AGROLIGA GROUP

Annual report for the period
1st January 2015 – 31st December 2015

30th June 2016

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1. The Letter of the Board of Directors

Dear colleagues, partners, investors,

The departing year was not easy for all of us but it opened new possibilities for some people and presented challenges for others.

The weather conditions of the year 2015 turned out to be the most severe for the Ukrainian agricultural business over the past few years. The autumn drought record in its duration led to the reduction of effective moisture in the soil and only due to the prompt decision about changing terms of sowing we managed to avoid its negative influence on the shoots of winter crops.

However the year that is now ending has been successful, full of achievements and bright moments.

To start with, in spite of all whims of nature, I think we got great yield including the cultivation of high oleic sunflower that is a new direction of our business development.

Secondly, we have successfully closed the deal on acquisition of corporate rights for LLC “Maiak”, thus expanding the land bank and the geography of production.

The production facilities of the oil mill have been upgraded and the certification audit has been successfully carried out.

We also brought dairy products and bottled sunflower oil under our own brand to the retail market which increased the additional cost of our products and allowed us entering the European markets.

Looking back we can be impressed with the amount of work done and the results achieved.

I highly appreciate the hard work of all our employees and business partners. We were able to achieve these results owing to the joint efforts and commitment.

I would like to express our thanks to the shareholders of AGROLIGA GROUP PLC for your patience and hope for the improvement of the investment climate in Ukraine.

I can assure you, we do not stay still, on the contrary, we make efforts for the dynamic development of our business and demonstrate permanent growth to keep the leading position in the agricultural sector.

I believe this is only the beginning, and we are on the threshold of new discoveries and achievements.

Let the 2016 year bring peace, happiness, and prosperity.

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

2. The Statement of the Board of Directors

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

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

On behalf of the The Board of Directors

Aleksandr Berdnyk

Chairman of the Board of Directors of Agroliga Group PLC

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

Aleksandr Berdnyk

Chairman of the Board of Directors of Agroliga Group PLC

3. Selected financial results

3.1 Profit and loss summary

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

2015: 1 EUR = 4,1843 PLN

2014: 1 EUR = 4,1851 PLN

List 1 Selected financial data of the profit and loss account of Agroliga Group from 1.01.2015 to 31.12.2015 with comparative data for 2014

Selected Financial Results	PLN ('000)		EUR ('000)	
	Period from 1.01.2015 to 31.12.2015	Period from 1.01.2014 to 31.12.2014	Period from 1.01.2015 to 31.12.2015	Period from 1.01.2014 to 31.12.2014
Revenues from the sales	87,999	73 069	21,031	17 459
Profit / loss on sale	14,994	15 959	3,583	3 813
Profit / loss from operating activities	13,928	14 577	3,329	3 483
Profit / loss Gross	13,337	12 076	3,187	2 886
Profit / loss net	13,673	11 562	3,282	2 763
Depreciation	682	603	163	144

source: the Issuer

3.2 Consolidated balance sheet

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

31.12.2015: 1 EUR = 4,2615 PLN

31.12.2014: 1 EUR = 4,2623 PLN

List 2 Selected financial data of the balance sheet of Agroliga Group from 1.01.2015 to 31.12.2015 with comparative data for 2014

Selected financial data from balance sheet	PLN ('000)		EUR ('000)	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Tangible fixed assets	19,950	15 078	4,681	3 538
Long-term receivables	0	0	0	0
Current assets	35,627	40 163	8,360	9 423
Short-term receivables	11,070	16 536	2,598	3 880
Cash and cash equivalents	3,791	2 154	890	505
Equity	48,754	42 065	11,441	9 869
Long-term liabilities	874	887	205	208
Short-term liabilities	5,950	12 288	1,396	2 883

source: the Issuer

4. The annual detailed analysis of 2015 financial results

4.1 The introduction to the Annual Report

Independent auditor's report

To the Members of Agroliga Group PLC

Report on the consolidated financial statements

We have audited the consolidated financial statements of Agroliga Group PLC (the ''Company'') and its subsidiaries (together with the Company, the ''Group'') which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In respect of the inventory of the Company presented in the consolidated statement of financial position at the value of €4.192 thousands, the audit evidence we had available was limited because we did not observe the physical inventory count at 31 December 2014, as that date was prior to our appointment as auditor of the Company (see comparative figures paragraph) and the previous auditors did also not observe the physical inventory count. Also we did not observe the physical inventory count at 31 December 2015. We were unable to satisfy ourselves by alternative means concerning inventory quantities and net realizable value held at 31 December 2014 and 2015. Since opening and closing inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

Independent auditor's report (continued)

To the Members of Agroliga Group PLC

Basis for Qualified Opinion (continued)

Also due to the absence of supporting documentation and alternative procedures we were unable to satisfy ourselves as to the appropriateness of the carrying amount of property plan and equipment of Agroliga Group PLC in the amount of €252 thousand as at 31 December 2014. Due to the absence of supporting documentation and alternative procedures we were unable to satisfy ourselves as to the appropriateness of the carrying amount of property, plant and equipment of Agroliga Group PLC in the amount of €163 thousand as at 31 December 2015.

