending the terms of such leases in the past.

Furthermore, under existing legislation, the Group has a pre-emptive right to purchase the land plots it leases. Should the restriction on sales of agricultural land be repealed, the Group will consider purchasing its leased land on a case-by-case basis.

Crop storage facilities

After crops have been harvested, they are transported by the Group by truck to the Group’s storage facilities. Crop prices tend to fluctuate with weather conditions, and they also tend to be at their lowest during the harvest when farms without access to storage facilities must sell their crops, producing a surplus on the domestic market. This provides producers with a strong incentive to store their harvest until a better price can be obtained.

The Group operates a full-service crop storage and processing business for its own crops, and also provides temporary crop storage services to external customers for the Group’s crops sold to such customers. The Group currently controls four storage elevators in Luhansk region with a combined capacity of 235,000 tonnes. The Group is also in the process of constructing elevators to provide an additional 82,000 tonnes of storage and expects to complete such expansion by the end of 2011. The total cost of this project is expected to be U.S. $ 8.5 million, which the Group expects to fund through proceeds of the Offer.

In addition, the Group is in the process of negotiating the acquisition of 130,000 tonnes of storage capacity, which it currently leases from Novoaydarskyy, at a cost of U.S. $ 13 million which it expects to complete by the end of the year.

Each of the Group’s four elevators is connected to a railway network. Agroton Group can sell its produce directly from the elevator, depending on the method of sale, at no additional transportation cost.

The table below sets forth certain information on the Group’s principal storage elevators as at the date of this Prospectus:

	Location	**Storage capacity, tonnes**	**Ownership structure**	**Date of acquisition/ rent start**
Novoaydarskyy elevator #2	Luhansk region	80,000	Rented	2000
Belokarakinskiy elevator	Luhansk region	75,000	Owned	2006
Zorinovskyy elevator	Luhansk region	50,000	Rented	2008
Novoaydarskyy elevator #1	Luhansk region	30,000	Owned	1999
Total		**235,000**		

Suppliers and raw materials

Crop production requires supplies of, among other things, seeds, fertilizers, pesticides, machinery and equipment and fuel.

The tables below set out the Group’s operating expenses, including labor, for winter wheat and sunflower for 2007, 2008, 2009 and the first six months ended June 30, 2010:

	Winter wheat (USD per ha)			
	2007	2008	2009	first six months of 2010
Fertilizers	71	77	34	69
Fuel	30	33	21	15
Seeds	13	18	11	11
Labor	53	10	14	13
Other	21	43	43	6
Total	**188**	**181**	**123**	**114**

	Sunflower (USD per ha)			
	2007	2008	2009	first 6 months of 2010
Fertilizers	39	62	45	31
Fuel	41	47	33	12
Seeds	18	16	13	34
Labor	75	25	38	10
Other	29	50	25	2
Total	**202**	**200**	**154**	**89**

In order to secure the supply of quality products, the Group has developed relationships with several suppliers of crop production materials including fertilizers, fuel seeds, machinery and equipment. The Group obtains significant economies of scale and limits risks by conducting its purchases centrally from reputable and established suppliers. Regional suppliers are approved for small purchases or sometime because such suppliers offer cost advantages as they are located closer to the Group's farms.

Seeds comprise the Group's primary raw material for crop production. The Group seeks to procure high quality seeds to achieve high quality cropping. Ukraine suffers from a lack of quality seeds, due to (i) a large number of Ukrainian seed suppliers experiencing financial difficulties, (ii) the global decline of the agricultural sector in the late 1990s and early 2000s, and (iii) international suppliers' reluctance to sell seed into Ukraine due to its poor enforcement of intellectual property rights. The Group purchases its seeds from authorized local dealers , such as LLC TH "Vasma", PE "ERIDON", LLC "SCHEDRYI LAN", LLC "KVS-Ukraina" and LLC "Sady Ukrainy".

Fertilizer is a key input in crop production, as it critically impacts the quantity and quality of the harvested crops. The Group generally uses ammonium nitrate. The Group purchases its fertilizers from domestic sources, which are cheaper than imported fertilizers. The Group purchases fertilizers primarily from LLC "AGROKHIM", LLC TH "VOSTOKKHIMPROM", LLC "BALANS-AGRO", CJSC "SEVERODONETSKE OBEDNANNIA AZOT" and PE "ERIDON".

The Group's agricultural operations consume large amounts of fuel in cultivating and harvesting land and for crop storage and processing machinery. The Group purchases fuel from multiple domestic sources according to price and availability.

The Group owns a portfolio of modern production equipment. See "−*Agricultural machinery and equipment*".

Agricultural machinery and equipment

The Group utilizes modern equipment and machinery in its crop production business, including Case, John Deere and Roxel (among others). At present, the Group has enough units of machinery and equipment to cultivate the 134,000 hectares of land currently under its control.

Proper machinery and equipment management is a big key to success in agriculture. Depreciated machinery and equipment can have a detrimental effect on yields. As a result, Group's machinery and equipment are properly maintained and repaired at existing machinery and equipment stations.

In its agricultural operations the Group uses both foreign and domestically manufactured agricultural equipment and machinery. The Group purchases combines, tractors, seeders, tillage machinery and other agricultural equipment from such internationally recognized producers as Case, John Deere, Jaguar and other Ukrainian and foreign companies.

The following table summarizes the Group's principal agricultural machinery and equipment as of the following years:

	Machinery and equipment		
	2009	**2008**	**2007**
Tractors	**320**	**309**	**251**
Foreign	*59*	*56*	*29*
STX-500	2	2	0
Case-9370 (80, 90)	16	16	10
Case-9350	5	4	4
MX-310	6	4	0
MX-255	15	15	0
MX-8940	10	10	10
John Deere-8400	5	5	5
Local	*261*	*253*	*222*
Seeders	**206**	**198**	**147**
Foreign	*58*	*51*	*33*
SDX-30	2	1	0
Flexicoil	16	11	5
Great Plains 3510	6	6	3
Great Plains 2000	2	2	0
Great Pleas 4,5	8	7	7
John Deere 7200	14	14	8
Kinze	9	9	10
Plant	1	1	0
Local	*148*	*147*	*114*
Sprayers	**28**	**18**	**11**
Foreign	*12*	*11*	*5*
PLA 3250 MAP	2	2	0
GP TSF-1090	4	4	0
Fimco	4	4	4
Kertitox	1	1	1
Spray	1	0	0
Local	*16*	*7*	*6*
Combines	**103**	**67**	**67**
Foreign	*69*	*46*	*41*
Jaguar 840	3	2	2
Case 2166	26	28	27
Case 2188	3	3	3
Case 2388	30	6	2
John Deere 9500	4	4	4
Mega 208	3	3	3
Local	*34*	*21*	*26*
Harrowers	**159**	**153**	**155**
Foreign	*2*	*2*	*2*
BD-770	1	1	1
Case	1	1	1
Local	*157*	*151*	*153*

The Group acquired eight John Deere 7200 seeding-machines and six Case 3300 self-propelled sprayers for approximately U.S. $ 1.6 million in the first six months of 2010.

Government support for the agriculture sector

The Ukrainian government provides various types of financial support to agricultural producers, including certain forms of price regulation. The UAF is a governmental entity that regulates the minimum and maximum prices of agricultural products and prevents undesirable speculative practices. The UAF provides loans which are secured by pledges over grain volumes at prices fixed by the Ministry of Agriculture of Ukraine. The pledgor is entitled to repurchase the pledged grain at a price equal to the loan principal plus interest. If the UAF decides to purchase the pledged grain, or the pledgor is unable to repay the loan, the UAF purchases the pledged grain at a price additional to the loan amount, whereby the total amount paid may be substantially above market price.

For instance, in 2009, as a result of a combination of a variety of factors including the global financial turmoil, increased crop supply, low export demand and a devaluation of the hryvnia, Ukrainian crop prices plummeted and the UAF intervened to support domestic prices. Accordingly, the UAF and the Group entered into two loan agreements in 2009 for the hryvnia-equivalent of approximately U.S. $ 10.9 million against which the Group pledged approximately 100,000 tonnes of wheat and 3,000 tonnes of rye. The loans matured and were paid off in full as of July 31, 2010

Similarly, in 2007, the SCMRU purchased 35,000 tonnes of winter wheat at approximately 18% higher than the market price as a result of additional premium for size offered by the SCMRU to fill state grain reserves.

The Ukrainian government also provides certain tax advantages to Ukrainian agricultural producers, including VAT and corporate income tax relief. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting the Group's Results of Operations – State support for agricultural production in Ukraine*."

Livestock

The Group's livestock holdings comprise poultry, pork, beef and milk production. Livestock segment sales to external customers accounted for 35.6%, 28.0%, 25.9% and 11.7% of revenue from sales to external customers for the six months ended June 30, 2010 and the year ended December 31, 2009, 2008 and 2007, respectively. The Group currently has two chicken farms, one cattle ranch with a milking facility and six pig farms. The Group's chicken operations are the largest of its livestock operations, representing 62% of the Group's revenue from livestock, or 17% of the Group's total revenue.

Following is a table which sets out the Group's principal consumers of its livestock production for the years indicated:

First six months of 2010		**2009**		**2008**		**2007**	
Name of contractor	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*
Lugansk Meat	19.66%	Lugansk Meat	14.35%	Lugansk Meat	8.24%	Orviks	11.18%
Servis-Komplekt	6.74%	Doneck LMF	5.06%	Velmaks	6.42%	Velmaks	5.34%
Kuklina O.N.	4.08%	Avitek	4.27%	Kuklina O.N.	5.26%	Bukovsky S. V.	4.86%
Kupyanskiy MMK	3.92%	Kuklina O.N.	4.05%	Avitek	5.27%	Zabota	4.72%
Prominvestgroup	2.96%	Ukrprodinvest	3.19%	Kremenchugmyaso	3.47%	Lia Ltd	3.53%
Other	62.64%	Other	69.08%	Other	71.34%	Other	70.37%
Total	**100%**	**Total**	**100%**	**Total**	**100%**	**Total**	**100%**

All of the Group's livestock facilities include a quality control manager and veterinarian who report to the Group's chief livestock quality control manager and chief veterinarian, respectively.

Poultry production

In 2006, the Group completed the acquisition and modernization of the Chernuhiska Poultry Farm. In 2007, the Group began production of poultry. At present, the Group's poultry production facilities include two principal chicken farms, one breeder farm and one fodder mill.

In 2009, 2008 and 2007, the Group's chicken farms included 3,758,507 hens, 3,739,306 hens and 1,569,746 hens, respectively, and produced approximately 6,671 tonnes, 6,897 tonnes and 2,628 tonnes of poultry by processed weight, respectively. In line with its strategy of vertical integration, the Group intends to put into operation a breeder farm with indicative production capacity of 14.8 million hatching eggs and increase its fodder production capacity to cover the needs of its poultry production in 2010.

In 2009, the Group purchased all of its hatching eggs (of which 88% was supplied by Landgut Boiler) and purchased all of its chicken feed (of which 93% was supplied by Feed Lite and Constanta-Agro).

One-day old chicks are from the Group's hatcheries after vaccination are transferred to sterilized barns within the same chick farm for growout. To ensure stable growth, chickens are fed using a carefully balanced diet which includes all necessary nutritious ingredients such as fat, protein, vitamins and minerals. Other than standard vaccinations, the Group does not use chemicals or steroids in its poultry production process. The composition of the fodder is adjusted on average every ten days and is tailored to the age of the chickens, which enables the chickens to grow optimally. The growout period typically lasts from six to seven weeks.

The Group distributes its poultry products in Luhansk, Donetsk and Kharkiv regions, which are closely located to the Group's production facilities, thus enabling the Group to deliver fresh poultry products to its customers efficiently. The Group has several distribution channels for its poultry, including wholesale and retail buyers. The Group transports its poultry to external customers by trucks.

Cattle and milk production

According to publicly available sources, the Group is the leader in Luhansk region and ranks fourth in Ukraine by head of cattle, first in Luhansk region and seventh in Ukraine by beef production and first in Luhansk region and sixth in Ukraine in milk production.

The Group produces beef at its 20 cattle facilities, all of which are located in Luhansk region. The Group operates an integrated production facility for meat products and dairy, rearing approximately 4,500 head of dairy cattle. In 2009, 2008 and 2007, the Group produced 13.6 million, 12.1 million and 11.1 million liters of milk, respectively, and produced approximately 937 tonnes, 993 tonnes and 1,185 tonnes of beef (live weight), respectively.

To ensure optimal growth, cattle are fed using a carefully balanced diet which includes all necessary nutritious ingredients such as hay, haylage, silage, vitamins and minerals. Other than standard vaccinations, the Group does not use chemicals or steroids in its cattle or milk production process.

In line with its strategy of vertical integration, the Group is largely self-sufficient in terms of core raw materials for its cattle operations. In 2009, the Group supplied all of its hay, haylage and silage for its cattle operations. In addition, 95% of the milk produced by the Group is used in cheese production at the Group's two cheese plants.

The Group's external customers purchase and transport the Group's cattle and milk directly from the Group's facilities.

Pork production

The Group produces pork at its six pig farms in Luhansk region. In 2009, 2008 and 2007, the Group produced approximately 2,058 tonnes, 1,528 tonnes and 840 tonnes of pork (live weight), respectively.

To ensure stable growth, the Group's pigs are fed using a carefully balanced diet which includes all necessary nutritious ingredients such as feed, vitamins and minerals. Other than standard vaccinations, the Group does not use chemicals or steroids in its pork production process.

In 2009, the Group purchased all of its swine feed, all of which was supplied by Feed Life.

Pork is sold to third-party meat producers in Luhansk region. The Group's external customers purchase and transport the Group's pork directly from the Group's facilities.

Agricultural products processing

The Group operates vertically integrated flour, fodder, bakery, pasta, cheese and butter production facilities. The Group's agricultural products processing facilities are in Luhansk region. Sales to external customers from processed food products accounted for 18.7%, 15.0%, 19.1% and 31.5% of revenue from sales for the six months ended June 30, 2010 and years ended December 31, 2009, 2008, 2007, respectively.

The table below presents a breakdown of the Group's food-processing and production operations in 2007, 2008, 2009 and six months ended June 30, 2010:

	Production, tonnes			
	2007	**2008**	**2009**	**First six months of 2010**
Fodder[1]	15,121	13,628	15,548	8,094
Bakery	9,297	8,465	7,215	3,256
Pasta	4,077	3,523	2,528	1,082
Flour	11,209	10,588	10,818	4,778
Cheese	1,068	1,408	691	348
Butter	114	163	119	46
Confectionary	183	108	144	80
Honey[2]	81	60	9	0

Notes:
(1) All of the Group's fodder production is sold to Group companies for its livestock operations.
(2) Comprises only repackaging.

The table below presents a breakdown of the Group's revenue from food-processing and production operations in 2007, 2008, 2009 and six months ended June 30, 2010:

	Revenue, U.S. $ thousands			
	2007	**2008**	**2009**	**First six months of 2010**
Fodder	475	119	77	92
Bakery	5,142	5,772	3,205	1,537
Pasta	2,161	1,542	996	499
Flour	891	335	378	222
Cheese	4,998	5,117	3,094	954
Butter	418	1,296	448	135
Sunflower oil	5,220	0	0	35
Other	469	254	98	207

The Group's mixed fodder plant at Novoaydarskiy has production capacity of 35 tonnes of fodder per day. In line with its strategy of vertical integration, the Group's grain, by-products and waste from other operations are used in the Group's fodder production, all of which is consumed by the Group subsidiaries.

The Group's mill at Novoaydarskiy has processing capacity of 100 tonnes of grain per day. Its products include three types of flour, bran and grain waste that is used as forage for animal husbandry.

The Group's bakery is located in Lugansk with a processing capacity of 30 tonnes per day. Bread is baked using the Group's high quality flour. The bakery produces bread, long loaves, buns, cakes and breadcrumbs.

The Group's pasta production facilities are located in Lugansk with production capacity of 18 tonnes per day. The Group sources the flour for its pasta products internally.

The Group's confectionary facilities are located in Lugansk with production capacity of 1,000 kilograms per day. The Group sources the flour for its confectionary operations internally.

The Group's cheese production facilities have a total capacity of approximately 2,300 tonnes per year. The Group's cheese production operations process milk produced entirely by the Group.

The Group's honey workshop is located in Lugansk with a production capacity of 0.5 tonnes per day. Honey is purchased from third parties and repackaged.

The table below sets out the Group's principal consumers of its processed foods for the periods indicated:

First six months of 2010		**2009**		**2008**		**2007**	
Name of contractor	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*	*Name of contractor*	*% from total sales of crops*
Lanskov A.V.	5,23%	Dina-Trans	5.01%	Dina-Trans	6.54%	Efect	3.75%
Dina-Trans	5,02%	Evtuhov S.N.	4.92%	Lanskov A.V.	5.83%	Iuneks	3.33%
Prod Logistika	2,76%	SV Bagira	4.67%	Evtuhov S.N.	5.30%	Darnika	3.19%
Evtuhov S.N.	2,27%	Lanskov A.V.	4.53%	Maleeva A.L.	2.31%	Lvivholod	2.47%
Lider Crimea	2,12%	Magnat plus	1.72%	Darnika	2.13%	Lanskov A.V.	2.38%
Other	82,6%	Other	79.15%	Other	77.88%	Other	84.88%
Total	**100%**	**Total**	**100%**	**Total**	**100%**	**Total**	**100%**

The Group transports certain of its processed food products, such as bakery goods, by truck to stores. Other processed food products, such as cheese and pasta, are transported by purchasers directly from the Group's production facilities.

Employees

As of June 30, 2010 and December 31, 2009, 2008, 2007, the Group had 4,256 employees, 4,280 employees, 4,702 employees and 4,411 employees, respectively. Approximately 1,600 of the Group's employees in 2009 were temporary employees.

The Group is subject to the state pension plan. The Group's pension provisions are calculated based on the individual salary of its employees, in accordance with respective laws and regulations of Ukraine. The Group does not operate a private pension plan for its employees and is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

The Group has instituted programs to improve worksite safety and working conditions, including employee training. The Group regularly inspects its equipment and maintains a labor protection department that is responsible for ensuring compliance with health and safety requirements.

The Group has a program aimed at attracting and retaining qualified young professionals as employees. Key features of the program include sponsoring specialized agricultural education for the children of its employees, offering summer employment to students from leading Ukrainian agricultural educational institutions and providing accommodation free of charge to its newly employed young professionals.

The table below shows the breakdown of the Group's permanent employees by profession as of June 30, 2010:

Profession	Number of employees
Administrative staff	167
Bread production	146
Laboratories	10
Sales and commercial department	68
Pasta production	51
Technical staff	529
Transportation Department	431
Supply Department	11
Accounting	113
Crops growing	401
Engineering service	123
Elevators facilities	243
Livestock breeding	328
Security	26
Controlling	9
Total	**2,656**

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 Group within the two years immediately preceding the date of this Prospectus which are or may be material to our business or (ii) have been entered into by the Group at any other time but which contain provisions under which the Group has an obligation or entitlement that is material to the Group as at the date of this Prospectus.

Agreements relating to Shares in Agroton

On October 7, 2009, the Company entered into two deposit agreements (the "**Deposit Agreements**") with the Bank of New York Mellon, acting as depositary, which bind all owners and beneficial owners of securities issued under the Deposit Agreements. The Deposit Agreements provide for the depositing of respective Shares within the depositary and the issue of receipts (the "**GDRs**") evidencing the depositary shares. Under the Deposit Agreements, one GDR gives entitlement to one depositary share, which represents one Share in the Company's share capital. The Deposit Agreements describe the rights of owners and beneficial owners of the GDRs and the rights and duties of the depositary in respect of the Shares deposited thereunder and any other securities, property and cash received in respect of such Shares and held thereunder. Subject to the terms of the Deposit Agreements, each owner of a depositary share (evidenced by a GDR) is entitled, proportionately, to all the rights, preferences and privileges stemming from the Company's Shares (including, but not limited to, dividend, voting and liquidation rights) and subject, proportionately, to all of the limitations of the Shares. As the aim of the Company is that the GDRs are to be traded globally, both of the Deposit Agreements had to provide for the trading of GDRs under regulations, respective for each of the Agreements separately, i.e., one for Regulation S (addressing non-U.S. investors) and one for Rule 144A under the U.S. Securities Act of 1933 (addressing "qualified institutional buyers" in the US). The Deposit Agreements and the GDRs are governed by the laws of the State of New York, except for the rules relating to the authorization and execution by the Company, which are governed by the laws of Cyprus. Currently there are 14,130 GDRs issued under Rule 144A (which are not listed) and 3,985,870 GDRs issued under Regulation S (traded on the Open Market of the Frankfurt Stock Exchange since November 12, 2009), which gives in total 4,000,000 GDRs applicable to 25% of the existing share capital of the Company.

Ukrainian Agriculture Fund loans

On August 13 and 20, 2009, respectively, PE Agricultural Production Firm "Agro" and "Agroton" PJSC entered into loan agreements with the UAF. The cumulative amount of the loan received under both agreements is the hryvnia-equivalent of U.S. $ 10.9 million at a rate of 9.05% per annum, against which the Group pledged approximately 100,000 tonnes of wheat and 3,000 tonnes of rye. Both loan agreements contain standard terms as they are executed based on the model agreement adopted by the Ministry of Agricultural Policy of Ukraine. The loans were repaid in full and the pledged grain was released.

Agreemnet relating to transferring of the right to lease the land parcel

On April 30, 2010 an agreement on the transferring of the right to lease the land parcel was entered into between Agroton Public Limited as purchaser and limited liability company "Assets Management Company "Capital" as seller. Pursuant to the above agreement, limited liability company "Assets Management Company "Capital" undertook to transfer to Agroton Public Limited or any associated person as may be indicated by Agroton Public Limited, the right to lease the land plots having a total area of 16,300 ha and located in Luhansk oblast, Ukraine. The purchase price under the agreement amounted to USD 8,000,000, which was paid to the seller on 30 June 2010. In order for the above mentioned transaction to be completed, the lease agreements must be executed between the ultimate owners of the land plots from whom the seller acquired the underlying lease rights and Agroton Public Limited or its affiliate, and duly registered in compliance with the requirements of Ukrainian laws. The Group is currently in the process of registering the respective lease agreements with the land cadaster.

Financing Agreements

Agroton Group has been granted the major loans by Ukrainian banks among which are JSCB "Forum", CB "Privatbank", OJSC "Raiffeisen Bank Aval", OJSC "Ukrkommunbank", LLC "Vostochno-promyshlennyi bank", and JSC "Ukraiinskyi Innovatsiynyi Bank". The loan agreements with the above banks are listed below.

Loans with JSCB "Forum"

JSCB "Forum" is one of the principal lenders of the Group providing loans (in form of credit lines) for various purposes including (1) financing of working capital, (2) construction/reconstruction of production facilities, (3) acquisition of agricultural machinery, and (4) transport vehicles. Pursuant to the terms of these loans, the borrower must ensure its financial turnover via accounts with JSCB "Forum". Should the borrower disagree with the increase of interest rate, as may from time to time be altered by the bank, the loan principal amount plus interest accrued have to be repaid.

- On March 2, 2007 PE Agricultural Production Firm "Agro" entered into a loan agreement with JSCB "Forum". The terms of the loan were changed on several occasions and as of the date hereof provide for U.S. $ 1.4 million maturing on November 15, 2010. According to the terms of the agreement, the loan could be disbursed in hryvnia and in U.S. dollars. The interest rate for the amounts disbursed in U.S. dollars is 12%, and the interest rate for disbursements in hryvnia is 23%. The loan is secured with pledges over the assets of PE Agricultural Production Firm "Agro" and the suretyship granted by "Agroton" PJSC.
- On March 7, 2007, PE Agricultural Production Firm "Agro" entered into a loan agreement with JSCB "Forum". The terms of the loan were changed on several occasions and as of the date hereof provide for U.S. $ 5.6 million maturing on November 15, 2010. According to the terms of the agreement, the loan could be disbursed in hryvnia and in U.S. dollars. The interest rate for the amounts disbursed in U.S. dollars is 12%, and the interest rate for disbursements in hryvnia is 23%. The loan is secured with mortgage and pledges over the assets of PE Agricultural Production Firm "Agro" and the suretyship granted by "Agroton" PJSC.
- On March 20, 2007, PE Agricultural Production Firm "Agro" entered into a loan agreement with JSCB "Forum". The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 4.5 million maturing on November 15, 2010. The interest rate is 22%. The loan is secured with pledges over the assets of PE Agricultural Production Firm "Agro" and the suretyship granted by "Agroton" PJSC.
- On April 5, 2007, PE Agricultural Production Firm "Agro" entered into a loan agreement with JSCB "Forum". The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 10.1 million maturing on November 15, 2010. According to the terms of the agreement, the loan could be disbursed in hryvnia and in U.S. dollars. The interest rate for the amounts disbursed in U.S. dollars is 12%, and the interest rate for disbursements in hryvnia is 22%. The loan is secured with mortgages and pledges over the assets of PE Agricultural Production Firm "Agro" and the suretyship granted by "Agroton" PJSC.
- On April 24, 2007, PE Agricultural Production Firm "Agro" entered into a loan agreement with JSCB "Forum". The terms of the loan were changed on several occasions and as of the date hereof provide for U.S. $ 11.7 million maturing on November 15, 2010. According to the terms of the agreement, the loan could be disbursed in hryvnia, U.S. dollars and Euro. The interest rates for the amounts disbursed in Euro, U.S. dollars and hryvnia are 12%, 12.5% and 21%, respectively. The loan is secured with

mortgages and pledges over the assets of PE Agricultural Production Firm “Agro” and the suretyship granted by “Agroton” PJSC.

- On May 14, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with JSCB “Forum”. The terms of the loan were changed on several occasions and as of the date hereof provide for U.S. $ 4.8 million maturing on November 15, 2010. According to the terms of the agreement, the loan could be disbursed in hryvnia and in U.S. dollars. The interest rates for the amounts disbursed in U.S. dollars and hryvnia are 13% and 17%, respectively. The loan is secured with mortgage and pledges over the assets of PE Agricultural Production Firm “Agro”, the suretyships granted by “Agroton” PJSC and Mr. Zhuravlov.
- On July 12, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with JSCB “Forum”. The terms of the loan were changed on several occasions and as of the date hereof provide for U.S. $ 3.8 million maturing on November 15, 2010. According to the terms of the agreement, the loan could be disbursed in hryvnia and in U.S. dollars. The interest rates for the amounts disbursed in U.S. dollars and hryvnia are 13% and 21%, respectively. The loan is secured with mortgages and pledges over the assets of PE Agricultural Production Firm “Agro” and the suretyship granted by “Agroton” PJSC.
- On September 7, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with JSCB “Forum”. The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 4.6 million maturing on September 6, 2012. The interest rate amounts to 18%. The loan is secured with pledges over the assets of PE Agricultural Production Firm “Agro”.
- On November 16, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with JSCB “Forum”. The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 9.3 million maturing on November 15, 2010. The interest rate is 22%. The loan is secured with mortgage and pledge over the assets of PE Agricultural Production Firm “Agro” and the suretyship granted by “Agroton” PJSC.

Loans with OJSC “Ukrkommunbank”

OJSC “Ukrkommunbank” granted to PE Agricultural Production Firm “Agro” two loans (in the form of loan and repayable credit line) for financing of working capital which are repayable in 2010. Both loan agreements provide for the obligation of the borrower to prepay the loan should it disagree with the increase of interest rate.

- On December 28, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with OJSC “Ukrkommunbank”. The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 5.0 million maturing on December 29, 2010. The interest rate is 24%. The loan is secured by pledges of agricultural products produced by PE Agricultural Production Firm “Agro”, receivables, and equipment owned by “Agroton” PJSC.
- On February 20, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with OJSC “Ukrkommunbank”. The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 2.0 million maturing on December 29, 2010. The interest rate is 17%. The loan is secured by pledges of agricultural products produced by Agro, receivables, and equipment owned by “Agroton” PJSC.

Loan with CB “Privatbank”

On June 14, 2007, PE Agricultural Production Firm “Agro” entered into a loan agreement with CB “Privatbank” for UAH 649,060 for the purchase of agricultural machinery. According to the terms of the loan the interest rate is 13%, and the maturity date is June 10, 2012. The loan is secured by the pledge of rights under the contracts for the purchase of the said agricultural machinery.

Loans with LLC “Vostochno-promyshlennyi bank”

LLC “Vostochno-promyshlennyi bank” granted to “Agroton” PJSC two loans (in the form of loan and revolving credit line) for financing of working capital which are repayable in 2010. Both loan agreements provide for the obligation of the borrower to prepay the loan should it disagree with the increase of interest rate as may from time to time be initiated by the bank:

- On March 18, 2009 “Agroton” PJSC entered into a loan agreement (a revolving credit line) with LLC “Vostochno-promyshlennyi bank” for UAH 5.3 million at 24% for the financing of working capital maturing on December 1, 2010.

- On April 16, 2010 “Agroton” PJSC entered into a loan agreement with LLC “Vostochno-promyshlennyi bank” for UAH 5 million at 23% for the financing of working capital maturing on October 18, 2010.

Loans with OJSC “Raiffeisen Bank Aval”

OJSC “Raiffeisen Bank Aval” provided five loans (in form of credit lines) to the Group, all of which matured in 2009. On March 23, 2010 a memorandum of understanding was signed with the bank with respect to the restructuring of the above debt according to which the parties agreed that the overdue interest in the amount of UAH 2.0 million will be repaid to the bank UAH 0.5 million of which has already been repaid. The memorandum also provides that the outstanding principal amounts will be refinanced by two new loans based on an agreement to be entered into as among the respective parties by May 1, 2010. Security under the loans includes (1) pledge of transport vehicles, (2) pledge of agricultural products, and (3) suretyship by Mr. Zhuravlov.

- Under the framework facility agreement dated August 20, 2008 “Agroton” PJSC and Agro are joint borrowers. This facility is secured by pledge provided by Agro (1) over wheat crop of 2008 for the total amount of UAH 38.5 million, and (2) sunflower seeds crop of 2008 for the total amount of UAH 39.6 million. It is also secured by suretyship granted by Mr. Zhuravlov. The facility was disbursed as four separate loans under four respective supplemental agreements: (1) UAH 25.0 million at 18.25% provided to PE Agricultural Production Firm “Agro” and maturing on February 15, 2009; (2) UAH 25.0 million at 18.25% provided to “Agroton” PJSC and maturing on March 10, 2009; (3) UAH 25.0 million at 18.25% provided to PE Agricultural Production Firm “Agro” and maturing on March 10, 2009; and (4) UAH 25.0 million at 18.25% provided to “Agroton” PJSC and maturing on February 15, 2009. The facility was fully repaid from the proceeds under two new loan agreements entered into with OJSC “Raiffeisen Bank Aval” on April 30, 2010 (described below).
- On November 28, 2007, “Agroton” PJSC entered into a loan agreement with OJSC “Raiffeisen Bank Aval”. The terms of the loan were changed on several occasions and as of the date hereof provide for UAH 2.1 million maturing on November 25, 2012. The interest rate is 17%. The loan is secured by pledges over cars and equipment of PE Agricultural Production Firm “Agro”.
- On April 30, 2010 PE Agricultural Production Firm “Agro” and “Agroton” PJSC entered into two loan agreements with OJSC “Raiffeisen Bank Aval” (corporate investment loan non-revolving credit line) for the purposes of restructuring the existing indebtedness. The loan amounts are UAH 29.62 million and UAH 19.15 million, respectively. The interest rate is 24% per annum and the maturity date is November 1, 2010 for both loans.

Loan with PJSC “Alfa-Bank”

For the purpose of financing its working capital, on February 5, 2010 PE Agricultural Production Firm “Agro” entered into a credit line facility with PJSC “Alfa-Bank”. The lending limit is UAH 69.75 million and the interest rate is 24%. The interest is paid on a monthly basis; the principal is to be repaid in equal monthly installments starting from September 2010. The facility is secured by the suretyships provided by Mr. Zhuravlov, “Agroton” PJSC, the mortgage over milk complex and the pledge of equipment owned by PE Agricultural Production Firm “Agro”.

Loan with JSC “Ukraiinskyi Innovatsiynyi Bank”

On May 27, 2010 “Agroton” PJSC entered into a loan agreement (non-revolving credit line) with JSC “Ukraiinskyi Innovatsiynyi Bank”. The interest rate is 30% and the lending limit is UAH 10 million: UAH 2 million shall be used for financing the company’s working capital, and UAH 8 million for refinancing of the UAF loan. The loan matured on July 12, 2010 and was duly repaid. The facility was secured by the suretyship provided by Mr. Zhuravlov and the second-ranking pledge over 22,000 tonnes of wheat pledged to secure the UAF loan.

Pledge agreements, suretyships and mortgages

In the ordinary course of business, to secure the obligations arising under loan facilities extended to the Group, in particular debt repayment, Group subsidiaries enter into various collateral agreements, including pledge agreements, agreements for the establishment of mortgages, corporate guarantees, suretyship and agreements on assignment of rights.

Corporate bonds issuance

E Agricultural Production Firm "Agro" has issued 50,000 registered interest-bearing unsecured corporate bonds for the total amount of UAH 50.0 million. The bonds were issued in uncertificated form in one (A) series with the nominal value of UAH 1,000. The bonds are schedule to be redeemed on October 28, 2010. The bonds were issued at a coupon of 15% in respect of the 1st – 5th quarterly interest periods and at the interest to be determined by E Agricultural Production Firm "Agro" in respect of the 6th – 9th, and 10th – 12th quarterly interest periods depending on the market conditions which may, however, be no less than 5% per annum.

Insurance

The Group concludes insurance contracts in correspondence with arising needs.

The insurance strategy is determined by a number of factors, including legal regulations, contractual obligations, and internal risk management and requirements. Most insurance contracts relate to seeded agricultural land.

Licenses and Permits

The business of the Group depends on the continuing validity of several licenses as stated below, the issuance to it of new licenses and its compliance with the terms of the licenses.

Production facilities and technological processes

The effective Ukrainian laws require each company to obtain permits from the Fire Safety and Labour Safety authorities before starting the operation. Not all the Ukrainian subsidiaries possess all the permits required. Conducting business without obtaining such permits may result in substantial fines imposed on the company and its officials, and even more adverse sanctions, such as temporary prohibition to conduct business or cancellation of the state registration of a company.

Furthermore, Ukrainian laws require obtaining and maintain the validity of permits for the use of dangerous equipment, and not all the Ukrainian subsidiaries possess all the permits required. According to Article 21 of the Labour Protection Law, failure to obtain such permits for the use of dangerous equipment within one month after receiving respective prescription from the State Inspectorate of Industrial Safety constitutes grounds for cancelling state registration of such company. The Ukrainian laws currently in effect provide for no procedure for cancelling state registration on the above grounds.

Under the Law of Ukraine "On Safety and Quality of Food Products", dated December 23, 1997, as amended (the "Food Products Safety Law"), Ukrainian Subsidiaries operating food processing facilities or trading in food products are required to obtain an operational permit from the State Sanitary and Epidemiological Services of Ukraine for each such facility. None of the Ukrainian Subsidiaries operating food processing facilities have obtained such permits.

Under the Law of Ukraine "On Sanitary and Epidemiological Public Safety", dated February 24, 1994 the raw materials, food products as well as materials and equipment used for their production, storage, transportation and sale should comply with applicable sanitary standards and are subject to mandatory certification. Not all the Ukrainian Subsidiaries have obtained all such permits required.

Pedigree Resources

According to the Law of Ukraine "On Licensing of Certain types of Business Activities" dated June 1, 2000, as amended (the "**Ukraine Licensing Law**"), companies engaged in the production, storage and sale of pedigree resources (including pig and cattle breeding) are required to receive licenses for such activity from the Ministry of Agrarian Policy of Ukraine. Such licenses were issued for 5 years. However, in late 2009 the Ukraine Licensing Law has been amended to extend the term of licenses for an unlimited period. The licenses for the production, storage and sale of pedigree resources are conditional on the issuance of a pedigree farm status certificate by the Ministry of Agrarian Policy of Ukraine and registration of a particular pedigree resource with the state pedigree register maintained by the Ministry of Agrarian Policy of Ukraine. 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.

Veterinary Practices

Ukrainian laws provide that any veterinary practice requires the obtaining of the license, even where such services are used solely for internal needs of a company and not provided to third parties. PE Agricultural

Production “Agro” was granted such a license for an unlimited period. No other Ukrainian Subsidiary possesses the license for veterinary practice.

Plant Growing, Grain Storing and Grain Processing

According to Article 27 of the Law of Ukraine “On Plants Quarantine” dated June 30, 1993 all companies involved in regulated activities, which in particular include seeds production, grain storing and grain processing, must be registered with local State Inspections on Plants Quarantine.

Furthermore, pursuant to the Law of Ukraine “On Seeds and Seeding Material” dated December 26, 2002 production of seeds and seeding material is subject to obtaining respective passports and seeds certificates with the Ministry of Agrarian Policy of Ukraine. The passports confirm registration of the company with the State Register of Seeds and Seeding Material Producers. The seed certificate provides the details and specifications of respective types of seeds and seeding material. All lots of seeds and seeding material subject to selling shall comply with the specifications provided in the respective seed certificates.

Not all the Ukrainian Subsidiaries are currently registered with local State Inspections on Plants Quarantine, as respective national register and the registration procedure are in the process of being developed. The certification of elevators is an ongoing process and some of required certificates are currently being renewed by the Group. The Group does not obtain the documents with respect to the seeds production, because the seeds are produced only for internal needs of the Group and are not provided to third parties.

Environmental and Other Licenses and Permits

The Group is subject to laws, regulations and other legal requirements relating to environmental protection, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites and the protection of flora and fauna. Environmental protection in Ukraine is regulated primarily by the Law of Ukraine “On Environmental Protection” dated June 25, 1991, as amended (the ”Environmental Protection Law”), as well as by a number of other legal acts, such as Ukraine's Water Code, Land Code, Forest Code, Air Code, etc.

Pollutants Discharge and Adverse Physical and Biological Effect on Environment

According to the Environmental Protection Law, pollutants discharge and adverse physical/biological effect on environment are permitted within discharge limits and are subject to discharge permits. Ukrainian environmental laws and regulations establish limits for: (1) adverse physical and biological effect on atmosphere caused by the stationary sources, (2) air pollutants discharge, (3) sewage discharge and (4) waste for storage or utilization. Some of the above limits are established at a legislative level and some of them are to be determined under normative standards for each stationary source on a case-by-case basis in the respective permits.

- Limits for adverse physical and biological effects on atmosphere caused by the stationary sources are to be determined for each particular stationary source and for each type of physical/biological effect on environment pursuant to Article 8 of the Law of Ukraine “On Atmosphere Protection” dated October 16, 1992. However, enactments required for the implementation of limit requirements for adverse physical and biological effect on atmosphere have never been developed. As a result, such limits are not yet operational in Ukraine.
- Limits for air pollution discharge are established in the Regulation of the Ministry of Environmental Protection of Ukraine “On Adoption of the Normative Permissible Limits for Air Pollutants Discharge from the Stationary Sources” No. 309 dated June 27, 2006. Permits for air pollutants discharge are issued for the term of 5 years by local agencies of the Ministry of Environment and are subject to approval by respective department of State Sanitary-Epidemiological Service. Application requirements and procedure for air pollution discharge permits are established by the Regulation of the Cabinet of Ministers “On Organization and Payment for the Works Necessary for Issuance of Air Pollutants Discharge Permits” No. 302 dated March 13, 2002.
- Limits for sewage discharge are established in permits for special water use. According to the Water Code of Ukraine dated June 6, 1995 as amended, special water use permits are issued to each particular user by the Ministry for Environmental Protection (for the use of waters of national importance) or by the Oblast Councils, upon approval by the health protection authorities (for the use of waters other than of national importance).
- Limits for waste production and allocation are to be established annually for each particular company producing and allocating waste in course of its business. Waste production and allocation requires

obtainment of relevant permit and establishment of the limits for waste production and allocation. Application requirements and procedure for waste production and allocation permits and establishment of the relevant limits are laid down in the Regulation of the Cabinet of Ministers of Ukraine “On adoption of the Procedure for Development, Adoption and Revision of Limits for Waste Production and Allocation” No. 1218 dated August 3, 1998. Permits for waste production and allocation are issued by the local departments of the Ministry of Ecological Resources and become effective upon approval of the limits for waste production and allocation under the permit concerned by the local departments of the Ministry of Ecological Resources and by the relevant Oblast State Administration. Limits for waste production and allocation are effective for one year, and are subject to revision thereafter. In addition, to waste permits, the owner of the special sites designated for wastes storage is required to obtain additional permit from authorities of local self-governance, as established in Articles 33 and 21 of the Law of Ukraine “On Wastes”.

Pollutants and wastes discharge within respective limits is subject to a discharge fee, which is to be calculated according to the Cabinet of Ministers of Ukraine Regulation “On Adoption of the Normative Standards for the Discharge Fee and its Collection” No. 303 dated March 1, 1999 on the basis of respective discharge limits and factual discharge. If the discharge limits are exceeded, five-fold rate apply to the excess volumes of discharge, and obligation to compensate respective damages caused to environment arise.

The Group is generally in compliance with these requirements, and disposal of industrial waste resulting from the chicken’ slaughter is outsourced to Kupiansky veterinary sanitary plant.

Regulatory Compliance

General

Other than as stated above, the Management of the Group 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 safety rules. The Group has not been subject to any material claims relating to the safety of its products, compliance with veterinary, sanitary, health and safety, use of genetically modified materials, agrochemicals etc. in the last three years.

Use of Genetically Modified Materials

Ukrainian law prohibits the use of genetically modified materials ("**GMM**") only for the production of baby food products. Import to, or production in, Ukraine of other food products produced with the use of GMM is permitted, provided that a particular GMM has been registered with the state register of GMM.

Effective laws require mandatory labelling of all food products in Ukraine with the marks “with GMM” and “without GMM” depending on whether the products contain GMM.

The Group does not use GMM in its operations.

Competition Regulation

The Group has not incurred any material liabilities related to competition legislation, and has not been subject to any material investigations by the competition authorities in the past. See “*Risk Factors − Risks Relating to the Group’s Business and Industry − The Group could be subject to material fines if it is determined that its actions violated Ukrainian competition law requirements.*”

Intellectual Property

Intellectual property rights portfolio of the Group Companies consists of 6 trade marks registered in Ukraine (Марківський (Markivskyi), Чорнухинські курчата (Chornukhinski kurchata), Марківські сири (Markivski syry), Золото гільдії (Zoloto gildii), Мелисса (Melissa), Агротон (Agroton). There are no intellectual property objects registered by the Group outside Ukraine.

Based on the Group’s estimations, the intellectual property rights held by the Group Companies are actively used in the business and are considered as material for the Group’s business in general. Other than as stated above, the Group is not to a material extent dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.

Legal and Arbitration Proceedings

Two Group subsidiaries, PE Agricultural Production Firm “Agro” and “Agroton” PJSC, are joint borrowers under the loan agreement with OJSC “Raiffeisen Bank Aval” dated August 20, 2008. The loan extended thereunder to PE Agricultural Production Firm “Agro” and “Agroton” PJSC matured in 2009 and the bank filed several lawsuits with the commercial court to collect the indebtedness under the loan and enforce the available security, the amount of claims being UAH 57,516,416.23. On March 23, 2010 a memorandum of understanding with respect to the restructuring of the above debt was signed with OJSC “Raiffeisen Bank Aval” according to which the parties agreed that the overdue interest in the amount of UAH 2.0 million would be repaid to the bank, UAH 0.5 million of which has already been repaid. The memorandum also provides that the outstanding principal amounts will be refinanced by two new loans based on an agreement to be entered into as among the respective parties by May 1, 2010. The respective agreements were signed on April 30, 2010, and upon disbursement thereunder the respective restructuring of overdue indebtedness occured. With respect to court proceedings, in August 2010 the parties withdrew their claims with the consent of the court. Accordingly, the proceedings are now closed.

On March 13, 2009 PE Agricultural Production Firm "Agro" filed for bankruptcy with Luhansk commercial regional court and the moratorium for satisfaction of creditors’ claims was introduced for the period of six months. On December 11, 2009 PE Agricultural Production Firm “Agro” recalled its petition on which basis the court decided to leave the case without consideration whereupon PE Agricultural Production Firm “Agro”’s bankruptcy proceedings were terminated.

Except as described above, the Issuer is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period of previous twelve months which may have, or have had in the recent past significant effects on the Issuer and/or the Group’s financial position or profitability.

Research and Development

The Group does not have a significant research and development function and therefore it does not have a significant capital expenditure related thereto.

Significant Change

No significant change in the financial or trading position of the Group has occurred since the end of the last financial period, i.e. since June 30, 2010 and up to the date of the Prospectus.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The below table sets out the registered shareholders of the Company and number of shares held by them.

