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UKRAINIAN COMPANIES ON THE WARSAW STOCK EXCHANGE: CURRENT STATE AND FUTURE TRENDS

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Summary

As a result of globalization trends many businesses are able to raise capital not only in their domestic market, but also abroad. Among the stock exchanges which have managed to attract foreign companies is the Warsaw Stock Exchange. Over the past few years many companies from Ukraine have chosen to be listed on the Warsaw Exchange. This article provides an analysis of the conditions linked to raising capital for Ukrainian companies on the Polish market.

JEL classification: G14, F23, E44

Keywords: Warsaw Stock Exchange, investment, ukrainian companies

PART I. Financing economic activity in Ukraine

Introduction

Almost each trader, regardless of the scale of their economic activity, had at some point a problem with lack of sufficient capital. Such a situation could cause much slower development or hamper it considerably. Problems of financing the company usually need to be resolved immediately. This chapter analyses the opportunities of getting capital on the Ukrainian financial market. The chapter presents a short review of the macroeconomic indicators on Ukraine, then an analysis of financing opportunities using bank loans and share issue. Moreover, problems and difficulties connected with obtaining capital on the Ukrainian market are reviewed. An alternative is a possibility to reach for capital of foreign finance markets.

The Ukrainian economy is now in a transformation phase, which changes its previous structure towards a free market economy. Currently we may notice stron-

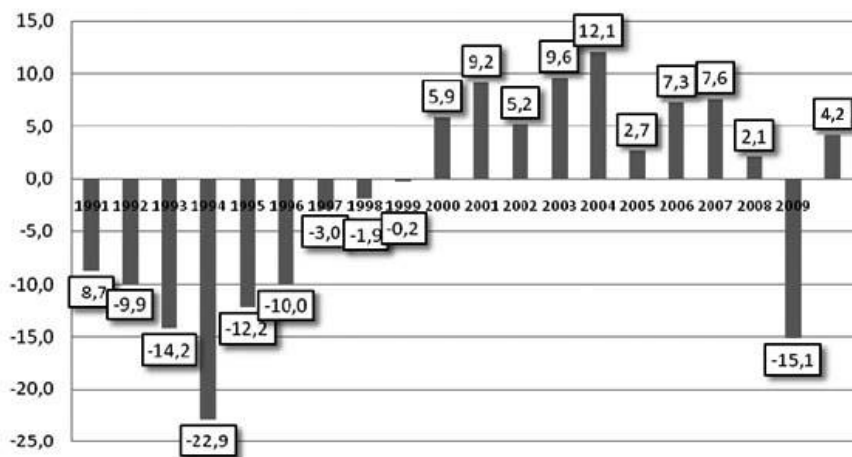
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ger processes of privatizing state property and increased number of private joint stock companies. Steps are taken to improve the architecture of the financial market, whose efficient functioning is of key importance in the process of increasing the effectiveness of using economy resources. The basic barriers to the development of the financial market in Ukraine are: slow pace of updating legislation as compared to the needs of entrepreneurs; lack of clear information about the activity of financial market entities; lack of motivation to be active in the securities market; low trust to the domestic currency. For further development of Ukrainian economy, internal financing sources will undoubtedly be insufficient. One of the ways to solve this problem is attracting foreign capital. Foreign finances will not only satisfy capital-related needs, but their use will also contribute to production development, improve technical back-up and help develop innovations.

Ukraine's macroeconomic situation

After breaking the traditional economic ties within the USSR and adopting the market economy system in the early 1990s, Ukraine experienced a long recession, which reached its peak in 1994 as the GDP fell by 22.9%. The economy began to recover in 2000. Between 2000-2008, Ukrainian economy was experiencing steady economic growth at a rate of about 7% annually (6.9% on average in 2000-2008; an exception was noted in 2005, with a growth by about 2.7%). Yet despite the positive trends, by the end of 2008 Ukrainian GDP was still at a level of 74.1% of the indicator of 1991.

Figure 1. Ukraine % change in GDP at constant prices, between 1991–2010



Source: State Statistics Committee of Ukraine

In the fourth quarter of 2008, as a result of the negative effects of the global economic crisis, the economic development of Ukraine sharply curtailed. While in the first three quarters of 2008 Ukrainian economy grew rapidly (GDP growth rate: 6.3%, 6.2% and 6.4%, respectively) – a combination of global risk aversion and falling world commodity demand and prices resulted in an 8% GDP contraction during the 4Q of 2008. This reduced in cumulative GDP growth falling from 6.3% year-over-year (y-o-y) in the first three quarters of 2008 to just 2.1% y-o-y by the end of 2008. In 2009 Ukrainian economy showed a further decline of the gross domestic product, while in late 2009 some signs of economic recovery were noted. In 2009, the country's GDP fell by 15.1%. In 2010, GDP growth was recorded at 4.2%. A recent report published by the World Bank assumes that the GDP growth rate for 2011 will be about 4%, while in the midterm it should oscillate around 4-5%. Table 1 shows the key macroeconomic indicators for Ukraine between 2007–2010.

Table 1. Key macroeconomic indicators for Ukraine (2007–2010)

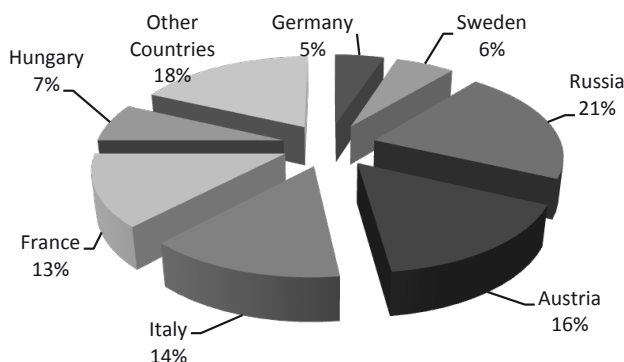
Indicators	2007	2008	2009	2010
Nominal GDP (UAH billion)	712,9	949,9	914,7	1094,6
Nominal GDP (USD billions)	141,2	123,4	114,3	136,4
GDP per capita (current prices, UAH)	15 374,2	20 534	19 901,3	23 910,8
GDP per capita (current prices, USD)	3 044,4	2 667	2 487,7	2 979,6
GDP per capita (PPP, USD)	7100	7500	6400	6700
Real GDP growth (%)	7,6	2,1	–15,1	4,2
Industrial production (% change)	10,2	–3,1	–21,9	11
Agricultural production (% change)	–6,5	17,5	0,1	–1
Government Debt to GDP (% of the GDP)	12,3	20	34,7	39,5
Inflation (CPI, % change EOP)	16,6	22,3	12,3	9,1
Unemployment Rate (% of Labor Force)	6,9	6,9	9,6	8,8
Foreign trade turnover (goods, USD billions)	109,9	152,5	85,1	112,1
Exports (USD billions)	49,2	67	39,7	51,4
Exports (% change)	28,4	35,9	–40,7	29,6
Imports (USD billions)	60,7	85,5	45,4	60,7
Imports (% change)	34,7	41,1	–46,9	33,7
Foreign trade balance (goods, USD billions)	–11,4	–18,5	–5,7	–9,3
Current Account Balance (% GDP)	–4,2	–6,7	–1,5	–2,1
Annual FDI inflow value (USD billions)	8,7	10,9	5,6	6
Cumulated FDI value in Ukraine (USD billions)	29,5	35,7	40	44,7

Source: State Statistics Committee of Ukraine, National Bank of Ukraine, Ukrainian Ministry of Finance

Bank loans as a method of raising capital for business

Starting from 2006, Ukraine was penetrated by several foreign financial groups, which invested more than \$ 10 billion in domestic banks. Between 2006–2008 the number of banks with foreign capital increased from 35 to 53 (including 17 banks with 100% of foreign capital), and the share of foreign capital in the banking system – from 27.6% to 40.5%. Currently, the largest share in banking system assets is held by investors from Russia and Austria. Quite significant are also market shares held by French, Italian, Hungarian, German and Swedish investors, which reflects EU investors' considerable interest in the Ukrainian banking sector.

Figure 2. Foreign-owned banking system assets (as of 01.01.2009)



Source: Own study based on data from www.bank.gov.ua

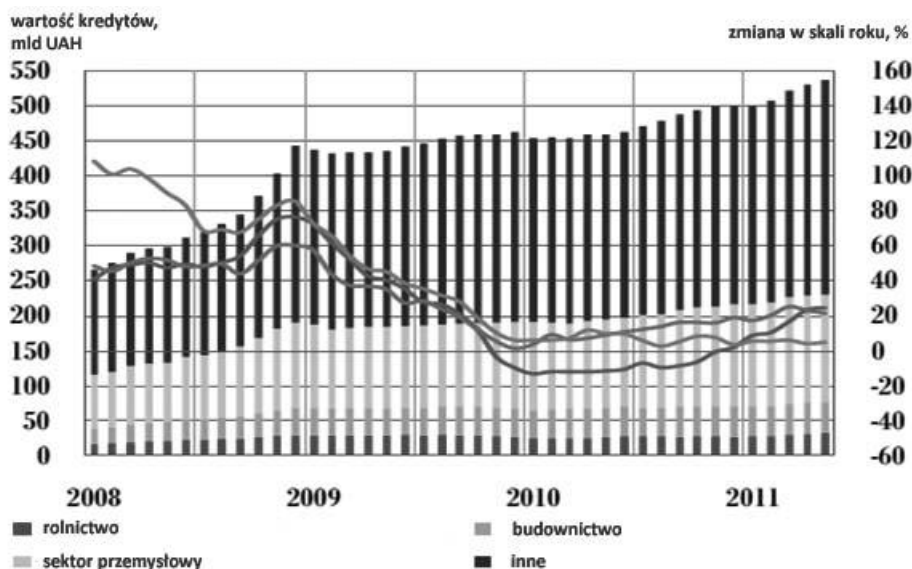
Unlike other economies in the region, such as e.g. Estonia, where more than 80% of assets are controlled by Swedish holding companies, ownership of the assets in the Ukrainian banking sector is not dominated by shareholders representing just one country. Such differentiation of ownership can be considered a positive feature of the Ukrainian banking system, because in this way it is not dependent on a single country's economic and political conditions. Today very different financial institutions can be found on the Ukrainian market – global as well as regional players. Some of them operate only in single financial market segments, while others – in several ones (such as retail banking, investment banking and insurance). An analysis of shareholders of banks with foreign capital shows that Ukraine's banking sector is dominated by eight financial groups from Europe and the United States, which show characteristics of financial conglomerates. These are: Societe Generale, ING, Credit Agricole, Intesa Sanpaolo, RZB-UNIQA, SEB, BNP Paribas and Citigroup. International financial conglomerates usually have the control packages of shares in domestic banks as well as in insurance companies. Foreign banks were somewhat more likely than Ukrainian entities to provide credit. The development of the banking system, however, did not contribute to lowering the cost of credit and

extending the periods of granting them, or to improving the profitability indicators of banking activity. This was due to a fairly high rate of inflation, the discount rate level of the National Bank of Ukraine (NBU) and also the risks associated with lending to the real sector of national economy.

The bank loans market in Ukraine is stabilizing and the value of credits returns to the levels recorded before the last crisis (Figure 3). The global financial crisis affected the market negatively. The dramatic loss of confidence in banks, low deposits and very high interest rates led to a substantial decrease in the value of credits (mainly due to the high service fees). In 2009–2011, the bank loans market situation has improved. Rates on loans began to fall. Despite this fact, the current rate still does not encourage businesses to take loans in order to finance their activity and invest in further development. Credit conditions are still unacceptable to many Ukrainian enterprises.

By the end of May 2011, companies operating in Ukraine have received bank loans of 537 billion UAH (Table 2). The growth rate of loans was 16.9% per annum, as compared to 15.7% at the end of April. The agricultural sector received 31.95 billion UAH in loans (an increase of 24.5% per annum), the industrial sector – UAH 153.40 billion (an increase of 21.2% per annum), the construction sector – UAH 44.90 billion (an increase of 5% per annum), and the total value of other loans – UAH 306.77 billion (an increase of 16% per year) – covered other forms of economic activity.

Figure 3. Loan Structure by sectors of the economy (2008-2011)



Source: www.bank.gov.ua

Table 2. Value of loans given to individual economy branches by the Ukrainian bank sector

Economy branch	Loans			
	April 2011		May 2011	
	value of loans given (in billions of UAH)	annual change (%)	value of loans given (in billions of UAH)	annual change (%)
Total	530,63	15,7	537,03	16,9
Agriculture	31,32	23,3	31,95	24,5
Industry	153,69	23	153,4	21,2
Construction	44,31	4,2	44,9	5
Other branches	301,31	13,5	306,77	16

Source: www.bank.gov.ua

In the global value of the given loans, 330.2 billion were loans (credits) in Ukrainian hryvnias, 175.05 billion in American dollars, 27.6 billion in euros, 2.6 billion in Russian roubles and 1.8 in other currencies. It is typical for the Ukrainian market that American dollar is often chosen as a currency by debtors. At the end of May 2011, the credits in foreign currencies made up 32.59 % of all the credits given. It is interesting, however, that in 2011 (both in April and May) the pace of growth of credits given in the local currency was higher than the pace of growth of credits in American dollars. As for May 2011, the change of the value of credits given in Ukrainian hryvnias increased by 18.3% per year whereas for American dollars the increase of the value was 13.2% (table 3).

Table 3. Value of loans given by the Ukrainian bank sector by currencies

Currencies	Credits			
	April 2011		May 2011	
	value of loans given (in billions of UAH)	annual change (%)	value of loans given (in billions of UAH)	annual change (%)
Total	530,63	15,7	537,03	16,9
Hryvnia	324,77	18	330,02	18,03
US dollar	173,05	11,1	175,05	13,02

Source: www.bank.gov.ua

Table number 4 shows the structure of loans by their term of repayment. In the analyzed period most loans were granted for a period of 1 to 5 years – UAH

242.47 billion (45.15% of all loans). Loans granted for less than 1 year had a value of UAH 218.76 billion, representing 40.74% of all loans. Long-term loans, with maturities over 5 years, accounted for 14.11% of all loans (their value amounted to UAH 75.80 billion).

