WESTA ISIC S.A.

(incorporated as a public limited company (société anonyme), under the laws of Grand Duchy of Luxembourg, having its registered office at 412F, route d'Esch, L–1471 Luxembourg, the Grand Duchy of Luxemburg, and registered with the Trade and Companies Register (Registre de Commerce et des Sociétés) in Luxembourg under number B150.326)

Offering of up to 11,033,333 Shares, with a nominal value of EUR 0.01 each, in the share capital of WESTA ISIC S.A., and admission of all the issued Offer Shares to trading on the main market of the Warsaw Stock Exchange

This document (the "Prospectus") has been prepared for the purpose of (i) the offering (the "Offering") of up to 11,033,333 ordinary bearer shares in the share capital, each with a nominal value of EUR 0.01 (the "Offer Shares"), in WESTA ISIC S.A. (the "Company"), and (ii) the admission of all of the issued Offer Shares (*i.e.*, up to 11,033,333 Shares) to trading on the main market of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, the "WSE"). The Offering will consist solely of newly issued shares to be issued by the Company. The Company will receive all the net proceeds from the sale of the Offer Shares. The Offer Shares offered in this Offering constitute a minority interest in the Company.

The Offering consists of: (i) public offering to retail investors in Poland (the "Retail Investors"), (ii) public offering to institutional investors in Poland (the "Polish Institutional Investors"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act (the "International Investors", and together with the Polish Institutional Investors, the "Institutional Investors"), in each case in accordance with applicable securities laws.

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or with any securities regulatory authority of any state or any jurisdiction in the United States. The Offer Shares are being offered and sold only outside the United States in accordance with the Regulation S under the US Securities Act (the "Regulation S") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in the Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. See: "*Selling Restrictions*".

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

The Prospectus constitutes a prospectus in the form of a single document within the meaning of Art. 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "Prospectus Directive") and the Luxembourg law dated July 10, 2005, relating to prospectuses for securities, implementing the Prospectus Directive into Luxembourg law (the "Prospectus Act 2005"), and has been prepared in accordance with the Prospectus Act 2005 and Commission Regulation (EC) 809/2004 of April 29, 2004. The *Commission de Surveillance du Secteur Financier* (the "CSSF") in its capacity as the competent authority in Luxembourg under the Prospectus Act 2005, has approved this document as a prospectus. The Company will be authorised to carry out the Offering to the public in Poland, once the CSSF has provided the Polish Financial Supervision Authority (the "PFSA"), which is the competent authority in Poland, (in accordance with Art. 19 of the Prospectus Act 2005, Art. 18 of the Prospectus Directive and Art. 37 of the Polish Public Offerings Act) with a certificate of approval of this Prospectus and after the Prospectus has been made available to the public together with a translation of the summary into the Polish language.

See "*Risk Factors*" for a discussion of certain considerations to be taken into account when deciding whether to invest in the Offer Shares.

Prior to the Offering, there was no public market for the Shares. Based on this Prospectus, the Company intends to apply for all of the issued Offer Shares (*i.e.*, up to 11,033,333 Shares) to be admitted to listing and trading on the main market of the WSE (the "Admission"). The Company expects that trading in the Offer Shares on the WSE will commence on or about June 15, 2011 (the "Listing Date"). Settlement of the Offering is expected to occur on or about June 7, 2011 (the "Settlement Date"). Prospective retail and institutional investors in Poland (other than "U.S. persons" as defined in the Regulation S) may subscribe for the Offer Shares during a period which is expected to commence on or about May 25, 2011 in retail tranche and May 30, 2011 in institutional tranche and is expected to end on or about May 27, 2011 in retail tranche and June 2, 2011 in institutional tranche. The final offer price per Offer Share (the "Offer Price") will not exceed PLN 17.30 (the "Maximum Price"). The final Offer Price and the final number of the Ofer Shares will be determined by the Company upon recommendation of the managers named herein (the "Managers") after completion of bookbuilding for institutional investors on or about May 27, 2011, based on interest from investors and will, in accordance with Art. 10 of the Prospectus Act 2005, be filed with the CSSF and published in the same manner as this Prospectus and, if required, otherwise in accordance with applicable Polish and Luxembourg regulations.

All the Offer Shares are ordinary bearer shares and will exist in the territory of Poland in book entry form once they have been registered with the Polish clearing and settlement institution – the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*, the "NDS"). Shareholders in the Company may hold them through the NDS participants, such as investment firms and custodian banks operating in Poland.

Offer Price: To be determined in PLN and announced on or about May 27, 2011

BG Capital JSC and BG Trading Limited (jointly the "Lead Managers") and Dom Maklerski BZWBK S.A. (the "Co-Lead Manager") will act as Managers and the bookrunners for the Offering. Dom Maklerski BZWBK S.A. (the "Offering Agent") will act as the offering agent in Poland for the purposes of the public offering and admission of the Offer Shares on the WSE.

Lead Managers

BG Trading Limited **BG Capital JSC**

Co-Lead Manager

Dom Maklerski BZ WBK S.A.

The date of this Prospectus is May 13, 2011

TABLE OF CONTENTS

SUMMARY

The following constitutes the summary of the essential characteristics and risks associated with the Issuer, the Operating Companies, Westa Group and the Shares. This summary should be read only as an introduction to this Prospectus and contains information included elsewhere in this Prospectus. It is expressly pointed out that this summary is not exhaustive and does not contain all information which is of importance to prospective investors. Reading this summary should, in no way, be considered a substitute for reading this Prospectus in its entirety. Prospective investors should read this Prospectus thoroughly and completely, including the "Risk Factors", any supplements to this Prospectus required under applicable laws and the Consolidated Financial Statement, Combined Financial Statements and other financial information and related notes, before making any decision with respect to investing in the Offer Shares. No civil liability will be attached to the Issuer and other companies of Westa Group in respect of this summary (including the Summary Financial and Operating Data) or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Summary of the Business

The Issuer, WESTA ISIC S.A., is a holding company of the Group incorporated in Luxembourg whose principal assets are interests in equity of the Group's subsidiaries incorporated and operating in Ukraine in the battery manufacturing industry. The Issuer does not carry any business operations except for direct and indirect holding of interests in equity in the Group's companies. The Group's business operations are conducted through its Ukrainian subsidiaries.

The Group's state-of-the-art factories manufacture new generation of automotive starter, lighting and ignition (SLI) batteries. The Group operates 2 battery production workshops (WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC), with daily production capacity of 21,200 units of conventional batteries (conventional battery – battery of 60A*h equivalent capacity), or annual capacity of 7,600,000 conventional batteries. Both production facilities are focused on production and sales of high quality automotive SLI batteries.

The Group also consolidates companies providing complementary production and services (e.g. logistics) and research and development (R&D). All the business facilities are located in Dnipropetrovsk Region of Ukraine.

The Group's revenue increased by 86% from USD 83 million in 2009 to USD 154 million in 2010. In 2010 the Group produced and sold 4.32 million conventional batteries. In 2009 and 2008 the Group produced and sold 2.52 and 2.65 millions of conventional batteries for USD 83 and USD 145 million, respectively.

The Group plans to produce 6,500,000 conventional SLI batteries in 2011 for a total value of USD 268 million. The Group may further increase its production capacity to 10 million conventional units over the next 3-5 years to strengthen its market positions.

The Group is a CIS leader in the lead-acid batteries market (16% of aftermarket batteries share in 2010, according to the Group's estimates). The Group occupies the largest market shares in individual CIS markets for SLI batteries: 31% in Ukraine, 12% in Russia in 2010. The group is one of the 5 largest battery producers in the EU. For more details, refer to the *Automotive Batteries Business* section below.

The table below provides selected sales data for the Group.

	2010	**2009**	**2008**
Batteries sold, thousand of conventional batteries[(1)]	4,321	2,523	2,653
Batteries sold, thousand batteries	2,911	1,915	1,856

*(1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.*

Source: Group data, unaudited

History and Recent Developments

The Group was founded in the early 1990's. Soon after Ukraine became independent, its civil andmilitary transportation was fully depending on supply of automotive power solutions from abroad, and was unable to secure the volume or affect the price of such solutions. At this time the renowned Ukrainian scientist Viktor Dzenzers'kyy backed by support of Ukraine's Academy of Science approached the Ukrainian Government and received State's consent to create and develop internal production of lead-acid batteries (also referred to as SLI Batteries (starting, lighting, ignition), starter batteries, automotive or car batteries).

After success of his first Ukrainian initiative "ISTA" (lead-acid batteries production with a capacity of 1.5 million units per year and lead alloys production with a capacity of 25 thousand. tons p.a., which was sold to a Ukrainian automobile producing group in 2001) and following further scientific work in the field of electricity generation from chemical sources, Viktor Dzenzers'kyy incorporated new scientific-industrial corporation "Wind Energy Solar Technologies Accumulated" (ISIC "WESTA") to tackle rapidly growing demand for automotive power solutions and to address world's growing demand for alternative energy sources and energy storage solutions.

In 2002 ISIC "WESTA" approached the State with a project for creation and development of modern autonomous integrated energy solutions based on advanced power storage solutions coupled with wind and solar generation systems. By the ruling of the Cabinet of Ministers of Ukraine (No. 352 dated March 17, 2003) the project has been labeled "high priority and top significance for the State" and was granted special support by the Ukrainian Government. The new enterprise has been granted long-term project financing from state banks.

During 2004-2010 in line with its 1st development stage the Group has put into operation two modern lead-acid batteries plants: WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC with combined capacity of 7.6 millions of conventional batteries p.a. The plants utilize advanced technology and unique know-how developed by the Group's in-house R&D institute allowing WESTA to achieve significant cost of production benefits and superior product quality.

Over the last five years WESTA secured a dominant position in Ukraine, Kazakhstan, Moldova, and Belarus holding up to 50% share in these markets, the Group is also the largest seller in Russia with 12% market share. Having entered Europe's SLI batteries market only in 2008, WESTA already holds a 1% share of the European market. Being the largest producer in the CIS (16% of the market in 2010) the Group aims to become the leading European player and secure its place among world's top 5 producers within the following 2-3 years.

Competitive Strengths and Advantages

Price advantage

Group's products are strongly price competitive due to the use of highly efficient modern production facilities and use of innovative know-how solutions designed by in-house R&D. Price advantage is also supported by considerably lower local energy & utilities and labour costs.

Superior product quality

Thanks to utilization of world's latest technology and advanced automated quality control systems the Group's products match and in many aspects outperform the quality benchmarks set by world's leading producers.

Location advantage

The significant weight of lead-acid batteries imposes a limit on their economically feasible transportation range. Contrary to European producers most of which are too distant to deliver to Russia and farther CIS markets without losing their price competitiveness, WESTA is uniquely positioned to trade in CIS, Europe as well as more remote markets of Africa and Asia.

Focus on aftermarket

WESTA sells 98% of its products on the aftermarket through specialized distributors and retail chains. Unlike on OEM market (market for original equipment manufacturers), demand on the aftermarket is more stable and is less affected by drops in automobile production. The aftermarket is also more profitable and larger than OEM market in value terms and stands for 80% of the global lead-acid batteries consumption volume.

Market control advantage

Being the largest player in CIS (16% share in 2010) the Group exercises significant control over local prices and enjoys the benefits of exceptional trade terms with neighbor countries. The management also estimates that in order to construct an equivalent production facility one would require a minimum of 5 years in time and a capital investment above USD 500 million.

Established relations with distributors

Operating for over 10 years WESTA has been able to grow sales of batteries each year at a growth rate above 50%. Owing to its extensive sales and marketing experience, the Group has established effective long-term relationships with a wide network of specialized distributors which sell and promote its product in over 30 countries.

Talent advantage

Batteries industry is very talent-intensive and requires constant research and innovation. WESTA has been able to gather top scientific talent in CIS within its Research and Development Institute which has proven to provide the Group with significant competitive edge in past and patented dozens of solutions yet to be integrated.

Strategy

In the next 2-3 years the Group is aiming to further grow its sales and strengthen market positions to become the leading seller of SLI batteries in Europe and CIS, and to secure its position among top 3 European and top 5 largest global producers. To achieve such results the Group is implementing the following strategic initiatives.

Maximizing capacity usage. In 2009-2010 WESTA increased its production capacities 2.5 times. In 2011--2012 the Group plans to utilize its production facilities to the maximum extent and produce 7.6 million conventional batteries. Maximum capacity usage will also positively affect cost of production due to economy of scale effect.

Focus on export sales. In the upcoming 2-3 years the Group is planning to focus on growing its share on existing and new export markets, on average growing its export sales at 75% rate. Poland is expected to become the second largest export market after Russia. Hot climate markets of Africa, Middle East and Asia are of exceptional interest to the Group, since in extreme climate conditions car batteries have to be replaced each year, compared to 1 replacement per 3-5 years in Europe and CIS.

Product development. In 2011 WESTA is planning to introduce VRLA AGM power solutions (0.5 million conv. batteries p.a.) on the local and export markets to address growing orders from wholesale distributors. VRLA's are generally used as top segment starring/ignition batteries as well as storage and traction solution with a wide range of applications. These batteries are characterized with higher profit margins and non-seasonal demand. At full capacity the project shall deliver around USD 36 million in sales and USD 15 million in EBITDA.

Vertical integration. The Group is set to continue its vertical integration to maximize cost control through the entire value creation chain beginning from lead recycling. In this respect WESTA is looking to grow mainly organically, but will be also selectively considering acquisition opportunities.

Cost reduction initiatives. Lead represents circa 70% of a SLI battery production cost; therefore it is the primary factor on which the Group concentrates its cost reduction programs. In this respect for the following 2-3 years WESTA plans to develop in two directions: (1) reduction of lead contents by integrating innovative production technologies, (2) diversification of lead supplies, including recuperation of lead by recycling obsolete batteries.

Focus on energy efficiency. Specializing in energy storage solutions the Group understands the importance of efficient energy use and is set to continue works on reduction of gas and electricity use to achieve long-term sustainable energy savings.

Focus on R&D and innovations. Long-term strategy of the Group is focused on development of complex green energy solutions based on combination of lead-acid batteries with wind and solar generation systems. WESTA's R&D institute has already developed the know-how, patented technological solutions, and developed product designs and effective prototypes of such solutions. This will remain its main sphere of scientific work for the following years.

Use of Proceeds

The Group intends to use the net proceeds from the sale of Offer Shares to finance the following initiatives:

- Purchase of new equipment, instalation and infrastructure works for introduction of new product line (VRLA AGM) with annual output of around 0.5 million conventional units.

- Optimization of capital structure and enhancement of financial position through repayment of most expensive part of loan portfolio.

Summary Financial and Operating Data

The summary financial and operating data presented below refer to the financial years ended on December 31, 2008, 2009 and 2010 respectively. It has been extracted from the Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the notes thereto included in this Prospectus and the information in the section titled "Operating and Financial Review". The Issuer is a holding company which does not have any operating assets, except for the equity interests in its subsidiaries.

Income statement data

	December 31, 2010 000' US$	**December 31, 2009 000' US$**	**December 31, 2008 000' US$**
Revenue	154,305	83,004	144,585
Gross profit	50,592	21,399	41,359
Profit/(loss) before tax	22,199	(22,233)	(44,831)
Profit/(loss) for the year	33,967	(23,285)	(36,980)

Source: Group data, based on the Financial Statements

EBITDA from continuing operations ("EBITDA")

	December 31, 2010 000' US$	**December 31, 2009 000' US$**	**December 31, 2008 000' US$**
EBITDA(1)	55,285	16,613	34,090
EBITDA margin(2):	36%	20%	24%

Source: Group data, based on data derived from the Financial Statements

(1) EBITDA is defined as gross profit less general and administrative expenses, less selling and distribution expenses, plus government grants, plus depreciation and amortization as derived from the Financial Statements. EBITDA provides additional performance measure to show effects of the Company's operations which are difficult to recognize directly from the Financial Statements. EBITDA calculations have not been subject to separate auditor's review although items used for calculation of EBITDA have been derived from the Financial Statements. This measure should not be considered in isolation or as an alternative to net profit for the period or other data presented in the Financial Statements as indicators of financial performance. EBITDA measure is not determined in accordance with generally accepted accounting principles, and thus is susceptible to varying calculations.

(2) EBITDA margin is defined as per cent share of EBITDA in Groups' revenue.

Balance sheet data

	December 31, 2010 000' US$	December 31, 2009 000' US$	December 31, 2008 000' US$
Total assets	336,596	270,869	227,050
Total equity	1,239	(34,973)	(225)
Total non-current liabilities	151,994	174,130	157,564
Total current liabilities	183,363	131,712	69,711
Total loans and borrowings	294,713	261,545	190,906
Cash and cash equivalents	10,640	3,221	8,602

Source: Group data, based on the Financial Statements

Cash flow data

	December 31, 2010 000' US$	December 31, 2009 000' US$	December 31, 2008 000' US$
Operating profit before working capital changes	53,232	17,876	40,789
Net cash used in operating activities	(14,946)	(14,795)	(27,000)
Net cash used in investing activities	(12,114)	(35,814)	(58,339)
Net cash from financing activities	34,495	45,359	72,889
Net increase/decrease in cash and cash equivalents	7,435	(5,250)	(12,450)

Source: Group data, based on the Financial Statements

Summary of Risk Factors

The investment in the Offer Shares involves risks that are listed below. Should any of these risks occur, the operations of the Westa Group, the financial results and prospects of the Group may be adversely affected. The risks listed below are discussed in details in the "*Risk Factors*" section of the Prospectus.

Risks Relating to the Group's Operations and Industry

- *Competition may intensify.*
- *Prices for raw materials may increase.*
- *The Group may not be able to maintain one or more of its customers or suppliers.*
- *Due to the short-term nature of the contracts with the majority of customers and suppliers, extension of contractual relations with them may not be warranted.*
- *Global economic conditions may worsen.*
- *The Group may not be able to maintain relationships with one or more third parties.*
- *The Group may lose competitive edge if it is unable to introduce new products, product enhancements or innovations.*
- *The Group may not be able to adequately protect its intellectual property or technology.*
- *The Group may be unable to meet customers' product quality standards.*
- *The Group may be unable to implement its cost reduction initiatives successfully and improve its profitability.*

- *The Group may be unable to implement its strategy as planned.*
- *Covenants in the debt agreements of the Group's Subsidiaries may restrict the Group's ability to borrow and invest.*
- *Financial indebtedness of the Group may increase.*
- *Energy costs may increase.*
- *Transportation costs may increase.*
- *The Group may depend on the key personnel.*
- *Labour costs may increase.*
- *The Group may not have or may be unable to obtain sufficient insurance coverage.*
- *The Group may incur costs to comply with health, safety and environmental laws and regulations.*
- *The Ukrainian Government might abandon, alter or fail to continue with its policy of imposing duties on batteries.*
- *The Group may face difficulties in obtaining, maintaining or renewing necessary licences and permits or complying with the terms of its licences and permits and/or relevant legislation.*
- *The Group is subject to currency-related and interest rate risks.*
- *The Group's operations may be limited by antimonopoly regulations.*
- *If the AMC were to conclude that required filings with the Antimonopoly Committee of Ukraine in respect of certain transactions were not made by the Group or its shareholders or, if made, were inaccurate or incomplete, the Group may be subject to fines, which may be material, or the relevant transactions may be invalidated.*
- *The Group may be subject to liabilities if it is determined that its past actions violated Ukrainian corporate laws or regulations.*
- *Free of charge Licensing Agreements for Intellectual Property may result in the adverse tax assessments for WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC.*
- *The Group may face difficulties with equipment failure, production curtailment and shutdown.*
- *The Group may be unable to obtain VAT refund for the export of goods in full.*
- *Certain of the Group's credit facilities may be repayable on demand.*
- *Transfer pricing rules may potentially affect Group's results of operations.*
- *The operating and financial results of the Group as presented in USD may be distorted by application of the corresponding UAH/USD exchange rate.*
- *The Group's accounting and reporting systems and procedures relating to the preparation of IFRS financial statements may not be as robust as those of companies with a longer history of compliance with IFRS.*

Risks relating to operating in Ukraine

- *Emerging markets are subject to greater risks than more developed markets.*

- *Ukraine may continue to experience political instability or uncertainty.*
- *Ukraine may experience economic instability.*
- *Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business.*
- *A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business.*
- *Weaknesses relating to the legal system and legislation may create an uncertain environment for investment and business activity.*
- *The Ukrainian Government might change the law that regulates state support of investments into innovative projects.*
- *The judiciary's lack of independence and overall experience, difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effected redress in court proceedings.*
- *Official economic data and third-party information in this Prospectus may not be reliable.*
- *Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity.*
- *Fluctuations in the global economy.*
- *Crime and corruption could disrupt the Group's ability to conduct its business and could materially adversely affect its financial condition and results of operations.*
- *Ukraine's tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity.*
- *The Group may face changes in respect of the double tax treaty regime between Ukraine and Cyprus.*
- *Economic instability in Ukraine could adversely affect the Group's business.*
- *The business environment in Ukraine could deteriorate.*
- *The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's ability to conduct its business effectively and on the market price of the Shares.*

Risk Related to the Issuer

- *The Issuer is a holding company with no assets other than shares of its subsidiary.*
- *The rights of Luxembourg company shareholders differ from the rights of the shareholders of Polish listed companies.*
- *Investors may have problems with enforcement of judgments against the Issuer.*
- *The Issuer has been and will continue to be controlled by its majority shareholder whose interests may conflict with those of other shareholders.*
- *Tax treatment for non-Luxembourg investors in a Luxembourg company may change.*

Risks relating to securities

- *The Offering may be delayed, suspended or cancelled.*

- *The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares.*

- *Holders of the Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of shares.*

- *There is no guarantee that the Company will pay dividends in the future.*

- *Existing shareholder will continue to exert significant influence on the management following the Offering.*

- *The Company is established and organized under Luxembourg law.*

- *Investors in the Shares will be subject to obligations resulting from various national laws.*

- *Investors may have problems enforcing judgments against the Company.*

- *Tax treatment for non-Luxembourg investors in a Luxembourg company may vary.*

Risks relating to listing and market

- *The price of the Company's Shares may fluctuate.*

- *Securities or industry analysts may cease to publish research or reports about Group's business or may change their recommendations regarding the Company's Shares.*

- *There can be no assurance regarding the future development of the market for the Shares and its liquidity.*

- *The marketability of the Company's Shares may decline and the market price of the Company's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company's operating performance and decline below the Offer Price.*

- *The Company may be unable to list the Company's Shares on the WSE or the Company may be delisted from the WSE.*

- *Trading in the Company's Shares on the WSE may be suspended.*

- *The Company will have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares.*

- *The Company has no experience in complying with requirements for publicly-listed companies.*

Summary of the Offering

Issuer	WESTA ISIC S.A., a public limited company (*société anonyme*), incorporated under the laws of Grand Duchy of Luxembourg, having its registered office at 412F, route d'Esch, L-1471 Luxembourg, the Grand Duchy of Luxembourg.
Principal Shareholder	Vankeria Consultants Limited, a limited liability company, incorporated under the laws of Cyprus, having its registered office at Lampousas, 1, P.C. 1095, Nicosia, Cyprus.
Offering	The Offering consists of: (i) public offering to retail investors in Poland (the "Retail Investors"), (ii) public offering to institutional investors in Poland (the "Polish Institutional Investors"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Secu`rities Act (the "International Investors", and together with the Polish Institutional Investors, the "Institutional Investors"), in each case in accordance with applicable securities laws.
Offer Shares	Up to 11,033,333 ordinary bearer shares each with a nominal value of EUR 0.01 to be issued by the Issuer.
Bookbuilding	During the Subscription Period for Retail Investors, a book building process amongst the Institutional Investors invited by the Managers will take place, during which such the Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, being not higher than the Maximum Price.
Subscription Period	The subscriptions by the Retail Investors will be accepted between May 25, 2011 and May 27, 2011. Subscriptions by the Institutional Investors will be accepted between May 30, 2011 and June 2, 2011.
Offer Price	The final Offer Price per Offer Shares will not exceed PLN 17.30 (the "Maximum Price"). The Offer Price will be determined by the Issuer upon recommendation of the Managers after completion of bookbuilding for institutional investors on or about May 27, 2011. The final Offer Price will be based on the results of the Bookbuilding. Moreover, the following criteria will be taken into account while determining the Offer Price: (i) the size and price sensitivity of demand, as gauged during the Bookbuilding, (ii) the current and anticipated situation on the Polish and international capital markets, and (iii) the assessment of the growth prospects, risk factors and other information relating to Issuer's activities. The Issuer will announce the Offer Price by a way of current report that will be also available at the websites of the Issuer, the Co-Lead Manager and of the Luxembourg Stock Exchange as well as, if required, otherwise in accordance with applicable Polish and Luxembourg regulations.
Allotment	Allotment will take place on or about June 6, 2011, after closing of the Subscription Period.

Settlement and Delivery of the Offer Shares	The settlement of the Offering is expected to be made on the Settlement Date, on or about June 7, 2011, after which the issue of the Offer Shares and payment of the total Offer Price will follow. The delivery of the Offer Shares will be effected through the book-entry facilities of the NDS, in accordance with the NDS's settlement procedures.
Listing and Trading	The Issuer is planning to apply for admission to listing and trading on the main market of the WSE of all the Offer Shares issued in the Offering constituting up to 25% of all the Issuer's Shares (assuming all the Offer Shares have been issued), immediately after the Settlement Date. The Issuer believes that trading on the WSE will commence on or about June 15, 2011, or as soon as possible thereafter, barring unforeseen circumstances.
Form of Offer Shares	All the Offer Shares are ordinary bearer shares and will exist in book-entry form once they have been registered with the NDS. Investors may hold the Offer Shares through the NDS participants, including investment firms and custodian banks. The Issuer will apply for registration of all of the Offer Shares with the National Depository for Securities. It is expected that on or soon after the Settlement Date, all of the issued Offer Shares, will exist in book-entry form.
Shares outstanding before and after the completion of the Offering	The Issuer's issued and outstanding share capital as of the date of this Prospectus is EUR 331,000, divided into 33,100,000 registered Shares, each with a nominal value of EUR 0.01. WESTA expects that as at Admission a total of 44,133,333 Shares will be issued and outstanding which Shares will comprise the Issuer's share capital in the amount of EUR 441,333.33, assuming that the all Offer Shares offered are subscribed for, allotted and issued. In such case the Offer Shares will constitute up to 25% of the share capital and up to 25% of total votes at the General Meeting of Shareholders. Shares issued and outstanding as of the date of this Prospectus will be in registered form and are not intended to be admitted to trading on any stock exchange.
Dividends	All Shares carry full dividend rights if and when the distribution of profit is declared.
Voting Rights	Each Share entitles its holder to one vote at the General Meeting.
Lock-up	Subject to certain exceptions, the Company and the Principal Shareholder have agreed that for the period of 12 months from the Settlement Date, they will not, without the prior written consent of the Lead Managers, propose or otherwise support an offering of any of the Company's shares, announce any intention to offer new shares and/or to issue any securities convertible into Company's shares or securities that in any other manner represent the right to acquire the Company's shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Company's shares.
Lead Managers	BG Capital JSC and BG Trading Limited
Co-Lead Manager	Dom Maklerski BZ WBK S.A.

Offering and Listing Agent	Dom Maklerski BZ WBK S.A.
Selling Restrictions	The Offer Shares may not be offered outside Poland in any manner that would constitute public offering or would otherwise require authorization under applicable local regulations. The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or any jurisdiction in the United States and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Regulation S) except in certain transactions exempt from the registration requirements of the US Securities Act. For information on further selling restrictions please see: "*Selling Restrictions*".

RISK FACTORS

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

Risks Relating to the Group's Operations and Industry

Competition may intensify.

WESTA is one of the largest producers of different types of lead-acid accumulators and batteries in Ukrainian, European and CIS markets, successfully increasing its market share for the past five years. However, the Group may not be able to sustain such growth and profitability in future if it is faced by significant influence of competition. In particular, the appearance of new or aggressive activity by current market participants and/or their efforts for market consolidation may significantly increase competition. In this case, WESTA may need to increase its marketing efforts or adjust pricing of its products. Increased competition could cause the Group to lose its current market share or may force it to exit certain business lines. This could adversely affect the Group's business and financial operating results.

Prices for raw materials may increase.

Since lead constitutes more than a half in the cost of a battery, any fluctuation in its price significantly affects the battery producers. The costs of lead are volatile and are beyond of the Group's control. The increase of price might cause a reduction in profit margin unless WESTA is able to hedge these risks or to pass on to its customers the increased costs of the raw materials. This, in turn, could have a material adverse effect on the Group's business, financial condition, operating results or prospects.

The Group may not be able to maintain one or more of its customers or suppliers.

To minimise logistical and distribution costs the Group trades mainly on wholesale terms and has well-established ties with a relatively small number of professional distributors in over fifty countries (see: "*Business*"). One or more of its clients could terminate their cooperation with the Group, cease their operations or reduce their size. Since these factors are beyond of the Group's control, they could have an adverse effect on the Group's operating and financial, results.

Due to a short-term nature of the contracts with the majority of customers and suppliers, extension of contractual relations with them may not be warranted.