	Before this offering		After this offering	
Shareholder	**Number of shares held**	**% of issued share capital**	**Number of shares held**	**% of issued share capital**
IFG DIRECTORS LIMITED	11,999,994	74,99996%	11,999,994	55.376068%
BNY (NOMINEES) LIMITED	4,000,000	25,00000%	4,000,000	18.458699%
CONFUCIUS NOMINEES LIMITED	1	0,00001%	1	0.000005%
CONFUCIUS DIRECTORS LIMITED	1	0,00001%	1	0.000005%
CONFUCIUS SERVICES LIMITED	1	0,00001%	1	0.000005%
CONFUCIUS TRUSTEES LIMITED	1	0,00001%	1	0.000005%
IFG NOMINEES LIMITED	1	0,00001%	1	0.000005%
IFG TRUSTEES LIMITED	1	0,00001%	1	0.000005%
Offer Shares	0	0%	5,670,000	26.165205%

IFG DIRECTORS LIMITED, CONFUCIUS NOMINEES LIMITED, CONFUCIUS DIRECTORS LIMITED, CONFUCIUS SERVICES LIMITED, CONFUCIUS TRUSTEES LIMITED, IFG NOMINEES LIMITED and IFG TRUSTEES LIMITED (the "**Principal Shareholders**") all hold the shares in the Company in trust for Mr. Iurii Petrovich Zhuravlov, of Ukraine.

As of the date of this prospectus there are no agreements which might result in change of control of the Company.

The Company's Principal Shareholders, mentioned above, do not have any special rights or privileges attached to their shares, or other voting rights than those presented in this prospectus.

Dilution of Share Capital

Upon completion of this Offering and assuming that all Offer Shares are issued the amount and percentage of the immediate dilution of the Company's shares will be as follows:

	Before this offering		After this Offering	
Existing shares (issued and outstanding)	16,000,000	100%	16,000,000	73,8%
Offer Shares	0	0%	5,670,000	26,2%
Total:	16,000,000	100%	21,670,000	100%

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets out the current Directors of the Company:

Name	Age	Position/Function	Appointment date	Term of Office
Iurii Zhuravlov	51	Chief Executive Officer	September 21, 2009	N/A**
Alex Lissitsa*	33	Non-executive Director	November 5, 2009	N/A**
Boris Supihanov*	55	Non-executive Director	March 30, 2010	N/A**
Tamara Lapta	63	Deputy CEO	September 21, 2009	N/A**
Nikolai Rozdymaha	52	Chief Operational Officer	June 25, 2010	N/A**

* *Indicates an independent directors.*

** *Any director appointed in office by or whose appointment is ratified by the general meeting of the company, there is no expiration in his term of office unless so specified by the general meeting. The Term of Office for any directors who have been appointed by the Board of Directors expires at the next Annual General Meeting of the Company. No term of office has been set for the above named Directors.*

The biographical details of the Directors of the Company are set out below:

- Mr. Iurii Zhuravlov, is the Company founder, as well as Head of the Luhansk Agrarian Confederation. Mr. Zhuravlov is a certified doctor (M.D., Luhansk Medical University, 1981) who practiced for 10 years before deciding to become an entrepreneur after the collapse of the Soviet Union. In 1992 Mr. Zhuravlov launched "Melissa" and since then he has been engaged in agri-business. In 1999 he reorganized the company, creating "Agroton" PJSC, which has since become one of the leaders of the Ukrainian agricultural market. Mr. Iuriy Zhuravliv has 18 years of managerial experience in agriculture. He is a recipient of a state order by the President of Ukraine.
- Dr. Alex Lissitsa, is President of the Association of Ukrainian Agribusinesses Club. Dr. Lissitsa graduated from Humboldt University of Berlin, Germany, with a PhD in Agriculture and Horticulture. His working experience includes researcher career at The University of Queensland (Australia; 2004), at the College of Agriculture at Iowa State University (US; 1999-2000) and at the Institute of Agricultural Development in Central and Eastern Europe (IAMO, Germany, 2002-2006). He has served as an advisor to the Head of the Committee for Agricultural Policy and Land Relations of the Ukrainian Parliament since 2007. During 2007-2009 he was the President of the Ukrainian Agriculture Club and adviser to the Agriculture Minister of Ukraine.
- Mr. Boris Supihanov, is former Deputy Minister of Agricultural Policy for Ukraine. Mr. Supihanov obtained a Master's degree from the Voroshilov Agricultural Institute and has 25 years of managerial experience in the state agricultural service, having also been Agriculture Minister of Ukraine from 1998-1999. From 2001 to 2005 Mr. Supihanov was advisor to the Prime Minister of Ukraine for agriculture.
- Ms. Tamara Lapta is a Deputy CEO in Finance since 2005. Ms. Lapta obtained a Master's degree in Accounting from Lvov Trade and Economic Institute and has 44 years of working experience. She has served as chief accountant of several companies including "Agroton" PJSC, Melisa, Obsolyut and CFO of Voroshilovgradmebel.
- Mr. Nikolai Rozdymaha, is the Company's COO. He has served in similar roles with Agroton since 1998. Mr. Rozdymaha graduated from the Voroshilovgrad Agricultural Institute with a Master's degree in Agriculture and worked from 1994 to 1997 as the CEO of the agricultural company Plodorodie

Senior Management

The Board of Directors is supported by the following senior management (the "**Senior Management**"):

Name	Age	Position/Function
Andrei Anpilov	28	Chief Financial Officer
Sergei Shylov	43	Chief Agronomist
Valeriy Nikulin	45	Head of the Food Production Division
Victor Poltenko	40	Head of the Livestock Division

The biographical details of the Senior Management of the Group are set out below:

- Mr. Andrei Anpilov, has been the CFO of the Group since 2006. He graduated from National University named Vladimir Dalya with a Master's degree in Audit and Finance.

- Mr. Sergei Shylov, has held the position of Chief Agronomist at the Group since 2002. Mr. Shylov obtained a Master's degree in Agriculture from the Voroshilovgrad Agricultural Institute and has 27 years of agricultural experience. He also served as Chief Agronomist of the agricultural company Stanichno Luhanskaya from 1998 to 2002.
- Mr. Valerii Nikulin, is the Head of the Food Production Division at the Group. Mr. Nikulin served as a deputy CEO of a large bakery from 2006 to 2007 and also was a commercial manager for a large Ukrainian agricultural trader over 2004-2006.
- Mr. Victor Poltenko, has been Head of the Livestock Division of the Group since 2003. Over 1997-2002 Mr. Poltenko was the Deputy Head of the State Committee of Veterinary Medicine in Luhansk region.

Directors' and Senior Management's Terms of Service and Remuneration

The aggregate amount of remuneration paid by the Group to the Group's management (including the Company's executive and non-executive directors and the senior management of the Company's subsidiaries) during the year ended December 31, 2009 was approximately U.S. $ 121,000.

No member of the Board of Directors and no Senior Management is entitled to any particular benefit in the event of dismissal from office or termination of any service or employment contracts or any contract of a similar nature.

Further Information on the Board of Directors

At the date of this Prospectus, no member of our Board of Directors nor the Senior Management has, in the previous five years, (i) been convicted of any offenses relating to fraud, (ii) held an executive position at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation, (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body), or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrator, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. No member of the Board of Directors has a conflict of interest (actual or potential) between his private interests and his duties to the Company. Additionally, no member of the Board of Directors nor the Senior Management holds a supervisory or a non-executive position in another company or carries on principal activities outside the Company which are significant with respect to the Company.

Corporate Governance

Since the Company is incorporated in Cyprus, it has to comply with Cypriot law, as well as with provisions relating to corporate governance issues in the Company's prescribed in the Company's Articles of Association and the Cyprus Companies Law. However, the Company is not subject to the requirements of any national corporate governance rules, including the Cypriot Code on Corporate Governance, as it is not listed in Cyprus.

The Company intends to apply for the listing of its common stock on the WSE. Pursuant to the WSE Rules, the Company is required to agree to comply with the Polish principles of corporate governance contained in WSE Rules. When making its application for the admission of its shares to the WSE, the Company will make a statement as to its compliance with the Corporate Governance Rules of the WSE. The Directors recognize the importance of sound corporate governance and will, in so far as is practicable given the Company's size and the constitution of the Board of Directors, comply with the main provisions of the Corporate Governance Rules of the WSE.

The Company intends to abide by those principles to the fullest extent possible, and will specify which principles it does not intend to comply with, as well as provide the reasons for such non-compliance. Certain principles of the Corporate Governance Rules of the WSE will apply to the Company only to the extent permitted by Cypriot law and subject to the Company's corporate structure. In particular, the Company will not have two separate governing bodies (supervisory board and management board), which are obligatory in Polish joint stock companies. Instead, the Company's Board of Directors, comprising both executive and non-executive Directors, will perform the combined roles of a supervisory board and a management board in a Polish company. As a result, the Company will apply those principles of the Corporate Governance Rules of the WSE which refer to the relationship between the supervisory and management boards not directly, but generally in seeking to adhere to their spirit. In addition, the Company's compliance with certain rules will be limited by the provisions of Cypriot law, the many differences between Polish and Cypriot law systems, the Company's bylaws, procedures and accepted practice.

In the future the Company intends to follow any corporate governance rules adopted by the WSE or applicable to companies listed on the WSE, provided that such rules will not conflict with the provisions of Cypriot law or any rules and regulations of any other market where the shares in the Company are or will be listed.

Committees

The Audit Committee will assist the Company's board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing our annual financial statements, reviewing and monitoring the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of our internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board of Directors. The audit committee of the Company, comprising Borys Supikhanov and Alex Lissitsa (both non-executive Directors), is chaired by Borys Supikhanov. The audit committee meets at least twice a year.

The Remuneration Committee assists the Board of Directors in discharging its responsibilities in relation to remuneration, including making recommendations to the Board of Directors and/or the general meeting of the shareholders of the Company on our policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below board level. The remuneration committee of the Company, comprising Borys Supikhanov and Alex Lissitsa (both non-executive Directors), is chaired by Borys Supikhanov and sets and reviews the scale and structure of the executive Directors’ remuneration packages, including share options and the terms of their service contracts.

Interests of Directors and Senior Management

The directors and the Senior Managers of the Company have no beneficial interests in the share capital of the Company, except for Mr. Iurii Zhuravlov who following the Offer will beneficially own approximately 56.1% of the Issuer’s shares.

RELATED PARTY TRANSACTIONS

Loans and Guarantees

The following intercompany loans have been granted by the companies of the Group and are outstanding:

PE Agricultural Production Firm "Agro" provided the financial (interest-free) aid to "Agroton" PJSC under two agreements on repayable financial aid, one for UAH 5.5 million maturing on April 16, 2012 and the other for UAH 5 million maturing on June 18, 2012.

"Agroton" PJSC entered into the loan agreement with PE Agricultural Production Firm "Agro" on November 23, 2009 for the purpose of working capital financing, investments into construction and acquisition of fixed assets for the total amount of initially USD 8 million which was later increased up to USD 10 million. The loan bears interest of 2.5% per annum and matures on January 1, 2011.

On August 9, 2010 PE Agricultural Production Firm "Agro", acting as a borrower, has entered into the loan agreement with Agroton Public Limited, acting as a lender, for U.S. $ 10 million at 2.5% per annum maturing on December 31, 2014. The loan was registered with the National Bank of Ukraine on August 18, 2010.

PE Agricultural Production Firm "Agro" secured the performance by "Agroton" PJSC of its obligations towards OJSC "Raiffeisen Bank Aval" by entering into the following agreements:

- Surety Agreement dated September 12, 2008 securing the performance of "Agroton" PJSC's obligations under the loan agreement No. 010\07-02\416 dated September 12, 2008 for the total amount of UAH 25,000,000. The loan has been repaid;
- Pledge Agreement dated August 22, 2008 and pledge agreement dated September 12, 2008 securing the performance of obligations of "Agroton" PJSC under the loan agreement No. 010\07-02\402\Г dated August 20, 2008 for the total amount of UAH 50,000,000. The collateral under the pledge agreements constitutes a floating charge over PE Agricultural Production Firm "Agro" assets (grain of sunflower and wheat) with the total value of UAH 78,073,150. The loan has been repaid;
- Pledge Agreement dated May 21, 2010 securing the performance of PE Agricultural Production Firm "Agro"'s own obligations under the loan agreement No. 010\01-01/565 dated April 30, 2010 and the obligations of "Agroton" PJSC under the loan agreement No. 010\01-01/566 dated April 30, 2010. The collateral under the pledge agreements covers the future yield of 2010 winter wheat from 4,546 ha with the collateral value of UAH 5,900,000. The loans mature on November 1, 2010.
- PJSC "Agroton" secured the performance by PE Agricultural Production Firm "Agro" of its obligations due to OJSC "Raiffeisen Bank Aval" and JSCB "Forum" by entering into the following agreements:
- Surety Agreement No. 010/07-02/403-ДП/1 dated August 20, 2008 securing PE Agricultural Production Firm "Agro" performance of its obligations under the Loan Agreement with OJSC "Raiffeisen Bank Aval" No. 010/07-02/402/Г dated August 20, 2008 for the total amount of UAH 25,000,000. The loan has been repaid;
- Surety Agreement No. 010/07-02/415-ДП/1 dated September 12, 2008 securing PE Agricultural Production Firm "Agro" performance of its obligations under the Loan Agreement with OJSC "Raiffeisen Bank Aval" No. 010/07-02/402/Г dated August 20, 2008 for the total amount of UAH 25,000,000. The loan has been repaid;
- Surety Agreement dated July 31, 2008 securing PE Agricultural Production Firm "Agro" performance of its obligations under the Loan Agreement with JSCB "Forum" No. 0065/07/09-KLMVI dated April 24, 2007 for the total amount of USD 11,680,000. The loan matures on November 15, 2010;
- Pledge Agreement dated May 21, 2010 securing the performance of the obligations of PE Agricultural Production Firm "Agro" under the loan agreement No. 010\01-01/565 dated April 30, 2010 and "Agroton" PJSC's own obligations under the loan agreement No. 010\01-01/566 dated April 30, 2010. The collateral under the pledge agreements covers the future yield of 2010 winter wheat from 148 ha with the collateral value of UAH 1,277,507. The loans mature on November 1, 2010;
- Pledge Agreement dated May 21, 2010 securing the performance of the obligations of PE Agricultural Production Firm "Agro" under the loan agreement No. 010\01-01/565 dated April 30, 2010 and "Agroton" PJSC's own obligations under the loan agreement No. 010\01-01/566 dated April 30, 2010. The collateral under the pledge agreements constitutes a floating charge over PE Agricultural Production

Firm “Agro”’s assets (grain of sunflower and wheat) with the total value of UAH 55,684,250. The loans mature on November 1, 2010.

Mr. Zhuravlov also secured the performance by PE Agricultural Production Firm “Agro” of its obligations under OJSC “Raiffeisen Bank Aval” and JSCB “Forum” loans by entering into the following agreements:

- Suretyship Agreement No. 010/07-02/402/Г-ДП/1 dated August 20, 2008 securing the obligations of PE Agricultural Production Firm “Agro” under framework loan agreement with OJSC “Raiffeisen Bank Aval” No. 010/07-02/402/Г dated August 20, 2008. The underlying loan has been fully repaid.
- Suretyship Agreement dated November 28, 2007 securing the obligations of “Agroton” PJSC under the loan agreement with OJSC “Raiffeisen Bank Aval” No. 010/06-04/279 dated November 28, 2007. The loan matures on November 25, 2012.
- Suretyship Agreement dated May 30, 2008 securing the obligations of PE Agricultural Production Firm “Agro” under the loan agreement with JSCB “Forum” No. 0080/07/09-KLMVI dated May 14, 2007. The loan matures on November 15, 2010.
- Suretyship Agreement No. 12/01-01/566/ДП-2 dated April 30, 2010 securing the obligations of “Agroton” PJSC under the loan agreement with OJSC “Raiffeisen Bank Aval” No. 010/01-01/566 dated April 30, 2010. The loan matures on November 1, 2010.
- Suretyship Agreement No. 12/01-01/565/ДП-1 dated April 30, 2010 securing the obligations of PE Agricultural Production Firm “Agro” under the loan agreement with OJSC “Raiffeisen Bank Aval” No. 010/01-01/565 dated April 30, 2010. The loan matures on November 1, 2010.

Suretyship Agreement dated May 27, 2010 securing the obligations of “Agroton” PJSC under the non-revolving credit line agreement with JSC “Ukraiinskyi Innovatsiynyi Bank” No. 2208 dated May 27, 2010. The loan matured on July 12, 2010 and was duly repaid.

Other Related Party Transactions

The Group performs transactions with related parties in the ordinary course of business. Related parties comprise the Group parent's associates, the shareholders, companies are under common control of the Group's controlling owners, key management personnel of the Group and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined when these transactions are to be effected. The terms of some related party transactions may differ from the market terms. We believe that no transaction with related parties has a material effect on our business.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

During the years 2007, 2008, and 2009 a number of transactions were entered into with related parties in the normal course of business. Certain of these transactions, particularly in instances where a broad market does not exist, were consummated at terms agreed to between the parties.

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- Companies in which Group's companies have an interest in equity;
- Companies in which key management personnel has an interest in equity;
- Forms a part of key management personnel of the entity or its parent;
- Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

The following transactions with related parties were carried out according to categories of related parties:

	First six months of 2010	December 31, 2009	December 31, 2008	December 31, 2007
		U.S. $ thousands		
Income from sales				
Companies in which Group's companies have an interest in equity	0	1	47	1
Companies in which key management personnel has an interest in equity	0	40	74	21
Total	0	41	121	22
Financial income/ expenses, net				
Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	0	17	22	18
Purchases from related parties				
Companies in which Group's companies have an interest in equity	0	0	-28	-1
Companies in which key management personnel has an interest in equity	0	1	-5	-3
Total	0	1	-33	-4
Net assets distributions				
Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	0	3365	2524	0

Prepayments and liabilities which arose as a result of sales/purchases of goods and services:

	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
		U.S. $ thousands		
Trade accounts receivable				
Companies in which Group's companies have an interest in equity;	0	0	38	0
Companies in which key management personnel has an interest in equity;	1	1	1	0
Total	1	1	39	0
Prepayments and other current assets, net				
Companies in which key management personnel has an interest in equity;	2	2	5	7
Provision for prepayments and other current assets				
Companies in which key management personnel has an interest in equity;	-2	-2	-5	-5
Long-term financial investments				
Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	156	137	125	167
Trade accounts payable				
Companies in which Group's companies have an interest in equity;	0	0	-9	0
Companies in which key management personnel has an interest in equity;	-4	-4	-5	-6
Total	-4	-4	-14	-6
Short-term loans				
Forms a part of key management personnel of the entity or its parent;	0	0	-383	-1572
Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies;	0	0	0	-25
Total	0	0	-383	-1597
Other short-term liabilities and accrued expenses				
Companies in which Group's companies have an interest in equity;	-1	-1	-1	-2
Companies in which key management personnel has an interest in equity;	0	0	-4	-4

	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
		U.S. $ thousands		
Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	-1	-1	-157	-215
Total	-2	-2	-162	-221

For the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, compensations for key management personnel and related expenses were presented as follows:

	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
		U.S. $ thousands		
Payroll	45	90	136	137
Vacation allowance	5	10	10	5
Contributions to Pension Fund	8.5	17	27	19
Other contributions	2	4	6	4
Total	60.5	121	179	165

Number of key management personnel for the period starting from December 31, 2009 to June 30, 2010 and years ended on December 31, 2009, 2008 and 2007 was 9, 9, 14 and 9 employees respectively.

The structure of expenses for key management personnel compensation starting from December 31, 2009 to June 30, 2010 and for the years ended December 31, 2009, 2008 and 2007 was as follows:

	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
		U.S. $ thousands		
Expenses for remuneration to key management personnel				
responsible for operating activity	38	76	117	95
responsible for financing activity	18.5	37	53	20
responsible for investment activity	4	8	9	25
responsible for other activity	0	0	0	25
Total	60.5	121	179	165

No material related party transactions have occurred since the end of the last financial period, i.e. since June 30, 2010 and up to the date of the Prospectus.

CERTAIN POLISH AND CYPRIOT SECURITIES MARKETS REGULATIONS

The Issuer has applied and will apply, respectively, to list all its Shares on the main market of the WSE, including the Offer Shares. As a result, the Issuer will be subject to certain Cypriot and Polish securities and capital market regulations, in particular with respect to disclosure of information and tender offers. The Issuer will also be subject to supervision of relevant regulatory authorities in Cyprus and Poland.

The information set out below describes certain aspects of Cypriot 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 Cypriot and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Each prospective investor should consult a professional legal adviser regarding legal consequences of acquiring, holding and disposing of the Shares 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 of the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

Warsaw Stock Exchange

The WSE runs its business pursuant to applicable laws, including the Polish Trading Act and internal regulations, including the WSE Regulations.

The exchange market operated by the WSE constitutes a regulated market for the purposes of the relevant regulations of EU laws and the Polish Trading Act. Moreover, the WSE organizes and operates an Alternative Trading System which is a non-regulated market. The exchange market operated by the WSE includes the main floor (i.e. the official stock exchange market) and the parallel market.

According to the WSE's website, (www.gpw.pl) as at September 24, 2010, shares of 384 companies (including 361 domestic and 23 foreign companies) were listed on the WSE. The total capitalization of the listed companies was approximately PLN 794 billion.

Conversion of Securities to Book-entry Form

In principle, securities which are admitted to trading on a regulated market in Poland, such as the main market of the WSE, must exist in book-entry form as of the date of their registration under the relevant depository agreement (dematerialization). In particular, before the commencement of a filling an application for trading on a regulated market, an issuer of securities is obliged to conclude an agreement with the NDS for the dematerialization of the securities to be listed and traded on a regulated market of the WSE. Rights attached to such dematerialized securities arise and are vested at the moment of their recording for the first time in the securities account of the holder of such account.

The entity keeping the securities account, such as a brokerage house, custodian or custodian bank will issue, at the request of the account holder, a registered deposit certificate with respect to such account holder's securities which are registered in the account. The deposit certificate confirms the powers to exercise those rights attached to the securities indicated in its content that are not, or may not be, exercised exclusively on the basis of entries in the securities account, and in particular, to participate in the general shareholders' meeting. The deposit certificates may be issued by brokerage houses, banks conducting brokerage operations, trustee banks, foreign investment companies and foreign legal entities conducting brokerage operations within Poland, by the NDS and the National Bank of Poland, provided that the relevant accounts are designated in a manner sufficient to identify the persons vested with the rights from the securities.

From the moment of issuance of a registered deposit certificate, the securities, in the number indicated in the registered deposit certificate, may not be traded until the end of the registered deposit certificate validity period or until it is returned to the issuer, whichever occurs first. During this period the issuer of the registered deposit certificate will block the appropriate securities in that account. The same securities may be indicated in the contents of several registered deposit certificates, provided that the purpose of the issuance of each of these registered deposit certificates is different. In such case information is also placed in individual registered deposit certificates as to the blocking of the securities due to an earlier issuance of other registered deposit certificates.

Settlement

Under current regulations, all transactions on the regulated WSE market are on a delivery versus payment basis, with the transfer of rights to securities occurring upon settlement on a T+3 basis. In principle, each investor must hold a securities account and a cash account with an investment firm or a custodian in Poland, and each investment firm and custodian must hold relevant accounts with the NDS and a main cash account with a clearing bank.

In accordance with the rules and regulations of the WSE and the NDS, the NDS is required to arrange, based on a list of transactions provided by the WSE (compiled post-session), the settlement of transactions effected by WSE members. In turn, WSE members co-ordinate settlement with the investors on whose account the transactions were executed.

Stock Exchange Trading Mechanisms

As at the date of this Prospectus, WSE sessions are held regularly from Monday to Friday from 8:30 a.m. to 4:35 p.m., Warsaw time, unless the management board of the WSE decides otherwise.

Depending on the market on which the relevant securities are listed, quotations are made in a continuous trading system (the main floor) or in a single-price system with one or two auctions (the parallel market). In addition, for large blocks of securities, so-called block transactions outside of the public order book in the continuous trading system or a single-price system are possible.

Information as to price, trading volume and any specific rights (*i.e.* pre-emptive or dividend rights) attached to the relevant securities, is available on the WSE's official website at www.gpw.pl.

Brokerage commissions in Poland are not fixed by the WSE or other regulatory bodies and are set by the brokerage house executing the transaction.

Capital Market Regulations

Introduction

The main regulations governing the Polish capital markets are three following pieces of legislation:

- Polish Offering Act which regulates: (i) rules and conditions for carrying out a public offering of securities, for conducting subscription or sales of such securities and for seeking admission and introduction of securities or other financial instruments to trading on a regulated market; (ii) obligations of issuers of securities and other entities participating in trade in such securities or other financial instruments; (iii) consequences of obtaining the status of a public company as well as special rights and obligations relating to the holding of and trading in shares of such companies; and
- Polish Trading Act which regulates: (i) the rules, manner and conditions for commencing and conducting business which involves trading in securities and other financial instruments; (ii) the rights and obligations of entities engaged in such trading; (iii) the supervision thereof; and
- Act on Capital Market Supervision (Dz. U. of 2005, No. 183, item 1537, as amended) which regulates the organization and procedures for the exercise of supervision over the capital market and indicates the Polish FSA as the competent authority supervising the capital market and financial market instruments to be admitted on the regulated market.

In addition, Polish capital market is regulated by the rules set forth by the secondary provisions to the abovementioned acts and by the EU legislation.

The relevant pieces of Cypriot legislation are the following:

- the Insider Dealing and Market Manipulation (Market Abuse) law of 2005 (as amended) Law 116(I)/2005 (the "**Market Abuse Law**") which provides for restrictions in relation to the disclosure and use of "inside information" and applies both to securities listed or where an application for the listing of securities has been made in Cyprus or in other EU Member States. More detailed description of the provisions of the Market Abuse Law are set out in section entitled "Company's Disclosure Requirements";
- the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law, Law 190(I) of 2007, which harmonizes Cyprus law with European Directives 2004/109/EC and (partly) 2007/14/EC (the "**Transparency Law**"). The Transparency Law imposes obligations upon both issuers

and shareholders of issuers to publish the information stipulated therein at the intervals and or within the time limits prescribed therein. More detailed description of the provisions of the Transparency Law are set out in section entitled "Company's Disclosure Requirements"; and

- the Cyprus Companies Law which provides, inter alia, for the incorporation and governance of limited liabilities companies incorporated in Cyprus.

In addition, the aforementioned Cypriot legislation is supplemented by the rules set forth by the secondary legislation issued by the Cypriot public authorities and by the EU legislation.

Obligation to notify the Polish FSA about the acquisition or transfer of Shares

Pursuant to the Polish Offering Act, anyone who:

- has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33⅓ %, 50%, 75% or 90% of the total number of votes in a public company; or
- holds at least 5%, 10%, 15%, 20%, 25%, 33%, 33⅓ %, 50%, 75% or 90% of the total number of votes in such company, and as a result of reducing that share, has reached respectively 5%, 10%, 15%, 20%, 25%, 33%, 33⅓ %, 50%, 75% or 90% or fewer of the general number of votes,

is required to immediately notify the Polish FSA and the relevant company not later than within four business days from the date on which it acknowledged the change in its share in the total number of votes or, with due diligence could have acknowledged such change, and in the case where the change results from the purchase of shares in a public company in a transaction concluded on the regulated market, not later than within six trading days from the transaction. Trading days are days specified by the company managing the regulated market (in the case of the Issuer – the WSE) in its rules, pursuant to the Polish Trading Act and announced by the Polish FSA on its website.

The obligation to notify the Polish FSA and the company also applies if:

- the shares of a company traded on the main market of the WSE representing at least 2% of the overall number of votes at a shareholders' meeting are purchased or sold by any shareholder who already owns shares representing more than 10% of the votes at a shareholders' meeting;
- the shares of a company whose shares are admitted to trading on a regulated market other than the main market of the WSE representing at least 5% of the overall number of votes at a shareholders' meeting are purchased or sold by any shareholder who already owns shares representing more than 10% of the votes at a shareholders' meeting; and
- any person who holds shares representing more than 33% of the votes at a shareholders' meeting purchases or sells shares of this public company representing at least 1% of the overall number of votes at a shareholders' meeting.

The notification also has to be made if the given threshold of the total number of votes is reached or exceeded as a result of: (i) a legal occurrence other than a legal act, (ii) an indirect acquisition of shares in the company, as well as (iii) the acquisition or disposal of financial instruments which result in the unconditional right or obligation to acquire already-issued shares in the company (such as call options). In the latter case the notification must include information on the number of votes which the owner of a financial instrument acquires as a result of the transaction, the date the shares are acquired and the date the financial instrument expires.

The duty to make the aforesaid notification does not arise when, upon the settlement by the depository for securities of the several transactions concluded on the regulated market on the same day, the change of the share in the total number of votes in a public company as at the end of the settlement day does not result in the achievement or excess of the threshold for the total number of votes, with regard to which the duty arises.

Following receipt of the notice the public company is required to immediately and simultaneously make the information public and deliver it to the Polish FSA and the company which operates the regulated market on which the shares of that company are quoted.

Requirements relating to launching of the tender offers

Purchase of shares authorizing their holder to over 5% or 10% of the total number of votes in a relevant period

The purchase of shares of a public company in a number resulting in the increase of the share in the total number of votes by more than:

- 10% of the total number of votes in a period shorter than 60 days, by the entity whose share in the total number of votes in such company is less than 33%;
- 5% of the total number of votes in a period shorter than 12 months, by a shareholder whose share in the total number of votes in the company amounts to at least 33%;

may take place solely as a result of launching a tender offer for the sale or exchange of such shares in a number not less than respectively 10% or 5% of total number of votes in the company.

Mandatory Tender Offer

Under Polish law, any investor which owns shares in a public company entitling it to less than 33% of the votes and which intends to acquire further shares so that it exceeds the 33% threshold is obliged to launch a tender offer for the number of shares that would represent 66% of all the votes.

Exceeding the threshold of 33% of the total number of votes in a public company may take place solely by launching a tender offer for the sale or exchange of the shares of such company in a number allowing for achievement of 66% of the total number of votes, except for the case when an excess of 33% of the total number of votes takes place as a result of launching a tender offer for the sale or exchange of all the remaining shares of the company.

If the threshold of 33% of the total number of votes was exceeded as a result of the purchase of shares in an public offering, or as a result of an in kind contribution to a company, or merger or split of companies, or as a result of a change of the company's articles of association, expiry of the preference of shares or occurrence of a legal event other than a legal action, the shareholder, within three months of exceeding 33% of the total number of votes, is obliged to do the following:

- launch a tender offer for the sale or exchange of shares of the company in a number resulting in the achievement of 66% of the total number of votes; or
- sell the shares in a number resulting in the achievement of not more than 33% of the total number of votes,

unless in that time the share of the shareholder in the general number of votes shall change to not more than 33% of the total number of votes, as a result of, respectively, the share capital increase, change to the company's articles of association or expiry of the preference of shares, respectively.

If the excess of 33% of the total number of votes results from inheritance, the duty to announce the tender offer applies solely if after such acquisition of shares, the share in the total number of votes will further increase. The period of fulfilling such duty will be counted from the date on which the event resulting in an increase in the share in the total number of votes occurred.

Please note however that the above provisions do not apply in case of a public company with its seat in a EU (or European Economic Area) Member State other than Poland, the shares of which: (i) are admitted to trading on a stock exchange exclusively on the territory of Poland, (ii) were first admitted to trading on a stock exchange on the territory of Poland and on the territory of another Member State not being the state of the seat of the company, (iii) were simultaneously admitted to trading on a stock exchange in Poland and in another Member State not being the state of the seat of the company, if the company indicated the Polish FSA as a supervisory authority with respect to acquisition of large stakes in its securities. In such a case the shareholder is obliged to launch the mandatory tender offer in accordance with the provisions of the state of the seat of the company ("**Mandatory Tender Offer**"). As a result, Cypriot law provisions will apply to the matters relating to the information to be provided to the employees of the offeree company, matters relating to company law, the percentage of voting rights which confer control and trigger the Mandatory Tender Offer provisions and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the bid and the competent authority shall be the Cyprus SEC. However, Polish law provisions will apply to the matters relating to 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 offeror's decision to make a bid. Further information to be provided to employees employed in other jurisdictions and whose terms of employment are governed by the laws of other jurisdictions may also be subject to additional requirements which are imposed by the laws of the relevant jurisdiction.

Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004 on takeover bids (the "**Takeover Directive**") has been incorporated into the laws of Cyprus in the Take Over Bids Law (N41(I)/2007). Pursuant to the Take Over Bids Law any person who, together with those acting in concert with him, acquires "control" of a company having its registered office in Cyprus, is required to make a mandatory offer to all holders of securities of the company. Pursuant to the Takeover Directive, the percentage of voting rights conferring "control" is to be determined by the rules of the Member State in which the company has its registered office. Currently applicable Cyprus law contains provisions relating to mandatory offers requiring any person who acquires shares in a company to which such law applies, which together with the shares already held by him and by persons acting in concert with him, carry 30% or more of such company's voting rights, to make a general offer for that company's entire issued share capital.

Information to be provided to the employees of a Cypriot company

The relevant Cypriot legislation in respect of information to be provided to the employees of a Cypriot company are the following:

- The Law on the Protection of the Rights of Employees in case of Transfer of Undertakings Law 104(I)/2000. The provisions of this legislation apply to the transfers of undertakings, businesses or parts of undertakings or businesses to another employer which result from a legal transfer or a merger. Under this legislation the employees or their representatives must be informed in respect of the date of the proposed transfer, the reasons for the transfer, the legal, economic and social consequences for the employees resulting from the transfer and the proposed measures that will be taken in respect of the employees;
- The Law on the establishment of a general framework for informing and consulting employees Law 78(I)/2005. The provisions of this legislation apply to undertakings located in the Cyprus Republic and employ at least 30 employees. Under this legislation there is a general requirement inform and consult with employees in relation to: (i) the recent and probable development of the undertaking's or the establishment's activities and economic situation; (ii) to the structure and probable development of employment within the undertaking or establishment and on any anticipatory measures envisaged, in particular where there is a threat to employment and (iii) decisions likely to lead to substantial changes in work organization or in contractual relations, especially in relation to collective redundancies and the rights of the employees in the event of transfers of undertakings, businesses or parts of undertakings or businesses;
- The Law on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees Law 68(I)/2002. The provisions of this legislation apply to: (i) undertakings with at least 1 000 employees within the Member States and at least 150 employees in each of at least two Member States; or (ii) Community scale groups of undertakings with at least 1 000 employees in Member States and at least two group undertakings in different Member States and at least one group undertaking with at least 150 employees in one Member State and at least one other group undertaking with at least 150 employees in another Member State and the holding company or the central management of the group is located in Cyprus. The provisions of the legislation concern the establishment of a European works council or an information and consultation procedure within an undertaking or Community scale groups of undertakings for informing the employees and seeking their opinion in relation to: (i) on the matters which concern the Community-scale undertaking or Community-scale group of undertakings as a whole or at least two of its establishments or group undertakings situated in different Member States and (ii) on the progress of the business of the Community-scale undertaking or Community-scale group of undertakings and its prospects, structure, economic and financial situation, the probable development of the business and of production and sales, the situation and probable trend of employment, investments, and substantial changes concerning organization, introduction of new working methods or production processes, transfers of production, mergers, cut-backs or closures of undertakings, establishments or important parts thereof, and collective redundancies;
- The Law on Collective Redundancies, Law 28(I)/2001. The provisions of this legislation apply to collective redundancies effected under contracts of employment concluded for limited periods of time or for specific tasks except where such redundancies take place prior to the date of expiry or the completion of such contracts. Where the employer is contemplating collective redundancies, he shall begin consultations with the workers' representatives in good time with a view to reaching an agreement which should cover ways and means of avoiding collective redundancies or reducing the number of workers affected, and of mitigating the consequences by recourse to accompanying social measures aimed, inter alia, at aid for redeploying or retraining workers made redundant.

Procedure of the tender offer

A tender offer is launched and made through an entity running brokerage activities in the territory of Poland, which is obliged – not later than 14 business days before the date of the commencement of the subscription – to simultaneously notify the Polish FSA and the company managing the regulated market on which the given shares are listed about the intent to announce the tender offer. This entity attaches a copy of the tender offer to the notification. A copy of the tender offer is subsequently published in at least one national newspaper.

A tender offer may be launched only after establishing collateral of a value of not less than 100% of the value of the shares that are to be subject to the tender offer. The collateral should be documented with a certificate issued by a bank or other financial institution providing the collateral or intermediating in the provision of the same.

It is not possible to withdraw from a launched tender offer unless after launching the tender offer a third party launches a tender offer regarding the same shares. A withdrawal from a tender offer announced with regard to all the remaining shares of a public company is permitted only when another entity announces a tender offer for all the remaining shares of the company at a price not lower than the price in the former tender offer.

Upon receipt of the notification announcing a tender offer, the Polish FSA may – at the latest three business days before the beginning of the subscription – report a claim for introducing necessary changes and supplements in the text of the tender offer or for providing explanations regarding the text of the tender offer, at the date determined in the request, however, not shorter than two days.

The beginning of the subscription determined in the tender offer shall be suspended by the time of completing the activities mentioned in the aforesaid request by the company obliged to announce the tender offer.

Following the completion of the tender offer, the offeror is required to announce, in the manner as set forth in Article 69 of the Polish Offering Act, the number of shares purchased under the tender offer and the share in the total number of votes which has been reached under the tender offer.

In the period between the announcement of a tender offer and the completion of the tender offer, the entity required to announce the tender offer and all of its subsidiaries, dominating entities or entities which are party to any understanding therewith concerning the acquisition of the shares in the public company by such party or entities which are party to any understanding therewith concerning voting in concert at any general meeting or exercising a standing policy with respect to the company:

- may acquire shares in the company that the tender offer applies to exclusively within the scope of that specific tender offer and in the manner defined therein;
- cannot sell shares in the company that the tender offer applies to nor enter into any agreements which would require them to sell any such shares during the term of the tender offer;
- cannot indirectly acquire the shares of the public company that the tender offer relates to.

Offer price in the tender offer

In the case any of the shares of the company are subject to trading in the regulated market, the price of the shares proposed in the tender offer may not be lower than:

- the average market price in the period of six months preceding the tender offer announcement during which the shares were traded on the main market; or
- the average market price in a shorter period if the trading of the shares on the main market was shorter than the period determined in the above clause.

The price of the shares proposed in the tender offer may also not be lower than:

- the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity obliged to announce the tender offer, the entities dependent on the entity obliged to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity obliged to announce the tender offer with regard to the purchase by the said entity of the shares of a public company or voting in concert at the general meeting regarding the major affairs of the company; or
- the highest value of the assets or rights issued by the entity obliged to announce the tender offer or the entities mentioned in clause above in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

The price of the shares proposed in the tender offer for the sale or exchange of all the remaining shares in a public company may also not be lower than the average market price within three months of trading the shares in the regulated market preceding the tender offer announcement.

In the case where the average market price of shares determined in accordance with the above-mentioned rules significantly differs from the fair value of these shares due to:

- the granting to the shareholders of the pre-emptive right, the right to dividend, right to acquire shares in the acquirer in connection with the division of a public company by unbundling or other property rights connected with the possession of shares in a public company;
- a significant decrease in the financial or proprietary situation as a result of events or circumstances which cannot be predicted or prevented by the company;
- the company being threatened by permanent insolvency,

the offeror may apply to the Polish FSA for the consent to propose the price in the tender offer which does not comply with the criteria set forth above. The Polish FSA may give its consent thereto, provided that the proposed price is not lower than the fair value of these shares, and the call for tender does not breach the legitimate interest of the shareholders.

In the case where it is not possible to determine the price pursuant to the rules set forth above or in the case of a company involved in composition proceedings or bankruptcy proceedings, the share price cannot be lower than their fair value.

The price of the shares proposed in the tender offer mentioned in Articles 72 to 74 of the Polish Offering Act may be lower with regard to shares constituting at least 5% of all the shares of the company that will be purchased within the tender offer from an identified person replying to the tender offer, should the company obliged to announce the tender offer and the said person so decide.

Squeeze out and Reverse squeeze-out ("sell out") provisions

No clear guidance can be given as to conflicts that may arise between the Cypriot and the Polish legal regime relating to squeeze out and reverse squeeze-out provisions. The Issuer urges potential investors, prior to taking any decision on exercising any of the rights and obligations described below, to contact its legal advisor and seek the advice as to the possibility of such right or obligation being exercised with respect to the Issuer. Below we provide a brief summary of the squeeze out and sell-out provisions under applicable Cypriot and Polish rules:

Under the relevant Cypriot laws in case an offeror makes a bid to all the holders of securities of the offeree company for the total of their holding, he is able to require all the holders of the remaining securities to sell him/her those securities in the following situations (the "**Squeeze Out Right Situation**"): (a) where the offeror holds securities in the offeree company representing not less than ninety percent (90%) of the capital carrying voting rights and not less than ninety percent (90%) of the voting rights in the offeree company; (b) where the offeror holds or has irrevocably agreed to acquire, following the acceptance of a takeover bid, securities in the offeree company representing not less than ninety percent (90%) of the capital carrying voting rights and not less than ninety percent (90%) of the voting rights included in the takeover bid. The offeror may exercise the squeeze out rights within three months of the end of the time allowed for acceptance of the bid. In case of a Squeeze Out Right Situation, the holder of the remaining securities of the offeree company is able to require the offeror to buy his/her securities from him/her at a fair price (the "**Sell Out Right**"); this right is exercised within three months of the end of the time allowed for acceptance of the bid.

Under the relevant Polish laws squeeze out is permitted for a shareholder (acting alone or together with its dominant and dependant companies, as well as entities acting in concert with it) holding shares representing 90% or more of the votes. The request for a squeeze-out may be made within three months from the day this threshold is reached or crossed. The squeeze-out does not require acceptance by the minority shareholders. The price payable by the squeezing out shareholder is determined according to the same rules as those applicable to the mandatory tender offer. If the 90% threshold was reached or exceeded as a result of the mandatory offer, the squeeze-out price cannot be lower than that specified in the mandatory offer. As to the sell-out, a shareholder in a public company may require that its shares be purchased by another shareholder holding shares representing at least 90% of the votes at the general shareholders' meeting (alone or together with its dominant and dependant companies, as well as entities acting in concert with it). The request for a sell-out may be made within three months from the day this threshold is reached or crossed by the other shareholder.

Polish insider dealing and market manipulation

Inside information is any information of a precise nature relating, directly or indirectly, to one or more issuers of financial instruments, or acquisitions or disposals of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who gains inside information by virtue of membership of the governing bodies of a company or other entity, by virtue of an interest in the share capital of the company or other entity, or as a result of having access to confidential information in connection with employment, or a mandate or any other contract or any legal relationship of a similar nature, is prohibited from using such information. Actions considered as prohibited use of inside information, include:

- purchasing or selling, on one's own account or on account of a third party, the issuer's shares, the derivative rights attached thereto or other financial instruments related to such shares;
- recommending or inducing other persons to purchase or sell any financial instruments affected by the confidential information; and
- enabling or facilitating the confidential information regarding one or more share issuers, or the issuer of other financial instruments, to be obtained by an unauthorized person.

Any person publicizing or using inside information in violation of the law may be guilty of an offence punishable by imprisonment, a fine or both. The maximum fine that can be imposed is PLN 5 million; the length of imprisonment ranges from three months to eight years.

Under Polish Trading Act, market manipulation of the financial instrument is prohibited. A market manipulation is defined by reference to a number of activities, including:

- placing orders or executing transactions which are or may be misleading as to the actual supply of, demand for or price of a financial instrument, unless the reasons behind such activities have been legitimate, and the placed orders or executed transactions have not been in breach of the established market practice on the relevant regulated market; or
- placing orders or executing transactions which result in the price of one or more financial instruments moving to an abnormal or artificial level, unless the reasons behind such activities have been legitimate, and the placed orders or executed transactions have not been in breach of the established market practice on the relevant regulated market; or
- placing orders or executing transactions with the intention to produce legal consequences other than the actual objective of a given legal transaction; or
- placing orders or executing transactions while simultaneously misleading market participants, or using the fact that the market participants are being misled, as regards the price of a financial instrument; or
- securing control over demand for or supply of a financial instrument in breach of the principles of fair trading, or in a manner resulting in a direct or indirect fixing of the purchase or selling prices of financial instruments; or
- acquiring or disposing of financial instruments at the close of trading with the effect of misleading investors acting on the basis of closing prices.

Cypriot insider dealing and market manipulation

The provisions of the Market Abuse Law in respect of insider dealing and/or market manipulation apply, among others, to actions carried out in the Republic of Cyprus concerning financial instruments that are admitted to trading on a regulated market outside Cyprus or for which a request for admission to trading on such market has been made.