Table 4. The value of loans granted by the Ukrainian banking sector by maturity

Period of loan repayment	April 2011		May 2011	
	value of loans in billions of UAH	annual change in %	value of loans in billions of UAH	annual change in %
Total	530,63	15,7	537,03	16,9
below 1 year	214,78	14,3	218,76	16
from 1 to 5 years	239,91	13,6	242,47	14,8
more than 5 years	75,94	27,8	75,8	27,2

Source: www.bank.gov.ua

In May this year, the average interest rate on loans to Ukrainian enterprises was 13.32% in UAH, 9.52% in US dollars and 8.65% in euro. The interest rate on loans to households was 29.24% in UAH, 11.72% in U.S. dollars, 19.62% in euro (Table 5).

Table 5. Rates on loans granted by the Ukrainian banking sector

Currency	Enterprises			Households		
	March 2011	April 2011	May 2011	March 2011	April 2011	May 2011
Hryvnia	13,26	13,11	13,32	29,47	28,64	29,24
US dollar	10,34	10,07	9,52	10,93	12,91	11,72
Euro	9,53	8,07	8,65	16,91	14,31	19,62

Source: www.bank.gov.ua

A bank loan is one of the most expensive and also relatively poorly available forms of business financing in Ukraine. Due to the high rate of long-term loans and the difficult conditions that must be met to receive a credit, Ukrainian companies finance their activities to a greater extent through equity or by incurring short-term loans.

Stock market development in Ukraine

In Ukraine exchange trading exists since 1992. The capital market is regulated by a special authority – the National Commission of the Capital Market and Securities, which issues licenses and regulates the interactions between all capital market participants, as well as monitors the issues and trading of securities. Turnover at the particular markets in 2008–2011 is presented in Table 6.

Table 6. The value of turnover in the stock exchanges operating in Ukraine in 2008–2011 (in millions of UAH)

Stock exchange	2008	2009	2010	IQ 2011
Ukrainian Stock Exchange	90,48	58,81	54,39	2,22
Stock Exchange – Innex	86,36	205,44	72,94	16,64
Prydniprovskia Stock Exchange	212,2	970,39	220,16	39,41
PFTS	33991,9	13955,45	60901,26	17919,84
Kiev International Stock Exchange	1180,71	1573,49	2663,64	738,07
Ukrainian International Stock Exchange	529,89	1796,3	1808,97	260,94
Ukrainian Interbank Currency Exchange	101,88	1828,78	1267,59	0,6
Perspektiva	1374,51	11412,43	36649,58	18125
East European Stock Exchange	187,74	136,97	50,61	11,86
Ukrainian Exchange	–	3288,17	27510,42	19480,85
PTIS	4,02	787,79	–	–
Total value of turnover	37759,69	36014,02	131199,6	56595,43

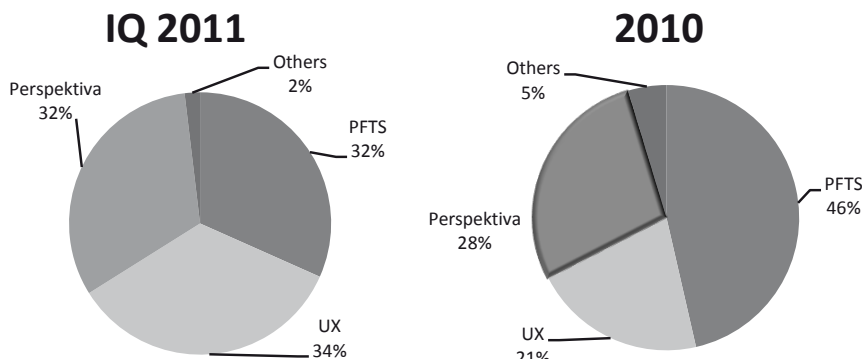
Source: www.ssmc.gov.ua

In the first quarter of 2011, a significant increase of securities trading took place. The total value of securities turnover in this period was approximately 56.6 billion UAH, while in 2010 the total value of transactions did not exceed 131.2 billion UAH. During the first quarter of 2011 the value of shares' turnover amounted to more than 25.6 billion UAH, which is UAH 19.0 billion more than in the same period last year and 23.7 billion UAH more than in the first quarter of 2009. Derivatives were characterized by the biggest turnover increase. The value of trading in these instruments in the first quarter of 2011 increased 275 times as compared to the first quarter of 2010 (19.4 billion UAH and 5.3 billion UAH, respectively). Detailed information is shown in Table 7.

The first quarter of 2011 brought also some changes in the structure of stock exchanges operating in Ukraine. PFTS, which in recent years had the top position among all stock markets in terms of turnover (46.42% of the total turnover in 2010), due to the rapid development of major competitors is now on the third place – 31.66% of the total securities turnover. The leading position is held by

Ukrainian Stock Exchange – 34.4%. Second is the Stock Exchange “Perspektiva” with 32.03% of the total securities turnover (Figure 4).

Figure 4. The share of the particular stock exchanges in the capital market



Source: www.ssmc.gov.ua

The current situation and development prospects of the Ukrainian stock market are affected by many unresolved problems that require thorough analysis. This applies to such issues as:

- 1) low level of capitalization of the securities market,
- 2) low level of corporate governance in companies-issuers
- 3) insufficient level of disclosure of company activities,
- 4) lack of proper policy on dividends,
- 5) small supply of investment capital in the securities market,
- 6) low transparency level of information provided by market participants, which is not always sufficient, up-to-date and objective,
- 7) poorly developed market for the basic instruments, as well as imperfect legislation in that area,
- 8) complicated organization of initial public offerings of financial instruments,
- 9) lack of an effective mechanism to protect investor rights,
- 10) complicated restructuring procedures and, consequently, a limited aftermarket.

To solve these problems and ensure effective development of the securities market in Ukraine, the National Stock Exchange Commission presented in September 2010 a securities market development program for 2011–2015. The document proposes mechanisms designed to solve problems relating to the low liquidity of the market, its infrastructure and foreign exchange control². It is part of Ukraine’s economic reform program for 2010–2014: „Wealthy people, competitive economy, effective government”. The program defines the conditions required for the growth and development of the capital market and the financial services sector. Its main objectives are in particular:

² www.rusnauka.com/14_NPRT_2011/Economics/3_86789.doc.htm.

Table 7. The value of turnover in particular financial instruments in 2009-2011 (in millions of UAH)

Securities	I quarter 2010	I quarter 2011	Growth		I quarter 2009	I quarter 2011	Growth	
			in millions of UAH	in %			in millions of UAH	in %
Shares	6542,88	25584,7	19041,79	291,03	1866	25584,67	23718,67	1271,1
Corporate bonds	834,82	5574,66	4739,84	567,77	1861,84	5574,66	3712,82	199,42
Treasury Bonds	9334,06	16809,2	7475,15	80,08	1628,9	16809,21	15180,31	931,94
Bonds of local governments	8,45	72,38	63,93	756,11	1,28	72,38	71,1	5554,69
Investment certificates	1476,91	3217,35	1740,44	117,84	19,23	3217,35	3198,12	16630,9
Derivatives	19,39	5337,18	5317,79	27425	2,82	5337,18	5334,36	189162
Total amount	18216,5	56595,5	38378,94	210,68	5380,07	56595,45	51215,38	951,95

Source: www.ssmsc.gov.ua

- strengthening the requirements for risk management, transparency of business and publication of information on companies – financial market participants;
- creating an appropriate legal framework to introduce new financial instruments and mechanisms for the redistribution of capital;
- creating a uniform system of securities registration;
- introducing uniform rules for calculating the stock exchange index, in order to avoid possible manipulation of prices of these instruments.

PART II. IPO in Poland as a method of raising capital

Introduction

The act of 29th July 2005 on Public Offering and Terms and Conditions of Introducing Financial Instruments to an Organised Trading System and on Public Companies defines public offering as making information on securities and the conditions of their purchase available to at least 100 people or an undetermined addressee, in any way and form. Such information should be enough for the interested market members to make an informed decision on the purchase of such securities (art. 3 of the act of 29th July 2005 on Public Offering and Terms and Conditions of Introducing Financial Instruments to an Organised Trading System and on Public Companies).

Many of issues concerning initial public offering (IPO) are discussed in the literature on financial markets. The considerations are focused on two groups of issues. The first group refers to the price at which shares are sold in the IPO, the price of their stock market debut, and the behavior of stock prices of IPOs at the stock exchange. The second concerns the motives which lead the company to a decision to issue shares and the financial consequences of IPO. According to the theory of funding sources hierarchy formulated by Donaldson, companies usually use internal equity first (from the company cash flows), then secondly they try to obtain external capital (usually in the form of a bank loan or a loan). The last option which is considered is to obtain capital by issuing shares (only for the owners of the company, or for new shareholders). In the company's strategic plan, the owners of the company should compare the future investment needs with future cash flows generated by the company. If the planned capital expenditure cannot be financed from internal sources, the company must consider issuing new shares. In the absence of a possibility to raise external capital in a form of debt (too high debt level, brief history of the company etc.), usually the only way to implement the plans is gaining equity. Choosing how to raise equity capital and to what type of investors it should be directed is very important. Raising capital from present owners of the company is the easiest and fastest way, so it is usually the first option considered by the company. The main limitation is lack of sufficient capital held by the current owners. Other ways of raising capital are to acquire a branch investor or a financial investor, or private or public issue of shares. Table 8 summarizes the key features of different ways to raise equity capital.

Table 8. Characteristics of the ways firms may raise capital on the Polish market

	Present Owners	Branch Investor	Financial Investor (PE/VC funds; business angels)	Private placement (NewConnect)	Public offering (NewConnect or Warsaw Stock Exchange)
Amount of capital which can be raised	Limited to the financial capabilities of the owners	Dependent on the financial situation and growth perspectives of the company	Dependent on the financial situation and growth perspectives of the company as well as the situation on the capital market	Dependent on the financial situation and growth perspectives of the company as well as the situation on the capital market	Dependent on the financial situation and growth perspectives of the company as well as the situation on the capital market
Ease of raising capital	Very high assuming the owners have the necessary capital	Usually quite difficult to find an interested investor	The procedure of selecting a firm for investment by these funds is quite rigorous	High, if the firm is able to present a convincing business development plan	Requires the Securities Commission's acceptance, the procedure of raising capital this way is complicated
Company control	Retained	Usually the branch investor demands control of the company	Financial investors usually want to have a significant influence on the company's activities	Usually the present owners retain control of the company	Usually the present owners retain control of the company
Costs	Very low	Very low	Very low	Low	High
Additional benefits	None	Gaining know-how, access to distribution networks, joint projects	Support in company management, active participation in developing a growth strategy, assistance in getting further financing	Possibility of a relatively easy further capitalization of the firm in the future, company is seen as more reliable, positive marketing and promotional effects	Possibility of a relatively easy further capitalization of the firm in the future, company is seen as more reliable, positive marketing and promotional effects
Additional costs	None	None	None	Required to provide specific obligatory reporting	Required to provide specific and quite rigorous obligatory reporting

Source: Own analysis

IPO is viewed in the financial world as a sign of a company reaching financial maturity, and at the same time results in a range of both positive and negative aspects. The benefits and drawbacks of introducing a company to the public securities market are given in Table 9.

Table 9. Benefits and drawbacks of making a company public.

Benefits of making a company public	Drawbacks of making a company public
Gaining new sources of financing	Company bearing obligatory costs in connection with: <ul style="list-style-type: none"> • Preparing a prospectus • An expert auditor examining financial reports • Fees for the National Securities Depository (KDPW), the Financial Supervision Authority (KNF), and WSE • Court and administrative fees
Greater reliability and prestige of the company	
New ways to promote the company and conduct marketing activities	
Greater probability of success of successive issues of shares, bonds and commercial papers	Company bearing optional costs in connection with: <ul style="list-style-type: none"> • Legal services • Remunerating a service or investment underwriter • Promotion • Meetings with analysts, investors and media representatives
Gaining an objective market evaluation of the company's worth	
Ordering company activity and creating a company development strategy	
Possibility to construct motivation programmes for employees	The risk of undesirable acquisition of control over a company as a consequence of unlimited freedom to make stock transactions
Promoting a result-oriented culture and the sense of ownership in the company	The risk of unexpected failure to issue the shares
Facilitated possibilities of purchase of or merger with another listed company	
Increasing the value of company shares in exchange trading and their float	

Source: Own study based on: M. Mikołajek-Gocejna, IPO jako źródło finansowania rozwoju spółki, CeDeWu, Warszawa 2008

Entering the stock exchange requires the company authorities to consider all potential chances and threats. Another important aspect connected with the debut on the stock exchange are all actions of an organisational and legal nature which have to be taken when preparing for the initial public offering of shares.

Warsaw Stock Exchange as a place of conducting international IPO

As a result of globalization, which has particularly strongly affected financial markets, companies (especially large) often have the ability to raise capital not only on domestic financial market but also on international financial markets. The decision about where the company shares will be issued depends primarily on the size of the company, availability of capital, costs associated with the issue, notification requirements, etc. The local stock exchanges compete with each other, trying to attract the largest number of issuers (including international ones). The government may support the local stock market in its efforts in attracting foreign companies by creating the necessary infrastructure and favorable legislation (including taxation). It worth noticing that from the viewpoint of the development of local stock exchanges attracting international issuers is positive, but for local companies this can mean greater difficulties in access to capital, since they must compete for capital with a greater number of issuers. On the other hand, development of the market (expressed among others in a large number of listed companies from different countries) can attract international capital. This in turn can positively affect the total supply of capital in the market. Thus, the impact of the appearance of international companies which issue stocks on local financial market on local companies' ability to raise capital is not clear.