Most of the contracts with customers and suppliers are entered into for the period of up to one year or for one-off supply. The Group regularly re-enters into new contracts with its key customers and supplies. Such practice of short-term contracts is consistent with the general market practice. The failure to re-execute any of the contracts with the Group's key customers or suppliers could lead to a decrease in production and sales volumes, which could have an adverse effect on the business, operating results and financial condition.

Global economic conditions may worsen.

Since the Group operates on the international scale, it is exposed to the global economic and financial conditions and change in consumers' purchasing power In case of a further slowdown in the global economy, the Group's business may be affected by shortfall of the demand for its products or by decrease in availability of financing, which could in turn negatively impact its sales and revenue generation and result in a material adverse effect on its financial operating results or prospects.

The Group may not be able to maintain relationships with one or more third parties.

The Group to some extent depends on third parties, including suppliers, distributors, toll operators, freight forwarders, insurance brokers, commodity brokers, financial institutions and other third party service providers, for key aspects of its business. Failure of these third parties to meet their contractual, regulatory and other obligations between the Group and these third parties could have a material adverse effect on its business, financial condition, operating results or prospects.

The Group may lose competitive edge if it is unable to introduce new products, product enhancements or innovations.

New energy storage technologies have been introduced over the past several years. In addition, recent advances in particular in fuel cells and flywheel technology have been introduced for use in selected applications competing with industrial batteries. The Group's ability to achieve significant and sustained penetration of the main developing markets may depend upon its success in developing or acquiring these and other new technologies, either independently, through joint ventures or through acquisitions. If the Group fails to develop or acquire, and manufacture and sell, products that satisfy its customers' demands, or fails to respond effectively to new product announcements by its competitors by quickly introducing competitive products, then market acceptance of its products could be reduced and its business could be adversely affected. The Group cannot assure that its lead-acid products will remain competitive with products based on new technologies. The failure to introduce new products, products enhancements or innovations, or broad market acceptance of new technologies introduced by the Group's competitors may adversely impact its business, financial condition, operating results or prospects.

The Group may not be able to adequately protect its intellectual property or technology.

The Group relies on a combination of copyright, trademark, patent and trade secret laws, non-disclosure agreements and other confidentiality procedures and contractual provisions to establish, protect and maintain its proprietary intellectual property, technology know-how and other confidential information. The Group may be unable to adequately protect its intellectual property in all jurisdictions that it is exposed for the infringement risk, and where its products are being sold and certain of important to its business technologies are not protected by patents or, being considered as know-how, may not be registered and protected by patents under the laws of Ukraine. Despite the Group's efforts to protect its proprietary intellectual property and technology and other confidential information, unauthorized parties may attempt to copy or otherwise obtain and use its intellectual property and proprietary technologies.

In some market segments, the Group's reputation is closely related to the brand names of its products. Monitoring unauthorized use of the Group's brand names is difficult, and the Group cannot be certain that the steps it has taken would prevent their unauthorized use, particularly in foreign countries where the laws may not fully protect WESTA's proprietary rights.

Majority of the trademarks and patents, including the WESTA trademark, are used by the Group on the basis of the licence agreements with individuals, including Mr. Dzenzers'kyy, or companies, which are owners of such trademarks. Some of the inventions have been developed jointly with the Institute for Transport Systems and Technologies of the National Academy of Science of Ukraine "Transmag" and are used by the Group pursuant to agreements between co-owners of the intellectual property. In some cases the Group does not have effective agreements in place or the effective agreements contain technical deficiencies which may be not fully in line with the applicable legislation. The Group intends to execute the missing agreements or amend the existing agreements so that they comply with the applicable legislation as soon as practically possible.

Some of the trademarks used by the Group are registered in the Russian Federation and absence of their registration in Ukraine may lead to their unsolicited use in Ukraine by third parties.

The Group may be unable to meet customers' products quality standards.

The success of the Group's business will depend upon the quality of its products and its relationships with customers. WESTA's workshops are the state-of-art enterprises with modern equipment, which, in some cases, may be considered unique. Operation of the major part of this equipment is controlled by computer technologies, which allows ensuring the high-level quality control over the products. However, in case that the Group's products fail to meet the customers' standards, the reputation or competitive position of the Group could be harmed, which would adversely affect the marketing and sales efforts.

The Group may be unable to implement its cost reduction initiatives successfully and improve its profitability.

The Group plans to implement cost reduction initiatives to achieve additional cost savings in future periods. The Group cannot assure that it will be able to achieve all of the cost savings that it expects to realize from current or future initiatives. In particular, the Group may be unable to implement one or more of its initiatives successfully or may experience unexpected cost increases that offset the savings that it achieves, which would adversely affect the Group's business.

The Group may be unable to implement its strategy as planned.

The implementation of the Group's strategy depends mainly on its ability to gain capital and market demand for its products. Since these factors are to high extend beyond the Group's control, if the Group fails to obtain required financing or market demand for its products declines, it may require more time or resources to fulfil the Group's strategy within the set timeframe and achieve the planned targets.

Covenants in the debt agreements of the Group Subsidiaries may restrict the Group's ability to borrow and invest.

In order to finance the development of the business, *e.g.* to upgrade facilities, the Group has needed and may need to assume debt. To obtain loans, WESTA has been, and may be required to secure such loans by granting security over its significant assets such as shares held in subsidiaries, real estate owned by the Group, property rights, significant inventories and production in progress.

Such credit facilities provide restrictive covenants that may limit the Group's flexibility to operate its business. In addition, any onerous collateral requirement may limit the Group's ability to raise additional funds. Some of the current debt facilities of the Group contain covenants that impose on it operating and financial restrictions, including restrictions on its ability to incur and extend loans, credit and other debt financing; encumber any assets; distribute profits; acquire shares in other entities; change the character of business activities; dispose of shares; change of ownership or control; effect merger or any other reorganisation; dispose, transfer or lease assets; distribute dividends or profits; receive credits from other banks, among others. Under the terms of certain of the Group's loan agreements, the Group must maintain minimum levels of net worth and comply with, among other things, a fixed charge coverage ratio and requirements to its profitability.

Events beyond the Group's control could prevent it from complying with these covenants and result in a breach of any such obligation, thus triggering an event of default. This, in turn, may have an adverse effect on the Group's business, financial condition, and operating results or prospects.

Financial indebtedness of the Group may increase.

The Group leverage itself in order to finance its capital expenditure programs and part of its working capital needs associated with development of the Group. Any need to obtain additional loans to finance development of the Group, subject to compliance with covenants and other conditions, could increase level of its indebtedness and trigger several important consequences, limitation of the Group's ability to obtain additional financing for working capital, capital expenditures or other purposes; necessity to dedicate a substantial portion of the cash flow to pay interest expenses and repay principal debt, which would reduce funds that would otherwise be available to the Group for operations and future business opportunities; limitation of the Group's flexibility in planning for, or reacting to, changes in the Group's business and the markets in which it operates.

Energy costs may increase.

Costs related to energy constitute a part of the Group's operating costs. According to state statistics, the energy prices in Ukraine have been rising. It is expected that the said costs will rise further in the coming years. Although the Group has recently improved its productivity by introducing new technologies, and while it is working to further improve its margins by reducing overall energy consumption, there can be no guarantee that increases of energy prices would not negatively affect the business of the Group.

Transportation costs may increase.

The Group requires significant quantities of raw materials to be delivered to its plants by truck or rail. Moreover, products to clients or to port facilities are also delivered by truck or rail. Consequently, the Group's operating profit may be adversely affected by increased transportation costs, what as a result may have an adverse effect on the Group's business, financial condition, and operating results or prospects.

The Group may depend on the key personnel.

The Group's success depends, to a certain degree, upon the efforts and abilities of certain key personnel, including the Group's management team. The loss of any of the key personnel or the inability to hire and retain qualified personnel could materially affect the Group's business.

Labour costs may increase.

Labour cost in Ukraine has been historically lower than labour costs in more developed markets in Europe or North America. However, if wages and related costs were to increase in Ukraine, the Group's profitability could be reduced. The Group might need to increase the level of the employees' compensation at a higher rate than it did in the past in order to stay competitive on the labour market. Unless the Group is able to continue increasing efficiency and productivity of its employees, this could have a material adverse effect on business of the Group.

The Group may not have or may be unable to obtain sufficient insurance coverage.

The Group's insurance may be insufficient to cover all liabilities arising out of or in connection with its business activities. The insurance maintained by the Group may be deemed inadequate compared with the insurance coverage customary in Western Europe for a business of the Group's size and nature. If the Group were to suffer a loss that is not adequately covered by insurance, its business, operating results, financial condition and prospects could be materially adversely affected. See - "*Business — Insurance*".

The Group may incur costs to comply with health, safety and environmental laws and regulations.

The Group is subject to environmental, health and safety laws and regulations relating to pollution, protection of the environment and protection of human health and safety. In the manufacture of the Group's products it processes, stores, disposes of and otherwise uses large amounts of hazardous materials, especially lead and acid. As a result, the Group is subject to extensive and changing environmental, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous materials; remediation of polluted ground or water; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of the employees. The laws and regulations dealing with those matters are subject to frequent amendments, which force the Group to respond quickly by adjusting to new and usually more stringent requirements and standards. Compliance with these laws and regulations results in ongoing costs. Failure to comply with these laws or regulations, or to obtain or comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. The Group's ongoing compliance with environmental, health and safety laws, regulations and permits could require the Group to incur significant expenses, limit its ability to modify or expand its facilities or continue production and require the Group to install additional pollution control equipment and make other capital improvements. In addition, private parties, including current or former employees, could bring personal injury or other claims against the Group due to the presence of, or exposure to, hazardous substances used, stored or disposed of by it or contained in its products (in particular lead-containing materials and acids).

Certain environmental laws assess costs to repair damage to environment. In the ordinary course of business, the Operating Companies are subject to various state inspections. The Group makes all possible efforts to comply with such requirements and standards. However, the Group cannot assure that it has been or at all times will be in compliance with environmental laws and regulations or that it will not be required to expend significant funds to comply with, or discharge liabilities arising under, environmental laws, regulations and permits, or that it will not be exposed to material environmental, health or safety litigation.

Costs of compliance and potential liabilities due to environmental damage or harm to health could adversely affect the Group's business, financial condition, operating results or prospects.

The Ukrainian Government might abandon, alter or fail to continue with its policy of imposing duties on imported batteries.

The Ukrainian government introduced a system of tariffs on imports of lead-acid batteries with the goal of stimulating domestic production. Upon joining the World Trade Organization in 2008 Ukraine changed its import policy. There can be no assurance that Ukrainian government will not abandon, alter or fail to continue with the policy of regulating the domestic batteries market within the existing import tariffs system, in which case the Group's business operating results and financial condition may be adversely affected.

The Group may face difficulties in obtaining, maintaining or renewing necessary licences and permits or complying with the terms of the licences and permits and/or relevant legislation.

The Group's business depends on the continuing validity of several licences, the issuance of new licences and permits and compliance with the terms of the licences, permits and relevant legislation.

In particular, the operations of the Operating Companies depend on a licence for dealing with precursors. In addition, operators of hazardous facilities are required to obtain prior permits for construction or reconstruction of such facilities and permits for their operation. Also, the Operating Companies are required to obtain permits of sanitary and epidemiological supervision authorities and the fire safety supervision authorities for the use of production facilities and permits for the use of hazardous substances.

The Group believes that it has all the permits it needs for operation of its business and that it has complied with all material applicable regulations, that there are no grounds for the revocation of the operational permits or that, in practice, the Operating Companies will be prevented from operating their facilities. However, as a matter of law, without such permits, the Operating Companies will not be permitted to produce, process, store or sell the products. Moreover, there can be no assurance that the Group will be able to achieve compliance with all applicable regulations at all times.

Ukrainian governmental authorities may suspend or revoke an operational permit if a company fails to comply with applicable regulations. Regulatory authorities exercise considerable discretion in the timing of licence and permit issuance and renewal and in the monitoring of compliance with the terms of licences and permits. In certain circumstances, governmental authorities in Ukraine may seek to interfere with the issuance of licences and permits, and the licensing and permitting process may also be influenced by outside commentary, political pressure and other extra-legal factors. Accordingly, there is a risk that licences or permits needed for the business of the Group may not be issued or renewed or that they may not be issued or renewed in a timely fashion or may be subject to onerous conditions.

If the Group were not be able to obtain, maintain or renew necessary licences or permits, its business, operating results and financial condition could be materially adversely affected.

The Group is subject to currency-related and interest rate risks.

Fluctuations in the value of USD, which is the Group's reporting currency, against other currencies, such as UAH, RUB and EUR may have an adverse effect on its operating results, sales revenue, production costs, profit margins and competitive position. Approximately 30% of the Group's sales are invoiced in USD and EURO and approximately 45% - in RUB for goods sold on the international markets. The remaining 25% represent the sales of batteries in the Ukrainian domestic market. It is expected that almost 75% of the Group's revenues will be covered by export sales. All domestic sales are in UAH, which is not a freely tradable currency. The results of domestic operations are reported in UAH and then converted into USD/EUR at applicable exchange rates for inclusion in the consolidated financial statements. Moreover, the vast majority of loan facilities extended to the Group are denominated in USD, some loan facilities of the Group are also denominated in EURO and UAH. A change in the value of these currencies compared to USD would have a negative effect on the results of the Group's operations. The Group also encounters currency exchange risks to the extent that it incurs operating expenses in a currency other than that in which it has obtained financing or those in which it generates revenues.

In the ordinary course of business, the Group may enter into hedging transactions in order to manage its exposure to foreign exchange, currency and interest rate risks. The Group cannot assure prospective investors that any hedging transaction that it has entered into or may enter into in order to protect against such risks will be successful or that shifts in currency exchange rates generally will not have a material adverse effect on the Group's business, financial condition, and operating results or prospects.

The Group's operations may be limited by antimonopoly regulations.

The Group is a vertically integrated company with a leading position on batteries market. According to the Group's estimates, in 2010 the domestic market share of WESTA in batteries production was 31 per cent. Although WESTA believes that its operations are mostly in compliance with applicable antimonopoly regulations, in particular the antimonopoly regulations in force in Ukraine, there can be no certainty that its current or future market shares will not trigger the initiation of proceedings or investigations by the relevant antimonopoly authorities, including the Antimonopoly Committee of Ukraine (the "AMC"). If any proceedings or investigations were to result in adverse decisions against the Group, it could be prohibited from engaging in certain activities that are regarded as restricting competition and/or financial penalties could be imposed on the Group. Such prohibitions or financial penalties could have an adverse effect on its business, financial condition or operating results. In addition, any past or potential acquisition by the Group may be subject to closer scrutiny by the AMC, which may conclude that such acquisition would restrict competition on a given market and prohibit the acquisition. Such a decision could adversely affect the Group's ability to expand through acquisitions. These and other regulatory actions may adversely impact the Group's business, financial condition, operating results and prospects.

If the AMC were to conclude that required filings with the Antimonopoly Committee of Ukraine in respect of certain transactions were not made by the Group or its shareholders or, if made, were inaccurate or incomplete, the Group may be subject to fines, which may be material, or the relevant transactions may be invalidated.

The Group's business has grown substantially over the recent years through the establishment and acquisition of companies in and outside of Ukraine. Certain of such transactions might have required prior approvals of the AMC. Similarly to many other businesses in Ukraine, members of the Group were not always in the position to comply with all the applicable AMC approval requirements; in addition, the relevant legislation was not always certain or sufficiently developed and its implementation was often inconsistent. As a result, members of the Group received AMC approvals for certain principal transactions pertaining to the establishment of the Group but not for all the transactions that may fall under the applicable AMC approval requirements. In some AMC filings, members of the Group may be regarded as failing to supply complete or fully accurate information. Failure to obtain AMC approvals for such transactions or to supply complete and accurate information may subject the Issuer and its controlling shareholder, Mr. Denys Dzenzers'kyy, and the entities related to them by control, to fines of up to five per cent of the Group's consolidated revenue for the financial year immediately preceding the year in which the fine is imposed, or in the worst case the relevant transactions may be invalidated through court procedures and the relevant companies may be dissolved (such invalidation and dissolution may only apply if the transactions are found to have led to the creation of a monopoly or substantially reduced competition in the relevant market or part thereof). Making of an inaccurate or incomplete filing to the AMC in case of inaccuracy or omission that is substantial, could also result in the relevant approval being annulled. The Group believes that none of the relevant transactions has led to the creation of a monopoly or substantially reduced competition in the relevant market in Ukraine, and any actions on the part of the AMC in relation to a number of such past acquisitions and establishments would be barred under the applicable statute of limitations in Ukraine, and it therefore expects that any administrative fine in respect of making an inaccurate or incomplete application to the AMC and/or the failure to obtain AMC approvals for such past acquisitions and establishments is likely to be substantially less than the maximum amount specified above, or time-barred. However, there can be no assurance that this will be the case.

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

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

Depending on the nature of a violation, the above instances of non-compliance with applicable laws and regulations may result in fines, warnings from governmental authorities, a request from governmental authorities for the corrective actions within a prescribed time period, requests for mandatory winding-up proceedings, or requests to unwind a previous transaction. To date, the Group has not received any notice of violation from any interested parties or from governmental authorities, and it does not expect that any party will seek to review or modify any such transaction or challenge the above-mentioned irregularities. However, there can be no assurance that the Group will not receive any such notices or claims in the future. Any such event could have an adverse effect on the Group's business, operating results, and financial condition.

Free of charge Licensing Agreements for Intellectual Property may result in the adverse tax assessments for WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC.

Starting from 2004 and until now WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC executed more than 40 Licensing Agreements for use of intellectual property rights with individuals and legal entities who are registered owners of such intellectual property. Under those Licensing Agreements, individuals and legal entities grant to WESTA-DNEPR JSC or WESTA INDUSTRIAL LLC the right to use intellectual property rights with no remuneration. Due to the free of charge use of intellectual property rights, there can be no assurance that the tax authorities will not demand adjustments for corporate income tax of WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC. The market value of the free of charge goods or services received by corporate income tax payers, such as WESTA-DNEPR JSC or WESTA INDUSTRIAL LLC, should be included into the taxable income of such payers. If such corporate income tax adjustments are implemented, effective tax rate of WESTA-DNEPR JSC or WESTA INDUSTRIAL LLC may increase and future financial results may be adversely affected. The Group believes that the corporate income tax adjustments for the free of charge use of intellectual property which occurred in the year 2007 and prior to that are time barred. Moreover, as a matter of practice it is difficult to assess the market value of the intellectual property used under such licensing agreements and thus, the amounts which could have been payable by WESTA-DNEPR JSC or WESTA INDUSTRIAL LLC.

The Group may face difficulties with equipment failure, production curtailment and shutdown.

As with any manufacturer, the Group's manufacturing process depends on critical items of equipment, such as assembly equipment, as well as battery charging equipment. Such equipment may, from time to time, be taken out of service as a result of unanticipated failures. In the future, the Group may experience material plant shutdowns or periods of reduced production as a result of such equipment failure. It may also be subject to interruptions in production related to catastrophic events such as fires, explosion or natural disasters. An interruption in production capability may require the Group to make large capital expenditures to remedy the situation, which may materially adversely affect the Group's business, operating results and financial condition.

The Group may be unable to obtain VAT refund for the export of goods in full.

Since the majority of the sales of the Group are export sales, the Group benefits from additional VAT refunds in connection with its export sales. Because export sales are generally taxed at the rate of 0 %, the Group's input VAT accumulated on purchases related to such export sales is subject to reimbursement by the government of Ukraine. Effective from January 1, 2011 the new Tax Code of Ukraine introduced the procedure of "automatic" VAT refund, such procedure may apply to the Group. At the same time, the complicated process of tax inspections and the contradictory rules on when they should be held create serious barriers during the administration of the taxes. Due to the budget deficit, even the taxpayers entitled to VAT refund, may not receive such refund in practice in full or may not be able to offset it against future tax liabilities because of the absence of the effective legislative mechanism to offset the sums of VAT against taxes and duties (mandatory payments). The refund of export VAT in Ukraine is often delayed and/or the amounts due may be restructured by the government, and any failure by the Group to receive such refunds in full may adversely affect its operating results.

Certain of the Group's credit facilities may be repayable on demand.

The Group's operations are partially financed through loans from several Ukrainian financial institutions (see "*Business Description – Material Contracts - Financing Agreements*"). To date, the Group has repaid the installments due on such borrowings in accordance with their respective loan repayment schedules. However, all of the Group's loan facilities may be repayable on demand in case of breach of the contract and there can be no guarantee that the Group will not be required to repay such facilities in the future with limited advance notice and when not provided for in the Group's budgets. Although the Management believes that it complies with all covenants as provided in the loan facilities and it is unlikely all such lenders would simultaneously demand repayment of their respective facilities at the same time, the Group's ability to repay its debt as and when required will be dependent on is its ability to generate positive cash from operations or to refinance such indebtedness, neither of which can be assured.

Transfer pricing rules may potentially affect Group's operating results.

Ukrainian transfer pricing rules apply to a wide range of situations involving cross-border and certain domestic transactions, most typically regulating pricing for goods and services sold or purchased to or from related parties. Under Ukrainian tax laws, the transactions between related parties must be carried out at arm's length. More specifically, a taxpayer must report the higher of the contractual prices and market prices, which are termed "usual prices", in connection with the sale of goods or services to related parties. Similarly, a taxpayer's deductible expenses may not exceed the "usual prices" for goods and services. On April 1, 2011, a "safe harbour" rule has been introduced permitting the deviation of contractual prices from arm's length prices by no more than 20%. Moreover, starting from 1 January 2013 the new tax rules relating to "usual prices" will become effective. Until that time, the old tax rules introduced by the Corporate Income Tax Law remain in force. It is not exactly clear how the old tax rules relating to "usual prices" will apply from 1 April 2011 (until 1 January 2013) when the relevant provisions of the Tax Code of Ukraine relating to corporate income tax ("CIT") come into effect. Under Ukrainian tax laws, "usual prices" also apply to transactions with persons who either do not pay CIT or pay it at a rate other than the standard rate of CIT. Because the Group's foreign counterparties, excluding those that have a permanent establishment in Ukraine, may not be payers of Ukrainian corporate income tax at the standard rate, the tax authorities may interpret this rule to apply to any transaction between the Group, as a resident entity, and its foreign counterparties, regardless of whether they are related parties.

The Group's historical and current trading relationships could fall within these transfer pricing rules. Accordingly, the Group must report corporate income tax on export transactions at prices at which it makes purchases and prices used in transactions between its subsidiaries, as adjusted to the arm's length prices, that is, not lower than the usual prices for such products and supplies. With the "safe harbour" rule which has come into force on April 1, 2011, however, the Group would be required to carry out such adjustments only if and when usual prices for such products and supplies would exceed the contractual prices by more than 20%. The Operating Companies must also report deductible expenses for the corporate income tax purposes at the level not greater than usual prices on import transactions and on transactions with other Ukrainian related parties and non-standard rate payers of corporate income tax. With the introduction of "safe harbour" rule, the obligation of Ukrainian subsidiaries to adjust their deductible expenses to the arm's length prices would arise only if the relevant contractual prices would be viewed to exceed the applicable usual prices by more than 20%.

Ukrainian tax laws offer a number of methods to establish the usual price. According to the commonly used comparable uncontrolled price method (the "**CUP**"), the usual price is determined by reference to the sales price of identical (or similar) goods, works, or services between unrelated parties taking into account the commercial value of such agreements including the amount, volume of goods, contractual obligations, payment terms and other relevant terms. Other methods are largely based on national accounting standards and include the resale price method, the cost plus method and the balance sheet value method. However, there can be no guarantee that the transfer pricing method and underlying data used by the tax authorities to determine the usual price would correspond to the method and data used by management. Accordingly, any discrepancies between such tax assessments could lead to a dispute between the tax authorities and the Group which could have an adverse effect on the Group's business, operating results and financial condition.

With respect to VAT, Ukrainian tax laws require that the relevant VAT liability must be reported with respect to the higher of the contractual price and usual price of the relevant goods or services irrespective of whether or not the transaction takes place between related parties. Similarly, input VAT must not exceed input VAT calculated by reference to usual prices. No "safe harbour" rule applies for the VAT reporting purposes.

In the ordinary course of business, the companies of the Group have engaged, and may further engage, in transactions with related parties and entities under common control (see Notes 30 and 29 of the Financial Statements for 2010 and years 2009-2008, respectively). Following the Group restructuring the management aims to abandon or limit such transactions to the extent required by the business needs only.

Management believes that the prices at which the Group purchases supplies and raw materials from, and the prices at which it sells products to, related parties, are the usual prices for such supplies and products. However, the relevant laws, rules and standards used for the purpose of determining usual prices in Ukraine are vaguely drafted and leave wide scope for interpretation by the Ukrainian tax authorities and administrative courts. In addition, to date, there has been only limited guidance as to how these laws, rules and standards are to be applied. As a result, there can be no assurance that the tax authorities in Ukraine will not challenge the Group's prices and propose adjustments for corporate income tax as well as VAT purposes. If such price adjustments are implemented, the Group's effective tax rate could increase and future financial results could be adversely affected. In addition, the Group could face significant losses associated with the assessed amount of prior tax underpaid and related tax interest and penalties, which may materially adversely affect the Group's business, operating results and financial condition.

The operating and financial results of the Group as presented in USD may be distorted by application of the corresponding UAH/USD exchange rate.

The Group has chosen USD as the presentation currency for its operating and financial results, while the functional currency of the Group's Ukrainian companies is UAH. Consequently, the operating and financial results of the Group as presented in USD may be distorted by application of the corresponding UAH/USD exchange rate.

The Group's accounting and reporting systems and procedures relating to the preparation of IFRS financial statements may not be as robust as those of companies with a longer history of compliance with IFRS.

The management information and financial reporting systems, which are utilized by the Group, are not as robust as those of companies with a longer history of compliance with IFRS. The use of existing reporting systems could affect the quality and completeness of the information provided to the management and lead to delayed presentation or interpretation of financial matters affecting the Group.

Recently, the Group has started preparing management accounts, budgets and financial statements under IFRS and is currently in the process of accustoming to a new accounting and reporting process. However, due to lack of substantial experience in IFRS, accuracy and timely delivery of such management accounts, budgets and financial statements may be affected.

Risks relating to operating in Ukraine

Since all Group's production capacities are located in Ukraine, risks and events that have a material adverse effect on the Group's operations in Ukraine could, in turn, have a material adverse effect on its overall business, financial condition, operating results or prospects. Set forth below is a brief description of some of the risks incurred by investing in a company with substantial assets and operations in Ukraine.

Emerging markets are subject to greater risks than more developed markets.

Investors in emerging markets such as Ukraine should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Investors should also note that emerging economies such as Ukraine's are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult with their own legal and financial advisors before making an investment in the Shares.

Ukraine may continue to experience political instability or uncertainty.

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. In parallel with this transformation, Ukraine is transitioning from a centrally planned economy to a market economy. However, this process of economic transition is not complete. Historically, a lack of political consensus in the Verkhovna Rada, or Parliament of Ukraine has made it difficult for the Government to sustain a stable coalition of parliamentarians to secure the necessary support to implement a variety of policies intended to foster economic reform and financial stability.

The current Parliament was elected at the parliamentary elections held on September 30, 2007. In December 2007, the new Parliament appointed Yuliya Tymoshenko as the Prime Minister of Ukraine. On October 9, 2008, the President issued a decree dissolving the Parliament and designating December 7, 2008 as the date for new parliamentary elections. However, this decree was challenged in court and cancelled by a subsequent decree by the President. In December 2008, the Parliament elected its new Speaker, Volodymyr Lytvyn, and a new majority coalition was formed comprising three parliamentary factions: Our Ukraine - People's Self Defense Bloc, Yuliya Tymoshenko's Bloc and the Volodymyr Lytvyn Bloc.

The first round of the recent presidential elections was held on January 17, 2010; however, no candidate won 50% or more of the popular vote and the two highest polling candidates, Victor Yanukovych, a leader of Partiya Regioniv (the Party of Regions), and Yuliya Tymoshenko, leader of Yuliya Tymoshenko's Bloc, took part in the second round of elections. On February 7, 2010 Victor Yanukovych and Yuliya Tymoshenko won 48.95% and 45.47% of the popular vote, respectively. Although Yuliya Tymoshenko initially contested the results of the elections, she subsequently conceded and Viktor Yanukovych was inaugurated as President of Ukraine on February 25, 2010.

On March 3, 2010, the incumbent Prime Minister Yuliya Tymoshenko was voted out of the Government following a vote of no confidence by the Parliament. On March 11, 2010, factions of Party of Regions, Volodymyr Lytvyn Bloc and the Communist Party of Ukraine and several other deputies formed a new parliamentary coalition consisting of 235 deputies. On the same day, the Parliament appointed Mykola Azarov, a member of the Party of Regions, as the new Prime Minister of Ukraine and endorsed the new members of the Government. Currently, the Government consists mainly of members of the President's Party of Regions with a few positions being occupied by representatives of other political forces.