Comparative figures as at 31 December 2014 in these consolidated financial statements include income and expenses, assets and liabilities of LLC Vostokagrokontract, a Company registered in Ukraine, which was under the common control of the ultimate beneficial shareholders and not Agroliga Group PLC. As a result, this was not in compliance with and as required by IFRS 3, Business combinations and as at 31 December 2014 Group assets (€1.520 thousand), equity (€902 thousand) and total revenue (€942 thousand) were overstated.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters discussed in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of Agroliga Group PLC as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the political and social unrest that started in Ukraine in November 2013 and further continued in 2014 and 2015. These events have adversely affected the Company's subsidiary/sub-subsidiaries financial results and could continue to exert negative influence over the Company's financial result and financial position in a manner not currently determinable. We also draw attention to the significant uncertainties at the foreign currency exchange market in Ukraine. These uncertainties can have significant impact on the Company's financial result and financial position to the extent not currently determinable.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Comparative figures

The financial statements of the Group for the year ended 31 December 2014 were audited by another auditor who expressed a modified opinion on those financial statements on 26 June 2015.

Angelos Theodorou
Certified Public Accountant and
Registered Auditor for and on behalf of

Euroglobal S.E.E. Audit Ltd
Certified Public Accountants and Registered Auditors

Nicosia, …………….. 2016

4.2 Profit and loss statement

List 3 Consolidated profit and loss statement of Agroliga Group PLC for the period from 1.01.2015 to 31.12.2015 with comparative data from 2014 [ths euro]

	2015 €'000	2014 €'000
Revenue	20,631	16.081
Cost of sales	(17,447)	(13.646)
Income from change in fair value of biological assets and agricultural products	399	1.378
Gross profit (loss)	**3,583**	**3.813**
Income from government grants	898	473
Administrative expenses	(356)	(399)
Distribution expenses	(532)	(562)
Other operating income/(expenses), net	(265)	157
Financial income/(expenses), net	(91)	(358)
Exchange rate differences, net	(50)	(238)
Profit (loss) from continuing operations	**3,187**	**2.886**
Income tax benefit/expense	94	(123)
Profit (loss) for the year	**3,282**	**2.763**
Total comprehensive income for the year		
Net profit for the year/period attributable to:		
Equity holders of the parent	3,223	2.726
Non controlling interests	59	37
Net profit for the year/period	**3,282**	**2.763**
Total comprehensive income attributable to:		
Equity holders of the parent	3,223	2.726
Non controlling interests	59	37
Total comprehensive income	**3,282**	**2.763**

*Data from the consolidation of the group.

Source: the Issuer

4.3 Consolidated balance sheet

List 4 Consolidated balance sheet of Agroliga Group PLC for the period from 1.01.2015 to 31.12.2015 with comparative data from 2014 [ths euro]

	Note	2015 €'000	2014 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,575	2.683
Biological assets	13	152	187
Non-current loans receivable	14	728	668
Deferred tax assets	19	226	-
Total non-current assets		**4,681**	**3.538**
Current assets			
Inventories and work in progress	15	4,192	4.562
Biological assets	13	681	476
Trade and other receivables	16	2,598	3.880
Cash at bank and in hand		890	505
Total current assets		**8,361**	**9.423**
TOTAL ASSETS		**13,042**	**12.960**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	17	31	51
Share premium		953	953
Translation reserve		(7,473)	(5.783)
Retained earnings		17,641	14.418
Equity attributable to equity holders of the parent		**11,152**	**9.639**
Non controlling interests		289	230
Total equity		**11,441**	**9.869**
Non-current liabilities			
Borrowings	18	43	117
Deferred tax liabilities	19	162	91
Total non-current liabilities		**205**	**208**
Current liabilities			
Trade and other payables	20	579	1.564
Borrowings	18	750	1.264
Current tax liabilities	21	67	55
Total current liabilities		**1,396**	**2.883**
TOTAL EQUITY AND LIABILITIES		**13,042**	**12.960**

Source: the Issuer

4.4 Cash flow statement

List 5 Consolidated statement of cash flows of Agroliga Group PLC for the period from 1.01.2015 to 31.12.2015 with comparative data from 2014 [ths euro]