At the time when the Warsaw Stock Exchange was created (12 April 1991), probably few observers expected that after two decades it would become the largest market for financial instruments in Central and Eastern Europe. By the end of June 2011, on the main floor there were 416 listed companies, including 35 foreign ones. In the alternative NewConnect trading system there were 261 listed companies (including 6 foreign ones). The first session on the Warsaw Stock Exchange was held on 16 April 2011, and shares of five privatized state-owned enterprises (Exbud, Cables, Krosno, and Tonsil Próchnik) were traded. There were 112 orders and the value of trading amounted to 1,900 zlotys³. The Warsaw Stock Exchange conducts trading of financial instruments on three markets. These are:

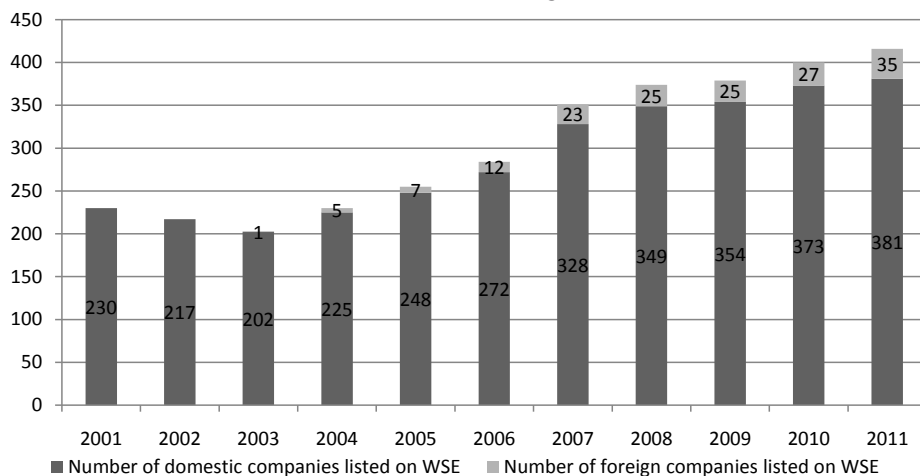
- The Main List
- NewConnect - alternative trading system
- Catalyst - Bond Market

Since its inception in 1991, the Warsaw Stock Exchange conducts operations on the Main List. Under the law, this market is classified as a regulated market. The largest, most important and most liquid companies are listed on this market. Several conditions must be fulfilled by companies to achieve admission for trading on that market. One of the key conditions is preparing a prospectus, which must be approved by a financial supervision authority. In the case of company capitalization the product of all the issuer's shares and the forecasted market price of such shares must be greater than the PLN equivalent of 15 million EUR.

³ *Rynki, instrumenty i instytucje finansowe*, red. J. Czekaj, PWN, Warszawa 2008.

The graph shows the number of companies listed on the Warsaw Stock Exchange in the years 2001-2011. The first foreign company on the Warsaw Stock Exchange appeared in 2003, when trading of Bank Austria Creditanstalt AG shares began. At the end of June 2011, 35 foreign companies were listed on the Main List of the Warsaw Stock Exchange.

Figure 5. The number of domestic and foreign companies listed on the Warsaw Stock Exchange in 2001-2011

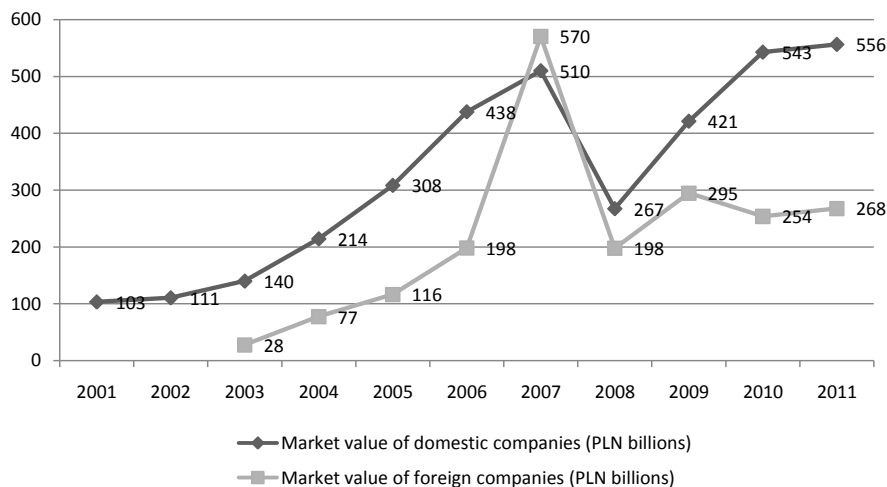


Source: WSE

The next graph shows the changes in the market value of Polish and foreign companies in the years 2001–2011. Systematic increase in market value of the listed companies can be observed in the years 2001-2007. This trend was interrupted by the financial crisis, which resulted in a decrease in all stock indexes and a decrease in IPO activity. It is worth noticing that at the end of 2007 the market value of all foreign companies listed on the WSE was greater than the market value of all domestic companies.

The second market conducted by the Stock Exchange in Warsaw is NewConnect. It was opened on 30th August 2007. It was possible to create this market when the Act of 25th July 2005 on trading in financial instruments was passed, which allowed the creation of an alternative trading system. It is a market in which it is easier to obtain funding for young fast-growing companies, particularly those operating in the area of modern technologies. Shares, rights to shares, subscription rights, depository receipts and other equity securities can be traded on NewConnect. From the legal point of view, NewConnect is not a regulated market in the understanding of EU law and Polish legislation. Trading in this market is organized and regulated by the Warsaw Stock Exchange. In this alternative trading system, regulations associated with listing shares are less stringent than in the Main List of WSE. Key benefits of this market from the perspective of the issuer are:

Figure 6. Market value of domestic and foreign companies on the WSE in 2001–2011



Source: WSE

- Small formal requirements associated with listing shares
- Simplified notification duties for companies
- Low cost of listing shares
- A significant promotional and marketing effect resulting from the fact of being listed on the NC

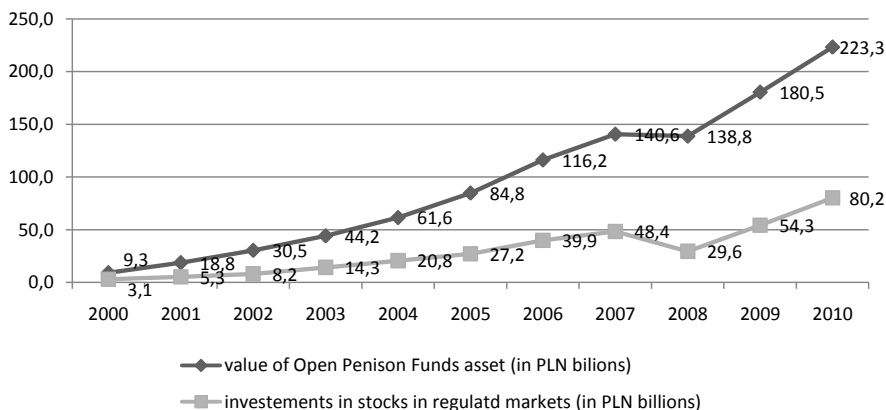
One of the major strengths of this market is the relatively easy and cheap procedure for placing shares to trading. Such simplified admission procedure is possible only if the company shares are offered to no more than 100 investors (private placement). A vast majority of NC companies uses this method to raise capital.

Catalyst is the youngest of all markets conducted by WSE. It started to operate on 30th September 2009. A variety of debt instruments: bonds, municipal, corporate and mortgage bonds, can be traded on Catalyst. Trading takes place on the Warsaw Stock Exchange trading platform or on the BondSpot trading platform (former CeTO market). The WSE trading platform is for retail customers, while the BondSpot trading platform is dedicated to wholesale clients. Catalyst provides an opportunity to obtain funds by issuing bonds to businesses and local government units.

The attractiveness of the market means the ability to attract issuers, investors and financial intermediaries. Good market regulations are a necessary but not a sufficient condition for market development. The quality of services in the area of technology, instruments, operating practices of the exchange are also very important. The strong point of the Warsaw Stock Exchange is a diversified investor base which includes foreign and Polish institutional investors and domestic individual investors (within the first 6 months of 2010, the share in overall turnover for foreign institutional investors was 47%, for domestic institutional investors 33%, for domestic retail investors 20%). Open Pension Funds and investment funds play

an important role among the domestic institutional investors. Pension funds are particularly important primarily due to their very large assets, which makes them one of the biggest investors in the Polish financial market. In addition, their investments are usually long-term therefore they are a source of capital supply for companies seeking funding opportunities in the market. At the end of 2010, open pension funds investments in shares on a regulated market exceeded 80 billion PLN.

Figure 7. The value of Open Pension Funds assets and their investment in stocks in 2000–2010



Source: Data of the Financial Supervision Commission

In May 2011 new legislation was introduced. According to the new law, contribution to pension funds decreased from 7.3% to 2.3% of salary. At the same time Open Pension Funds were allowed to gradually increase their investments in shares of companies listed on the regulated stock market (also investments in pre-emptive rights to shares and convertible bonds of companies listed on regulated markets) from the current level of 40% through 42.5% in 2011 year to 62% in 2020. The ultimate limit will be 90%. These changes may have an adverse effect (especially during the initial period) on the supply of capital from these institutions.

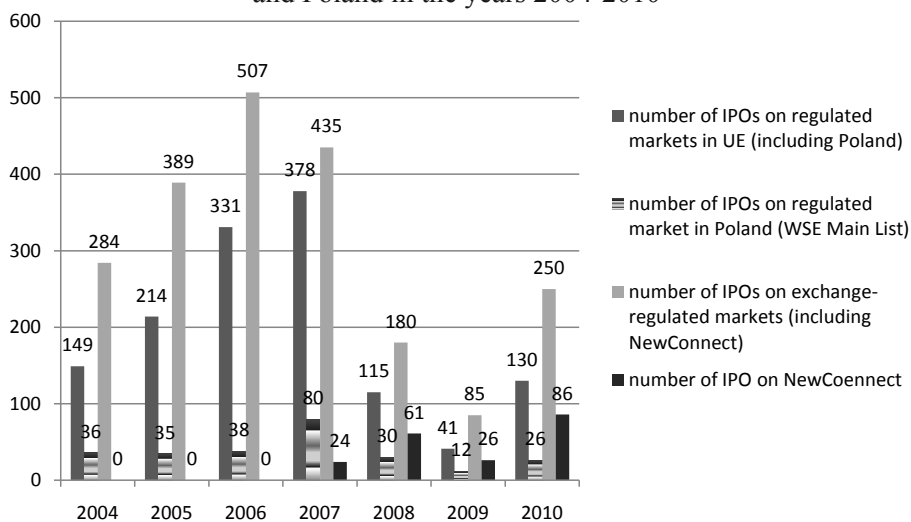
WSE will introduce a new, modern transaction system which can mean a chance to attract new investors (especially institutional investors). WSE has signed an agreement with the NYSE/Euronext which allows WSE to implement the UTP – Universal Trading Platform transaction system. It is now one of the leading transactional systems in the world. The system may create additional interest in the Polish market from financial institutions applying strategies based on high frequency trading (HFT). This should lead to increased market liquidity. Research indicates that this parameter is one of the important factors taken into consideration when choosing a place for trading shares by the company⁴. Positive impact on market

⁴ Zob. np. A. Kuzmyn, V. Fedulova, *Why Ukrainian Companies Go Public Abroad: A Survey Based Approach*, Arhus 2008.

liquidity should also allow short selling of shares (Stock Exchange has introduced such a possibility from 1st July 2010).

Transparent regulations, a broad investor base, and low cost of conducting IPO compared with the leading stock exchanges helped the Warsaw Stock Exchange occupy a leading place among all stock exchanges operating in the European Union as concerns the number of IPOs per number of years. The ongoing privatization process also favorably affects the number of IPOs. The relatively good performance of Polish economy in comparison to other EU countries, booming private sector and low ratio of market capitalization to GDP provides a basis for further stable development of the Warsaw Stock Exchange. The graph presents the number of IPOs in regulated and alternative markets in the EU and Poland. As can be seen, activity in the IPO market in Europe remained at a high level between 2004–2007. Following the financial crisis, the number of initial public offerings in 2008–2009 fell quite rapidly. It is worth noticing the successful launch of the alternative trading system in Poland – NewConnect. Created in 2007, in less than four years of activity it managed to attract 261 companies which is even more remarkable when one considers that it happened in a period not very conducive to making an IPO. In 2010, the number of IPOs on the alternative market in Poland accounted for more than 34% of all IPOs in all markets in Europe's alternative investment markets.

Figure 8. Number of IPOs in regulated and alternative markets in the EU and Poland in the years 2004-2010

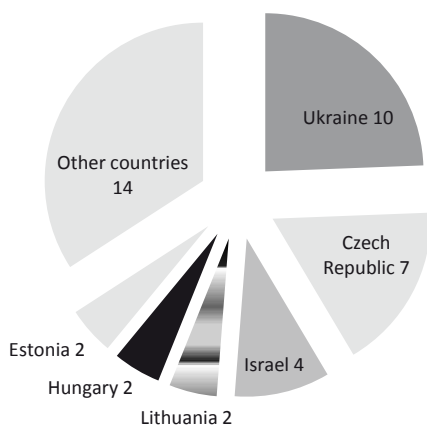


Source: IPO Watch Europe, PwC

One of the strategic aims of WSE is to facilitate access and increase the number of foreign companies, investors and financial intermediaries actively participating in

transactions on the market. The Warsaw Stock Exchange would like to become a leading market in the Central and Eastern Europe. This objective can be achieved by attracting foreign companies to have their shares listed on WSE. The graph shows the most important countries of origin of companies listed on the Warsaw Stock Exchange. As can be seen, the largest group among the foreign companies listed in Warsaw are Ukrainian companies (more than 34% of all companies)

Figure 9. Countries of origin of foreign companies listed on the Warsaw Stock Exchange



Source: WSE

In 2008, the Stock Exchange in Warsaw opened its first overseas representative office in Kiev. Another initiative of the Warsaw Stock Exchange is the WSE IPO Partner Programme. The program aims to attract foreign financial institutions and consulting firms which want to promote the idea of raising capital by issuing shares on the Polish market. Currently (as of the end of June 2011) there are 27 institutions involved in the program. Observing the activity of IPOs of foreign issuers on the Polish market (mainly from Ukraine), it seems that the initiative of WSE produces the desired effect.

2.3. Selected legal aspect of IPO in Poland

Entering the stock exchange requires the company authorities to consider all potential chances and threats. Another important aspect connected with the debut on the stock exchange are all actions of an organisational and legal nature which have to be taken when preparing for the initial public offering of shares.

An extremely important matter are thus legal regulations concerning both the first public issue of shares and the company's later functioning on the public stock exchange.