In 2010 a political reform introduced by the Law of Ukraine "On Changes to the Constitution of Ukraine" dated December 8, 2004 (the "**2004 Reform Law**") was cancelled. The 2004 Reform Law provided for the shift of Ukraine from the presidential to the parliamentary democracy and distributed a significant part of the President's powers to the Parliament and the Government. The 2004 Reform Law has been challenged at the Constitutional Court of Ukraine and announced unconstitutional on September 30, 2010. As a result, the Constitution of Ukraine was reversed back to its initial text adopted in 1996 and the President resumed his significant powers. An administrative reform in Ukraine has been introduced with issuance by the President of Ukraine of an Order "On Improvement of the System of the Central Executive Authorities" (the "**Order**") dated December 9, 2010. The Order introduced a major change to the system of central governing bodies separating them into the ministries and three categories of the central executive bodies and reduced the number of state bodies and administrative personnel.

As of the date of this Prospectus, the balance of power between the President, the Government and Parliament has shifted, in favour of the President and the parliamentary coalition dominated by the Party of Regions. The opposition remains fractioned and does not have significant influence over the political process in the country. A number of criminal cases have been initiated against the members of the former Government (including Mrs. Tymoshenko) for various acts of alleged misconduct during their service in the Government.

Recent political developments have also highlighted potential inconsistencies between the Constitution of Ukraine and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences. A number of factors could adversely affect political stability in Ukraine. These could include: court action taken by opposition parliamentarians against decrees and other actions of the President or the Government; or court action by the President against parliamentary or governmental resolutions or actions.

If political instability occurs, it may have negative consequences for the Ukrainian economy and, as a result, a material adverse effect on Group's business, prospects, operating results, financial condition or the price of the Shares.

Ukraine may experience economic instability.

The negative impact of the global economic and financial downturn has been compounded by weaknesses in the Ukrainian economy, which is sensitive to external and internal events. In particular, although the Government has generally been committed to economic reform, the implementation of reforms has consistently faced the obstacles of a lack of political consensus, controversies over privatization (including privatization of land in the agricultural sector), the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors, and the limited extent of cooperation with international financial institutions.

The negative trends in the Ukrainian economy may continue while commodity prices on the external market remain low and access to foreign credit is limited, unless Ukraine undertakes certain important economic and financial structural reforms. The most critical structural reforms that need to be implemented or continued include: (i) comprehensive reforms of Ukrainian tax legislation with a view to broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy; (ii) reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector); and (iii) reform of social benefits and pensions.

According to the SSCU, consumer price inflation for 2010 was 9.1 per cent as compared to the year end 2009. The rate of inflation in 2009 was 12.3 per cent, which is lower that the 16.6 per cent and 22.3 per cent recorded in 2007 and 2008, respectively, but higher than the 11.6 per cent and 10.3 per cent recorded in 2006 and 2005, respectively.

In 2009, the Ukrainian government incurred a budget deficit of UAH 19.9 billion (according to the Ministry of Finance of Ukraine). GDP, as calculated in the national currency, increased by 4.9 per cent in the first quarter of 2010as compared to a 20.3 per cent decline for the first quarter of 2009, and in the second quarter of 2010 the real GDP increased by 5.9 per cent, as compared to 17.8% decline for the second quarter of 2009. In the third quarter of 2010, the real GDP increased by 3.4 per cent as compared to a 15.9 per cent decline for the third quarter of 2009 and in the fourth quarter of 2010 GDP increased by 1 per cent. as compared to 7 per cent. decline for the forth quarter of 2009. However, it should be noted that the international investment markets generally evaluate Ukrainian GDP in U.S. dollar terms and that the recent U.S. dollar/Hryvnia exchange rate volatility has further impacted the reported GDP. Accordingly, the IMF reported that Ukraine’s GDP amounted to USD 179.6 billion in 2008 and USD 115.7 billion in 2009, a decrease of 35.6 per cent year-on-year.

Failure to achieve the political consensus necessary to support and implement such reforms and any resulting instability could adversely affect the country’s macroeconomic indices and economic growth. Furthermore, future political instability in the executive or legislative branches could hamper efforts to implement necessary reforms. There can be no assurance that the political initiatives necessary to achieve these or any other reforms described elsewhere in this Prospectus will continue, will not be reversed or will achieve their intended aims. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform, may have negative impact on the Ukrainian economy and, as a result, on the Group’s business, prospects, operating results, financial condition or the price of the Shares.

In addition, the current global financial crisis has led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The crisis has prompted the government to inject substantial funds into the banking system amid reports of difficulties among Ukrainian banks and other financial institutions. The continuation or worsening of the financial crisis, further insolvencies of Ukrainian banks, and the failure to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability in the nation’s banks could have a material adverse effect on the Ukrainian economy and, as a result, on the Group’s business, prospects, operating results, financial condition or the price of the Shares.

Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business.

Ukraine's economy depends heavily on its trade flows with Russia and the rest of the CIS countries largely because Ukraine imports a large proportion of its energy requirements, mainly from Russia (and from other countries that deliver energy to Ukraine through Russia). In addition, a large portion of Ukrainian service proceeds come from transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. Apart from Russia, Ukraine also developed significant relationships with certain countries of the European Union ("EU") (including Germany, Poland, Hungary, Slovakia and Romania), as well as with Turkey.

Relations between Ukraine and Russia cooled to a certain extent due to disagreements in late 2005 and early 2006 and 2009 over the prices and methods of payment for gas delivered by the Russian gas monopoly OJSC Gazprom; unresolved issues relating to the temporary stationing of the Russian Black Sea Fleet (Chornomorskyi Flot) in the territory of Ukraine; and a Russian ban on imports of meat and milk products from Ukraine, which was introduced in January 2006 and partially lifted in July 2010.

If bilateral trade relations between Russia and Ukraine were to deteriorate, this may have negative impact on the Ukrainian economy as a whole and thus on the Group's business, operating results, financial condition and prospects. On April 21, 2010, the Presidents of Ukraine and the Russian Federation agreed to amend existing gas supply agreements between Naftogaz of Ukraine and Gazprom to the effect that Gazprom will introduce a discount to the previously agreed price formula. According to media reports, the formulas in the 2009 agreements, which tie the price of imported gas to European benchmark prices, remain intact but Gazprom will offer a discount of: (i) a maximum USD 100 per cubic meter if the price for natural gas is USD 333 (or higher); or (ii) 30% if the price is below USD 333 per cubic meter. The discount was provided in exchange for certain concessions for stationing the Russian Black Sea Fleet on the territory of Ukraine, such as extending the lease terms for an additional 25 years from 2017 with further 5-year period extensions after the 25-year term. On April 27, 2010 the Ukrainian and Russian Parliaments ratified the agreement.

More than 20 per cent of Ukrainian goods are currently exported to Russia, while much of Russian exports of energy resources are delivered to the EU via Ukraine. Considerable dependence of the Ukrainian economy on Russian energy exports together with increase in natural gas price by Russia may adversely affect the pace of economic growth of Ukraine. Furthermore, gas price increases may force Ukraine to launch certain reforms in the energy sector and modernization of major energy-consuming industries through the implementation of efficient technologies and modernization of production facilities. However, there can be no assurance that this will take place.

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

A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business.

Ukraine continues to develop its economic relationship with the EU. In 2008, the EU was the largest external trade partner of Ukraine importing goods and services from Ukraine amounting to US$ 22.2 billion (28.2 per cent of Ukraine’s total exports of goods and services), and exporting goods and services to Ukraine amounting to US$ 32.7 billion (35.5 per cent of Ukraine’s total imports of goods and services). In 2009, the EU remained the largest external trade partner of Ukraine with its share in the total foreign trade turnover of Ukraine amounting to about 31.0 per cent (exports of goods and services from Ukraine to the EU amounted to approximately US$ 12.5 billion, and imports of goods and services from the EU to Ukraine amounted to approximately US$ 18.4 billion). In the nine months ended September 30, 2010, the EU’s share in the total foreign trade turnover of Ukraine amounted to 28.4 per cent. Goods and services exported from Ukraine to the EU amounted to U.S.$9 billion, while goods and services imported to Ukraine from the EU amounted to US$13.2 billion.

European Union imports from Ukraine are to a large extent liberalised, apart from metal scrap, on which Ukraine levies export duties.

In return for effective implementation of political, economic and institutional reforms, Ukraine and other neighbouring countries should be offered the prospect of gradual integration with the EU’s internal market, accompanied by further trade liberalisation. Ukraine’s accession to the WTO created the necessary preconditions for the launch of formal negotiations for introduction of a free trade area (“**FTA**”) with the EU. In thirteen rounds of negotiations on the FTA held between Ukraine and the EU from 2008, the parties achieved progress in harmonisation of, among others, the following areas: trade in goods (including in relation to instruments of trade protection, tariffs, technical barriers in trade, sanitary and customs issues), intellectual property, rules relating to origin of goods, sustainable development and trade, trade in services, and public procurement.

Should Ukraine fail to develop its relations with the European Union or should such developments be protracted, this may have negative effect on the Ukrainian economy.

Weaknesses relating to the legal system and legislation may create an uncertain environment for investment and business activity.

Since independence in 1991, as Ukraine has been developing from a planned to a market-based economy, the Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is however, in transition and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to:

- inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts;
- provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted;
- difficulty in predicting the outcome of judicial application of Ukrainian legislation; and
- the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organized form.

Furthermore, the recent origin of many of the Ukrainian laws, their limited history of applicability in the conditions of economic downturn, as well as lack of consensus as to measures necessary to address adverse developments in the Ukrainian economy may place the enforceability and underlying constitutionality of such laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. The Group may be subject to these claims and may not be able to receive a fair hearing. Additionally, court judgments are not always enforced or followed by law enforcement agencies. All of these weaknesses could affect the Group's ability to enforce its rights or to defend itself against claims by others, which could have a material adverse effect on the Group's business, prospects, operating results, financial condition or the price of the Shares.

The Ukrainian Government might change the law that regulates state support of investments into innovative projects.

The Ukrainian Government provides various types of support, including financial support, to entities that invest in innovative projects in Ukraine. The overall amount of such support is determined annually by the law on the State Budget of Ukraine and is beyond the control of the Group.

There can be no assurance that in future Ukrainian Government will not change the law, abandon, alter or fail to continue with the policy of offering such support or that the innovative projects presented by the Group will be favored for such support in future. Although the Group has a record of receiving such support and expects to receive state subsidies in the future, any cancellation or limitation of state support mechanisms might have an adverse effect on the Group's business.

The judiciary's lack of independence and overall experience, difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effected redress in court proceedings.

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the Constitutional Court of Ukraine is the only body authorized to exercise constitutional jurisdiction and has been mostly impartial, the system of constitutional jurisdiction itself remains complicated and, accordingly, it is difficult to ensure smooth and effective removal of discrepancies between the Constitution and applicable Ukrainian legislation on the one hand and among various laws of Ukraine on the other hand.

The court system lacks staffing and funding. Judicial decisions under Ukrainian law generally have no precedent effect, which results in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. The Ukrainian judicial system became more complicated and hierarchical as a result of recent judicial reforms. All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in furtherance of political aims. Finally, court orders are not always enforced or followed by law enforcement institutions. Courts in Ukraine will generally not recognise and/or enforce any judgment obtained in a court of a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party, and then only in accordance with the terms of such treaty. The uncertainties of the Ukrainian judicial system may have a negative impact on the Ukrainian economy as a whole, and thus may materially adversely affect the Group's business, financial condition, operating results or prospects in Ukraine.

The independence of the judicial system and its immunity from economic and political influences in Ukraine is continuing to develop. Ukraine is a civil law jurisdiction and, as such, judicial precedents generally have no binding effect on subsequent decisions. Additionally, court claims can be used in furtherance of personal aims different from the formal substance of the claims. The Group may be subject to such claims, and courts may render decisions with respect to those claims that are adverse to the Group and its investors.

State authorities have a high degree of discretion in Ukraine and at times they exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. National and local government entities could also use common defects in matters surrounding share issuances and registration as a basis for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often to further interests different from the formal substance of the claims. Such state action, if directed at the Group, could have a material adverse effect on the Group's business, prospects, financial condition and operating results.

Official economic data and third-party information in this Prospectus may not be reliable.

Although a range of governmental ministries, along with the NBU and the SSCU, produce statistics on Ukraine and its economy, there can be no assurance that these statistics are as accurate or as reliable as those compiled in more developed countries. Prospective investors should be aware that figures relating to Ukraine's GDP and many other aggregate figures cited in this Prospectus may be subject to some degree of uncertainty and may not have been calculated in accordance with international standards. Furthermore, standards of accuracy of statistical data may vary from ministry to ministry or from period to period due to the application of different methodologies. In this Prospectus data are presented as provided by the relevant ministry to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the IMF. Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF's Special Data Dissemination Standard. There can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless indicated, the information and figures presented in this Prospectus not been restated to reflect such inflation and, as a result, period to period comparisons may not be meaningful. Prospective investors should be aware that none of these statistics has been independently verified. The Group has also provided information on certain matters pertaining to documentation that belongs to independent third parties. In certain of these circumstances, the Group has relied on reported information in presenting such matters but is unable to independently verify such information.

Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity.

Ukraine's physical infrastructure largely dates back to the Soviet times and in certain respects has not been adequately funded and maintained. In some areas the rail and road networks, power generation and transmission, communication systems and building stock are particularly affected. Road conditions throughout areas of Ukraine are poor, with many roads not meeting minimum requirements for usability and safety. The Ukrainian Government has been implementing plans to develop the nation's rail, electricity and telephone systems, which may result in increased charges and tariffs whilst failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. Breakdowns and failures of any part of Ukraine's physical infrastructure may disrupt the Group's normal business activity. Further deterioration of Ukraine's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Ukraine and interrupt business operations, any or all of which could have a material adverse effect on the Group's business, prospects, financial condition and operating results.

Fluctuations in the global economy.

Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In addition, because Ukraine is a major producer and exporter of metal and agricultural products, the Ukrainian economy is especially vulnerable to world commodity prices and/or the imposition of import tariffs by the United States, the EU or by other major export markets. Any such developments may have negative effects on the Ukrainian economy as a whole and thus may materially adversely affect the Group's business, financial condition, operating results or prospects in Ukraine.

Crime and corruption could disrupt the Group's ability to conduct its business and could materially adversely affect its financial condition and operating results.

The weakened economic conditions in Ukraine, caused by the recent global crisis, have resulted in higher unemployment and increased levels of social unrest. In addition, both the Ukrainian and international press continue to report high levels of official corruption in Ukraine. Press reports have described instances in which state officials have engaged in selective investigations and prosecutions to further interests of the state and individual officials. The Group's business, and the value of the Shares, could be adversely affected by white-collar crime, illegal activities, corruption or by claims implicating the Group in illegal activities.

Independent analysts, including the Financial Action Task Force on Money Laundering ("**FATF**") and Transparency International, an anti-corruption body based in the UK, have identified corruption and money laundering as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation which came into force in June 2003, the NBU and other state authorities, as well as various entities carrying out financial transactions, are required to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, the FATF removed Ukraine from its list of Non-Cooperative Countries and Territories in February 2004 and discontinued the formal monitoring of Ukraine in January 2006.

In February 2010 Ukraine was mentioned by FATF as having demonstrated progress in improving its AML/CFT regime despite still having certain strategic AML/CFT deficiencies. Ukraine has made a high-level political commitment to work with the FATF and MONEYVAL to address these deficiencies, including by: (i) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II), (ii) enhancing financial transparency (Recommendation 4); and (iii) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III). In early June 2009, the Parliament adopted several laws setting forth a general framework for the prevention and counteraction of corruption in Ukraine. However in December 2010 the Parliament abolished the adopted package of anti-corruption laws and the president submitted a new draft law "On the basis of prevention and countering corruption in Ukraine" for review of the Parliament. There can be no assurance that the new draft law will be approved an, if approved - implemented by the relevant supervising authorities. Any future allegations of corruption in Ukraine or evidence of money laundering may have a negative effect on the ability of Ukraine to attract foreign investment and thereby on the Ukrainian economy as a whole and thus may materially adversely affect the Group's business, financial condition, operating results or prospects in Ukraine.

Ukraine's tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity.

Ukrainian tax legislation is subject to frequent changes and amendments, which can result in either a more favourable environment or unusual complexities for the Group and its business generally. For example, with effect from January 1, 2011 the Ukrainian tax system was significantly reformed by the adoption of a new Tax Code of Ukraine. Applicable taxes include VAT, CIP, custom duties and other taxes. As a result, there may be significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations.

Apart from the Tax Code of Ukraine, the issues of taxation are frequently governed by other statutory enactments. All the above impact negatively on the predictability of the country's taxation system, and, therefore, tell adversely on business activity, reducing the attractiveness of the national economy for foreign investors and restricting its opportunities for medium and long-term planning.

As a result of the ambiguity of interpretation of some tax regulations, and the discrepancies in the attitudes of taxpayers and government control agencies, there exists a large volume of explanations for the application of such laws.

The inconsistencies in the provisions of Ukrainian tax legislation raise issues in relation to the tax treatment of foreign exchange losses, in particular during the financial crisis.

The Group occasionally conducts intercompany transactions at terms that may be assessed by the Ukrainian tax authorities as non-market. Because of non-explicit requirements of the applicable tax legislation, such transactions have not been challenged in the past. However, it is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities, that such transactions could be challenged in the future.

Differing opinions regarding legal interpretations often exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties and areas of conflict. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Tax declarations/returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are authorized by law to impose substantial fines, penalties and interest charges. These circumstances generally create tax risks in Ukraine which are more significant than typically found in countries with more developed tax systems. Generally, tax returns in Ukraine remain open and subject to inspection for an indefinite period of time; however, the Ukrainian tax authorities may re-assess tax liabilities of taxpayers only within a period of three years after the filing of the relevant tax return. Nonetheless, this statutory limitation period may not be observed or may be extended in certain circumstances. Moreover, the fact that a period has been reviewed does not exempt this period, or any tax declaration or return applicable to that period, from further review. While the Group believes that it is currently in compliance in all material respects with the tax laws affecting its operations, it is possible that relevant authorities could, in the future, take differing positions with regard to interpretative issues, which may have a material adverse effect on the Group's business, prospect, operating results, financial condition or the price of the Shares.

The Group may face changes in respect of the double tax treaty regime between Ukraine and Cyprus.

The Issuer is incorporated in Luxembourg and its subsidiary, which is a sub-holding company for the Group, is incorporated in Cyprus. A company which has its effective management and control exercised from Cyprus, thus having a tax resident status in Cyprus is subject to Cypriot taxation and qualifies for benefits available under the Cypriot tax treaty network, including the double tax treaty between the Government of the Union of Soviet Socialist Republics and the Government of Cyprus, dated October 29, 1982, to which Ukraine is successor and which is still applied in Ukraine (the “Double Tax Treaty”). There can be no assurance that the Double Tax Treaty between Cyprus and Ukraine will not be replaced. Recent reports indicate that the terms of the Double Tax Treaty are being currently renegotiated but a final text for a proposed new Treaty has not as yet been agreed and/or ratified by the two countries. Adverse changes in the Double Tax Treaty may significantly increase the Group’s tax burden and interest expenses and could materially adversely affect the Group’s business, operating results and financial condition.

Economic instability in Ukraine could adversely affect the Group’s business.

Since the dissolution of the Soviet Union, the Ukrainian economy has experienced at various times: (i) significant declines in gross domestic product; (ii) hyperinflation; (iii) an unstable currency; (iv) high state debt relative to gross domestic product; (v) a weak banking system providing limited liquidity to Ukrainian enterprises; (vi) a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings; (vii) significant use of barter transactions and illiquid promissory notes to settle commercial transactions; (viii) widespread tax evasion; (ix) the growth of "black" and "grey" market economies; (x) high levels of capital flight; (xi) high levels of corruption and the penetration of organised crime into the economy; (xii) significant increases in unemployment and underemployment; and (xiii) the impoverishment of a large portion of the Ukrainian population.

The business environment in Ukraine could deteriorate.

Ukrainian enterprises have a limited history of operating in free-market conditions and have had limited experience (compared with companies in more developed jurisdictions) of entering into and performing contractual obligations. Ukrainian enterprises, when compared to businesses operating in more developed jurisdictions, are often characterised by management that lacks experience in responding to changing market conditions and limited capital resources with which to develop their operations. In addition, Ukraine has a limited infrastructure to support a market system, and communications, banks and other financial infrastructure are less well developed and less well regulated than their counterparts in more developed jurisdictions. Ukrainian enterprises face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, high taxes and limited lending by the banking sector to the industrial sector, among other factors. Many Ukrainian enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees.

The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's ability to conduct its business effectively and on the market price of the Shares.

The multiple factors and, primarily, as a result of the financial crisis in Ukraine, the failure of the Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism including calls for restrictions on foreign ownership of Ukrainian businesses, and violence. Although the Group has not experienced any such pressures in the past, no assurance can be given that the Group will not experience labour or social problems in the future. Any of these events could restrict the Group's operations and lead to the loss of revenue, thereby materially adversely affecting both the Group's ability to conduct its business effectively and the market price of the Shares.

Risks related to the Issuer

The Issuer is a holding company with no assets other than shares of its subsidiary.

The Issuer is a holding company with no business operations of its own. All business operations are carried out by the Operating Companies. The Issuer directly holds 100% of shares and voting rights in WESTA-DNEPR (Cyprus) LIMITED which holds 97.17% of shares and voting rights in WESTA-DNEPR JSC, directly or indirectly holding the shares in the other Operating Companies. The Issuer could pay dividends only to the extent it is entitled to receive indirectly dividends from the Operating Companies. It recognizes gains from the sale of its assets and proceeds from the issuance of the Shares only.

Furthermore, the Issuer will depend upon external sources of financing, the earnings and cash flows from the Operating Companies and dividends on shares indirectly held in the Operating Companies to pay expenses and meet any future obligations. There is no guarantee that the earnings and cash flows from the Operating Companies will be sufficient to meet future needs.

The rights of Luxembourg company shareholders differ from the rights of the shareholders of Polish listed companies.

The Issuer was incorporated in Luxembourg under its legislative regulations and consequently the rights of the Issuer's shareholders are governed by the laws of Luxembourg and by the Issuer's Articles of Association. Accordingly, the Issuer's corporate structure as well as the rights and obligations of its shareholders may be different from the rights and obligations of the shareholders of Polish-based companies listed on the WSE. While in many important respects the Luxembourg law is similar to the Polish law, Luxembourg regulations may provide shareholders with particular rights and privileges which could not exist in Poland and, vice versa, certain rights and privileges that shareholders in Poland may have are not guaranteed. Although the majority requirements for adoption of resolutions by the general meetings of shareholders in a Luxembourg company are generally lower than in the Polish companies, the Issuer has upgraded the respective limits in its Articles of Association to the level comparable with the Polish standards.

The exercise of some of the shareholders' rights in a Luxembourg company could be more complicated or expensive for investors from Poland than the exercise of similar rights in a Polish company. Actions aimed at revoking a resolution must be filed with and will be reviewed by a Luxembourg court, in accordance with the laws of Luxembourg.

Investors may have problems with enforcement of judgments against the Issuer.

The Issuer is incorporated in accordance with the laws of Luxembourg and has its registered office in Grand Duchy of Luxembourg. However, the majority of the Group's assets are located in Ukraine. For this reason investors may encounter difficulties in service of process and the conduct of proceedings with respect to any of the entities within the Group. For the same reason it may be more difficult for investors to enforce a judgment of their home country courts issued against the entities from the Group compared to entities located and conducting business in that home country.

The Issuer has been and will continue to be controlled by its majority shareholder whose interests may conflict with those of other shareholders.

Following the Offering, at least 75% of the Issuer's outstanding Shares, provided that all Offer Shares are placed with investors, will be owned by the Principal Shareholder. While the Issuer believes the involvement of the Principal Shareholder in the Group's operations has been, and will continue to be important in the pursuit and implementation of the Group's strategy, there can be no assurance that the Principal Shareholder will remain a significant shareholder in the future. The Articles of Association provide that, if not otherwise required by law or the Articles of Association, resolutions at General Meetings will be adopted by a simple majority of votes. Accordingly, Principal Shareholder will have the power to control the outcome of most matters to be decided by vote at General Meeting and, as long as the Principal Shareholder holds, directly or indirectly, the majority of the Issuer's ordinary shares, will control appointment and removal of directors. The interest of the Issuer's controlling shareholders might conflict with those of other holders of Shares who might not be able to pass the resolutions at the General Meeting that they might be supporting.

Tax treatment for non-Luxembourg investors in a Luxembourg company may change.

The Issuer is a company organized and existing under the laws of Luxembourg. Accordingly, investors in Shares may also be subject to Luxembourg taxation of dividends received from the Issuer. Although Poland and Luxembourg signed a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force. See "*Taxation*".

Risks relating to securities

The Offering may be delayed, suspended or cancelled.

Public offerings are subject to various circumstances independent from the Company and the Principal Shareholder. In particular, the demand for the Shares is shaped by, among others, investors' sentiment toward sector, legal and financial conditions of the Offering. In case such circumstances would have adverse impact on the results of the Offering, the Principal Shareholder and the Company may decide to delay, suspend or cancel the Offering. Consequently, the investors may be unable to successfully subscribe for the Shares and payments made by investors during the Offering, if any, may be returned without any compensation.

The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares.

There can be no assurance as to whether or not issues or sales of substantial amounts of the Shares will take place on the market in the foreseeable future. In connection with the Offering certain lock-up arrangements will be made with respect to the issue of new shares by the Company and the Principal Shareholder. Once the lock-ups have expired or have been terminated, new shares may be issued without any restrictions and the Principal Shareholder may sell the existing Shares.

The Company cannot predict what effect such future sales of the existing Shares held by the Principal Shareholder or issues of new shares by the Company, if any, may have on the market value of the Shares. However, there can be no assurance that sales of Shares by the Principal Shareholder, or issue of new shares by the Company or the perception that such sales or issues could occur, would not adversely affect, even if temporarily, the market value of the Shares and would not adversely affect the Company's ability to raise capital through future capital increases.

Holders of the Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of shares.

Holders of the Shares generally will have a pre-emptive right with respect to any issue of shares or the granting of rights to subscribe for shares, unless explicitly provided otherwise in a resolution by the General Meeting or other corporate body having the right to exclude pre-emptive rights. The Board of Directors is authorized to issue up to 11,900,000 new shares in the Issuer during the period expiring right after the closing of the initial public offering of the shares of the Company in Warsaw or the closing of any other offerings of the shares of the Company, whichever event occurs first, in any case no later than a term of five (5) years from the date of the publication of the present authorisation in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*) and may limit or exclude pre-emptive rights of existing shareholders in connection with such issue of new shares. Of that number, up to 11,033,333 new shares will be issued in connection with the Offering. The authority of the Board of Directors to exclude pre-emptive rights may be extended by a majority vote of the shareholders for a further period. As a result of an issuance of additional Shares with exclusion of pre-emptive rights shareholding and voting rights in the Company and the earnings per Share may be diluted.

There is no guarantee that the Company will pay dividends in the future.

The Company is under no continuous obligation to pay regular dividends to its shareholders. Any payment of dividends in the future will depend upon decisions of the Board of Directors and the General Meeting (at which the Principal Shareholder may represent a majority of voting rights). Payment of (future) dividends may be made only if mandatory provisions so allow, as required by law or by the Articles of Association and the respective articles of association of the Group Companies. Furthermore, for the decision to pay dividend the following factors (among others) shall also be taken into account: future operating results, cash flows, financial position, reinvestment needs, expansion plans, contractual restrictions, and other factors the Board of Directors and/or the General Meeting deem relevant, which do not necessarily have to coincide with the short-term interests of all the Company's shareholders.

There can be no assurance that the Company will make any dividend payments in the future. As at the date hereof, the Company does not expect to pay dividends in the near future, however the formal decision will be taken each year by the General Meeting. Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares.

Existing shareholder will continue to exert significant influence on the management following the Offering.

Following completion of the Offering, the Principal Shareholder will continue to own an aggregate of not less than 75% of the Company's outstanding shares (depending on the number of Offer Shares sold in the Offering). As a result, the Principal Shareholder will be in a position to exert significant influence over the outcome of matters submitted to a vote of the Company's shareholders, including matters such as approval of the annual financial statements, declarations of dividends, the election and removal of the members of the Board of Directors, capital increases and amendments to the Articles of Association.

The Company is established and organized under Luxembourg law.

The Company is a company organized and existing under the laws of the Grand Duchy of Luxembourg. Accordingly, the Company's corporate structure as well as rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for Polish investors in a Luxembourg company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the General Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Action with a view to declaring a resolution invalid must be filed with, and will be reviewed by a Luxembourg court, in accordance with the law of the Grand Duchy of Luxembourg.

Investors in the Offer Shares will be subject to obligations resulting from various national laws.

The Company is organized and existing under the laws of the Grand Duchy of Luxembourg while the Offer Shares will be listed on a regulated market in Poland. Consequently, Luxembourg will be the home Member State of the Company for the purpose of the EU securities regulations and Poland will be its host Member State. The EU directives provide different competencies for home Member State and host Member States with respect to rights and obligations of the investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented in the proper manner at a national level. Consequently, the investors in the Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising its rights or when fulfilling obligations. In case an investor fails to fulfil its obligations or violates law when exercising rights from or regarding Shares, he or she may be fined or sentenced for such non-compliance or be unable to exercise rights from the Shares.