	2015 €'000	2014 €'000
Cash flows from operating activities		
Profit before tax	**3,188**	**2.885**
Adjustments for:		
Depreciation of property, plant and equipment	163	144
Exchange difference arising on the translation of assets & liabilities in foreign currencies	(1,178)	(3.095)
Interest income	(277)	(5)
Interest expense	336	360
Cash flows from operations before working capital changes	**2,232**	**289**
Increase in inventories and work in progress	370	983
Decrease/(increase) in trade and other receivables	1,282	60
Increase)/decrease/ (increase) in biological assets	(170)	321
Decrease in trade and other payables	(985)	1.094
Cash flows from operations	2,726	**2.747**
Tax (paid)/refunded	(106)	**-**
Net cash flows from operating activities	2,835	**2.747**
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(1,953)	(825)
Loans granted	(60)	(231)
Proceeds from disposal of property, plant and equipment	210	
Interest received	277	5
Net cash (loss) generated by investing activities	**(1,526)**	**(1.051)**
Cash flows from financing activities		
Proceeds from borrowings	(588)	428
Repayment of borrowings		(1.367)
Interest paid	(375)	(360)
Net cash (loss) generated by financing activities	**(924)**	**(1.299)**
Net increase (decrease) in cash	**385**	**397**
Cash at the beginning of the year	**505**	109
Cash at the end of the year	**890**	**505**

Source: the Issuer

4.5 Statement of changes in equity

List 6 Statement of changes in equity of Agroliga Group PLC for the period from 1.01.2015 to 31.12.2015 with comparative data from 2014 [ths euro]

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Translation reserve €'000	Retained earnings €'000	Non controlling interests €'000	Total €'000
Balance at 31 December 2013	**51**	**953**	**(598)**	**11.692**	**193**	**12.291**
Balance at 1 January 2014 as previously reported	**51**	**953**	**(598)**	**11.692**	**193**	**12.291**
Comprehensive income						
Net profit for the year	-	-	-	2.726	37	2.763
Exchange difference on the translation and consolidation of foreign companies' financial statements	-	-	(5.185)	-	-	(5.185)
Result of aggregation with Ukrainian entity LLC Vostokagrokontract						
Balance at 31 December 2014	**51**	**953**	**(5.783)**	**14.418**	**230**	**9.869**
Balance at 1 January 2015 as previously reported	**51**	**953**	**(5.783)**	**14.418**	**230**	**9.869**
Comprehensive income						
Net profit for the year				3.223	59	3.282
Elimination of share capital due to change of status of VostokAgrocontract from combined to consolidated	(20)					(20)
Exchange difference on the translation and consolidation of foreign companies' financial statements			(1.690)			(1.690)
Balance at 31 December 2015	**31**	**953**	**(7,473)**	**17,641**	**289**	**11,441**

Source: the Issuer

5. Factors that affect achieved financial results in 2015, and events after the balance sheet date

2015 was a good for agriculture, with excellent weather conditions.

The early grain crops were harvested from all 3620 ha allocated for them.

In particular, spring barley was harvested from 713 ha, 3466 tons were thrashed with the average yield of 48.6 c/ha.10 848 tons of winter wheat were harvested from the area of 2 201 ha with the average yield of 49.3 c/ha.

The yield of spring wheat reached 38.6 c/ha, 1 405 tons were gathered from the area of 364 ha.

Oilseed rape was also harvested from the area of 342 hectares with the yield 24.8 c/ha.

In total, more than 26 000 tons of new crops were loaded into the company granaries. Due to timely performed agro-technical steps, we were able to achieve the potential of the elite seed and reach sunflower yield index – 42.1 c/ha on the average. The sunflower was harvested from 2 342 hectares.

Political crisis.

Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against 1.74 times during 2014. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections was scheduled for May 2014 and a transitional government has been formed. At the presidential elections has won Petro Poroshenko, who June 7-th was inaugurated as President of Ukraine.

In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. In the April-May 2014 Lugansk and Donetsk regions declare themselves as independent republics. Ukrainian government performing now in this regions Anti-Terroristic operation.

The further political developments stabilized the political and economy situation.

As of the date of this report, operation of the Group's facilities throughout Ukraine continued to operate normally.

6. Report on the Group's activities in 2015

The Issuer was established as Public Limited Company in accordance with the Cyprus Company Law, Chapter 113th.

The Issuer was registered in the Register of Companies kept by the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus on the 23 06. 2010 under the number 269325 HE 44U.

Company details:

Company name:	Agroliga Group PLC
Seat:	Nicosia, Cyprus
Address:	Boumpoulinas, 11, 1st floor, P.C. 1060, Nicosia, Cyprus
Telephone:	+38 (057) 719-49-84
Fax:	+38 (057) 719-49-84
E-mail:	info@agroliga.com.ua
www:	www.agroliga.com.ua

The issuer is a holding company and as such does not run a business. Business is run by subsidiaries companies taking part in the Capital Group.

The Group operates in three production areas:

- oil production;
- cereal production;
- milk production.

Producing oil and milk, the Group reduces the seasonality of generated revenues. Three lines of business run by the Group partly complete mutual production processes. This results in increasing production efficiency and greater processing of individual goods.