On 24th October 2005, three new legal acts regulating the capital market in Poland came into force:⁵

- 1) Act of 29th July 2005 on Trading in Financial Instruments.
- 2) Act of 29th July 2005 on Public Offering and Terms and Conditions of Introducing Financial Instruments to an Organised Trading System and on Public Companies.
- 3) Act of 29th July 2005 on Capital Market Supervision.

The above mentioned acts replaced the Law on Public Trading in Securities of 21st August 1997 (with later amendments). The change was caused by the necessity to adjust legal regulations concerning the functioning of the Polish capital market to the provisions of specific directives of the European Union, and in particular the following ones:⁶

- 1) Directive 2003/6/EC of 28th January 2003 on insider dealing and market manipulation.
- 2) Directive 2003/71/EC of 4th November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.
- 3) Directive 2004/39/EC of 21st April 2004 on markets in financial instruments.
- 4) Directive 2004/109/EC of 15th December 2004 on the harmonisation of transparency requirements (notification duty) for underwriters.

Provisions regulating the principles of the functioning of the securities market in Poland include also:

- 1) Act of 29th June 1995 on bonds.
- 2) Act of 27th May 2004 on investment funds.
- 3) Commercial Companies Code.
- 4) Code of Civil Procedure.
- 5) Warsaw Stock Exchange Rules, Regulations of the Central Table of Offers and of the National Securities Depository.

The figure shows the particular stages of the process of public share issue and their listing on the stock exchange.

The first step for an enterprise which considers making a public offer is to change its current form into a joint stock company or a limited joint stock company. The transformation is based on the provisions of the Commercial Companies Code⁷.

Another important issue is to choose professional advisors who would support the company in preparing and making the public offer. At this stage the company must obligatorily use the services of an expert auditor and an investment company. It is not compulsory to use the services of financial advisors, legal advisors, service and investment underwriters and public relations agencies⁸.

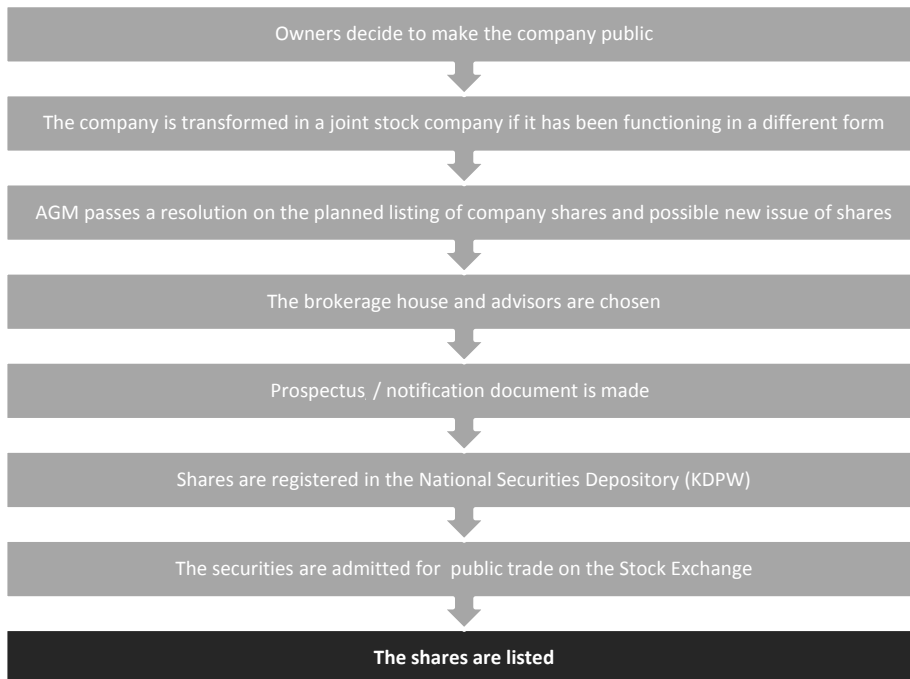
⁵ <http://bossa.pl>.

⁶ W. Nawrot, *Emisja akcji w Polsce w nowej europejskiej perspektywie*, CeDeWu, Warszawa 2007, s. 32.

⁷ *Ibidem*, s. 93

⁸ M. Mikołajek-Gocejna, *IPO jako źródło finansowania rozwoju spółki*, CeDeWu, Warszawa 2008, s. 43.

Figure 10. The process of public emission and listing of shares on the stock exchange



Source: GPW (Warsaw Stock Exchange), Oferta Giełdy Papierów Wartościowych – Główny Rynek GPW (Warsaw Stock Exchange Offer – WSE Main Market), New Connecti Catalyst, Emisja akcji i obligacji, Warszawa 2011

Another element of preparations for the public issue of shares is to establish its basic parameters: the time, value and structure. These actions should result directly from an earlier financial and legal analysis of the company.

Preparations to raising the company's capital by issuing shares begin formally in effect of a resolution of the general meeting of shareholders.

The required elements of a resolution on raising company capital are listed in art. 432 of the Commercial Companies Code. Each such resolution should contain⁹:

- 1) the sum by which company capital should be raised,
- 2) designation whether the new shares are bearer shares or registered shares,
- 3) specific rights if there solution provides for such rights for new shares,
- 4) issue price of the new shares, or authorisation for the management or board to set an issue price,
- 5) date from which the new shares should participate in the dividend,

⁹ Ustawa z 15 września 2000 r. Kodeks spółek handlowych (DzU nr 94, poz. 1037 z późn. zm.).

- 6) dates of opening and closing subscription, or authorisation for the management or board to set these dates,
- 7) object of non-cash contributions and their valuation as well as people who are to have shares for such contributions, including the number of shares for each such person if shares are given for the non-cash contributions,
- 8) the day by which shareholders who have the pre-emptive right to new shares are defined (date of pre-emptive right).

After the resolution on raising company capital is approved by the general meeting of shareholders, the company management or board is authorised to perform any activities related to the issue of shares. The fact of raising company capital also enforces a change in the company status¹⁰.

According to the act on Public Offering and Terms and Conditions of Introducing Financial Instruments to an Organised Trading System and on Public Companies, a public offering and introducing shares to trading on a regulated market requires the company to prepare a prospectus, have it approved by the Polish Financial Supervision Authority (KNF), and make the information from the prospectus publicly available. The prospectus is a key document on which the public offering is based and which is the main source of information for investors¹¹.

It may be made as one document or a set of documents including the registration document, offering document and summary document¹².

“The way of preparing the prospectus and its detailed requirements are defined by the EC Regulation No. 809/2004 of 29th April 2004 (binding since 1st July 2005) on 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”¹³.

Additionally, issues related to the prospectus are regulated by the Regulation of the Minister of Finance of 18th October 2005 on the scope of information provided in financial reports and consolidated financial reports as required in the prospectus for issuers seated in the Republic of Poland, to whom Polish accounting principles apply.

The next step in relation to the prospectus is its approval by the Polish Financial Supervision Authority (KNF). If the prospectus is made as one document, a suitable application should be submitted via the investment company. This action is regulated by art. 27 of the act on Public Offering and Terms and Conditions of Introducing Financial Instruments to an Organised Trading System and on Public Companies.

¹⁰ W. Nawrot, *op.cit.*, s. 100.

¹¹ M. Mikołajek-Gocejna, *op.cit.*, s. 53.

¹² Art. 21 ustawy z 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych (DzU nr 184, poz. 1539 z późn. zm.).

¹³ B. Duszek, *Jak pozyskać kapitał z giełdy. Poradnik dla przyszłych emitentów*, Giełda Papierów Wartościowych, Warszawa 2011, s. 31.

In the case of a prospectus made in the form of a set of separate documents, the issuer should submit the following documents via the investment company: registration document and including a registration document, offer document and summary.

On submitting the required documents, the procedure of approving the prospectus begins. The Commission approves a prospectus within 10 working days from the date of application submission. However, if none of the previously issued and acquired securities of the issuer were an object of a public offering nor are they admitted to trading on a regulated market, the Commission makes a decision within 20 working days from the date of application submission. If the submitted documentation is incomplete, the Commission calls the issuer to complete it no later than within 10 working days from the date of submitting the documentation in question¹⁴.

The Commission's approval of the prospectus means permission to make a public offering, or admission of the securities to exchange trading¹⁵.

Shares admitted to trading on a regulated market must be registered in the National Securities Depository (KDPW)¹⁶. It requires a special contract between the issuer and KDPW. This results from article 5 of the act of 29th July 2005 on Trading in Financial Instruments¹⁷. The issuer applies to KDPW for registering the securities introduced to the market, enclosing all the required attachments. Based on the submitted documents, KDPW gives an ISIN code to the securities.

Share subscription is considered the main stage of the public offering. It is mostly done based on a fixed share issue price. The first step is to gather registrations for the company shares from those interested. When the number of applications equals the proposed number of securities, each investor is assigned the shares in the number declared in their order¹⁸. However, it must be noted that there are also other forms of subscription, less frequent than the one presented. After assigning the shares, it is necessary to prepare a list of subscribers together with the numbers of shares assigned to each of them. Such a list should be then made available to those interested within one week from the date of assigning the shares. The subscription itself must be finally settled within two weeks from the day on which share assignment is completed.

The act of 29th July 2005 on Public Offering and Terms and Conditions of Introducing Financial Instruments to an Organised Trading System and on Public Companies also requires issuers to notify KNF of completing public share subscription. The notification document is done according to the sample to be found in an attach-

¹⁴ K. Haładaj, *Odpowiedzialność odszkodowawcza emitentów za naruszenie obowiązków informacyjnych*, C.H. Beck, Warszawa 2008, s. 154.

¹⁵ M. Mikołajek-Gocejna, *op.cit.*, s. 59.

¹⁶ P. Siwek, *Praktyka pierwszych ofert publicznych w Polsce*, CeDeWu, Warszawa 2005, s. 79.

¹⁷ Art. 5 ust. 1, 4 ustawy z 25 lipca 2005 r. o obrocie instrumentami finansowymi (DzU nr 183, poz. 1538 z późn. zm.).

¹⁸ W. Nawrot, *op.cit.*, s. 111.

ment to the Regulation of the Minister of Finance of 5th February 2009 on the Way of Keeping Records of Financial Instruments by the Financial Supervision¹⁹.

Moreover, gaining capital by way of public subscription requires registration in the registration court. This results from the changes in the company statute²⁰.

To list the shares on the stock exchange, the company must obtain consent for admitting the shares to the stock exchange and consent to list the shares on the stock exchange.

The conditions for admitting shares to exchange trading are listed by WSE rules.

Generally, shares may be admitted to exchange trading under three key conditions²¹:

- 1) an appropriate information document has been prepared and approved by the relevant supervision authority, or an appropriate information document has been prepared that was recognised to be equivalent in the understanding of Public Offering Act by the relevant supervision authority, unless such information document is not required to be prepared, approved or certified to be equivalent;
- 2) the shares' transferability is not restricted;
- 3) no bankruptcy or liquidation proceedings are underway with respect to their issuer.

The Exchange Management Board must pass a resolution on the admission of financial instruments to exchange trading within 14 days of the application's submission date²².

Another, already mentioned step is submitting an application for the introduction of the financial instruments to exchange trading. However, if no such application is filed within six months from the day of passing a resolution admitting financial instruments to exchange trading, the Exchange Management Board may repeal such a decision.

The issuer applies for admitting the shares to exchange trading on the main or parallel market. Together with its consent to admit the shares to exchange trading, the Exchange Management Board defines among others the quotation systems, as well as the first trading date²³.

Currently most companies listed on the Warsaw Stock Exchange were introduced to trading on the basis of the single European passport. The institution gives entities whose main seat is located in an EU country the right to issue in another EU country. It is done based on a prospectus approved by a supervision authority in the particular issuer's home country.

¹⁹ Załącznik nr 1 do Rozporządzenia Ministra Finansów z 5 lutego 2009 r. w sprawie sposobu prowadzenia przez Komisję Nadzoru Finansowego ewidencji instrumentów finansowych.

²⁰ W. Nawrot, *op.cit.*, s. 113.

²¹ § 3 Regulaminu Giełdy Papierów Wartościowych w Warszawie SA, stan prawny na 18 lutego 2011 r.

²² § 8 pkt 1 Regulaminu Giełdy Papierów Wartościowych w Warszawie SA, stan prawny na 18 lutego 2011 r.

²³ W. Nawrot, *op.cit.*, s. 125.

When making a public share offering in Poland, an issuer from the EU is required to submit the following documents to KNF²⁴:

- 1) a notification document confirming approval of the prospectus concerning the securities and indicating the scope of information:
 - a) covered by the supervision authority's exemption from the duty to include it in the prospectus, or
 - b) omitted from the prospectus due to the issuer's specific activity, legal form or securities or other circumstances which justify such omission from the prospectus
 - together with a justification of such exemption or omission;
- 2) a copy of the approved prospectus, made and updated according to the provisions of the given member state, together with its translation into Polish or English, as chosen by the issuer or selling shareholder, together with a translation into Polish of the part of the prospectus which summarises the information contained therein.

The documents should be submitted to the Commission by its counterpart from the company's home country.

Then the company must make the prospectus publicly available in Polish or in English. If the prospectus is presented in English, the company must present a summary in Polish, together with the prospectus in English, as a single document. The time limits and form of making the prospectus public are the same as for Polish entities.

If a prospectus is approved in any EU country, the procedures of admitting and introducing shares to trading are also identical as for Polish companies.

A company applying to have its shares listed on WSE should also remember about the principle of dematerialisation and register them in the National Securities Depository. If the shares are already listed on another regulated market of the EU, the company must make a link between the home depository and KDPW²⁵.

The last stage of an EU company making a public offering in Poland is submitting an application to the stock exchange council to admit the shares to exchange trading and an application to introduce the shares to exchange trading²⁶.

Companies with seats located outside of the European Union most commonly register special purpose vehicles (SPVs) in an EC country, to which they transfer shares of the company which wants to make a public offering on WSE. The most popular countries with respect to establishing SPVs are Luxembourg, Cyprus and the Netherlands²⁷.

²⁴ Art. 37 ustawy z 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych (DzU nr 184, poz. 1539 z późn. zm.).