Investors may have problems enforcing judgments against the Company.

The Company is a holding company organized and existing under the laws of the Grand Duchy of Luxembourg with virtually no assets except for the equity interest in its subsidiaries. The Group assets are located in Ukraine. For this reason investors may encounter difficulties in service of process and the conduct of proceedings with respect to any other entities within the Group and their assets.

Tax treatment for non-Luxembourg investors in a Luxembourg company may vary.

The Company is organized and existing under the laws of the Grand Duchy of Luxembourg and as such Luxembourg tax regime applies to distribution of profit and other payments from the Company to its investors. The taxation of incomes from such payments as well as other incomes, from sale of shares, for instance, may vary depending on tax residence of particular investors as well as on provision of double tax treaties with the Grand Duchy of Luxembourg in force. Provisions applying to particular investors may be unfavourable or may change adversely.

Risks relating to listing and market

The price of the Company's Shares may fluctuate.

The market price of shares listed on a regulated market is determined by supply and demand, which depends on a number of factors (including changes in Company's financial results, differences between the financial results and market expectations, changes in the profit estimates made by analysts, comparison of the perspectives of various sectors of the economy, the overall economic situation, changes in laws applicable to the sector in which the Group Companies and the Company operate and other events and factors which are independent of the Company), as well as reactions of investors that are difficult to predict. In the event of significant price fluctuations, the shareholders may fail to achieve their planned gains or incur losses. Furthermore, consideration should be given to the fact that the market value of the Company Shares may differ significantly from the expected Offer Price. This is possible, in particular, as a result of periodic changes in the Company's financial results, the liquidity of the stock market, the conditions prevailing on the WSE, the conditions prevailing on world markets, as well as changes in economic and political factors.

Securities or industry analysts may cease to publish research or reports about Group's business or may change their recommendations regarding the Company's Shares.

The market price and/or trading volume of the Company's Shares may be influenced by the research and reports that industry or securities analysts publish about the Company and the Group's business. There can be no guarantee of continued and sufficient analyst research coverage for the Company, as the Company has no influence on analysts who prepare such researches and reports. If analysts fail to publish reports on the Company regularly or cease publishing such reports at all, the Company may lose the visibility in the capital markets, which in turn could cause the Company's Shares price and/or trading volume to decline. Furthermore, analysts may downgrade the Company's Shares or give negative recommendations regarding the Company's Shares, which could result in a decline of the Share price.

There can be no assurance regarding the future development of the market for the Shares and its liquidity.

There was no prior market for the Shares and therefore, there can be no assurance regarding the future development of such market and future demand for the Company's Shares. The lack of a primary and/or developed and liquid public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may be able to sell their Shares. Moreover, if a market for the Shares on the WSE was to develop, the Shares could trade at prices that may be higher or lower than the Offer Price, depending on many factors. Therefore, there can be no assurance as to the liquidity of any trading in the

Shares or that the Shares will be actively traded on the WSE, which may limit or prevent the Company's shareholders from readily selling their Shares.

The marketability of the Company's Shares may decline and the market price of the Company's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Group's operating performance and decline below the Offer Price.

The Company cannot assure that the marketability of the Company's Shares will improve or remain consistent. The Offer Price in the Offering may not be indicative of the market price for the Company's Shares after the Offering has been completed. Shares listed on regulated markets, such as the WSE, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Company's Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group Companies and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. These and other factors may cause the market price and demand for the Company's Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Company's Shares which may decline disproportionately to the Group Companies' operating performance. The market price of the Company's Shares is also subject to fluctuations in response to further issuance of shares by the Company, sales of Shares by the Company's major shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Company as well as investor perception. As a result of these or other factors, there can be no assurance that the public trading market price of the Company's Shares will not decline below the Offer Price.

The Company may be unable to list the Company's Shares on the WSE or the Company may be delisted from the WSE.

The admission of the Company's Shares to trading on the WSE requires that (i) the Company's Shares are registered with the clearing and settlement system of the NDS and (ii) the management board of the WSE approves the listing and trading of the Company's Shares on the WSE. To obtain the WSE management board's approval the Company has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Company's Shares (ii) no restriction on transferability of the Company's Shares (iii) preparation and publication of the financial statements for the past three accounting years. Furthermore, while examining the Company's application for admission of the Company's Shares to trading on the WSE, the management board of the WSE will take into consideration: (i) the Company's financial situation and its economic forecasts, (ii) the Group's development perspectives, in particular, the chances for successful completion of its investment plans, (iii) experience and qualifications of the members of the Company's Board of Directors and (iv) security of public trading on the WSE. Some of the conditions mentioned above are of discretional nature and, therefore, the Company cannot assure that the management board of the WSE will conclude that the Company meets all of them.

The rules of the WSE require the Company to file an application for introduction of Shares to trading on the WSE within a period of six months from the date on which the Company's Shares have been admitted to such trading. If the Company fails to comply with this obligation, the decision of the management board on the admission of the Company's Shares to trading on the WSE could be annulled.

The Company intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE as soon as possible after the closing of the Offering. However, there is no guarantee that all of the aforementioned conditions will be met and that the Company's Shares will be admitted to trading on the WSE on the Listing Date as expected or at all.

Moreover, if the Company fails to fulfill certain requirements or obligations under the applicable provisions of securities laws, including in particular the requirements and obligations provided for under the Polish Public Offerings Act and Trading in Financial Instruments Act, the PFSA could impose a fine on the Company or delist its Shares from trading on the WSE.

The WSE management board shall delist the Company's Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Company's Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interest. The mandatory delisting will be also effected by the WSE management board where: (i) transferability of Shares has become restricted,

(ii) Shares are no longer in book entry form, (iii) the PFSA has requested so, (iv) the Company's Shares have been delisted from another regulated market by a competent supervisory authority over such market, provided that the Company's Shares were traded on another regulated market.

The WSE management board may also delist the Company's Shares where, (i) the Shares cease meeting all requirements for admission to trading on the WSE; (ii) the Company persistently violates the regulations of the WSE; (iii) the Company has requested so; (iv) the Company has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Company's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE considers it necessary to protect the interests of the market participants; (vi) following a decision on a merger, split or transformation of the Company; (vii) no trading was effected in the Shares within a period of three previous months; (viii) the Company has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Company is in liquidation proceedings.

The Company believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Shares from the WSE in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Company's Shares in the future. Delisting of the Company's Shares from the WSE could have an adverse effect on the liquidity of the Shares and, consequently, on investors' ability to sell the Shares at a satisfactory price.

Trading in the Company's Shares on the WSE may be suspended.

The WSE management board has the right to suspend trading in the Company's Shares for up to three months (i) at the request of the Company, (ii) if the Company fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board shall suspend trading in Shares for up to one month upon the request of the PFSA, if the PFSA concludes that trading in the Company's Shares is carried out in circumstances which may impose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm investors' interest.

The Company will make all endeavours to comply with all applicable regulations in this respect. However, there can be no assurance that trading in the Company's Shares will not be suspended. Any suspension of trading could adversely affect the Company's Share price.

The Company will have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares.

Prior to the Offering, the Principal Shareholder owns 100 per cent of the Issuer's outstanding Shares and immediately after the Offering the Principal Shareholder will own 75 per cent of the Issuer's outstanding Shares, provided that all Offer Shares are placed with investors. Consequently, the free float of Shares held by the public will be limited.

In addition, the WSE requires that the share capital of a company to be listed on the main market of the WSE must be adequately diluted, i.e. part of the capital must be held by minority shareholders holding individually less than 5% of that company's share capital. If the Offer Shares are acquired by a limited number of large investors, there is a risk that the share capital would not be adequately diluted and as a result the WSE would not approve the Shares for listing on the main market of the WSE and, consequently, the Shares would be listed on the parallel market of the WSE.

The Company has no experience in complying with requirements for publicly-listed companies.

A public company is subject to a number of obligations mostly relating to disclosure of respective information, in particular current and periodic reports as well as making public of notifications on large shareholdings made by investors. The Company has never been subject to such obligations and may fail to fulfil such obligations. As a consequence, the investors may not be provided on time or at all with price-sensitive information or the content of materials made public may be of unsatisfactory quality. In addition, the Company may be fined or punished otherwise for non-compliance with regulations relating to public company what may have adverse impact on the Company's financial results, share price and demand for Shares.

EXCHANGE RATES

The Financial Statements included in this Prospectus are presented in US Dollars ("USD" or "US$"). Financial statements were prepared by means of summarizing the share capital, assets, liabilities, revenues and expenses of the companies, which are under the common control of the Beneficial Owner. All intra-Group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-Group transactions are eliminated in full.

The following table shows, for the periods provided, and unless indicated otherwise, certain information regarding the exchange rates between Hryvnia, US$, RUB and EUR, used in the preparation of the Financial Statements and management figures appearing in this Prospectus.

The relevant exchange rates were as follows:

	UAH per USD	UAH per RUB	UAH per EUR
Rate as of January 1, 2008	5.0500	0.2058	7.4195
Average rate for the year ended December 31, 2008.............................	5.2693	0.2114	7.7114
Closing rate as of December 31, 2008	7.7000	0.2621	10.8555
Average rate for the year ended December 31, 2009.............................	7.7916	0.2467	10.8736
Closing rate as of December 31, 2009	7.9850	0.2640	11.4489
Average rate for the year ended December 31, 2010.............................	7.9353	0.2614	10.5313
Closing rate as of December 31, 2010	7.9617	0.2612	10,5731

USE OF PROCEEDS

Depending on the final number of Offer Shares and final Offer Price, the Group intends to raise up to USD 70 million of gross proceeds from the issue of the Offer Shares in the Offering. The final Offer Price and final number of Offer Shares will be determined after book building. The Group estimates that the expenses from the Offering and costs related to introduction of the Shares to trading on the WSE will amount to approximately USD 3 million and the total net proceeds from the Offering will amount up to USD 67 million.

Net proceeds from the Offering will be used to finance the Group's production development and debt reduction program.

Production development

WESTA intends to spend approximately USD 29.4 million to further develop its production facilities allowing to introduce a new product line (VRLA AGM) to address rapidly growing orders from distributors (high-margin, non-seasonal) with annual output of around 0.5 million units p.a. and to improve production lines flexibility and peak season output.

Cost estimates for production development and modernization program, USD million

Cost of equipment	17.5
Cost of infrustrcuture and instalation works	8.7
Working capital requirement	3.2
Total	29.4

VRLA batteries sales outlook

	2012	2013	2014	2015
Sales, 000' conv. units	200.0	300.0	400.0	500.0
Sales, US$ mn	14.3	21.6	28.9	36.3

Source: Group data, unaudited

Debt reduction

Net proceeds exceeding USD 30 million will be spent to repay the most expensive portion of debt in order to free up additional working capital, optimize its capital structure, reduce interest payments and improve financial leverage ratios. The Group is expecting additional positive effect on finance costs and bottom line results from improvement of Group's borrowing risk profile following completion of the public offering.

The amounts provided above are the Group's estimates based on current management expectations. These estimates are subject to change and actual costs of investments may differ from the above estimates. These investments may also be partially or fully financed from other sources.

DIVIDENDS AND DIVIDEND POLICY

The Company intends to pursue a dividend policy consistent with the Group's dynamic growth and development plans, reflecting the planned investments the Group is making in order to drive future growth and the cash generated by the existing operations.

In accordance with the Articles of Association of the Company, every year five per cent (5%) of the net profit of the Company will be set aside in order to build up the legal reserve. This deduction ceases to be compulsory when the legal reserve amounts to ten per cent (10%) of the issued share capital. The remaining balance of the net profit will be at the disposal of the General Meeting. Dividends, when payable, will be distributed at the time and place fixed by the Board of Directors within the limits of the decision of the General Meeting. Furthermore, interim dividends may be paid by the Board of Directors, in accordance with the conditions provided for by the Luxembourg Companies' Act 1915 and the Issuer's Articles of Association.

Payment of any future dividends will effectively depend on the discretion of the General Meeting after taking into account various factors, including the Group's business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of the Luxembourg law (as described above). The Board of Directors will consider recommending to the General Meeting to pay dividends at levels consistent with growth and development plans of the Group.

All Shares, including the Offer Shares, carry equal dividend rights.

As a holding company the ability of the Company to pay dividends will principally depend upon dividends or interest paid to it by its subsidiaries.

Since the first financial year of the Issuer ended on 31 December 2010 the Issuer has not yet paid any dividends.

For information related to dividend rights and dividend payments, please see "*Dividends and Other Distributions - Description of the shares and corporate rights and obligations*".

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables set out selected combined financial and operating information of the Group for the financial years ended December 31, 2008, 2009 and 2010.

Such information is extracted without material adjustment from the Financial Statements that together with the reports of Deloitte dated May 2, 2011 and May 4, 2011 as well as the accompanying notes are included in this Prospectus. It should also be read in conjunction with the "Operating and Financial Review" section of this Prospectus.

Income statement data

	December 31, 2010 000' US$	**December 31, 2009 000' US$**	**December 31, 2008 000' US$**
Revenue	154,305	83,004	144,585
Gross profit	50,592	21,399	41,359
Profit/(loss) before tax	22,199	(22,233)	(44,831)
Profit/(loss) for the year	33,967	(23,285)	(36,980)

Source: Group data, based on the Financial Statements

EBITDA from continuing operations ("EBITDA")

	December 31, 2010 000' US$	**December 31, 2009 000' US$**	**December 31, 2008 000' US$**
EBITDA(1)	55,285	16,613	34,090
EBITDA margin(2):	36%	20%	24%

Source: Group data, based on data derived from the Financial Statements

(1) EBITDA is defined as gross profit less general and administrative expenses, less selling and distribution expenses, plus government grants, plus depreciation and amortization as derived from the Financial Statements. EBITDA provides additional performance measure to show effects of the Company's operations which are difficult to recognize directly from the Financial Statements. EBITDA calculations have not been subject to separate auditor's review although items used for calculation of EBITDA have been derived from the Financial Statements. This measure should not be considered in isolation or as an alternative to net profit for the period or other data presented in the Financial Statements as indicators of financial performance. EBITDA measure is not determined in accordance with generally accepted accounting principles, and thus is susceptible to varying calculations.

(2) EBITDA margin is defined as per cent share of EBITDA in Groups' revenue.

Balance sheet data

	December 31, 2010 000' US$	**December 31, 2009 000' US$**	**December 31, 2008 000' US$**
Total assets	336,596	270,869	227,050
Total equity	1,239	(34,973)	(225)
Total non-current liabilities	151,994	174,130	157,564
Total current liabilities	183,363	131,712	69,711
Total loans and borrowings	294,713	261,545	190,906
Cash and cash equivalents	10,640	3,221	8,602

Source: Group data, based on the Financial Statements

Cash flow data

	December 31, 2010 000' US$	December 31, 2009 000' US$	December 31, 2008 000' US$
Operating profit before working capital changes	53,232	17,876	40,789
Net cash used in operating activities	(14,946)	(14,795)	(27,000)
Net cash used in investing activities	(12,114)	(35,814)	(58,339)
Net cash from financing activities	34,495	45,359	72,889
Net increase/decrease in cash and cash equivalents	7,435	(5,250)	(12,450)

Source: Group data, based on the Financial Statements

CAPITALISATION AND INDEBTEDNESS

The following table sets out indebtedness and capitalization of the Group on a consolidated basis as at December 31, 2010 which the date of the last published financial statements of the Group. There has been no material change since the date of the last published financial statements of the Group.

Total Current debt	000' US$
Guaranteed [1]	
Secured [2]	**149,158**
Unguaranteed/ Unsecured	
Total Non-Current debt (excluding current portion of long – term debt)	
- Guaranteed [1]	6,439
- Secured [2]	145,555
- Unguaranteed/ Unsecured	
Shareholder's equity:	
Share capital	41
Legal Reserve	
Other Reserves	43,870
Total	345,063

Source: consolidated IFRS accounts as at December 31, 2010.

A. Cash	**1,343**
B. Cash equivalent [3]	20,396
C. Trading securities	
D. Liquidity (A) + (B)+(C)	**21,739**
E. Current Financial Receivable	**48,315**
F. Current Bank debt	42,256
G. Current portion of non current debt	106,902
H. Other current financial debt	
I. Current Financial Debt (F)+(G)+(H)	**149,158**
J. Net Current Financial Indebtedness (I)-(E)-(D)	**79,104**
K. Non current bank loans	145,555
L. Bonds issued	6,439
M. Other non current loans	
N. Non current Financial Indebtedness (K)+(L)+(M)	**151,994**
O. Net Financial Indebtedness (J)+(N)	**231,098**

Source: consolidated IFRS accounts as at December 31, 2010.

[1] No guarantees, used as collateralization for loans

[2] Property, plant and equipment, other assets of the Group

[3] Cash equivalents and other financial assets. For details please refer to notes 14 and 15 of Financial Statements

OPERATING AND FINANCIAL REVIEW

The following review relates to the Group's historical financial condition and results of operations in the financial years ended on December 31, 2008, 2009 and 2010 respectively. Information in section "Operating and Financial Review" is based on the Financial Statements that are contained in the Prospectus and this section should be read in conjunction with the Financial Statements

Certain information contained in the section set forth below includes forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and assumptions about the Group. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future

Overview

The Issuer, WESTA ISIC S.A., is a holding company of the Group incorporated in Luxembourg whose principal assets are interests in equity of the Group's subsidiaries incorporated and operating in Ukraine in the battery manufacturing industry. The Issuer does not carry any business operations except for direct and indirect holding of interests in equity in the Group's companies. The Group's business operations are conducted through its Ukrainian subsidiaries.

The Group manufactures automotive starter, lighting and ignition (SLI) batteries. The Group operates 2 battery production workshops (WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC), with daily production capacity of 21,200 units of conventional batteries (conventional battery – battery of 60A*h equivalent capacity), or annual capacity of 7,600,000 conventional batteries. The Group also consolidates companies providing complementary production and services (e.g. logistics) and research and development (R&D).

In the year 2010 the Group produced and sold 4.32 million conventional batteries. In 2009 and 2008 the Group produced and sold 2.52 and 2.65 millions of conventional batteries for USD 83 and USD 145 million, respectively.

Factors Affecting the Group's Results of Operations

The Group's performance and results of operations have been and continue to be affected by a number of factors, including, among others, macroeconomic conditions in Ukraine, government regulations, tax laws, exchange rates and interest rates, prices of raw materials and market situation. See also "*Risk Factors*".

Macroeconomic conditions in Ukraine

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

Ukraine's economy was one of the most severely affected by the global economic crisis of 2008/2009. In 2009, Ukraine's real GDP decreased by 14.8 per cent. Growth in real GDP started to recover in 2010 reaching 4.9 per cent., 5.9 per cent., and 3.4 per cent., in the first, second and third quarters of 2010, respectively.

In 2008, Ukraine's real GDP increased by 2.3 per cent., industrial production decreased by 5.2 per cent. And agricultural output increased by 17.1 per cent. The decline in industrial production in 2008 and the more modest rate of real GDP growth for the full year 2008 as compared to the 6.3 per cent. growth recorded in the first half of 2008 are largely attributable to a 26.3 per cent. decline in industrial production in the fourth quarter of 2008 resulting from external shocks. In particular, starting from the end of the third quarter of 2008, a decrease in production was recorded in export oriented industries and industries that are dependent on borrowings due to the global economic downturn and reduced external demand. At the same time, positive growth dynamics were recorded in industries oriented on the domestic market. In particular, in 2008, in the service industries, such as wholesale and retail trade and the transport and communications sector, gross added value increased by 2.4 per cent. and 9.6 per cent., respectively, as compared to 2007. In 2008, compared to 2007, gross added value in agriculture, hunting and forestry increased by 16.6 per cent., while gross added value in construction, education, and health and social assistance decreased by 29.1 per cent., 0.5 per cent., and 0.1 per cent., respectively.

In 2009, Ukraine's real GDP decreased by 14.8 per cent., industrial production decreased by 21.9 per cent and agricultural output decreased by 1.8 per cent. The decline in GDP in 2009 was a result of unfavourable external conditions, including both reduced external demand and low export prices, decreased domestic demand and limited volumes of available financing due to the global financial downturn. However, Ukraine's economy was gradually adjusting to external shocks caused by the global economic and financial downturn. As a result, in 2009, cumulative rates of decline in GDP decelerated throughout the year. In particular, in the second quarter of 2009, the rate of decline in real GDP compared to the second quarter of 2008 (17.8 per cent.) decelerated as compared to the decline recorded in the first quarter of 2009 compared to the first quarter of 2008 (20.2 per cent.). In the third quarter of 2009, the rate of decline in real GDP compared to the third quarter of 2008 was 16.0 per cent., and the rate of decline in real GDP further decelerated in the fourth quarter of 2009 compared to the fourth quarter of 2008 (6.8 per cent.). The largest decreases in industrial production were recorded in machinery manufacturing (44.9 per cent.), production of other non metallic mineral products (38.5 per cent.), metallurgy (26.7 per cent.) and construction (48.2 per cent.). In addition, in 2009, gross added value in agriculture, transport and the communications and the trade sectors declined by 2.0 per cent., 7.2 per cent. and 17.5 per cent., respectively.

According to preliminary data from the SSCU, during the first quarter of 2010, Ukraine's real GDP increased by 4.9 per cent., compared to a 20.3 per cent. decline in the first quarter of 2009; during the second quarter of 2010, real GDP increased by 5.9 per cent. compared to 17.8 per cent. decline in the second quarter of 2009; and during the third quarter of 2010, real GDP increased by 3.4 per cent. compared to a decrease by 15.9 per cent. in the third quarter of 2009 during the forth quarter of 2010 real GDP increased by 1 per cent. comparing to a decrease by 7 per cent. in the fourth quarter of 2009. It is expected that for 2010 real GDP will have increased by more than 4.0 per cent. to USD 137.4 billion (using average UAH/USD exchange rate according to National Bank of Ukraine) and that trend is expected to continue in 2011 with an expected increase in real GDP of approximately 4.5 per cent.

Global Financial Crisis

The financial markets, both globally and in Ukraine, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2008 and worsened since August 2008. The global financial turmoil has significantly affected Ukrainian economy. It has resulted in a decrease of the country's GDP, significant fluctuations in debt and equity prices, substantial outflow of capital, increase of inflation level.

While many countries, including Ukraine, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems could slow or disrupt the economy of Ukraine and adversely affect the Group operating within its environment.

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital. Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Operating environment in Ukraine

Although in recent years there has been a general improvement in economic conditions in the country, Ukraine continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within the country is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Taxation

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Fluctuations in prices of raw materials

Since the beginning of 2011 the world market prices for lead have been fluctuating in the range of USD 2,500-USD 2,700 per tonne, mainly due to speculations on the market, since currently the demand does not overgrow the supply and there is a surplus of world's lead production facilities. This does not give grounds for the increase of prices for lead. Current lead quotations on the LME (USD 2,500 per tonne with long-term options to the decrease) are overestimated as well.

Fluctuations of the prices for lead always have impact on the prices for batteries, with some time lag. During seasonal decrease of demand for lead and increase of its price, it is not possible to increase prices for the batteries very fast in order not to lose the sales volumes. During such periods the producer may experience decrease in profitability, but, at the same time, more weak competitors, which produce cheap low quality batteries, have to exit the market then. After such periods, number of the market players decreases and the market concentrates around stronger producers, which at a later stage with less obstacles can establish prices. In case of decrease of the prices for lead, the prices for the batteries are decreased with a few months lag. During these periods the producers have additional income.

Competitive position in CIS markets

In all the CIS markets, WESTA considers high quality of products in the respective price niches as the main competitive advantage to domestic producers. The company has certain technology advantages that enable it to keep lower lead content (and thus cost) of its batteries vs. comparable peers' products. Dense quality control in the manufacturing process allows minimizing products' failures, and allows WESTA to build up reliable brands. In addition, the Group has established long-term relations with regional dealers throughout the region of presence, which allows it to market its products successfully.

Key Group's advantage to international powerful brands is lower product price. The Group enjoys smaller production costs, mainly on lower workforce-related expenses, utility and SG&A costs. Proximity of WESTA's production facilities to the end-consumer markets is another cost advantage: lead-acid batteries are very heavy and therefore are not the best product for transportation. In addition, imported brands suffer from import duties amounting 10% to 15% in CIS countries.

CIS counties which have their own battery production industries, set protective import duties for batteries imported from outside the CIS region. In Ukraine, import duty amounts 10% of import value, while in Russia, Belarus and Kazakhstan duties amount to 15%. Products imported from CIS producers are duty-free.

State support

Under the Law of Ukraine "On Innovative Activities", the Ukrainian government provides various types of financial support to Ukrainian companies which carry on innovative projects. Such support include (i) providing interest-free loans to fully or partially finance the priority innovative projects; (ii) providing full or partial reimbursement of interest on loans granted by commercial banks for the innovative projects; (iii) providing state guarantees to commercial banks which grant loans for priority innovative projects; or (iv) property insurance of the innovative projects. The particular ways and amounts for such state support are allocated in the state budget on annual basis.

Foreign currency exchange rate

The Group's operating assets are located in Ukraine and its revenues and costs are denominated primarily in Hryvnia, while the Group's reporting currency is U.S. dollar. However, a material portion of the Group's finance costs has a currency reference to U.S. dollar and EUR, and any depreciation of Hryvnia against this currency has a negative effect on the Group's results of operations. Ukrainian Hryvnia remained stable against the U.S. dollar and other currencies during the period from 2006 till September 2008, it began to depreciate against U.S. dollar and other currencies in the fourth quarter of 2008 due to the impact of the global financial crisis on the Ukrainian economy.

The table below shows the nominal exchange rate for Hryvnia to U.S. dollar in 2010, 2009 and 2008 according to the NBU.

	Year ended December, 31		
	2010	**2009**	**2008**
Average exchange rate for the period	7.94	7.79	5.27
Exchange rate as at the period end	7.96	7.99	7.70

The table below shows the nominal exchange rate for Hryvnia to EUR in 2010, 2009 and 2008 according to the NBU.

	Year ended December, 31		
	2010	**2009**	**2008**
Average exchange rate for the period	10.53	10.87	7.71
Exchange rate as at the period end	10.57	11.45	10.86

As at December 31, 2010, the Group had USD denominated long-term and short term borrowings of USD 205.8 million, as compared to 161.6 million as at December 31, 2009. This constituted approximately 71 per cent and 63 per cent. of the Group's total borrowings as at December 31, 2010 and 2009, respectively.

As at December 31, 2010, the Group had EUR denominated long-term and short term borrowings of EUR 43.3 million, as compared to 51.3 million as at December 31, 2009. This constituted approximately 15 per cent and 20 per cent. of the Group's total borrowings as at December 31, 2010 and 2009, respectively.

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

Extracts from significant accounting policies

The reflection of the Group's performance and results of operations have been and continue to be affected by application of various significant accounting policies. The Group's significant accounting policies are described in the Financial Statements. The Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the Financial Statements in conformity with IFRS. Actual results could differ from these estimates.

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

Ukrainian Accounting Standards.

The companies of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS"). UAS principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Financial Statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS. The Group adopted IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as its reporting framework as of 31 December 2007. Before 31 December 2007 the Group did not prepare its financial statements in accordance with IFRS. Before 31 December 2007 each of the Group's entities prepared separate financial statements under UAS.

Functional and presentation currency

The functional currency of the Financial Statements of the Group is the Ukrainian Hryvnia ("UAH"). The currency of presentation is US dollars ("USD"). Transactions in currencies other than functional currency of the

Group are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are included in the combined statement of comprehensive income for the period.

Basis of combination and consolidation

The Group comprises of the companies, which are under the common control of the beneficial owner, but, until recently, have not been connected by the formal structure and have not had single parent company. The Financial Statements were prepared for the purpose of the presentation of combined balances and transactions results, which show that the Group was under the common control of the beneneficial owner.

The Financial Statements of the Group incorporate the financial statements of WESTA-DNEPR JSC, entities controlled by WESTA-DNEPR JSC (its subsidiaries) and combined entities, which are involved in the production and distribution of starter accumulator batteries.

The financial statements of subsidiaries and combined entities are included in the Financial Statements of the Group from the date when control effectively commences until the date when control effectively ceases.

All significant intercompany transactions, balances and unrealized gains (losses) on transactions are eliminated on consolidation and combination.

Property, plant and equipment

Buildings and structures, machinery and equipment and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.Depreciable amount represents the cost, deemed cost or revalued amount of an item of property, plant and equipment less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	25 - 85 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 25 years
Furniture and other depreciable assets	1 - 12 years

Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income taxes have been computed in accordance with the laws currently enacted in Ukraine. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods. Management classified VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date. In making this assessment, management considered past history of receiving VAT refunds from the state budget.

Inventories

Inventories are stated at the lower of cost and net realizable value. The costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition. Cost is calculated using FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Accounts receivable

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired.

Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure". As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, net of value added tax ("VAT") or other sales related taxes. Revenue from sale of goods is recognized when, i.a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and it is probable that the economic benefits associated with the transaction will flow to the Group.

Accounting judgments

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Key sources of estimation uncertainty are described in the Financial Statements.