6.1 The Board of Directors and Employees

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

First name and surname	Position held	Term	
		From	till
Aleksandr N. Berdnyk	Chairman of the Board of Directors	22 September 2014	Next Annual General Meeting
BIZSERVE MANAGEMENT LIMITED	Director	22 September 2014	Next Annual General Meeting
BIZSERVE INVESTMENTS LIMITED	Director	22 September 2014	Next Annual General Meeting

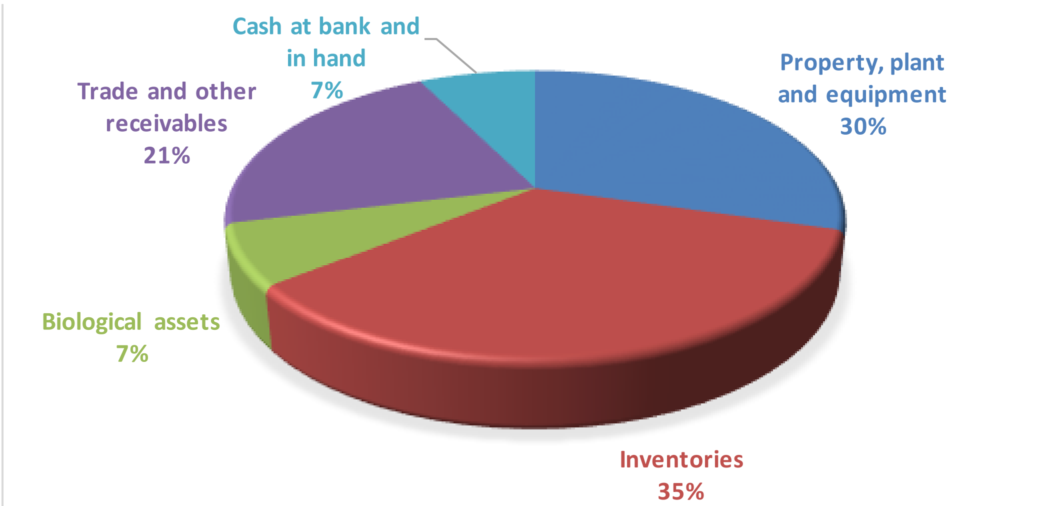
Aleksandr N. Berdnyk (47) – In 1984 graduated from Institute of Economic and Catering Trade in Kharkov. From 1987 - till 1990 he worked at Kharkov Committee of the CPSU as a deputy director of Economic Department. In 1990 he started a business. He was involved in trade and organization of a garment's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

There are 239 persons employed by Agroliga group as at 31/12/2015 (FTE, including all the Group's companies).

CATEGORY	2015-12-31
ADMINISTRATION	34
PRODUCTION EMPLOYEES	145
SUPPORT	60
TOTAL	239

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

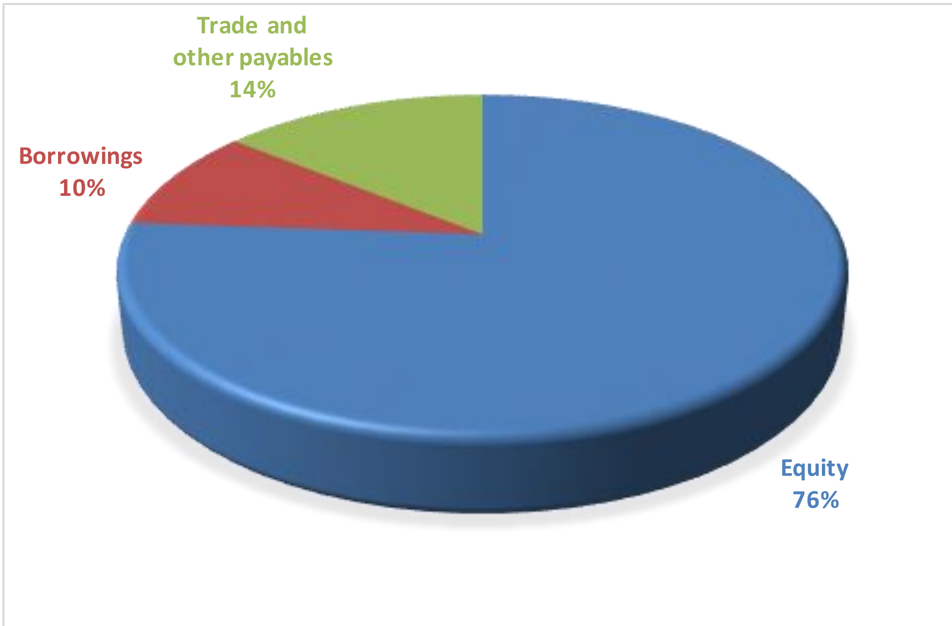
Chart 1 Asset structure of Agroliga Group PLC on 31.12.2015 (percent)



Source: the Issuer

Property, plant and equipment	Buildings, equipment ond other fixed assets, that used in agricultural production, except land. According Ukrainian Law, land could not be sold, but rented for a long-term period only.
Biological assets	Plants and animals.
Inventories	Supplies and goods for sale.
Trade and other receivables	Client's debts and prepayments to suppliers.
Cash at bank and in hand	Money in bank and cash.