It is prohibited for persons who are in possession of inside information, directly or indirectly:

- to use that information by acquiring or disposing of, or by trying to acquire or dispose of, for their own account or for the account of third parties, or through persons closely associated to them, either directly or indirectly, financial instruments to which that information relates;
- to disclose inside information to any other person, unless such disclosure is made in the normal course of the exercise of their employment, profession or duties; or

- to recommend or induce another person, on the basis of inside information, to acquire or dispose of financial instruments to which that information relates, irrespective of whether or not the other person knew that information.

The Market Abuse Law also prohibits market manipulation. Market manipulation, includes:

- transactions or orders to trade which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level unless these are done for legitimate purposes;
- transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;
- dissemination of information through the media, including the internet or any other electronic means, or the dissemination of information in any other manner which gives, or is intended to give, false or misleading signals as to financial instruments, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;
- provided that, in respect of journalists when they act in their professional capacity, such dissemination of information is to be assessed taking into account the rules governing their profession, unless the journalists derive, in the opinion of the Cyprus SEC, directly or indirectly, an advantage or profits from the dissemination of the information in question;
- taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument (or indirectly about its issuer) while having previously taken positions on that financial instrument and profiting subsequently from the impact of the opinions voiced on the price of that instrument, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way;
- conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument which has the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions.

Under the Market Abuse Law, the Cyprus SEC is empowered to issue directives specifying what type of conduct is considered to constitute market manipulation.

The Market Abuse Law empowers the Cyprus SEC to impose administrative fines with respect to violations of the provisions relating to insider trading and market manipulation. Violation of the provisions of the Market Abuse Law may also give rise to criminal proceedings punishable by imprisonment of up to 10 years, or by a fine, or by both penalties.

Cyprus Companies Law

Further to the provisions of the Law providing for Public Takeover bids for the acquisition of securities of companies Law 41(I)/2007 (as amended), which transposes the Takeover Directive into Cypriot legislation, and which applies to listed companies, the Cyprus Companies Law does not contain any special provisions, as to how a takeover bid is to be conducted, any exemptions from the obligation to launch a takeover bid or the conditions under which the board of directors of the offeree company may undertake any action which might result in the frustration of the bid other than provisions in relation to squeeze out rights, mergers and acquisitions. A brief summary of the relevant sections of Cyprus Companies Law is provided below:

Reconstructions of Cypriot companies

A reconstruction of a Cypriot company (including a merger into another Cypriot company) must be approved by three-fourths majority of the shareholders, present and voting, either in person or by proxy at the general meeting of the shareholders of the Cypriot Company, in order for the reconstruction to be binding on all the shareholders. A Court order to that effect has to be obtained and the Cypriot Courts must be satisfied that the creditors of the merging company will not be adversely affected by and/or have consented to this merger.

Mergers public limited liability companies

The relevant sections of Cyprus Companies Law implement the Third Council Directive 78/855 EEC concerning the mergers of public limited liability companies and provides for the merger by acquisition of one or more public company by another public company, the merger by the formation of a new public company and the division of public companies. The three-fourths majority the shareholders of each merging company, present and voting either in person or by proxy, at the general meeting of the shareholders of each merging company, must approve the reorganization. There are a number of statutory requirements under these sections that will apply depending on what kind of reorganization takes place. Such requirements include (but are not limited to) the requirement of drafting and approving a merger plan and the requirement to obtain a Court order prior to the division of public companies.

Cross border mergers

The relevant sections of Cyprus Companies Law implement the Cross Border Merger Directive 2005/56/EC and relate to the cross border mergers of limited liability companies. It is required that the cross border merger be approved by the three-fourths majority of the shareholders, present and voting either in person or by proxy, at the general meeting of the shareholders of the Cypriot company taking part in the cross-border merger. There are a number of statutory requirements under these sections that will apply, including, the requirement for drafting and approving a cross border merger plan and obtaining a Court order approving such cross border merger.

Company's Disclosure Obligations

Disclosure obligations under Transparency Law

The Transparency Law imposes on the issuer of securities whose securities have been admitted to trading on a regulated market, as well as its shareholders, the following disclosure obligations:

Periodic information by the Issuer:

- An annual financial report comprising of, inter alia, the audited annual financial statements and the management report. The annual financial report must be disclosed as soon as possible and in any event, within four months from the end of each financial year.
- A half yearly financial report covering the first six months of the financial year comprising of, inter alia, the interim financial statements and the interim management report. The half yearly financial report must be disclosed as soon as possible and in any event, within two months from the end of the first six month period of the financial year.
- An interim management statement during both six months periods of the financial year explaining, inter alia, material events and transactions and their impact on the financial position of the issuer and its controlled undertakings, the general description of the financial position and performance of the issuer and its controlled undertakings. The interim management statement must be prepared and disclosed in a period between ten weeks after the beginning, and six weeks before the end, of the relevant six month period.
- An indicative result (net gain or loss after tax) for the full financial year which must be disclosed as soon as possible and at the latest, within two months from the end of the period relevant to the annual financial reports.

Ongoing information by the Issuer:

- The issuer who acquires or disposes of its own shares is under an obligation to disclose as soon as possible and the latest within the next working day, the total proportion of its own shares where that reaches or exceeds the thresholds of 5% or 10% of the total voting rights in the case of an acquisition, or reaches or falls below the aforementioned thresholds in the case of a disposal.
- The issuer has an obligation to disclose the total number of voting rights and capital at the end of each calendar month during which an increase or decrease of such total number has occurred.
- The issuer must communicate as soon as possible, and at the latest before the date of calling a general meeting, the draft of any proposed amendment of its statutes to the Cyprus SEC and to the relevant market to which its securities have been admitted to trading.
- The issuer has an obligation to disclose immediately any change in the rights attaching to the various classes of shares or to derivative securities.
- The terms of any new loan issues and any guarantee or security in respect thereof must be disclosed.

Obligations of the Issuer as regards communication with the holders of the Securities:

- Generally, the issuer must ensure equal treatment for all shareholders who are in the same position and must, indicatively, ensure that all facilities and information are available in the Republic to enable shareholders to exercise their rights, must ensure the integrity and safety of the data, must provide information on the time, place and agenda of meetings, the total number of shares and voting rights etc.

  For the purposes of conveying information, an issuer may use electronic means provided that the decision of using electronic means is taken in a general meeting and the conveyance of information meets the minimum requirements stipulated by the Transparency Law.

- There are provisions similar to those described under the preceding paragraphs concerning the rights of all debt securities holders.

Obligations of Shareholders in case of acquisition or disposal of voting rights in an issuer:

- Any person who acquires or disposes of shares in an issuer to which voting rights attach, has an obligation to notify (a) the issuer and (b) the Cyprus SEC if the relevant percentage of his holding reaches or exceeds, in the case of acquisition, or reaches or falls below, in the case of a disposal, the following thresholds: 5% or 10% or 15% or 20% or 25% or 30% or 50% or 75% of the total voting rights of the issuer. The notification must be effected as soon as possible but not later than the next working trading day from the transaction or from the date when the person subject to the notification learns or should have learned of the acquisition or disposal or the exercise of the voting rights.

- The obligation which is described in the preceding paragraph applies also in relation to any person who is entitled to acquire, to dispose of or to exercise voting rights of the issuer whether through, for example, an agreement with a third party for the concerted exercise of their voting rights, or through the exercise of the rights attached to any shares which are lodged as collateral etc.

- There are provisions similar to those described under the preceding paragraphs concerning the acquisition or disposal of financial instruments held by a person in an issuer.

- The Transparency Law prescribes the particulars which must be contained in the notification referred to in the preceding paragraphs including, indicatively, the resulting situation in terms of voting rights, the chain of controlled undertakings through which the voting rights are held, the date on which the threshold changed etc.

General disclosure

- Unless otherwise specifically indicated, where an issuer has an obligation to disclose regulated information, it must do so in manner ensuring fast access to such information on a non-discriminatory basis. Specifically, the issuer must publish the regulated information on its internet site and must additionally file it with the Cyprus SEC which may publish it on its own internet site. It must also use such media as may reasonably be relied upon, for the effective dissemination of the regulated information to as wider public as possible within the Republic and in the other member states.

  Regulated information includes inside information under the Market Abuse Law. Where the issuer has complied with the provisions of Market Abuse Law with respect to publicizing of inside information, the issuer is exempted from the obligation file any inside information again in accordance with the provisions of the Transparency Law.

- Where securities of an issuer are admitted to trading on a regulated market in one or more host member states but not in the Republic, which is the home member state, the issuer may choose to disclose the regulated information either in the language accepted by the competent authorities of those host member states or in a language customary in the sphere of international finance. Provided that the Cyprus SEC may require such issuer to disclose the regulated information also in the Greek or English language.

Disclosure pursuant to the Cypriot Market Abuse Law

Pursuant to the Market Abuse Law, subject to certain exceptions, an issuer whose securities are currently admitted to trading on a regulated market in a Member State, is obliged to disclose inside information or any significant changes in relation to inside information which has been made public, promptly upon the occurrence of events or circumstances that require disclosure, or upon becoming aware of such events or circumstances.

The issuer must publicize the inside information on their website (if the issuer maintains a website) for at least five years and by notification to the Cyprus SEC. The issuer is also obliged to take reasonable care to ensure that the disclosure of inside information to the public is synchronized as closely as possible between all categories of investors in regulated markets of the Republic of Cyprus and abroad in which those issuers have requested or received approval for the admission to trading of their financial instruments.

DESCRIPTION OF THE SHARES

Introduction

Set out below is a description of the Company's share capital. The description does not purport to be complete and is qualified in its entirety by references to the Articles of Association of the Company and relevant Cyprus law. Holders of Shares will be able to exercise their rights with respect to the Shares only in accordance with the provisions and the relevant requirements of Cyprus law and the Articles of Association of the Company.

The holders of the Shares are entitled to one vote for each Share held of record on all matters submitted to a vote of the shareholders. Holders of the Shares are entitled to receive rateably only those dividends as may be declared by the Board of Directors out of funds which according to the Cyprus Companies Law and the Company's Articles of Association are available.

In the event of the Company's liquidation, dissolution or winding up, the holders of the Shares are entitled to share rateably in all of the Company's assets remaining after the Company pays it liabilities.

The rights attaching to the Shares provided for in the Company's Memorandum of Association (the "**Memorandum**") and Articles of Association are set out under the heading "*Rights attaching to shares*" in this section. The rights attaching to the Shares are also subject in all respects to the Cyprus Companies Law.

Share Capital

As at the date of this Prospectus, the Company's authorized share capital amounted to EUR 1,000,000.008 (one million Euro and eight thousands of one cent) divided into 47,619,048 ordinary shares of Euro 0.021 each. The Company's current issued share capital amounts to EUR 336,000.00 divided into 16,000,000 ordinary shares of Euro 0.021 each. No preferred shares are authorized or outstanding. The Company does not have any treasury shares.

As at the date of this Prospectus, all of the Company's issued share capital is fully paid.

The ownership of the ordinary issued share capital of the Company as at the date of this Prospectus before this Offering and after this Offering is as follows:

	Before this offering		After this offering	
Shareholder	**Number of shares held**	**% of issued share capital**	**Number of shares held**	**% of issued share capital**
IFG DIRECTORS LIMITED	11,999,994	74,99996%	11,999,994	55.376068%
BNY (NOMINEES) LIMITED*	4,000,000	25,00000%	4,000,000	18.458699%
CONFUCIUS NOMINEES LIMITED	1	0,00001%	1	0.000005%
CONFUCIUS DIRECTORS LIMITED	1	0,00001%	1	0.000005%
CONFUCIUS SERVICES LIMITED	1	0,00001%	1	0.000005%
CONFUCIUS TRUSTEES LIMITED	1	0,00001%	1	0.000005%
IFG NOMINEES LIMITED	1	0,00001%	1	0.000005%
IFG TRUSTEES LIMITED	1	0,00001%	1	0.000005%
Offer Shares	0	0%	5,670,000	26.165205%

* *The shares are held on behalf of GDR holders.*

IFG DIRECTORS LIMITED, CONFUCIUS NOMINEES LIMITED, CONFUCIUS DIRECTORS LIMITED, CONFUCIUS SERVICES LIMITED, CONFUCIUS TRUSTEES LIMITED, IFG NOMINEES LIMITED and IFG TRUSTEES LIMITED all hold the shares in the Company in trust for Mr. Iurii Petrovich Zhuravlov, of Ukraine.

Following the Closing Date, the authorized, issued and fully paid share capital of the Company, is expected to be as follows:

No. of authorized Ordinary Shares	**Amount of authorized share capital**	**No. of issued Ordinary Shares**	**Paid-up share capital at December 31, 2009**
47,619,048	1,000,000.008	21,670,000	All have been paid. If nominal $ 494 thousands. If with premium $ 38,968 thousands. If in number of shares 16,000,000 – all are paid in full.

Following the Closing Date, the Offer Shares to be issued and made available pursuant to the Offer will rank *pari passu* in all respects with the other issued shares of the Company and will carry the rights to receive all dividends and distributions declared, made or paid on, by the Company.

The following is a brief summary of certain material provisions of the Company's Memorandum and Articles of Association in effect on the date of this prospectus, a brief description of the Company's share capital and certain requirements of Cypriot legislation.

Objects

The objects of the Company are as set out in full in Regulation 3 of the Memorandum. The primary objects of the Company are to carry the business of a holding and an investment company, business consultants and general trade. However the object clauses of the Memorandum have been drafted very widely so as to allow the Company to carry on virtually any business

General

The Company was incorporated in Cyprus as Agroton Public Limited, a Public Company limited by shares on September 21, 2009 with registration number 255059, having its registered office address in 1 Lampousas Street, P.C. 1095, Nicosia Cyprus. The Company's telephone number is +357 22 777 000.

The Company was incorporated with a share capital of EUR 252,000.00 divided into 12,000,000 ordinary shares of nominal value of EUR 0.021 each. On November 4, 2009 our share capital was increased to EUR 336,000.00 divided into 16,000,000 ordinary shares EUR 0.021 each. The ordinary shares are in registered form. The Company's authorized and issued fully paid share capital immediately following this offering, will be EUR 455,070.00 and 21,670,000 shares, respectively. The Company has not issued any listed or unlisted securities not representing the Company's share capital. Neither the Company nor any of its subsidiaries (nor any party on behalf of the Company) holds any of the Company's ordinary shares. The Company has no outstanding convertible securities, exchangeable securities or securities with warrants. There are no relevant acquisition rights or obligations over the Company's authorized but unissued capital or undertakings to increase our issued share capital.

At the time of this Offering none of our share or loan capital will be under option or will be agreed conditionally or unconditionally to be put under option. In June 25, 2010, the Company at its general meeting resolved to waive the pre-emption rights in respect of the issuance of the Offer Shares, in connection with the Offering. In June 28, 2010 the Board of Directors of the Company resolved to issue the Offer Shares following the aforementioned decision of the general meeting of the Company.

Articles of Association

In this section "Law" means the Cyprus Companies Law and any successor statute or as the same may from time to time be amended. Our current articles of association were adopted on September 21, 2009 and amended on May 3, 2010.

The following is a brief summary of certain material provisions of our articles of association as will be in effect on and immediately after May 3, 2010.

Rights attaching to shares

No special rights, other than those provided by the Law and which are summarized in this section, are attached to the Shares, in particular the shareholders have the following rights:

- A right to attend the general meetings and vote (see section entitled "Voting Rights" below);
- A right to participate and share in the Company's profits through dividend distribution if such dividend is decided to be paid by the general meeting following the proposal by the Board of Directors.
- A right to transfer their shares to any person.
- A right to pledge any share they own in the Company.
- A right to receive the annual financial statements of the Company together with the Directors and auditors report.
- A right to share in any surplus in the event of liquidation of the Company in proportion to their shareholding.

- For existing shareholders, pre-emption rights when new shares are issued in the same class for cash consideration. The new shares have to be offered first to the existing shareholders in proportion to their shareholding.
- Shareholder or Shareholders owning or representing at least 5% of the issued share capital and voting rights of the Company, may request that matters are added in the agenda of the annual general meeting and/or add resolutions in the agenda of general meetings.

Issue of shares

The Board of Directors may offer, allot, grant options over or otherwise deal with or dispose of any unissued shares (whether forming part of the original or any increased capital) to such persons, at such times and generally on such terms, conditions and restrictions as the Board of Directors may decide most beneficial to the Company, subject to the pre-emption rights mentioned below.

Pre-emption rights

On an issue of shares at a certain date as determined by the Board of Directors, each existing shareholder has a right of pre-emption to subscribe for shares (apart from shares issued for a non-cash consideration) in cash in proportion to the aggregate amount of their shareholding.

Under Cyprus Companies Law, the Company has to notify all shareholders in writing of its intention to issue new shares and the price to be issued. Each individual notice should include the number of shares each shareholder is entitled to buy, a period which a shareholder may exercise its pre-emption rights and purchase the offered shares, and the price per share.

Each shareholder will have no less than 14 days following its receipt of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. If all the shareholders do not fully exercise all their pre-emption rights, the Board of Directors can decide who to issue the shares to. Subject to certain limited exceptions, unless the approval of the shareholders in a general meeting is obtained, the Company must offer shares to be issued for cash to the existing holders of shares on a pro rata basis. Such right of pre-emption may only be disapplied by means of a resolution of the shareholders in general meeting, during which the Board of Directors is required to present a written report indicating the reasons for why the right of pre-emption should be disapplied and justifying the proposed issue price.

With respect to shareholders holding their shares in dematerialized form through securities accounts with the participants of NDS, such notice will be sent to NDS.

Voting rights

Subject to any special rights or restrictions as to voting attached to shares, every holder of shares who is present in person, or through a telephone or other telecommunication connection shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each share held by him. A corporate shareholder may, by resolution of its directors or other governing body, authorize a person to act as its representative at general meetings and that person may exercise the same powers as the corporate shareholder could exercise if it were an individual shareholder. No shareholder is entitled to vote at any general meeting unless all calls and other amounts payable by him in respect of shares have been fully paid.

Each shareholder is entitled to attend general meetings, to address the meeting, and, if voting rights accrue to him or her, to exercise such voting rights. Shareholders may attend meetings in person or be represented by proxy authorized in writing.

For a shareholder to be recognized as being entitled to attend and vote at a general meeting he or she must present to the meeting proper evidence of his or her shareholding as of the date (the "**Record Date**") that will be specified in the notice convening the general meeting to the satisfaction of the chairman of the meeting. A depositary certificate issued by an entity maintaining the securities account of a shareholder will be deemed sufficient evidence of shareholding. Therefore in order to be able to participate and vote at the general meeting, the Company's shareholders holding the shares in dematerialized form through the securities accounts with the participants of the NDS shall present depositary certificates issued in accordance with the relevant Act on Trading.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorized. A duly notarized and legalized or apostilled power of attorney shall be at all times accepted by the Company, the Secretary and the Board of Directors as the appropriate and sufficient instrument appointing a proxy. A proxy does not need to be a shareholder of the Company.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at any time before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Subject to any rights or restrictions attaching to any class of shares, voting at meetings shall be conducted in person or by proxy or attorney and, where the shareholder is a corporate body, by a representative.

Dividends

The Company in a general meeting may declare dividends to be paid out of profits but no dividend will exceed the amount recommended by the Directors. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves.

No distribution of dividends may be made when on the closing date of the last financial year the net assets, as already set out in the company's annual accounts are, or following such a distribution would become, lower than the amount of the subscribed share capital plus those reserves which may not be distributed under the law or the Company's Articles of Association.

The Directors may declare interim dividends as appear to the Directors to be justified by the profits of the Company. Interim dividends can only be paid if interim accounts are drawn up showing that funds are available for distribution are sufficient and the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, and less losses brought forward and sums to be placed to reserve pursuant to the requirements of the law and the Articles of Association.

The Company proposes to announce its intention to pay dividends and set a date (the record date) which will be used to ascertain which shareholders are entitled to be paid dividends. The dividends should then be paid within 15 working days of the associated record date.

In respect of shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS, the dividend will be paid through the facilities of the NDS. The NDS will then transfer the dividends to its participants, who in turn, will credit cash accounts of their clients.

Dividends will be paid once a year with the exception of any interim dividends that may be declared.

Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not we are being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. A resolution to be passed at such separate meetings of each class of shares whose rights are affected by the variation, requires a two thirds majority of the votes corresponding to the shares represented at the meeting or two thirds of the issued share capital unless at least 50% of the issued share capital is represented, in which case a simple majority is sufficient.

Alteration of capital

The Company may by ordinary resolution of the general meeting of the shareholders:

- increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of its share capital into shares of larger amounts than our existing shares;
- subdivide the existing shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum subject, nevertheless, to the provisions of Section 60(1)(d) of the Law; and
- cancel any shares which, at the date of the passing of the resolution, have not been taken nor agreed to be taken by any person.

The Company may also, by special resolution of the general meeting of the shareholders, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorized, and consent required, by Law.

Purchase of own shares and reduction of capital

The Company may, subject to and in accordance with the provisions of ss. 57 and 57A to 57F (both including) Law, issue and redeem redeemable preference shares and purchase a number of its shares as permitted, and may transfer such shares within the time limits imposed by the Law or cancel them.

Winding up

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the shareholders and any other sanction required by the Law:

- divide among the shareholders in specie or in kind the whole or any part of the property of the Company;
- for that purpose set a value as the liquidator considers fair on any property to be so divided;
- decide how the division is to be carried out as between the shareholders or different classes of shareholders; and
- vest the whole or any part of the property of the Company in trustees upon such trusts, for the benefit of the contributories as the liquidator shall think fit, but so that no shareholder shall be compelled to accept any shares or other securities whereon there is any liability

Form and transfer of shares

Our Shares may generally be in certificated and uncertificated form. However, for the purposes of listing on the WSE all our Shares will be registered with the NDS, which is a Polish central clearinghouse and depository of securities, and no physical share certificates will be issued to shareholders. The Shares, while registered with the NDS will take the bearer form and shareholding will be evidenced by reference to securities accounts held for the shareholder by members of the NDS (e.g., brokers or custodians). Transfer of Shares takes place through the facilities of the NDS.

Meetings of shareholders

Subject to the Law, the Company will in each year hold a general meeting as its annual general meeting of shareholders on such day and at such place as the Directors determine. Special meetings of shareholders may be called at any time by the board of directors or by requisition in accordance with Section 126 of the Law.

Annual general meetings and meetings where a special resolution will be proposed can be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued 21 days before the meeting. All other general meetings may be convened with a notice issued 14 days before the meeting.

A notice may be given by the Company to any Member either personally or by sending it to him by post, telefax, telex or any other means for transmitting text to his registered address or his mailing address or his electronic or other address supplied by him to the Company for this purpose or to the fax number or telex number supplied by him to the Company for this purpose. Where a notice is sent by post, service of the notice shall be deemed to be effected at the expiration of 72 hours after the letter containing the same is posted, at the correct address and with the proper postage. Where a notice is sent by telefax, telex or any other means of transmitting text, service of the notice shall be deemed to be effected one business day after the date of successful transmission or relay at the place of receipt.

A notice may be given by the Company to the joint shareholders of a share by giving the notice to the joint shareholder first named in the register of shareholders in respect of the share.

A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a shareholder by sending it through the post in a prepaid letter addressed to them by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like descriptions, at the address, if any, supplied for the propose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

Notice of every general meeting shall be given in any manner described above to:

- every shareholder except those shareholders who have not supplied to the Company a registered address for the giving of notices to them;
- every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy would be entitled to receive notice of the meeting; and
- the auditor for the time being of the Company.

No other person shall be entitled to receive notices of general meetings.

The Company shall send such written notice to the NDS, which will then pass it on to the NDS participants as well as will publish such information in a current report form.

Indemnity of officers

Subject to the Law, each of our current or former officers (other than an auditor) shall be indemnified out of our assets against any losses or liabilities which he may sustain or incur in or about the execution of his duties including liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favor or in which he is acquitted or in connection with any application under section 383 of the Law and no Director or officer of the Company shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

The Board of Directors may purchase and maintain for, or for the benefit of, any person who holds or who has at any time held a relevant office insurance against any liability or expense incurred by him in relation to us or any of our subsidiaries or any third party in respect of any act or omission in the actual or purported discharge of the duties of the relevant officer concerned or otherwise in connection with the holding of that relevant office.

Number of Directors

Unless and until otherwise determined by the Company in general meeting, the number of the Directors shall be at least two and there shall be no maximum number. At least two members of the Board of Directors shall be independent (i.e. free of any business, family or other relationship with the Company, its controlling Members(s), the management of either the Company or entities with significant connections with the Company, that would create a conflict of interest such as to impair his or her judgment) non-executive Directors. In assessing the independence of the members of the Board of Directors of the Company, the criteria stipulated in Annex II of the *Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the supervisory board* shall be applied. A member of the Board of Directors who is an employee of the Company or a company associated with it shall be deemed as lacking the necessary independence for the purposes of this Regulation.

Board of Directors

The Directors may meet together or convene a telephone conference for the despatch of business, adjourn, and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors, including a telephone conference.

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed two Directors present at any one meeting in person or by proxy or though the telephone shall form a quorum.

The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the Articles of Association of the Company as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company but for no other purpose.

The Board of Directors may appoint one of their number to be the chairman of the Board of Directors and may at any time remove him from such office. Unless he is unwilling to do so, the Director appointed as chairman shall preside at every meeting of the Board of Directors at which he is present. If the chairman is not willing to preside or if he is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.

Subject to the provisions of the Law, the Board of Directors may appoint one or more of its body to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board of Directors determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board of Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.

Appointment of Directors

At any time, and from time to time, the Company at the general meeting may by special resolution appoint any person as Director and determine the period for which such person is to hold office. Without prejudice to the Company's power to appoint a person to be a Director, the Board of Directors shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with the Articles of Association of the Company. Any Director so appointed by the Board of Directors shall, if still a Director, retire at the next annual general meeting after his/her appointment and shall then be eligible for re-election.

Directors' interests

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Law.

No member of the Board of Directors may vote in respect of any contract or proposed contract or arrangement in which he may be interested and if he does so his vote shall not be counted and he may not be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

The Board of Directors may appoint a Director to an executive office or other position of employment with the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board of Directors may determine, and the Board of Directors may (without prejudice to the right of such Director to claim damages for breach of contract from the Company) revoke, terminate or vary the terms of any such appointment. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing contained in the Articles of Association of the Company shall authorize a Director or his firm to act as auditor to the Company.

Directors' powers

The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Law or by the Articles of Association of the Company, required to be exercised by the Company in general meeting, subject, nevertheless to any of the Articles of Association of the Company, to the provisions of the Law and to such regulations, being not inconsistent with the Articles of Association of the Company or provisions as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made. Unless specifically authorized by the Board of Directors, a Director shall exercise his or her powers only through the Board of Directors. Notwithstanding the above provisions, no Member of the Company may be given undue preference over other Members with regard to transactions and agreements made by the Company with the Members and their related entities.

The Board of Directors may delegate any of its powers to any committee consisting of one or more Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any Regulations that may be imposed on it by the Directors, as to its powers, constitution, proceedings, quorum or otherwise.

The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under the Articles of Association) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

The Directors may grant retirement pensions or annuities or other gratuities or allowances, including allowances on death, to any person or persons in respect of services rendered by him or them to the Company whether as managing Director or in any other office or employment under the Company or indirectly as officers or employees of any subsidiary, associated or allied company of the Company, notwithstanding that he or they may be or may have been Directors of the Company and the Company may make payments towards insurances, trusts, schemes or funds for such purposes in respect of such person or persons and may include rights in respect of such pensions, annuities and allowances in the terms of engagement of any such person or persons.

The Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Directors remuneration

The Shareholders of the Company shall approve the remuneration of all the members of the Board of Directors on the recommendation of the Remuneration Committee. Such remuneration shall correspond to the scope of tasks and responsibilities of the relevant member of the Board of Directors and be proportionate to the size of the Company's business and reasonable in relation to its financial results.

Financial statements and independent auditor

- The Directors shall cause proper books of account to be kept with respect to:
  - all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
  - all sales and purchases of goods by the Company; and
  - the assets and liabilities of the Company

  Proper books shall not be deemed to be kept if there are not kept such books of account as are adequate to give a true and fair view of the Company's affairs and to explain its transactions
- The books of account shall be kept at the registered office of the Company, or, subject to section 141(3) of the Law, at such other place or places as the directors think fit, and shall always be open to the inspection of the Directors.
- The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of shareholders not being directors and no shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorized by the directors or by the Company in general meeting.
- The Directors shall from time to time, in accordance with sections 142, 144 and 151 of the Law, cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in those sections.
- A copy of every set of balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the auditors' report shall not less than twenty-one days before the date of the meeting be sent to every shareholder of, and every holder of debentures of the Company and to every person registered under regulation 31 of the Articles. Provided that it will not be required that a copy of those documents be sent to any person whose address the company is not aware or to more than one of the joint holders of any shares or debentures.

- Auditors shall be appointed and their duties regulated in accordance with sections 153 to 156 of the Law.

TAXATION

The following summary of material Cypriot, Polish and Ukrainian tax consequences of ownership of shares is of a general nature and based upon laws, regulations, decrees, rulings, double taxation conventions, agreements and arrangements, administrative practice and judicial decisions in effect as at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth in this Prospectus. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the shares.

The following is intended only as a general guide and is not intended to be, nor should it be considered, legal or tax advice to any particular holder of shares. It is not intended to address all tax aspects that may be relevant to a holder of shares. Accordingly, Potential Investors should satisfy themselves as to the overall tax consequences in their own particular circumstances of their acquisition, ownership and disposal of shares, including any pending or proposed changes in relevant tax laws as at the date of this Prospectus and any actual changes in relevant tax laws after such date, by consulting their own tax advisers in all relevant jurisdictions.

Cyprus Tax Considerations

Tax residency

A company which is considered to be a resident for tax purposes in Cyprus is subject to corporate income tax in Cyprus (the "**Corporate Income Tax**") on its worldwide income, subject to certain exemptions. A company is considered to be a resident of Cyprus for tax purposes if its management and control is exercised from Cyprus.

With respect to the individual shareholders, generally an individual is considered to be a tax resident of Cyprus if he or she is physically present in Cyprus for a period or periods exceeding in aggregate more than 183 days in any calendar year.

Rates of taxation

The rate of Corporate Income Tax in Cyprus is 10%.

Special Contribution for the Defence of the Republic (the "**Defence Tax**") is levied on certain types of income. Defence Tax applies, subject to any available exemptions, at the following tax rates:

- 3% on 75% of certain rental income;
- 10% on interest income not arising in the ordinary course of the business; and
- 15% on dividend income received or deemed to have been received from non-Cyprus resident companies.

Defence Tax is levied on the gross amount of income without any deduction for expenses.

Capital gains tax (the "**Capital Gains Tax**") is levied in Cyprus at a rate of 20% on profits from disposal of immovable property situated in Cyprus or shares of companies which own immovable property situated in Cyprus (unless the shares are listed on a recognized stock exchange).

Taxation of Income and Gains of Agroton

Agroton is resident in Cyprus for tax purposes.

Gains from the disposal of securities

Any gain from disposal of securities by Agroton shall be exempt from Corporate Income Tax irrespective of the trading nature of the gain, the number of shares held or the holding period and shall not be subject to Defence Tax. Such gains are also outside the scope of Capital Gains Tax provided that the company which shares are disposed of does not own any immovable property situated in Cyprus.

Dividends to be received by Agroton

Dividend income (whether received from Cypriot resident or non-resident companies including Ukrainian subsidiaries) is exempt from Corporate Income Tax in Cyprus. Dividend income from Cypriot resident companies is exempt from Defence Tax. Dividend income received from non-Cypriot resident companies including Ukrainian subsidiaries is exempt from Defence Tax, unless the company paying the dividend engages directly or indirectly for more than 50% in activities which generate investment income and the foreign tax burden of the company paying the dividend is substantially lower than the tax burden of the company in Cyprus receiving the dividend (in practice "foreign tax burden being significantly lower" means that such company is taxed at an effective tax rate of less than 5%). Dividend income received from Ukrainian subsidiaries is exempt from Defence Tax, since none of the Ukrainian subsidiaries is engaged directly or indirectly for more than 50% in activities which generate investment income and their foreign tax burden is not substantially lower than the tax burden of Agroton.

If the exemption for Defence Tax does not apply, dividends from non-Cypriot resident companies are subject to 15% Defence Tax. Ukrainian withholding tax as well as the Ukrainian underlying tax (i.e. corporate profit tax of the Ukrainian subsidiary which is paying the dividends) can be credited against any such Defence Tax payable in Cyprus by Agroton. This credit should be available provided that the proper documentation can be provided to the Cyprus tax authorities evidencing the fact that the Ukrainian tax was withheld at source and the profit tax suffered in Ukraine by Ukrainian subsidiary which is paying the dividend. No assurance can be provided as to whether such credit will be available in practice for Agroton, which receives dividends.

Please see "*Ukrainian Tax Considerations*" with regard to Agroton benefits from the exemption from the Ukrainian withholding tax, which applies to the Ukrainian source income from Ukrainian subsidiary, whether in the form of dividends, interest, royalty, capital gain, etc., However, such benefit is granted only provided that such income will not attributable to a permanent establishment of a Cypriot resident in Ukraine.

Interest income

Any interest accruing to Agroton which is considered to arise in the ordinary course of its business, including interest which is closely connected with the ordinary course of its business qualifies as business income and shall be subject to Corporate Income Tax in Cyprus at a rate of 10%. Such interest income shall be exempt from Defence Tax.

Specifically, interest income arising in connection with the provision of loans to related or associated parties such as Ukrainian subsidiary should be generally considered as income arising from activities closely connected with the ordinary carrying on of a business and should as such be exempt from Defence Tax and only be subject to Corporate Income Tax.

Any other interest income of Agroton shall be exempt from the Corporate Income Tax and shall be subject to the Defence Tax at a rate of 10%.

Deemed distribution rules

Defence Tax at a rate of 15% would be payable by Agroton on a deemed dividend to the extent its shareholders (both individuals and companies) are Cypriot tax residents. A Cypriot company which does not distribute 70% of its after-tax profits within two years of the end of the year in which the profits arose would be deemed to have distributed this amount as a dividend two years after that year end. The amount of this deemed dividend distribution (subject to Defence Tax) is reduced by any actual dividend (not subject to Defence Tax in case of companies) paid out of the profits of the relevant year at any time up to the date of the deemed distribution. The accounting profits to be taken into account in this respect do not include any fair value adjustments to movable or immovable property (if any).

Withholding taxes

No withholding taxes shall apply in Cyprus with respect to payments of interest by Agroton to non-resident lenders (both corporations and individuals).

There is no withholding tax in Cyprus on interest income paid to Cypriot tax resident corporate lenders, unless Agroton issues a corporate bond, note or any other similar fixed income instrument and the resident lender receiving the interest is not considered to have generated this interest in the course of its ordinary activities or in connection with activities closely connected to the ordinary carrying on of its business.

Any payment of interest by Agroton to Cypriot tax resident individual lenders shall not be subject to withholding tax in Cyprus, unless Agroton has issued a corporate bond, note or any other similar fixed income instrument in which case Agroton would have an obligation to withhold Defence Tax at a rate of 10% on payments made in favor of Cypriot tax resident individual holders.

Interest expenses

Interest expenses are tax deductible if they are incurred wholly and exclusively for the production of income. However, no deduction shall be allowed for interest applicable or deemed to be applicable to the cost of purchasing assets not used in the business. This provision applies until 7 years from the date of purchase of the relevant asset. In this respect, the investment in subsidiary is considered as non-business asset and any interest expense that relates (or deemed to relate) to the acquisition/financing of such assets (even if a subsidiary is to distribute dividends on a regular basis) is considered not to be tax deductible. The restricted interest expense is usually determined by the following apportionment methodology: cost of the investment in shares multiplied by the average interest borrowing rate. This apportionment methodology should also be applied after the lapse of the above-mentioned period based on a circular issued by the Cypriot tax authorities.

Capital duty

Capital duty in the form of registration fees is payable to the Registrar of Companies in respect of the registered authorized and issued share capital of a Cypriot company upon its incorporation and upon subsequent increases thereon.

The capital duty rates for subsequent changes of the registered authorized and issued share capital are as follows:

- 0.6% of the nominal value of additional registered authorized share capital; and
- EUR 17.00 flat duty on every issue, whether the shares are issued at their nominal value or at a premium.

Stamp duty

Cyprus levies stamp duty on every instrument if:

- it relates to any property situated in Cyprus; or
- it relates to any matter or thing which is performed or done in Cyprus.

There are instruments which are subject to stamp duty in Cyprus at a fixed fee (ranging from EUR 0.03 to EUR 34.00) and instruments which are subject to stamp duty based on the value of the instrument (0.15% for sums up to EUR 170,860 and 0.2% for sums exceeding EUR 170,860 and up to EUR 8,543,007). There is a maximum (capped) stamp duty of EUR 17,086 per agreement/contract regarding amounts exceeding EUR 8,543,007. The obligation to pay stamp duty arises irrespective of whether the instrument is executed in Cyprus or abroad.

With regard to loans to be provided by the Company to its foreign (Ukrainian) subsidiaries, the Commissioner of Stamp Duty is usually expected to be satisfied that the loan agreements should not be subject to stamp duty in Cyprus provided the agreement is governed by a foreign law and is to be submitted to the courts of a foreign jurisdiction, the contract is executed outside of Cyprus and the loan asset is not secured or to be secured by way of a registered charge on Cypriot assets, such as shares in companies, either in Cyprus or abroad. Loan agreements between Agroton and its Ukrainian subsidiaries satisfy all the above-mentioned criteria.

Polish tax considerations

The following summary presents the principal Polish tax consequences for Polish and non-Polish investors in the shares. This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, holding and sale of the shares. All legal terms presented in this summary referring to the actions related to investing in the shares have the meaning ascribed to them under Polish tax law and the applicable double tax conventions. Moreover, all references to residence for the purposes of this summary are to residence for the purposes of Polish tax law and the applicable double tax conventions.

Taxation of income

Polish residents

Pursuant to the Polish Corporate Income Tax Act of February 15, 1992 (consolidated version: Dz. U. of 2000, No. 54, Item 654, as amended) (the "**Polish CIT Act**"), a Polish legal person, i.e., a taxpayer having their registered office or management in the Republic of Poland is subject to tax on its entire worldwide income, regardless of where such income is earned.

Pursuant to the Polish Personal Income Tax Act of July 26, 1991 (consolidated version: Dz. U. of 2000, No. 14, item 176, as amended) (the "**Polish PIT Act**"), a Polish individual, i.e., natural persons domiciled in the Republic of Poland is subject to tax on their entire income (gains), regardless of where such income is earned (unlimited tax obligation). An individual is assumed to be domiciled in the Republic of Poland if he/she: (i) has the centre of his/her personal or business interests (a life interest centre) in the Republic of Poland or (ii) spends more than 183 days during the fiscal year in the Republic of Poland.

Dividend income received by the Polish legal persons or individuals from Agroton

Pursuant to Article 10 of the Convention for the Avoidance of Double Taxation of July 4, 1992, entered into between Cyprus and the Republic of Poland (Dz. U. of 1993, No. 117, item 523) (the "**Convention**"), dividend paid by Agroton (as a company, resident in Cyprus), to Polish legal persons or individuals may be taxed in Poland. However, according to the Convention, such dividend income may also be taxed in the country in which Agroton (as the company paying the dividend) is resident, i.e., in Cyprus and in accordance with the laws of Cyprus. Nevertheless, if the beneficial owner of dividend income is a Polish legal person or a Polish individual, the taxed so charged should not exceed 10% of the gross amount of the dividend income.

The above presented tax considerations do not apply if the Polish legal persons or individuals holding the shares carries on business activity in Cyprus through a permanent establishment with which the shares are effectively connected.

Generally, dividend income earned by Polish tax residents, legal persons as well as individuals, is subject to 19% income tax in the Republic of Poland.

The Convention and the Polish CIT and PIT Acts provide for a deduction of the tax on the income of the Polish individuals or legal persons in an amount equal to the income tax paid in Cyprus. However, such deduction should not exceed the part of the income tax, as calculated before the deduction is given, which is attributable, as the case may be, to the income gained in Cyprus.

Moreover, pursuant to Article 20.3 of the Polish CIT Act, dividend income and other income from profit distributions made by legal persons having their registered office or management outside the Republic of Poland, is exempt from corporate income tax if all of the following conditions are met: (i) dividend or other profit distributions made by a legal person are paid out by an entity that is subject to taxation with corporate income tax on its entire income, regardless of where such income is earned, in a European Union member state other than the Republic of Poland or another Member State of the European Economic Area; (ii) income (gains) from dividend or other profit distributions referred to in item (i) above is earned by a corporate income taxpayer having their registered office or management in the Republic of Poland; (iii) the entity referred to in item (ii) above holds directly not less than 10% of shares in the share capital of the entity making these distributions.

The exemption referred to above is applied if an entity deriving income (gains) from dividends and other profit distributions made by a legal person with its registered office or management outside the Republic of Poland holds at least 10% of shares in the entity that makes these distributions for an uninterrupted period of two years. Such exemption also applies if the uninterrupted period of two years, for which the entity earning the income (gains) from dividends and other profit distributions made by a legal person with registered office or management outside the Republic of Poland has continuously held shares in the amount specified above, expires after the date such income has been earned. If the condition which requires the holding of shares in the amount specified above for an uninterrupted period of two years is not satisfied, the taxpayer is obliged to file an adjustment to the return for the tax years in which the taxpayer benefited from this exemption.

Sale of the shares

Pursuant to the Convention, income from the sale of the shares gained by Polish tax residents (individuals as well as legal persons) is subject to taxation only in the Republic of Poland. In such a case, tax is payable on the difference between the proceeds of sale and the acquisition cost of the relevant shares (capital gains).

With respect to legal persons, such capital gains generated on sale of the shares are subject to a flat 19% corporate income tax rate.

With respect to individuals, capital gains generated on the sale of the shares are subject to a flat 19% personal income tax rate, assuming the trading of the shares does not form part of their business activity.

Income (gains) of Non-Polish residents

Furthermore, pursuant to the Polish CIT Act, a foreign legal person, i.e., a taxpayer with its registered office and management outside the Republic of Poland, is subject to corporate income tax exclusively on the income earned in the Republic of Poland.

Moreover, pursuant to the Polish PIT Act, individuals domiciled outside the Republic of Poland are subject to the tax obligation exclusively with respect to their income (gains) earned in the Republic of Poland (limited tax obligation).

Dividend Income of Non-Polish residents

Foreign individuals and foreign legal persons will not be liable to taxation in Poland on dividend income, nor on income arising from the sale of the shares. This rule does not apply if dividend income could be allocated to activities of foreign individuals or foreign legal persons subject to taxation in Poland.

Tax on civil law transaction

Tax on civil law transactions is levied on the sale or exchange of the shares at the rate of 1% of the value transferred, where the transfer of the shares is treated as relating to:

- property rights exercised in the territory of the Republic of Poland, or
- property rights enforceable abroad, if the purchaser of the shares has its residence or seat in the Republic of Poland and the contract is signed in the Republic of Poland.

The rights attributable to the shares should not be treated as property rights exercised in the Republic of Poland for these purposes. Therefore, the sale or exchange of the shares will be subject to the tax on civil law transactions, if the purchaser of the shares has its residence or seat in the Republic of Poland and the contract is signed in the Republic of Poland. However, pursuant to Article 9(9) of the Polish Act on Tax on Civil Law Transactions of September 9, 2000 (Dz. U. of 2000, No. 86, item 959, as amended), sale of the securities to investment firms or with their intermediation, and sale of the securities made as a part of organized trading (i.e., on the stock exchange or on the over the counter market within the meaning of the Polish Trading Act) is exempt from tax on civil law transactions.

Taxation of inheritances and donations

Pursuant to the Polish Act on Inheritance and Donation Tax of July 28, 1983 (Dz. U. of 1983, No. 45, item 207, as amended), acquisition of property rights only by individuals through inheritance or donation is subject to inheritance and donation tax, if at the time of opening the inheritance or conclusion of the donation agreement the donor or donee is a Polish citizen or is permanently domiciled in Poland, or the property rights are exercised in the territory of Poland.

The rights attributable to the shares should not be treated as property rights exercised in Poland for these purposes.

The rates of tax on inheritances and donations vary depending on the degree of kinship by blood, kinship through marriage or other types of personal relationships existing between the testator and the heir, or between the donor and the donee.

Under the Polish Act on Inheritance and Donation Tax, acquisition of ownership or property rights (including to securities) by a spouse, descendants, ascendants, stepchildren, siblings, stepfather or stepmother is tax exempt if the beneficiary notifies the head of the competent tax office of the acquisition within six months of the day when the tax liability arose or, in the case of an inheritance, within six months of the day when the court decision confirming the acquisition of the inheritance becomes final. If that condition is not complied with, the acquisition of ownership or property rights is subject to tax in accordance with the rules applicable to acquirers falling within the first tax group.

Ukrainian Tax Considerations

Ukrainian subsidiaries of the Company are resident in Ukraine for tax purposes.