Going concern assumption

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The management believes that the Group has reliable access to sources of financing capable to support the appropriate operating activity of the Group's entities. The financial statements do not include any adjustments should the Group be unable to continue as a going concern.

Financial Results

Year ended December 31, 2010 compared to year ended December 31, 2009

The following table sets forth the Group's results of operations for the years ended December 31, 2010 and December 31, 2009 derived from the Financial Statements (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Revenue	154,305	83,004	86
Cost of sales	(103,713)	(61,605)	68
Gross profit	**50,592**	**21,399**	**136**
General and administrative expenses	(5,691)	(7,805)	(27)
Selling and distribution expenses	(3,858)	(1,457)	165
Government grant recognized as income	9,827	-	-
Other expenses, net	(750)	(4,720)	(84)
Foreign exchange gain/(loss), net	3,499	(6,564)	-
Finance costs, net	(33,066)	(26,857)	23
Interest income	1,544	3,854	(60)
Share of gains/(losses) of associates	102	(83)	-
Profit/(loss) before income tax	**22,199**	**(22,233)**	**-**
Income tax benefit/(expense)	11,768	(1,052)	-
Net profit/(loss) for the year	**33,967**	**(23,285)**	**-**
Revaluation of property, plant and equipment, net of deferred tax	-	2,197	-
Other comprehensive (loss)/income	(236)	918	-
Total comprehensive income/(loss) for the year	**33,731**	**(20,170)**	**-**

The Group's EBITDA for the year ended December 31, 2010 amounted to USD 55.3 million and increased 233 per cent in comparison with 2009, when it amounted to USD 16.6 million.

EBITDA is defined as gross profit less general and administrative expenses, less selling and distribution expenses, plus government grants, plus depreciation and amortization.

Revenue

The Group's revenue increased 86 per cent. to USD 154.3 million for the year ended December 31, 2010 from USD 83.0 million for the year ended December 31, 2009.

The following table sets forth the breakdown of the Group's sales revenues for the years indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Sales of finished goods	150,985	82,411	83
Other sales	3,320	593	460
Total	**154,305**	**83,004**	**86**

For the years ended 31 December 2010 and 2009, revenue included transactions with related parties in amount of USD 30.8 million (in 2010) and USD 50.9 million (in 2009).

98 per cent. of the Group's revenues (as of 2010) are generated from sales of finished products. The Group's sales of finished products increased to USD 151.0 million for the year ended December 31, 2010 from USD 82.4 million for the year ended December 31, 2009. The increase resulted from the following factors:

1. Increase in quantity of battaries sold up to 71%

2. Increase in average prices for battsaries up to 17%

3. Changes in structure of type of batteries sold

The Group's other sales include mostly rendering of services for production of batteries out of raw materials supplied by customers. The Group's other sales increased to USD 3.3 million for the year ended December 31, 2010 from USD 0.6 million for the year ended December 31, 2009, primarily due to increase of quantity of batteries producted.

Cost of sales

The Group's cost of sales increased 68 per cent. to USD 103.7 million for the year ended December 31, 2010 from USD 61.6 million for the year ended December 31, 2009. The increase was primarily due to the corresponding increase of the sales.

The following table sets forth the breakdown of the Group's cost of sales by cost categories for the years indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Inventory	88,224	49,386	79
Salaries, wages and related charges	6,754	5,009	35
Utilities	3,528	2,909	21
Depreciation of property, plant and equipment	3,475	3,193	9
Repairs and maintenance	474	398	19
Transportation expenses	398	421	(6)
Warranty	270	148	82
Other expenses	590	141	318
Total	**103,713**	**61,605**	**68**

The cost of inventory includes expenses for purchase and customs duty. The cost of inventory increased to USD 88.2 million for the year ended December 31, 2010 from USD 49.4 million for the year ended December 31, 2009. The increase is mainly due to 86% increase in volumes of sales. In addition, the changes resulted from quotation of market prices for lead.

The cost of salaries, wages and related charges include expenses such as salaries and payments to state social security funds. The cost of salaries wages and related charges increased to USD 6.8 million for the year ended December 31, 2010 from USD 5.0 million for the year ended December 31, 2009. The increases is mainly due to increase in number of prersons employed.

The depreciation charge increased slightly to USD 3.5 million for the year ended December 31, 2010 from USD 3.2 million for the year ended December 31, 2009. The increase is mainly due to increase in revalued amount of property, plant and equipment and additions during the year ended December 31, 2010.

The cost of ultitlies relate mainly to electricity consumed during production process and natural gas. Such costs increased insiginificantly to USD 3.5 million for the year ended December 31, 2010 from USD 2.9 million for the year ended December 31, 2009.

Other costs include transportation expenses, related mainly to supplies of inventory to the manufacturing facilities, costs of warranty services. Such costs, which constitute minor part of the total cost of sales, remained at a relatively stable level in 2010 and 2009.

Gross profit

As a result of the above factors, the gross profit increased 136 per cent. to USD 50.6 million for the year ended December 31, 2010 from USD 21.4 million for the year ended December 31, 2009.

General and administrative expenses

General and administrative expenses decreased 27 per cent. to USD 5.7 million for the year ended December 31, 2010 from USD 7.8 million for the year ended December 31, 2009. The decrease in general and administrative expenses was primarily due to decrease in transportation cost, bank charges and other services.

The following table sets forth the principal components of the Group's general and administrative expenses for the years indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Salaries, wages and related charges	2,239	2,374	(6)
Transportation costs	1,026	1,426	(28)
Bank charges	798	1,198	(33)
Depreciation and amortization	702	742	(5)
Other services	162	1,111	(85)
Communication services	159	142	12
Non-refundable taxes	145	174	(17)
Repairs and maintenance	130	121	7
Rent of property, plant and equipment	116	303	(62)
Other expenses	214	214	0
Total	**5,691**	**7,805**	**(27)**

The cost of salaries, wages and related charges included in general and administrative expenses consists of salaries of USD 1.6 million. The cost of salaries, wages and related charges remained stable at the level of USD 2.2 million for the year ended December 31, 2010 and USD 2.4 million for the year ended December 31, 2009.

Transportation costs, which are expenses assossiated with administrative personel transportation and business trips, decreased 28 per cent. to USD 1.0 million in 2010 from USD 1.4 million in 2009, due to reduce in business trips and cost cutting on administrative transportation.

Bank charges decreased 33 per cent to USD 0.8 million for the year ended December 31, 2010 from USD 1.2 million for the year ended December 31, 2009, primarily due to reduce in banks commissions fee caused by general reduce of bank's fee during 2010 year.

Rent of property, plant and equipment decreased significantly by 62 per cent to USD 0.1 million for the year ended December 31, 2010 from USD 0.3 million for the year ended December 31, 2009, mainly due to purchase of rent properties. The Group rents the following assets: warehouse, railroad tracks and other.

Other services, which includes notary, IT, security, insurance and other services, decreased significantly by 85 per cent to USD 0.2 million for the year ended December 31, 2010 from USD 1.1 million for the year ended December 31, 2009, primarily due to cost cutting on administrative expenses.

Other general and administrative expenses, which constitute minor part of the total general and administrative expenses, remained at a relatively stable level in 2010 and 2009.

For the years ended 31 December 2010 and 2009 general and administrative expenses included transactions with related parties in amount of USD 715 thousand and USD 1,611 thousand, respectively.

Selling and distribution expenses

Selling and distribution expenses increased 165 per cent. to USD 3.9 million for the year ended December 31, 2010 from USD 1.5 million for the year ended December 31, 2009, mainly due to increased sales. In addition, the increase in selling expenses was attributable to increase in cost of goods shipment.

The following table sets forth the principal components of the Group's selling and distribution expenses for the years indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Transportation costs	2,105	367	474
Inventory	1,292	827	56
Salaries, wages and related charges	173	157	10
Other	288	106	172
Total	**3,858**	**1,457**	**165**

The cost of inventory, which includes mainly materials for packing, increased 56 per cent. to USD 1.3 million for the year ended December 31, 2010 from USD 0.8 million for the year ended December 31, 2009, mainly due to increase of sales and slight decrease in cost of such materials.

Transportation costs, which are expenses assossiated with shipment of goods, increased 474 per cent. to USD 2.1 million in 2010 from USD 0.4 million in 2009, primarily due to increased sales and also increase cost of goods shipment.

Salaries, wages and related charges include salaries of distribution personnel. Salaries and related charges remained at a stable level of approximately 0.2 million USD in 2010 and 2009.

Government grant recognized as income

In 2010 the WESTA-DNEPR JSC won a competition for innovation run by the State Agency of Ukraine for Investments and Development (the "State Agency") and received a right for a grant from the State Budget of Ukraine. The amount of the government grant was determined as amount of interest paid by WESTA-DNEPR mainly in 2009-2008 and partially in 2010 and related to a number of loan agreements with Ukrainian banks. The government grant was recorded as income as the Group management determined that WESTA-DNEPR JSC met all of the following, which were conditions for receipt of the grant:

- Westa-Dnepr provided all necessary information and documentation to the State Agency;
- The decision to disburse the amounts to WESTA-DNEPR was approved by the State Agency;
- Interest under specified loan agreements was paid to banks;
- There is reasonable assurance that the grant will be receivable.

In case of cancelation of loan agreements to which interest paid related to, WESTA-DNEPR JSC will be obliged to repay back the amount of the grant plus 5% penalties.

Other expenses,

The Group's other expenses decreased to USD 0.8 million in the year ended December 31, 2010 from USD 4.7 million in the year ended December 31, 2009. The principal factor for decrease was absence of losses on disposal of assets and losses on revaluation of PP&E items.

The following table sets forth the principal components of the Group's other income (expenses) for the years indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Allowance for irrecoverable VAT	28	770	-
Other expenses, net	722	892	(19)
Loss on disposal of other assets	-	2,451	
Loss on revaluation of property, plant and equipment	-	607	-
Total	**750**	**4,720**	**(84)**

Finance costs

The Group's finance costs increased to USD 33.1 million for the year ended December 31, 2010 from USD 26.9 million for the year ended December 31, 2009.

The following table sets forth the principal components of the Group's finance costs for the years indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**Change (%)**
Interest expense on bank borrowings	26,308	21,640	22
Interest expense on bonds	3,312	1,330	149
Interest expense on factoring	2,987	3,887	(23)
Other financial costs, net	459	-	-
Total	**33,066**	**26,857**	**23%**

Interest expense on bank borrowings increased 22 per cent. to USD 26.3 million in 2010 from USD 21.6 million in 2009, primarily due to increase in average banks borrowings during 2010.

Interest expense on factoring decreased 23 per cent. to USD 3.0 million in 2010 from USD 3.9 million in 2009.

Interest expense on bonds increased 149 per cent. to USD 3.3 million in 2010 from USD 1.3 million in 2009 mainly as a result of increase in average balance of bonds issued.

Other net financial costs, which consisted mainly from bank commissions, increased to USD 0.5 million.

Other comprehensive income

Other comprehensive loss in the financial year 2010 was USD 0.2 million and consisted of foreign currency loss on translation from functional currency to presentation currency. Other comprehensive income in the financial year 2009 was USD 3.1 million and consisted mainly of increase in revaluation reserve.

Total comprehensive income for the year

For the reasons set out above, the Group's total comprehensice income increased to USD 33.7 million for the year ended December 31, 2010 from USD 20.2 million of loss for the year ended December 31, 2009.

Distributions to Shareholders

During the periods presented in the Group's Financial Statements the Group paid distribution to the Beneficial Owner summarized in table below:

	For the year ended December 31, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008
	000' US$	000' US$	000' US$
Distribution to shareholders	(12,846)	(13,646)	(17,909)
Distribution to shareholders related to Group reorganization	-	(932)	(1,930)
Contribution from shareholders	17,052	-	-

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

The following table sets forth the Group's results of operations for the years ended December 31, 2009 and December 31, 2008 derived from the Financial Statements (in USD thousand):

	For the year ended December 31,		
	2009	**2008**	**Change (%)**
Revenue	**83,004**	**144,585**	(43)
Cost of sales	(61,605)	(103,226)	(40)
Gross profit	**21,399**	**41,359**	**(48)**
General and administrative expenses	(7,805)	(9,824)	(21)
Selling and distribution expenses	(1,457)	(1,731)	(16)
Other expenses, net	(4,720)	(7,162)	(34)
Foreign exchange loss, net	(6,564)	(49,655)	(87)
Finance costs, net	(26,857)	(19,676)	36
Interest income	3,854	1,860	107
Share of losses of associate	(83)	(2)	4050
Profit before income tax	**(22,233)**	**(44,831)**	**(50)**
Income tax expenses	(1,052)	7,851	-
Net profit for the year	**(23,285)**	**(36,980)**	**(37)**
Other comprehensive income	3,115	22,433	(86)
Total comprehensive income for the year	**(20,170)**	**(14,547)**	**39**

The Group's EBITDA for the year ended December 31, 2009 amounted to USD 16,6 million and decreased 51 per cent in comparison with prior year, when it amounted to USD 34 million.

EBITDA is defined as gross profit less general and administrative expenses, less selling and distribution expenses, plus government grants, plus depreciation and amortization, as derived from the financial statements.

Revenue

The Group's revenue decreased 43 per cent. to USD 83.0 million for the year ended December 31, 2009 from USD 144.6 million for the year ended December 31, 2008.

The following table sets forth the breakdown of the Group's sales revenues for the years indicated (in USD thousand):

	For the year ended December 31,		
	2009	2008	Change (%)
Sales of finished goods	82,411	143,586	(43)
Other sales	593	999	(41)
Total	**83,004**	**144,585**	**(43)**

For the years ended 31 December 2009 and 2008, revenue included transactions with related parties in amount of USD 50.9 million (in 2009) and USD 26.2 million (in 2008).

99 per cent. of the Group's revenues (as of 2009) are generated from sales of finished products. The Group's sales of finished products decreased to USD 82.4 million for the year ended December 31, 2009 from USD 143.6 million for the year ended December 31, 2008. The decrease resulted from the following factors: (1) decrease of production and sales volume by 6% due to temporary consumption slowdown, (2) negative effect of foreign currency translation as a result of above 40% depreciation of Ukrainian Hryvna against US Dollar, (3) inability of financial institutions to povide required working capital financing as a result of global fiancial crisis

The Group's other sales include mostly sales of energy, gas and logistics services.

Cost of sales

The Group's cost of sales decreased 40 per cent. to USD 61.6 million for the year ended December 31, 2009 from USD 103.2 million for the year ended December 31, 2008. The decrease was primarily due to the corresponding decrease of the sales volume and cvhange price fluctuations of main cost of sales componenets.

The following table sets forth the breakdown of the Group's cost of sales by cost categories for the years indicated (in USD thousand):

	For the year ended December 31,		
	2009	2008	Change (%)
Inventory	49,386	86,921	(43)
Salaries, wages and related charges	5,009	7,376	(32)
Depreciation	3,193	2,963	8
Utilities	2,909	3,733	(22)
Transportation costs	421	662	(36)
Repairs and maintenance	398	675	(41)
Warranty costs	148	545	(73)
Other expenses	141	351	(60)
Total	**61,605**	**103,226**	**(40)**

The cost of inventory includes mainly expenses for lead and other raw materials. The cost of inventory decreased to USD 49.4 million for the year ended December 31, 2009 from USD 86.9 million for the year ended December 31, 2008. The decrease is mainly due to decrease in volume of sales.

The cost of salaries, wages and related charges decreased to USD 5.0 million for the year ended December 31, 2009 from USD 7.4 million for the year ended December 31, 2008. The decrease is mainly due to lower volumes produced and traded in 2009.

The depreciation charge remained stable at the level of USD 3.2 million for the year ended December 31, 2009 and USD 3.0 million for the year ended December 31, 2008.

The cost of ultitlies relate mainly to natural gas and electricity consumed during production process. Such costs decreased to USD 2.9 million for the year ended December 31, 2009 from USD 3.7 million for the year ended December 31, 2008 mainly due to decrease in production volume and conduct of energy saving initiatives.

Other costs include transportation expenses, related mainly to supplies of inventory to the manufacturing facilities, costs of warranty services, etc. Such costs constitute insignificant part of the total cost of sales.

Gross profit

As a result of the above factors, the gross profit decreased 48% per cent. to USD 21.4 million for the year ended December 31, 2009 from USD 41.4 million for the year ended December 31, 2008.

General and administrative expenses

General and administrative expenses decreased 21 per cent. to USD 7.8 million for the year ended December 31, 2009 from USD 9.8 million for the year ended December 31, 2008. The decrease in general and administrative expenses was primarily due to relatively lower volume of operations and actions taken to tackle the effect of the global financial crisis.

The following table sets forth the principal components of the Group's general and administrative expenses for the years indicated (in USD thousand):

	For the year ended December 31,		
	2009	**2008**	**Change (%)**
Salaries and related charges	2,374	3,926	(40)
Transportation costs	1,426	960	49
Bank charges	1,198	1,272	(6)
Other services	1,111	1,210	(8)
Depreciation amortization	742	920	(19)
Rent of property, plant and equipment	303	492	(38)
Other expenses	214	224	(5)
Non-refundable taxes	174	129	35
Communication services	142	232	(39)
Repairs and maintenance	121	459	(74)
Total	**7,805**	**9,824**	**(21)**

The cost of salaries, wages and related charges decreased to USD 2.4 million for the year ended December 31, 2009 from USD 3.9 million for the year ended December 31, 2008. The decrease resulted from negative effect of foreign currency translation as a result of above 40% depreciation of Ukrainian Hryvna against US Dollar.

Transportation costs, which are mainly expenses assossiated with transportation of administrative staff, increased 49 per cent. to USD 1.4 million in 2009 from USD 1.0 million in 2008 in line with market expansion strategy and due increase in tranportation rates.

Bank charges remained stable at the level of USD 1.2 million for the year ended December 31, 2009 and USD 1.3 million for the year ended December 31, 2008.

Rent of property, plant and equipment decreased by 38 per cent to USD 0.3 million for the year ended December 31, 2009 from USD 0.5 million for the year ended December 31, 2008, mainly due to reduction of the facilities rented and rent rates correction.

Other services, which includes notary, IT, security, insurance and other costs remained stable at the level of USD 1.1 million for the year ended December 31, 2009 and USD 1.2 million for the year ended December 31, 2008.

Other general and administrative expenses, which constitute minor part of the total general and administrative expenses, remained at a relatively stable level in 2009 and 2008.

For the years ended 31 December 2009 and 2008 general and administrative expenses included transactions with related parties in amount of USD 1.6 million and USD 1.3 million, respectively.

Selling and distribution expenses

Selling and distribution expenses decreased 16 per cent. to USD 1.5 million for the year ended December 31, 2009 from USD 1.7 million for the year ended December 31, 2008, mainly due to lower sales. In addition, the decrease in selling and administrative expenses was attributable to relative reduction in operations.

The following table sets forth the principal components of the Group's selling and distribution expenses for the years indicated (in USD thousand):

	For the year ended December 31,		
	2009	**2008**	**Change (%)**
Inventory	827	624	33
Transportation costs	367	715	(49)
Salaries, wages and related charges	157	139	13
Other	106	253	(58)
Total	**1,457**	**1,731**	**(16)**

The cost of materials, which includes mainly materials for packing, distribution and promotion, increased 33 per cent. to USD 0.8 million for the year ended December 31, 2009 from USD 0.6 million for the year ended December 31, 2008, mainly due to market expansion efforts.

Transportation costs, which are expenses assossiated with shipment of finished goods, decreased 49 per cent. to USD 0.4 million in 2009 from USD 0.7 million in 2008, primarily due to slightly lower sales volume and reduced rates together with optimisation of transportation expenses.

Salaries, wages and related charges remained at a stable level of approximately 0.1 million USD in 2009 and 2008.

Finance costs

The Group's finance costs increased to USD 26.9 million for the year ended December 31, 2009 from USD 19.7 million for the year ended December 31, 2008.

The following table sets forth the principal components of the Group's finance costs for the years indicated (in USD thousand):

	For the year ended December 31,		
	2009	**2008**	**Change (%)**
Interest expense on bank borrowings	21,640	14,443	50
Interest expense on factoring	3,887	4,117	(6)
Interest expense on bonds	1,330	-	-
Other financial costs, net	-	1,116	-
Total	**26,857**	**19,676**	**37**

Interest expense on bank borrowings increased 50 per cent. to USD 21.6 million in 2009 from USD 14.4 million in 2008, primarily due to increase of the loan portfolio.

Interest expense on factoring decreased 6 per cent. to USD 3.9 million in 2009 from USD 4.1 million in 2008 as a result of outstanding amount reduction.

Interest expense on bonds increased to USD 1.3 million in 2010 from null 2008 due to issue of bonds for amount of USD 13.9 million during 2009.

Other net financial costs decreased to null in 2009 from USD 1.1 million in 2009. Other financial cost consisted mainly from bank commissions.

Other expenses

The Group's other expense decreased net to USD 4.7 million for the year ended December 31, 2009 from USD 7.2 million for the year ended December 31, 2008.

The following table sets forth the principal components of the Group's other income (expenses) for the years indicated (in USD thousand):

	For the year ended December 31,		
	2009	**2008**	**Change (%)**
Loss/(gain) on disposal of other current assets	2,451	-	-
Loss on revaluation of property, plant and equipment	607	5,836	(90)
Other expenses, net	892	120	643
Allowance for doubtful VAT recoverable	770	-	-
Loss on disposal of property, plant and equipment	-	1,206	-
Total	**4,720**	**7,162**	**(34)**

Other comprehensive income

Other comprehensive income in the financial year 2009 was USD 3.1 million and consisted of gain on revaluation of property, plant and equipment and loss on foreign currency translation from functional to presentation currency. Other comprehensive income in the financial year 2008 was USD 22.4 million and consisted mainly of revaluation of property, plant and equipment.

Total comprehensive loss for the year

For the reasons set out above, the Group's total comprehensive loss increased 39 per cent. to USD -20.2 million for the year ended December 31, 2009 from USD -14.5 million for the year ended December 31, 2008.

Liquidity

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

Working capital, calculated as current assets minus short-term liabilities, was USD -41.0 million, USD -32.8 million and USD 20.6 million as at December 31, 2010, December 31, 2009 and December 31, 2008, respectively. The Group's current assets primarily consist of cash and cash equivalents, inventories and trade accounts receivable.

The Group had USD 21.7 million, USD 18.6 million and USD 23.2 million in cash, cash equivalents and other financial assets as at December 31, 2010, 2009 and 2008, respectively.

The Group had USD 19.0 million, USD 14.1 million and USD 17.8 million in inventories as at December 31, 2010, 2009 and 2008, respectively.

The Group had USD 48.3 million, USD 45.2 million and USD 31.0 million in trade accounts receivable as at December 31, 2010, 2009 and 2008, respectively.

The Group's short-term liabilities primarily consist of short-term loans and current portions of long-term loans. The Group had USD 183.4 million, USD 131.7 million and USD 69.7 million in short term liabilities as at December 31, 2010, 2009 and 2008, respectively.

Cash flows

The following table sets out a summary of the Group's cash flows for the periods indicated (in USD thousand):

	For the year ended December 31,		
	2010	**2009**	**2008**
Net cash flow used in operating activities	(14,946)	(14,795)	(27,000)
Net cash flow used ininvestment activities	(12,114)	(35,814)	(58,339)
Net cash flow received from financing activities	34,495	45,359	72,899
Net cash flow for the period	**7,435**	**(5,250)**	**(12,440)**

Net cash flow used in operating activities

The Group's net cash flow used in operating activities increased 1 per cent. to USD 14.9 million for the year ended December 31, 2010 from USD 14.8 million for the year ended December 31, 2009. The increase in 2010 was mainly due to prepayments made to suppliers of raw materials to fix purchase prices during continuing increase of raw material price in the market.

The Group's net cash flow used in operating activities was USD 14.8 million for the year ended December 31, 2009 compared to a net cash flow used in operating activities amounting to USD 27.0 million for the year ended December 31, 2008. The change resulted primarily from increase in advances to suppliers and increase in trade recievables.

Net cash flow used in investment activities

The Group's net cash flow used in investment activities decreased 66 per cent. to USD 12.1 million for the year ended December 31, 2010 from USD 35.8 million for the year ended December 31, 2009. The change was due to decrease in payments made under agreements for supply of production equipment.

The Group's net cash flow used in investment activities decreased 39 per cent. to USD 35.8 million for the year ended December 31, 2009 from USD 58.3 million for the year ended December 31, 2008. The decrease in 2009 was mainly due to decrease in payments made under agreements for supply of production equipment.

Net cash flow received from financing activities

The Group's net cash flow received from financing activities decreased 24 per cent. to USD 34.5 million for the year ended December 31, 2010 from USD 45.4 million for the year ended December 31, 2009. The increase in 2010 is mainly due to the reduce from proceeds from borrowings caused by reduce in investing activities.

The Group's net cash flow received from financing activities was USD 45.4 million for the year ended December 31, 2009 compared to a net cash flow received from financing activities amounting to USD 72.9 million for the year ended December 31, 2008. The decrease between 2008 and 2009 was mainly due to reduce in cash outflow in investment activities.

Capital resources

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the Owners through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends/distribution of profits, new share issues/new contributions into charter capital, as well as the issue of new debt or the redemption of existing debt.

The Group expects to fund its current and anticipated capital resources in the short term from net cash generated from operating activities. In the medium and long term the Group plans to fund its capital resources from net cash generated from operating activities as well as a variety of debt and equity sources (including the proceeds from the Offering and bank borrowings). The funds will be sufficient for its anticipated capital expenditure and other operating needs under its current strategic plan. In the medium and long term the actual amount of the Group's financing requirements however, will depend on its future performance, market conditions and other factors, many of which are outside the Group's control and cannot be predicted with any certainty. As a result, the Group's future financing requirements may vary significantly from its expectations.

Financial instruments

The Group's principal financial liabilities comprise long-term borrowings, trade and other accounts payable, short-term borrowings and current portion of the long-term borrowings, bonds issued and provisions and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents, other financial assets.

	31 December 2010	31 December 2009
	000' USD	000' USD
Financial assets		
Cash and cash equivalents	10,640	3,221
Other financial assets	11,099	15,425
Trade and other receivables	48,315	45,197
Government grant receivable	9,795	-
Other non-current assets (Note 9)	1,415	1,524
Total financial assets	**81,264**	**65,367**
Financial liabilities		
Trade and other accounts payable	30,181	12,016
Short-term borrowings and current portion of the long-term borrowings	149,158	112,649
Provisions and accruals	975	678
Long-term borrowings	145,555	148,896
Bonds issued	6,439	13,934
Total financial liabilities	**332,308**	**288,173**

Risk management

The main risks, arising from the Group's operations are interest rate risk, foreign currency risk, liquidity risk, credit risk, commodity price risk and operating environment risk. The management reviews and agrees policies for managing each of these risks. The essence of these approaches is disclosed below.

The Group's principal financial instruments comprise of interest-bearing loans, financial lease, cash and cash equivalents. The Group has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations.

The Group has not entered into any derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group borrows on both a fixed and variable rate basis. The primary sources of the Group's funds are loans tied to LIBOR and EURIBOR.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	Effect on profit
For the year ended 31 December 2010	
CIRR	
- increase by 1%	70
- decrease by 1%	(70)
EURIBOR	
- increase by 1%	156
- decrease by 1%	(156)
NBU discount rate	
- increase by 1%	n/a
- decrease by 1%	n/a
For the year ended 31 December 2009	
LIBOR	
- increase by 1%	74
- decrease by 1%	(74)
EURIBOR	
- increase by 1%	193
- decrease by 1%	(193)
NBU discount rate	
- increase by 1%	112
- decrease by 1%	(112)

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies and has significant exposure to U.S. dollar and therefore is exposed to risk in the event of adverse movements in the exchange rate between this currency and the Hryvnia. The exchange rate between the Hryvnia and the U.S. dollar has historically fluctuated, but in recent years the Hryvnia has depreciated against the U.S. dollar. See "*Exchange Rates*". The Group does not use any derivatives to manage foreign currency risk exposure.

As at December 31, 2010 total net USD position of the Group (difference between USD assets and USD liabilities) was USD -220.3 million, as compared to USD -156.8 million as of December 31, 2009. The change resulted mainly from borrowings and trade accounts recievable and payable.

As at December 31, 2010 total net EUR position of the Group (difference between EUR assets and EUR liabilities) was USD -36.7 million, as compared to USD -42.7 million as of December 31, 2009. The change was attributable to borrowings and trade accounts recievable and payable.

As at December 31, 2010 total net RUB position of the Group (difference between RUB assets and RUB liabilities) was USD 14.2 million, as compared to USD -8.5 million as of December 31, 2009. The decrease resulted fromchanges in accounts payble and trade debitors.

The table below details the Group's sensitivity to strengthening of US Dollar, EURO and Russian Ruble against the Ukrainian Hryvnia by 10%. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	Effect on profit, in USD '000
For the year ended 31 December 2010	
USD	(22,028)
EUR	(3,667)
RUB	(1,421)
For the year ended 31 December 2009	
USD	(15,675)
EUR	(4,269)
RUB	(846)

Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to realize an asset at a reasonable price and in an appropriate time frame.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans provided by banks and suppliers. The Group monitors its assets and liabilities as to circulation and mature terms and plans its liquidity depending upon the expected term of obligations fulfillment.