Chart 2 Equity and liabilities structure of Agroliga Group PLC on 31.12.2015 (percent)



Source: the Issuer

Equity	Equity is share capital and capitalazed income. It's the main source of our development.
Borrowings	Borrowings are mostly short-term bank loans.
Trade and other payables	Prepayments of our clients and other liabilities.

6.3 Related parties accounts

Condensed account of related parties as stated in audited financial report note 23:

Euro'000	2015	2014	Change
Receivables and loans to shareholders	560	1,429	(869)
Payables and loans from shareholders	152	218	(66)
Total account of related persons	**408**	**1,211**	**(803)**

During 2015 condensed account of related parties decreased for Euro 803 thousands.

6.4 The most important events in 2015

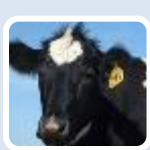
List 7 Record of the most important events in the life of the Company in 2015

Date	Event	Report
30 March 2015	Start of the new season	n/a
05 May 2015	HACCP Certificate received	n/a
30 June 2015	Start of Harvesting Season	n/a
17 August 2015	Agricultural Land Expansion	n/a
12 October 2015	Annual shareholders meeting	EBI 06/2015
22 October 2015	Completion of Church Construction	n/a
03 December 2015	ISO 22000: 2005 Certification	n/a

Source: the Issuer

Summary of progress Agroliga Group PLC in implementing its development strategy

Main points of the strategic plan of company development to 2013-2015 were announced in statement published in June 12 2014 year.

Area	Plan	Description	Implementation
Refinery 	**Increase capacity of oil refinery with oil extraction technology usage.**	Agroliga plans to increase oil refinery capacity by switching to different technology - oil extraction. It means additional stage of oil refining, which allows improving technology process of oil crushing at first stage and significantly increase output of whole process. Until 2015 years Agroliga group is planning to increase the sunflower seeds annual capacity from present 55 000 tons up to 70 000 tons and until 2017 - up to 100 000 tons accordingly. To provide necessary increasing Group should order equipment for the 2-d seage of refining, install it at the end of refinery production lines, setup new production process, and also extend its stores for additional raw materials, at least for 10 000 ton.	In 2015 was started first sample sales of bottled refined oil, third-party refined. In 2016 planned to start own refining.
Agriculture 	**Increase of arable land bank up to 12,3 ths. ha**	At 2013-2015 Group plans to expand land bank by acquiring two agricultural companies in Kharkov region. Preliminary negotiations have finished, and deal require only funding for the last step. Then Agroliga's management will use its experience in successful agricultural production to make new plots of the land as profitable as exists. Group has enough skilled specialists, but requires also some funding for new agricultural equipment. For existing fields Agroliga plans to introduce new technology of humidity regulation (special granulate that absorbs surplus of water for dry periods). Moreover, according to Additional development program to 2013-2015 Agroliga intends to produce organic fertilizer with the aid of our dairy farm, with gradually substitution chemical fertilizers by own produced organic one. At the first step, this program will start with several fields to analyze deeply this possibility.	In 2015 land area was expanded for 1800 ha
Milk 	**Increase livestock up to 1400 pieces**	Agroliga's dairy farm plans to increase cowherd up to 1400 cows. Now we have enough space in barn only for 1 000, so next year we will build new barn for 400 heads and require additional funds to buy cattle. Also during next three years farm will continue work with feeds and herd structure, in order to reach 7 000 kg of milk from a cow per year (now 6200). Additional target for development of dairy - start production of dry milk and soft cheese, at the first stage with the help of outer subcontractor.	First sales from own dairy retail, with the help of third-part subcontractor produced dairy products.