This summary of the applicable Ukrainian taxes is based on the Ukrainian tax laws and regulations in effect as of the date of this Prospectus. Such laws and regulations are subject to change or varying interpretation, possibly with retroactive effect. As with other areas of Ukrainian legislation, tax law and practice in Ukraine is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of the practice set out below may change or that the law may be amended with retroactive effect.

In practice, interpretation by the local Ukrainian tax authorities may be inconsistent or contradictory and may constitute the imposition of conditions, requirements or restrictions not stated in the Ukrainian tax law. Similarly court decisions on tax or related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Resident Company taxation general rules

*Ukrainian Corporate Profits Tax (the "**CPT**")*

A resident company, i.e., a company incorporated in Ukraine, is liable for taxation in Ukraine on its worldwide income. A non-resident company, i.e., a company incorporated in a jurisdiction other than Ukraine (such as Agroton), is liable for taxation in Ukraine only with respect to (i) income derived from its business carried out in Ukraine through a permanent establishment, or, (ii) its "Ukrainian source income", if its business carried out in Ukraine does not rise to the level of a permanent establishment (which includes but is not limited to, dividend, interest, royalty, capital gain etc.).

The flat rate of corporate profits tax is 25%, which applies to the taxable income of resident entities and permanent establishments of foreign companies (corporations). Taxable income is computed by means of deducting from the taxpayer's gross revenue, as adjusted by certain tax exempt receipts, its business-related expenses and depreciation (amortization) allowances.

In Ukraine, retained earnings, to the extent not subject to mandatory distribution, are exempt from taxation. At the same time, distributed profits (dividends) are taxed, subject to a small number of exemptions, at the level of the distributing entity at the rate of 25% which is charged on, in addition to, such distributed profits. The distributing entity, however, may credit such tax levied on distributed profits against its corporate profits tax liability.

An exemption from the tax on distributed dividends applies to the distribution of dividends within the amount of dividends received by the company from its controlled resident companies.

There is no concept of consolidated taxes and, therefore, each legal entity, as a payer of corporate profits tax, is required to calculate its own profits tax liability.

No Ukrainian corporate tax shall apply to the proceeds from the issue and initial placement of shares, other securities or derivative instruments by Ukrainian companies.

Interest expense is, in principle, deductible in full for a Ukrainian borrower if incurred in connection with its business activity. However, under certain conditions, "earning stripping" restrictions would apply if interest were to be paid to a foreign shareholder of a Ukrainian borrower; any portion of interest expense which would remain non-deducted for the reason of the operation of such restriction, can be carried forward until deducted in full.

Ukrainian transfer pricing restrictions apply to the computation of gross revenue and tax deductible expenses under the taxpayer's transactions with individuals and related or non-resident entities. Parties to the transaction are "related" if, among other things, one party controls, directly or indirectly, shareholding interests representing more than 20% of the charter capital of the other party, or both parties are under "common control", meaning joint shareholding (both direct and indirect) in excess of 20% of each party's charter capital.

Value Added Tax

Ukrainian VAT is imposed at a rate of 20% on the sales of goods, works and services on and within the customs territory of Ukraine; on the import of goods and related services to Ukraine and on the provision of services by foreign persons to residents of Ukraine. There is no VAT chargeable on the export of goods and services from Ukraine. A number of goods, works and services are directly exempt from VAT. Transactions which are not subject to VAT include, among other things, the issuance, placement, and cash sale of securities and corporate rights, the payment of royalties, lending transactions as well as insurance and re-insurance services.

VAT is determined based on the contractual value of the relevant goods and services, which value must be not less than for a fair market value. In connection with the importation of goods into Ukraine this value includes any excise tax, import duty or other tax or payment required by applicable Ukrainian legislation.

Privileged regime of VAT taxation

There is a special VAT regime for agricultural producers (such as Agroton), which may be selected by companies the principal activities of which are delivery of agricultural goods and services produced using leased or owned production capacities or based on a tolling arrangement, provided that at least 75% of all proceeds of such company from sale of goods or services within the last 12 months derive from sale of agricultural goods and services.

Under this regime, the amount of VAT accruing on sale of goods and services is not to be paid to the state, but may be retained by the agricultural company and used for compensation of VAT paid in connection with acquisition of various production factors, as listed in the law, or, in respect of remaining retained VAT, for other production purposes.

The following Ukrainian subsidiaries selected special VAT regime: “Agroton” PJSC, PE Agricultural Production Firm “Agro”, “Agro Meta” LLC, ALLC “Shiykivske” and ALLC “Noviy Shlyah”.

Payroll-related taxes

Currently, Ukrainian companies generally pay the following payroll-related taxes on the monthly salaries of their employees:

Tax:	**Rate**
Pension Insurance	33.2%
Temporary disability, birth and burial insurance	1.4%
Unemployment insurance	1.6%
Occupational accident and professional disease insurance	0.56% up to 13.5% **

** The actual rate depends on the “trauma risk level” of the industry sector in which the employer operates.

From July 1, 2010, the taxable basis for the above payroll taxes is capped at UAH 13,320 (approximately, USD 1,690) and is subject to further increases up to UAH 13,750 (approximately, USD 1,728) by the end of 2010.

Under the Law of Ukraine “On the Tax on the Income of Individuals”, a tax of 15% of any salary and other remuneration derived from employment is paid by the relevant individual.

Customs duties

Import customs duties are generally imposed at rates varying from 0% to as much as 50% on a wide range of imported goods. Following Ukraine’s accession to the WTO, customs duties on major agricultural products will be reduced to the levels established by the Protocol of Ukraine’s accession to the WTO. However, some customs duties will have to be decreased annually within the “transitional period” defined for Ukraine as running through to 2011.

At the same time, current Ukrainian customs legislation provides for the reduction of customs duty rates or exemption from customs duties if certain requirements are met. For example, imported goods which are contributed by a foreign investor to the charter capital of a company are exempt from import customs duties.

Ukrainian withholding tax

A none-resident company is subject to taxation in Ukraine only in respect of its “Ukrainian source income”, provided, however, that its business carried out in Ukraine does not rise to the level of a permanent establishment. Such income is subject to a 15% Ukrainian withholding tax. A Ukrainian company (including the subsidiary company) providing payment of income from Ukrainian sources acts as a tax agent and is responsible for tax withholding. The income subject to withholding in Ukraine is typically investment-type income.

Withholding tax on dividends

Under Ukrainian tax legislation, dividends payable by a Ukrainian company for the benefit of a non-resident shareholder are subject to a 15% Ukrainian withholding tax which should be withheld by such company acting as a tax agent, unless an applicable tax treaty on the avoidance of double taxation provides for a lower tax rate or a tax exemption.

Withholding tax on capital gain

Capital gains derived by a non-resident from the sale of shares, other securities or corporate rights shall be subject to the Ukrainian withholding tax where such income is derived from Ukrainian sources. As of today, Ukrainian tax law has not established a clear definition of a “Ukrainian source income in respect of the sale of shares, other securities or corporate rights”, where the transaction is between non-residents selling the shares and corporate rights in a Ukrainian company. While historically only the disposal of shares, other securities or corporate rights to Ukrainian tax residents were treated as Ukrainian source income, there is a growing tendency for the Ukrainian tax authorities to extend such taxation to any income derived from the sale of shares and corporate rights in a Ukrainian company, even where a both the seller and buyer to a transaction are non-residents.

Such a tendency relates to the recent amendments to the Ukrainian currency control regulations. According to these amendments the sale of shares or corporate rights in a Ukrainian company must generally be settled through special accounts opened with Ukrainian banks. In this connection, the Ukrainian tax authorities have informally bound Ukrainian banks, through whose accounts funds are transferred for the sale of shares or corporate rights between non-resident investors, to act as tax agents in respect of such non-residents. From the point of view of the tax authorities, Ukrainian banks are liable for the 15% Ukrainian tax unless they can provide documentation confirming the right of the non-resident-seller to a lower tax rate or tax relief under an applicable tax treaty.

Double tax treaties

Ukrainian withholding tax may be reduced, or entirely eliminated, by virtue of the operation of an applicable tax treaty on the avoidance of double taxation between Ukraine and the relevant jurisdiction. Currently, Ukraine has a network of more than 60 tax treaties.

Ukraine and Cyprus do not have a separate tax treaty. Currently, however, Ukraine adheres to the provisions of the Convention between the Government of Cyprus and the Government of the Union of Soviet Socialist Republics for the Avoidance of Double Taxation of Income and Property, dated October 29, 1982 (the "**Double Tax Treaty**"). Under this treaty, a "resident" of Cyprus, defined as a "person liable to taxation in Cyprus", may benefit from the exemption from the Ukrainian withholding tax. This exemption applies to the Ukrainian source income, whether in the form of dividends, interest, royalty, capital gain, etc., provided that such income is not attributable to a permanent establishment of a Cypriot resident in Ukraine.

In order to claim the Double Tax Treaty relief, a Cyprus holding company would be required to provide the Ukrainian payer, prior to the payment date, with a residence certificate for the relevant fiscal year, confirming that the recipient of such income is a tax resident of Cyprus for the purpose of the Double Tax Treaty. Such residence certificate is valid only for the calendar year of its issuance.

However, there is no assurance that the current favorable tax regime will continue in the future and will not be replaced by a new tax treaty providing a less favorable tax regime. In June 2008 the Verkhovna Rada of Ukraine failed to repeal the 1982 Double Tax Treaty between Cyprus and USSR, but no guarantee can be given that the existing Double Tax Treaty will not be repealed in the future. A new tax treaty providing for much less favorable taxation has been negotiated between Ukraine and Cyprus but so far its ratification has failed.

According to the terms of the new tax treaty, the USSR/Cyprus Double Tax Treaty would automatically terminate after the new tax treaty entered into force. At this time, the Company cannot predict with any degree of certainty when and if the new treaty might be ratified.

Applicability of double tax treaty relief

Where taxable income is received from a Ukrainian source, in order for a non-resident holder, whether an individual or a legal entity, to enjoy the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty relief. In practice, a tax residency certificate submitted by a non-resident is deemed to be a sufficient basis for such entitlement.

Ukrainian law contains guidelines on the form and substance of a tax residency certificate which must be followed in order for the certificate to be recognized by the Ukrainian authorities. Generally, a tax residency certificate must be submitted to the Ukrainian entity responsible for the withholding of the Ukrainian tax prior to the transfer of the relevant payments to the non-resident.

Fixed Agricultural Tax

Ukrainian tax legislation sets forth a special taxation regime for agricultural producers. Ukrainian agricultural producers are entitled to opt out of the general corporate profit tax and benefit from the special FAT, if they meet the following requirements, namely:

- the company is incorporated as an "agricultural enterprise" in any legal form allowed by Ukrainian legislation;
- the company is engaged in production (cultivation), processing, and distribution of agricultural products; and

- taxable income from sales of self-produced agricultural products during the previous tax period (year) exceeded 75% of the company's total gross income.

An agricultural producer which is registered as a payer of FAT is exempt from the following taxes and duties:

- CPT;
- land tax;
- municipal tax;
- trade patent fees; and
- geological survey duty, if they provided at the expense of the state budget.

In case the FAT payer's income from self-produced agricultural products calculated on an annual basis is less than 75% of total gross income, the company may not qualify for its FAT payer status. In such case it will be required to register as a payer of corporate profit tax under the general rules starting from the following tax year.

Transition from one tax regime to another (CPT payer to FAT payer and vice versa) within one reporting (tax) year is prohibited.

The amount of FAT is calculated based on the total area of land plots owned or rented by the taxpayer used for agricultural production purposes and the formal agricultural land plots valuation, which is amended periodically.

Taxation of Income and Gains of Agroton received from Ukrainian subsidiaries

Under Double Tax Treaty Agroton may benefit from the exemption from the Ukrainian withholding tax, which applies to the Ukrainian source income including income received from Ukrainian subsidiaries, whether in the form of dividends, interest, royalty, capital gain, etc., provided that certain technical formalities (e.g. provision of residency certificate) are complied with and that such income is not attributable to a permanent establishment of a Cypriot resident in Ukraine. Agroton would be considered to receive income from a permanent establishment in Ukraine in case if such income would be received (i) through a fixed place of business through which the business activities of Agroton are either fully or partially conducted in Ukraine or (ii) through an agent or commissioner. Since neither (i) nor (ii) is relevant with regard to Agroton, it shall benefit from the exemption from the Ukrainian withholding tax.

TERMS AND CONDITIONS OF THE OFFERING

Terms of the Offering

The Offering comprises 5,670,000 newly issued ordinary shares that are to be offered by the Company in a public offering in Poland and, solely in certain limited circumstances outside of the United States and Poland, in offshore transactions in reliance on Regulation S and to a limited number of U.S. persons within the United States pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable the U.S. State securities laws.

The Offering conducted on the basis of this Prospectus consists of a public offering in Poland to: (i) individual investors (natural persons) ("**Retail Investors**"), (ii) legal persons (which includes persons managing portfolios for their clients) and unincorporated organizations and selected institutional investors outside of the United States (and outside of Poland) in reliance on Regulation S under the U.S. Securities Act of 1933 (the "**Institutional Investors**"). Subject to certain limited exceptions, U.S. persons within the meaning of Regulation S cannot participate in the Offering.

On April 28, 2010 the Board of Directors of the Company decided on its intention to issue the Offer Shares and to file this Prospectus to the Cyprus SEC for its approval, apply for the passporting of this Prospectus to Poland and to do all that is necessary for the Offering, including entering into a depositary agreement with the NDS and submitting an application to the WSE in respect to the listing of its Offer Shares on the WSE. The Board of Directors further elected Iurii Zhuravlov and Tamara Lapta as a pricing committee and delegated to it authority to determine, jointly with the Managers, the final terms on which the Offer Shares will be offered, including the final Offer Price and the final number of Offer Shares in each tranche.

In 25 June 2010, the Company at its general meeting resolved to waive the pre-emption rights in respect of the issuance of the Offer Shares, in connection with the Offering. In 28 June 2010 the Board of Directors of the Company resolved to issue the Offer Shares following the aforementioned decision of the general meeting of the Company.

The Offering will be conducted in Poland, in the following tranches:

- Retail Tranche for Retail Investors, and
- Institutional Tranche for Institutional Investors.

The Issuer reserves the right to shift the Offer Shares between tranches; provided that only those 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.

Timetable of the Offering

October 18 – October 21, 2010 until 4 p.m.	Book-building
October 22, 2010 until 9.00 a.m.	Announcement of the Offer Price and the final number of Offer Shares in each tranche
October 22 – October 27, 2010	Accepting subscriptions in the Retail Tranche
October 22 – October 27, 2010 until 6 p.m.	Accepting subscriptions in the Institutional Tranche
not later than October 29, 2010	Allocation of the Offer Shares

After consulting the Offering Broker, the Issuer may decide to change the above dates. Information as to the change of dates, if any, will be made public in the form of an announcement pursuant to section 27 of the Public Offer and Prospectus Law or a supplement to the Prospectus in accordance with Section 14 of the Public Offer and Prospectus Law (if required). If in the Issuer's opinion, a change of dates for subscriptions would be a material factor affecting the evaluation of the Offer Shares, then such change should be made public in the form of a supplement to this Prospectus.

Place of Subscription

Subscriptions will be accepted at BZ WBK S.A. Brokerage House ("**DM BZ WBK S.A**".), including the offices of Bank Zachodni WBK S.A., operating as DM BZ WBK S.A. agents. A detailed list of places where subscriptions in each tranche will be accepted will be published before the start of the subscriptions at the www.dmbzwbk.pl website.

The Offering Broker reserves the right to establish a distribution consortium. If such consortium is created, it will be publicly announced in the form of a supplement to the Prospectus. In such case, the list of points accepting subscriptions will also be made available on the aforesaid websites.

Also subscriptions via Internet and by phone are allowed in accordance with the regulations of the entities accepting subscriptions.

Book-building

Before the start of subscriptions, the book-building process will be conducted, during which selected Institutional Investors, who have been invited by the Issuer through the Offering Broker, 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.

Invitations can be made in any form.

In order to obtain more detailed information as to the participation in the book-building process, investors interested should contact the Offering Broker.

On the basis of declarations as to the acquisition of the Offer Shares, the Issuer, following the Offering Broker's recommendations, will determine the Offer Price and will preliminarily allot the Offer Shares.

The book-building results will not be made public.

Subscription Procedure

In the Retail Tranche, an investor may subscribe for the minimum of 20 Offer Shares. The 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 100,000 Offer Shares. Any subscriptions resulting in the permitted limit per one investor being exceeded will be rejected.

In the Institutional Tranche:

- in the case of 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; provided that a subscription for a number of the Offer Shares higher or lower than the number of the Offer Shares given in the invitation will also be valid;
- other investors may place a subscription order or orders for the minimum of 1,000 of the 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.

It is assumed that each of Potential Investors, when placing a subscription order, has read this Prospectus and the Company's Article of Association and has accepted their contents.

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.

Conditions of Offering Withdrawal or Suspension

The Issuer may take a decision cancelling the Offering at any time before the start of the subscription without any reason.

Irrespective of the above, the Issuer may cancel the Offering also after subscriptions have started to be accepted but only for valid reasons, in particular such as:

- a sudden and material adverse change in the economic or political situation in Poland, Ukraine, Cyprus, Europe or worldwide, which could not have been predicted before the start of the Offering and which would or could have a material adverse effect on the Offering or the Group's business,
- a sudden change in the economic or legal environment of the Issuer, which could not have been predicted before start of the Offering and which would or could have a material adverse effect on the Group's operating activities,
- a sudden change in the Group's financial, economic or legal situation, which would or could have a material adverse effect on the Group's operating activities and which could not have been predicted before start of the Offering;
- if the results of the book-building are unsatisfactory, that is they do not guarantee that first class investors could be attracted or they do not guarantee the right level of liquidity in secondary market trading;
- the occurrence of other unpredicted circumstances, as a result of which the conduct of the Offering and the allotment of the Offer Shares would be impossible or harmful to the Issuer's interests.

If a decision is taken on the cancellation of the Offering, the relevant information will be published immediately after it has been taken, in the form of a supplement to the Prospectus.

The Issuer may also decide to suspend the Offering of the Offer Shares if there have occurred events or developments which could have an adverse effect on the success of the Offering or result in an increased investment risk for buyers of the Offer Shares. Information on the Offering being suspended will be announced as described above.

If a decision on the suspension of the Offering is taken while subscription orders are accepted, subscription orders, declarations submitted and payments made will be deemed to be still valid, however investors can withdraw subscriptions and declaration made by submitting a relevant statement to that effect within two business days after the supplement to the Prospectus has been made public.

If a decision on the suspension of the Offering is taken after the book-building but before subscriptions start, the Issuer, together with the Offering Broker, may once again run the book-building process, however, in such case they must decide whether declarations previously made will or will not remain valid. Such information will be made public in the form of a supplement to the Prospectus. If it is decided that earlier declarations remain valid, the investor will be able to withdraw declaration made by submitting a statement to that effect within two business days from the date of the publication of the supplement to the Prospectus.

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 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 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 of the date of the Offer Shares allotment.

If the Offering is cancelled or suspended, 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 of the public announcement by the Company of the Offering cancelation,
- if the Offering is suspended – within three business days of the date on which the investor has made a statement cancelling his subscription.

The timely repayment of money paid will be without any interest or compensation.

Date by which Subscription can be Withdrawn

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. 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. The right to withdraw the subscription made 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.

The repayments will be made in accordance with the subscription form within three business days after making the statement on the subscription cancellation.

The right referred to above will also be vested in investors who have made declarations as to the acquisition.

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. A subscription in the Institutional Tranche should be fully paid for no later than on the last day of accepting subscriptions in that tranche.

The full payment means a payment equal to the number of the Offer Shares indicated in the subscription order multiplied by the Offer Price.

Payments can be made in cash or by wire transfer and should be made in Polish Zlotys 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.

Delivery of the Offer Shares

The Issuer will apply to the NDS for the registration of the Offer Shares in its depository for securities.

Immediately after the allotment and the registration of the Offer Shares with the NDS, the Offer Shares will be posted in securities accounts of investors designated in the depository instruction.

Bearing the above in mind, the Issuer and the Offering Broker do not envisage any delivery of documents concerning the Offer Shares acquired. Notices of the recording of the Offer Shares in the investor's securities account will be delivered to investors in accordance with the rules of a given brokerage house. However, the date of the delivery of such notice to the investors will not have any impact on the date of starting the listing of the Issuer's shares, including the Offer Shares, on the WSE as the notices may be delivered to the investors after the listing commenced.

Public Announcement of the Offering Results

Information on the results of the Offering will be made public within two weeks of its completion.

Intentions of Significant 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.

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.

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; provided that making a declaration with a price equal to or higher than the finally determined Issue Offer does not guarantee that the investor will be placed on the preliminary allotment list.

The Offer Shares will be preliminarily allotted in an entirely discretional manner that is the allotment rate can be different for different investors.

After the completion of the book-building, the Offering Broker will advise investors of the number of the preliminarily allotted Offer Shares and will invite 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 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 following principles:

- first, the Offer Shares will be allotted to 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 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 investors – the allotment will be made in accordance with the proportionate reduction principle.

Overallotment and Overallotment Option

Pursuant to the terms of the Offering set out in the Prospectus, no overallotment or overallotment option of the greenshoe type is possible.

Price of the Offer Shares

The Offer Price will not exceed the Maximum Price of PLN 30.00 per Offer Share.

The Offer Price of the Shares will be determined based on the book-building results by the Issuer's Board of Directors, following the Offering Broker's recommendations. When determining the price, the following criteria will be taken into account: (i) the volume and price sensitivity of the demand estimated in the book-building process; (ii) the current and forecast situation in the capital market; (iii) development outlook, risk factors and other information concerning the Issuer's business.

The Offer Price will be the same for both tranches and will not exceed the Maximum Price.

Information on the Offer Price will be announced publicly pursuant to Section 27 of the Public Offer and Prospectus Law and Article 54 Section 3 of the Polish Offering Act no later than the first day of the subscription period. The Offer Price will be the same for both Retail Investors and Institutional Investors.

At the time of placing a subscription order, investors will not pay any additional costs or taxes, except for the costs (if any) of opening and maintaining a securities account unless the investor has already had such account.

Admission of Shares to Trading on the Regulated Market

The Company intends to apply for the listing of all its shares, including the Offer Shares, at the WSE. The Issuer's estimation is that the first listing of the Issuer's shares will take place within approximately one month from the date of the allotment of the Offer Shares.

The admission and introduction of the Shares, including the Offer Shares to trading on the WSE requires, *inter alia*: (a) an approval of the prospectus by the Cyprus SEC and notification to the Polish FSA; (b) execution by the Company of an agreement with the NDS to register the Shares, including the Offer Shares, in the NDS; (c) an application to be made and resolutions of the WSE's Board of Directors to admit and introduce the Shares, including the Offer Shares to trading on the WSE, which includes determination of the listing market and of the first day of trading. As a result of these requirements, several days may elapse between the Settlement Date and the Listing date on the WSE.

The investors should consider that since the Issuer is Cypriot company, no court registration process is needed in order for it to validly issue the Offer Shares under the Offering. Specifically, an issuance of shares requires a notification of the issuance to the companies' register and the failure to file or a delay in filing such notification does not affect the validity of the issue. Consequently, all the Shares, including the Offer Shares, will be eligible for a listing application to the WSE promptly upon payment by investors, subject to completion of necessary procedures indicated above.

Prior to the Offering, there was no public market for our Shares, however currently there are 4,000,000 GDRs (applicable to 25 % of the existing share capital of the Company) out of which 3,985,870 GDRs are traded on the Open Market of the Frankfurt Stock Exchange since November 12, 2009.

Deposit of Shares

The NDS (*Krajowy Depozyt Papierów Wartościowych S.A.*) which is a Polish central clearinghouse and depository of securities with its seat at ul. Książęca 4, 00-498 Warsaw, Poland will act as a principal depository for the Shares, including the Offer Shares.

Offering Broker

The Company has appointed Dom Maklerski BZ WBK Spółka Akcyjna, Pl. Wolności 15, Poznań, Poland, to act as the offering broker in Poland (the "**Offering Broker**").

PLACEMENT AND LOCK-UP ARRANGEMENTS

Placement

The Company intends to enter, on or about the Allotment Date into a placement agreement (the "**Placement Agreement**") with Phoenix Capital Limited, Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A.

It is envisaged that under the Placement Agreement the Managers (except for Bank Zachodni WBK S.A., who is not a Manager) will undertake to take all efforts to attract subscribers for the Offer Shares. Dom Maklerski BZ WBK S.A. will not attract subscribers outside of Poland and Phoenix Capital will not attract subscriptions in Poland. The Managers will not underwrite any portion of the Offering on a firm commitment basis.

The Placement Agreement will provide that the obligations of the Managers are subject to certain conditions precedent. If any or all of these conditions (such as delivery of customary legal opinions or comfort letters), are not met or waived, a breach of the Company's representations and warranties occurs or if any circumstances which will be referred to in the Placement Agreement occur prior to payment for and delivery of the Offer Shares, the International Lead Manager or the Domestic Lead Manager may, at their sole discretion terminate the Placement Agreement.

The Company will undertake: (i) to take all actions to list the Company's Shares on the WSE, and in particular to file relevant applications, (ii) not to enter into any other agreement in respect of the Shares and (iii) to use the proceeds from the Offering for the purposes indicated in the Prospectus. Each of the Managers will be able to terminate the Placement Agreement in the event of any occurrence of force majeure (as defined in the Placement Agreement, but in any case including publication or an intention to publish a supplement to this Prospectus), upon prompt written notice of the terminating party.

In addition, the Company will agree to indemnify each of the Managers, their affiliates and their respective directors and employees against certain liabilities, including liabilities under applicable securities laws. These indemnifications will survive expiry and termination, if any, of the Placement Agreement.

In connection with the Offering, the Company will agree to pay the Managers a combined management and placing commission of 2% of the gross proceeds from the Offering and to reimburse them for expenses incurred in connection therewith.

The Company will also agree to pay all commissions and expenses in connection with the Offering. However, investors will bear their own costs connected with the evaluation and participation in the Offering. The Managers will not charge any commission or fees on the subscription orders collected from investors participating in the Offering.

Lock-Up

The Company and the Principal Shareholders intend to enter into an agreement whereby the Company and the Principal Shareholders will not, prior to 9 months after the delivery of the Offer Shares, without the prior written consent of the Managers, (i) exercise an authorization pursuant to its Articles of Association to increase its capital; (ii) submit a proposal for a capital increase to any meeting of the shareholders for resolution; or (iii) offer, pledge, allot, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise, provided that the aforementioned restrictions will not apply to the Offer Shares.

TRANSFER AND SELLING RESTRICTIONS

No action has been taken by the Issuer or the Managers that would permit, other than under the Offering, an offer of the Offer Shares or possession or distribution of this Prospectus or any other offering material in any jurisdiction where action for that purpose is required. The Domestic Lead Manager has not and will not offer to sell or solicit any offer to buy, and has not sold and will not sell, any of the Offer Shares outside of Poland.

No Public Offering outside of Poland

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 Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, the Offer 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 Offer 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 offer of the Offer Shares 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, 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.

European Economic Area

In relation to each Member State of the European Economic Area (the European Union plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of the Offer Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares that has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Offer Shares to the public in that Relevant Member State at any time:

- 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 (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for 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, and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United States of America and its Territories

The Offer Shares have not been and will not be registered under the U.S. Securities Act and, subject to certain limited exceptions, may not be offered or sold within the United States of America or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the U.S. Securities Act. Subject to certain limited exceptions, the International Lead Manager has represented and agreed that it has not and will not offer to sell or solicit any offer to buy, and has not sold and will not sell, any Offer Shares outside of Poland (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all the Offer Shares except in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Domestic Lead Manager has not and will not offer to sell or solicit any offer to buy, and has not sold and will not sell, any Offer Shares outside of Poland. Neither of the Managers, their respective affiliates nor any person acting on their respective behalf have engaged or will engage in any directed selling efforts with respect to the Offer

Shares. The International Lead Manager has complied and will comply with the offering restrictions requirements of Regulation S under the U.S. Securities Act. The International Lead Manager has also agreed that at or prior to confirmation of sale of Offer Shares, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Offer Shares from it during the restricted period a confirmation or notice to substantially the following effect:

"*The Offer Shares covered hereby have not been registered under the U.S. Securities Act, and, subject to certain limited exceptions, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Offer Shares as determined and certified by the International Lead Manager, except in either case in accordance with Regulation S under the U.S. Securities Act. Terms used above have the meaning given to them in Regulation S under the U.S. Securities Act.*"

United Kingdom

The International Lead Manager has represented 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 the Financial Services and Markets Act of June 14, 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to any measures taken by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

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 Offer 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 and may not be offered, 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 in compliance with any other provisions thereof; and (ii) in compliance with any other applicable requirements of laws of Japan.

INDEPENDENT AUDITORS

Baker Tilly Klitou, independent auditors, with their address at 11, Bouboulinas Street, 1060 Nicosia, Cyprus, have audited the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007, which have been prepared according to IFRS and have reviewed the consolidated condensed interim financial statements for the six months ended June 30, 2010, which have been prepared in accordance with IAS34 (interim financial reporting).

DOCUMENTS AVAILABLE FOR INSPECTION

During the period that the Prospectus shall be valid, copies of the following documents will be available for inspection in the normal business hours on any weekday at the offices of the Company as well as at the offices of Dom Maklerski BZ WBK S.A. in Poland at Pl. Wolności 15, 60-967 Poznań, Poland:

- the Articles of Association of the Company;
- the Auditors' Reports of Baker Tilly Klitou on the Company's Consolidated Financial Statements;
- the Consolidated Financial Statements of the Company for the three years ended December 31, 2009, 2008 and 2007;
- the Consolidated Condensed Interim Financial Information for the six months ended June 30, 2010 and 2009 (unaudited);
- the letters specified in detail under the INFORMATION FROM THIRD PARTIES, OPINIONS OF EXPERTS AND DECLARATIONS OF INTEREST section;
- the due diligence reviews conducted by independent parties on behalf of the underwriter, responsible for the drawing up of the Prospectus as follows:
  - (a) the Legal due diligence report as to Ukrainian subsidiaries provided by Schneider Law Group, within the parameters set by and for the sole benefit of Sharelink Securities and Financial Services Limited, and does not constitute legal opinion for the benefit of third parties;
  - (b) the Legal due diligence as to the Cypriot Law, by Pamboridis LLC;
  - (c) the Financial due diligence as to financial affairs of the Group, by Grata Audit and Consulting Company LLC; and
- this Prospectus.

INFORMATION FROM THIRD PARTIES, OPINIONS OF EXPERTS AND DECLARATIONS OF INTEREST

The following parties, Sharelink Securities and Financial Services Limited, Baker Tilly Klitou, George Pamboridis LLC, Schneider Law Group, LLP "GRATA AUDIT AND CONSULTING COMPANY, Phoenix Capital Limited, Dom Maklerski BZ WBK S.A., Bank Zachodni WBK S.A., have each given and have not withdrawn their written consent to the inclusion in this prospectus of their names and the references thereto in the form and context in which they appear.

From Sharelink Securities and Financial Services Limited

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

Sharelink Securities and Financial Services Limited

Underwriter responsible for the drawing up of the Prospectus

From Baker Tilly Klitou, auditors of the Company

A. In relation to the Financial Statements of the Company

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

We have acted as the auditors of Agroton Public Limited (the "Company") for the years ended 31 December 2007, 2008 and 2009.

The consolidated financial statements of the Company as at 31 December 2007, 2008 and 2009 have been audited by us in accordance with the International Auditing Standards and we have issued unqualified audit opinions on these consolidated financial statements. We have also reviewed the consolidated condensed interim financial information for the six months ended 30 June 2010 and we have issued a review report.

Regards,

Baker Tilly Klitou

B. In relation to the publication of the present Prospectus

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, with this letter we provide and do not withdraw our written consent for the references made to our name and to our reports in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

Baker Tilly Klitou

From the law firm that carried out the legal due diligence in Cyprus, George Pamboridis LLC

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name and to our reports in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

George Pamboridis LLC

From the law firm that carried out the legal due diligence in Ukraine, Schneider Law Group

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name and to our reports in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

Schneider Law Group

From the audit firm that carried out the financial due diligence, LLP "GRATA AUDIT AND CONSULTING COMPANY

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name and to our reports in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

LLP "GRATA AUDIT AND CONSULTING COMPANY

From Phoenix Capital Limited, *International Lead Manager*

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

Phoenix Capital Limited

From Domestic Lead Manager and Offering Broker, Dom Maklerski BZ WBK S.A.

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

Dom Maklerski BZ WBK S.A.

From Bank Zachodni WBK S.A., Financial Advisor

September 30, 2010

Board of Directors
AGROTON PUBLIC LIMITED
Nicosia

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Agroton Public Limited dated September 30, 2010.

Regards,

Bank Zachodni WBK S.A.

GLOSSARY

The Glossary includes most of the defined terms used in the Prospectus. Terms which are defined in the body of the Prospectus and only used in the same section in which they are defined are not included in the Glossary.

"**Agroton**", "**Company**" or "**Issuer**"	Agroton Public Limited, with its registered office at Lampousas Street, P.C. 1095, Nicosia, Cyprus, a company incorporated under the laws of the Republic of Cyprus with registration number 255059;
"**Agroton Group**" or "**Group**"	Agroton together with its consolidated subsidiaries;
"**Allocation**"	Final allotment of the Offer Shares;
"**Allotment Date**"	The date of the final allotment of the Offer Shares;
"**Board of Directors**"	The board of directors of the Company;
"**Cyprus Companies Law**"	The Company organized and existing under the laws of Cyprus, in particular, in accordance with the Cyprus Companies Law, as amended;
"**Cyprus SEC**"	Cyprus Securities and Exchange Commission;
"**DM BZ WBK**", "**Domestic Lead Manager**" or "**Offering Broker**"	Dom Maklerski BZ WBK Spółka Akcyjna, with its registered office at Pl. Wolności 15, 60-967 Poznań, Poland, a company incorporated under the laws of the Republic of Poland with registration number 6408;
"**Domestic Retail Investors**"	Individual investors (natural persons) who are residents of Poland within the meaning of the Foreign Exchange Act;
"**Dz. U.**"	The official journal (*Dziennik Ustaw*) of the Republic of Poland;
"**EBRD**"	The European Group for Reconstruction and Development;
"**EU**"	European Union;
"**EUR**", "**€**" or "**Euro**"	Euro, the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98;
"Existing Shares"	All 16,000,000 ordinary shares of the Company, that is for all the Company's ordinary shares existing as of the date the Prospectus was approved;
"**FAT**"	Ukrainian fixed agricultural tax;
"**Financial Statements**"	The Group's audited consolidated annual financial statements for the three years ended, as at, December 31, 2009, 2008 and 2007 which have been prepared in accordance with IFRS and audited by Baker Tilly Klitou, an auditor certified to audit financial statement pursuant to laws of Cyprus, as well as the consolidated condensed interim financial information for the six months ended June 30, 2010 which have been reviewed by the auditors and prepared in accordance with IAS34 (interim financial reporting);
"**GDP**"	Gross domestic product;
"**IFRS**"	International Accounting Standards, International Financial Reporting Standards and their Interpretations adopted by the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ EU L of 2002, No. 243, p. 1), as in force on

	the first day of each reporting period;
"**IMF**"	International Monetary Fund;
"**Institutional Investors**"	Legal persons (which includes persons managing portfolios for their clients) and unincorporated organizations and selected institutional investors outside of the United States (and outside of Poland) in reliance on Regulation S under the U.S. Securities Act of 1933;
"**Law on Fixed Agricultural Tax**"	Ukraine act of December 17, 1998 on the fixed agricultural tax, as amended;
"**Management**"	The directors and senior management of the Company;
"**Managers**"	Phoenix Capital Limited, acting as the International Lead Manager, and Dom Maklerski BZ WBK Spółka Akcyjna, acting as the Domestic Lead Manager and Offering Broker;
"Market Ordinance"	Ordinance of the Minister of Finance dated May 12, 2010 regarding detailed conditions of the market of official stock exchange listing and issuers of securities admitted to trading on such market (Dz. U. of 2010, No. 84, item 547);
"Maximum Price"	The maximum price per Offer Share is PLN 30.00;
"**Naftogas**"	National Joint-Stock Company "Naftogas of Ukraine";
"**NBP**"	National Bank of Poland;
"**NBU**"	National Bank of Ukraine;
"**NDS**"	Polish National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna*) with its registered office in Warsaw, Poland and, unless the context requires otherwise, the depository for securities maintained by that company;
"**Offer Price**"	The price per the Offer Shares may not exceed the Maximum Price. The Offer Price will be determined by the Company upon recommendation of the Managers prior to commencement of the Subscription Period, based on the book-building results. When determining the Offer Price, the following criteria will be taken into account: (i) the volume and price sensitivity of the demand estimated in the book-building process; (ii) the current and forecast situation in the capital market; and (iii) development outlook, risk factors and other information concerning the Group's business. Information on the Offer Price will be announced publicly pursuant to Section 27 of the Public Offer and Prospectus Law and Article 54 Section 3 of the Polish Offering Act no later than the first day of the subscription period. The Offer Price will be the same for both Retail Investors and Institutional Investors;
"**Offer Shares**"	5,670,000 new ordinary shares in the share capital of the Company, each with a nominal value of EUR 0.021 per share;
"**Offering**"	The offering of the Offer Shares;
"**Phoenix**" or "**International Lead Manager**"	Phoenix Capital Limited, with its registered office at Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, a company incorporated under the laws of the Republic of Bermuda with registration number 41691;
"**PLN**" or "**Polish Zloty**"	Polish zloty, the lawful currency of the Republic of Poland;
"**Polish CIT Act**"	Polish act of February 15, 1992 on corporate income tax (consolidated version: Dz. U. of 2000, No. 54, Item 654, as amended);
"**Polish FSA**"	Polish Financial Supervisory Authority (*Komisja Nadzoru*

	Finansowego);
"**Polish Offering Act**"	Polish act of July 29, 2005 on public offering and conditions governing the introduction of financial instruments to an organized trading system and public companies (Dz. U. of 2009, No. 185, item 1439, as amended);
"**Polish PIT Act**"	Polish act of July 26, 1991 on personal income tax (consolidated version: Dz. U. of 2000, No. 14, item 176, as amended);
"**Polish Trading Act**"	Polish act of July 29, 2005 on trading in financial instruments (Dz. U. of 2005, No. 183, item 1538, as amended);
"Potential Investors"	The Institutional Investors together with Retail Investors;
"**Principal Shareholders**"	IFG DIRECTORS LIMITED, BNY (NOMINEES) LIMITED, CONFUCIUS NOMINEES LIMITED, CONFUCIUS DIRECTORS LIMITED, CONFUCIUS SERVICES LIMITED, CONFUCIUS TRUSTEES LIMITED, IFG NOMINEES LIMITED and IFG TRUSTEES LIMITED;
"**Prospectus**"	This prospectus which has been prepared for the purpose of the Offering of the Offer Shares and for the application for listing of the Shares on the WSE;
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC (OJ EU L of 2003, No. 345 pp. 64 to 89, as amended) (together with any applicable implementing measures in any member state);
"Public Offer and Prospectus Law"	The Cyprus law on the conditions for making an offer to the public of securities, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market of 2005, Law 114 (I)/2005, as amended;
"**Regulation 809/2004**"	Commission Regulation (EC) No 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council 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;
"**Regulation S**"	Regulation S under the U.S. Securities Act;
"**Retail Investors**"	All individual investors (natural persons);
"**SDR**"	Special Drawing Right, the monetary unit of the reserve assets of the International Monetary Fund;
"**Settlement Date**"	Date of delivery of the Offer Shares to the securities accounts held by Potential Investors that have been allotted the Offer Shares;
"**Sharelink**"	Sharelink Securities and Financial Services Limited, with its registered office at Ellinas House, 6 Theotoki Street, 1055 Nicosia, Cyprus,a company incorporated under the laws of the Republic of Cyprus with registration number 77879;
"**Shares**"	All common registered shares without nominal or par value in the capital of the Company (or their part) existing now as well as in the past and, unless the context otherwise appears, the Offer Shares;
"**Subscription Period**"	Subscription period for the Offer Shares is expected between October 22, 2010 and October 27, 2010 for Retail Investors and Institutional Investors;
"**U.S. Securities Act**"	U.S. Securities Act of 1933, as amended;

"**UAF**"	Ukrainian Agriculture Fund, a governmental agency that regulates the minimum and maximum prices of agricultural products and prevents undesirable speculative practices;
"**UAH**" or "**hryvnia**"	Ukrainian hryvnia, the lawful currency of the Ukraine;
"**Ukraine Licensing Law**"	The Law of Ukraine "On Licensing of Certain types of Business Activities" dated June 1, 2000, as amended;
"**USD**", "**U.S. $**" or "**U.S. dollars**"	United States dollar, the lawful currency of the United States;
"**VAT**"	Value added tax;
"**WSE**"	Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna*) with its registered office in Warsaw, Poland and, unless the context requires otherwise, the regulated market (i.e., the main market operated by the WSE);
"**WSE Regulations**"	Rules of the Warsaw Stock Exchange adopted in the Resolution of the Board of the Warsaw Stock Exchange No. 1/1110/2006 of January 4, 2006, as amended;
"**WSE Rules**"	Polish corporate governance rules contained in the "Code of Best Practice for WSE Listed Companies", adopted by the Resolution of WSE Supervisory Board No. 17/1249/2010 of May 19, 2010 and available in Polish and English at the website www.corp-gov.gpw.pl

FINANCIAL INFORMATION

Agroton Public Limited
Report and consolidated financial statements
for the years ended December 31, 2009, 2008 and 2007

AGROTON PUBLIC LIMITED
BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:	Inter Jura Cy (Directors) Limited (appointed September 21, 2009, resigned March 30, 2010)
	Tamara Lapta (appointed September 21, 2009)
	Iurii Zhuravlov (appointed September 21, 2009)
	Alex Lissitsa (appointed November 5, 2009)
	Borys Supikhanov (appointed November 5, 2009, resigned February 2, 2010, re-appointed March 30, 2010)
COMPANY SECRETARY:	**Inter Jura Cy (Services) Limited** 1 Lampousas Street CY-1095 Nicosia Cyprus
REGISTERED OFFICE:	1 Lampousas Street CY-1095 Nicosia Cyprus

AGROTON PUBLIC LIMITED
REPORT OF THE DIRECTORS

The Board of Directors presents its report together with the first audited consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the Group") for the years ended December 31, 2009, 2008, and 2007.

Incorporation

The Company was incorporated on September 21, 2009 in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

The Company prepared consolidated financial statements that cover periods prior to its incorporation, because its subsidiary companies were under common control by the same person both before and after their acquisitions and the control was not transitory.

Principal activities

The principal activities of the Company are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming), and milk processing.

Review of developments, position and performance of the Group's business

On October 29, 2009, Agroton Public Limited became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro". Following a reorganization of the Group, the Group became controlled by "Living" LLC which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group. As the ultimate owner of the Group was the same before and after the restructuring and his control was not transitory, the assets and liabilities were transferred to the new holding company at carrying values.

The Group's financial position as at December 31, 2009 as presented in the consolidated balance sheet in the consolidated financial statements is considered satisfactory. The net asset position of the Company has been substantially increased in year 2009 following the issue of new share capital at a premium, which resulted to a capital injection of USD 38.915 thousands.

The Group's financial performance for the period January 1, 2007 to December 31, 2009 as presented in the consolidated income statement of the consolidated financial statements is considered satisfactory. The Group recorded a profit of USD 5.051 thousands for the year ended December 31, 2009 compared to a loss of USD 18.890 thousands for the year ended December 31, 2008 and a profit of USD 14.570 thousands for the year ended December 31, 2007 primarily as a result of fluctuations of the cost of sales and financial expenses. The fluctuations in the cost of sales were primarily due to fluctuations of material costs and agriculture products used in production. The fluctuations in financial expenses in the years 2008 and 2009 were primarily attributable to the appreciation of the Hryvna against the USD, which resulted in a revaluation gain on the Group's USD denominated indebtedness.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks, are disclosed in notes 37, 38, 39 of the consolidated financial statements.

Future developments of Group

The Company intends to use the net proceeds from the issue of share capital (refer to share capital section below) to finance the expansion of its grain growing operations, including land lease rights acquisition, potential land acquisition, acquisition of leased elevator storage facilities, expansion of elevator storage facilities, expansion of its livestock business, and perform selective acquisitions in the Ukrainian agricultural and livestock sectors.

Results

The results of the Group for the years 2009, 2008, and 2007 are set out on page F-8. The Board of Directors did not recommend the payment of dividends and the profits are retained.

Share capital

On September 21, 2009 (date of incorporation) the Company issued 12.000.000 ordinary shares of €0,021 each at nominal value.

On November 4, 2009 the Company issued 4.000.000 additional ordinary shares of €0,021 each at the price of USD 9,72875 each. This resulted to a share premium of USD 38.474 thousands.