The table below summarizes the Group's long-term and short-term borrowings as at December 31, 2010 and December 31, 2009 (in USD thousand):

	31 December 2010	31 December 2009
Long-term borrowings		
Long-term loans and credit lines	252.5	235.1
Less:		
Current portion of long-term bank borrowings	(106.9)	(86.2)
Total long-term borrowings	**145.6**	**148.9**
Short-term borrowings		
Bank borrowings due within one year	18.4	7.5
Add:		
Current portion of the long-term bank borrowings	106.9	86.2
Factoring	4.8	7.1
Interest accrued	19.1	11.9
Total short-term borrowings	**149.2**	**112.6**
Total borrowings	**294.7**	**261.5**

As of 31 December 2010 and 2009 the Group's total bank borrowings and respective interest forecasted based on contractual repayment schedule were repayable as follows (in USD thousand):

	31 December 2010	31 December 2009
Due within three months	78,844	21,377
Due from three months to six months	21,943	31,639
Due from six months to twelve months	52,507	74,915
Total current portion repayable in one year	**153,294**	**127,931**
Due in the second year	77,731	68,343
Due thereafter	87,479	115,905
Total	**318,504**	**312,179**
Less interest forecasted	(42,882)	(62,494)
Add accrued interest	19,091	11,860
Total bank borrowings	**294,713**	**261,545**

As discribed in more detail in section *BUSINESS DESCRIPTION-Trend Information-Changes to loan facilities,* some of the loans, in particular those which as of 31 December 2010 were due within three months, have been restructured, as a result, their repayment schedules have been adjusted and the Group did not repay them.

As of 31 December 2010 and 2009, the Group's current ratio was as follows:

	31 December 2010	31 December 2009
Current assets	142,355	98,947
Current liabilities	183,363	131,712
Current ratio	**0.78**	**0.75**

Credit risk

The Group is exposed to credit risk which is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

The credit risk is primarily attributable to trade accounts receivable. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to particular customer, thus establishing the individual credit period limits. The approved credit periods are validated by each customer individually and are based on the historical performance.

There are three major groups of customers: foreign customers, distributors and retail networks. The Group operates without standardized procedure on setting credit limits and credit periods for its customers. Credit limits and periods are set for customers on individual basis but not exceeding two month. The standard credit periods on sales of goods to distributors were limited to not more than 20 days and to retail networks – to 60 days. New domestic customers are served on prepayments terms only, while credit sales for those with positive credit history vary from 14 to 20 days. Export sales in 2010 and 2009 were conducted by the Group on prepayment basis mainly, while for some customers individually stated credit period can not exceed 50 days.

Before granting the customer with credit period and credit limit, the Group assesses his trading and payment experience.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts of trade receivable from the customers for recoverability starting from the date credit period is expired. The Group's five largest customers represent 57% and 50% of trade accounts receivable balances as of 31 December 2010 and December 2009, respectively.

Commodity price risk

Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market prices of the Group's finished goods or raw materials used in production.

The management of the Group considers that the Group's exposure to the commodity price risk is remote due to the absence of the long-term selling contracts with a fixed price arrangements and expectation that in the future market prices for its finished goods will continue to grow faster than the market prices for the major components consumed in production.

Operating environment risks

Historically significant part of the Group's revenue was from sales to the Russian Federation, therefore the Group is exposed to risks of limitations to export operations. During the years ended 31 December 2010 and 2009, the Group's management diversified this risk by optimizing share of domestic sales and exports to other markets.

Working capital statement

Having done due analysis, the management is of the opinion that taking into account the Group's current banking facilities the working capital available to the Group is sufficient to meet its present requirements for at least the next 12 months following the date of publication of this Prospectus.

BUSINESS DESCRIPTION

Overview

The Issuer, WESTA ISIC S.A., is a holding company of the Group incorporated in Luxembourg whose principal assets are interests in equity of the Group's subsidiaries incorporated and operating in Ukraine in the battery manufacturing industry. The Issuer does not carry any business operations except for direct and indirect holding of interests in equity in the Group's companies. The Group's business operations are conducted through its Ukrainian subsidiaries.

The Group's state-of-the-art factories manufacture new generation of automotive starter, lighting and ignition (SLI) batteries. The Group operates 2 battery production workshops (WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC), with daily production capacity of 21,200 units of conventional batteries (conventional battery – battery of 60A*h equivalent capacity), or annual capacity of 7,600,000 conventional batteries. Both production facilities are focused on production and sales of high quality automotive SLI batteries.

The Group also consolidates companies providing complementary production and services (e.g. logistics) and research and development (R&D). All the business facilities are located in Dnipropetrovsk Region of Ukraine.

The Group's revenue increased by 86% from USD 83 million in 2009 to USD 154 million in 2010. In the year 2010 the Group produced and sold 4.32 million conventional batteries for USD 154 million. In 2009 and 2008 the Group produced and sold 2.52 and 2.65 million conventional batteries for USD 83 and USD 145 million, respectively.

The Group plans to produce 6,500,000 conventional SLI batteries in 2011 for a total value of USD 268 million. The Group may further increase its production capacity to 10 million conventional units over the next 3-5 years to strengthen its market position.

The Group is a CIS leader in the lead-acid batteries market (16% aftermarket share in 2010, according to the Group's estimates). The Group occupies largest market shares in individual CIS markets for SLI batteries: 31% in Ukraine, 12% in Russia. The Group is one of the 5 largest batteries producers in EU. For more details, refer to the Automotive Batteries Business section below.

Automotive Batteries Business

This is the primary activity of the Group, and all the Group's subsidiaries are primarily involved in all the stages of battery design, manufacturing and marketing. The Group produces wide range of starting, lighting and ignition (SLI) lead-acid batteries, which are used primarily as automotive starter batteries, and for storage of energy.

WESTA's workshops are the state-of-art enterprises with modern equipment, which, in some cases, may be considered unique. Operation of the major part of this equipment is controlled by computer technologies, which allows ensuring the high-level quality control over the products.

Product split by use

WESTA's batteries product line covers full range of starter batteries used in on-ground vehicles. WESTA sells 98% of the batteries at the aftermarket, which is usually 4-5 times larger than the OEM (original equipment manufacturer) segment of batteries market. The Group divides its product line into two classes by capacity and use: 1) "light" batteries (with capacity of 40 to 100A*h) designed for use by, cars, and light commercial trucks/buses. 2) "heavy" batteries (120 to 225A*h) designed for using at heavy trucks, buses, tractors and other agricultural machinery, as well as (for limited extend) for industrial purpose as uninterruptible power supply. Distribution of products by their capacity/use is provided in the table below:

Production in '000 conventional units[1]	2010	2009	2008
"Light" batteries	2,418	1,636	1,920
"Heavy" batteries	1,902	887	733
Total	4,320	2,523	2,653

*(1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.*

Source: Group data

Product split by class

The Group produces batteries of two classes: "premium" and "standard" ("base" or "classic") which are sold under a wide range trademarks across different markets. For the list of most widely used trademarks please refer to the table below:

Standard		Premium
Аккумулятор	Orion	Fire ball premium
Docker	Startbat	Forse
Dominator	Truckman	Inter premium
Drive	Uniforce	Vega premium
Eurostart	Uni power	Westa
Fb	Uno	Westa premium
Fire ball	Vega	Westa euroclass
Inter	Vega hp	
Istok	Veron	
Kinetik	Vortex	
Lights of north		

Source: Group data

All the batteries the Group produces do not require servicing on the side of consumers.

The main features of the premium class batteries are:

- high current of dry run (600A in case of a battery of 60A*h). Such start-up characteristics are required for start-up of diesel engines in winter time. The batteries produced by WESTA are capable to start-up an engine if the temperature is less than minus 50 degrees centigrade;

- low use of water - adding water to a battery during its whole operating life is not required, if the battery is used in normal conditions;

- low self-charging - a battery may keep charge for rather long time even if a vehicle does not operate or when the battery is used as a reserve battery without causing sulfation of electrodes;

- 1.5 time longer operating life.

In practice, if the average temperature is less than 20 degrees Celsius, shelf life of a fully charged battery of premium class is from 6 to 12 months (depending on the wear of the battery and the average temperature).

The main features of the standard class batteries are:

- comparatively high current of dry run, which allows to start-up petrol and diesel engines in cold climate, if they are operated in normal conditions. These batteries are capable to start-up an engine if the temperature is minus 18 degrees centigrade and more;

- lower internal electric resistance in the temperature less than 0 centigrade. This means that during autumn and winter an engine is started-up quicker.

Both the batteries of premium and standard classes are assembled on the basis of a patented technology which allows WESTA to ensure high quality of the products. The main features of the technology are:

- use of special algorithms of managing the assembling currents, which include every-minute control and limiting of minimum and maximum temperature of electrolytic fluid;

- regular tests by computerized system of the batteries during the assembling process in order to adjust the assembling regime to the requirements to the particular set of batteries;

- 100% quality control of each battery with multifunctional tester. The system sorts out the batteries even with small defects.

Geographical split and market position

CIS region accounts for 4/5 of the Group's battery sales, and WESTA has a leading market position at CIS market. Over the last three years, the Group has expanded its presence at Middle-East and North Africa market, as well as in EU, especially the neighboring Poland. Geographical distribution of WESTA sales is presented in the table below:

	2010		2009		2008	
	000 conventional units	% of total	000 conventional t.units	% of total	000 conventional units	% of total
Russia	1,862	43%	904	36%	914	34%
Ukraine	1,145	27%	784	31%	1,133	43%
Other CIS	656	15%	517	21%	524	20%
Poland	218	5%	119	5%	63	2%
Other EU	409	9%	194	8%	16	1%
Asia and Africa	30	1%	5	0%	3	0%
Total	4,320	100%	2,523	100%	2,653	100%

*(1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.*

Source: Group data

The Group accounts for 16% of SLI battery markets of CIS. WESTA controls 31% of Ukrainian and 12% of Russian aftermarket SLI battery segment. WESTA's share in EU market is also expanding, and accounts for 1% as of 2010. WESTA's market position in 2010 is presented in the table below.

	Aftermarket demand, thousand of conventional units(1)	WESTA, thousand of conventional units(1)	WESTA's share
Ukraine	3,714	1,145	*31%*
Russia	16,061	1,862	*12%*
Other CIS	3,675	656	*18%*
Poland	5,184	218	*4%*
Other EU	58,520	409	*1%*
Asia and Africa	n/a	30	n/a

*1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.*

Source: Eurobat, national statistics agencies, Group data

The Groups sells its products mainly through distributors. Over the last few years WESTA has developed a wide distribution network with distributors purchasing the batteries from the Group and selling through their wholesale and retail chains. The 15 largest wholesellers account for 71% of the Group's sales in 2010.

The information about the major distributors is presented in the table below.

Distributor	**Amount of sales in 2010, US thousands**	**Percentage in the total sales, %**	**Duration of relations, years**
1	52,538	34	More than 5 years
2	14,713	9.5	More than 5 years
3	10,680	6.9	More than 1 years
4	8,277	5.4	More than 5 years
5	5,895	3.8	More than 1 years
6	4,880	3.2	More than 3 years
7	4,187	2.7	More than 5 years
8	4,139	2.7	More than 5 year
9	3,931	2.5	More than 5 year
s10	3,871	2.5	More than 5 year
11	3,807	2.5	More than 5 year
12	3,553	2.3	More than 5 year
13	3,481	2.3	More than 3 year
14	2,429	1.6	More than 1 year
15	2,377	1.5	More than 5 year
Total	128,758	83.4	
Per caption	154,305		

Source: Group data, unaudited

WESTA works under short-term contracts with the distributors, which are then extended on the basis of additional agreements. Usual terms of delivery are FCA, Dnipropetrovsk, Ukraine. The payment terms differ depending on the length of cooperation with a particular distributor: for those distributors with whom the Group has extensive track record of cooperation batteries are supplied under deferred payment conditions, for new customers - full or partial prepayment is applied.

Seasonality of products

The Group is acting only in the aftermarket segment of automotive batteries' market. Bulk of its products is distributed in moderate climatic zones, which are characterized by high seasonality of demand: more than 60% of automotive battery sales take part in autumn-winter period when old batteries' operating stability worsens significantly. Revenue seasonality for the year 2010 is presented below.

1Q	2Q	3Q	4Q	Total
21%	17%	25%	37%	100%

Source: Group data, unaudited

Production peculiarities and raw materials supplies

The lead is key component of SLI battery, accounting for up to 80% of its production costs. Lead is traded commodity, and the Group's lead suppliers usually use commodity quotes as benchmarks for their pricing. Globally, lead is used by ¾ for the purpose of batteries production, thus its demand and price is subject to seasonal fluctuations. Therefore, it is important for WESTA to play on lead price seasonality to secure higher marginality of business. Therefore, the Group usually has large lead prepayment/inventory cycle – up to 4 months.

Other production costs are related to plastic components (for battery box), separating/isolating materials, electrolyte and auxiliary elements, as well as energy and direct salary costs.

The balance of important cost components are R&D costs as well as sales, distribution and administrative (SG&A) expenses which commonly accounted for 8-10% of total costs. The Group has cost advantage to its key global competitors with respect to the latter group of expenses, which are 30%-50% smaller compared to global peers.

Purchases of raw materials are done in Ukraine, Russia and Kazakhstan. Usually the Group enters into short-term contracts with the suppliers, which are later extended by additional agreements. As a matter of practice, the delivery terms are agreed for a particular batch of the goods in the specifications executed by the parties. According to the majority of the contracts, the payment is made within few days after the delivery of the goods to the Group. With some suppliers, as a rule under the import supply contracts, the payment is done in several installments, both as an advance and deferred payment.

Group History and Development

Group's foundation takes the beginning in the early 1990's. Soon after Ukraine became independent, its civil and military transportation was fully depending on supply of automotive power solutions from abroad, unable to secure the volume or affect the price of such solutions. At this time the renowned Ukrainian scientist Viktor Dzenzers'kyy backed by support of Ukraine's Academy of Science approached the Ukrainian Government and received State's consent to create and develop internal production of lead-acid batteries (also referred to as SLI Batteries (starting, lighting, ignition), starter batteries, automotive or car batteries).

After success of his first Ukrainian initiative "ISTA" (lead-acid batteries production with a capacity of 1,5 million units per year and lead alloys production with a capacity of 25 thousand tons p.a., which was sold to a Ukrainian automobile producing group in 2001) and following further scientific work in the field of electricity generation from chemical sources, Viktor Dzenzers'kyy incorporated new scientific-industrial corporation "Wind Energy Solar Technologies Accumulated" (ISIC "WESTA") to tackle rapidly growing demand for automotive power solutions and to address world's growing demand for alternative energy sources and energy storage solutions.

In 2002 ISIC "WESTA" approached the State with a project for creation and development of modern autonomous integrated energy solutions based on advanced power storage solutions coupled with wind and solar generation systems. By the ruling of the Cabinet of Ministers of Ukraine (No. 352 dated March 17, 2003) the project has been labeled "high priority and top significance for the State" and was granted special support by the Ukrainian Government. The new enterprise has been granted long-term project financing from state banks.

During 2004-2010 in line with its 1st development stage the Group has put into operation two modern lead-acid batteries plants: WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC with combined capacity of 7.6 millions of conventional batteries p.a. The plants utilize advanced technology and unique know-how developed by the Group's in-house R&D institute allowing WESTA to achieve significant cost of production benefits and superior product quality.

Over the last five years WESTA secured a dominant position in Ukraine, Kazakhstan, Moldova and Belarus holding up to 50% share in these markets, the Group is also the largest seller in Russia with 12% market share. Having entered Europe's SLI batteries market only in 2008, WESTA already holds 1% share in Europe. Being the largest producer in CIS (16% of the market in 2010) the group aims to become the leading European player and secure its place among world's top-5 producers within the following 2-3 years.

Investments

From the beginning the Group paid a lot of attention to the development of its business. These efforts are reflected in the major past capital expenditures.

The amounts for the major capital expenditures in the years 2008-2010 are presented in the table below (in USD thousand):

	2010	2009	2008
Year total including:	**16,806**	**46,168**	**26,635**
Buildings and structures	0	0	2,114
Machinery and equipment	9,441	911	2,835
Vehicles	19	245	382
Furniture and other depreciable assets	18	192	136
Construction in progress and equipment due to installation	7,328	44,820	21,168

Source: unaudited Group data, Financial Statements

The Group intends also to improve its competitive position through further lead-acid batteries production expansion and other value added projects.

The Group did not engage in any significant capital expenditures in 2011 up to the date of the Prospectus and no significant investments are currently in progress. The Group's investment program for 2011 and the following years will be financed by proceeds from the Offering (See: "*Use of Proceeds"*).

Strategy

In the next 2-3 years WESTA is aiming to further grow its sales and strengthen market positions to become the leading seller of SLI batteries in Europe and CIS, and to secure its position among top 3 European and top 5 largest global producers. To achieve such results the Group is implementing the following strategic initiatives.

Maximization of capacity usage. In 2009-2010 the Group increased its production capacities 2.5 times. In 2011-2012 the Group plans to utilize its production facilities to the maximum extent and produce 7.6 million conventional batteries. Maximum capacity usage will also positively affect cost of production due to economy of scale effect.

Focus on export sales. In the upcoming 2-3 years WESTA is planning to focus on growing its share on existing and new export markets, on average growing its export sales at 75% rate. Poland is expected to become the second largest export market after Russia. Hot climate markets of Africa, Middle East and Asia are of exceptional interest to the Group, since in extreme climate conditions car batteries have to be replaced each year, compared to 1 replacement per 3-5 years in Europe and CIS.

Product development. In 2011 the Group is planning to introduce VRLA AGM power solutions (0.5 million conv. batteries p.a.) on the local and export markets to address growing orders from wholesale distributors. VRLA's are generally used as top segment starting/ignition batteries as well as storage and traction solution with a wide range of applications. These batteries are characterized with higher profit margins and non-seasonal demand. At full capacity the project shall deliver around USD 36 million in sales and USD 15 million in EBITDA.

Vertical integration. The Group is set to continue its vertical integration to maximize cost control through the entire value creation chain beginning from lead recycling. In this respect WESTA is looking to grow mainly organically, but will be also selectively considering acquisition opportunities.

Cost reduction initiatives. Lead represents circa 80% of a SLI battery production cost; therefore it is the primary factor on which the Group concentrates its cost reduction programs. In this respect for the following 2-3 years WESTA plans to develop in two directions: (1) reduction of lead contents by integrating of innovative production technologies, (2) diversification of lead supplies, including recuperation of lead by recycling obsolete batteries.

Focus on energy efficiency. Specializing in energy storage solutions the Group understands the importance of the efficient energy use and is set to continue works on reduction of gas and electricity use by its operations to achieve long-term, sustainable energy savings.

Focus on R&D and innovations. Long-term strategy of the Group is focused on development of complex green energy solutions based on combination of lead-acid batteries with wind and solar generation systems. WESTA's R&D institute has already developed the know-how, patented technological solutions, and developed product designs and effective prototypes of such solutions. This will remain its main sphere of scientific work for the following years.

Competitive Strengths and Advantages

Price advantage

WESTA products are strongly price competitive due to exploitation of highly efficient modern production facilities and employment of innovative know-how solutions designed by in-house R&D. Price advantage is also supported by considerably lower local energy & utilities and labour costs.

Superior product quality

Thanks to utilization of world's latest technology and advanced automated quality control systems the Group's products match and in many aspects outperform the quality benchmarks set by world's leading producers.

Location advantage

Significant weight of lead-acid batteries imposes a limit on their economically feasible transportation range. Contrary to European producers most of which are too distant to deliver to Russia and farther CIS markets without losing their price competitiveness, WESTA is uniquely positioned to trade in CIS, Europe as well as more remote markets of Africa and Asia.

Focus on secondary market

WESTA sells 98% of its products on the secondary market through specialized distributors and retail chains. Unlike on primary market (car producers), demand on the secondary market is more stable and is less affected by drops in automobile production. The secondary market is also more profitable and larger than primary market in value terms and stands for 80% of the global lead-acid batteries consumption volume.

Market control advantage

Being the largest player in CIS (16% share in 2010) the Group exercises significant control over local prices and enjoys the benefits of exceptional trade terms with neighbor countries. The management also estimates that in order to construct an equivalent production facility one would require a minimum of 5 years in time and a capital investment above USD 500 million.

Established relations with distributors

Operating for over 10 years WESTA has been able to grow sales of batteries each year at an average rate above 50%. Owing to its extensive sales and marketing experience, the Group has established effective long-term relationships with a wide network of specialized distributors which sell and promote its product in over 30 countries.

Talent advantage

Batteries industry is very talent-intensive and requires constant research and innovation. WESTA has been able to gather top scientific talent in CIS within its Research and Development Institute which has proven to provide the Group with significant competitive edge in past and patented dozens of solutions yet to be integrated.

Employees

As of December 31, 2010, aggregate number of the Group's employees was equal to 1,838. The following table indicates average number of employees according to business division as at the end of 2008, 2009 and 2010.

	December 31, 2010	December 31, 2009	December 31, 2008
Automotive batteries production	1,171	1,106	690
Administrative	341	313	215
Sales	66	50	36
Other	260	203	159
Total	**1,838**	**1,672**	**1,100**

The table below indicates the number and functional breakdown of our employees as at December 31, 2008, 2009 and 2010:

	December 31, 2010	December 31, 2009	December 31, 2008
Top management*	34	41	30
Middle management	386	334	275
Workers	1,418	1,297	795
Total	**1,838**	**1,672**	**1,100**

**including directors of departments and directors of enterprises*

As at the date of this Prospectus, the Group's employees do not have any shareholdings in the Company, do not hold any stock options or other rights to Shares and do not participate in any other way, in the capital of the Company. There are no arrangements relating to such participation.

The Operating Companies are subject to the Ukrainian state pension plan. The Operating Companies make mandatory contributions, equal approximately up to 40% of total payroll in 2010, to the Ukrainian state pension fund and other mandatory state funds as part of their statutory employer's contribution to social security taxes on behalf of their employees. In 2011, due to the changes in Ukrainian tax legislation, the Operating Companies will have to make mandatory contributions only to the state pension fund, the amount of which shall not materially change. The particular amount of contributions to the pension fund depends on the terms of employment of a particular employee. The Group does not finance any voluntary (non-State) retirement schemes for its employees. The Group does not operate a private pension plan for its employees and is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

All the Group's Ukrainian employees work under employment contracts as required under Ukrainian law and their labour relations with the Group are regulated by such contract and by law.

All the Group's Operating Subsidiaries are required under Ukrainian law to enter into collective bargaining agreements with their employees. Collective bargaining agreements provide for certain benefits (including, among other things, additional vacation rights, performance bonuses, interest-free loans, and transportation services to and from place of work). Management considers that it has good relations with its employees. There has been no significant industrial action or labour dispute at the Group's Operating Companies since their establishment.

Insurance

The Group maintains insurance coverage for some of its assets. The insurance strategy is determined by a number of factors, including legal regulations, contractual obligations, and internal risk management and requirements. The Group's businesses and assets are subject to varying degrees of risk and uncertainty. Therefore, the Group maintains an insurance programme and holds various insurance policies covering its most significant assets, located in Ukraine. As a part of the Group's contractual obligations under the loan agreements, its key assets, significant inventories and production in progress are insured against standard risks. In particular, the Operating Companies have insured their movable and immovable property for approximately USD190 million against fire, explosion, natural disasters and wrongdoings of third parties. The Operating Companies also maintain the mandatory insurance as required by Ukrainian law. The above mentioned insurances are for amounts which the Company believes are sufficient and customary in Ukraine.

Legal and Administrative Proceedings

There are no pending or threatened material legal proceedings, disputes, winding up and investigations involving any of the companies within the Group, which could have an adverse effect on operations of the Group. There were no governmental, legal or arbitration proceedings during a period covering the previous 12 months which may have or have had in the recent past significant effects on the Group's financial position or profitability.

Real Property

The companies of the Group own all of their production facilities and administrative buildings. The companies of the Group exercise the right of ownership and lease rights on real estate objects on the basis of (i) contracts of purchase and sale, (ii) resolutions of competent authorities, with certification of the ownership on real estate, (iii) certificates of ownership, and (iv) court decisions. The production real properties were acquired by the Group from the third parties or reconstructed.

The Group's main production premises of the aggregate area of about 50 thousand square meters located at 34, Budivelnykiv Street, Dnipropetrovsk, Ukraine, were contributed to the charter capital of WESTA-DNEPR JSC by one of the founders, Dniprovsky Machine-Building Plant, in the years 2002 and 2007. For diversification of business risks and efficiency of the commercial operations, these premises were transferred to the companies of the Group. As a result, currently WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC have in their ownership parts of the premises located at 34 Budivelnykiv Street, Dnipropetrovsk. Also, the minor part of the workshop is owned by the company WESTA Plast, which is related to the Group.

Currently, WESTA-DNEPR JSC owns 31,587.3 square meters of production and administrative premises (part of building no. 48 and building no. 118, located at 34, Budivelnykiv Street, Dnipropetrovsk), which were acquired, reconstructed and commissioned in 2004-2007; INDUSTRIAL ENERGY SYSTEMS LLC owns 12,514.2 square meters of production premises (buildings nos. 100, 50, 52, 81, located at 34 and 50, Budivelnykiv Street, Dnipropetrovsk), which were acquired in 2009-2010; WESTA INDUSTRIAL LLC owns 31,592.3 square meters of production premises (part of building no. 48, located at 34, Budivelnykiv Street, Dnipropetrovsk and part of production premises for innovation systems project), which were acquired in 2007.

The land plot under the above buildings of the area of 7.4650 hectares is leased by WESTA INDUSTRIAL LLC from the Dnepropetrovsk City Council under the land lease agreement effective until September 03, 2025. Under Ukrainian law WESTA INDUSTRIAL LLC should have a pre-emptive right to extend the lease term upon its expiration.

Intellectual Property

During the years of operation of the business, mainly together with the Institute for Transport Systems and Technologies of the National Academy of Science of Ukraine "Transmag" and individual inventors, the Group has developed a number of innovative technologies and inventions in the battery industry. These objects are either formalized as know-how or protected by patents.

In particular, WESTA-DNEPR JSC uses about 41 inventions, which are protected by 43 patents in Ukraine and 22 in the Russian Federation and 1 utility model in the Russian Federation, 31 of which are used under the licence agreements and 10 are the property of WESTA-DNEPR JSC. Around 12 patent registrations to be used by WESTA-DNEPR JSC are pending.

WESTA INDUSTRIAL LLC uses under the licence agreements about 43 inventions in Ukraine. According to the licence agreements 2 more inventions may be used by WESTA INDUSTRIAL LLC but they are not valid now. They may be renewed in the future if the Group decides to use them.

WESTA-DNEPR JSC uses seven trademarks registered in Ukraine, including Westa trademark, six of which are owned by Mr. Denys Dzenzers'kyy and are used under licence agreements. In addition, WESTA-DNEPR JSC uses four trademarks, which are registered in the Russian Federation.

WESTA-DNEPR JSC uses one industrial design registered in the Russian Federation which is owned by Mr. Denys Dzenzers'kyy and is used under the licence agreement.

The Group believes to have taken all appropriate steps to be the rightful owner of, or to be entitled to use, most intellectual property rights necessary to conduct the Group’s business.

Environmental Matters

The Operating Companies are subject to various environmental protection and occupational health and safety laws and regulations relating to pollution, protection of the environment and protection of human health and safety in Ukraine. The Group’s production facilities may release certain substances, which may be regulated or limited by applicable laws and regulations. As Ukrainian laws and regulations dealing with environmental protection are subject to frequent amendments, forcing the Group to respond quickly by adjusting to new and usually more stringent environmental requirements and standards, the Group makes all the necessary efforts to comply with environmental regulations and to prevent and minimize all the environmental hazards associated with its activities.

Waste Generation and Disposal

Under the Law of Ukraine “On Wastes”, dated March 5, 1998, as amended, (the “Law on Wastes”) companies engaged in commercial activity related to generation of wastes are required to establish annually the limits on volumes of generation and disposal of wastes. The limit for the generation of waste is determined on the basis of, *inter alia,* agreements on the transfer of waste to third parties, given that such limit may not exceed the statutory acceptable volume of waste generation. WESTA-DNEPR JSC has valid limits for the generation of waste and effective agreements for processing of waste by specialized waste-processing companies. WESTA INDUSTRIAL LLC will apply for the limits on volumes of generation and disposal of waste upon full launch of its operations.

Water Use

Under the Water Code of Ukraine, dated June 6, 1995, as amended (the “Water Code”), the Group’s Operating Companies are considered to be secondary users of water, since they do not independently conduct water intake or wastewater disposal from or to water objects, but use established canalization networks. The Operating Companies conduct general (but not special) water use on the basis of special agreements with local communal water companies.