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

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

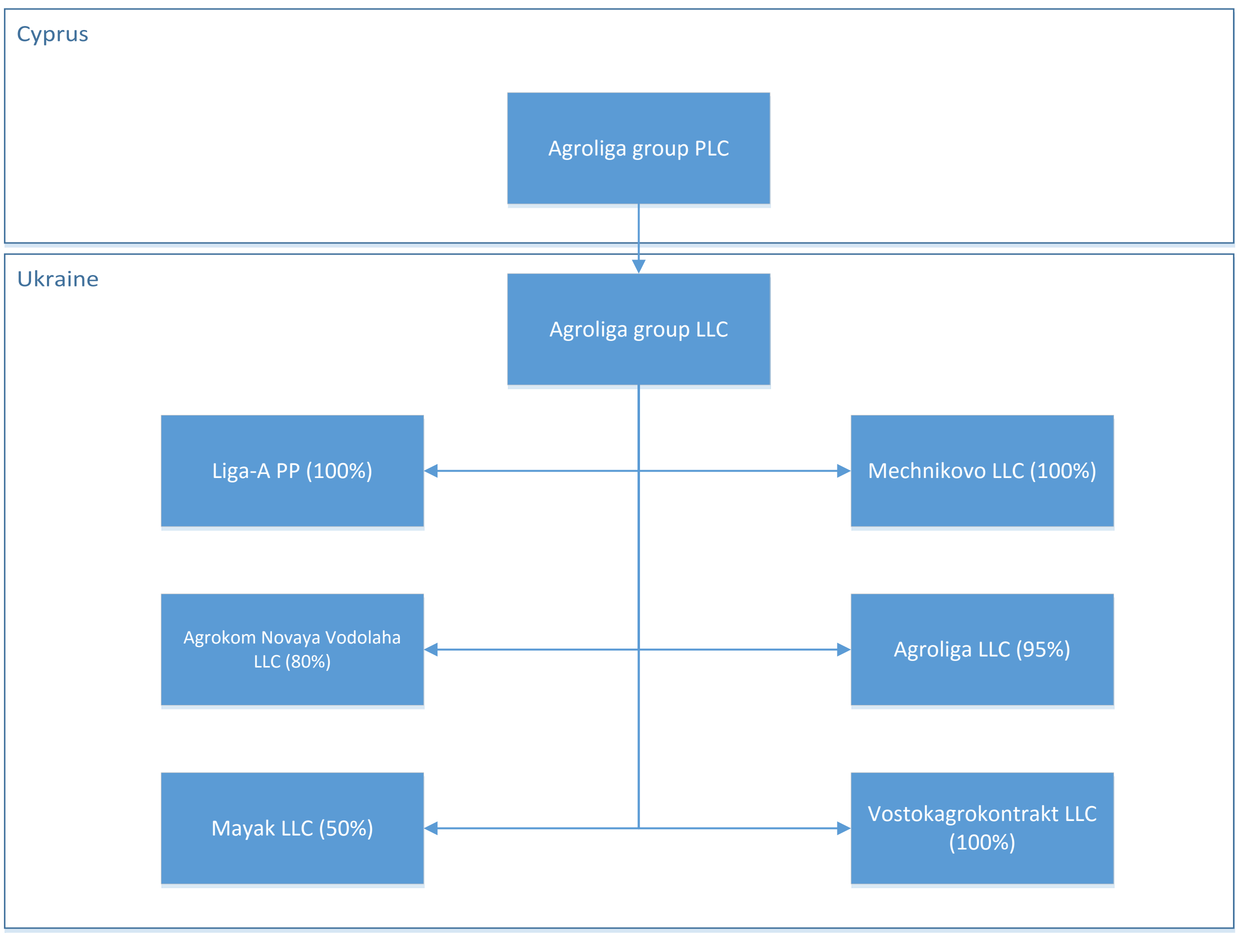
There were neither significant equity deposits nor capital investments in 2014 year.

6.6 Description of the organizational changes in the group

During 2014 there were no changes in structure of the Group.

The current Group structure is shown at the below chart.

Chart 3 The organizational structure of the group Agroliga



source: the Issuer

6.7 Major achievements in research and development

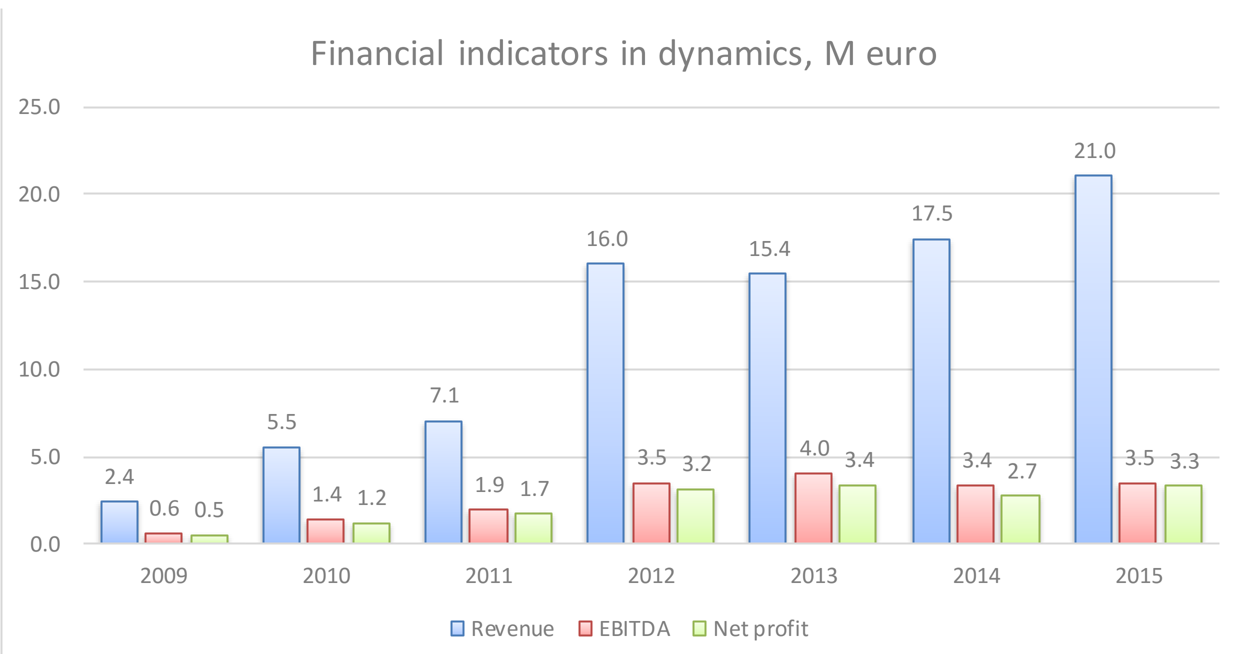
No research and development was made for the reporting year.