Board of Directors

The members of the Company's Board of Directors as at December 31, 2009 and at the date of this report are presented on page F-3. Inter Jura Cy (Directors) Limited, Ms Tamara Lapta, and Mr Iurii Zhuravlov were members of the Board throughout the period from September 21, 2009 (date of incorporation) to December 31, 2009. Mr Borys Supikhanov and Mr Alex Lissitsa were appointed as Directors on November 5, 2009. Mr Borys Supikhanov resigned from his position as Director of the Company on February 2, 2010 and was re-appointed as Director of the Company on March 30, 2010 in the place of Inter Jura Cy (Services) Limited, which resigned from its position as Director of the Company on the same date.

There being no requirement in the Company's Articles of Association for the retirement of directors by rotation, all Directors presently members of the Board continue in office.

Events after the balance sheet date

The post balance sheet events, which have a bearing on the understanding of the consolidated financial statements are disclosed in note 40 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, Baker Tilly Klitou, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board of Directors

Iurii Zhuravlov
Director

Nicosia, April 9, 2010

TO THE MEMBERS OF AGROTON PUBLIC LIMITED
INDEPENDENT AUDITORS' REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the "Group") on pages F-8 to F-53, which comprise the consolidated statements of financial position as at December 31, 2007, 2008, and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at December 31, 2007, 2008, and 2009, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's 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.
- In our opinion, the information given in the report of the Board of Directors on pages F-4 to F-5 is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Cyprus Companies Law, Cap. 113, 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.

Baker Tilly Klitou and Partners Limited

Nicosia, April 9, 2010

Notes on pages F-12 to F-53 are the integral part of these consolidated financial statements.

Consolidated Statement of Financial Position *(in thousand USD)*

		Year ended December 31,		
	Note	**2009**	**2008**	**2007**
ASSETS				
Non-current assets				
Property, plant and equipment	6	40 114	44 917	48 340
Intangible assets		10	9	10
Non-current biological assets	7	1 932	1 683	1 442
Long-term financial assets	8	154	152	180
Other non-current assets	9	63	619	1 137
		42 273	**47 380**	**51 109**
Current assets				
Current biological assets	10	8 700	9 831	6 602
Inventories	11	30 968	19 747	23 001
Trade receivables	12	7 482	3 869	6 413
Prepayments and other current assets	14	1 515	2 256	8 203
Cash and cash equivalents	15	35 106	820	1 385
		83 771	**36 523**	**45 604**
Total assets		**126 044**	**83 903**	**96 713**
EQUITY AND LIABILITIES				
Equity and reserves attributable to owners of the parent				
Share capital	16	494	156	156
Share premium		38 474	-	-
Retained earnings		26 800	24 998	42 576
Effect from foreign currency translation		(9 719)	(9 158)	-
		56 049	**15 996**	**42 732**
Minority interest		368	236	9 362
Total equity		**56 417**	**16 232**	**52 094**
Long-term liabilities				
Deferred income	17	125	553	1 274
Long-term bank loans	18	516	841	3 797
Long-term finance lease liabilities	19	5 744	6 945	4
		6 385	**8 339**	**5 075**
Short-term liabilities				
Short-term loans	20	48 145	48 168	33 482
Current portion of long-term liabilities		3 664	2 416	413
Trade accounts payable	21	2 001	4 043	2 064
Other short-term liabilities and accrued expenses	22	8 304	3 967	2 733
Short-term provisions	23	1 128	738	852
		63 242	**59 332**	**39 544**
Total liabilities		**69 627**	**67 671**	**44 619**
Total equity and liabilities		**126 044**	**83 903**	**96 713**

On April 9, 2010 the Board of Directors of Agroton Public Limited authorized these consolidated financial statements for issue.

Mr Iurii Zhuravlov Director	Ms Tamara Lapta Director

Consolidated Statement of Comprehensive Income *(in thousand USD)*

	Note	2009	2008	2007
		Year ended December 31,		
Sales revenue	24	55 288	75 749	51 626
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	25	20 807	17 683	16 123
Cost of sales	26	(56 223)	(78 492)	(43 963)
Gross profit		**19 872**	**14 940**	**23 786**
Administrative expenses	27	(5 332)	(7 727)	(6 339)
Distribution expenses	28	(1 638)	(2 579)	(1 866)
Other income, net	29	3 737	133	3 237
Financial expenses, net	30	(11 588)	(23 657)	(4 246)
Profit/(loss) before tax		**5 051**	**(18 890)**	**14 572**
Income tax expenses		-	-	(2)
Profit/(loss) for the year		**5 051**	**(18 890)**	**14 570**
Other comprehensive income/(loss) for the year:				
Effect from currency translation		(572)	(9 656)	-
Total comprehensive income/(loss) for the year		**4 479**	**(28 546)**	**14 570**
Profit/(loss) attributable to:				
Owners of the parent		5 070	(18 418)	15 174
Minority interest		(19)	(472)	(604)
Earnings per share attributable to the equity holders of the Company during the year: (expressed in USD cents)				
Basic earnings per share	40	35	N/A	N/A
Diluted earnings per share	40	35	N/A	N/A
Total comprehensive income/(loss) attributable to:				
Owners of the parent		4 509	(27 576)	15 174
Minority interest		(30)	(970)	(604)

Consolidated Statement of Changes in Equity *(in thousand USD)*

	Share capital	Share premium (1)	Retained earning (2), (3)	Effect from currency translation	Total equity attributable to the owner of the parent company	Minority interest	Total
December 31, 2006	**150**	**-**	**27 402**	**-**	**27 552**	**9 966**	**37 518**
Share capital increase	6	-	-	-	**6**	-	**6**
Comprehensive income for the year	-	-	15 174	-	**15 174**	(604)	**14 570**
December 31, 2007	**156**	**-**	**42 576**	**-**	**42 732**	**9 362**	**52 094**
Comprehensive loss for the year	-	-	(18 418)	(9 158)	**(27 576)**	(970)	**(28 546)**
Acquisition of non-controlling share	-	-	3 364	-	**3 364**	(8 156)	**(4 792)**
Net assets distributions	-	-	(2 524)	-	**(2 524)**	-	**(2 524)**
December 31, 2008	**156**	**-**	**24 998**	**(9 158)**	**15 996**	**236**	**16 232**
Comprehensive income for the year	-	-	5 070	(561)	**4 509**	(30)	**4 479**
Acquisition of subsidiary	-	-	-	-	**-**	160	**160**
Effect of change in reporting entity (Note 16)	214	-	97	-	**311**	2	**313**
Issue of additional share capital (Note 16)	124	38 791	-	-	**38 915**	-	**38 915**
Expenses in relation to the increase of share	-	(317)	-	-	**(317)**	-	**(317)**
Net asset distributions	-	-	(3 365)	-	**(3 365)**	-	**(3 365)**
December 31, 2009	**494**	**38 474**	**26 800**	**(9 719)**	**56 049**	**368**	**56 417**

(1) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium, reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

(2) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

(3) In accordance with the Company's Articles of Association, par. 120, dividends can only be paid out of retained earnings.

Consolidated Statement of Cash Flows *(in thousand USD)*

	Note	Year ended December 31, 2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before tax		5 051	(18 890)	14 572
Adjustments for:				
Depreciation and amortization		4 578	5 710	3 504
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	25	(20 807)	(17 683)	(16 123)
Interest income	30	(23)	(24)	(433)
Interest expense	30	9 910	9 356	4 334
Gain on revaluation of long-term accounts receivable at amortized value	30	(26)	7	(17)
Provision for doubtful debts	29	106	83	620
Prepayments and other current assets written-off	29	93	1 403	130
Loss on write-off of non-current assets	29	161	71	160
Gain on write-off of accounts payable	29	(151)	(1)	(93)
Gain on acquisitions of subsidiaries	29	(186)	(1 925)	(644)
Impairment of goodwill	29	-	166	76
Gain/(losses) on disposal of non-current assets, net	29	171	5	(25)
Losses from foreign exchange differences, net	30	1 671	13 978	180
Impairment of inventories and harvest failure	29	500	4 110	-
Compensation for creation of new jobsites	29 (i)	(419)	(430)	-
		629	**(4 064)**	**6 241**
Changes in working capital:				
(Increase)/decrease in trade accounts receivable		(3 927)	417	(2 598)
Decrease/(increase) in prepayments and other current assets		699	128	(2 512)
Decrease in inventories and biological assets		9 222	3 202	1 083
(Decrease)/increase in trade accounts payable		(2 038)	3 172	672
Increase/(decrease) in other short-term liabilities and accrued expenses		1 685	2 361	(461)
Increase in other provisions accrued		421	264	320
Cash generated from operations		**6 691**	**5 480**	**2 745**
Income tax paid		-	-	(2)
Net cash from operating activities		**6 691**	**5 480**	**2 743**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment		(437)	(8 626)	(11 271)
Proceeds from disposal of property, plant and equipment		11	12	682
Purchase of non-current biological assets		(317)	(832)	(258)
Proceeds from disposal of non-current biological assets		-	-	141
Purchase of intangible assets		-	-	(8)
Purchase of investments into subsidiary		(72)	(5 308)	(180)
Interests received		23	24	15
Short-term and long-term loans issued to employees and related parties		(14)	(94)	(84)
Repayment of short-term and long-term loans to employees and related parties		37	115	37
Net cash used in investing activities		**(769)**	**(14 709)**	**(10 926)**

	Year ended December 31,		
	2009	**2008**	**2007**
Financing activities			
Movements in credit lines, net	(5 526)	14 075	22 504
Receipts from short-term and long-term loans and borrowings	11 558	2 676	11 767
Repayment of short-term and long-term loans and borrowings	(1 230)	(718)	(22 236)
Borrowing costs paid	(6 886)	(8 904)	(4 055)
Receipts from government grants as deferred income	-	18	1 274
Net assets distributions	(3 365)	(2 524)	-
Receipts from short-term bonds	-	9 489	-
Repayment of short-term bonds	(4 211)	-	-
Repayment of financial lease liabilities	(929)	(5 561)	-
Proceeds from issue of share capital	38 968	-	-
Net cash provided with financing activities	**28 379**	**8 551**	**9 254**
NET INCREASE IN CASH	**34 301**	**(678)**	**1 071**
Effect from foreign currency translation	**(15)**	**293**	**-**
Cash at the beginning of the year	**820**	**1 205**	**134**
Cash at the end of the year (Note 15)	**35 106**	**820**	**1 205**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 ***(in thousand USD)***

1. GENERAL INFORMATION

Country of incorporation

The Company was incorporated in Cyprus on September 21, 2009 as a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 1 Lampousas Street, CY-1095 Nicosia, Cyprus.

Principal activities

The principal activities of the Company are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming) and milk processing.

Group structure

The Group structure as at December 31, 2009, 2008 and 2007 was as follows:

			Effective ownership ratio		
			As at December 31,		
Name of company	**Conutry of incorporation**	**Principal activity**	**2009**	**2008**	**2007**
Agroton Public Limited	Cyprus	Holding company	parent company	N/A	N/A
"Living" LLC	Ukraine	Holding investments	99,99%	100,00%	100,00%
PE Agricultural Production Firm "Agro"(i)	Ukraine	Holding company	99,99%	parent company	parent company
"Agroton" PJSC	Ukraine	Agricultural activity	99,99%	100,00%	56,20%
OJSC "Belokurakinskiy Elevator"	Ukraine	Agricultural activity	84,66%	84,67%	84,67%
OJSC "Breeding Poultry Farm "Mirnyi"	Ukraine	Agricultural activity	78,46%	78,47%	78,47%
"Agro Meta" LLC	Ukraine	Agricultural activity	99,99%	100,00%	100,00%
"Rosinka-Star" LLC	Ukraine	Agricultural activity	99,99%	100,00%	100,00%
"Etalon-Agro" LLC	Ukraine	Agricultural activity	99,99%	100,00%	100,00%
ALLC "Noviy Shlyah"	Ukraine	Agricultural activity	99,99%	100,00%	N/A
AF named by Shevchenko	Ukraine	Agricultural activity	99,99%	100,00%	N/A
"Zolotaya Guildia" LLC	Ukraine	Agricultural activity	liquidated	liquidated	100,00%
ALLC "Shiykivske"	Ukraine	Agricultural activity	80,99%	N/A	N/A

(i) On October 29, 2009, Agroton Public Limited (Cyprus) became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro" (Ukraine). Following a reorganization of the Group, the Group became controlled by "Living" LLC (Ukraine) which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Corporate Law, Cap. 113.

These consolidated financial statements have also been prepared under the historical cost convention, except for biological assets and agricultural products at initial recognition, which were stated at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in Note 4.

2.2 Adoption of new and revised IFRSs

At the date of approval of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards, were in issue but not yet effective:

Standards and Interpretations adopted by the EU

- IAS 27 (amendments) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after July 1, 2009).
- Amendment to IAS39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items" (effective for annual periods beginning on or after July 1, 2009).
- Amendments to IFRS 1 and International Accounting Standard (IAS) 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for annual periods beginning on or after July 1, 2009).
- Revisions to IFRS 3, "Business Combinations" and Amendments to IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after July 1, 2009).
- Amendment to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after January 1, 2009).
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after January 1, 2008 (EU: March 30, 2009)).
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods on or after October 1, 2008 (EU: June 30, 2009)).
- IFRIC 17 "Distributions of Non Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009).

Standards and Interpretations not adopted by the EU

- IAS 24 (revised) "Related Party Disclosures" (effective for annual periods beginning on or after January 1, 2011).
- IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after January 1, 2009).
- Amendments to IFRS1 Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after January 1, 2010).
- Amendments to IFRS2 Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013).
- IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods on or after January 1, 2010).
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from July 1, 2010).

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which establishments are included in the consolidated financial information from the date that control is transferred to the Group (purchase method of accounting), unless they were ultimately controlled by the same party both and after the transfer of control to the Group and the control is not transitory, in which case they are accounted using merger accounting policies (otherwise known as "predecessor accounting").

Under the purchase method of accounting the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

The principles of predecessor accounting are:

- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonization of accounting policies.
- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
- The consolidated financial statements incorporate the acquired entity’s results as if both entities (acquirer and acquire) had always been combined, Consequently, the consolidated financial statements reflect both entities’ full year’s results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

Under both above methods of consolidation inter-company transactions, balances and unrealized gains on transactions between the Group's companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are deconsolidated from the date that control ceases.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of changes in equity. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.5 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). For all the subsidiaries of the Company, which are operating in Ukraine, the Ukrainian Hryvna ("UAH") is the functional currency. The consolidated financial statements are presented in United States Dollars ("USD") which is the Company's functional and the Group's presentation currency.

The Management has utilized USD as the presentation currency for Group’s consolidated financial statement as USD is the major reference currency in Ukraine with respect to sources of finance, prices of sales contracts with customers, prices of significant contracts for purchases of goods and services from suppliers and also more recognizable at the foreign capital markets.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within "Finance income and expenses, net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

The principal UAH exchange rates used in the preparation of consolidated financial statements are as follows:

Currency	December 31, 2009	Average exchange rate for the year 2009	December 31, 2008	Average exchange rate for the year 2008	December 31, 2007	Average exchange rate for the year 2007	December 31,2006
UAH/USD	7,99	7,79	7,70	5,27	5,05	5,05	5,05

Foreign currency can be freely converted within Ukraine at a rate close to the rate of the National Bank of Ukraine. At present, the UAH is not a freely convertible currency outside Ukraine.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand, deposits held at call with financial institutions and overdrafts. In the consolidated balance sheet overdrafts are shown within "Short-term loans".

2.7 Taxes for reimbursement and prepayments for taxes

In case the Group has a right for compensation of the amount of tax by the transfer of cash to the current account and is planning to use this right, such amount of tax is evaluated according to the rules provided for the relevant financial assets (i.e., is initially recognized at fair value and subsequently recorded at amortized cost, obtained by applying the effective interest rate method, less appropriate doubtful debt provision).

All other taxes for reimbursement and prepayments for taxes are measured according to the rules provided for other accounts receivable, which do not apply to financial assets.

2.8 Advances issued and other accounts receivable which are not financial assets

Advances issued are recorded at nominal value less value added tax and any accumulated impairment losses, other current assets are recorded at nominal cost less accumulated impairment losses.

Impairment of advances issued is recognized if there is objective evidence that repayment of the full amount of the debt does not occur within the contract terms, including the incoming information about substantial financial difficulties of the debtor, the possibility of recognition a debtor as a bankrupt, or probability of debtor's reorganization, in case of refusal from delivery, etc. Impairment of advances issued and other non-financial current assets is reflected according to order described in subparagraph "Impairment of Assets" of Note 4.

Advances issued under the contracts for the purchase of property, plant and equipment are recorded in section "Other non-current assets" of consolidated statement of financial position.

2.9 Inventories

The Group identifies the following types of inventories:

- raw and other materials (including main and auxiliary operating supply and materials; materials for agricultural purposes);
- work in progress (including semi-finished goods);
- agricultural products;
- finished goods;
- other inventories (including fuel, packaging, building materials, spare parts, other materials, goods of little value and high wear goods).

The item "Work in progress" includes among others the costs incurred during the reporting period, but relating to the preparation of crop areas under sowing for future reporting periods.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The writing-off of inventories is reflected on FIFO basis. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

At each reporting date the Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realizable value has declined. If such situation occurred, the sum lessening the cost of inventories is reflected in the consolidated income statement within item "Other income, net".

2.10 Biological assets

A biological asset is a living animal or a plant which in the process of biological transformation may lead to agricultural production or to the creation of additional biological assets, as well as other economic benefits.

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell.

If there is an active market for a biological asset or agricultural products, the quoted price in the active market is the appropriate basis for determining the fair value of that asset.

The Group considers the most relevant market where the quoted prices are the highest comparatively to other prices.

If an active market does not exist, one or several of the following indicators are used to determine the fair value of biological assets:

- the most recent transaction price, provided that in the period between the date of the transaction and reporting date there were no material changes in economic circumstances;
- market prices for similar assets;
- sector benchmarks.

In case when there are no market prices or other values relating to biological assets, in order to determine the fair value, the use of the discounted value of net cash flows expected from the asset, herein the discount rate is applied, calculated on the basis of the current market conditions for cash flow before taxes, can be applied.

When at the moment of initial recognition of the biological assets information on market prices is not available and alternative estimates of its fair value are not reliable, biological assets are valued at cost less accumulated depreciation and impairment losses. Once the fair value of biological assets can be measured reliably, it is revalued at fair value less expected cost of sales.

The fair value of winter crop is based on cost of these assets as at date of balance including unimportant biological transformation beginning from the date of charging expenses.

A gain or loss arising from the initial recognition of a biological asset measured at fair value less costs to sell, and from a change in the fair value is reflected in the item "Income from changes in value of biological assets and agricultural production, net" of consolidated statement of comprehensive income.

The Group identifies the following types of biological assets:

(a) current (with useful life less than 1 year), including:

- sowing of crops (sowing of winter crops, spring crops and industrial crops);
- animals in growing and fattening (cattle, pigs, poultry, etc.);

(b) non-current (useful life over 1 year):

- working and productive cattle (cattle, pigs, etc.)

2.11 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Historic cost includes expenditure that is directly attributable to this acquisition of the items.

Construction in progress includes costs directly attributable to the construction of property, plant and equipment, as well as relevant variables and fixed overhead costs associated with construction. Depreciation of assets begins when they are ready for operation.

Subsequent costs are included in the assets carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement.

Depreciation of asset begins when it becomes available for use, i.e. when location and condition of asset provide its use in accordance with the intentions of the management. Depreciation of asset terminates with the termination of its recognition. Depreciation does not terminate when standing idle of asset arises or it is removed from active use and is intended for disposal, unless it is already fully depreciated.

Depreciation of property, plant and equipment is calculated using the straight-line method for each individual useful life. Useful lives of assets are reviewed and adjusted as appropriate at each reporting date. Terms of useful lives by groups of property, plant and equipment are listed below:

Buildings	10-75 years
Equipment	2-30 years
Vehicles	2-15 years
Computers and office equipment	1-10 years
Instruments, tools and other equipment	1-10 years
Construction in progress	no depreciation

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.12 Intangible assets

Intangible assets are accounted at historical cost less accumulated amortization and accumulated impairment losses. The Group assesses whether the useful life of an intangible asset is definite or indefinite. Amortization of intangible asset with definite useful life is calculated using the straight-line method based on the useful life for each asset. Useful life for the group of intangible assets "Rights to use software programs" is 4-5 years. At every balance sheet date the Group tests intangible assets for possible impairment.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortized but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that it may be impaired. At the acquisition date, any goodwill is allocated to each of the cash-generating units (groups of cash-generating units), expected to benefit from business combination. The

Group allocates goodwill to each company which has been acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (groups of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (groups of cash-generating units) is less than the book value, an impairment loss is recognized.

2.13 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Revenue recognition

The revenue from sales of goods is recognized when it is probable that future economic benefits will flow to the Group and the amount of revenue can be reliably measured. For the revenue recognition the following specific criteria must be obeyed:

- the revenue from sales of goods is recognized after: the Group has transferred to the customer considerable risks and remuneration, concerned with products possession; the Group does not participate in products control, in extent, which usually associates possession right, and does not control sold products; amount of revenue can be reliably measured; economic benefits related to the transaction are possible; and incurred or expected cost relating o the transaction, can be reliably measured.
- the revenue from rendering of services is recognized after: the amount of revenue can be reliably measured; economic benefits related to the transaction are possibile, a possibility for reliable measuring of stage of transaction completeness at the balance sheet is available; and there is a possibility for reliable measuring of cost, applied for transaction carrying out and cost, which are required for its completing.

For all financial instruments measured at amortised cost interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

2.15 Expenses recognition

Expenses are recognized by the Group when the following conditions are met: the amount of expenses can be reliably measured, it is probable that future economic benefits, relating to asset increase or liability lessening.

Expenses are recognized in the same reporting period, in which revenue are recognized, for receiving of which these expenses were incurred, or when it becomes obvious that these expenses will not lead to any gain receiving, irrespective of time of actual cash payment or other form of their payment, when economic benefits from their use decreased or were completely consumed.

Expenses which can not be connected directly with gain of a certain period, are shown as a part of expenses of the period they were incurred in.

If an asset provides economic benefits receiving during several reporting periods, expenses are calculated by allocating its value on a systematic basis over respective reporting periods.

Deferred expenses writing-off is made on a straight-line basis within periods, which they accordingly relate to, during which economic benefits receiving is expected.

Expenses which were incurred in the reporting period but relate to land preparation for sowings of future reporting periods, are accounted for in the balance sheet period in the item "Work-in-progress", which, in its turn, forms a part of the item "Inventories" of special purpose consolidated financial information.

2.16 Government grants

Government grants are represented by government aid in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group.

Government grants are not recognized until there is a reasonable confidence in the compliance with conditions related to grant and that grant will be received.

Government grants are recognized as revenue of the periods of corresponding costs which they are supposed to compensate on a systematic basis.

Government grants relating to income are presented in the consolidated statement of comprehensive income within the item "Other operating income / expenses, net".

Grants related to assets are government grants which the main condition of granting them is for the Group to buy, build or purchase long-term assets. It may be accompanied by additional conditions that restrict the type of assets, their location or terms of acquisition or possession.

Government grants related to assets are recorded in the consolidated statement of financial position as accrued income, which are recognized as income on a systematic and rational basis over the useful life of asset.

In compliance with Ukrainian laws the Group is entitled to receive the following types of government grants:

- Grant for grown and sold cattle
- Grant for grown and sold pigs
- Grant for grown and sold poultry
- Compensations for interest rates for agricultural manufacturers
- Compensations for mineral fertilizers
- Compensations for sowing of winter /spring crops, value of elite seeds
- Compensations for post-effect of drought/losses in sowing
- Compensations for insurance premiums
- Compensations for creation of new jobsites

In connection with frequent changes in Ukrainian laws the list of grants, to which the Group's entities are entitled, is subject to change.

2.17 Net financial expenses

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed. Net financial expenses are recorded in the consolidated statement of comprehensive income as a separate line item "Financial expenses net."

2.18 Value added tax

VAT is 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. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received. Within the reporting period preferential VAT taxation scheme was spread among the Group's entities in respect of transactions on production and sales of agricultural products, operations on processing of milk and meat.

The Group's companies are subject to special tax treatment for VAT. The Group's enterprises, which are agricultural producers and agricultural enterprises, use the benefit for VAT payment by agricultural operations. Under this treatment, VAT amounts payable are not transferred into the budget by the entities, but credited to the entity's separate special account to support the agriculture; the amount of tax credit is used as a reduction in tax liabilities of the next period.

2.19 Tax

The majority of Group's entities are registered as tax payers of fixed agricultural tax and therefore are not payers of corporate income tax. The parent company Agroton Public Limited is registered as tax payer of corporate income tax.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the statement of financial position date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred 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 taxes relate to the same fiscal authority.

2.20 Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(a) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(b) Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits 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.

2.21 Impairment of non-current assets

In relation to all assets, except for inventories, assets resulting from fees to employees, financial assets held for trading, as well as biological assets at fair value, the Group conducts the following procedures ensuring accounting for these assets at the amount, not exceeding their recoverable amount:

- at each balance sheet date the condition of these assets is analyzed for impairment.
- in case any impairment indicators exist, the amount of expected recovery of such asset is calculated to determine the amount of losses from impairment, if any. If it is impossible to determine the amount of losses from impairment of a separate asset, the Group determines the amount of estimated impairment of the cash-generating unit, to which the asset belongs.

The amount of expected recovery is higher of two estimates: net selling price and value in use of asset. In estimating value in use of asset, estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market estimates of time value of money and risks related to the asset.

If according to estimates the amount of expected recovery of assets (or a cash-generating unit) is less than its book value, the book value of asset (or a cash-generating unit) is reduced to the amount of expected recovery. Losses from impairment are recognized as expenses directly in the statement of comprehensive income.

2.22 Provisions

Provision are recognized in the special purpose consolidated financial information of Group in case it has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. If such influence is significant, provisions are determined by discounting the expected cash flows at the rate before tax that reflects the value of money taking into account current market conditions and, if applicable, the risks inherent to this obligation.

The Group recognizes provisions only when:

- there is a current liability resulting from past events;
- there is a probability, that outflow of resources embodying economic benefits may be required for liabilities settlement;
- reliable measurement of liability amount is probable.

2.23 Contingent liabilities and assets

The Group accounts for contingent liabilities using the following classification:

- Contingent liabilities on contracts of sale / rendering of services;
- Contingent liabilities on contracts of purchase;
- Contingent liabilities on court claims;
- Contingent liabilities on operating lease;
- Other contingent liabilities;
- Amount of guarantees made/received.

Contingent liabilities are not recognized in consolidated special purpose financial information. The Group discloses information on the contingent liabilities in the Notes to the financial statements, with the exception of cases, when fulfillment of a contingent liability is unlikely due to remoteness of the event (possible repayment term is more than 12 months).

The Group performs continuous analysis of the contingent liabilities to define the probability of repayment of the contingent liabilities. If the repayment of a liability, which has been previously classified as a contingent one, becomes possible, then the Company, in its financial reporting, shall record a provision for the period, in which the repayment of such liability has become possible.

Contingent assets are not recognized in special purpose consolidated financial information, but disclosed in the Notes in case, when the amount of future economic benefits can be measured with sufficient reliability.

2.24 Financial instruments

Financial assets

The Group classifies its investments in equity and debt securities as financial assets at fair value reflecting the revaluation in profit or loss, investments held to maturity, available-for-sale financial assets, loans and accounts receivable. The classification depends on purposes for which these securities were acquired. Management takes decision concerning the classification of securities at initial recognition and reviews such classification for reliability at each reporting date.

Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed payments or payments that are to be determined, and which are not listed in the active market. Loans and accounts receivable comprise trade and other accounts receivable.

Loans issued by the Group are financial assets resulted from delivering cash to the borrower. Loans issued are accounted for at amortised cost less losses from diminishing utility.

Accounts receivables are recognised net of costs of realisation.

Loans and accounts receivable are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premium and discount, including initial transaction costs, are included to the carrying amount of the corresponding instrument and amortised using the effective interest method.

Impairment of financial assets

At each reporting date the Group measures whether there is any objective evidence of impairment of assets or group of financial assets. Financial asset or group of financial assets are considered to be impaired if and only if there is an objective evidence impairment in the result of one or more events which occurred after initial recognition of an asset ("experience losses"), which had effect, that was subject to reliable measure, on future cash flows from financial asset or group of financial assets. Impairment evidence may comprise indicators that debtor or group of debtors suffers significant financial difficulties, is unable to repay the debt or makes inaccurate payments of interest or principal amount of debt, and also the probability of bankruptcy or any other financial reorganisation. In addition, such evidence comprises observable data indicating a decrease in expected cash flows under financial instrument which is subject to reliable measurement, for example, changes in overdue debt amount or economic conditions that in a certain manner explains liabilities disclaimer.

De-recognition

The financial assets are de-recognised if the term of contractual rights for cash flows from financial assets expires, or the Group transfers all the significant risks and benefits from asset ownership. The financial liability is derecognised if the term of contractual obligations expires and contractual obligations fulfilled or agreement canceled.

Financial liabilities

Loans and borrowings

Loans and borrowings are financial liabilities of the Group resulting from raising borrowings. Loans and borrowings are classified as short-term liabilities except for cases when the Group has vested right to defer the liabilities at least by 12 months from the reporting date.

Initial recognition

Financial liabilities are initially recognised at fair value adjusted for directly related transaction costs in case of loans and borrowings.

Subsequent measurement

After initial recognition all financial liabilities accounted for at fair value through profit or loss are measured at fair value except for any instruments which have no fixed prices on active market, and which fair value can not be measured reliably; such instruments are measured at cost plus transaction costs.

Borrowing costs initially recognised at fair value of liability net of transaction costs are subsequently reported at amortised cost; any difference between the amount of received funds and amount of repayment is reported within interest expenses during the period in which borrowings were received under the effective interest method.

De-recognition

The financial liabilities are de-recognised if the term of contractual obligations expires, contractual obligations fulfilled or agreement canceled.

Trade and other accounts payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other accounts payable initially recognised at fair value is subsequently accounted for at amortized value using the effective interest method.

2.25 Related parties

For the purposes of this financial statements according to IFRS, the companies are considered to be related ones if one of the parties has any possibility to control or considerably influence the operational and financial decisions of other company, which is defined in IAS 24 "Related Party Disclosures".

While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the operation not only their legal form.

The Group divides the related parties according to existing criteria into the following categories:

a) Companies in which Group's companies have an interest in equity;

b) Companies in which key management personnel has an interest in equity;

c) Forms a part of key management personnel of the entity or its parent;

d) Companies and individuals having an interest in equity of Group's companies.

2.26 Dividends

Dividend distribution is recognized in consolidated financial statements in the year in which they are approved.

3. GROUP REORGANIZATION

Agroton Public Limited was incorporated in Cyprus on September 21, 2009 as a public limited liability company. On October 29, 2009, Agroton Public Limited became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm “Agro”. Following a reorganization of the Group, the Group became controlled by “Living” LLC which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group’s assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group. The assets and liabilities of the new Group and the original Group are the same immediately before and after the reorganization. Also, the owner of the original parent before the reorganization have the same absolute and relative interests in the net assets of the original Group and the new Group immediately before and after the reorganization.

The effect of retrospective application of this change was assessed by management as insignificant and thus no restatement of comparative information was presented.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s consolidated financial statements requires management to make judgments, 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, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

4.1 Basis of consolidation (transactions under common control)

Control over certain subsidiaries by Parent company has always existed because there was an ability to manage its financial and operating policies with the aim to receive benefits from its activities and this control over subsidiaries and Parent company belongs to the ultimate beneficial owner. These transactions are considered to be as combinations of business under common control, which are outside the scope of IFRS3 "Business combinations".

4.2 Useful lives of property, plant and equipment

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors". These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in the statement of comprehensive income.

4.3 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.4 Provisions for doubtful debts

The Group provides for doubtful debts to cover the potential losses when a customer may be unable to make necessary payments. Assessing the adequacy of allowance for doubtful debts, management considers the current economic conditions in general, of the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of allowance for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

4.5 Legal proceedings

The Group's management applies significant assumptions in measurement and reflection of reserves and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or crystallizing of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as far as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have significant effect on the future results of operating activity.

4.6 Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is tightly connected with development of significant judgments and estimates relating to the consequences of such future events.

4.7 Biological assets

Animals in growing and fattening and working and productive cattle are measured at fair value less costs to sell at the date of initial recognition and at every reporting date. Fair value is determined using prices of the active markets in Ukraine less costs to sell for one kilogram of meat applied by net marketable weight of appropriate group of assets.

4.8 Inventories

Agricultural products are initially recognized at fair value less costs to sell at the date of harvest. Fair value is determined using the average price of the three largest markets or buyers in Ukraine as these products are sold within the Ukrainian market at the date of harvesting less costs to sell. As at the year end any agricultural products that have been harvested and no sold are reported within inventories at the lower of cost (fair value at date of harvest) and net realisable value at the consolidated balance sheet date.

4.9 Impact of the ongoing global financial and economic crisis.

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to bank failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors and clients of the Group may be adversely affected by the financial and economic environment, lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating economic conditions for clients may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

5. SEGMENT INFORMATION

The Group conducts operation of grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming), milk processing and foodstuff manufacture.

The Group identifies a business segment as "a component of entity, that is engaged in business activity such as production of separate product or service, which brings profit and is exposed to risks. Profit and risks of each segment are different.

The Group identifies following business segments that include products and services which have different risk levels and conditions of revenue earning.

Plant breeding segment raises and sells of agricultural products. Main agricultural products which are sold in this business segment are wheat, rye, barley, sunflowers, rape, etc.

Livestock segment raises and sells biological assets and agricultural products of cattle breeding. Main biological assets and agricultural products which are sold in this business segment are poultry, cattle, pigs, milk.

Agricultural products segment processes agricultural products and produces finished products. Main type of products which is produced and sold in this business segment is food stuff - baked and macaroni goods, hard cheese, milk, sunflower-seed oil.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended December 31, 2009	**Livestock**	**Plant breeding**	**Agricultural products processing**	**Other**	**Adjustments and eliminations**	**Total**
Total revenue	16 768	42 892	9 067	703	-	69 430
Inter-segment sales	(1 288)	(11 583)	(773)	(498)	14 142	-
Sales to external customers	15 480	31 309	8 294	205	-	55 288
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(2 017)	22 824	-	-	-	20 807
Segment results	(3 820)	23 862	(263)	93	-	19 872
Depreciation and amortization	902	2 732	655	289	-	4 578
Segment profit	(3 820)	23 862	(263)	93	(14 821)	5 051

As at December 31, 2009	**Livestock**	**Plant breeding**	**Agricultural products processing**	**Other**	**Adjustments and eliminations**	**Total**
Capital expenses	344	447	51	234	-	1 076
Operating assets	23 449	53 054	10 519	3 728	35 294	126 044
Operating liabilities	614	10 963	635	469	56 946	69 627

Assets of segments do not include long-term financial investments (154 thousand USD), cash and cash equivalents (35 105 thousand USD), VAT for reimbursement and prepayments for VAT (22 thousand USD), current loans to employees (4 thousand USD), current portion of long-term loans to employees (7 thousand USD), prepayments for other taxes (2 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (3 401 thousand USD), dividends to be paid (48 thousand USD), liabilities for other taxes and mandatory payments (35 thousand USD), liabilities for value-added tax (3 thousand USD), liabilities for interest (3 251 thousand USD), accounts payables for investments (110 thousand USD), short-term provisions (1 128 thousand USD), long-term borrowings (516 thousand USD), current portion of long-term borrowings (308 thousand USD), short-term borrowings (48 146 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (5 332 thousand USD), selling and distribution expenses (1 638 thousand USD), other income (expenses), net (3 737 thousand USD), financial income (expenses), net (11 588 thousand USD).

In 2009 revenue from segment plant breeding was derived from one contractor amounting to USD 18 245 thousands.

Year ended December 31, 2008	**Livestock**	**Plant breeding**	**Agricultural products processing**	**Other**	**Adjustments and eliminations**	**Total**
Total revenue	22 340	53 934	15 204	460	-	91 938
Inter-segment sales	(2 730)	(12 479)	(768)	(212)	16 189	-
Sales to external customers	19 610	41 455	14 436	248		75 749
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(1 153)	18 835	-	-	-	17 683
Segment results	4 416	10 818	(154)	(140)	-	14 941
Depreciation and amortization	971	3 465	795	479	-	5 710
Segment profit	4 416	10 818	(154)	(140)	(33 829)	(18 889)

As at December 31, 2008	**Livestock**	**Plant breeding**	**Agricultural products processing**	**Other**	**Adjustments and eliminations**	**Total**
Capital expenses	6 331	14 153	1 412	679	-	22 575
Operating assets	23 542	41 857	12 127	4 050	2 327	83 903
Operating liabilities	2 355	11 097	776	593	52 850	67 671

Assets of segments do not include long-term financial investments (152 thousand USD), prepayments for investments (468 thousand USD), cash and cash equivalents (820 thousand USD), VAT for reimbursement and prepayments for VAT (693 thousand USD), current loans to employees (2 thousand USD), current portion of long-term loans to employees (11 thousand USD), current loans issued to related parties (172 thousand USD), prepayments for other taxes (9 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (2 112 thousand USD), dividends to be paid (141 thousand USD), liabilities for other taxes and mandatory payments (41 thousand USD), liabilities for value-added tax (22 thousand USD), liabilities for interest (312 thousand USD), accounts payables for investments (160 thousand USD), short-term provisions (738 thousand USD), long-term borrowings (841 thousand USD), current portion of long-term borrowings (315 thousand USD), short-term borrowings (48 168 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (7 727 thousand USD), selling and distribution expenses (2 579 thousand USD), other income (expenses), net (133 thousand USD), financial income (expenses), net (23 657 thousand USD).

Year ended December 31, 2007	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Total revenue	7 660	35 949	16 974	2 618	-	63 201
Inter-segment sales	(1 607)	(8 747)	(696)	(525)	11 575	-
Sales to external customers	6 053	27 202	16 278	2 093	-	51 626
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	674	15 449	-	-	-	16 123
Segment results	(992)	21 618	2 932	228	-	23 786
Depreciation and amortization	422	1 597	1 134	351	-	3 504
Segment profit	(992)	21 618	2 932	228	(9 216)	14 570

As at December 31, 2007	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Capital expenses	3 077	6 999	266	523	-	10 865
Operating assets	39 696	25 138	17 403	10 874	3 602	96 713
Operating liabilities	1 260	2 753	320	525	39 761	44 619

Assets of segments do not include long-term financial investments (180 thousand USD), prepayments for investments (192 thousand USD), cash and cash equivalents (1 385 thousand USD), VAT for reimbursement and prepayments for VAT (1 787 thousand USD), current loans to employees (16 thousand USD), current portion of long-term loans to employees (9 thousand USD), prepayments for other taxes (33 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (964 thousand USD), dividends to be paid (215 thousand USD), liabilities for other taxes and mandatory payments (20 thousand USD), liabilities for value-added tax (32 thousand USD), liabilities for interest (4 thousand USD), short-term provisions (852 thousand USD), long-term borrowings (3 797 thousand USD), current portion of long-term borrowings (395 thousand USD), short-term borrowings (33 482 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (6 339 thousand USD), selling and distribution expenses (1 866 thousand USD), other income (expenses), net (3 237 thousand USD), financial income (expenses), net (4 246 thousand USD), income tax expenses (2 thousand USD).

Geographic information

The Group's activity of plant breeding, stock breeding, producing finished goods and all raw-material markets and marketing outlets are allocated within Ukraine.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Construction in progress	Total
Cost							
As at December 31, 2006	**27 862**	**15 358**	**3 987**	**306**	**212**	**9 817**	**57 542**
Additions	89	3 567	1 975	52	22	5 160	**10 865**
Acquisition of subsidiaries	484	325	72	-	14	-	**895**
Transfers	5 898	1 106	26	-	3	(7 033)	**-**
Disposals	(120)	(703)	(1)	(70)	(17)	-	**(911)**
As at December 31, 2007	**34 213**	**19 653**	**6 059**	**288**	**234**	**7 944**	**68 391**
Additions	1 053	14 138	2 395	55	134	4 800	**22 575**
Acquisition of subsidiaries	11 763	3 193	7 004	10	177	-	**22 147**
Transfers	228	146	28	-	-	(402)	**-**
Disposals	(7)	(339)	(564)	(4)	(6)	-	**(920)**
Effect from foreign currency translation	(15 889)	(12 174)	(4 883)	(118)	(176)	(4 124)	**(37 364)**
As at December 31, 2008	**31 361**	**24 617**	**10 039**	**231**	**363**	**8 218**	**74 829**
Additions	73	420	272	7	32	272	**1 076**
Acquisition of subsidiaries	2 346	215	9	2	-	-	**2 572**
Transfers	2 740	409	56	1	3	(3 209)	**-**
Disposals	(463)	(252)	(247)	(10)	(10)	-	**(982)**
Effect from foreign currency translation	(1 235)	(899)	(360)	(9)	(14)	(237)	**(2 754)**
As at December 31, 2009	**34 822**	**24 510**	**9 769**	**222**	**374**	**5 044**	**74 741**
Depreciation							
As at December 31, 2006	**(10 369)**	**(4 678)**	**(1 275)**	**(85)**	**(56)**	**-**	**(16 463)**
Charged depreciation	(1 139)	(1 784)	(516)	(43)	(33)	-	**(3 515)**
Acquisition of subsidiaries	(5)	(149)	(4)	-	(8)	-	**(166)**
Disposals	39	39	-	2	13	-	**93**
As at December 31, 2007	**(11 474)**	**(6 572)**	**(1 795)**	**(126)**	**(84)**	**-**	**(20 051)**
Charged depreciation	(1 755)	(3 008)	(865)	(47)	(39)	-	**(5 714)**
Acquisition of subsidiaries	(9 823)	(2 813)	(6 865)	(7)	(95)	-	**(19 603)**
Disposals	1	258	549	1	5	-	**814**
Effect from foreign currency translation	7 603	4 018	(6 092)	60	77	-	**5 666**
As at December 31, 2008	**(15 448)**	**(8 117)**	**(6 092)**	**(119)**	**(136)**	**-**	**(29 912)**
Charged depreciation	(1 186)	(2 641)	(677)	(34)	(50)	-	**(4 588)**
Acquisition of subsidiaries	(1 611)	(167)	(7)	(1)	-	-	**(1 786)**
Disposals	185	199	56	8	2	-	**450**
Effect from foreign currency translation	610	354	233	5	7	-	**1 209**
As at December 31, 2009	**(17 450)**	**(10 372)**	**(6 487)**	**(141)**	**(177)**	**-**	**(34 627)**
Net book value:							
As at December 31, 2009	**17 372**	**14 138**	**3 282**	**81**	**197**	**5 044**	**40 114**
As at December 31, 2008	**15 913**	**16 500**	**3 947**	**112**	**227**	**8 218**	**44 917**
As at December 31, 2007	**22 739**	**13 081**	**4 264**	**162**	**150**	**7 944**	**48 340**

As at December 31, 2009 the Group tested its property, plant and equipment for impairment using the discounted cash flow method using discount rate of 25,44%. Calculations shows that net present value is higher than book value of fixed assets.

As at December 31, 2009, 2008 and 2007 loans were secured by property plant and equipment book value (except finance lease assets) of which is as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Buildings	9 918	11 984	14 715
Equipment	3 114	2 697	2 742
Vehicles	467	1 404	2 122
Computers and office equipment	10	20	-

	Year ended December 31,		
	2009	2008	2007
Instruments, tools and other equipment	16	13	-
Construction in progress	587	839	2 494
Total	**14 112**	**16 957**	**22 073**

As at December 31, 2009 and 2008 the Group has removed from service fixed assets of book value 343 thousand USD and 102 thousand USD respectively.