²⁵ *Droga na giełdę. Jak przygotować spółkę do emisji publicznej*, red. M. Adamska, Difin, Warszawa 2008, s. 509.

²⁶ *Ibidem*.

²⁷ *Ibidem*.

The largest group of foreign companies from outside the EU, listed on the Polish stock exchange are Ukrainian companies. Table 10 summarizes these companies, along with details of the countries in which they are registered.

Table 10. Companies from Ukraine on the WSE
and the country of their registration

Company's name	Place of registration
AgroligaGroup PLC	Cyprus
Agroton Public Limited	Cyprus
Astarta Holding NV	Netherlands
IndustrialMilk Company SA	Luxembourg
Kernel Holding SA	Luxembourg
KSG Agro SA	Luxembourg
Milkiland NV	Netherlands
Ovostar Union NV	Netherlands
SadovayaGroup SA	Luxembourg
Westa Isic SA	Luxembourg

Source: Own work based on: www.stooq.pl

Generally, entities whose shares are traded on WSE should comply with the binding principles and regulations to the same extent as Polish issuers. There are, however, certain exceptions thereto²⁸.

The first one concerns all foreign issuers for whom Poland is the host country. Each such issuer “makes their periodic information available according to the provisions of their home country”²⁹.

Issuers whose main seat is not in Poland do not have to provide quarterly and semi-annual reports if they provide consolidated quarterly and semi-annual reports and they do not prepare quarterly and semi-annual financial reports, based on the provisions binding for them³⁰.

Moreover, issuers whose main seat is in a EU country (but not in Poland) “may provide interim management reports instead of quarterly reports and con-

²⁸ W. Nawrot, *op.cit.*, s. 157.

²⁹ Art. 63 pkt. 3 ustawy z 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych (DzU nr 184, poz. 1539 z późn. zm.).

³⁰ § 82 pkt. 3 rozporządzenia Ministra Finansów z 19 lutego 2009 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (DzU z 2009 r., nr 33, poz. 259).

solidated quarterly reports, if the law of their home country obliges them to prepare interim management reports”³¹.

Issuers from abroad the EU provide interim management reports instead of quarterly reports and consolidated quarterly reports³².

The Polish law imposes restrictive requirements on issuers from EU countries as concerns preparing financial reports. They have to prepare “financial reports and benchmarking according to Polish accounting law, and consolidated financial reports and benchmarking according to IAS”³³.

Issuers whose main seat is in a country outside of the EU have some more freedom in this respect. They are obliged to prepare financial reports and benchmarking according to Polish “accounting standards, IAS, accepted accounting standards or accounting standards equivalent to IAS, and consolidated financial reports and benchmarking according to IAS, accepted accounting standards or accounting standards equivalent to IAS”³⁴.

Moreover, if the financial data in the provided documents are not expressed in zlotys or in euro, the issuer must convert at least the basic positions of the consolidated financial report and the financial report to one of the above mentioned currencies, providing also the principles of converting those data³⁵.

If the foreign issuer is in breach of the law or there is a reasonable suspicion of such a breach, the competent supervisory authority located in the issuer’s home country must be informed of that fact. Such information will be forwarded to the Financial Supervision Authority (KNF).

Additional measures that KNF may apply against the issuer are:

- 1) prohibiting the public offering,
- 2) withholding the public offering,
- 3) withholding a public offering process for a period not longer than 10 working days,
- 4) publishing, at the issuer’s cost, information about the issuer infringing on the law governing public offerings.

It should be noted that after applying the above measures, KNF must notify the Minister of Finance of the given means. The information is then passed to the European Commission³⁶.

³¹ § 82 pkt. 4 *ibidem*.

³² § 82 pkt. 5 *ibidem*.

³³ § 84 pkt. 3 *ibidem*.

³⁴ § 84 pkt. 6 *ibidem*.

³⁵ § 85 pkt. 1 *ibidem*.

³⁶ *Droga na giełdę...*, *op.cit.*, s. 511.

PART III. Ukrainian Food & Drink companies listed on the Warsaw Stock Exchange in the context of the F&D sector

Introduction

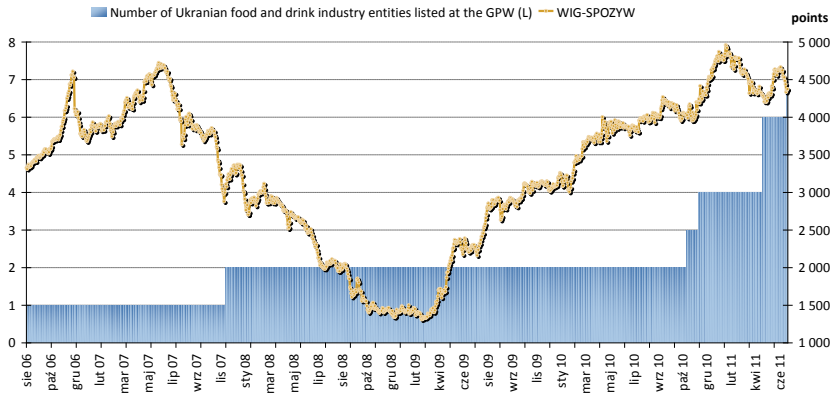
The pyramid of human needs in the theory of economics considers the needs stemming from life functions which take precedence over the others to be fundamental. Food and drink are found amongst those elementary needs, the fulfilment of which is required for the life of an individual as well as the whole society. The importance of this class of expenditures within the structure of household spending is particularly significant in developing countries where up to 70% of disposable income is designated for the fulfilment of food and drink needs. This was evident in this year's riots in Tunisia and Egypt, where a shortage of food caused by record prices was one of the trigger points of later events.

Our country also remembers events which were triggered by price increases of food and drink products, for example those in July 1980. Today, after more than 20 years of transformation from a centralised to free market economy, a period of rapid civilisation and economic development with abundant significant social structure changes, Poland finds itself in a different socio-economic situation, and the risk of the aforementioned events repeating themselves seems marginal. Twenty years is also the time, which elapsed since the first session of the Warsaw Stock Exchange which without exaduration can be labelled a time of great quantitative and qualitative development of the Polish capital market. Development in which food and drink sector companies played a significant part. Suffices to mention that as of the end of the first year of its operation, three out of twelve WSE listed companies were from this sector. They were unquestionably market leaders in an industry which during the next few years underwent a major metamorphosis. From the "big three" both Wedel and Okocim have ended their adventure with the stock exchange a long time ago. Only Żywiec is left, which, due to a small number of traded shares, is not significant in the WSE food and drink sector analysis. Over the years, many key companies considering the evaluation of the national industry appeared and disappeared from the floor: Agros, Animex, Bakoma, Brok, Drosed, Iławskie Zakłady Drobiarskie EKODROB, Farm Food, Morliny, Zakłady Mięsne POZMEAT w Poznaniu, Provimi-Rolimpex and Sokołów. Most of them disappeared from the WSE due to takeovers or share buyouts, however bankruptcies also occurred, as was the case with POZMEAT.

Food & Drink sector on the Warsaw Stock Exchange

As of the end of Q2 2011, out of the 417 entities listed on the WSE, 28 were food and drink sector companies, which makes this sector the second most populated sector at our stock exchange (only the construction sector had more listed entities). When it comes to capitalisation these companies played a somewhat smaller part in

Figure 11. Number of Ukrainian food and drink companies listed on the WSE in the context of the WIG-SPOZYW index

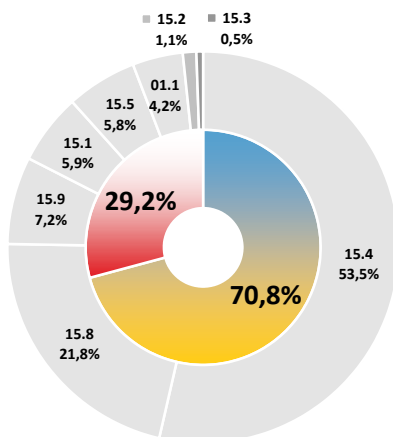


Source: Own work based on WSE data

the shaping of changes at the WSE, and their market value amounted to just over PLN 23.1 billion, which constituted 2.81% of the total stock exchange market value and 9.82% of capitalisation of industrial companies. In this respect, the food and drink industry is in seventh place being banks, energy, fuel, raw materials industries as well as insurance and telecommunication. This data alone indicates that today's food and drink sector at the WSE is significantly different from the landscape of the early 90's. Ukrainian entities, which increasingly often look for capital on the Polish markets are mainly responsible for this. This is best pictured by the WIG-SPOZYW sub index. This synthetic measure of the economic situation in the food and drink industry, due to the qualifying criteria (membership of the "food and drink" sector and participation in the WIG index) allows for a fast viewing of the food and drink companies listed on the WSE whose shares are available. The index, which initially only presented the economic condition of entities involved in processing and operating predominantly within the Polish market, as of the end of Q2 2011 comprised of 25 entities out of which, 6 were Ukrainian companies constituting in excess of 70% of the portfolio of the sub index in question.

One of them in Kernel Holding – the largest WSE listed company which is also part of the WIG-SPOZYW, whose capitalisation of PLN 5.6 billion is not far behind that of Grupa Żywiec (PLN 6.2 billion). The following should also be included in the group of leading food and drink companies at the WSE: Astarta Holding, Kofola and Wawel, Milkiland and Polski Koncern Mięsny Duda (these entities comprise in excess of 80% share of the portfolio). According to the European Classification of Business Activity (ECBA), within the scope of the WIG-SPOZYW index, food and drink industry as of the end of Q2 was represented at the WSE mainly by oil as well as vegetable and animal fats producers (53.5%, 3 entities) as well as producers of remaining food and drink products (21.8%, 6 companies).

Figure 12. ECBA classifications of WIG-SPOZYW companies

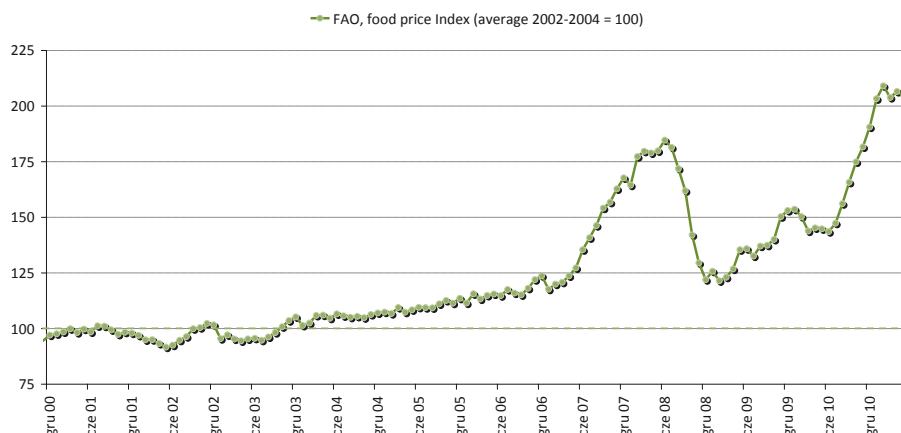


Symbol	Share	Number of entities	Full ECBA name
15.4	53,51	3	Production of oils as well as vegetable and animal fats
15.8	21,79	6	Production of other food and drink products
15.9	7,25	3	Production of soft drinks
15.1	5,92	5	Production, processing and preserving of meats and meat products
15.5	5,80	2	Production of dairy products
01.1	4,18	2	Farm crops: vegetables and fruits
15.2	1,07	3	Processing and preserving of fish and fish products
15.3	0,49	1	Processing of fruit and vegetables

Source: Own work based on WSE data

There are many factors contributing to the expansion of Ukrainian companies on our capital markets. Cheaper and more easily available capital is amongst them as well as significant interest from both private and institutional investors. And the capital requirements of Ukrainian companies are as big as their aspirations. The economic condition of the food and drink market is right for the ambitious expansion goals for food producers. This sector of the food and drink industry has one unquestionable trump card – the demographic factors. Forecasts by the International Agricultural Development Fund state, that in order to satisfy the food and drink needs of the growing population, world production will have to increase by 70% over the next 40 years and this presents ample opportunities for the development of companies operating within this sector. An additional incentive for expansion are increasing food prices on the world markets, which is evident from the food price index created by the United Nations Food and Agriculture Organisation/

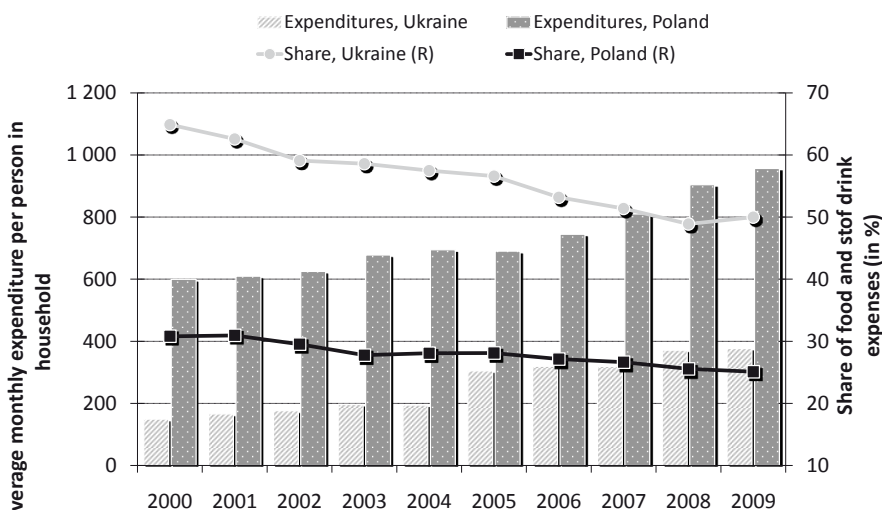
Figure 13. Food index during 2001 – June 2011



Source: United Nations Food and Agriculture Organisation (FAO)

There is no lack of incentives for enlarging the scope of operations for companies involved with food and drink processing. One of them is the ever increasing wealth of the Polish and Ukrainian societies. Despite the fact that over the last few years in both countries the percentage of household spending on food and drink products in the overall spending decreased significantly, the actual value of this expenditure increased significantly.