Air Pollution

The Law of Ukraine on “Air Protection”, dated October 16, 1992, as amended (the “Air Protection Law”) provides that legal entities may operate objects emitting pollutants into the atmospheric air only after receiving special permits from the Ministry for the Protection of the Environment. Moreover, the level of emissions must not be higher than the limits defined by the company in accordance with the statutorily acceptable volume of emissions approved by the Ministry of Health.

Permit for emission of contaminative substances into the atmospheric air by stationary sources entitles companies and individual entrepreneurs to use and operate objects which emit contaminative substances into the atmosphere provided that they adhere to the established limits of emissions and requirements to technological processes restricting the emissions of contaminative substances within the period specified in the permit.

Thus, if stationary sources of the company pollute the atmospheric air, the company shall obtain permit on emissions of polluting substances into the atmosphere by stationary sources and approved limits of emissions. Absence of such permit may cause restrictions or suspension of the operation of the company.

Moreover, exceeding of the established limits of emissions of contaminative substances into atmospheric air or emissions without a permit may lead to substantial financial sanctions for the company imposed by governmental authorities. The size of financial sanctions in such case will be calculated based on approved methodology of calculation of losses incurred by the state for the mentioned violations.

Operations with Hazardous Substances

The Ukrainian law provides that companies which produce, store, transport, use, dispose and utilize of hazardous substances shall obtain a specific permit from the Ministry of Environmental Protection of Ukraine.

The list of substances permit on operations with which must be obtained is approved by the Cabinet of Ministers of Ukraine. Absence of such permit may lead to restriction or suspension of activity of the company or its separate workshops.

While compliance with environmental laws and regulations is one of the Group's main concerns and responsibilities, such compliance did not materially affect the Group's capital expenditure or earnings in the financial year ended 31 December 2010, and, based on current laws and regulations, the Group does not expect that it will affect its financial year 2011.

In the manufacture of the products, the Operating Companies Group processes, stores, disposes of and otherwise uses large amounts of hazardous materials, especially lead and acid. As a result, the Operating Companies are subject to extensive and changing environmental, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous materials; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of the employees.

In addition, the Operating Companies may in the future, be required to comply with the directive issued from the European Economic Union called Registration, Evaluation, Authorization and Restriction of Chemicals or "REACH," that entered into force on June 1, 2007. Under the directive, companies which manufacture or import more than one ton of a chemical substance per year will be required to register it in a central database administered by the new European Chemicals Agency. REACH will require a registration, over a period of 11 years, of some 30,000 chemical substances. Compliance with these laws and regulations results in ongoing costs. Failure to comply with these laws and regulations, or to obtain or comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. From time to time, the Operating Companies have had instances of alleged or actual noncompliance that have resulted in the imposition of fines, penalties and required corrective actions. The Group's ongoing compliance with environmental, health and safety laws, regulations and permits could require it to incur significant expenses, limit its ability to modify or expand its facilities or continue production and require Westa to install additional pollution control equipment and make other capital improvements. In addition, private parties, including current or former employees, could bring personal injury or other claims against the Group companies due to the presence of, or their exposure to, hazardous substances used, stored, transported or disposed of by the Group or contained in its products.

Regulatory Matters

Production Facilities and Technological Processes

According to the Law of Ukraine "On Hazardous Objects" dated January 18, 2001, as amended (the "Hazardous Objects Law"), companies which plan construction and/or reconstruction of hazardous objects are required to obtain permit for these activities. Moreover, all construction facilities are subject to the commissioning by the local state supervision authority. Upon the commissioning the supervising authority issues a certificate confirming compliance of the facilities with sanitary, fire safety rules, construction and technical standards established by the Ukrainian law. Westa believes that all of its existing material operating facilities were properly commissioned and obtained relevant certificates and permits.

Additionally, under the Hazardous Objects Law the companies which operate hazardous objects must obtain operational permits for such objects. Moreover, such companies are required to submit to the local state authorities a Declaration of Safety of the Hazardous Object as well as prepare a Plan on Localization and Liquidation of Industrial Accidents within Hazardous Objects. Moreover, the companies identified as hazardous objects must be registered as a Hazardous Object and included into the State Register of Hazardous Objects. Westa believes that the Operating Companies comply with these legislation requirements in all material respects.

Fire Permits

Starting from 2001, the Law of Ukraine “On Fire Safety”, dated December 17, 1993, as amended (the “Fire Safety Law”) requires obtaining a fire permit from the fire safety supervision authorities (the “Fire Permit”) for commencement of operations of newly established companies, commissioning of new or reconstructed facilities, use of new inflammable equipment for production purposes, and lease of any premises. In case of a fire safety violation (including absence of the described permit) the state fire safety authorities may impose fines or apply preventive measures (suspension of operation of operation of enterprises, manufacturing facilities, exploitation of buildings, premises and equipment). Westa believes that its Operating Companies comply with these legislation requirements in all material respects.

Labour Safety Requirements

Ukrainian health and safety legislation imposes stringent standards and regulations on industrial companies. The State Committee of Industrial Safety, Labour Protection and Mining Supervision inspects working conditions, safety standards and equipment at the facilities of the Operating Companies on regular basis. The companies have to provide a safe labour working environment for their employees at their working places by the means of: (i) providing safety induction training and initial labour safety training on the job; (ii) creating services and appointing officers that ensure the observation of the labour safety requirements; (iii) providing every employee, who works at a working space with harmful exposures, with individual protective devices; (iv) carrying out the attestation of the working spaces; (v) ensuring the initial and annual medical examinations of employees working at working spaces with hazardous and harmful conditions; (vi) carrying out investigations of labour safety accidents; and (vii) preparing and approving required respective internal regulations and instructions on labour safety. Failure to comply with labour law requirements entails possible fines imposed by the relevant state authorities. Westa believes that its Operating Companies comply with the labour legislation requirements in all material respects.

The Group’s workshops have a fully staffed health and safety departments that consults the line organization on safety issues, ensures compliance with laws and regulations and submits annual reports with incident and injury statistics to the state supervisory authorities. Westa believes that it is in compliance in all material respects with applicable labour safety legislation in Ukraine.

Licences and Permits

Under the Law of Ukraine “On Licensing of Some Types of Commercial Activity”, dated June 01, 2000, as amended, certain types of the commercial activities are subject to licensing. WESTA-DNEPR JSC holds a licence for purchasing, storage, transportation and sale of precursors valid until October 21, 2015. The Group believes that it complies in all material respects with the licensing conditions for conduct of the respective activities. Additionally, the Operating Companies hold valid permits on storage, use of lead and lead bearing alloys and on storage and use of hydrochloric acid.

Product Certification

According to the Ukrainian legislation lead accumulators are subject to mandatory certification. The Operating Companies, which produce the batteries, have obtained such certificates for their products. Moreover, WESTA-DNEPR JSC and Industrial Energy Systems LLC hold ISO 14001:2004 certificate for design and development, production and sales of accumulator batteries, valid until February 08, 2013 and ISO 9001:2000 certificate for design and development, production, sales, warranty and post-guarantee servicing of lead-acid accumulator batteries valid until January 17, 2012.

Encumbrances

Majority of the Group’s assets, including property rights, significant inventories and production in progress, are encumbered under a number of mortgage and pledge agreements concluded to secure the Group’s existing loan facilities agreements. See also “Material Contracts” below.

In particular, WESTA-DNEPR JSC has mortgaged (a) unfinished construction of building No. 118 at 34, Budivelnykiv Street, Dnepropetrovsk with the total area of 9,024.4 square meters in favour of PJSC VTB Bank to secure repayment of USD10 million, USD38 million, UAH60 million, USD10 million, USD10 million, USD30 million, USD10 million loans until June 24, 2014, (b) part of the building No. 48 of numbers Б-1, Б1-3 with the total area of 20,422.9 square meters and numbers Б-1, Б1-3, Б2-1 with the total area of 2,140.2 square meters in favour of PJSC VTB Bank to secure repayment of USD10 million, USD10 million by 12 Aril 2012 and USD38 million, UAH60 million, USD10 million, USD30 million, USD10 million loans by June 24, 2014, (c) 29,422.9 square meters of production premises at 34, Budivelnykiv Street to PJSC VTB Bank to secure repayment of USD74.18 million loan until June 24, 2014.

WESTA INDUSTRIAL LLC mortgaged 31,592.3 square meters of its premises in building №48 of letters Б-1, Б1-3 at 34, Budivelnykiv Street, Dnepropetrovsk in favour of Consortium of banks JSC Bank Ukreksimbank and PJSC VTB Bank to secure repayment of USD31,637,917.71, EUR22,818,898.25 and UAH131,747,000 loans until March 30, 2018.

Industrial Energy Systems LLC mortgaged (a) premises with the total area of 6,741.4 square meters in building No. 50, at 34 Budivelnykiv Street in favour of PJSC Bank BTA Bank to secure repayment of USD18,35 million, EUR23,768 million, UAH173 million loans until 31 March 2011; (b) mortgaged premises with the total area of 1745.0 square meters in building №100 and 3340.5 square meters in buildings № 52 and №81 at 34 Budivelnykiv Street in favour of PJSC Bank BTA Bank until 9 January 2012.

Material contracts

The following contracts are the contracts (not being contracts entered into in the ordinary course of business) that (i) have been entered into by the Company or any of its Group Subsidiaries within the two years immediately preceding the date of this Prospectus which are or may be material to the Group's business or (ii) have been entered into by the Company or any of its Group Subsidiaries at any other time but which contain provisions under which the Company or any of its Group Subsidiaries has an obligation or entitlement that is material to the Group as at the date of this Prospectus:

Financing agreements

The Group's financing arrangements are described below.

As of December 31, 2010, the loans and borrowing were used by the Operating Subsidiaries as follows (in USD thousand):

	Purchase of equipment	Construction and infrustructure	Working capital
WESTA-DNEPR JSC	66,000	18,984	5,363
WESTA INDUSTRIAL LLC	52,272	20,567	15,380
Industrial Energy Systems LLC	3,772	6,628	0
Techkomplekt LLC	0	0	105,747
Total loans and borrowings	**122,044**	**46,179**	**126,490**

Source: Group data, unaudited

WESTA – DNEPR JSC UAH 150,000,000 Bond Issue

On December 1, 2008, WESTA-DNEPR JSC started its open (public) issue of bonds with the aggregate nominal value of UAH150,000,000 (the "Bonds"). The Bonds are issued in three series each having an aggregate nominal value of UAH50,000,000 and mature according to the following schedule: Series A –November 20, 2011, Series B –January 28, 2012 and Series C –February 25, 2012. The initial on the Bonds is payable at the end of each interest period, being: for Series A – 31 day, Series B and Series C – 91 day. The interest rate of the Bonds is fixed as follows: for Series A – 20% per annum for the first eleven interest periods; for Series B – 19% per annum for the first three interest periods, and for Series C – 18% per annum for the first three interest periods. The interest rate for the subsequent interest periods is determined by WESTA-DNEPR JSC according to the market conditions.

The Bonds are secured with the suretyship of Techkomplekt LLC.

On July 3, 2007 the Securities and Stock Market State Commission (the "SSMSC") issued a formal notification to WESTA-DNEPR JSC on technical violation of the applicable requirements on non-timely disclosure of information about the 2007 results of activity of WESTA-DNEPR JSC. No further penalties have been applied against the issuer.

VTB Loans

WESTA-DNEPR JSC, WESTA INDUSTRIAL LLC, Techkomplekt LLC and Industrial Energy Systems LLC are acting as borrowers under loan agreements ("VTB Loans") with Public Joint-Stock Company "VTB Bank" ("VTB"). The loans are granted in UAH, EUR and USD and their maturity ranges up to 2016. The loans are generally granted to fund the liquidity and operational activities of the companies and are secured with liens over the borrower's movable and immovable properties and suretyships of the Group companies.

Some VTB Loans require the borrower to maintain certain level of cash flow (relating to moneys received the borrower in course of its business activities) on the accounts opened with VTB. Failure to comply with this requirement may lead to increase of the interest rate under the respective loan agreement. VTB Loans provide for the right of VTB to change the interest rate in cases outside of the borrower's control, such as change of the discount rate of the National Bank of Ukraine, fluctuation of currency rates, rate of inflation, etc. Failure to agree with such change may result in acceleration of the loan by the lender. VTB Loans require the borrower to inform VTB about any attraction of new loans, availing of promissory notes, granting suretyships, as well as about transfer of shares, changes in management of the borrower and its participants, etc. Such events are regarded as the adverse events and entitle VTB to accelerate the respective loans.The Loans contain other customary financial covenants, including restrictions on dividends distribution, acquiring shares and capital expenditures.

The following loan agreements comprise the VTB Loans:

- USD9.7 million Loan Agreement between WESTA-DNEPR JSC and VTB, dated April 12, 2007. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD9.07 million;

- USD39.3 million and UAH60 million Loan Agreement between WESTA-DNEPR JSC and VTB, dated June 25, 2007. The loan carries interest at 10.9% per annum for USD loan facilities and 17.9% per annum for UAH loan facilities respectively. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD39 million and UAH40.9 million;

- USD10.7 million Loan Agreement between WESTA-DNEPR JSC and VTB, dated June 25, 2007. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD10 million;

- USD10.7 million Loan Agreement between Techkomplekt LLC and VTB dated February 23, 2007. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD10 million;

- USD32 million Loan Agreement between Techkomplekt LLC and VTB, dated June 25, 2007. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD30 million;

- USD30.6 million Loan Agreement between Techkomplekt LLC and VTB, dated February 27, 2008. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD30 million;

- USD19.5 million Loan Agreement between Techkomplekt LLC and VTB, dated June 17, 2010. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% from the tranche sum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD18.35 million;

- USD10.4 million Loan Agreement between Industrial Energy Systems LLC and VTB, dated October 10, 2007. The loan carries interest at 10.9% per annum. In addition to the interest rate, the annual loan management fee is payable at 0.1% per annum. The loan is due on December 30, 2016. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is USD10 million;

- UAH83.2 million and USD6 million Loan Agreement between WESTA INDUSTRIAL LLC and VTB, dated May 07, 2008. The loan carries interest at 16% per annum for loan facilities in UAH and 13% per annum for loan facilities in USD respectively. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on April 30, 2015. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VTB is UAH83.2 million and USD6 million.

VAB Loans

WESTA-DNEPR JSC is acting as borrower under loan agreements ("VAB Loans") with the Public Joint-Stock Company "Vseukrajinskyi Aktsionernyi Bank" ("VAB"). The loans are granted in USD and EUR and their maturity ranges up to 2013. The loans are generally granted to fund the liquidity and operational activities of the companies and are secured with liens over the borrower's movable and immovable properties and suretyships of the Group companies.

VAB Loans require the borrower to maintain certain level of cash flow on the accounts opened (or to be opened) with VAB. Failure to comply with this requirement may lead to acceleration of the loan. VAB Loans provide for the right of VAB to change the interest rate in cases outside of the borrower's control, such as change of the discount rate of the National Bank of Ukraine, fluctuation of currency rates, rate of inflation, etc. Failure to agree with such change may result in increase of the interest rate or acceleration of the loan by the lender. VAB Loans contain some negative covenants in respect of the borrowers' ownership structure, disposal of and creation of liens over their assets. VAB Loans require the borrower to inform VAB about any attraction of new loans, availing of promissory notes, granting suretyships, transfer of assets, date and agenda of general shareholders meetings, etc.

VAB Loans provide for the right of VAB to accelerate the loans in case of worsening of financial situation of the borrower (including certain increase of losses in the last accounting period, reclassification of the loan to more risky group of debt, decrease of cash flow on the borrower's accounts for the last month by certain threshold over the aggregate monthly rate).

VAB Loans require WESTA-DNEPR JSC to introduce and maintain payroll systems with VAB as a servicing bank for its employees.

The following loan agreements comprise the VAB Loans:

- EUR3.5 million Loan Agreement between WESTA-DNEPR JSC and VAB, dated November 5, 2007. The loan carries interest at 11% per annum which may be increased to 15% per annum if the interest is paid later than on the 10th day of the current month. The loan is due on March 31, 2012. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VAB is EUR3.5 million;

- USD2.04 million Loan Agreement between WESTA-DNEPR JSC and VAB, dated July 01, 2010. The loan carries interest at 11% per annum which may be increased to 15% per annum if the interest is paid later than on the 10th day of the current month.. The loan is due on June 30, 2013. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VAB is USD1.9 million;

- EUR6.3 million Loan Agreement between WESTA-DNEPR JSC and VAB, dated January 23, 2008. The loan carries interest at 11% per annum which may be increased to 15% per annum if the interest is paid later than on the 10th day of the current month. The loan is due March 31, 2012. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to VAB is EUR6.3 million.

Kredyt Dnipro Loan

WESTA-DNEPR JSC is acting as a borrower under a loan agreement ("Kredyt Dnipro Loan") with the Public Joint-Stock Company "Bank Kredyt Dnipro" ("Kredyt Dnipro"). The loan carries interest at 12% per annum. The loan is granted in USD and matures on June 01, 2011. Kredyt Dnipro loan is secured with liens over the Group Companies' movable properties, pledge of interest in the Operating Companies and suretyships of the Group Companies and the Beneficial Owner. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to Kredyt Dnipro is USD2.5 million.

Kredyt Dnipro Loan contains customary financial covenants, negative undertakings and restrictions applicable to WESTA-DNEPR JSC, including restrictions on their ability to incur or guarantee additional indebtedness and dispose assets.

Ukreximbank Loans

WESTA INDUSTRIAL LLC is acting as a borrower under the framework consortium loan agreement ("Ukreximbank Loans") with the Public Joint-Stock Company "State export-import bank of Ukraine" ("Ukreximbank") and Public Joint Stock Company "VTB Bank" ("VTB"). The loans are granted in UAH, USD and EUR and their maturity ranges up to 2016. The loans are generally granted to fund the equipment acquisitions, construction works and operational activities of the companies and are secured with liens over the borrower's movable and immovable properties and suretyships of the Group companies.

Ukreximbank Loans require WESTA INDUSTRIAL LLC to introduce and maintain a payroll system with Ukreximbank as a servicing bank for all its employees. Ukreximbank Loans require the borrower and the surety to maintain certain level of cash flow on the accounts opened (or to be opened) with Ukreximbank. Failure to comply with this requirement may lead to acceleration of the loan. Ukreximbank Loans require the borrower to carry out all payment settlements and currency exchange only through the accounts opened with Ukreximbank. Ukreximbank Loans contains a number of covenants requiring the borrower to obtain Ukreximbank's prior approval to, *inter alia,* incur additional indebtedness, create liens over its property, act as surety or guarantor, distribute dividends, enter into joint ventures. There are also certain limitations of capital expenditure, transfer of shares in authorized capital and changes of management.

The following loan agreements comprise the Ukreximbank Loans:

- UAH48.5 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated November 14, 2007. The loan carries interest at 25% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on September 30, 2013. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is UAH48.5 million;

- USD10.5 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 25, 2008. The loan carries interest at 11% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2014. As of March 1, 2011, the aggregate amount outstanding for repayment by the borrower to Ukreximbank is USD7.1 million;

- USD0.3 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 13, 2008. The loan carries interest at 13% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the aggregate amount outstanding for repayment by the borrower to Ukreximbank is USD0.3 million;

- USD5.8 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 13, 2008. The loan carries interest at 13% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 26, 2015. As of March 1, 2011, the aggregate amount outstanding for repayment by the borrower to Ukreximbank is USD5.8 million;

- USD8.5 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated September 15, 2009. The loan carries interest at 13% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on March 01, 2015. As of March 1, 2011, the aggregate amount outstanding for repayment by the borrower to Ukreximbank is USD8.5 million;

- EUR1.8 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 04, 2008. The loan carries interest at (CIRR+5%)*10/9 per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR1.8 million;

- EUR0.6 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 04, 2008. The loan carries interest at EURIBOR+5.75% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.6 million;

- EUR0.4 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 04, 2008. The loan carries interest at EURIBOR+7.5% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.4 million;

- EUR0.7 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 04, 2008. The loan carries interest at EURIBOR+6.95% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.7 million;

- EUR0.1 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 13, 2008. The loan carries interest at EURIBOR+7% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.1 million.

- EUR0.8 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 13, 2008. The loan carries interest at (CIRR+5%)*10/9 per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 01, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.8 million;

- EUR1.6 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 13, 2008. The loan carries interest at EURIBOR+4.75% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 13, 2015. As of March 01, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR1.6 million;

- EUR2.6 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 25, 2008. The loan carries interest at (EURIBOR+6%)*10/9 per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 25, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR2.6 million;

- EUR0.99 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated June 25, 2008. The loan carries interest at EURIBOR+4.75% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 25, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.99 million;

- EUR2.2 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated July 14, 2008. The loan carries interest at EURIBOR+7% per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 30, 2015. As of March 01, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR2.2 million;

- EUR5.7 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated July 14, 2008. The loan carries interest at (EURIBOR+5.65%)*100/98 per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 30, 2016. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR5.7 million;

- EUR0.9 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated July 14, 2008. The loan carries interest at (CIRR+5%)*10/9 per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 30, 2015. As of March 1, 20.11, the amount outstanding for repayment by the borrower to Ukreximbank is EUR0.9 million;

- EUR4.2 million Loan Agreement between WESTA INDUSTRIAL LLC and Ukreximbank, dated July 22, 2008. The loan carries interest at (CIRR+5%)*10/9 per annum. In addition to the interest rate, the monthly loan management fee is payable at 0.04% per month. The loan is due on June 30, 2015. As of March 1, 2011, the amount outstanding for repayment by the borrower to Ukreximbank is EUR4.2 million.

Additionally, WESTA-DNEPR JSC and Ukreximbank entered into Factoring Agreement dated July 24, 2006. Under the terms of this Factoring agreement Ukreximbank purchase WESTA-DNEPR JSC's accounts receivable before contractual maturity terms. Total amount of such accounts receivable purchased is limited to amount of UAH 150.8 million as of any single date. Interest under the Factoring agreement is established at a rate of 19.8% per annum. The agreement expires on July 19, 2011.

BTA loan

Techkomplekt LLC is acting as borrower under a loan agreement ("BTA Loan") with Public Joint-Stock Company "BTA Bank" ("BTA"). The loan is granted in USD in order to increase the borrower’s floating funds. The loan carries interest at 13.5% per annum. Maturing on January 09, 2012 the loan is secured with liens over the borrower's movable and immovable properties and suretyships of the Group companies. As of December 31, 2010, the aggregate amount outstanding for repayment by the borrower to BTA is USD10.3 million.

Besides regular loan covenants and restrictions BTA loan requires the borrower to maintain certain level of cash flow on the accounts opened with BTA and also to introduce and maintain a payroll system with the bank for its employees.

Forum Loan

Techkomplekt LLC is acting as borrower under loan agreement ("Forum Loan") with Public Joint-Stock Company "BANK FORUM" ("Forum") for the amount of USD7.09 million. The loan carries interest at 14% per annum. Starting from September 1, 2011 the interest will be increased to 17% per annum. The loan is granted in USD and matures on July 29, 2013. The purpose of the loan is to provide borrower with floating funds. Forum loan is secured with liens over the borrower's movable and immovable properties and suretyships of the Group companies. As of December 31, 2010 the aggregate amount outstanding for repayment by the borrower to Forum is USD7.09 million.

The loan agreement contains customary financial covenants, negative undertakings and restrictions applicable to the borrower, including restrictions on their ability to incur or guarantee additional indebtedness.

Aforesaid suretyships, ensuring performance under the loan agreements, are provided by the Group companies, which is a common practice in Ukraine. However, the Group strives for executing suretyships on the arm’s length principle, i.e. purely on regular commercial basis.

Contracts for Purchase of Raw Materials

Efficient supply of components used for production of the starter batteries requires establishment of predictable and stable business relations with the producers and suppliers of such components. Accordingly, WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC have established contractual relations with the producers and suppliers of leads, lead alloys, plastics, and other materials required for their operating activity.

Lead comprises a major share of raw materials purchased by the Group. The Group purchases the primary lead from its producers in, among others, Russia and Kazakhstan, and recuperated lead from its suppliers (including those located in Ukraine). The lead supply agreements are mostly short- and medium-term but are usually prolonged for each consequent year. Upon launch of a lead recuperation plant the amount of recuperated lead the Group purchases will decrease.

Contracts for Sale of Batteries

The Group sells the Starter Batteries to the customers in Ukraine, Georgia, Italy, Belgium, Poland, Kazakhstan and other countries. A typical contract provides for general undertakings of the parties as to the sale of the starter batteries with the price and characteristics indicated in the specifications to a contract. The shipment is usually carried out upon full or partial prepayment in accordance with the desired INCOTERMS-2000 delivery option. The customers, with which Westa has well established long term relations (three years and more), purchase the batteries on deferred payment terms. The parties have an option to prolong the contract upon their mutual agreement.

Table below contains a list of substantial agreements entered into recently with the foreign and domestic buyers:

No.	Contracting parties	**Valid from (dd.mm.year)**	**Valid till (dd.mm.year)**	**Delivery**	**Remarks**
1.	Buyer-1	30.01.2009	31.12.2011	FCA, destination Dnepropetrovsk, Ukraine	Supply of automotive batteries
2.	Buyer-2	27.03.2009	31.12.2011	CPT, destination Kutaisi, Georgia	Supply of automotive batteries
3.	Buyer-3	04.05.2009	31.12.2011	DAF, destination Ukraine-Russia border	Supply of automotive batteries
4.	Buyer-4	21.12.2006	31.12.2011	FCA, destination Dnepropetrovsk, Ukraine	Supply of automotive batteries
5.	Buyer-5	20.07.2010, 18.10.2010	31.12.2011	FCA, destination Dnepropetrovsk, Ukraine	Supply of automotive batteries

Contracts on Purchase of Equipment

Manufacturing of starter batteries requires the use of equipment individually tailored for our Group’s production and technology needs. Accordingly, the Operating Companies has entered into direct agreements with the producers of such equipment in Germany, Italy, Hungary, Spain, Finland and other countries for construction and supply of such individually tailored equipment.

The payment price for equipment is usually structured as minor prepayment by the purchaser of the equipment and the rest (70-85% of the contract price) financed through the letter of credit issued by a Ukrainian bank. The letters of credit are then usually refinanced by the same banks in form of loans secured with pledge over the respective equipment.

Related Party Transactions

The Group enters into transactions with related parties. Terms and conditions of business with related parties are determined based on arrangements specific to each contract or transaction and are not executed on terms similar to those used for third parties.

Group Reorganization

In 2010, in preparation for the IPO and for various other corporate purposes, the Group has completed the reorganisation to restructure the Group’s corporate structure. The Group’s shareholding structure following the reorganisation is described in detail under "*Group structure*".

Within the framework of the group reorganization Westa Dnepr (Cyprus) Limited incurred various intra group liabilities toward other Group Companies for payment of purchase price of WESTA DNEPR JSC. Such liabilities are intended to be settled by way of a chain of related party transactions. Those related party transactions may be made on terms which are not market terms. However, since such transactions are intra-group they would not have impact on the consolidated financial results of the Group.

Loans and Guarantees

The companies of the Group and the Beneficial Owner have issued corporate and personal suretyships as a security for the repayment of the bank loans by the Operating Companies. For more information on such suretyship agreements see: "*Business Description — Material Contracts — Financing agreements*".

Initial Public Offering

Westa has entered into an agreement with the Selling Shareholder, under which the Selling Shareholder and Westa undertook to offer the Shares offered in the Offering on behalf of the Selling Shareholders and to apply for the listing of the Shares on the WSE. Costs related to the Offering will be shared by Westa with the Selling Shareholder, pro rata to the number of New Shares and Sale Shares sold in the Offering.

Other Related Party Transactions

The Group performs transactions with related parties in the ordinary course of business. The Group purchases lead, lead alloys, polypropylene, and, occasionally, production equipment from its related parties, both domestic and foreign companies, which are ultimately controlled by the Beneficial Owner. The purchases from related parties for the years ended 31 December 2010, 2009 and 2008 accounted for USD68.9 mln, USD52.7 mln and USD67.8 mln respectively. Some of the Group's buyers are related parties. The Group's revenues from sales to related parties for the years ended 31 December 2010, 2009 and 2008 were USD30.8 mln, USD50.9 mln and USD26.2 mln respectively, which constituted 20%, 61% and 18% of the total turnover respectively.

Related parties comprise the Group parent's associates, the shareholders, companies are under common control of the Group's controlling owners, key management personnel of the Group and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined when these transactions are to be effected. Terms and conditions of business with related parties are determined based on arrangements specific to each contract or transaction and are not executed on terms similar to those used for third parties.

Trend Information

Significant Recent trends

Factors and events that are likely to affect company's sales and profitability: change in lead prices, new regulations, new export/import terms, new demand driving factors, new price driving factors, etc.

Since the beginning of 2011 the world market prices for lead have been fluctuating in the range of $2,500-$2,700 per tonne, mainly due to speculations on the market, since currently the demand does not overgrow the supply and there is a surplus of world's lead production facilities. This does not give grounds for the increase of prices for lead. Current lead quotations on the LME (USD$ 2,500 per tonne with long-term options to the decrease) are overestimated as well.