As at December 31, 2009, 2008 and 2007 the book value of property, plant and equipment subjected to finance lease agreements was amounting to:

	Year ended December 31,		
	2009	2008	2007
Equipment	6 476	7 801	52
Vehicles	1 128	1 079	-
Total	**7 604**	**8 880**	**52**

7. NON-CURRENT BIOLOGICAL ASSETS

As at December 31, 2009, 2008 and 2007 non-current biological assets are as follows:

	Year ended December 31,					
	2009		2008		2007	
	Number of heads	Fair value less costs to sell	Number of heads	Fair value less costs to sell	Number of heads	Fair value less costs to sell
Cattle	3 669	1 578	3 907	1 359	3 431	1 255
Pigs	1 210	341	2 732	316	1 008	175
Other	14	13	26	8	39	12
Total	**4 893**	**1 932**	**6 665**	**1 683**	**4 478**	**1 442**

Reconciliation of book value of non-current biological assets for the years ended December 31, 2009, 2008 and 2007 was as follows:

	Year ended December 31,		
	2009	2008	2007
At beginning of year	**1 683**	**1 442**	**1 233**
Additions resulting from purchase of assets	5	184	258
Additions resulting from business combinations	-	528	32
Expenses capitalized in biological assets	7 185	5 974	3 378
Loss from changes in fair value less costs to sell of biological assets and agricultural products	(1 877)	(943)	(158)
Decrease in value due to harvesting agricultural products	(5 100)	(4 528)	(3 353)
Transfer between groups of assets	109	(136)	-
Decrease in value due to sale of assets	(1)	-	(141)
Other changes	-	-	193
Effect from foreign currency translation	(72)	(838)	-
At end of year	**1 932**	**1 683**	**1 442**

As at December 31, 2009, 2008, 2007 loans were secured by non-current biological assets book value of which is as follows:

	Year ended December 31,		
	2009	2008	2007
Cattle	1 370	1 359	1 255
Pigs	341	316	175
Total	**1 711**	**1 675**	**1 430**

8. LONG-TERM FINANCIAL ASSETS

As at December 31, 2009, 2008 and 2007 long-term financial investments were as follows:

	Year ended December 31,		
	2009	2008	2007
Long-term loans to employees	24	38	22
Long-term loans to related parties	137	125	167
Total long-term financial investments	**161**	**163**	**189**
Current portion of long-term loans to employees	(7)	(11)	(9)
Total	**154**	**152**	**180**

	Nominal value Year ended December 31,		
	2009	2008	2007
Within 1 year	8	13	11
From 1 year to 5	280	50	17
More than 5 years	-	260	396
	288	**323**	**424**

	Amortized cost Year ended December 31,		
	2009	2008	2007
Within 1 year	7	11	9
From 1 year to 5	154	27	13
More than 5 years	-	125	167
	161	**163**	**189**

The long-term loans mentioned are interest-free, UAH-denominated and unsecured.

Long-term loans to employees and long-term loans issued to related parties are measured at amortized cost using the effective interest rate method. Discount rate used for calculation of amortized cost of loans issued in 2009, 2008 and 2007 equals to 21,28%, 17,87% and 13,52% respectively.

9. OTHER NON-CURRENT ASSETS

As at December 31, 2009, 2008 and 2007 other non-current assets were as follows:

	Year ended December 31,		
	2009	2008	2007
Prepayments for property, plant and equipment	63	151	945
Prepayments for investments	-	468	192
	63	**619**	**1 137**

As at December 31, 2008 prepayments for investments consisted of 81% of corporate rights of ALLC "Shiykivske" amounted to USD 468 thousand. As at December 31, 2008 the transfer of ownership right for the above mentioned corporate rights was at the stage of state registration. As at December 31, 2007 prepayments for investments amounted to USD 192 thousand paid for 46,1% of corporate rights of ALLC "Ukraine". In 2008 documents for the transfer of ownership right were executed.

10. CURRENT BIOLOGICAL ASSETS

As at December 31, 2009, 2008 and 2007 current biological assets were as follows:

	Year ended December 31,		
	2009	2008	2007
Animals in growing and fattening	4 082	3 815	3 323
Crops under cultivation	4 618	6 016	3 279
	8 700	**9 831**	**6 602**

As at December 31, 2009, 2008 and 2007 the crops under cultivation were as follows:

	Year ended December 31,					
	2009		2008		2007	
	Area, thousand of hectares	Amount, USD thousand	Area, thousand of hectares	Amount, USD thousand	Area, thousand of hectares	Amount, USD thousand
Winter wheat sowing	44	3 850	49	4 968	26	2 296
Winter rye sowing	1	47	1	65	1	79
Winter triticale sowing	-	-	0	13	1	56
Winter rape sowing	9	623	17	888	15	732
Winter barley sowing	2	95	1	56	1	91
Other sowing	0	3	1	26	1	25
Total	**56**	**4 618**	**69**	**6 016**	**45**	**3 279**

Reconciliation of book value of the crops plantings for the years ended December 31, 2009, 2008 and 2007 was as follows:

	Year ended December 31,		
	2009	2008	2007
At beginning of year	**6 016**	**3 279**	**1 124**
Additions resulting from purchase of assets	-	386	263
Additions resulting from business combinations	79	80	-
Expenses capitalized in biological assets	42 056	43 985	20 280
Income from changes in fair value less costs to sell of biological assets and agricultural products	22 824	18 835	15 600
Decrease in value due to harvesting agricultural products	(65 469)	(57 576)	(33 390)
Other changes	(703)	(61)	(598)
Effect from foreign currency translation	(185)	(2 912)	-
At end of year	**4 618**	**6 016**	**3 279**

As at December 31, 2009, 2008 and 2007 animals in growing and fattening were as follows:

	Year ended December 31,					
	2009		2008		2007	
	Number of heads	Fair value less costs to sell	Number of heads	Fair value less costs to sell	Number of heads	Fair value less costs to sell
Cattle	4 420	1 732	5 084	1 855	4 936	1 769
Pigs	15 940	1 832	12 466	1 419	11 779	1 033
Poultry	503 110	505	484 681	530	404 304	511
Other	5	13	93	11	37	10
Total	**523 475**	**4 082**	**502 324**	**3 815**	**421 056**	**3 323**

Reconciliation of book value of animals in growing and fattening for the years ended December 31, 2009, 2008 and 2007 was as follows:

	Year ended December 31,		
	2009	2008	2007
At beginning of year	**3 815**	**3 323**	**2 004**
Additions resulting from purchase of assets	1 715	1 446	584
Additions resulting from business combinations	3	573	187
Expenses capitalized in biological assets	16 579	19 144	7 444
Income /(loss) from changes in fair value less costs to sell of biological assets and agricultural products	(140)	(209)	681
Decrease in value due to harvesting agricultural products	(9 783)	(13 495)	(4 516)
Decrease in value due to selling of assets	(5 401)	(4 956)	(2 706)
Transfer between groups of assets	(1 230)	136	-
Other changes	(1 331)	(248)	(355)
Effect from foreign currency translation	(145)	(1 899)	-
At end of year	**4 082**	**3 815**	**3 323**

As at December 31, 2009, 2008 and 2007 loans were secured by current biological assets book value of which is as follows:

	Year ended December 31,		
	2009	2008	2007
Cattle	1 046	928	1 769
Pigs	1 011	1 367	1 033
Total	**2 057**	**2 295**	**2 802**

11. INVENTORIES

As at December 31, 2009, 2008 and 2007 inventories were presented as follows:

	Year ended December 31,		
	2009	2008	2007
Raw materials	2 089	2 036	4 703
Work-in-progress	2 159	1 289	1 788
Agricultural products	24 516	13 035	13 148
Finished goods	820	1 569	1 400
Other	1 384	1 818	1 962
Total	**30 968**	**19 747**	**23 001**

As at December 31, 2009, 2008, 2007 loans were secured by inventories, the book value of which is as follows:

	Year ended December 31,		
	2009	2008	2007
Agricultural products	19 626	6 000	9 100
	19 626	**6 000**	**9 100**

As at December 31, 2009 and 2008 the impairment of inventories and harvest failure was USD 500 thousand and USD 4 110 thousand respectively. Expenses from such operations are disclosed in Note 29.

12. TRADE RECEIVABLES

As at December 31, 2009, 2008 and 2007 trade receivables were as follows:

	Year ended December 31,		
	2009	2008	2007
Trade accounts receivables	7 849	4 269	7 048
Less: Provision for impairment of trade receivables	(367)	(400)	(635)
Total	**7 482**	**3 869**	**6 413**

Ageing of trade receivables as of December 31, 2009, 2008 and 2007 is as follows:

	Year ended December 31,		
	2009	2008	2007
0-3 months	4 696	3 332	1 717
3-6 months	1 609	53	1 049
6 months to 1 year	910	179	871
Other 1 year	634	705	3 411
Total	**7 849**	**4 269**	**7 048**

As at December 31, 2009 trade receivables of USD 267 thousand ageing over one year is not bad debt as Group has evidences that it will be repaid in year 2010.

Trade receivable with a maturity more than 1 year include a liability with the counterparty "State Committee of Ukraine for State Material Reserve", which as at December 31, 2008 and 2007 amounted to USD 297 thousand and USD 431 thousand, respectively. Since there is a court decision for this debt in favor of the Company, the Group's management believes that these trade receivables will be repaid in full in 2009 and the provision for impairment for this debt is not required.

The principal amount of trade receivables with a maturity more than 1 year includes a liability with the counterparty Small Private Enterprise "Absolute", which as at December 31, 2007 amounted to USD 2 094 thousand. Since these trade receivables were fully repaid on January 4, 2008, a provision for impairment for these trade receivables was not provided.

13. PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

	Year ended December 31,		
	2009	2008	2007
At beginning of year	**(466)**	**(773)**	**(593)**
Accruals	(105)	(83)	(620)
Acquisition of subsidiaries	-	-	(83)
Reversion from provision	33	56	-
Using of provision	55	120	523
Effect from foreign currency translation	8	214	-
At end of year	**(475)**	**(466)**	**(773)**

	Year ended December 31,		
	2009	2008	2007
Provision for impairment of trade receivables	(367)	(400)	(635)
Provision for impairment of other receivables	(108)	(66)	(138)
Total	**(475)**	**(466)**	**(773)**

14. PREPAYMENTS AND OTHER CURRENT ASSETS

As at December 31, 2009, 2008 and 2007 other current assets were as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Prepayments to suppliers	1 458	1 296	2 833
Commodity loans issued	-	-	3 366
VAT for reimbursement and prepayments for VAT	22	693	1 787
Other accounts receivable and current assets	143	333	355
Provision for impairment of other receivables	(108)	(66)	(138)
Total	**1 515**	**2 256**	**8 203**

15. CASH AND CASH EQUIVALENTS

As at December 31, 2009, 2008 and 2007 cash and cash equivalents balances were as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Cash at bank in UAH	95	786	1 177
Cash at bank in Euro	16	-	180
Cash at bank in USD	4 895	-	-
Cash with brokers in USD (i)	30 087	-	-
Cash in hand	13	34	28
Total	**35 106**	**820**	**1 385**
Less restricted cash:			
Letter of credit in foreign currency	-	-	(180)
Cash to be represented in the statement of cash flows	**35 106**	**820**	**1 205**

(i) Cash with brokers relate to cash held for investment with the Company's investment broker. In accordance with the agreement between the Company and the investment broker, the Company has access to this cash within three working business days from the day the Company makes a request.

16. SHARE CAPITAL

Authorised	**Number of shares**	**Nominal value, Euro**
Ordinary shares of Euro 0,021 each	47 619	1 000
Issued and fully paid	**Number of shares**	**Share Capital**
Issue of share capital	12 000	370
Issue of additional share capital	4 000	124
Balance at December 31, 2009	**16 000**	**494**

On September 21, 2009 (date of incorporation) the Company issued to the subscribers of its Memorandum of Association 12 000 000 ordinary shares of nominal value €0,021 each. On November 4, 2009 the Company issued 4 000 000 additional ordinary shares of nominal value €0,021 each. Global Depositary Receipts "GDRs" were issued against the new shares by The Bank of New York Mellon for USD 9.728750 per each new share.

For the years 2008 and 2007 the parent company of the Group was PE Agricultural Firm "Agro". Its share capital was USD 156 thousand (UAH 786 thousand). Following the change of the Group’s parent to Agroton Public Limited in year 2009, the share capital was adjusted to USD 370 thousand which represents the nominal value of Agroton Public Limited as at date of changes of the Group parent.

17. DEFERRED INCOME

	Year ended December 31,		
	2009	**2008**	**2007**
Deferred income	125	553	1 274

The deferred income is in relation to a government grant and is recognized according to an agreement for the creation of new jobsites for unemployed people in mine manufacturing regions of Lyhansk. Income is recognized proportionally to work time spent by employees for periods of 2 years since creation of new jobsites. Income in 2009 and 2008 was USD 419 thousand and USD 430 thousand respectively.

18. LONG-TERM BANK LOANS

As at December 31, 2009, 2008 and 2007 long-term bank loans were as follows:

	Year ended December 31,		
	2009	2008	2007
Long-term bank loans	824	1 156	4 192
Less:			
Current portion of bank loans	**(308)**	**(315)**	**(395)**
Total	**516**	**841**	**3 797**

As at December 31, 2009 the principle terms of long-term bank loans were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	December 31, 2009 Amount	Current portion
JSCB "FORUM"	credit line	26%	06.09.2012	UAH	343	(125)
CB "Privatbank"	credit	13%	10.06.2012	USD	325	(130)
OJSC "Raiffeizen bank Aval"	credit line	17%	25.11.2012	UAH	156	(53)
Total					**824**	**(308)**

As at December 31, 2008 the principle terms of long-term bank loans were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	December 31, 2008 Amount	Current portion
JSCB "FORUM"	credit line	26%	06.09.2012	UAH	485	(129)
OJSC "Raiffeizen bank Aval"	credit line	17%	25.11.2012	UAH	217	(130)
CB "Privatbank"	credit	11%	10.06.2012	USD	454	(56)
Total					**1 156**	**(315)**

As at December 31, 2007 the essential terms of long-term bank loans were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	December 31, 2007 Amount	Current portion
JSCB "FORUM"	credit line	16%	06.09.2012	UAH	482	(181)
JSB "Ukrkommunbank"	credit line	17%	25.12.2009	UAH	892	-
OJSC "Raiffeizen bank Aval"	credit line	16%	25.11.2012	UAH	234	(84)
CB "Privatbank"	credit	11%	10.06.2012	USD	584	(130)
JSB "Ukrkommunbank"	credit	14%	19.02.2009	USD	2 000	-
Total					**4 192**	**(395)**

Loan amounting to USD 343 thousand received by PE APF "Agro" in UAH relates to a contract of rolling credit line concluded with JSCB "FORUM" at a credit limit of to USD 468 thousand. The annual interest rate is 26%. Maturity date is September 6, 2012. Obligations under this credit contract are guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 356 thousand. As at December 31, 2008 and 2007 liabilities under this contract were equal to USD 485 thousand and USD 482 thousand respectively.

Loan amounting to USD 156 thousand received by PE APF "Agro" in UAH relates to a contract of rolling credit line concluded with OJSC "Raiffeizen bank Aval" at a credit limit of USD 267 thousand. The annual interest rate is 17%. Maturity date is November 25, 2012. Obligations under credit contract are guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 193 thousand. As at December 31, 2008 and 2007 liabilities under this contract were equal to USD 217 thousand and USD 234 thousand respectively.

Loan amounting to USD 325 thousand received by PE APF "Agro" in USD relates to a contract of credit concluded with CB "Privatbank". The annual interest rate is 13%. Maturity date is June 10, 2012. Obligations under credit contract are guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 276 thousand. As at December 31, 2008 and 2007 liabilities under this contract were equal to USD 454 thousand and USD 584 thousand respectively.

As at December 31, 2009, 2008 and 2007 fair value of long-term bank loans approximates its current value.

As at December 31, 2009, 2008 and 2007 long-term bank loans were secured by:

	Year ended December 31,		
	2009	**2008**	**2007**
Property, plant and equipment	824	888	1 183
including:			
equipment	357	270	430
vehicles	467	618	753
Inventories	-	-	3 921
Total	**824**	**888**	**5 104**

19. LONG-TERM FINANCE LEASE LIABILITIES

As at December 31, 2009 long-term finance lease liabilities were as follows:

	Minimum lease payments as at December 31, 2009	**Present value of minimum lease payments as at December 31, 2009**
Amounts payable under finance lease:		
Within 1 year	4 579	3 356
From 1 to 5 years	6 922	5 744
	11 501	**9 100**
Less: financial costs of future periods	(2 401)	
Present value of lease liabilities	**9 100**	**9 100**
Less: amount payable within one year		(3 356)
Amount payable later than one year		**5 744**

As at December 31, 2008 long-term finance lease liabilities were as follows:

	Minimum lease payments as at December 31, 2008	**Present value of minimum lease payments as at December 31, 2008**
Amounts payable under finance lease:		
Within 1 year	3 760	2 102
From 1 to 5 years	9 304	6 945
	13 064	**9 047**
Less: financial costs of future periods	(4 018)	
Present value of lease liabilities	**9 046**	**9 047**
Less: amount payable within one year		(2 102)
Amount payable later than one year		**6 945**

As at December 31, 2007 long-term finance lease liabilities were as follows:

	Minimum lease payments as at December 31, 2007	**Present value of minimum lease payments as at December 31, 2007**
Amounts payable under finance lease:		
Within 1 year	19	18
From 1 to 5 years	5	4
	24	**22**
Less: financial costs of future periods	(1)	
Present value of lease liabilities	**23**	**22**
Less: amount payable within one year		(18)
Amount payable later than one year		**4**

Financial expenses according to the agreements signed in 2008 were accrued using effective annual interest of 17,41-63,51%. Following the payment of all lease payments the Group's company-lessee receives property rights for the leased assets.

As at December 31, 2009, 2008 and 2007 a net book value of property, plant and equipment which is subject to financial lease agreement is represented in Note 6.

20. SHORT-TERM LOANS

As at December 31, 2009, 2008 and December 31, 2007 short-term loans were as follows:

	Year ended December 31,		
	2009	2008	2007
Short-term bank loans in UAH	14 659	17 708	15 654
Short-term bank loans in USD	20 037	23 200	15 553
Short-term bonds issued	2 154	6 494	-
Government loans	11 295	383	605
Other short-term loans	-	383	1 670
Total	**48 145**	**48 168**	**33 482**

As at December 31, 2009 the details of short-term bank loans in national and foreign currency were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	credit line	12%	01.08.2010	USD	1 295
JSCB «FORUM»	credit line	22%	01.08.2010	UAH	73
JSCB «FORUM»	multicurrency credit line	12%	01.08.2010	USD	5 660
JSCB «FORUM»	credit line	22%	01.08.2010	UAH	6
JSCB «FORUM»	multicurrency credit line	22%	01.08.2010	UAH	1 077
JSCB «FORUM»	multicurrency credit line	21%	01.08.2010	UAH	1 981
JSCB «FORUM»	multicurrency credit line	13%	01.08.2010	USD	8 548
JSCB «FORUM»	multicurrency credit line	13%	01.08.2010	USD	2 360
JSCB «FORUM»	multicurrency credit line	17%	01.08.2010	UAH	2 087
JSCB «FORUM»	multicurrency credit line	13%	01.08.2010	USD	929
JSCB «FORUM»	multicurrency credit line	21%	01.08.2010	UAH	1 716
JSCB «FORUM»	credit line	22%	01.08.2010	UAH	582
OJSC «Raiffaisen Bank Aval»	credit line	18%	15.02.2009	UAH	2 718
OJSC «Raiffaisen Bank Aval»	credit line	18%	10.03.2009	UAH	3 131
OJSC "Ukrkommunbank"	credit line	24%	15.05.2010	UAH	626
OJSC "Ukrkommunbank"	credit	17%	29.12.2010	USD	1 244
«Vostochno-promyshlennyi bank» LLC	credit	24%	01.12.2010	UAH	663
Total					**34 696**

As at December 31, 2008 the details of short-term bank loans in national and foreign currency were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	multicurrency credit line	12%	05.03.2009	USD	5 660
JSCB «FORUM»	multicurrency credit line	13%	22.04.2009	USD	8 548
JSCB «FORUM»	multicurrency credit line	13%	12.05.2009	USD	2 360
JSCB «FORUM»	multicurrency credit line	13%	10.06.2009	USD	929
JSCB «FORUM»	multicurrency credit line	17%	12.05.2009	UAH	2 164
JSCB «FORUM»	multicurrency credit line	21%	22.04.2009	UAH	2 054
JSCB «FORUM»	multicurrency credit line	21%	10.06.2009	UAH	1 780
JSCB «FORUM»	multicurrency credit line	21%	02.04.2009	UAH	1 286
JSCB «FORUM»	multicurrency credit line	27%	02.04.2009	UAH	26
JSCB «FORUM»	credit	12%	27.02.2009	USD	1 295
JSCB «FORUM»	credit	21%	27.02.2009	UAH	75
JSCB «FORUM»	credit	22%	20.02.2009	UAH	603
JSCB «FORUM»	credit	21%	19.03.2009	UAH	485
JSCB «FORUM»	credit	27%	19.03.2009	UAH	105
Alpha Bank	multicurrency credit line	18%	06.03.2009	USD	1 200
Alpha Bank	multicurrency credit line	19%	12.02.2009	USD	1 000
Alpha Bank	multicurrency credit line	18%	13.02.2009	USD	500
OJSC «Oschadbank»	credit line	18%	13.04.2009	UAH	649
OJSC «Raiffaisen Bank Aval»	credit line	18%	15.02.2009	UAH	3 247
OJSC «Raiffaisen Bank Aval»	credit line	18%	10.03.2009	UAH	3 247
OJSC "Ukrkommunbank"	credit line	24%	25.12.2009	UAH	649
OJSC "Ukrkommunbank"	credit	17%	19.02.2009	USD	1 708
«Vostochno-promyshlennyi bank» LLC	credit line	21%	05.08.2009	UAH	1 338
Total					**40 908**

As at December 31, 2007 the details of short-term bank loans in national and foreign currency were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	multicurrency credit line	16%	29.02.2008	UAH	114
JSCB «FORUM»	credit line	16%	20.03.2008	UAH	653
JSCB «FORUM»	multicurrency credit line	16%	30.04.2008	UAH	1 483
JSCB «FORUM»	multicurrency credit line	16%	23.04.2008	UAH	2 347
JSCB «FORUM»	multicurrency credit line	16%	13.05.2008	UAH	3 496
JSCB «FORUM»	multicurrency credit line	16%	11.06.2008	UAH	2 714
JSCB «FORUM»	credit line	16%	31.10.2008	UAH	1 840
OJSC «Oschadbank»	credit line	16%	28.04.2008	UAH	990
«Vostochno-promyshlennyi bank» LLC	credit line	17%	07.08.2008	UAH	1 652
JSB «Brokbusinessbank»	credit line	18%	25.01.2008	UAH	68
JSB «Brokbusinessbank»	credit line	18%	03.04.2008	UAH	297
JSCB «FORUM»	multicurrency credit line	12%	29.02.2008	USD	1 345
JSCB «FORUM»	multicurrency credit line	13%	06.03.2008	USD	5 660
JSCB «FORUM»	multicurrency credit line	12%	23.04.2008	USD	8 548
Total					**31 207**

As at December 31, 2009, 2008 and 31 December 2007 short-term bank loans were secured as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Property, plant and equipment	13 288	16 069	20 890
Consisting of:			
buildings	9 918	11 984	14 715
equipment	2 757	2 427	2 312
vehicles	-	786	1 369
computers and office equipment	10	20	-
instruments, tools and other equipment	16	13	-
construction in progress	587	839	2 494
Inventories	19 626	6 000	5 179
Biological assets	3 768	3 970	4 232
Total	**36 682**	**26 039**	**30 301**

State loans comprise loans of the companies OJSC Breeding Poultry Farm «Mirnyi» and OJSC «Belokurakinskiy elevator» and are interest-free budgetary loans for the purchase of agricultural products under government contracts received in 1995-1997. These loans are according to Ukrainian laws equal to compulsory payments made to the State Budget of Ukraine.

The commodity loan related to a loan of USD 10 908 thousand received by PJSC "Agroton" and PE APF "Agro" in UAH according to the contract of commodity governmental loan with Agricultural Fund. The effective interest rate is 12,86% for PE APF "Agro" and 14,83% for PJSC "Agroton". Maturity date is May 1, 2010. Obligations under contract are guaranteed by agricultural products (winter wheat and winter rye) with book value of USD 14 013 thousand.

A loan of USD 1 368 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 1 370 thousand. The annual interest rates are equal to 12% in USD and 21% in UAH. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property, plant and equipment and inventories of PE APF "Agro" with book value of USD 676 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 1 370 thousand and USD 1 459 thousand respectively.

A loan of USD 5 660 thousand was received by PE APF "Agro" in USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 5 660 thousand. The annual interest rate is equal to 12% in USD. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property, plant and equipment of OJSC "Belakurakinskiy elevator" and inventories of PE APF "Agro" with book value of USD 2 526 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 5 660 thousand and USD 5 659 thousand respectively.

A loan of USD 6 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 569 thousand. The annual interest rate is equal to 22% for UAH. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property, plant and equipment of PE APF "Agro" with book value of USD 536 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 590 thousand and USD 653 thousand respectively.

A loan of USD 1 077 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 1 265 thousand. The annual interest rates are equal to 22% for loans in UAH and 12% for loans in USD. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property, plant and equipment and inventories of PE APF "Agro" with book value of USD 1 480 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 1 311 thousand and USD 1 482 thousand respectively.

A loan of USD 10 528 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 11 680 thousand. The annual interest rates are equal to 12,5% for loans in USD, 12% for loans in euro and 21% for loans in UAH. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property, plant and equipment of PE APF "Agro" with book value of USD 3 890 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 10 602 thousand and USD 10 894 thousand respectively.

A loan of USD 4 447 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 4 832 thousand. The annual interest rates are equal to 13% for loans in USD and 17% for loans in UAH. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property plant and equipment and biological assets of PE APF "Agro" with book value of USD 3 832 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 4 525 thousand and USD 3 496 thousand respectively.

A loan of USD 2 645 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 3 760 thousand. The annual interest rates are equal to 13% for loans in USD and 21% for loans in UAH. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property plant and equipment and biological assets of PE APF "Agro" with book value of USD 2 594 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 2 709 thousand and USD 2 714 thousand respectively.

A loan of USD 582 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 582 thousand. The annual interest rate is equal to 22% for loans in UAH. Maturity date is August 1, 2010. Obligations under credit contract are guaranteed by property, plant and equipment of PE APF "Agro" with book value of USD 1 399 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 603 thousand and USD 1 840 thousand respectively.

A loan of USD 1 576 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 1 576 thousand. The annual interest rate is equal to 18,25% for loans in UAH. Maturity date is February 15, 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 3 431 thousand. As at December 31, 2008 liabilities under this contract were equal to USD 1 948 thousand.

A loan of USD 2 129 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 2 129 thousand. The annual interest rate is equal to 18,25% for loans in UAH. Maturity date is March 10, 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 74 thousand. As at December 31, 2008 liabilities under this contract were equal to USD 2 208 thousand.

A loan of USD 1 142 thousand was received by PJSC "Agroton" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 1 142 thousand. The annual interest rate is equal to 18,25% for loans UAH. Maturity date is February 15, 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 1 716 thousand. As at December 31, 2008 liabilities under this contract were equal to USD 1 299 thousand.

A loan of USD 1 002 thousand was received by PJSC "Agroton" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 1 002 thousand. The annual interest rate is equal to 18,25% for loans UAH. Maturity date is March 10, 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 148 thousand. As at December 31, 2008 liabilities under this contract were equal to USD 1 039 thousand.

At the date of signature of consolidated financial statements the Group concluded an agreement with OJSC «Raiffaisen Bank Aval» on refinancing of overdue credit. Refinancing starts on the May 1, 2010. Maturity date is November 1, 2010. Annual interest rate is 24%.

A loan of USD 1 244 thousand was received by PE APF "Agro" in USD according to the contract of credit concluded with OJSC "Ukrkommunbank". The annual interest rate is equal to 17%. Maturity date is December

29, 2010. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 1 708 thousand and USD 2 000 thousand respectively.

A loan of USD 626 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with OJSC "Ukrkommunbank" with credit limit equal to USD 626 thousand. The annual interest rate is equal to 24% for loans UAH. Maturity date is May 15, 2010. Obligations under credit contract are guaranteed by property plant and equipment of PE APF "Agro" with book value of USD 239 thousand. As at December 31, 2008 and December 31, 2007 liabilities under this contract were equal to USD 649 thousand and USD 890 thousand respectively.

A loan of USD 664 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with «Vostochno-promyshlennyi bank» LLC with credit limit equal to USD 1 290 thousand. The annual interest rate is equal to 24%. Maturity date is December 1, 2010. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 112 thousand.

As at December 31, 2009 and December 31, 2008 short-term liabilities under secured bonds include obligations under bonds of series A at nominal value of USD 2 154 thousand and USD 6 494 thousand (equivalent in currency of issue comprises UAH 17 200 thousand and UAH 50 000 thousand respectively).

The issue of bond series A was unsecured.

The bonds of series A have been issued in the non-documentary form amounting to 50 000 units. Repayment of interest income is performed during 12 periods, each of them except the first makes 91 days. The first period makes 61 days. Annual interest rate equals to 15% from first till fifth period. For period from sixth till twelfth interest rate is set by issuer according to market condition but no lower than 5%. Circulation period of the series A is from May 8, 2008 to October 28, 2010. According to issue terms opportunity to submit bonds for buyout exist during the period from January 1, 2009 to January 15, 2009 and from December 31, 2009 to January 14, 2010.

21. TRADE ACCOUNTS PAYABLE

	Year ended December 31,		
	2009	**2008**	**2007**
Trade accounts payable	1 936	3 736	2 024
Short-term notes issued	65	307	40
Total	**2 001**	**4 043**	**2 064**

The average credit period for the Group's purchases during years ended December 31, 2009, 2008 and 2007 was 19 days, 19 days and 14 days respectively.

22. OTHER SHORT-TERM LIABILITIES AND ACCRUED EXPENSES

As at December 31, 2009, 2008 and 2007 other short-term liabilities and accrued expenses were presented as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Payroll and related taxes liabilities	3 401	2 112	964
Accounts payable for property, plant and equipment	154	301	840
Advances from customers	38	40	321
Dividends to be paid	48	141	215
Liabilities for other taxes and mandatory payments	35	41	20
Liabilities for value-added tax	3	22	32
Liabilities for interest	3 251	312	4
Accounts payable for investments	110	160	-
Accounts payable for land share	998	518	189
Other short-term liabilities	266	320	148
Total	**8 304**	**3 967**	**2 733**

23. SHORT-TERM PROVISIONS

	Provision for future employees benefit	Other provisions	Total
As at December 31, 2006	**532**	**-**	**532**
Additional provision	713	127	**840**
Used during the year	(520)	-	**(520)**
As at December 31, 2007	**725**	**127**	**852**
Additional provision	745	97	**842**
Used during the year	(508)	(6)	**(514)**
Effect from foreign currency translation	(324)	(118)	**(442)**
As at December 31, 2008	**638**	**100**	**738**
Additional provision	362	437	**799**
Used during the year	(329)	(91)	**(420)**
Effect from foreign currency translation	(24)	35	**11**
As at December 31,2009	**647**	**481**	**1 128**

24. SALES REVENUE

For the years ended December 31, 2009, 2008 and 2007, the components of sales revenue were presented as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Sales of finished goods	52 697	73 831	49 564
Sales of services	2 591	1 918	2 062
Total	**55 288**	**75 749**	**51 626**

25. INCOME FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCTS, NET

	Year ended December 31,		
	2009	**2008**	**2007**
Non-current biological assets	(1 877)	(943)	(158)
Current biological asset	22 684	18 626	16 281
Total	**20 807**	**17 683**	**16 123**

26. COSTS OF SALES

For the years ended December 31, 2009, 2008 and 2007, the components of cost of sales were presented as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Livestock and related operations	(17 283)	(14 042)	(7 719)
Plant breeding and related operations	(30 271)	(49 472)	(21 033)
Agricultural products processing and related operations	(8 557)	(14 590)	(13 346)
Other activity and related operations	(112)	(388)	(1 865)
Total	**(56 223)**	**(78 492)**	**(43 963)**

27. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2009, 2008 and 2007, the components of administrative expenses were presented as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Payroll of administrative personnel and related tax expenses (i)	(3 024)	(4 729)	(2 978)
Depreciation and amortization	(390)	(368)	(329)
Transport costs	(339)	(980)	(918)

	Year ended December 31,		
	2009	2008	2007
Other material costs	(289)	(157)	(647)
Insurance	(75)	(233)	(393)
Bank services	(167)	(148)	(146)
Professional and information services (ii)	(530)	(412)	(243)
Communication services	(55)	(118)	(157)
Other administrative expenses	(463)	(582)	(528)
Total	**(5 332)**	**(7 727)**	**(6 339)**

(i) The aggregate amount of Directors' emoluments for the years ended December 31, 2009, 2008 and 2007 was USD 121 thousand, USD 179 thousand and USD 165 thousand respectively.

(ii) The auditors' remuneration and all amount spent in connection with their work for years ended December 31, 2009, 2008 and 2007 was USD 201 thousand, USD 87 thousand and USD 95 thousand.

28. DISTRIBUTION EXPENSES

For the years ended December 31, 2009, 2008 and 2007, the components of distribution expenses were presented as follows:

	Year ended December 31,		
	2009	2008	2007
Payroll of distribution personnel and related expenses	(697)	(1 055)	(793)
Depreciation and amortization	(47)	(65)	(19)
Marketing and advertising expenses	(98)	(101)	(136)
Transport costs and expenses for maintaining of vehicles for distribution purposes	(599)	(881)	(728)
Utilities	(89)	(131)	(73)
Storage	(20)	(175)	(47)
Other distribution expenses	(88)	(171)	(70)
Total	**(1 638)**	**(2 579)**	**(1 866)**

29. OTHER INCOME, NET

For the years ended December 31, 2009, 2008 and 2007, other operating income/(expenses) were presented as follows:

		Year ended December 31,		
	Note	2009	2008	2007
Government grants	(i)	891	4 069	1 804
Grant VAT		3 650	402	1 873
Provision for doubtful debts		(106)	(83)	(620)
Prepayments and other current assets written-off		(93)	(1 403)	(130)
Loss on write-off of non-current assets		(161)	(71)	(160)
Gain on acquisitions of subsidiaries		186	1 925	644
Impairment of goodwill		-	(166)	(76)
Gain on write off of accounts payable		151	1	93
Fines, penalties, net		(294)	(8)	(44)
Donations		(48)	(195)	(56)
Payroll of non-operating personnel and related tax expenses		(127)	(149)	(37)
Income/(expenses) from sales of current assets, net		(69)	(43)	28
Gain/(loss) on disposal of non-current assets, net		(171)	(5)	25
Depreciation and amortization		(53)	(29)	(122)
Impairment of inventories and harvest failure		(500)	(4 110)	-
Agricultural materials got free of charge		224	-	-
Other operating income/(expenses)		257	(2)	15
Total		**3 737**	**133**	**3 237**

(i) Government grants recognized as income in the years ended December 31, 2009, 2008 and 2007 were presented as follows:

	Year ended December 31,		
	2009	2008	2007
Grant for grown and sold cattle	126	899	179
Grant for grown and sold pigs	49	397	86
Grant for grown and sold poultry	78	1 012	322
Compensations for interest rates for agricultural manufacturers	217	646	452

	Year ended December 31,		
	2009	2008	2007
Compensations for mineral fertilizers	-	-	232
Compensations for sowing of winter /spring crops, value of elite seeds	-	644	283
Compensations for post-effect of drought/losses in sowing	-	-	89
Compensations for insurance premiums	-	-	161
Grant for grown and sold milk	2	41	-
Compensations for creation of new job sites	419	430	-
Total	**891**	**4 069**	**1 804**

30. FINANCIAL EXPENSES, NET

For the years ended December 31, 2009, 2008 and 2007, financial income/(expenses) were presented as follows:

	Year ended December 31,		
	2009	2008	2007
Interest income	23	24	433
Interest expense	(9 910)	(9 356)	(4 334)
Other expenses for loans and borrowings	(39)	(75)	(87)
Reflection of long-term accounts receivable at amortised value	26	(7)	17
Expenses for purchase of foreign currency (compulsory payments, commission)	(8)	(28)	(95)
Losses from foreign exchange differences, net	(1 671)	(13 978)	(180)
Income/(losses) from sales currency	(9)	(237)	-
Total	**(11 588)**	**(23 657)**	**(4 246)**

31. EXPENSES FOR PAYROLL AND RELATED EXPENSES

For the years ended December 31, 2009, 2008 and 2007, expenses for payroll and related expenses were presented as follows:

	Year ended December 31,		
	2009	2008	2007
Payroll	(9 469)	(13 297)	(9 076)
Other income	(410)	(835)	(893)
Contributions to Pension Fund	(2 615)	(2 820)	(1 324)
Other contributions	(311)	(409)	(290)
Total	**(12 805)**	**(17 361)**	**(11 583)**

Average number of employees for the years ended December 31, 2009, 2008 and 2007 was presented as follows:

	Year ended December 31,		
	2009	2008	2007
Average number of employees, persons	4 280	4 702	4 411

The structure of expenses for payroll by types of expenses for the years ended December 31, 2009, 2008 and 2007 was presented as follows:

	Year ended December 31,		
	2009	2008	2007
Payroll of operating personnel and related expenses	(8 922)	(11 159)	(7 499)
Payroll of administrative personnel and related expenses	(3 024)	(4 729)	(2 978)
Payroll of distribution personnel and related expenses	(697)	(1 055)	(793)
Payroll of personnel related to other expenses of operating activities	(127)	(149)	(37)
Capitalized payroll of operating personnel and related expenses	(35)	(269)	(276)
Total	**(12 805)**	**(17 361)**	**(11 583)**

32. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the years ended December 31, 2009, 2008 and 2007 were presented as follows:

	Year ended December 31,		
	2009	**2008**	**2007**
Cost of sales	(4 088)	(5 248)	(3 034)
Administrative expenses	(390)	(368)	(329)
Distribution expenses	(47)	(65)	(19)
Depreciation of other property, plant and equipment	(53)	(29)	(122)
Depreciation of items of property, plant and equipment used in capital construction	(10)	(4)	(11)
Total	**(4 588)**	**(5 714)**	**(3 515)**

33. TRANSACTIONS WITH RELATED PARTIES

The Company is controlled by Mr. Iurii Shuravlov, who holds 75% of the Company's share capital. The remaining 25% of the share capital is held by "The Bank of New York Mellon".

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

During the years 2007, 2008, and 2009 a number of transactions were entered into with related parties in the normal course of business. Certain of these transactions, particularly in instances where a broad market does not exist, were consummated at terms agreed to between the parties.

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

a. Companies in which Group's companies have an interest in equity;

b. Companies in which key management personnel has an interest in equity;

c. Forms a part of key management personnel of the entity or its parent;

d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

The following transactions with related parties were carried out according to categories of related parties:

	Year ended December 31,		
	2009	**2008**	**2007**
Income from sales:			
a) Companies in which Group's companies have an interest in equity	1	47	1
b) Companies in which key management personnel has an interest in equity	40	74	21
Total	**41**	**121**	**22**
Financial income net:			
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	17	22	18
Total	**17**	**22**	**18**
Purchases from related parties:			
a) Companies in which Group's companies have an interest in equity	-	(28)	(1)
b) Companies in which key management personnel has an interest in equity	1	(5)	(3)
Total	**1**	**(33)**	**(4)**
Net assets distributions:			
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	3 365	2 524	-
Total	**3 365**	**2 524**	**-**

Prepayments and liabilities which arose as a result of sales/purchases of goods and services:

	Year ended December 31,		
	2009	2008	2007
Trade accounts receivable:			
a) Companies in which Group's companies have an interest in equity	-	38	-
b) Companies in which key management personnel has an interest in equity	1	1	-
Total	**1**	**39**	**-**
Prepayments and other current assets, net:			
b) Companies in which key management personnel has an interest in equity	2	5	7
Total	**2**	**5**	**7**
Provision for prepayments and other current assets:			
b) Companies in which key management personnel has an interest in equity	(2)	(5)	(5)
Total	**(2)**	**(5)**	**(5)**
Long-term financial investments:			
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	137	125	167
Total	**137**	**125**	**167**
Trade accounts payable:			
a) Companies in which Group's companies have an interest in equity	-	(9)	-
b) Companies in which key management personnel has an interest in equity	(4)	(5)	(6)
Total	**(4)**	**(14)**	**(6)**
Short-term loans:			
c) Forms a part of key management personnel of the entity or its parent	-	(383)	(1 572)
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	-	-	(25)
Total	**-**	**(383)**	**(1 597)**
Other short-term liabilities and accrued expenses:			
a) Companies in which Group's companies have an interest in equity	(1)	(1)	(2)
b) Companies in which key management personnel has an interest in equity	-	(4)	(4)
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies	(1)	(157)	(215)
Total	**(2)**	**(162)**	**(221)**

For the years ended December 31, 2009, 2008 and 2007, compensations for key management personnel and related expenses were presented as follows:

	Year ended December 31,		
	2009	2008	2007
Payroll	90	136	137
Vacation allowance	10	10	5
Contributions to Pension Fund	17	27	19
Other contributions	4	6	4
Total	**121**	**179**	**165**

Number of key management personnel for the years ended December 31, 2009, 2008 and 2007 was 9, 14 and 9 employees respectively.

The structure of expenses for key management personnel compensation for the years ended December 31, 2009, 2008 and 2007 was as follows:

	Year ended December 31,		
	2009	2008	2007
Expenses for remuneration to key management personnel:			
responsible for operating activity	76	117	95
responsible for financing activity	37	53	20
responsible for investment activity	8	9	25
responsible for other activity	-	-	25
Total	**121**	**179**	**165**

34. ACQUISITION OF SUBSIDIARIES

For the year ended December 31, 2009, the Group acquired shareholding in such subsidiaries as ALLC "Shiykivske". Information about this transaction is presented below:

Company's name	Country of incorporation	Type of Company's activity	Date of acquisition	Effective interest in equity
ALLC "Shiykivske"	Ukraine	Agriculture	20.03.2009	80,99%

	Fair value of net assets	Current value of net assets
Non-current assets		
Property, plant and equipment	795	253
Non-current biological assets	5	5
Current assets		
Prepayments and other current assets, net	-	-
Inventories	333	333
Trade accounts receivable, net	23	23
Cash and cash equivalents	6	6
Current biological assets	6	6
Short-term liabilities		
Other short-term liabilities and accrued expenses	(221)	(221)
Trade accounts payable	(95)	(95)
Total net assets	**852**	**310**
Company's share in net assets	690	-
Cost of acquisition	501	-
Excess of acquired net assets over cost of their acquisition	**(189)**	**-**

For the year ended December 31, 2008, the Group acquired corporate rights in such subsidiaries as AF named by Shevchenko, ALLC "Noviy Shlyah", ALLC "Ukraina". Information about this transaction is presented below:

Company's name	Country of incorporation	Type of Company's activity	Date of acquisition	Effective interest in equity
AF named by Shevchenko	Ukraine	Agriculture	17.07.2008	100%
ALLC "Noviy Shlyah"	Ukraine	Agriculture	09.06.2008	100%
ALLC "Ukraina"	Ukraine	Agriculture	20.03.2008	100%

	Fair value of net assets			Current value of net assets		
	AF named by Shevchenko	ALLC "Noviy Shlyah"	ALLC "Ukraina"	AF named by Shevchenko	ALLC "Noviy Shlyah"	ALLC "Ukraina"
Non-current assets						
Property, plant and equipment	-	1 613	1 151	-	348	280
Non-current biological assets	-	267	155	-	267	155
Current assets						
Prepayments and other current assets, net	143	147	125	143	147	125
Inventories	166	121	353	166	121	353
Trade accounts receivable, net	-	9	24	-	9	24
Cash and cash equivalents	1	9	50	1	9	50
Current biological assets	-	1 062	472	-	1 062	472
Short-term liabilities						
Short-term loans	-	-	(40)	-	-	(40)
Other short-term liabilities and accrued expenses	(249)	(267)	(85)	(249)	(267)	(85)
Trade accounts payable	-	(880)	(251)	-	(880)	(251)
Total net assets	**61**	**2 081**	**1 954**	**61**	**816**	**1 083**
Company's share in net assets	**61**	**2 081**	**1 954**	**-**	**-**	**-**
Cost of acquisition	**227**	**606**	**1 337**	**-**	**-**	**-**
Excess of acquired net assets over cost of their acquisition	**166**	**(1 475)**	**(617)**	**-**	**-**	**-**

In year 2008 PE APF “Agro” acquired non-controlling share in subsidiary company CJSC “Agroton” (44%) and as at December 31, 2008 PE APF “Agro” held 100% of corporate rights in this subsidiary. Cost of investments is USD 4 792 thousand.