Figure 14. Average monthly incomes and spending per person in households in total for 2000–2010



Source: Own work based on CSO and Ukrainian National Statistical Office data

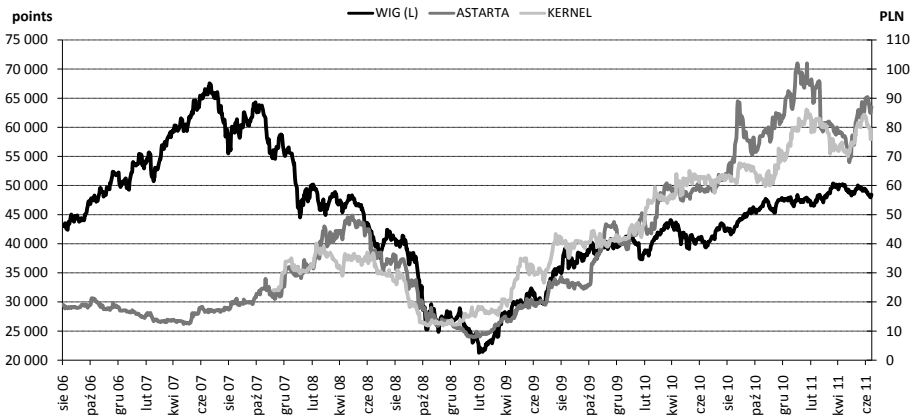
IPO at the Warsaw Stock Exchange. Selected examples: Astrata Holding & Kernel Holding

The history of Astarta Holding SA bears witness to the fact how entry of a Ukrainian company onto the WSE provides opportunities to take advantage of the abovementioned growth factors. The company made its debut on the Warsaw floor on 17 October 2006 and it was the first Ukrainian company at the WSE. Despite the bullish market investors approached the offering with caution and the demand amongst private investors was just about sufficient to cover the supply of shares (the rate of reduction in the private investor's tranche was 5.25%). As a result of the offering, private investors were allocated 5 out of the 25 million traded shares, despite the fact that initially the company aimed to offer 6.7 million shares, out of which 5.8 million were to be newly issued shares. Thus Astarta raised PLN 95 million on the Polish market, mainly for plant modernisation and production optimisation. The opening price of the shares was PLN 19.05, just PLN 0.05 more than the offering price.

On the opening day, the company could boast an income of EUR 51.8 million in 2005, which made it the fourth largest sugar producer in Ukraine with a 4.6% share in overall production, which was enough to satisfy 3.2% of Ukrainian consumption. The company produced and supplied 66 400 tons of sugar in 2005, valued at EUR 27.1 million, which constituted 52.3% of total sales income. At the closing of the debut session the company was valued at PLN 475 million. Since that time, Astarta has been actively increasing operational capabilities taking over other agricultural companies as well as increasing its leased farmlands. In 2008 it took over the Narkevychi sugar plant buildings complex and this year's activities led to the taking over of the Novoivankivskiy sugar plant and the Savinskiy complex.

Today, Astarta Holding's market value is nearly PLN 2.2 billion (as of 30 June 2011), other words four and a half times as much as during the first days of trading at the WSE. This growth has been fuelled by the company's performance, as it increased its income to EUR 219.3 million in 2010, mainly due to an ever increasing scale of operations (area of farmlands increased from 67 to 210 thousand hectares and sugar production to around 200 thousand tons). This makes the company the largest sugar producer in Ukraine with 13% of the market share (5% points more than the second largest player on the market – Ukrprominvest). In 2011 Astarta Holding received a 348 thousand tons quota for domestic production of sugar beets, which it wants to use in full, which would translate into an annual increase in sugar production of 76%. As a comparison, the largest Polish sugar producer – Krajowa Spółka Cukrowa SA – is responsible for nearly 40% of the Polish market (according to data from the Sugar Producers Association 1.433 million of sugar was produced in Poland in 2010).

Figure 15. Prices of Astrata and Kernel as compared to the WIG index



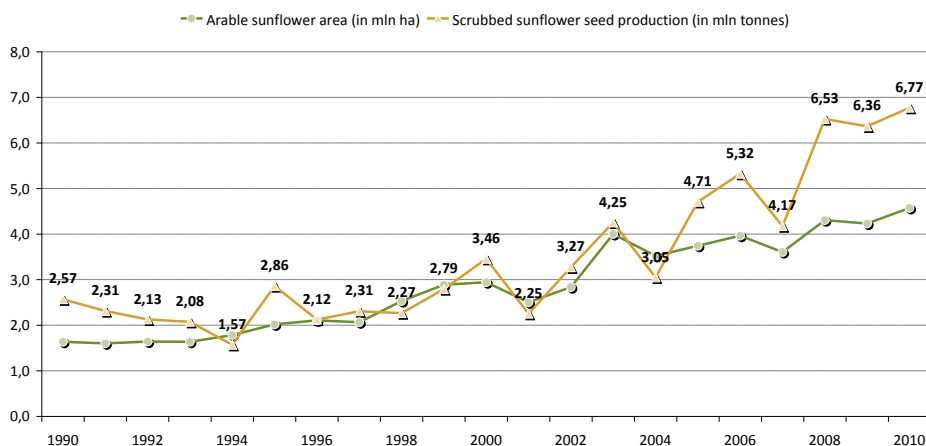
Source: Own work based on WSE data

Kernel Holding SA took a similar path, and their adventure with the Polish capital; market stems back to 23 November 2007, when based on the so called “European Passport” it made its debut on the WSE. As part of the offering, investors purchased 22.76 million shares out of which 16.67 million were new issues. The price of the shares as part of the public offering was set at PLN 24 which allowed the company to raise over PLN 400 million (equivalent to USD 160 million) and the total value of the offering reached over PLN 546 million (around USD 218 million). And despite the fact that the company had ambitious plans, the funds raised as a result of issuing new shares were to be allocated for the implementation of an investment plan, which assumed the construction of a new press to process different types of oil plant seeds, an increase in production capacity, purchase of a port warehouse and reloading facilities, Kernel Holding debut at the WSE was not overly impressive and shares traded at the issue price. At the closing of the debut session the company was valued at PLN 1.52 million.

In the issue prospectus Kernel presented itself as the largest producer and seller of bottled consumption oils in Ukraine, with an estimated 35% share of the domestic market. At the time it was also the second largest oil plant processing company in Ukraine, going through around 15% of sunflower seeds in Ukraine and third largest exporter of un-bottled sunflower oil, with an 11% share in the national exports of this product. Furthermore, the company belonged to the group of ten largest producers and exporters of grain in Ukraine, with the largest private network of grain silos in Ukraine, boasting total storage volume of 1.7 million tons. The three presses owned by the company were able to process 730 thousand tonnes of sunflower per annum, and the two plants involved with refining and bottling had a capacity of 140 thousand tonnes of bottled oil. In the 2006/2007 financial year ended on the 30 June, the bottled consumption oils section placed 74 million litres of oil on the market, adding USD 56.6 million to the Group’s income, which constituted 16.2% of total sales of USD 350.4 million.

The following years passed under the banner of infrastructure expansion (Transbultterminal takeover – second largest Ukrainian grain terminal) as well as the acquisition of high quality farmland with a total area of 50 thousand ha, which increased the company's total arable farmland to 80 thousand ha. The aforementioned expansion was made possible predominantly due to a successful placement of 5.4 million of new shares within the scope of an offer to institutional investors. The issue price was set at PLN 36, which meant the company raised PLN 194.4 million. In 2009 the company increased its production capacity as a result of taking over a press plant in the port of Illichevsk (near Transbultterminal). The following months brought a further consolidation of the bottled consumption oils production section in Ukraine, partly financed by the issuing of 4.3 million shares, this time at PLN 56. Therefore total income from the offering was PLN 240.8 million. Due to these activities, the company not only solidified its position as the bottled oil producer's leader in Ukraine, but also went a long way to a significant rise in the importance of Ukraine as a leading producer of sunflower seeds and bottled sunflower oil in the world.

Figure 16. Arable farmland and the production of sunflower seeds in Ukraine 1990–2020

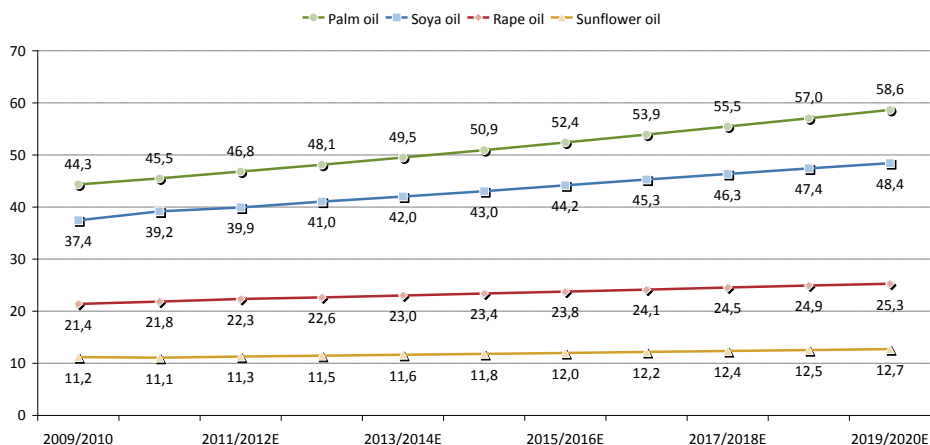


Source: Ukrainian National Statistical Office

In the financial year ended on the 30 June 2010, Kernel sold 112.4 million litres of oil, reaching an income in this sector of USD 112.6 million which constituted 11% of the USD 1 020.5 million of total income of the company. In mid 2010 Kernel owned six press plants and a 50% share in a seventh one, with total annual production capacity of 2.3 million tonnes of sunflower seeds per annum. By which the company exceeded its promise of 2007, when it set as its goal an increase in the production capacity of 60% up to 2010. In that financial year, Kernel also produced and exported 800 tonnes of wheat, 400 thousand tonnes of barley, 600 thousand ton-

nes of maize, 260 thousand tonnes of rape as well as 140 thousand tonnes of other crops which totalled 2.2 million tonnes of oil crops, constituting 10% of the total export of such crops from Ukraine during the 2009/2010 season. Almost half a year down the line, the company boasting its half year results for the 2010/2011 financial year reported incomes at a level of USD 912.4 million just in the first six months.

Figure 17. World vegetable oil consumption forecast, by type in 2010–2020
(million tonnes)



Source: Food and Agricultural Policy Research Institute (FARPI)

Taking advantage of the prevailing market conditions and looking at the forecasts for world demand, the company still implements its chosen growth strategy, raising PLN 399.4 million by means of an offering directed solely to institutional investors (5.4 million shares at PLN 74 each). The success of this offering constitutes a vote of confidence by the markets for the Ukrainian company, which plans to increase its stock of arable land. Recently Kernel also provide information regarding its taking over of the Ukrainśka Czarnomorska Industria company, which will allow the holding to increase sunflower seeds processing capacity to 2.5 million tonnes per annum, which will constitute around 36% of forecast sunflower crops in Ukraine in 2012.

From the stock exchange point of view, the next steps in the company's development were entry into the WIG and WIG-SPOZYW indexes (27 November 2007) and on 19 September 2008 the company entered the mWIG index. Today, kernel Holding is a part of WIG20 index, an index for the largest and most liquid companies, and its market value (as of the end of the session of 30 June 2011) was PLN 5.6 million.

Significance of Ukrainian companies for WSE

Today nine Ukrainian entities are listed on the main market, predominantly farming and food and drink companies. There are two exceptions to this rule – Sadovaya which is involved in mining and processing of coal and Westa Isic – a company which manufactures automotive new generation SLI batteries. The last of the debutants is a company called Ovostar Union NV, which was first listed on the 29 June this year and was the 34th foreign company to be listed on the main floor in Warsaw. At the closing of the 1 July 2011 session, it enlarged the WIG-SPOZYW index, which now numbers 26 entities. Ovostar Union NV Group is one of the leaders on the eggs and their products market in Ukraine, specialising in manufacturing branded, high quality products. In 2010 the Group's share on the consumption eggs market was 5.4% of the total egg products.

The landscape of Ukrainian companies which reached for the capital of Polish investors is made complete by the only company listed on the NeweConnect (WSE alternative market) – Agroliga Group PLC.

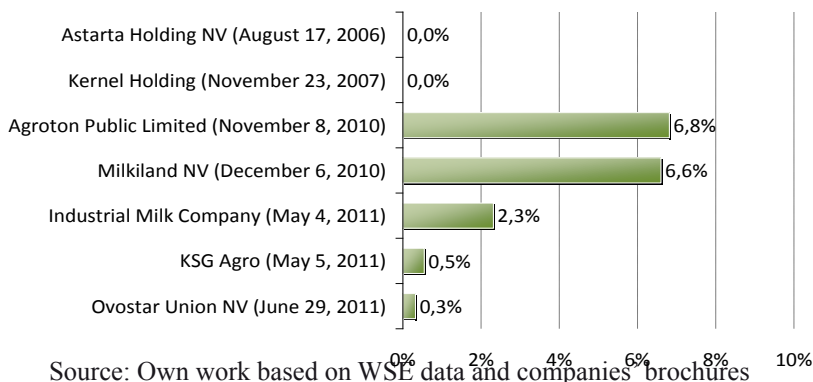
The graph below shows the still cautious investors with relation to entities from beyond the eastern border. Four out of the seven representatives of the agricultural and food and drink industries achieved a practically unchanged price at the end of the first day of listing as compared to the offering price and the only entities which were able to boast rate of return of more than 5% Agroton and Milkiland. It seems that investors in their valuations are taking into consideration the risks associated to entities from beyond the eastern border, mainly limits and quotas, export duties, various qualitative requirements in respect to EU standards and legal regulations due to which the operations of these companies may be cut back in light of anti monopoly regulations.

Other risk factors present in the food and drink industry should be added to the above. This sector is burdened with a high level of unpredictability due to raw materials prices and its supply, which is evident in the ever more frequent natural disasters such as draughts which contributed to the poor crops in Russia and Ukraine last year. The combined influence of the above variables translates into the success or otherwise of companies which wish to raise capital from our market. This was experienced by ViOil Holding (fifth largest sunflower oil producer in Ukraine) which due to the worsening markets, decided to postpone its public offering.