6.8 Information on current and expected financial situation of the Issuer

In the 2015 Agroliga Group PLC reached EUR 21,031,000 revenues. Compared to the previous year, it is an increased to 20%. Increasing of the revenue connected with the expanding of oil refining factory work and currency changes during the year. Net profit of the group in 2015 is calculated as EUR 3,223,000, and 18% up to 2014 year.

EBITDA increased by 1% and amounted to 3,383,000 euro compared to 3,352,000 euro in 2014.

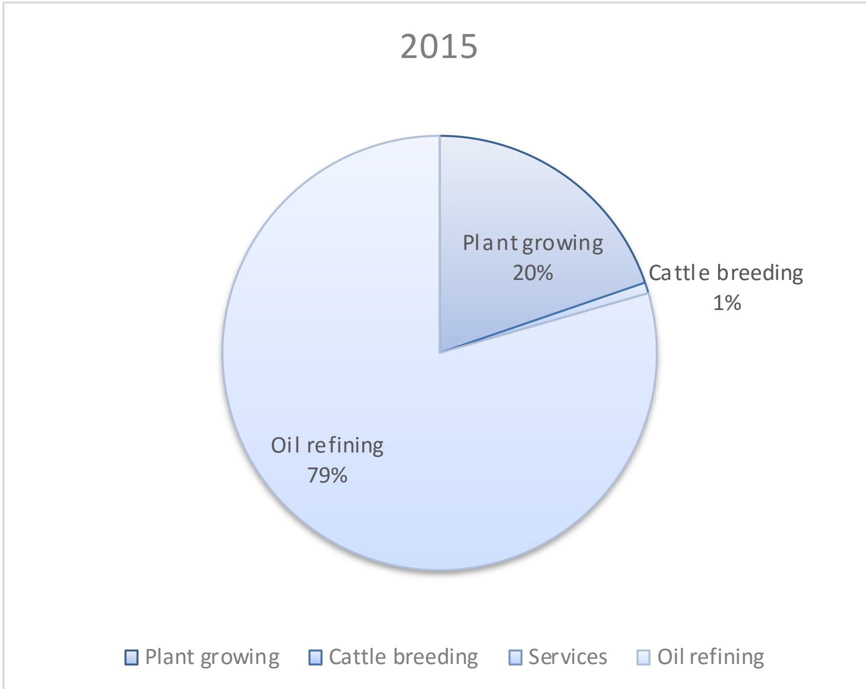
Chart 4 Company's financial results achieved in 2015 together with comparative data



Source: the Issuer

Moreover, in 2015 has been changed revenue structure of the Issuer. Revenue structure is shown in the chart below.

Chart 5 The revenue structure in 2015 of Agroliga Group Plc.



Source: the Issuer

6.9 Purchase of own shares

In 2015, the Company did not purchase its own shares.

6.10 The branches office owned by the Issuer

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

6.11 Information on financial instruments and associated risk

- **Ukraine's political instability**

Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook.

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections was scheduled for May 2014 and a transitional government has been formed. At the presidential elections has won Petro Poroshenko, who June 7-th was inaugurated as President of Ukraine.

In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. In the April-May 2014 Lugansk and Donetsk regions declare themselves as independent republics. Ukrainian government performing now in this regions Anti-Terroristic operation.

The further political developments are currently unpredictable and may adversely affect the Ukrainian economy.

As of the date of this report, operation of the Group's facilities throughout Ukraine continued to operate normally.