For the year ended December 31, 2007, the parent company PE Agricultural Production Firm “Agro” acquired corporate rights in such subsidiaries as "Etalon-Agro" LLC, "Rosinka-Star" LLC, "Agro Meta" LLC. Information about this transaction is presented below:

Company's name	Country of incorporation	Type of Company's activity	Date of acquisition	Effective interest in equity
"Etalon-Agro" LLC	Ukraine	Agriculture	30.11.2007	100%
"Rosinka-Star" LLC	Ukraine	Agriculture	04.12.2007	100%
"Agro Meta" LLC	Ukraine	Agriculture	27.09.2007	100%

	Fair value of net assets			Current value of net assets		
	"Etalon-Agro" LLC	"Rosinka-Star" LLC	"Agro Meta" LLC	"Etalon-Agro" LLC	"Rosinka-Star" LLC	"Agro Meta" LLC
Non-current assets						
Property, plant and equipment	15	17	697	15	17	512
Non-current biological assets	-	-	32	-	-	32
Current assets						
Prepayments and other current assets, net	5	-	146	5	-	146
Inventories	7	73	32	7	73	32
Trade accounts receivable, net	32	-	112	32	-	112
Cash and cash equivalents	-	-	25	-	-	25
Current biological assets	-	-	187	-	-	187
Long-term liabilities						
Long-term liabilities for finance lease	-	-	(4)	-	-	(4)
Short-term liabilities						
Short-term loans	-	-	(396)	-	-	(396)
Other short-term liabilities and accrued expenses	(13)	(81)	(146)	(13)	(81)	(146)
Trade accounts payable	(121)	-	(21)	(121)	-	(21)
Current portion of long-term liabilities	-	-	(19)	-	-	(19)
Total net assets	**(75)**	**9**	**647**	**(75)**	**9**	**460**
Company's share in net assets	**(75)**	**9**	**647**	**-**	**-**	**-**
Cost of acquisition	**1**	**9**	**3**	**-**	**-**	**-**
Excess of acquired net assets over cost of their acquisition	**76**	**-**	**(644)**	**-**	**-**	**-**

35. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Economic environment - The Group performs most of its operations in Ukraine. Laws and other regulatory acts affecting the activities of Ukrainian enterprises may be subject to changes and amendments within a short period of time. As a result, assets and operating activity of the Group may be exposed to the risk in case if any unfavorable changes take place in political and economic environment.

Taxation - As a result of instable economic situation in Ukraine, tax authorities pay increasing attention to business circles. In connection with that, Ukrainian tax laws are constantly changing. Except this, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and accruals of material penalty.

Retirement and other liabilities - Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organization in accordance with the applicable laws and regulations of Ukraine. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries. As at December 31, 2009, 2008 and 2007 the Group’s entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees. Legal proceedings – In the course of carrying out its activities, the Group’s entities take part in legal proceedings and various claims are advanced to them. Management believes that legal proceedings will have no significant effect on the Group's financial position. As at December 31, 2009 and 2008 inventories of book value USD 17 thousand USD 41 thousand respectively were used as security of bank loan of third party.

36. OPERATING LEASE

Liabilities under land and fixed assets operating lease agreements - the Group has the following liabilities under land and fixed assets operating lease agreements as at December 31, 2009, 2008 and 2007:

	Year ended December 31,		
	2009	2008	2007
Within 1 year	1 968	1 923	1 879
From 1 to 5 years	7 411	7 192	6 482
More than 5 years	6 320	7 634	6 559
Total	**15 699**	**16 749**	**14 920**

Plough-land is leased by the Group from individuals. The total size of leased plough-land as at December 31, 2009 is approximate to 119 thousand hectares. The average rental payment for leased plough-land in 2009 was 2%.

37. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk and market risk (including currency risk and fair value risk). This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.

Additional disclosures of quantitative information are presented in many other sections of these financial statements, including:

- information on financial income and expenses is disclosed in Note 28 (all financial income and expenses are recognized as a part of income / (expenses) for the period);
- information on cash is disclosed in Note 16;
- information on trade and other accounts receivable is disclosed in Notes 13, 15;
- information on long-term financial investments is disclosed in Note 9;
- information on trade and other accounts payable is disclosed in Notes 21, 22;
- information on significant terms of borrowings and loans granting is disclosed in Notes 18 and 20;
- information on timing and terms of effective contracts for finance lease is disclosed in Note 19.

(a) Credit risk

Credit risk is the risk of financial loss for the Group in case of non-fulfillment of liabilities by a client or counterparty under the respective agreement. In the reporting period the Group's financial assets which are exposed to credit risk are represented as follows: cash and balances on bank accounts, trade and other accounts receivable (except for receivables that are not represented by financial assets), accounts receivable for loans granted.

Exposure to credit risk

Book value of financial assets is a maximum value exposed to credit risk. Maximum level of credit risk as at December 31, 2009, 2008 and 2007 was:

	Book value		
	Year ended December 31,		
	2009	2008	2007
Long-term loans granted to related parties	137	125	167
Long-term loans granted to employees (including current portion)	24	38	22
Trade accounts receivable, net	7 482	3 869	6 413
Current loans given to related parties	-	172	74
Current loans given to employees	4	2	16
Other accounts receivable and other current assets (excluding assets which are not financial ones)	35	267	85
Cash and cash equivalents	35 106	820	1 385
Total	**42 788**	**5 293**	**8 162**

The Group's credit risk is mainly related to trade accounts receivable of the clients (buyers of products) of the Group's entities.

The Group's exposure to credit risk is primarily dependent on specific particularities of each client. Demographic measure of the Group's client base, including non-payment risk, that is inherent to the market or region in which clients carry out their activity, has less influence on the credit risk level of the Group.

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 standing clients, there were no significant losses during 2009, 2008 and 2007 resulting from non-fulfillment of obligations by clients. The Group does not require any provisions relating to trade accounts receivable. Concentration of credit risk on trade accounts receivable is characterized by the following indicators:

- in 2009 no more than 33% from the Group's revenue was related to the sales transactions which were carried out with one of the clients;
- in 2008 no more than 1% from the Group's revenue was related to the sales transactions which were carried out with one of the clients;
- as at December 31, 2009 USD 4 138 thousand or 53% from the total amount of trade accounts receivable is accounted for the share of the most significant debtor;
- as at December 31, 2008 USD 205 thousand or 5% from the total amount of trade accounts receivable is accounted for the share of the most significant debtor.

Based on its previous experience, the Group considers that there is no necessity to form doubtful debt provision regarding the undue trade accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial liabilities 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 fulfill its financial liabilities in a due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damaged reputation of the Group.

The aim of the Group is the maintenance of balance between continuous financing and flexibility in usage of bank loans and settlements with suppliers. The majority of the Group's expenses are variable and depend on level of sold finished goods. This therefore results in most expenses directly generating revenue to settle the Group's liabilities in the ordinary course of business.

As at December 31, 2009 short –term assets of the Group exceeded its short-term liabilities by USD 20 529 thousand. As at December 31, 2008 the short-term liabilities of the Group exceeded its short –term assets by USD 22 809 thousand, as at December 31, 2007 short –term assets of the Group exceeded its short –term liabilities by USD 6 060 thousand respectively.

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from December 31, 2009 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	**Total**
Long-term bank loans	-	-	-	-	824	**824**
Current portion of long-term bank loans	-	(45)	(109)	(154)	-	**(308)**
Short-term borrowings	-	(664)	(13 175)	(34 306)	-	**(48 145)**
Trade accounts payable	(909)	(1 061)	-	-	(31)	**(2 001)**
Long-term finance lease liabilities	(1 000)	(1 192)	(1 160)	(2 239)	(5 910)	**(11 501)**
Other short-term liabilities and accrued expenses	(1 057)	(6 358)	(803)	(48)	-	**(8 266)**
	(2 966)	**(9 320)**	**(15 247)**	**(36 747)**	**(5 117)**	**(69 397)**

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from December 31, 2008 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	**Total**
Long-term bank loans	-	-	-	-	516	**516**
Current portion of long-term bank loans	-	(46)	(111)	(158)	-	**(315)**

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	**Total**
Short-term borrowings	(383)	(25 618)	(20 179)	(1 988)	-	**(48 168)**
Trade accounts payable	(1 452)	(2 422)	(27)	(142)	-	**(4 043)**
Long-term finance lease liabilities	(248)	(980)	(956)	(1 825)	(9 055)	**(13 064)**
Other short-term liabilities and accrued expenses	(1 317)	(2 277)	(237)	(58)	(38)	**(3 927)**
	(3 400)	**(31 343)**	**(21 510)**	**(4 171)**	**(9 609)**	**(70 033)**

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from December 31, 2007 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	**Total**
Long-term bank loans	-	-	-	-	(3 797)	**(3 797)**
Current portion of long-term bank loans	-	(54)	(147)	(194)	-	**(395)**
Short-term borrowings	(584)	(9 531)	(19 875)	(3 492)	-	**(33 482)**
Trade accounts payable	(1 224)	(840)	-	-	-	**(2 064)**
Long-term finance lease liabilities	-	-	-	(18)	(6)	**(24)**
Other short-term liabilities and accrued expenses	(388)	(2 024)	-	-	-	**(2 412)**
	(2 196)	**(12 449)**	**(20 022)**	**(3 704)**	**(3 803)**	**(42 174)**

According to the Group's plans, its working capital requirements are met both at the expense of cash inflow from operating activities and credit funds, when additions from operating activities are insufficient for the timely repayment of liabilities.

(c) Market risk

Market risk is the risk of negative influence of changes in market prices, such as foreign exchange rates and interest rates, on revenue position of the Group or on the value of the Group's available financial instruments.

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits.

Description of the Group's exposure to such market components as currency risk and interest risk, is given below.

(d) Currency risk

Currency risk which represents a part of market risk is the risk of change in value of financial instruments due to changes in foreign exchange rates.

The Group is exposed to currency risk as a result of borrowings denominated in currencies which differ from functional currency, and namely, in USD and Euro. Currency risk relating to purchases is less significant, since the main portion of purchases in currencies different from functional currency is made on terms of partial or full prepayment.

Management does not use derivative financial instruments to hedge currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, management uses its own estimates to take the decision as for which currency of the liability will be more favorable for the Group during the expected period till maturity.

Exposure to currency risk

The Group's exposure to currency risk as at December 31, 2009, 2008 and 2007 based on book values was as follows:

	December 31, 2009		
(in conversion to USD thousand)	USD	Euro	RUB
Cash in bank and cash with brockers	34 982	16	-
Financial lease liabilities	(1 347)	-	-
Bank and other loans	(20 361)	-	-
Trade and other accounts payable	(939)	21 688	-
Total book value exposed to currency risk	**12 335**	**(21 672)**	-
Forward currency contracts	-	-	-
Net exposure to currency risk	**12 335**	**(21 672)**	-

(in conversion to USD thousand)	December 31, 2008 USD	Euro	RUB
Cash in bank	-	-	-
Financial lease liabilities	(1 139)	-	-
Bank and other loans	(23 654)	-	-
Trade and other accounts payable	(70)	(149)	-
Total book value exposed to currency risk	**(24 863)**	**(149)**	**-**
Forward currency contracts	-	-	-
Net exposure to currency risk	**(24 863)**	**(149)**	**-**

(in conversion to USD thousand)	31 December 2007 USD	Euro	RUB
Cash in bank	-	180	-
Bank and other loans	(18 137)	-	-
Trade and other accounts payable	(4)	-	(36)
Total book value exposed to currency risk	**(18 141)**	**180**	**(36)**
Forward currency contracts	-	-	-
Net exposure to currency risk	**(18 141)**	**180**	**(36)**

Sensitivity analysis (currency risk)

Below there is an analysis of sensitivity of income (or loss) of the Group before tax to the possible changes in foreign currency rates. This analysis is conducted based on the assumption that all other variables, and interest rates in particular, remain unchanged.

Effect in USD thousand:	**Increase in currency rate against UAH**	**Effect on income before tax**
December 31, 2009		
USD	15%	1 850
Euro	10%	(2 167)
December 31, 2008		
USD	15%	(3 729)
Euro	10%	(15)
December 31, 2007		
USD	15%	(2 721)
Euro	10%	18
RUB	10%	(4)

Strengthening of Hryvnia rate against currencies mentioned below would have influence on the above mentioned indicators, which is equal in magnitude but opposite in sign to, based on the assumption that all other variables remain unchanged.

(e) Interest rate risk

Interest rate risk is connected with a possibility of changes in value of financial instruments resulting from changes in interest rates.

At present, the Group's approach to limitation of interest rate risk consists in borrowings at fixed interest rates.

Structure of interest rate risk

As at December 31, 2009, 2008 and 2007 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was as follows:

	Year ended December 31, 2009	2008	2007
Instruments with fixed interest rate			
Financial assets	161	163	189
Financial liabilities	(57 682)	(57 605)	(36 026)

Such financial instruments as cash, short-term accounts receivable and payable, interest-free short-term loans are not included in the table given below, since possible effect of changes in interest rate risk (discount rates) under these financial instruments is not material.

Financial markets volatility

The situation of reduced liquidity may have a negative impact on Group's creditors, which, in its turn, will influence their solvency. Deteriorating conditions on construction market may affect the forecasts of cash flows made by management, as well as possible impairment of financial and other assets of the Group. In terms of all currently available information, management has used the most reliable assumptions to assess the financial risks. It is quite difficult to estimate with sufficient reliability the influence on the financial position of the Group resulting from further possible deterioration in liquidity and stability on financial markets.

(f) Risk management in agricultural business

Biological assets are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular field and farm inspections and industry pest and disease surveys. The Group also insures itself against natural disasters.

38. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state and has been progressively developing into a market economy. Although substantial progress has been made since independence in reforming Ukraine's economy, along with the country's political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms.

Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into the first quarter of 2010. Despite signs of stabilisation, major converns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centered on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

39. CAPITAL MANAGEMENT

The Group's management follows the policy of providing the firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

In the process of capital management the Group's objectives are as follows: maintaining the Croup's ability to follow the going concern principle to provide income for shareholders and benefits to other interested parties, and also maintaining the optimal capital structure with the purpose of its cost reduction. To control the capital, the Group's management, above all, uses calculations of financial leverage ratio (ratio of leverage ratio) and ratio between net debt and EBITDA. Financial leverage is calculated as a ratio between net debt and total amount of capital. Net debt is calculated as cumulative borrowing costs net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the balance sheet plus the amount of net debt.

This indicator measures net debt as a share in total amount of capital of the Group, i.e. it correlates the debt with total amount of capital and shows whether the Group is able to pay the amount of outstanding debts. The increase in this ratio testifies to increase in borrowing costs in the total amount of the Group's capital. Monitoring this indicator is necessary to keep the optimal correlation between own funds and borrowing costs of the Group in order to avoid problems resulting from debt which is too heavy, and not because of operating or strategic difficulties.

For the ratio of net debt to EBITDA, the calculation of net debt is carried out in the same way as for financial leverage ratio. EBITDA is an indicator of income without taxes, accrued interest depreciation and amortization. It is useful for the Group's financial analysis, since the Group's activity is connected with long-term investments, the effectiveness of which is referred for the future. EBITDA indicator does not account for depreciation, according to the Group's opinion, it reflects the Group's income in a more reliable way.

The indicator of correlation between net debt and EBITDA gives understanding whether income obtained from principal activity without depreciation and amortization is enough to cover the Group's liabilities.

As at December 31, 2009, 2008 and 2007 the Group's financial leverage ratio made up 28,9%, 78% and 41,1% respectively:

	Book value		
	Year ended December 31,		
	2009	**2008**	**2007**
Short-term loans	48 145	48 168	33 482
Long-term loans	516	841	3 797
Long-term liabilities for finance lease	5 744	6 945	4
Current portion of long-term liabilities	3 664	2 417	413
Total amount of borrowing costs	**58 069**	**58 371**	**37 696**
Cash and cash equivalents	(35 106)	(820)	(1 385)
Net debt	**22 963**	**57 551**	**36 311**
Share capital	494	156	156
Share premium	38 474	-	-
Retained earnings	26 800	24 998	42 576
Effect from foreign currency translation	(9 719)	(9 158)	-
Share of the non-controlling owners	368	236	9 362
Total equity	**56 417**	**16 232**	**52 094**
Total amount of own capital and net debt	**79 380**	**73 783**	**88 405**
Financial leverage ratio	**28,9%**	**78,0%**	**41,1%**

For the years ended December 31, 2009, 2008 and 2007, ratio of net debt to EBITDA constituted 1,1 at EBITDA - USD 21217, 5,5 at EBITDA - USD 10477 thousand and 1,6 at EBITDA - USD 22 322 thousand respectively:

	Year ended December 31,		
	2009	**2008**	**2007**
Net income	5 051	(18 890)	14 570
Expenses on income tax	-	-	2
Financial income /(expenses), net	11 588	23 657	4 246
EBIT (earnings before financial income net and income tax)	**16 639**	**4 767**	**18 818**
Depreciation and amortization	4 578	5 710	3 504
EBITDA (earnings before financial income, net, income tax, depreciation and amortization)	**21 217**	**10 477**	**22 322**
Net debt at the year end	22 963	57 551	36 311
Net debt at the year end / EBITDA	**1,1**	**5,5**	**1,6**

During the year there were no changes in approaches to capital management. The Group is not an object of external regulatory requirements regarding capital.

40. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		Year ended December 31,		
		2009	**2008**	**2007**
Profit/(loss) attributable to equity holders of the Company		5 070	(18 418)	15 174
Weighted average number of ordinary shares in issue (thousands)	(i)	14 468	N/A	N/A

(i) The basic earnings per share for the year 2008 and 2007 was not calculated, because the Company was incorporated on September 21, 2009 and therefore there were no shares in issue prior to the incorporation dare (Note 16).

b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive potential ordinary shares, such as convertible debt and share options, and as a result the diluted earnings per share equals to the Basic earnings per share.

41. SUBSEQUENT EVENTS

In year 2010 PE APF “Agro” made a loan in UAH amounting to USD 6 888 thousand according to agreement of non-renewable credit line with PJSC "Alpha-Bank". Credit limit is equal to USD 6 888 thousand. Annual interest rate is 24%. Maturity date is February 4, 2011. The object is repayment of liabilities under financial lease contract with PJSC "Alpha-Bank".

Independent Auditors' Report on pages F-6 and F-7.

Agroton Public Limited
Consolidated condensed interim financial information (Unaudited)
For the six months ended June 30, 2010

AGROTON PUBLIC LIMITED
BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:	Tamara Lapta Iurii Zhuravlov Alex Lissitsa Borys Supikhanov (resigned February 2, 2010, re-appointed March 30, 2010) Nikolay Rozdymaha (appointed June 25, 2010)
COMPANY SECRETARY:	**Inter Jura Cy (Services) Limited** 1 Lampousas Street CY-1095 Nicosia Cyprus
REGISTERED OFFICE:	1 Lampousas Street CY-1095 Nicosia Cyprus

TO THE MEMBERS OF AGROTON PUBLIC LIMITED
INDEPENDENT AUDITORS' REVIEW REPORT

Report on review of consolidated interim financial information to Agroton Public limited.

Introduction

We have reviewed the accompanying consolidated condensed interim financial information of Agroton Public Limited, which comprise the consolidated interim balance sheet as at June 30, 2010 and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated condensed interim financial information in accordance with International Accounting Standards 34 "Interim Financial Reporting".

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not give a true and fair view of the consolidated financial position of the entity as at June 30, 2010, and of its financial performance and its cash flows for the six - month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Klitou

August 30, 2010

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2010

The notes on pages F 61-71 form are an integral part of this consolidated condensed interim financial information.

Consolidated Interim Statement of Financial Position *(in thousand USD)*

	Note	June 30, 2010	December 31, 2009	June 30, 2009
ASSETS				
Non-current assets				
Property, plant and equipment	6	40 185	40 114	44 084
Intangible assets	7	8 009	10	9
Non-current biological assets	8	1 828	1 932	2 017
Long-term financial assets		168	154	160
Other non-current assets		314	63	91
		50 504	**42 273**	**46 361**
Current assets				
Current biological assets	9	68 844	8 700	37 214
Inventories	10	21 072	30 968	9 401
Trade receivables		5 044	7 482	4 598
Prepayments and other current assets		1 145	1 515	1 260
Cash and cash equivalents	11	14 687	35 106	389
		110 792	**83 771**	**52 862**
Total assets		**161 296**	**126 044**	**99 223**
EQUITY AND LIABILITIES				
Equity and reserves attributable to owners of the parent				
Share capital	12	494	494	156
Share premium	12	38 474	38 474	-
Retained earnings		54 977	26 800	36 222
Effect from foreign currency translation		(9 381)	(9 719)	(8 944)
		84 565	**56 049**	**27 434**
Minority interest		250	368	375
Total equity		**84 815**	**56 417**	**27 809**
Long-term liabilities				
Deferred income		-	125	345
Long-term bank loans		447	516	689
Long-term finance lease liabilities		4 473	5 744	6 913
		4 920	**6 385**	**7 947**
Short-term liabilities				
Short-term loans		47 375	48 145	46 708
Current portion of long-term liabilities		2 155	3 664	2 770
Trade accounts payable		4 568	2 001	3 040
Other short-term liabilities and accrued expenses		16 447	8 304	10 635
Short-term provisions		1 016	1 128	314
		71 561	**63 242**	**63 467**
Total liabilities		**76 481**	**69 627**	**71 414**
Total equity and liabilities		**161 296**	**126 044**	**99 223**

On August 30, 2010 the Board of Directors of Agroton Public Limited authorised this consolidated condensed interim financial information for issue.

Mr Iurii Zhuravlov
Director

Ms Tamara Lapta
Director

Consolidated Interim Statement of Comprehensive Income *(in thousand USD)*

	For the six months ended June 30,	
	2010	**2009**
Sales revenue	19 667	26 390
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	44 290	21 521
Cost of sales	(21 049)	(26 929)
Gross profit	**42 908**	**20 982**
Administrative expenses	(3 107)	(2 373)
Distribution expenses	(924)	(843)
Other income, net	(3 841)	920
Financial expenses, net	(6 960)	(5 417)
Profit before tax	**28 076**	**13 269**
Income tax expenses	-	-
Profit for the period	**28 076**	**13 269**
Other comprehensive income for the period:		
Effect from currency translation	341	217
Total comprehensive income for the period	**28 417**	**13 486**
Profit for the period attributable to:		
Owners of the parent	28 090	13 292
Minority interest	(14)	(23)
Earnings per share attributable to the equity holders of the Company during the period: (expressed in USD cents)	**28 076**	**13 269**
Basic earnings per share	176	N/A
Diluted earnings per share	176	N/A
Total comprehensive income attributable to:		
Owners of the parent	28 428	13 512
Minority interest	(11)	(26)
	28 417	**13 486**

Consolidated Interim Statement of Changes in Equity (*in thousand USD*)

	Share capital	Share premium (1)	Retained earnings (2), (3)	Effect from currency translation	Total equity attributable to the owners of the parent company	Minority interest	Total
January 01, 2009	**156**	**-**	**24 998**	**(9 158)**	**15 996**	**236**	**16 232**
Comprehensive income for the period	-	-	13 295	214	**13 509**	(23)	**13 486**
Acquisition of subsidiary	-	-	-	-	**-**	162	**162**
Net asset distributions	-	-	(2 071)	-	**(2 071)**	-	**(2 071)**
June 30, 2009	**156**	**-**	**36 222**	**(8 944)**	**27 434**	**375**	**27 809**
January 01, 2010	**494**	**38 474**	**26 800**	**(9 719)**	**56 049**	**368**	**56 417**
Comprehensive income for the period	-	-	28 090	338	**28 428**	(11)	**28 417**
Acquisition of non-controlling share	-	-	87	-	**87**	(107)	**(20)**
Net asset distributions	-	-	-	-	**-**	-	**-**
June 30, 2010	**494**	**38 474**	**54 977**	**(9 381)**	**84 565**	**250**	**84 815**

(1) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

(2) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defense at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defense is paid by the Company for the account of the shareholders.

(3) In accordance with the Company's Articles of Association, par. 120, dividends can only be paid out of retained earnings.

Consolidated Interim Statement of Cash Flows *(in thousand USD)*

	Note	2010	2009
		For the six months ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		28 076	13 269
Adjustments for:			
Depreciation and amortization		2 517	2 327
Income from changes in fair value less cost to sell of biological assets and agricultural products, net		(44 290)	(21 521)
Interest income		(2)	(4)
Interest expense		11 379	4 858
Gain on revaluation of long-term accounts receivable at amortised value		(14)	(12)
Provision for doubtful debts		52	74
Prepayments and other current assets written-off		358	241
Loss on write-off of non-current assets		57	302
Gain on write-off of accounts payable		(46)	(4)
Gain on acquisitions of subsidiaries		-	(189)
Recovery from provision for doubtful debts		(95)	(91)
Losses from foreign exchange differences, net		683	571
Impairment of inventories and harvest failure		2 127	140
Compensation for creation of new jobsites		(125)	(213)
		677	**(252)**
Changes in working capital:			
Decrease/(increase) in trade accounts receivable		2 640	(648)
Decrease in prepayments and other current assets		276	774
(Increase)/decrease in inventories and biological assets		(7 266)	5 060
Increase /(decrease) in trade accounts payable		2 554	(1 129)
Increase in other short-term liabilities and accrued expenses		5 148	3 638
Increase in other provisions accrued		(100)	(429)
Cash generated from operations		**3 929**	**7 014**
Income tax paid		-	-
Net cash from operating activities		**3 929**	**7 014**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1 697)	(589)
Purchase of non-current biological assets		-	(317)
Purchase of intangible assets		(8 000)	-
Purchase of investments into subsidiary		(20)	(27)
Short-term and long-term loans issued to employees and related parties		-	(5)
Repayment of short-term and long-term loans to employees and related parties		4	20
Net cash used in investing activities		**(9 713)**	**(918)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Movements in credit lines, net		9 780	(2 528)
Receipts from short-term and long-term loans and borrowings		-	1 496
Repayment of short-term and long-term loans and borrowings		(10 325)	(529)
Borrowing costs paid		(5 360)	(2 083)
Net assets distributions		-	(2 071)
Repayment of short-term bonds		(1 785)	-
Repayment of financial lease liabilities		(6 999)	(820)
Net cash used in financing activities		**(14 689)**	**(6 535)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20 473)**	**(439)**
Effect from foreign currency translation		**54**	**8**
Cash and cash equivalents at the beginning of the period		**35 106**	**820**
Cash and cash equivalents at the end of the period		**14 687**	**389**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2010 ***(in thousand USD)***

1. DESCRIPTION OF THE BUSINESS

Country of incorporation

The Company was incorporated in Cyprus on September 21, 2009 as a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113, and it is domiciled in Cyprus. Its registered office is at 1 Lampousas Street, CY-1095 Nicosia, Cyprus.

Principal activities

The principal activities of the Group are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming) and milk processing.

Group structure

The Group structure as at June 30, 2010 was as follows:

Name of company	Country of incorporation	Principal activity	Effective ownership ratio As at June 30, 2010	2009
Agroton Public Limited	Cyprus	Holding company	parent company	N/A
"Living" LLC	Ukraine	Holding investments	99,99%	100,00%
PE Agricultural Production Firm "Agro"(i)	Ukraine	Holding company	99,99%	parent company
"Agroton" PJSC	Ukraine	Agricultural activity	99,99%	100,00%
OJSC "Belokurakinskiy Elevator"	Ukraine	Agricultural activity	84,66%	84,67%
OJSC "Breeding Poultry Farm "Mirnyi"	Ukraine	Agricultural activity	78,46%	78,47%
"Agro Meta" LLC	Ukraine	Agricultural activity	99,99%	100,00%
"Rosinka-Star" LLC	Ukraine	Agricultural activity	99,99%	100,00%
"Etalon-Agro" LLC	Ukraine	Agricultural activity	99,99%	100,00%
ALLC "Noviy Shlyah"	Ukraine	Agricultural activity	99,99%	100,00%
AF named by Shevchenko	Ukraine	Agricultural activity	99,99%	100,00%
"Zolotaya Guildia" LLC	Ukraine	Agricultural activity	liquidated	liquidated
ALLC "Shiykivske"	Ukraine	Agricultural activity	94,51%	80,99%

(i) On October 29, 2009, Agroton Public Limited (Cyprus) became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro" (Ukraine). Following a reorganization of the Group, the Group became controlled by "Living" LLC (Ukraine) which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group. The assets and liabilities of the new Group and the original Group are the same immediately before and after the reorganization. Also, the owner of the original parent before the reorganization have the same absolute and relative interests in the net assets of the original Group and the new Group immediately before and after the reorganization.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this consolidated interim financial information are set out below. These policies have been consistently applied to all periods presented in this consolidated interim financial information.

2.1 Basis of preparation of condensed consolidated interim information

This consolidated condensed interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated condensed interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009, which have been prepared in accordance with IFRSs.

This consolidated condensed interim financial information was prepared in accordance with IFRS which became effective for years commencing on or after June 30, 2010.

2.2 Accounting policies

Except of described below, the accounting policies applied in this consolidated condensed interim information are consistent with those of the annual consolidated financial statements for the year ended December 31, 2009, as described in those annual consolidated financial statements.

Items included in the interim financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). For all the subsidiaries of the Company, which are operating in Ukraine, the Ukrainian Hryvna ("UAH") is the functional currency. The consolidated condensed interim financial information is presented in United States Dollars ("USD") which is the Company's functional and the Group's presentation currency.

The Management has utilized USD as the presentation currency for Group's consolidated condensed interim financial information as USD is the major reference currency in Ukraine with respect to sources of finance, prices of sales contracts with customers, prices of significant contracts for purchases of goods and services from suppliers and also more recognizable at the foreign capital markets.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each date of consolidated interim financial position presented are translated at the closing rate at the date of that financial position;

(ii) Income and expenses for each consolidated interim income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognized as a separate component of equity.

The principal UAH exchange rates used in the preparation of consolidated condensed interim financial information are as follows:

Currency	June 30, 2010	Average exchange rate for the 6 months ended June 30, 2010	December 31, 2009	June 30, 2009	Average exchange rate for the 6 months ended June 30, 2009	December 31, 2008
UAH/USD	7,91	7,96	7,99	7,63	7,68	7,70

2.3 Standards and interpretations

The following standards and interpretations have not been adopted in this consolidated condensed interim financial information, which will be generally effective (assuming endorsement by the EU where not currently endorsed) for periods commencing on or after January 1, 2010 or later.

IFRS 1: First time adoption of IFRS – Amendment; Additional exemptions for first time adopters

IFRS1: First time adoption of IFRS – Amendment: Limited exemptions from comparative IFRS7 disclosures for first time adopters

IFRS 2: Share-based payments – Amendment; Cash-settled Share-based payment transactions

IFRS 5: Non-current assets held for sale and discontinued operations: Improvement to Standard

IFRS 9: Financial Instruments

IAS 7: Statement of Cash Flows: Improvement to Standard (endorsed)

IAS 17: Leases: Improvement to Standard (endorsed)

IAS 24: Revised IAS 24 – Related party disclosures

IAS 32: Financial Instruments: Presentation – amendment; Classification of Rights Issues (endorsed)

IAS 36: Impairment of assets: Improvement to Standard (endorsed)

IAS 38: Intangible assets: Improvement to Standard

IAS 39: Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items (endorsed)

IFRIC 9: Reassessment of Embedded Derivatives: Improvement to Standard (endorsed)

IFRIC 14: Amendment – Prepayments of a minimum funding requirement

IFRIC 16: Hedges of net investment in a foreign operation: Improvement to Standard (endorsed)

IFRIC 17: Distributions of Non-cash Assets to Owners (endorsed)

IFRFIC 18: Transfers of Assets from Customers (endorsed)

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The Board of Directors anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated condensed interim financial information of the Group.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated condensed interim financial information requires management to make judgments, 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, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated condensed interim financial information:

3.1 Basis of consolidation (transactions under common control)

Control over certain subsidiaries by Parent company has always existed because there was an ability to manage its financial and operating policies with the aim to receive benefits from its activities and this control over subsidiaries and Parent company belongs to the ultimate beneficial owner. These transactions are considered to be as combinations of business under common control, which are outside the scope of IFRS 3 "Business combinations".

3.2 Useful lives of property, plant and equipment

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors". These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in the statement of comprehensive income.

3.3 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3.4 Provisions for doubtful debts

The Group provides for doubtful debts to cover the potential losses when a customer may be unable to make necessary payments. Assessing the adequacy of allowance for doubtful debts, management considers the current economic conditions in general, of the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of allowance for doubtful debts reflected in the consolidated condensed financial information as impairments of receivables.

3.5 Legal proceedings

The Group's management applies significant assumptions in measurement and reflection of reserves and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or crystallizing of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as far as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have significant effect on the future results of operating activity.

3.6 Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is tightly connected with development of significant judgments and estimates relating to the consequences of such future events.

3.7 Biological assets

Animals in growing and fattening and working and productive cattle are measured at fair value less costs to sell at the date of initial recognition and at every reporting date. Fair value is determined using prices of the active markets in Ukraine less costs to sell for one kilogram of meat applied by net marketable weight of appropriate group of assets.

3.8 Inventories

Agricultural products are initially recognized at fair value less costs to sell at the date of harvest. Fair value is determined using the average price of the three largest markets or buyers in Ukraine as these products are sold within the Ukrainian market at the date of harvesting less costs to sell. As at the year-end any agricultural products that have been harvested and no sold are reported within inventories at the lower of cost (fair value at date of harvest) and net realisable value at the consolidated interim balance sheet date.

3.9 Impact of the ongoing global financial and economic crisis

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to bank failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors and clients of the Group may be adversely affected by the financial and economic environment, lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating economic conditions for clients may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

3.10 Seasonality

A substantial majority of the Group's revenues result crop production and this segment of the Group's business is highly seasonal, and its production cycle is different from its financial year. Production of crops is influenced by both the time of the year and the relative severity of the weather. The Group's crops are generally sown in July and harvested in the period from July to September of the following year. Due to the seasonal nature of agricultural activity, the Group typically generates significantly higher revenues in the second half of the year, when the harvested crops are typically sold, than in the first half of the year.

The Group's business cycle is long and may vary from year to year. The Group aims to sell crops when prices are at their peak. If prices are not favorable following a harvest, the Group may store a particular crop and sell it when prices are more favorable, which may be as late as December of a particular year or even during the first quarter of the following year. Changes in the timing of receipt of revenues may result in variations in the Group's results on a quarterly basis from year to year and may result in increased working capital requirements for the Group, particularly during periods when crops are stored prior to being sold. In addition, the Group typically purchases fertilizer and fuel in the winter period and stores it for future use later in the year, which results in higher cash outflows in the first quarter relative to other quarters.

4. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Earlier in year 2009 the Group accounted compensation for unused vocations as short-term provision. In year 2010 The Group revised its accounting policy and decided to reflect these compensations as short-term payroll liabilities. The Group applied these changes retrospectively for the six months ended 2009.

5. SEGMENT INFORMATION

The Group conducts operation of grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming), milk processing and foodstuff manufacture.

The Group identifies a business segment as a component of entity, that is engaged in business activity such as production of separate product or service, which brings profit and is exposed to risks. Profit and risks of each segment are different.

The Group identifies following business segments that include products and services which have different risk levels and conditions of revenue earning.

Plant breeding segment raises and sells of agricultural products. Main agricultural products which are sold in this business segment are wheat, rye, barley, sunflowers, rape, etc.

Livestock segment raises and sells biological assets and agricultural products of cattle breeding. Main biological assets and agricultural products which are sold in this business segment are poultry, cattle, pigs, milk.

Agricultural products segment processes agricultural products and produces finished products. Main type of products which is produced and sold in this business segment is food stuff - baked and macaroni goods, hard cheese, milk, sunflower-seed oil.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated condensed interim financial information. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended June 30, 2010	**Livestock**	**Plant breeding**	**Agricultural products processing**	**Other**	**Adjustments and eliminations**	**Total**
Total revenue	7 934	11 500	4 030	517	-	23 981
Inter-segment sales	(937)	(2 976)	(349)	(52)	4 314	-
Sales to external customers	6 997	8 524	3 681	465	-	19 667
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(1 521)	45 811	-	-	-	44 290
Depreciation and amortization	471	1 567	330	149	-	2 517

Year ended June 30, 2010	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Segment profit	(2 334)	45 251	(210)	201	-	42 908

As at June 30, 2010	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Capital expenses	400	1 735	52	81	-	2 268
Operating assets	21 921	110 343	10 361	3 816	14 855	161 296
Operating liabilities	891	12 260	569	1 298	61 413	76 431

Assets of segments do not include long-term financial investments (168 thousand USD), cash and cash equivalents (14 636 thousand USD), VAT for reimbursement and prepayments for VAT (5 thousand USD), current loans to employees (2 thousand USD), current portion of long-term loans to employees (7 thousand USD), prepayments for other taxes (9 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (5 686 thousand USD), liabilities for other taxes and mandatory payments (52 thousand USD), liabilities for value-added tax (53 thousand USD), liabilities for interest (5 138 thousand USD), accounts payables for investments (87 thousand USD), short-term provisions (420 thousand USD), long-term borrowings (447 thousand USD), current portion of long-term borrowings (2 155 thousand USD), short-term borrowings (47 375 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (thousand USD), selling and distribution expenses (thousand USD), other income (expenses), net (thousand USD), financial income (expenses), net (thousand USD).

During 6 months ended June 30, 2010 revenue from segment plant breeding was derived from one contractor amounting to USD 2 486 thousands.

Year ended June 30, 2009	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Total revenue	8 545	14 077	4 673	623	-	27 918
Inter-segment sales	(623)	(588)	(244)	(73)	1 528	-
Sales to external customers	7 922	13 489	4 429	550	-	26 390
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(26)	21 547	-	-	-	21 521
Depreciation and amortization	455	1 401	324	147	-	2 327
Segment profit	(605)	20 794	517	276	-	20 982

As at June 30, 2009	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Capital expenses	266	373	49	135	-	823
Operating assets	24 147	58 813	11 688	3 932	643	99 223
Operating liabilities	990	11 041	720	726	57 937	71 414

Assets of segments do not include long-term financial investments (160 thousand USD), cash and cash equivalents (390 thousand USD), VAT for reimbursement and prepayments for VAT (78 thousand USD), current loans to employees (13 thousand USD), current portion of long-term loans to employees (2 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (4 124 thousand USD), liabilities for other taxes and mandatory payments (45 thousand USD), liabilities for value-added tax (3 thousand USD), liabilities for interest (3 106 thousand USD), accounts payables for investments (177 thousand USD), short-term provisions (314 thousand USD), long-term borrowings (689 thousand USD), current portion of long-term borrowings (2 771 thousand USD), short-term borrowings (46 708 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (thousand USD), selling and distribution expenses (thousand USD), other income (expenses), net (thousand USD), financial income (expenses), net (thousand USD).

During 6 months ended June 30, 2009 revenue from segment plant breeding was derived from one contractor amounting to USD 6 676 thousands.

Geographic information

The Group's activity of plant breeding, stock breeding, producing finished goods and all raw-material markets and marketing outlets are allocated within Ukraine.

6. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2009, the Group continues investment mainly into its plant breading operation. The main capital expenditures were incurred in connection with the reconstruction and improvement of the existing facilities and the final completion of stock and poultry buildings. During the six months ended June 30, 2010 there were no any significant reconstruction and improvement of the existing facilities.

During the six months ended June 30, 2010 and June 30, 2009, the Group’s additions to Property, plant and equipment amounted to USD 2 268 thousand and USD 823 thousand respectively.

Assets with a net book value of USD 70 thousand were disposed of by the Group during the six months ended June 30, 2010 (2009: USD 512 thousand).

As at June 30, 2010 and 2009 loans were secured by property plant and equipment book value (except finance lease assets) of USD 13 899 thousand and USD 15 406 thousand respectively.

As at June 30, 2010 and 2009 the Group has removed from operation fixed assets of book value USD 329 thousand and USD 376 thousand respectively.

As at June 30, 2010 and 2009 the book value of property, plant and equipment subjected to finance lease agreements was amounting to USD 6 938 thousand and USD 8 576 thousand respectively.

7. INTANGIBLE ASSETS

The increase in book value of intangible assets for the six months ended June 30, 2010 amounting to USD 8 000 thousand was due to payments of the Group for leasing rights for 16 300 hectares of agricultural land in the Luhansk region, Ukraine. The land lease right is for 10 years. No amortization was charged for the period of the acquisition of the leasing rights was at the end of the period.

8. NON-CURRENT BIOLOGICAL ASSETS

As at June 30, 2010 non-current biological assets are as follows:

	June 30, 2010		**June 30, 2009**	
	Number of heads	**Fair value less costs to sell**	**Number of heads**	**Fair value less costs to sell**
Cattle	3 716	1 484	3 778	1 722
Pigs	1 214	340	1 259	289
Other	12	4	12	6
Total	**4 942**	**1 828**	**5 049**	**2 017**

Decrease of non-current biological assets balances during the six months 2010 is primarily attributable to that of the transferring to current biological assets.

As at June 30, 2010 and 2009 loans were secured by non-current biological assets book value of USD 1 824 thousand and USD 2 011 thousand respectively:

9. CURRENT BIOLOGICAL ASSETS

As at June 30, 2010 animals in growing and fattening were as follows:

	June 30, 2010		June 30, 2009	
	Number of heads	Fair value less costs to sell	Number of heads	Fair value less costs to sell
Cattle	3 912	1 484	4 725	1 785
Pigs	13 769	1 462	16 381	1 770
Poultry	259 279	308	570 801	479
Other	33	11	48	10
Total	**276 993**	**3 265**	**591 955**	**4 044**

Decrease of balances of animals in growing and fattening during the six months 2010 is primarily attributable to that of the soling and using in agricultural products processing.

As at June 30, 2010 the crops under cultivation were as follows:

	June 30, 2010		June 30, 2009	
	Area, thousand of hectares	Amount, USD thousand	Area, thousand of hectares	Amount, USD thousand
Sunflower sowing	53	37 350	48	16 550
Corn sowing	12	7 379	6	1 675
Winter wheat sowing	32	17 383	50	14 228
Winter rape sowing	3	2 401	1	328
Winter barley sowing	2	746	1	193
Winter rye sowing	1	218	2	174
Other sowing	2	102	-	22
Total	**105**	**65 579**	**108**	**33 170**

Increase of balances of crops under cultivation during the six months 2010 is primarily attributable to that of the increasing of crop yield and prices for main types of agricultural products.

As at June 30, 2010 and 2009 loans were secured by current biological assets book value of USD 2 559 thousand and USD 2 874 thousand respectively.

As at June 30, 2010 and 2009 loans were secured by winter wheat of future crop. The estimated fair value of such crop is USD 3 162 thousand.

10. INVENTORIES

Increase of inventories during the six months 2010 resulted mainly from accumulation of stocks of raw materials by USD 2 761 thousand.

Agricultural produce balances have increased as compared to June 30, 2009 owing mainly to the accumulation by the Group of stock of goods (as at June 30, 2010 USD 13 467 thousand).

During 6 months 2010 the Group concluded agreements for selling 5 000 tons of winter wheat and 4 000 tons of winter rape of 2010 crop yield. The prices under these contracts are lower than fair value of such agricultural produce as at June 30, 2010. The group classified such contracts as onerous contracts and reflected a separate provision for an onerous contract in interim consolidated statement of financial position amounting to USD 865 thousand and impairment loss that has occurred on assets dedicated to that contract in interim consolidated statement of comprehensive income amounting to USD 860 thousand.

As at June 30, 2010 and 2009 loans were secured by inventories, book value of USD 30 877 thousand and USD 20 537 thousand respectively.

As at June 30, 2010 and 2009 impairment of inventories and harvest failure was USD 2 536 thousand and USD 625 thousand relatively.

Sales revenue for the year ended June 30, 2010 decreased. Main causes of such reduction were decrease of volume of sold sunflower. Revenue for main agricultural products for the period ended June 30, 2010 was as follows:

	June 30, 2010	June 30, 2009
Winter wheat	5 272	2 710
Sunflower	1 807	7 984

Sales volume for main agricultural products in tones for the year ended June 30, 2010 was as follows:

	June 30, 2010	June 30, 2009
Winter wheat	41 366	24 434
Sunflower	6 001	33 028

11. CASH AND CASH EQUIVALENTS

As at June 30, 2010 cash and cash equivalents balances were as follows:

	June 30, 2010	June 30, 2009
Cash at bank in UAH	43	347
Cash at bank in USD	15	-
Cash with brokers in USD (i)	14 600	-
Cash in hand	29	42
Total	**14 687**	**389**

(i) Cash with brokers related to cash held for investment by the Company's investment banker. In accordance with the agreement between the Company and the investment banker, the Company has access to this cash within three working business days from the day the Group makes a request.

12. SHARE CAPITAL

Authorised	**Number of shares**	**Nominal value, Euro**
Ordinary shares of €0,021 each	47 619	1 000

Issued and fully paid	**Number of shares**	**Share capital, USD**
Issue of share capital	16 000	494
Issue of additional share capital	-	-
Balance at June 30, 2010	**16 000**	**494**

On September 21, 2009 (date of incorporation) the Company issued to the subscribers of its Memorandum of Association 12 000 000 ordinary shares of nominal value €0,021 each. On November 4, 2009 the Company issued 4 000 000 additional ordinary shares of nominal value €0,021 each. Global Depositary Receipts "GDRs" were issued against the new shares by The Bank of New York Mellon. In accordance with share subscription agreement, Phoenix Capital Limited paid to the Company USD 9 728 750 per each new share.

For the six months ended June 30, 2009 parent company of the Group was PE Agricultural Firm "Agro". Its share capital was USD 156 thousand (UAH 786 thousand).