Ukraine is one of the largest producers and exporters of agricultural products, which is a result of the availability of large, high quality arable lands. Due to the large fragmentation in individual productions sectors, the creation of strong capital groups is possible by acquisition, for which capital is essential. Here, the significance of WSE is fundamental. On the other hand, our markets also benefit from the interest in Ukrainian companies, systematically establishing the position of the largest and fastest growing market in this part of Europe. One of the events leading the way was the establishment of an index for Ukrainian companies listed at the WSE. As announced by the Stock Exchange, this is the first such index in Europe,

constituting proof of the developing economic Polish – Ukrainian relations as well as the successful implementation of the regional strategy of the Warsaw floor.

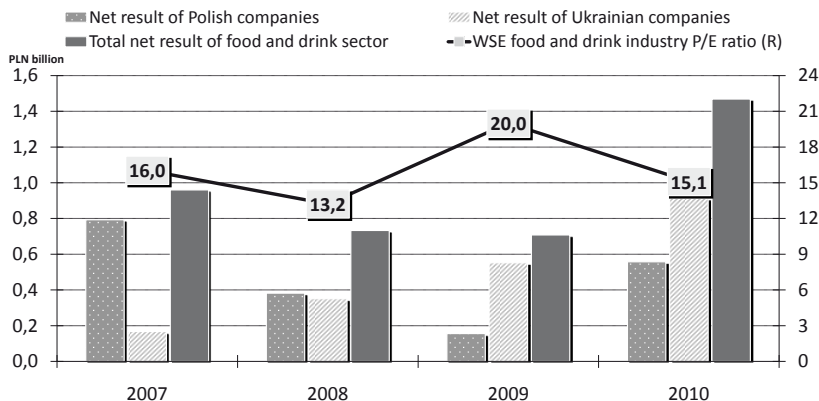
Figure 18. IPO investments rate of return at the end of the opening day for Ukrainian agriculture and food and drink companies



The scope of the changes to the food and drink industry at the WSE can be seen on the graph depicting aggregated net results per country, within which the entity's operations are located. Whilst in 2007 over 80% of profits from companies in this sector were generated by domestic companies, the following years saw a shift of the balance towards Ukrainian companies. This is an effect of the growing number of companies from beyond the eastern border listed on our exchange as well as the peculiarity of the operations of these entities (mostly they are food producers, which have been taking advantage of the bullish markets for agricultural and food and drink markets). As the inflationary growth ensues, increasing prices of agricultural and food and drink products are contributing to the dynamic improvement of the results of their producers, constituting the basis for the growth in the listed prices of the said companies. On the other hand, increasing prices of grains, milk as well as pork and poultry livestock influence the increasing operational costs of the producers, which can only partially be passed onto the consumers. It should also be noted that after excluding Grupa Żywiec from the calculations, 2008-2009 were years of balancing on the verge of profitability for Polish companies.

The success stories of Astarta and Kernel are due, to a large extent, to the excellent feel of the sectoral structure at the WSE. A practical lack of representatives of food producing companies at the WSE made the assets of these companies a must for a well balanced portfolio. The observed increase to their significance in the shaping of the main WSE indexes, as well as the optimistic perspectives for the food industry – should confirm the investors' belief in the attractiveness of investments in Ukrainian companies listed on the WSE. It could be expected that this path will be taken by more entities looking for relatively cheaper source of capital than their do-

Figure 19. Net results of companies in the food and drink industry listed at the WSE, as per location



Source: Own work based on WSE data and companies' statements

mestic market. This relates not only to companies from the food and drink industry, but also from other key branches of Ukrainian industry. Due to the mineral and raw material assets, which are qualitatively one of the best in the world, undoubtedly there will be no shortage of mining companies amongst them. However, this sector may prove a little less attractive for Polish investors due to the ever increasing presence of domestic entities on the WSE (six companies with a total share in the market value exceeding 7.9%) as well as the perspective of forthcoming IPOs in the near future. On the one hand the raw material sector is becoming more numerous at the WSE, however on the other it is difficult for the investors to diversify their portfolios with the large players in the heavy industry. Also the chemical industry, despite its five representatives, does not constitute a significant share in the assets of institutional investors which are weighed in favour of banks. The lack of potential entities to fill this niche significantly increases the attractiveness of eastern companies, particularly because their operational conditions are similar to the Polish reality.

The scenario of further expansion of Ukrainian companies at the WSE seems more probable now that the privatisation of the national wealth in Ukraine is slowly gaining in speed. According to press releases, after the initial six months of 2011, UAH 11 billion found its way to the national budget from the sale of national assets (as compared to UAH 244.6 million in the first half of 2010). If only some of these entities will turn to our markets for capital from investors, the Warsaw WIG-UKRAINE index could become an excellent barometer for the state of the economy of our Eastern neighbour.

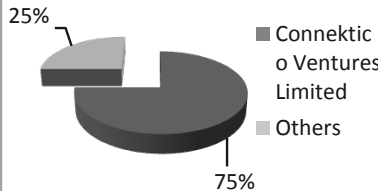

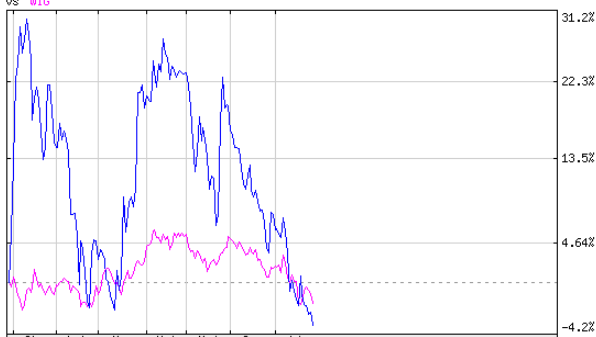
PART IV. Profiles of Ukrainian companies listed on Warsaw Stock Exchange

KERNEL Holding S.A.

Shareholders	<p>60.18% 33.37% 6.45%</p> <p>■ Namsen Limited ■ Comgest S.A. ■ Pozostali</p>			Headquarters: Luxembourg Email: p.conrad@kernel.ua www: www.kernel.ua	
IPO	First trading day on WSE: 23.11.2007				
	Issue price (PLN): 24				
	Number of stocks sold: 22 766 750				
	Value of IPO (PLN): 546 402 000				
	Price on first trading day on WSE (PLN): 24				
	Current price: 71.35*				
	Market capitalization (PLN): 5 222 180*				
IPO Underwriters	ING Bank N.V., Branch in London (Global coordinator)				
	Broker ING Securities S.A., Warszawa (Listing Agent and Polish Manager)				
	ING Bank N.V., Branch in London and ING Securities S.A., Warszawa (Managers)				
Financial results		30.06.2008(\$'000)	30.06.2009(\$'000)	30.06.2010(\$'000)	
	Total revenue	663 140	1 047 113	1 020 471	
	EBIT	111 577	166 648	167 484	
	Net profit	83 227	135 548	152 005	
	Total assets	755 608	699 706	1 124 773	
	Total equity	396 807	355 834	601 862	

* as of 25.07.2011

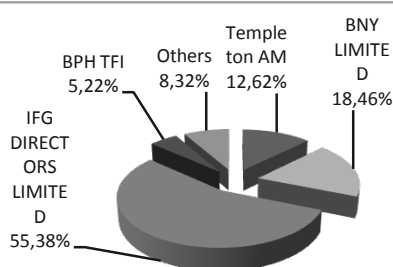
SADOVAYA GROUP S.A.

Shareholders	 <p>25%</p> <p>75%</p> <p>■ Connektio Ventures Limited</p> <p>■ Others</p>			<p>Address: route d Esch 412f; Luxembourg</p> <p>Email: info@sadovayagroup.com</p> <p>www: http://www.sadovayagroup.com</p> <p>Sadovaya Group </p>
	<p>Description of activity:</p> <p>Sadovaya is a company registered in the Grand Duchy of Luxembourg. It is composed of smaller operators in the mining industry in Ukraine.</p> <p>This is the fourth-largest private company in Ukraine in the trade of coal mining.</p> <p>The main activities of the group include mechanical processing and sale of coal. In addition, the activity of the group is divided into several segments, such as coal mining and enrichment (or cleaning) of carbon, the recovery of coal from waste dumps (or dumps processing) and carbon trading (trading activity).</p> <p>The company is placed in two comprehensive mining centers located in the Donetsk and Lugansk region, with a performance of 600 thousand tons yearly.</p>			
IPO	First trading day on WSE: 30.12.2010			<p>Performance relative to WIG.</p> <p>SGR - 1 Rok vs WIG</p> <p>27 Lip 2011 17:30 CET</p> <p>(C)Stooq</p>  <p>31.2%</p> <p>22.3%</p> <p>13.5%</p> <p>4.64%</p> <p>-4.2%</p> <p>Sty Lut Mar Kwi Maj Cze Lip</p> <p>Source: www.stooq.pl</p>
	Issue price (PLN): 8.60			
	Number of stocks sold: 10 770 930			
	Value of IPO (PLN): 92 630 000			
	Price on first trading day on WSE (PLN): 10.44			
	Current price (PLN): 10.11*			
	Market capitalization (PLN): 435 596 356*			
Companies conducting IPO	BG Capital JSC and BG Trading Limited (Main Managers)			
	Dom Maklerski BZ WBK S.A. (Polish Manager)			
	Dom Maklerski BZ WBK S.A. (Listing Agent)			
Financial results		31.12.2008(\$'000)	31.12.2009(\$'000)	31.12.2010 (\$'000)
	Total revenue	98 888	13 322	65 443
	EBIT	28 111	-7 296	12 157
	Net profit	37 866	-9 479	7 890
	Total assets	56 692	49 248	97 123
	Total equity	35 356	26 265	59 333

* as of 25.07.2011

AGROTON PUBLIC LIMITED

Shareholders



Address: Lampousas Street, P.C. 1, Nicosia, Cyprus

Email: info@agroton.lg.ua

www: www.agroton.com.ua



Description of activity:

Agroton is a company involved in agricultural production. It operates in eastern Ukraine and currently leases over 150 thousand hectares of arable land. Agroton's core business is crop production which constitutes 79% of total revenues (Agroton is the largest manufacturer of sunflower seeds in Ukraine and the fourth producer of wheat). Agroton is involved also in livestock processing (12% of total revenues) and food processing (8% of revenues).

IPO

First trading day on WSE: 08.11.2010

Issue price (PLN): 27.00

Number of stocks sold: 22 766 750

Value of IPO (PLN): 153 090 000

Price on first trading day on WSE (PLN): 26.89

Current price: 30.85*

Market capitalization (PLN): 668 519 500*

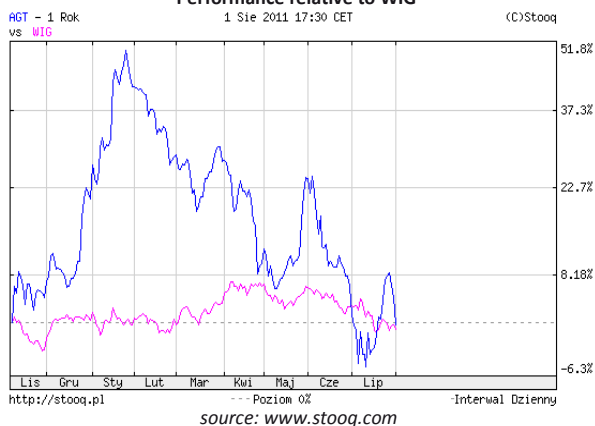
IPO Underwriters

Phonix Capital Limited (International Lead Manager)

Dom Maklerski BZ WBK S.A.,
(Domestic Lead Broker, Offering Broker)

BZ WBK S.A. (Financial advisor)

Performance relative to WIG

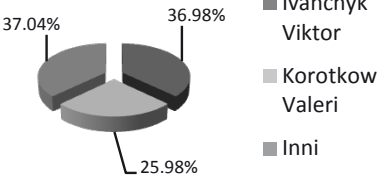

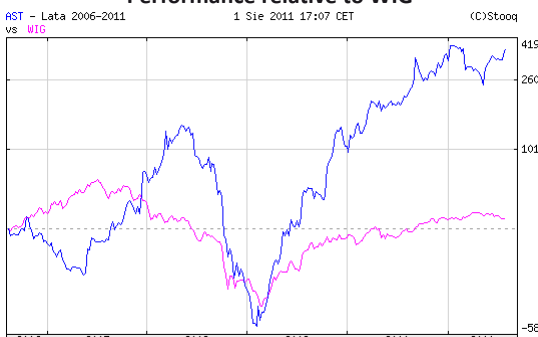


Financial results

	31.12.2008(\$'000)	31.12.2009(\$'000)	31.12.2010(\$'000)
Total revenue	93 432	76 095	97 100
EBIT	4 767	16 639	29 475
Net profit	-18 418	5 070	15 719
Total assets	83 903	126 044	144 299
Total equity	15 996	56 049	121 837


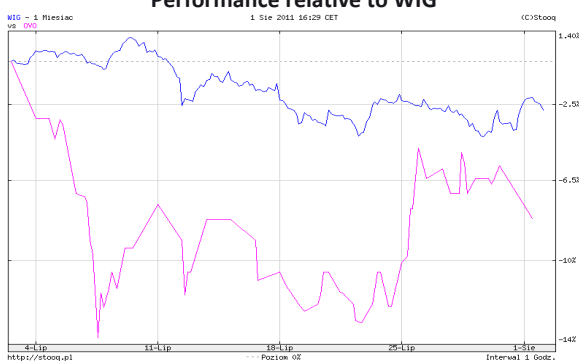
* as of 25.07.2011

ASTARTA Holding N.V.