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

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

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

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

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

- **The legal system of Ukraine**

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

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

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

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

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

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

- **The judicial system in Ukraine**

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

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

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

- **Ukrainian tax system**

<u>Fixed agricultural tax</u>

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

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

VAT

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

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

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

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

In case of changing the regulations enabling companies of paying VAT or SPR, companies belonging to the group of the Issuer will be obliged to pa VAT and SPR according to general rules, as well as other taxes and duties, which may have negative impact on the Group's activities, financial position and financial results.
There were changes in agricultural VAT system since January, 1, 2016, that were explained in ongoing quarter reports.

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

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

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

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

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

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

- **Risks associated with the land lease**

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

There is also a risk that tenants will not want to extend the lease for Subsidiaries the Issuer's Subsidiaries will not be able to carry out production operations at its current level and will be forced to seek new clients and move crops to other areas. In addition, in accordance with Ukrainian legislation, the sides of lease agreement have full discretion regarding setting the prices. However, where the lease relates to municipal or state land, lease fee can not be less than the property tax for the relevant plot, calculated as a percentage of the value of the property. The Ukrainian authorities verify the value of the land and may unilaterally change the price for the lease of state and municipal land. Any increase of leasing fees above the current expectations of the Group, may have an negative impact on Group's business, operating results and financial condition.

In order to avoid the risk associated with leasing of the land, the Group intends to purchase the land from existing tenants. The Group has pre-emption right regarding the leased the right parcels, as defined in the agreements of the lease. However, due to limitations of the right to land trade, it can not be completed till the moratorium expire date, ie 2015.Until that time, there may be further changes in the laws and regulations relating to land ownership, which may limit Group's ability to obtain full ownership of leased land.

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

The issuer is a holding company and as such does not run a business. Business is run by subsidiaries, Agroliga LLC, A Division, Novaya Agrokom Vologda and Mechnikovo.

The Issuer will earn revenue from the dividend and may pay dividends only so far as it will be paid from subsidiaries or or from the proceeds raised from the sale of assets.

The revenues of the subsidiary come off the quantities of sold products, the price level and the level of operating expenses of the Issuer group. There is a risk that as a result of difficulty in selling goods and products or reduce in the production, subsidiaries will not achieve the financial results of a certain level. Therefore, there is a risk that due to the lower level of revenues generated by the subsidiaries, dividends will not be paid.

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

Group activity is dependable on the effects of oil production, milk, sunflower and cereals. Group, as an investment, intends to develop activity connected with oil production. To achive that, Group plans to modernize the oil company, by installing a second production line. Because of this, group will be able to restrict the share of unprocessed agricultural products. Group intends to increase the share of finished oil in sales to 80-85%, while the milk to about 10%. Receiving the raw materials on time does not depend on the

Group, however, due to the large number of providers, the risk associated with a lack of production connected with shortages of raw material, is significantly reduced. But we can not exclude that in the future as a result of unforeseen events such as natural disasters, the amount of available material could be limited, which may reduce the production efficiency and limit the Group's revenue.

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

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

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

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

- **Risks associated with the machine park**

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

- **Risks associated with suppliers**

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

- **Risks associated with recipients**

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

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

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

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

- **Risks associated with key staff**

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

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

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

Risks associated with transportation of goods is limited, because Group had applied sale on Ex Works terms, that makes the number of its own means of transport less meaningful for operational activities. Procurement of raw material (sunflower seeds) for plant producing sunflower oil is used on DDP (Delivered Duty Paid) terms. Thanks to that, all costs and risks associated with the supply of raw material is charged to the vendor. There is no necessity to make regular journeys between distant production places. And for irregular operations, the Group has own sufficient transport fleets and leased one (14 units including two tanks for the transportation of milk). Because of steps taken by the Group, the risk associated with transport has been minimized.

- **The risk of severe weather conditions**

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

- **Risks associated with animal husbandry**

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

- **Risks associated with crop**

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

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

Currently the Group does not bear a high risk of financing investments associated with increased rates, because its debts has been maintained at a low level. In the near
Future, the Group is going to increase the credit liabilities. But we can not exclude that
as a result of increased demand for capital, the Group might increase the financial commitment in financial institutions regarding loans or advances or make use of credit or granted credit line. Because of current economic situation in Ukraine, the risk may appear that in the absence of the availability of credit at low interest rates, the Group
will be forced to use high percentage credits or loans. The increase in credit costs and operating credit obligations may adversely affect the Group's operations, and thus the financial result.

- **Risks associated with competition**

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

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

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

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

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

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

Because the significant changes in economic situation, these prognoses cannot be validated until recalculation that will be done as soon as situation in Ukraine stabilizes.

7. Dividend Policy

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

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

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

8. Information on application of the Corporate Governance rules

The Issuer published the declaration regarding application of the "Best Practices of NewConnect Listed Companies" in EBI report No 4 / 2011 on 22 February 2011.

According to the declaration of the Issuer, following practices aren't applied:

Rule 9

In the annual report the issuer should publish:

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

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

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

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

Rule 11

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

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

Rule 16

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

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

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

Attachments: Auditor's report