On June 25, 2010 the Board of Directors took a decision to increase the Company's share capital from 16 000 000 shares of nominal value of €0,021 each to 21 670 000 shares of nominal value €0,021 each. The issuance of the new 5 670 000 ordinary shares will be offered to institutional and other investors at a price not higher than PLN 30 (Polish Zloty) per share, including a premium value.

13. LOANS AND BORROWINGS

As at June 30, 2010 the Group has obligations under bank loan agreement with OJSC "Ukrkommunbank" amounting to USD 380 thousand. On May 14, 2010 the loan was rescheduled from May 15, 2010 to December 29, 2010.

As at June 30, 2010 the Group has past-due debt of interests charged under the loan agreements with banks OJSC «Raiffaisen Bank Aval» and JSCB «FORUM» amounting to USD 542 thousand and USD 2 380 thousand respectively.

These agreements stipulate penalties for past-due interests payments in amount of 0.2% from interests liabilities for every day of delay in payment (JSCB «FORUM») and double bank-rate at the date of creation of obligations for every day of delay. Therefore, as at June 30, 2010 the Group obviously has obligations on penalties charged by the banks.

During the six months ended June 30, 2010 the Group repaid liabilities under the contracts of credit lines concluded with JSCB "FORUM" to the amount of USD 7 049 thousand.

As at June 30, 2010 the Group repaid liabilities under the contract of commodity governmental loan with Agricultural Fund to the amount of USD 10 060 thousand. Also accrued interests were repaid in amount of USD 616 thousand.

14. ACQUISITION OF SUBSIDIARIES

For the six months ended June 30, 2009, the Group acquired shareholding in such subsidiaries as ALLC "Shiykivske". Information about this transaction is presented below:

Company's name	Country of incorporation	Type of Company's activity	Date of acquisition	Effective interest in equity
ALLC "Shiykivske"	Ukraine	Agriculture	20.03.2009	80,99%

	Fair value of net assets	Current value of net assets
Non-current assets		
Property, plant and equipment	795	253
Non-current biological assets	5	5
Current assets		
Prepayments and other current assets, net	-	-
Inventories	333	333
Trade accounts receivable, net	23	23
Cash and cash equivalents	6	6
Current biological assets	6	6
Short-term liabilities		
Other short-term liabilities and accrued expenses	(221)	(221)
Trade accounts payable	(95)	(95)
Total net assets	**852**	**310**
Company's share in net assets	690	-
Cost of acquisition	501	-
Excess of acquired net assets over cost of their acquisition	**(189)**	**-**

At the beginning of the year 2010 the Group acquired additional share – 13.51% in ALLC "Shiykivske" for USD 20 thousand. As at June 30, 2010 Group's share in net assets in ALLC "Shiykivske" is 94.51%.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Retirement and other liabilities - Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organization in accordance with the applicable laws and regulations of Ukraine. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries. As at June 30, 2010 and 2009 the Group's entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees. Legal proceedings – In the course of carrying out its activities, the Group's entities take part in legal proceedings and various claims are advanced to them.

Management believes that legal proceedings will have no significant effect on the Group's financial position.

16. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state and has been progressively developing into a market economy. Although substantial progress has been made since independence in reforming Ukraine's economy, along with the country's political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms.

Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into the first quarter of 2010. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centered on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

17. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		For the six months ended June 30,	
		2010	**2009**
Profit/(loss) attributable to equity holders of the Company		28 140	13 509
Weighted average number of ordinary shares in issue (thousands)	(i)	16 000	N/A

(i) The basic earnings per share for the 6 months ended June 30, 2009 was not calculated, because the Company was incorporated on September 21, 2009 and therefore there were no shares in issue prior to the incorporation dare.

b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive potential ordinary shares, such as convertible debt and share options, and as a result the diluted earnings per share equals to the Basic earnings per share.

18. TRANSACTIONS WITH RELATED PARTIES

No any material transactions with related parties for the 6 months ended June 30, 2010 have occurred.

19. SUBSEQUENT EVENTS

At June 30, 2010 the Group had obligations under bank loan agreement with JSCB «FORUM» amounting to USD 26 843 thousand with maturity date on August 1, 2010. At August 8, 2010 JSCB «FORUM» made a decision to prolong the term of maturity date to November 15, 2010. In accordance with this prolongation the part of liabilities in amount of USD 5 660 thousand is converted into UAH and the Group provides additional securities of 5 500 tones of seeds of sunflower.

Independent Auditors' Review Report on page F-56.

RESPONSIBILITY STATEMENT

The following persons responsible declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

On behalf of the Company, AGROTON PUBLIC LIMITED:

Iurii Zhuravlov, Chief Executive Officer	--
Tamara Lapta, Deputy CEO	--
Nikolai Rozdymaha, Chief Operational Officer	--

On behalf of the Underwriter responsible for the drawing up of the Prospectus:

Sharelink Securities and
Financial Services Ltd

ANNEX:
The Memorandum and Articles of Association of the Company

THE COMPANIES LAW, CAP. 113

PUBLIC COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

AGROTON PUBLIC LIMITED

Name	1.	The name of the Company is **AGROTON PUBLIC LIMITED.**
Office	2.	The Registered Office of the Company will be situated in Cyprus.
Objects	3.	The objects for which the Company is established are:
Business of a holding and an investment company	(1)	To carry on the business of a holding and an investment company with its own funds and for that purpose to acquire and hold either in the name of the Company or in that of any nominee, shares, stocks, debentures, debenture stock, bonds, notes, obligations and securities issued or guaranteed by any company wherever incorporated or carrying on business, and debentures, debenture stock, bonds, notes, obligations and securities issued or guaranteed by any government, sovereign ruler, commissioners, public body or authority, supreme, dependent, municipal, local or otherwise in any part of the world by original subscription, contract, tender, purchase, exchange, underwriting, participation in syndicates or otherwise whether or not fully paid up and subscribe for the same subject to such terms and conditions as may be thought fit and to undertake and promote the establishment of business in any part of the world and to promote to this effect, the creation of companies, partnerships, joint ventures, branches and in general, all forms of carrying on business.
General Trade	(2)	To carry on either alone or in common with others in any part of the world, either in free zones or bonded areas or elsewhere, the business of commerce, general trade works or business, imports, exports, buying, selling, exchanging or in other way trading of goods, industrial products, agricultural products, minerals and in general products of any kind and denomination, either on a cash basis or on credit, or on hire purchase or against any other consideration and to carry on the business of commission agents or agents or brokers in any kind of trading transactions, for imports, exports, purchases, sales, exchanges of goods, industrial products, building materials, office equipment and supplies, agricultural products, minerals and in general of products of any kind and any denomination.
Business Consultants	(3)	To carry on, in any part of the world, activities of business consultants and of management consultants, to industrial or commercial or any other enterprises in general, and to advise on methods of development and improving of such enterprises in the fields of technology, industry and commerce as well as on matters of personnel and administration, introduction of systems or processes of production, storage, distribution, marketing of products and systems of sales and sales' promotion and to undertake research and special studies on all abovementioned matters.

To acquire and provide services and employees	(4)	To provide or secure from others the provision of all and any assistance, services, employment of any nature referring to the business sector which any person, firm, or company wishes in connection with any business exercised by them including the engagement, training and lease of professional, clerical, manual, technical and other personnel, workers and specialised personnel.
To acquire and lease property and equipment	(5)	To acquire or possess either by purchase, lease, exchange or otherwise, offices or other property, lodgings, furniture, equipment, components and branches of the same or any objects for the purpose of leasing or renting them or to make them available for use or otherwise by any person, firm or company.
To carry on other business	(6)	To carry on and undertake any other business or activity or do any act whatsoever which may seem to the Directors capable of being conveniently or advantageously carried on or done or undertaken in connection with any of the above objects or calculated directly or indirectly to enhance the value of or render more profitable any of the Company's business, property or rights and to undertake any work or business commenced or carried on or performed prior to incorporation and which the Company decides to take over or continue.
To acquire movable and immovable property	(7)	To purchase, accept by way of gift, take on lease or sub-lease or in exchange, or otherwise acquire or possess and hold for any estate or interest any lands, buildings, easements, rights, privileges, concessions, permits, licences, stock-in-trade, and movable and immovable property of any kind and description (whether mortgaged, charged or not) necessary or convenient for the purposes of or in connection with the Company's business or any branch or department thereof or which may enhance the value of any other property of the Company.
To erect buildings etc.	(8)	To erect, maintain, work, manage, construct, reconstruct, alter, enlarge, repair, improve, adapt, furnish, decorate, control, pull down, replace any shops, offices, flats, electric or water works, workshops, mills, plants, machinery, warehouses and any other works, buildings, plants, conveniences or structures whatsoever, which the Company may consider desirable for the purposes of its business and to contribute to, subsidise or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof.
To deal with property of the Company in general and to advertise	(9)	To improve, manage, control, cultivate, develop, exploit, exchange, let on lease or otherwise grant, mortgage, charge, sell, dispose of, grant as gift, turn to account, grant rights and privileges in respect of the property assets and rights of the Company or in which the Company is interested or otherwise deal with all or any part of this property of the Company and to adopt such means of making known and advertising the business and products of the Company as may seem expedient.
To deal in movable property	(10)	To manufacture, repair, import, buy, sell, export, let on hire and generally trade or deal in, any kind of accessories, articles, apparatus, plant, machinery, tools, goods, properties, property rights and rights or things of any description, which the Company judges as capable of being used or dealt with in connection with any of its objects.
To deal in immovable property	(11)	To deal in, utilise for building or other purposes, let on lease or sublease or on hire, to assign or grant licence over, charge or mortgage, the whole or any part or parts of the immovable property belonging to the Company or any rights therein or in which the Company is interested on such terms as the Company may on each occasion determine.
To acquire other businesses	(12)	To purchase or otherwise acquire all or any part of the business, assets, property and liabilities of any company, society, partnership or person, formed for all or any of the purposes within the objects of this Company, or constituted for the purpose of carrying on any business which this Company is authorised to carry on or which intend to carry on such business or which possess property suitable for

the purposes of the Company and to undertake, conduct and carry on or liquidate and wind up any such business and in consideration for such acquisition to pay in cash, issue shares, undertake any liabilities or acquire any interest in the vendor's business.

To obtain patents etc.

(13) To apply for and take out, purchase or otherwise acquire any designs, trade marks, patents, patent rights or inventions, brevets d' invention, copyright or secret processes, which may be useful for the Company's objects and for this purpose, to grant licences to use the same.

To pay preliminary and other expenses

(14) To pay all costs, charges and expenses incurred or sustained in or about the promotion, formation and establishment of the Company or which the Company shall consider to be in the nature of preliminary expenses or expenses incurred prior to incorporation and with a view to incorporation, including therein professional fees, the cost of advertising, taxes, commissions for underwriting, brokerage, printing and stationery, salaries to employees and other similar expenses and expenses attendant upon the formation and functioning of agencies, local boards or local administration or other bodies, or expenses relating to any business or work carried on or performed prior to incorporation, which the Company decides to take over or continue.

To pay underwriting commission

(15) Upon any issue of shares, debentures or other securities of the Company, to employ brokers, commission agents and underwriters, and to provide for the remuneration of such persons for their services by payment in cash or by the issue of shares, debentures or other securities of the Company, or by the granting of options to take the same, or in any other manner allowed by law.

To borrow or raise money

(16) To borrow, raise money or secure obligations (whether of the Company or any other person) in such manner and on such terms as may seem expedient, including the issue of debentures, debenture stock (perpetual or terminable), bonds, mortgages or any other securities, founded or based upon all or any of the property and rights of the Company, including its uncalled capital, or without any such security, and upon such terms as to priority or otherwise, as the Company may determine at its discretion on each occasion.

To lend and give credit and guarantees

(17) To give credit to lend or advance money to any person, firm or company, to guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person, firm or company, to secure or undertake in any way the repayment of money lent or advanced to any person, firm or company or the liabilities incurred by any such person, firm or company and otherwise to assist any person or company as the Company may think fit.

To draw, etc. negotiate instruments, loans etc.

(18) To issue, sign, accept, indorse, discount, trade in and otherwise negotiate bills of exchange, promissory notes, bills of lading and other negotiable or transferable instruments or securities. To advance and lend money upon such guarantee or security as the Company may think proper or without taking any such guarantee or security therefor.

To invest

(19) To invest the monies of the Company not immediately required in such investments, other than in the shares of this Company, as from time to time may be determined by the Directors.

To underwrite

(20) To issue or guarantee the issue of or the payment of interest on the issue of shares, debentures, debenture stock or other securities or obligations of any company or association and to pay or provide for brokerage, commission and underwriting in respect of any such issue.

To acquire shares in other companies

(21) To acquire by subscription, purchase or otherwise and to accept, take, hold, deal in, convert and sell any kind of shares, stock, debentures or other securities or interest in any other company, society or undertaking whatsoever.

To issue shares and securities and remunerate persons in consideration of property or services	(22)	To issue and allot fully or partly paid shares in the capital of the Company or issue debentures or securities in payment or part payment of any movable or immovable property purchased or otherwise acquired by the Company or any services rendered to the Company and to remunerate in cash or otherwise any person, firm or company rendering services to the Company or grant donations to such persons.
To establish agencies	(23)	To establish anywhere in the world branch offices, regional offices, branches, agencies and local boards and for this purpose to regulate and to discontinue the same.
To provide for officers, employees and their families	(24)	To provide for the welfare of persons in the employment of the Company (including its officers) or persons formerly in the employment of the Company or its predecessors in business including officers or employees of any subsidiary or associated or allied company of this Company, and the wives, widows, dependants and families of such persons, by grants of money, pensions or other payments, (including payments of insurance premia) and to form, subscribe to, or otherwise aid, any trust, fund or scheme for the benefit of such persons, and any benevolent, religious, scientific, national or other institution or object of any kind, which shall have any moral or other claims to support or aid by the Company by reason of the nature or the type of its operations or otherwise.
To subscribe to charities	(25)	From time to time to subscribe or contribute to any charitable, benevolent, or useful object of a public character, the support of which will, in the opinion of the Company, tend to increase its reputation or popularity among its employees, its customers or the public.
To amalgamate or work jointly	(26)	To enter into and carry into effect any arrangement for joint working in business, union of interests, limiting competition, partnership or for sharing of profits, or for amalgamation, with any other company, partnership or person, carrying on business within the objects of this Company.
To promote companies	(27)	To establish, promote and otherwise assist, any company or companies for the purpose of acquiring any of the property or furthering any of the objects of this Company or for any other purpose which may seem directly or indirectly calculated to benefit this Company.
To promote legislation and enter into arrangements with Governments	(28)	To apply for, promote, and achieve the passing of any Law, Order, Regulation, By-Law, Decree, Charter, concession, right, privilege, licence or permit for enabling the Company to carry any of its objects into effect, or for effecting any modification of the Company's constitution, or for any other purpose which may seem expedient and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interest and to enter into and execute any arrangement with any Government or Authority, (supreme, municipal, local or otherwise) that may seem conducive to the Company's objects or any of them.
To sell undertaking	(29)	To sell, dispose of, mortgage, charge, grant rights or options or transfer the business, property and undertakings of the Company, or any part or parts thereof, for any consideration which the Company may at its discretion accept.
To accept shares in payment	(30)	To accept stock or shares in, or debentures, mortgage debentures or other securities of any other company in payment or part payment for any services rendered or for any sale made to it by the Company or debt owing to it from any such company.
To distribute assets in specie	(31)	To distribute in specie, in cash or otherwise as may be resolved on each occasion any assets of the Company among its Members and particularly the shares, debentures or other securities of any other company belonging to this Company or which this Company may have the power of disposing.

To act as agents

(32) To do all or any of the matters hereby authorised in any part of the world either alone or in conjunction with other companies, firms or persons, either as factor, trustee, principal, sub-contractor or agent of other companies, firms or persons, or through any factors, trustees, sub-contractors or agents.

To register abroad and to act as secretary etc.

(33) To procure the Company to be registered or recognised in any country or place, to act as secretary, manager, director or treasurer of any other company.

General powers

(34) Generally to do all such other things as may appear to the Company to be incidental or conducive to the attainment of the above objects or any of them.

Construction of Objects

The objects set forth in any sub-clause of this clause shall not be restrictively construed but the widest possible interpretation shall be given thereto, and they shall not, except when the context expressly so requires, be in any way limited to or restricted by reference to or inference from any other object or objects set forth in such sub-clauses or from the provisions of any other sub-clause or marginal title or the name of the Company. The said sub-clauses, the objects therein specified and the powers thereby conferred shall not be deemed subsidiary or ancillary to the objects or powers mentioned in any other sub-clause. The Company may exercise all or any of the powers conferred upon it by one or more of the said sub-clauses and to achieve or to endeavour to achieve all or any of the objects specified therein.

Activities

Provided always that, as long as any of the shares of the Company are beneficially owned by any person (legal or natural) who in the case of a natural person is not a national or in the case of a legal person is not registered in a European Union member state, the Company will not do any business within the Republic except with the permission of the Central Bank of Cyprus and subject to the conditions of such permission.

The company (a) shall not provide any financial services other than to its shareholders or bodies corporate in its group of companies (for the purposes hereof the term “financial services” means dealing in investments, managing investments, giving investment advice or establishing and operating collective investment schemes and the term “investments” means shares, debentures, government and public securities, warrants, certificates representing securities, units in collective investment schemes, options, futures, contracts for differences and long-term insurance contracts) and (b) shall not assume, directly or indirectly, any obligations to the public, whether in the form of deposits, securities or other evidence of debt (for the purposes hereof the term “public” does not include banking or credit institutions, the company’s shareholders or bodies corporate in its group of companies. The term “deposits” does not include sums of money received on terms which are referable to the provision of goods or services other than “financial services” as defined hereinabove. The term “debt” does not include credit obtained in relation to the provision of goods or services).

Liability

4. The liability of the Members is limited.

Capital

5. The share capital of the Company is EURO 1.000.000,^{008} (One million Euro and eight thousandths of one cent) divided into 47,619,048 shares of Euro 0,021 each with power to issue any of the shares in the capital original, increased or subject to any preferential, special or qualified rights or conditions as regards dividends, repayment of capital, voting rights or otherwise.

Signatories

We, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

	NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of shares taken by each subscriber
1.	.... (Director) **INTER JURA CY (SERVICES) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 1095	11,999,994 shares
2.	.... (Director) **INTER JURA CY (NOMINEES) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 1095	1 share
3.	.... (Director) **INTER JURA CY (DIRECTORS) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 1095	1 share
4.	.... (Director) **INTER JURA CY (HOLDINGS) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 10955	1 share
5.	....(Director) **INTER JURA CY (TRUST) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 1095	1 share
6.	....(Director) **INTER JURA CY (PUBLISHERS) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 1095	1 share
7.	....(Director) **INTER JURA CY (MANAGEMENT) LIMITED** Company Limited by Shares 1, Lambousa Street, Nicosia 1095	1 share

Dated today the 2nd day of September, 2009

Witness to the above signatures:

Name: Lakis Christodoulou
Occupation: Lawyer
Address: 1, Lambousa Street
1095 Nicosia

I hereby certify that the present
Memorandum of Association has
been drafted by myself

Lakis Christodoulou
Lawyer

THE COMPANIES LAW, CAP. 113

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

As adopted by the Special Resolution dated 3rd May, 2010

Agroton PUBLIC LIMITED

INTERPRETATION

1. In these regulations:

"Cyprus"	:	means the Republic of Cyprus.
"Cyprus law"	:	means any Cyprus law in force, other than that of the Companies Law, Cap. 113, which applies or may apply, to the Company.
"the law"	:	means the Companies Law, Cap. 113 or any Law substituting or amending the same.
"the seal"	:	means the common seal of the Company.
"the Secretary"	:	means any person appointed to perform the duties of the secretary of the Company.

Expressions referring to "writing" shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form.

Unless the context otherwise requires, words or expressions contained in these Regulations shall bear the same meaning as in the Law or any statutory modification thereof in force at the date at which these Regulations become binding on the Company.

TABLE "A" EXCLUDED

2. The Regulations contained in Table "A" in the First Schedule to the Law shall not apply except so far as the same are repeated or contained in these Regulations.

BUSINESS

3. The Company shall enter into, adopt, carry into effect, take over or continue (with such modifications, if any, as the contracting parties shall agree and the Board of Directors shall approve), any agreement or business or work for which there is express or implied authorization in the Memorandum of Association or the present Regulations to be carried out or undertaken by the Company at the time or times that the Board of Directors of the Company may deem appropriate.

SHARE CAPITAL AND VARIATION OF RIGHTS

4. Subject to the provisions following hereunder, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall be at the disposal of the Board of Directors which has the right to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

   The above is without prejudice, and at all times subject, to the provisions of section 60B of the Law, or any section amending or replacing the same which inter alia, stipulates that whenever the share capital of the Company is increased by considerations in cash, the shares must be offered on a pre-emptive basis to the existing Members and such right of pre-emption may only be restricted or withdrawn by means of a resolution of the Company in general meeting, during which the Board of Directors shall be required to present a written report indicating the reasons for restricting or withdrawing the right of pre-emption and justifying the proposed issue price.

5. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Board of Directors may from time to time determine. The holders of shares of the same class must be treated in a non- discriminatory manner by the Company.

6. Subject to the provisions of section 57 of the Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.

7. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied by a resolution passed at a separate general meeting of the holders of the shares of each class whose rights are affected by the variation. A resolution to be passed at such separate meetings of each class of shares whose rights are affected by the variation, requires a two thirds majority of the votes corresponding to the shares represented at the meeting or two thirds of the issued share capital unless at least 50% of the issued share capital is represented, in which case a simple majority is sufficient. To every such separate general meeting the provisions of these Regulations relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. The provisions of Regulations 55 and 81 concerning the holding of telephone meetings or the approval of written resolutions of the Members apply to the proceedings stipulated under these Regulations.

8. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

9. The Company may exercise the powers of paying commissions conferred by section 52 of the Law, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section and the rate of the commission shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 per cent of such price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

10. Except as required by law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

11. Every Member, upon becoming the holder of any shares (except a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange in respect of whom the Company is not required by law to complete and have ready for delivery a certificate) shall be entitled, without payment, to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the Board of Directors may from time to time determine. Subject to Regulation 14 every certificate shall be sealed with the seal or executed by one director and the secretary or by two directors and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The Company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them. Shares of different classes may not be included in the same certificate.

12. Nothing in these Regulations shall preclude any share or other security of the Company from being issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form.

In relation to any share or other security which is in uncertificated form, these Regulations shall have effect subject to the following provisions:-

(a) the Company shall not be obliged to issue a certificate evidencing title to shares and all references to a certificate in respect of any shares or securities held in uncertificated form in these Regulations shall be deemed inapplicable to such shares or securities which are in uncertificated form;

(b) the registration of title to and transfer of any shares or securities in uncertificated form shall be sufficient for its purposes and shall not require a written instrument of transfer;

(c) a properly authenticated dematerialised instruction will need to be given;

(d) any communication required or permitted by these Regulations to be given by a person to the Company may be given in accordance with and in any manner (whether or not in writing) prescribed or permitted by Cyprus law;

(e) if a situation arises where any provisions of these Regulations are inconsistent in any respect with any provision of Cyprus law then:-

(i) the relevant provision of Cyprus law will be given effect thereto in accordance with its terms; and

(ii) the directors shall have power to implement any procedures as they may think fit and as may accord with any provision of Cyprus law for the recording and transferring of title to shares and securities in uncertificated form and for the regulation of those proceedings and the persons responsible for or involved in their operation.

The Directors shall have the specific powers to elect, without further consultation with the holders of any shares or securities of the Company (except where such shares or securities are constituted by virtue of some other deed, document or other source), that any single or all classes of shares and securities of the Company become capable of being traded in uncertificated form.

13. If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity (with or without security) and payment of any exceptional out-of-pocket expenses reasonably incurred by the Company in investigating evidence and preparing the requisite form of indemnity as the Board of Directors may determine but otherwise free of charge, and (in the case of defacement or wearing out) on delivery up of the old certificate.

14. The Board of Directors may by resolution determine either generally or in any particular case that any certificates for shares or debentures or representing any other form of security to which the seal is affixed may have signatures affixed to them by some mechanical means, or printed thereon or that such certificates need not bear any signature.

15. The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this Regulation shall prohibit transactions mentioned in the proviso to section 53(1) of the Law.

LIEN

16. The Company shall have a first and paramount lien on every share for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares standing registered in the name of a single person for all monies presently payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provision of this Regulation. The Company's lien, if any, on a share shall extend to all dividends payable thereon.

17. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

18. To give effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

19. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

20. The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen day's notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified, the amount called on his shares. A call may be revoked or postponed as the Directors may determine.

21. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments.

22. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

23. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding 8 per cent per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

24. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in case of non-payment all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. The Directors may on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.

25. The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him and upon all or any of the monies so advanced they may (until the same would, but for such advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) 5 per cent per annum, as may be agreed upon between the Directors and the Member paying such sum in advance.

TRANSFER OF SHARES

26. Nothing in these Regulations shall preclude the transfer of shares or other securities of the Company in uncertificated form in accordance with the terms of Regulation 12 and any references contained in these Regulations in relation to the execution of any instrument of transfer or the registration of any transfer of shares or other securities of the Company in uncertificated form shall be read in accordance with the terms of Regulation 12.

27. The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

28. Any Member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form, including electronic form, which the Directors may approve.

29. The Board of Directors may, without giving any reason, refuse to register the transfer of a share which is not fully paid or on which the Company has a lien.

30. The Board of Directors may also refuse to register the transfer of a share unless the instrument of transfer:-

(a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of shares; and

(c) is in favour of not more than four transferees.

31. If the Board of Directors refuses to register the transfer, it shall within two months after the date on which the instrument of transfer was lodged with the Company send to the transferee notice of the refusal.

32. The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board of Directors may determine.

33. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

34. The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given.

PLEDGE OF SHARES

35. Any share may be pledged by a Member as security for any loan, debt or obligation of such Member, without the approval of the Board of Directors.

TRANSMISSION OF SHARES

36. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only person

recognised by the Company as having any title to his interest in the shares: but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

37. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof. For the avoidance of doubt, for the shares inherited under Ukrainian law an inheritance certificate duly issued by a Ukrainian notary shall be recognized by the Directors as the sufficient evidence of entitlement to the respective shares.

38. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share.

39. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided always that, where the identity and contact details of any such person are known to the Company, the Directors may at any time give notice requiring such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with. Any notices provided for in this Regulation 39 must be sent to the respective persons either by registered mail or by courier with confirmed receipt.

FORFEITURE OF SHARES

40. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

41. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

42. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.

43. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

44. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the company all monies which, as the date of forfeiture, were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.

45. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to

see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

46. The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the shares or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

CONVERSION OF SHARES INTO STOCK

47. The Company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination.

48. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations, as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit: and the Directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

49. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

50. Such of the Regulations of the Company as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

ALTERATION OF CAPITAL

51. The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

52. The Company may by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Law;

(c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

53. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

GENERAL MEETINGS

54. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Provided that so long as the Company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place as the Directors shall appoint.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

55. General meetings, annual and extraordinary, may be held through a telephone communication or through any other means of communication which allow all persons participating in the general meeting to hear and be heard.

56. The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 126 of the Law. If at any time there are not within Cyprus sufficient Directors capable of acting to form a quorum, any Director may convene an extraordinary general meeting in the same manner or as nearly as possible as that in which meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

57.1 An annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by fourteen days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.

57.2 The notice of general meeting must specify the place, the day and the hour of meeting and must contain the agenda of such meeting and the grounds upon which resolutions (with the exception of ordinary resolutions and resolutions that concern matters of an administrative nature) will be tabled at the meeting. Any member may, before or during the general meeting in question, motion for the inclusion of a topic on the agenda of the general meeting, including a motion to take a topic off the agenda and must provide grounds enabling an informed decision on the topic by the Members. The removal of a topic from the agenda of the meeting and/or the addition of a new topic (as the case may be) shall, however, be decided upon by the Chairman of the general meeting, provided that any such motion shall not be unreasonably refused.

57.3 The notice shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meetings to such persons as are, under the Regulations of the Company, entitled to receive such notices from the Company..

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Regulation, be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

58. The non-receipt of notice of a meeting by any person entitled to receive notice through the fault of such person, in particular, his, her or its failure to timely notify the Company of the change of mailing address or fax number, shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

59. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the financial statements, and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.

60. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; save as herein otherwise provided, three persons present

in person or through telephone or other telecommunication connection or by proxy and entitled to vote upon the business to be transacted shall be a quorum.

61. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present shall be a quorum.

62. One or more members of the Board of Directors shall attend the general meetings of the Company. The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting.

63. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

64. At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands or in the case of participation by a telephone or other telecommunication connection, by an oral declaration, unless a poll is (before or on the declarations of the result of the show of hands or by oral declaration) demanded:

(a) by the Chairman; or

(b) by at least three Members present in person or by proxy; or

(c) by a Member or Members present in person or through a telephone or other telecommunication connection or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or

(d) by a Member or Members present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right.

Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands or by an declaration been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number of proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn.

65. Except as provided in Regulation 69 if a poll is duly demanded, it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

66. In the case of an equality of votes whether on a show of hands or by an oral declaration or on a poll, the Chairman of the meeting shall not have a casting vote.

67. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the

meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

VOTES OF MEMBERS

68. For the purpose of determining which Members are entitled to notice of or to vote at any meeting of Members, or any adjournment thereof, the Board of Directors of the Company may provide that the Register of Members shall be closed for a stated period, so long as this does not exceed in any given case, fifty days.

69. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every Member present in person or through a telephone or other telecommunication connection shall have one vote, and on poll every Member shall have one vote for each share of which he is the holder.

70. In the case of joint holders the vote of the senior who tenders a vote, whether in person or through a telephone or other telecommunication connection or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

71. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, on a show of hands or by an oral declaration made through a telephone or other telecommunication connection or on a poll, by the administrator of his property, his committee, receiver, curator bonis, or other person in the nature of an administrator, committee, receiver or curator bonis appointed by that Court, and any such administrator, committee, receiver, curator bonis or other person may on a poll vote by proxy.

72. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

73. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

74. On a poll votes may be given either personally or through a telephone or other telecommunication connection or by proxy.

75. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. For the avoidance of doubt, a duly notarized and legalized or apostilled power of attorney shall be at all times accepted by the Company, the Secretary and the Board of Directors as the appropriate and sufficient instrument appointing a proxy. A proxy need not be a Member of the Company.

76. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at any time before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

77. An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit and must contain the agenda of such meeting:

"

.... P.L.C.
(Name of the Company)

I/We, ..., of ...., being a Member/Members of the above-named Company, hereby appoint .... of ...., or failing him .... of ...., as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company, to be held on the .... day of .... 20..., and at any adjournment thereof.

Signed this .... day of .... 20....."

78. Where it is desired to afford Members an opportunity of voting for or against a resolution the instrument appointing the proxy shall be in the following form or a form as near thereto as circumstances admit:

"

.... P.L.C.
(Name of the Company)

I/We, ..., of ...., being a Member/Members of the above-named Company, hereby appoint .... of ...., or failing him .... of ...., as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company, to be held on the .... day of .... 20..., and at any adjournment thereof.

Signed this .... day of .... 20....."

This form is to be used in favour of/* against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

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* Strike out whichever is not desired.

79. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

80. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

81. Subject to the provisions of the Law, a resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. Any such resolution may consist of several documents in the like form each signed by one or more of the Members or their attorneys, and signature in the case of a corporate body which is a Member shall be sufficient if made by a Director or other authorised officer thereof or its duly appointed attorney.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

82. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.

DIRECTORS

83. Unless and until otherwise determined by the Company in general meeting, the number of the Directors shall be at least two and there shall be no maximum number. At least two members of the Board of Directors shall be independent (i.e. free of any business, family or other relationship with the Company, its controlling Members(s), the management of either the Company or entities with significant connections with the Company, that would create a conflict of interest such as to impair his or her judgment) non-executive Directors. In assessing the independence of the members of the Board of Directors of the Company, the criteria stipulated in Annex II of the *European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the supervisory board* shall be applied. A member of the Board of Directors who is an employee of the Company or a company associated with it shall be deemed as lacking the necessary independence for the purposes of this Regulation.

84. The Directors shall remain in office until removed by an ordinary resolution at a general meeting, in accordance with Regulation 104 or until their office becomes vacated in accordance with Regulation 102.

85. No person, other than a Director appointed at the first general meeting, shall be appointed a Director at any general meeting unless:-

    (a) he is recommended by the Board of Directors; or

    (b) not less than seven nor more than forty-two clear days before the date appointed for the meeting, notice executed by a Member qualified to vote at the meeting (not being the person to be proposed) has been given to the Company of the intention to propose that person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors, together with notice executed by that person of his willingness to be appointed.

86. The Members of the Company shall approve the remuneration of all the members of the Board of Directors on the recommendation of the Remuneration Committee Such remuneration shall correspond to the scope of tasks and responsibilities of the relevant member of the Board of Directors and be proportionate to the size of the Company's business and reasonable in relation to its financial results.

87. The shareholding qualification for Directors may be fixed by the Company in general meeting, and unless and until so fixed no qualification shall be required.

88. A Director of the Company may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other company unless the Company otherwise directs.

BORROWING POWERS

89. The Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

POWERS AND DUTIES OF DIRECTORS

90. The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Law or by these Regulations, required to be exercised by the Company in general meeting, subject, nevertheless to any of these Regulations, to the provisions of the Law and to such regulations, being not inconsistent with the aforesaid Regulations or provisions as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation

had not been made. Unless specifically authorized by the Board of Directors, a Director shall exercise his or her powers only through the Board of Directors.

91. Notwithstanding the provisions of Regulation 90, no Member of the Company may be given undue preference over other Members with regard to transactions and agreements made by the Company with the Members and their related entities.

92. Without prejudice to the generality of Regulation 90, each member of the Board of Directors of the Company should act in the interests of the Company and form independent decisions and judgments. In particular:

(1) Each member of the Board of Directors of the Company should refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments;

(2) Each member of the Board of Directors of the Company should raise explicit objections and separate opinions in any case when he or she deems that any decision of the Board of Directors is contrary to the interests of the Company.

(3) Each member of the Board of Directors of the Company should submit to the Board of Directors information on any relationship (whether financial, family or any other relationship which may affect the ability of such member to vote on issues decided upon by the Board of Directors) with a Member who holds shares representing not less than 5% of the votes at a general meeting.

93. The Board of Directors may delegate any of its powers to any committee consisting of one or more Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any Regulations that may be imposed on it by the Directors, as to its powers, constitution, proceedings, quorum or otherwise.

94. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Regulations) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

95. The Company may exercise the powers conferred by section 36 of the Law with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

96. The Company may exercise the powers conferred upon the Company by sections 114 to 117 (both inclusive) of the Law with regard to the keeping of a dominion register, and the Directors may (subject to the provisions of those sections) make and vary such Regulations as they may think fit respecting the keeping of any such register.

97. (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Law.

(2) No member of the Board of Directors may vote in respect of any contract or proposed contract or arrangement in which he may be interested and if he does so his vote shall not be counted and he may not be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

(3) The Board of Directors may appoint a Director to an executive office or other position of employment with the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board of Directors may determine, and the Board of Directors may (without prejudice to the right of

such Director to claim damages for breach of contract from the Company) revoke, terminate or vary the terms of any such appointment. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.

(4) Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

98. All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

99. Without prejudice to the duties and responsibilities of the Board of Directors of the Company under the provisions of the Law, it should:

(a) in each year, prepare and present to the Company at its annual general meeting a brief assessment of the Company's standing including an evaluation of the internal control system and the significant risk management system;

(b) in each year, prepare and present to the Company at its annual general meeting an evaluation of the Board's work;

(c) review and, during the course of general meetings, present opinions on proposed resolutions tabled at such meetings.

100. The Directors shall cause minutes, including telephone conferences, to be made in books provided for the purpose:

(a) of all appointments of officers made by the Directors;

(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings at all meetings, including telephone conferences, of the Company, and of the Directors, and of committees of Directors.

PENSIONS

101. The Directors may grant retirement pensions or annuities or other gratuities or allowances, including allowances on death, to any person or persons in respect of services rendered by him or them to the Company whether as managing Director or in any other office or employment under the Company or indirectly as officers or employees of any subsidiary, associated or allied company of the Company, notwithstanding that he or they may be or may have been Directors of the Company and the Company may make payments towards insurances, trusts, schemes or funds for such purposes in respect of such person or persons and may include rights in respect of such pensions, annuities and allowances in the terms of engagement of any such person or persons.

DISQUALIFICATION OF DIRECTORS

102. The office of Director shall be vacated if the Director:

(a) ceases to be Director by virtue of section 176 of the Law; or

(b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or

(c) becomes prohibited from being a Director by reason of any order made under section 180 of the Law; or

(d) becomes of unsound mind; or

(e) resigns his office by notice in writing to the Company; or

(f) shall for more than six consecutive months have been absent without permission of the Board of Directors from meetings of the Board of Directors held during that period and his alternate Director (if any) shall not during such period have attended in his stead and the Board of Directors resolves that his office be vacated; or

(g) is requested to resign in writing by not less than three quarters of the other Directors. In calculating the number of Directors who are required to make such a request to the Director, (i) there shall be excluded any alternate Director appointed by him acting in his capacity as such; and (ii) a Director and any alternate Director appointed by him and acting in his capacity as such shall constitute a single Director for this purpose, so that the signature of either shall be sufficient.

APPOINTMENT OF ADDITIONAL DIRECTORS AND REMOVAL OF DIRECTORS

103. The appointment of any new Directors, either to fill a casual vacancy or as an addition to the existing Directors, shall be made in accordance with these Regulations.

104. The Company may by ordinary resolution, of which special notice has been given in accordance with section 136 of the Law, remove any Director before the expiration of his period of office notwithstanding anything in these regulations or in any agreement between the Company and such Director. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.

105. At any time, and from time to time, the Company may (without prejudice to the provisions under Regulation 104 by special resolution appoint any person as Director and determine the period for which such person is to hold office.

106. Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Regulations, the Board shall have power at any time to appoint any person who is willing to act as a Director and is, in the opinion of the Board of Directors, capable of meeting the requirements of Regulations 83 and 92, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Regulations. Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his/her appointment and shall then be eligible for re-election.

PROCEEDINGS OF DIRECTORS

107. The Directors may meet together or convene a telephone conference for the despatch of business, adjourn, and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors, including a telephone conference. It shall be necessary to give a 96 hour notice of a meeting, including a telephone conference of Directors to any Director for the time being absent from Cyprus who has supplied to the Company a registered address situated outside Cyprus.

108. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed two Directors present at any one meeting in person or by proxy or though the telephone shall form a quorum.

109. The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the Regulations of the Company as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company but for no other purpose.

110. The Board of Directors may appoint one of their number to be the chairman of the Board of Directors and may at any time remove him from such office. Unless he is unwilling to do so, the Director appointed as chairman shall preside at every meeting of the Board of Directors at which he is present. If the chairman is not willing to preside or if he is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.

111. Subject to the provisions of the Law, the Board of Directors may appoint one or more of its body to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board of Directors determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board of Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.

112. Subject to any regulations imposed on it by the Directors, a committee may meet or convene telephone conferences and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the Committee members present.

113. If a question arises at a meeting of the Board of Directors or of a committee of the Board of Directors as to the entitlement of a Director to vote or be counted in a quorum, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed. If any such question arises in respect of the chairman of the meeting, it shall be decided by resolution of the Board of Directors (on which the chairman shall not vote) and such resolution will be final and conclusive except in a case where the nature and extent of the interests of the chairman have not been fairly disclosed.

114. All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

115. A resolution in writing signed or approved by letter, telegram or cablegram, telex or telefax by each Director or his alternate shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held and when signed may consist of several documents each signed by one or more of the persons aforesaid.

ALTERNATE DIRECTORS

116. (a) Each Director shall have power from time to time to nominate another Director or any person, not being a Director, to act as his alternate Director and at his discretion to remove such alternate Director.

(b) An alternate Director shall (except as regards power to appoint an alternate Director and remuneration) be subject in all respects to the terms and conditions existing with the reference to the other Directors, and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointor is not present.

(c) One person may act as alternate Director to more than one Director and while he is so acting shall be entitled to a separate vote for each Director he is representing and, if he is himself a Director, his vote or votes as an alternate Director shall be in addition to his own vote.

(d) Any appointment or removal of an alternate Director may be made by cable, telegram or radiogram, telex or facsimile or in any other manner approved by the Directors. Any cable, telegram or radiogram, telex or facsimile shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.

(e) An alternate Director shall cease to be an alternate Director upon the occurrence of any of the following events:

(i) If a Director making any such appointment as aforesaid shall cease to be a Director otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected, the person appointed by him shall thereupon cease to have any power or authority to act as an alternate Director; or

(ii) on the happening of an event which, if he were a Director, would cause him to vacate his office as Director; or

(iii) if he resigns his office by notice to the Company.

(f) The Director shall not be liable for the acts and defaults of any alternate Director appointed by him.

(g) An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.

SECRETARY

117. The Secretary shall be appointed by the Directors for such terms, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.

118. No person shall be appointed or hold office as Secretary who is:

(a) the sole Director of the Company; or

(b) a corporation the sole director of which is the sole Director of the Company; or

(c) the sole director of a corporation which is the sole Director of the Company.

119. A provision of the Law or these Regulations requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

THE SEAL

120. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by a Director and shall be countersigned by the Secretary or by some other person appointed by the Directors for the purpose.

DIVIDENDS AND RESERVE

121. Subject to the provisions of section 169A of the Law, the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

122. Subject to the provisions of section 169C of the Law, the Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.

123. No dividend shall be paid otherwise than out of profits.

124. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to the reserve carry forward any profits which they may think prudent not to divide.

125. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

126. The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

127. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in anyone or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

128. Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of the two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the shares held by them as joint holders.

129. No dividend shall bear interest against the Company.

130. Notwithstanding any other provision of these Regulations, the Company or the Board of Directors may fix any date as the record date for any dividend, distribution, allotment or issue, and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made.

FINANCIAL STATEMENTS AND CONTROL

131. The Directors shall cause proper books of account to be kept, as are necessary for the preparation of financial statements according to the Law.

Proper books shall not be deemed to be kept if there are not kept such books of account as are adequate to give a true and fair view of the Company's affairs and to explain its transactions, according to the provisions of section 143 of the Law.

132. The books of account shall be kept at the Registered Office of the Company, or, subject to section 141(3) of the Law, at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

133. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the financial statements and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any financial statements or book or document of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting.

134. The Directors shall from time to time, in accordance with sections 142, 149, 151 and 152 of the Law, cause to be prepared and to be laid before the Company in general meeting such complete set of financial statements and group financial statements (if any) according to the International Accounting Standards, and reports as are referred to in those sections.

135. A copy of every set of financial statements (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' and auditors' report shall not less than twenty-one days before the date of the meeting be sent to every Member of, and every holder of debentures of the Company and to every person registered under Regulation 37.

Provided that this Regulation shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

CAPITALISATION OF PROFITS

136. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution, amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted, distributed and credited as fully paid up to and amongst such Members in the proportions aforesaid, or partly in the one way or partly in the other, and the Directors shall give effect to such resolution:

Provided that a share premium account and a capital redemption reserve fund may, for the purposes of this Regulation, only be applied in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.

137. Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provisions by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

AUDIT

138. Auditors shall be appointed and their duties regulated in accordance with sections 153 and 156 (both inclusive) of the Law.

NOTICES

139. A notice may be given by the Company to any Member either personally or by sending it to him by post, telefax, telex or any other means for transmitting text to his registered address or his mailing address or his electronic or other address supplied by him to the Company for this purpose or to the fax number or telex number supplied by him to the Company for this purpose. Where a notice is sent by post, service of the notice shall be deemed to be effected at the expiration of 72 hours after the letter containing the same is posted, at the correct address and with the proper postage. Where a notice is sent by telefax, telex or any other means of transmitting text, service of the notice shall be deemed to be effected one business day after the date of successful transmission or relay at the place of receipt.

140. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register by Members in respect of the share.

141. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name, or by title of representative of the deceased, or trustee of the bankrupt, or by any like descriptions, at the address supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

142. Notice of every general meeting shall be given in any manner hereinbefore authorised to:

(a) every Member except those Members who (having no registered address) have not supplied to the Company an address for the giving of notices to them;

(b) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting; and

(c) the auditor for the time being of the Company.

No other person shall be entitled to receive notice of general meetings.

WINDING UP

143. If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Law, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

144. Every Director or other officer for the time being of the Company shall be indemnified out of the assets of the Company against any losses or liabilities which he may sustain or incur in or about the execution of his duties including liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 383 of the Law in which relief is granted to him by the Court and no Director or officer of the Company shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. But this clause shall only have effect insofar as its provisions are not avoided by section 197 of the Law.

REGISTERED OFFICE OF THE COMPANY

Agroton Public Limited
1 Lampousas Street
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