Shareholders	 <p> ■ Ivanchyk Viktor ■ Korotkow Valeri ■ Inni </p>	<p> Headquarters: Amsterdam, Holland; Email: IR@astartakiev.com www: http://www.astartaholding.com </p>  <p> Description of activity: Astarta Holding NV (AST) is one of the leaders in the production of sugar in Ukraine. The company is focused on the manufacturing and selling sugar produced from sugar beets. It also produces cereals and oilseeds, such as wheat, barley, corn, oats, soybeans or sunflowers. The company conducts business through 60 companies, has eight sugar mills and beet farm crops come from the Group's own agricultural crops and from independent producers. The Company intends to allocate funds from the share issue to acquisition of sugar factories, modernising plants and increasing production. </p>		
IPO	First trading day on WSE: 17.08.2006	<p>Performance relative to WIG</p>  <p>Source: www.stooq.com</p>		
	Issue price (PLN): 19			
	Number of stocks sold: 5 000 000			
	Value of IPO (PLN): 95 000 000			
	Price on first trading day on WSE (PLN): 19			
	Current price (PLN): 86.60*			
	Market capitalization (PLN): 2 372 500 000*			
IPO Underwriters	ING Bank N.V., Branch in London (Global Coordinator)			
	ING Bank N.V., Branch in London and ING Securities S.A. (Global Managers)			
	ING Securities S.A. (Listing Agent)			
Financial results		31.12.2008(€'000)	31.12.2009(€'000)	31.12.2010(€'000)
	Total revenue	130 909	128 239	219 330
	EBIT	21 443	40 692	87 510
	Net profit	-7 669	29 460	80 053
	Total assets	173 692	231 414	352 639
	Total equity	56 644	118 433	208 942



* as of 25.07.2011

OVOSTAR UNION N.V.

Shareholders	<div><div><div>■ Prime One Capital Limited</div><div>■ Others</div></div><div><div>25%</div><div>75%</div></div></div>				<div>Headquarters : Koningslaan 17; Amsterdam;</div> <div>E-mail : info@marketing.ovostar.ua</div> <div>Website : http://www.ovostar.ua</div> <div></div>			
	IPO	First trading day on WSE: 29.06.2011				<div>Description of activity:</div> <div>The «Ovostar Union» group of companies is one of Ukraine's leading agro-industrial companies, which is among TOP 3 Ukrainian egg producers. The Group has a 13-year history of experience, leadership and innovations. Ovostar N.V. has 4 main business areas: (1) Poultry (parental flock, hatching, replacement chickens); (2) Egg production; (3) National distribution (Ukrainian sales networks, self-brand retail network); (4) Dry and liquid egg products. Additional activity includes producing feed, sunflower oil, groats and fuel briquettes.</div> <div><div>Performance relative to WIG</div><div>Source: www.stooq.pl</div></div>		
Issue price (PLN): 62.00								
Number of stocks sold: 1 500 000								
Value of IPO (PLN): 93 000 000								
Price on first trading day on WSE (PLN): 62.20								
Current price (PLN): 58.20*								
Market capitalization (PLN): 349 200 000*								
IPO Underwriters	Dom Maklerski BZ WBK S.A. (Lead Manager)							
	KBC Securities N.V . (Co-Lead Manager)							
	Dom Maklerski BZ WBK S.A. (Listing Agent)							
Financial results		31.12.2008 (\$'000)	31.12.2009(\$'000)	31.12.2010 (\$'000)				
	Total Revenue	42 021	28 302	38 170				
	EBIT	12 171	3 613	9 504				
	Net profit (loss)	5 150	2 695	9 731				
	Total Assets	43 116	41 806	40 804				
	Total equity	25 343	27 080	29 072				

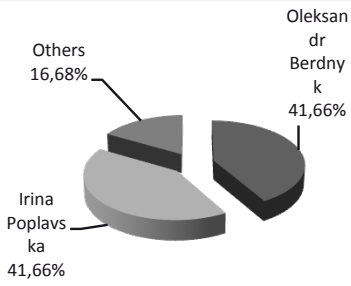

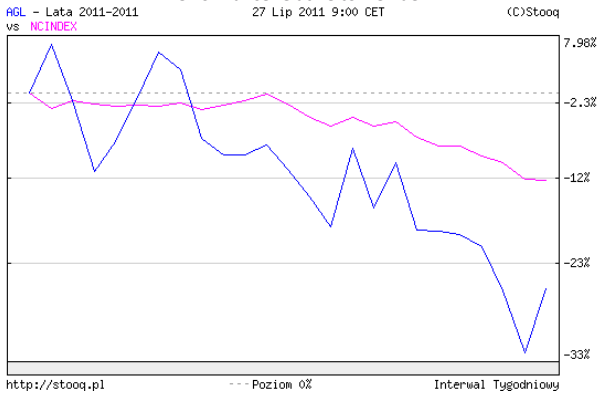
* as of 25.07.2011

WESTA ISIC S.A.

Shareholders	<div><div><div><div><div></div><div>13%</div></div><div><div></div><div>12%</div></div><div><div></div><div>75%</div></div></div><div><div>Vankeria Consultants Limited</div><div>ING Otwarty Fundusz Emerytalny</div><div>Others</div></div></div></div>				<div>Address: route d Esch 412F; Luxembourg;</div> <div>Email: westa@westa-inter.com</div> <div>www: http://www.westa.com.ua</div> <div></div>		
	<div>Description of activity:</div> <div>ISIC WESTA SA is a holding company incorporated under the laws of the Grand Duchy of Luxembourg as the main link between the Westa Dnepr holding and its subsidiary companies operating in Ukraine. Initially, the company performed under the name of Tramin Development SA, but on 24 November 2010 the company name was changed to WESTA ISIC SA.</div> <div>The Group has two factories (WESTA-Dnepr JSC and WESTA INDUSTRIAL LLC) which produce new-generation automobile starter, lighting and ignition batteries (SLI automotive batteries). The joint production capacity of the plants is 21 200 conventional batteries a day, or 7 600 000 conventional batteries per year.</div>						
IPO	First trading day on WSE: 15.06.2011						<div>Performance relative to WIG</div> <div><div>WES - 3 Miesiace vs WIG</div><div>27 Lip 2011 17:30 CET</div><div>(C)Stooq</div><div>Source: www.stooq.pl</div></div>
	Issue price (PLN): 11.75						
	Number of stocks sold: 11 033 333						
	Value of IPO (PLN): 129 641 663						
	Price on first trading day on WSE (PLN): 12.00						
	Current price (PLN): 10.99*						
	Market capitalization (PLN): 485 025 330*						
Companies conducting IPO	BG Capital JSC and BG Trading Limited (Main Managers)						
	Dom Maklerski BZ WBK S.A. (Co-manager)						
	Dom Maklerski BZ WBK S.A. (Listing Agent)						
Financial results		31.12.2008(\$'000)	31.12.2009(\$'000)	31.12.2010 (\$'000)			
	Total revenue	144 585	83 004	154 305			
	EBIT	22 642	7 417	50 120			
	Net profit	-30 592	-22 075	33 487			
	Total assets	227 050	270 869	336 596			
	Total equity	-4 655	-34 973	539			



* as of 25.07.2011

Agroliga Group PLC

Shareholders	<p>Address: 2 Romanou Street, Tlais Tower 1070, Nicosia, Cyprus. Email: info@agroliga.com.ua www: www.agroliga.com.ua</p> <p>Description of activity:</p> <p>Agroliga Group PLC is the parent company to several companies engaged in agricultural production in the east of Ukraine, in Dvurechansky District in the Kharkov Region. The group conducts business in three areas:</p> <ul style="list-style-type: none"> - Oil production, - Crop growing, - Milk production. <p>In 2010, revenues from sunflower oil sales accounted for 44% of total revenues, revenues from crop production accounted for 48% of total revenues and milk production accounted for 6% of total revenues.</p>			
	 			
IPO	First trading day on WSE: 04.05.2011			
	Issue price (PLN): 81.00			
	Number of stocks sold: 51 290			
	Value of IPO (PLN): 4 154 490			
	Price on first trading day on WSE (PLN): 103.72			
	Current price: 73.00*			
	Market capitalization (PLN): 22 451 880*			
Companies conducting IPO	WDM Autoryzowany Doradca S. A. (WSE Authorized Adviser)			
	Progress Holding sp z o.o. (financial advisor)			
Financial results	<p>Performance relative to NCIndex</p> <p>AGL - Lata 2011-2011 vs NCINDEX 27 Lip 2011 9:00 CET (C)Stooq</p>  <p>http://stooq.pl source: http:// stooq.pl</p>			
		31.12.2008(€'000)	31.12.2009(€'000)	31.12.2010 (€'000)
	Total revenue	3449	2414	5543
	EBIT	298	536	3062
	Net profit	139	519	2917
	Total assets	2461	2747	5559
	Total equity	1319	1736	4177

* as of 25.07.2011

INDUSTRIAL MILK COMPANY S.A.

Shareholders	<p>10% ■ Agrovalley Limited ■ Inni 90%</p>			<p>Address: 16 Avenue Pasteur; L-2310 Luxembourg; Email: office@imcmilk.com.ua www: www.imcmilk.com.ua</p> 
	<p>Description of activity:</p> <p>The Industrial Milk Company is a company from the agricultural sector, located in central and northern Ukraine and operating in the Poltava and Chernihiv districts. The company focuses on: cultivation of certain crops, predominantly corn, wheat, sunflower, soybean and potatoes; crop storage and processing; milk production. The company operates an arable farmland bank in central and northern Ukraine and has extensive storage facilities for its agricultural products. The Group is also one of the largest industrial milk producers in Ukraine as concerns production volume.</p>			
IPO	First trading day on WSE: 04.05.2011			<p>Performance relative to WIG</p>  <p>INC - 3 Miesiace vs WIG 1 Sie 2011 12:30 CET (C)Stooq</p> <p>Źródło: www.stooq.pl</p>
	Issue price (PLN): 10.80			
	Number of stocks sold: 7 475 000			
	Value of IPO (PLN): 80 730 000			
	Price on first trading day on WSE (PLN): 10.80			
	Current price (PLN): 10.19*			
	Market capitalization (PLN): 252 712 000*			
Companies conducting IPO	ING Bank N.V., Branch in London and ING Securities S.A. (International Lead Manager)			
	Investment Capital Ukraine. (Domestic Lead Broker, Offering Broker)			
	ING Securities S.A. (Financial advisor)			
Financial results		31.12.2008(\$'000)	31.12.2009(\$'000)	31.12.2010(\$'000)
	Total revenue	26 383	27 767	45 036
	EBIT	20 820	4 875	14 492
	Net profit	14 075	1 927	14 374
	Total assets	65 821	86 503	87 440
	Total equity	28 709	43 933	69 759

* as of 25.07.2011

KGS AGRO S.A.

Shareholders	<div>ICD Investments SA Inni</div>			Address:: 46A Avenue J-F. Kennedy; L-1855 Luxembourg; Email: info@ksgagro.com www: www.ksgagro.com	
IPO	First trading day on WSE: 05.05.2011			Description of activity: KSG Agro is one of the largest vertically integrated agricultural companies in the Dnepropetrovsk district, active in almost all segments of the agricultural market, including production, storage, processing and sale of agricultural products. The company specializes mainly in cultivation, focusing on cereals such as sunflower, wheat, barley, canola, soybean, production of vegetables and supplying food products to retail chains. The strategic focus of the company management is to strengthen its dominant position in the target districts (Dnepropetrovsk and Kirovograd districts, and neighbouring areas of the Kherson, Mykolayiv, and Kharkiv districts). The Target Region is rich in black soils and has favorable geographic location due to its proximity to the Dnieper River, main railway lines and Black Sea ports.	<p>Source: www.stooq.pl</p>
	Issue price (PLN): 22.00				
	Number of stocks sold: 4 925 500				
	Value of IPO (PLN): 108 350 000				
	Price on first trading day on WSE (PLN): 22.12				
	Current price (PLN): 22.00*				
	Market capitalization (PLN): 328 261 000*				
Comapnies conducting IPO	Dom Maklerski BZWBK S.A. (International Lead Manager)				
	Visum Capital Ltd. (Domestic Lead Broker, Offering Broker)				
	Dom Maklerski BZ WBK S.A. (Financial advisor)				
Financial results		31.12.2008(\$'000)	31.12.2009(\$'000)	31.12.2010(\$'000)	
	Total revenue	12067	18 036	32 547	
	EBIT	2 826	5 240	11 607	
	Net profit	- 1 212	2 287	9 362	
	Total assets	22 762	26 133	26 330	
	Total equity	1558	4 320	10 299	

* as of 25.07.2011

MILKILAND N.V.

Shareholders	<div><div><div>■ 1 Inc. Cooperatief U.A.</div><div>■ Others</div></div><div>25%75%</div></div>			<div>Headquarters: Reinwardtstraat 232,1093HP Amsterdam; E-mail : office@milkiland.nl Website : http:// www.milkiland.nl</div> <div>Description of activity: Milkiland is a diversified dairy producer operating in the CIS, one of the largest and dynamic dairy markets globally, with principal operations in Ukraine and Russia. The Group's holding company Milkiland N.V. (the Issuer) is incorporated in the Netherlands, while the activities in the CIS are conducted through its wholly-owned Ukrainian subsidiary DE Milkiland-Ukraine ("Milkiland-Ukraine") and the Russian OJSC Ostankinsky Molochny Combinat ("Ostankino") where the Group owns 85.78 percent of shares. The Group operates 10 production facilities in Ukraine and one plant in Russia.</div> <div><div>Performance relative to WIG</div><div><div>MLK - 5 Miesiecy vs WIG</div><div>1 Sie 2011 9:48 CET</div><div>(C)Stooq</div><div>Source: www.stooq.pl</div></div></div>
	IPO	First trading day on WSE: 06.12.2010		
Issue price (PLN): 33.78				
Number of stocks sold: 7 000 000				
Value of IPO (PLN): 236 460 000				
Price on first trading day on WSE (PLN): 36.10				
Current price (PLN): 33.25*				
Market capitalization (PLN): 1 039 062 500*				
IPO Underwriters	UniCredit Bank AG (London branch) (Lead Manager)			
	UniCredit Bank Austria A.G. (Co-Lead Manager)			
	UniCredit CAIB Poland S.A. (Listing Agent)			
Financial results		31.12.2008 (€'000)	31.12.2009(€'000)	31.12.2010 (€'000)
	Total Revenue	270 417	200 008	258 495
	EBIT	17 369	22 202	34 827
	Net profit (loss)	6 227	8 109	21 777
	Total Assets	173 636	184 048	267 934
	Total equity	20 014	37 562	116 847

* as of 25.07.2011