Fluctuations of the prices for lead always have impact on the prices for batteries, with some time lag. During seasonal decrease of demand for lead and increase of its price, it is not possible to increase prices for the batteries very fast in order not to lose the sales volumes. During such periods the producer may experience decrease in profitability, but, at the same time, more weak competitors, which produce cheap low quality batteries, have to exit the market then. After such periods, number of the market players decreases and the market concentrates around stronger producers, which at a later stage with less obstacles can establish prices. In case of decrease of the prices for lead, the prices for the batteries are decreased with a few months lag. During these periods the producers have additional income.

In the second half of 2010 the Group received a right for a state financial support (government grant). The amount of the government grant was determined as amount of interest paid by WESTA-DNEPR mainly in 2009-2008 and partially in 2010 and related to a number of loan agreements with Ukrainian banks. On April 29, 2001 the Group received in full a cash consideration for this government grant in the UAH equivalent of approximately USD 9.8 million. *See Note 35 Subsequent Events of Consolidated Financial Statements.* Westa expects that the state support will be also available in 2011 and 2012.

New tax regulations which provide for a mechanism of automatic VAT refund on case of export of products, shall contribute to decrease cash flow needs and increase of profit.

Significant change in the Issuer's position since the date of the last financial information

There has been the following significant changes in the Issuer's position since the date of the last financial information.

Group reorganization

In December 2010 WESTA-DNEPR (CYPRUS) LIMITED (Cyprus entity) purchased shares in WESTA-DNEPR JSC, a Ukrainian holding company for the remaining Operating Companies (WESTA INDUSTRIAL LLC, Techkomplekt LLC and Industrial Energy Systems LLC). Before that, also in December 2010, WESTA-DNEPR JSC acquired corporate rights in other Operating Companies. Earlier WESTA ISIC S.A. (Luxembourg) acquired shares of a newly established company WESTA-DNEPR (CYPRUS) LIMITED, with authorised, but unpaid share capital in amount of EUR 2,000. As a result of above mentioned operations, the business reorganization of the Group was completed and WESTA ISIC S.A. (Luxembourg) became parent company of the Group.

Changes to loan facilities

The Group completed negotiations with VAB Bank on restructuring of its debt to ensure more favourable terms of its repayment and security (see: "*Financing agreements*"). As a result of the restructuring, the existing loan agreements with VAB Bank are amended to include, *inter alia*, extension of the maturity dates of the loans and adjustment of their repayment schedules, decrease of the applicable interest rate and provision of the additional security.

Also, the Group has negotiated the restructuring of its debt with VTB Bank and the respective agreements entered into by VTB with the Operating Companies have been amended to include, among others, extension of the maturity dates of the loans until December 30, 2016 and adjusted repayment schedules.

The additional agreement to the loan agreement with Forum was signed in April 2011 according to which the terms of the interest payment were adjusted.

As a result of the abovementioned debt restructurings, the effective debt repayment schedule is the following:

Year	**Before restructuring, US$ mln**	**After restructuring, US$ mln**
2011	144	15
2012	57	51
2013	40	43
2014	36	50
2015	11	61
2016	0	70

Source: Group data, unaudited

KEY FORECASTS OF OPERATING AND FINANCIAL DATA

In the year 2011, the Group plans to raise its battery output 50% y/y to 6.5 million conventional units. The key markets where WESTA is going to expand its presence are Russia, EU, especially Poland, and Middle East countries. WESTA entered the Middle East market in 2010, and sees good demand increase potential there. The rapidly increasing market of Russia also provides good opportunity in WESTA to increase its supplies there. In addition, the Group's exclusive dealer in Poland estimates demand for WESTA batteries at 400,000 conventional units in 2011, that exceeds the amount sold by WESTA in 2010 by 1.8 times. The Group's production and sales plan for 2011 is presented in the table below.

	2010 fact		2011 plan	
	amount	y/y	amount	y/y
Total, '000 conventional units [1]	4,321	71%	6,500	50%
Ukraine	1,145	46%	1,810	58%
Russia	1,862	106%	2,520	35%
Other CIS	657	27%	920	40%
Poland	218	83%	400	83%
Other EU	409	111%	670	64%
Middle East and Africa	30	466%	180	500%

*(1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.*

Source: Group data

WESTA plans to increase its battery sales 74% y/y to US$ 268 million in 2011, thus expecting volumes growth by 50% y/y in conventional units and an increase in price for conventional unit by 16% y/y. The latter is expected to be achieved by larger exposure to EU and Middle East markets where the Group enjoys premium pricing compared to CIS sales, and products price inflation in all the targeted markets due to expected higher y/y global lead prices.

INDUSTRY OVERVIEW

Lead-Acid Batteries Market of Ukraine and CIS

CIS is the main market for WESTA batteries, accounting for more than 4/5 of total supplies. Despite recently the Group started its expansion to other markets, CIS will remain the key region of its presence.

CIS battery market capacity

According to the national statistics data and Group research, total CIS aftermarket demand for SLI batteries amounted 23.4 million of conventional units in 2010. WESTA supplied 3.7 million of conventional units for the market in 2010, thus accounting for 16% market share.

The key CIS markets for WESTA products are Russia, Ukraine, Kazakhstan and Belarus. Due to relatively low household income in the region, consumers prefer battery products of low and medium pricing niches, with lower quality. This reflects in relatively small lifespan of SLI batteries in the region: 3.0-3.5 years, on average, compared to 4 – 6 years in EU countries. WESTA's products are presented only in the aftermarket segment of starter batteries, which is ten times larger than the OEM market segment. Statistics and estimates of CIS car and battery market for 2010 is provided below.

	Vehicle fleet, mln	SLI aftermarket demand, million	SLI aftermarket demand, million of conventional units[1]
Russia	39.3	11.2	16.1
Ukraine	9.1	2.6	3.7
Other CIS	9.0	2.6	3.7
Total	57.4	16.4	23.4

*[1] Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries. 1.43x transition coefficient was used to come from the market capacity in natural units to values in conventional units.*

Source: National statistics agencies, Group data

The CIS market looks the most prospective in terms of demand increase – the Group forecasts increase of vehicle fleet in the region by 37% by the year 2016, and growth of starter batteries demand by 32% (4.7% CAGR) over the same period.

Battery supply and demand: Ukraine

At Ukrainian market, there are four large battery producers with a full vertically integrated production cycle, including manufacturing of battery components, assembly, R&D facilities and certification centre. These companies are the main competitors for the Group at both domestic and export markets. There is also a number of small companies which are involved mainly in assembly of batteries from the purchased components. WESTA accounts for 44%-51% of total domestic batteries production, followed by ISTA and Megatex. List of the largest Ukraine's producers is presented below.

Company	Battery types	Production cycle	Battery output, '000 conv. units[(1)]		
			2010	2009	2008
WESTA	Starter	Full	4,321	2,523	2,653
ISTA	Starter	Full	n/a	1,361	2,501
Megatex/A-Mega	Starter	Full	n/a	n/a	241
Vladar	Industrial, railway	Full	n/a	39	23
SADA	Starter and industrial	Assembly only	n/a	74	76
Titan	Starter and traction	Assembly only	n/a	71	78

*(1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.*

Source: Group data, Navigator Consulting

Import accounts for 30%-40% of Ukraine's to SLI battery consumption. According to a survey of HIT-Ukraine, Bosh trademark accounts for the largest share of imports (41% in 2010), followed Varta (21%) and Russian Accumulator (11%).

Battery supply and demand: Russia

WESTA is both largest importer and supplier of SLI batteries to the Russian market. In 2010 the Group supplied 1.86 million conventional starter batteries to the Russia, thus occupying 16% of aftermarket battery segment in the country. The market is the most important for WESTA, as it accounted for 43% of the group's total battery deliveries in 2010.

Domestic producers account for roughly 40% of Russia's starter batteries market. The largest producers are Tyumen Works, TUBOR, AKOM and AkTech. List of the largest Russian producers is presented below.

Company	Battery types	Production cycle	Battery output, '000 conventional units[(1)]		
			2010	2009	2008
Tyumen Battery Works	Starter	Full, incl. lead recovery	1,846	1,284	1,654
AKOM	Starter	Full	1,685	919	1,034
TUBOR	Starter	Full	1,625	1,519	1,070
AkTech	Starter, large	Full	1,043	768	1,011
Elektroistochnik	Starter and traction	Full	854	350	612
Alkor	Starter	Full	770	390	390
Istok/Accumulator, Kursk	Starter	Full	468	720	1,071
Other			205	101	39
Total			8,495	6,052	6,881

*(1) Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries. 1.4x transition coefficient was used to come from the companies' output in natural units to values in conventional units.*

Source: Russian statistics agency, Group data

In 2010 Russia's domestic production satisfied only 47% of domestic SLI batteries demand, thus Russian batteries market heavily depends on import. WESTA was the largest imported brand in Russia in 2010, accounting for 20% of total aftermarket batteries import, followed by trademarks of Johnson Controls and Serbian producer Sombor.

Battery supply and demand: Kazakhstan

WESTA has strong positions in Kazakh battery market, occupying a 30% market share (as of 2010) and accounting for a half of the country's total imports of batteries. The company's key competitors at the market are two domestic facilities, Kaynar and ERKA. Despite aggregate capacity of both plants (1.4mn) exceeds total domestic demand (0.9mn in 2010), both plants are poorly utilized, as they lose quality competition to WESTA's product in low and medium price segments. WESTA has strong position in Kazakh market, and is targeting to further increase its market presence.

Battery supply and demand: Belarus

In Belarusian market, domestic Polesskiye Akumulatory works dominates with a market share of 27% (in 2010). The plant has assembling capacity of 400,000 batteries p.a., and purchases spare parts for assembly from Polish partner Centra. Other important players of Belarusian market are imported brands: Ukrainian ISTA (13%) and WESTA (10%), followed by international trade marks Varta (12%) and Bosh (11%).

WESTA's competitive advantages at CIS market

In all the CIS markets, WESTA considers high quality of products in the respective price niches as the main competitive advantage to domestic producers. The company has certain technology advantages that enable it to keep lower lead content (and thus cost) of its batteries vs. comparable peers' products. Dense quality control in the manufacturing process allows minimizing products' failures, and allows WESTA to build up reliable brands. In addition, the Group has established long-term relations with regional dealers throughout the region of presence, which allows it to market its products successfully.

Key WESTA's advantage to international powerful brands is lower product price. The Group enjoys smaller production costs, mainly on lower workforce-related expenses, utility and SG&A costs. Proximity of WESTA's production facilities to the end-consumer markets is another cost advantage: lead-acid batteries are very heavy and therefore are not the best product for transportation. In addition, imported brands suffer from import duties amounting 10% to 15% in CIS countries.

Another important WESTA's advantage is flexibility of production facilities, which enables to produce small portions of products for dealers' special requests. This enables the Group to fully account interest of most types of consumers in the markets of their presence.

CIS market protectionism

CIS counties which have their own battery production industries, set protective import duties for batteries imported from outside the CIS region. In Ukraine, import duty amounts 10% of import value, while in Russia, Belarus and Kazakhstan duties amount to 15%. Products imported from CIS producers are duty-free.

Regulation of the Ukrainian Batteries Industry

Production and Sale of the Batteries

The Law of Ukraine "On Chemical Sources of Power" (the "Battery Industry Law"), which has come into effect on July 01, 2006, defines legal, organizational and economic principles of the industry. According to the Battery Industry Law, until recently, the production, import, storage and utilization of the chemical sources of power was subject to licensing. Currently, all these activities, as well as distribution, including export, and operation of the batteries are not licensed. According to the Battery Industry Law, the batteries may be produced only by entities, which own or lease production facilities and also possess respective production technologies.

The producers of the batteries must indicate on the battery case or in the technical documentation information about the contents of hazardous agents and requirements for the safe operation of the batteries.

The Battery Industry Law imposes other regulations on the activities related to the batteries production and use in Ukraine. In particular, legal entities and private entrepreneurs are obliged to record the batteries which are being purchased, operated, and submitted for utilization. Also, they must ensure that the used batteries are stored in specially designated premises.

Utilization of the Batteries

The Battery Industry Law prescribes that the hazardous batteries of current capacity of 7A*h and more must be utilized by special companies, where the users of the batteries must deliver them within 3 months after the expiration of their operation life.

The Battery Industry Law has introduces an instrument, which should stimulate the consumers-legal entities and private entrepreneurs to submit the used batteries for the utilization to the special companies, - Ecological Monetary Collateral (the "EMC"). The EMC in the amount of 5% of the price of a battery (VAT exclusive) shall be paid by the consumer to the special state budgetary account as a part of purchase price. The EMC will be reimbursed to the consumer when the used battery is submitted for utilization. This mechanism has not been yet well developed in Ukraine.

State support

Under the Law of Ukraine “On Innovative Activities”, the Ukrainian government provides various types of financial support to Ukrainian companies which carry on innovative projects. Such support include (i) providing interest-free loans to fully or partially finance the priority innovative projects; (ii) providing full or partial reimbursement of interest on loans granted by commercial banks for the innovative projects; (iii) providing state guarantees to commercial banks which grant loans for priority innovative projects; or (iv) property insurance of the innovative projects. The particular ways and amounts for such state support are allocated in the state budget on annual basis.

Lead-Acid Batteries Market of EU

Selected EU countries’ market capacity

In the year 2010 WESTA supplied 627 thousand of conventional batteries to EU, or 14% of total production volume. Out of the total amount, 35% of batteries were supplied to the neighbouring Poland. Poland is the 6th largest EU market for starter batteries and the fastest growing among the top-6. In its marketing strategy, therefore, the Group separates EU market for batteries into Poland and other EU countries. The largest EU battery markets are listed in the following table.

	Car fleet, 000 units	Aftermarket SLI batteries demand, 000 units		
	2009	2009	2010 est	y/y growth
Germany	41,738	7,581	7,660	1%
Italy	36,372	7,458	7,594	2%
France	31,000	6,067	6,127	1%
UK	28,247	4,284	4,215	-2%
Spain	21,983	4,309	4,480	4%
Poland	16,495	3,414	3,703	8%
Other EU	70,649	12,520	11,598	-7%

Source: Eurostat, Eurobat, Group estimates

EU Batteries Demand and Supply Overview

Poland is naturally the most prospective market for WESTA due to its proximity to the Group’s production facilities and sound expected growth of the battery market. The country’s market is dominated by domestic producers, largest of which are Centra Exide (60% of domestic production, 33% of domestic supplies) and ZAP Snajdar (27% of domestic production and about 18% of domestic supplies). Roughly 35% of domestic battery consumption accounts for imports. WESTA share in secondary battery market of Poland is estimated at 4.2% in 2010. The Group supplied 218,000 conventional batteries to Poland in 2010. WESTA received preliminary orders from its Polish partner at about 440,000 conventional units for the year 2011, thus obtaining an opportunity to raise its market share to 8% already this year.

Italy going to become the largest EU market for starter batteries, in line with increase of the country’s car fleet. Italy holds the largest car penetration level in EU (613 cars per 000 citizens), as is likely to expand the ratio further. The country’s key battery suppliers are Exide (31% market share in 2010), Fiamm (24%), and JCI (18%). Share of WESTA in Italian market is estimated at 0.7% in 2010.

Greek automotive battery industry accounts for only 4% of domestic consumption, making the country attractive market for exporters. According to the survey of Navigator Consulting, global industry leaders (JCI, Exide, Fiamm, Delfi, GS Yuasa) account for only 48% of the market supplies in 2010. WESTA estimates its share in Greek battery aftermarket at a healthy 4.7%.

Germany and France are more than self-sufficient in batteries with dominant positions of local producers. In the both markets JCI, Exide, Steco and Bosh brands dominate, accounting for more than 65% of sales. In the year 2010, WESTA accounted for 1.1% of French battery aftermarket, targeting mainly low-price niches.

The UK battery market is occupied by global leaders and regional traders, and is rather concentrated. The three largest suppliers, GS Yuasa, JCI, UKB and Exide account for 75% of domestic market, according to Navigator Consulting research. WESTA accounted for only 0.3% of the secondary battery market, and does not carry short-terms to significantly expand its presence there.

Another important EU markets for WESTA in 2010 were Belgium and Finland, where the Group supplied 58 and 33 thousand of conventional batteries and occupied 4.0% and 3.8% share of battery aftermarket, respectively.

WESTA's competitive advantages at EU market

Key WESTA's advantage to international powerful brands is lower product price, on smaller production costs compared to the developed countries. This advantage, however, is decreasing from as soon as the distance to end consumers increases. Therefore, the Group is going to focus in its market expansion to west at the neighboring countries.

THE ISSUER

The Issuer

WESTA ISIC S.A. is a public limited company (*société anonyme*) of unlimited duration that was incorporated, exists and operates under the laws of Luxembourg, in compliance with the Companies' Act of 1915, other applicable Luxembourg regulations, and in accordance with its Articles of Association.

The Issuer was incorporated as a public limited holding company on December 10, 2009 by a notarial deed certified by Carlo Wersandt, a notary residing at in Luxembourg, Grand Duchy of Luxemburg, under the name Tramine Development S.A. On January 4, 2010 the Issuer was registered with Registre de Commerce et des Sociétés in Luxembourg under registration number B150.326. The Articles of Association of the Issuer were published on February 2, 2010 in the Mémorial C number 218, Recueil des Sociétés et Associations (the "Mémorial C"). On November 24, 2010, pursuant to a shareholder resolution certified by Maitre Francis Kesseler, a notary residing at Esch-sur-Alzette, Grand Duchy of Luxemburg the Issuer was renamed into WESTA ISIC S.A. The Issuer's registered office is at 412F, route d'Esch, L-1471 Luxembourg, Grand Duchy of Luxembourg. Its telephone number is +352 466111 3726 and fax number is +352 466111 2703.

The Company's founder is SGG S.A., a public limited liability company organized under Luxembourg law, having its registered office at 412F, route d'Esch, L-1471 Luxembourg, Grand Duchy of Luxembourg, registered in the Luxembourg Trade and Companies Register under the number B 65.906. SGG S.A. is a leading Luxembourg corporate services provider. A director B of the Company is an employee or officer of SGG S.A. (See: "*Management and Corporate Governance*").

WESTA ISIC S.A. is a holding company incorporated in Luxembourg, whose principal assets are its equity interests in its operating subsidiaries, the majority of which are incorporated and operate in Ukraine.

The Issuer's financial year begins on first January of each year and terminates on thirty first December of that year. The first financial year of the Company ended on December 31, 2010.

The Group's headquarter in Ukraine is located at 5 Pysarzhevskoho Street, Dnipropetrovsk, 49005, Ukraine. Its telephone number is +38 (056) 46-42-82, fax number +38 (056) 2 314 278; e-mail: ir@westa-inter.com.ua.

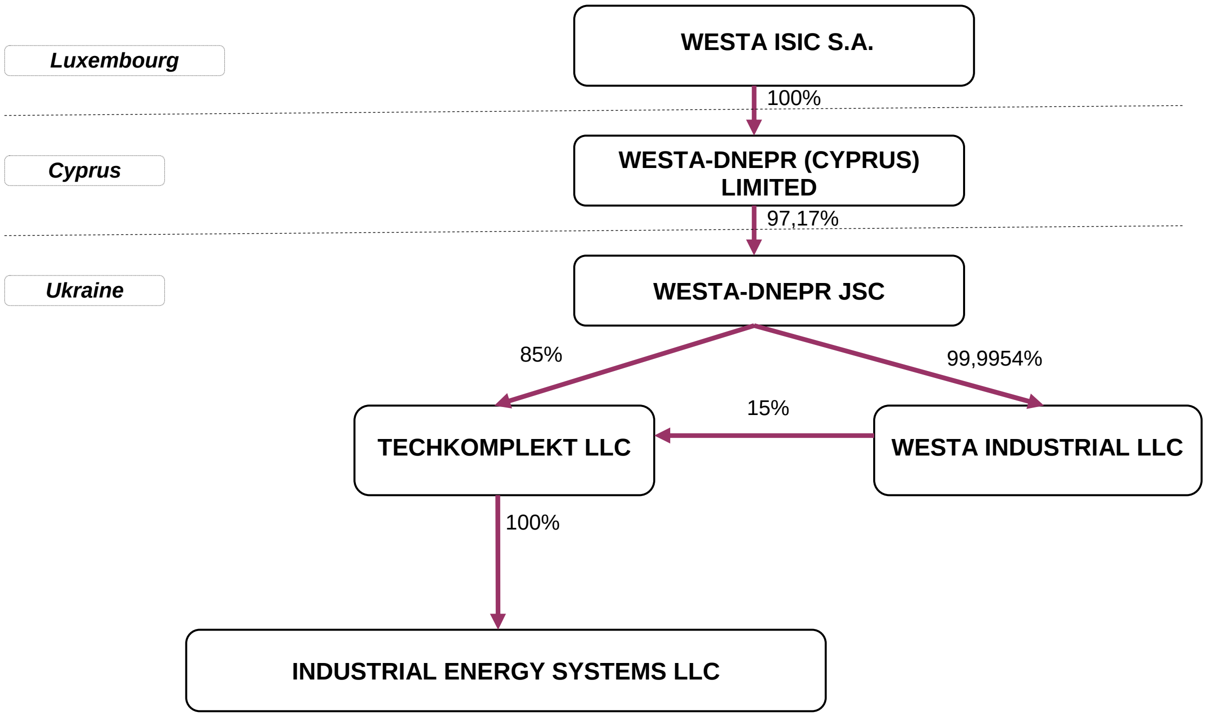
Corporate Purpose

According to Article 4 of the Issuer's Articles of Association the purpose of the Issuer is to carry out any commercial, industrial or financial operations, any transactions in respect or real estate or moveable property, which the Company may deem useful to the accomplishment of its purposes. The Company may furthermore carry out all transactions relating directly or indirectly to the taking of participating interests in whatsoever form, in any enterprise in the form of a public limited liability company or of a private liability company, as well as the administration, management, control and development of such participations. In particular the Company may use its funds for the creation, management, development and the disposal of a portfolio comprising all types of transferable securities or patents of whatever origin, take part in the creation, development and control of all enterprises, acquire all securities and patents, either by way of contribution, subscription, purchase or otherwise, option, as well as realize them by sale, transfer, exchange or otherwise. The Company may further grant securities in favour of third parties to secure its obligations or the obligations of companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company as well as any other companies or third parties. The Company may also carry out its business through branches in Luxembourg or abroad. The Company may also proceed with the acquisition, management, development, sale and rental of any real estate, whether furnished or not, and in general, carry out all real estate operations with the exception of those reserved to a dealer in real estate and those concerning the placement and management of money. In general, the Company may carry out any patrimonial, movable, immovable, commercial, industrial or financial activity as well as all transactions and that aim to promote and facilitate directly or indirectly the accomplishment and development of its purpose.

Description of the Group

The Group underwent a substantial reorganization in 2009 and 2010 in order to establish a consolidated group for the purposes of listing on the WSE. To this end, control over subsidiary enterprises was consolidated by the group holding company (the Issuer) established in Luxembourg.

The following chart describes the Issuer's principal subsidiaries and interests in those as of date hereof. For a more detailed description of the assets, see: *"Business"*.



The outstanding percentages in WESTA-DNEPR JSC belong to Mr. Denys Dzenzers'kyy (0.0616%), Joint Stock Company Dniprovsky Machinbuilding Plant (2.7486%) and Joint Stock Company Closed Non-Diversified Venture Investment Fund Innovatsia (0.0167%). The remaining interest in the capital of the WESTA INDUSTRIAL LLC has been held by Mr. Sergiy Kasyan, Mr. Viktor Dzenzers'kyy, Mr. Denys Dzenzers'kyy, Mr. Vasyl Pidlubnyy and Mr. Sergii Vasyliev. Each of them holds 0.00092% of total interest in the capital since 2006.

The proportion of ownership interest is equal to the proportion of voting power held in the subsidiaries.

Subsidiaries

WESTA-DNEPR (Cyprus) Limited is a Cypriot holding company that is a direct holder of 97.17% of WESTA-DNEPR JSC and indirect majority shareholder of all the Ukrainian Operating Subsidiaries. The Issuer holds 100% of share capital and voting power in WESTA-DNEPR (Cyprus) Limited.

Company name	**WESTA-DNEPR (CYPRUS) LIMITED**
Registered office	1 Lampousas, P.C. 1095, Nicosia, Cyprus
Date of incorporation	November 4, 2010
Registration number	HE 276333
Profile of business	Holding company
Director	Inter Jura CY (Directors) Limited

The Group's business is carried out by operating companies incorporated under the laws of Ukraine. The tables below indicate the most important corporate information on the Group's operating companies:

Company name:	**WESTA-DNEPR JSC** (public joint stock company)
Registered office:	34, Budivelnykiv Street, Dnipropetrovsk, 49055 Ukraine
Date of incorporation:	April 8, 2002
Registration number:	31950849
Profile of business:	Holding company, production of automotive batteries
Chief executive:	Mr. Valerii Velychko

On March 24, 2011, shares of WESTA-DNEPR JSC have been admitted to trading, without listing, at one of the Ukrainan stock exchanges - PFTS stock exchange. Under Ukrainian law, companies which have the legal form of a public joint stock company must be admitted to trading on a regulated market in Ukraine. There is no active market in shares of WESTA-DNEPR JSC.

Company name:	**WESTA INDUSTRIAL LLC** (limited liability company)
Registered office:	5, Pysarzhevskoho Street, Dnipropetrovsk, 49005 Ukraine
Date of incorporation:	November 18, 2003
Registration number:	32702174
Profile of business:	Production of automotive batteries
Chief executive:	Mr. Vitaliy Kolinsynskyy

Company name:	**TECHKOMPLEKT LLC** (limited liability company)
Registered office:	148K, Heroiv Stalinhrada Street, Dnipropetrovsk, 49000 Ukraine
Date of incorporation:	December 31, 2003
Registration number:	32804524
Profile of business:	Trading company for raw materials and finished products
Chief executive:	Mr. Pavlo Fisunenko

Company name:	**Industrial Energy Systems LLC** (limited liability company)
Registered office:	3, Lazariana Street, Dnipropetrovsk, 49000 Ukraine
Date of incorporation:	October 6, 2004
Registration number:	33185376
Profile of business:	Logistics company
Chief executive:	Mr. Mykhailo Zverev

Corporate Resolutions and the Share Capital

Upon the Issuer's incorporation its issued share capital was EUR 31,000 divided into 310 shares with a nominal value of 100 EUR each, and was fully paid up with cash. On November 24, 2010, upon a sole shareholder resolution Company's name was changed into WESTA ISIC S.A. and for the purpose of envisaged initial public offering in Warsaw the Articles of Association of the Company was completely restated.

On 31 December 2010, which is the date of the most recent balance sheet included in historical financial information, the Issuer's share capital was EUR 31,000 divided into 310 shares with a nominal value of 100 EUR each, and was fully paid up with cash. As of that date there was no authorized capital, no shares not representing capital, no shares held by the Issuer itself or by subsidiaries of the Issuer, no convertible or exchangeable securities or securities with warrants.

On March 18, 2011, pursuant to an amendment of the Articles of Association of the Issuer par value of shares was reduced to one eurocent (EUR 0.01) each. As a result of these changes the share capital was represented by 3,100,000 shares. On the same day the share capital was increased from EUR 31,000 by an amount of EUR

300,000 up to an amount of EUR 331,000 through the issue of 30,000,000 new shares with a nominal value of one eurocent (EUR 0.01) each.

By virtue of described above shareholder's resolution dated March 18, 2011, the Board of Directors of the Issuer has been authorized to issue up to 11,900,000 new shares in the Issuer share capital during the period expiring right after the closing of the initial public offering of the Shares of the Issuer in Warsaw or the closing of any other offerings of the Shares of the Company, whichever event occurs first, in any case no later than a term of 5 years from the date of the publication of the authorisation in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*), with the power to limit or exclude any preferential subscription rights of the existing shareholders. Pursuant to Luxembourg corporate law, an appropriate report on the motives and reasons of the right to suppress the shareholder's preferential subscription rights has been submitted by the Board of Directors.

The Board of Directors intends to use the authorisation to issue the Offer Shares in the Offering. As a result of the Offering, the issued share capital of the Company may be increased up to EUR 441,333.33 through the issuance of 11,033,333 Offer Shares.

No depositary receipts for Shares in the capital of the Company have been issued with the agreement of the Company, and the Company has not been informed that depositary receipts for Shares in the capital of the Company have been issued without its agreement.

The table below shows the current Company's issued and paid-up share capital and the Company's issued and paid-up share capital after all of the Offer Shares have been issued:

Issued ordinary share capital	Cumulative number of shares	Nominal value (EUR per share)
Current shares issued as at the date hereof	33,100,000	0.01
Offer Shares to be issued for the Offering	11,033,333	0.01
Total issued shares post-Offering	44,133,333	0.01

Form and Transfer of the Company's Shares

All the Company's Shares, including the Offer Shares, are or will be created pursuant to the Luxembourg Companies Act 1915.

Currently, all the Company's shares are in registered form and they will remain in registered form following the Offering. The Issuer does not intend to apply for listing of such shares on any stock exchange.

All of the Offer Shares offered in the Offering and to be admitted to trading on the main market of the Warsaw Stock Exchange will be in bearer form.

All of the Shares are ordinary shares and carry equal rights. There are no different voting rights, and each share shall carry one vote.

All the Offer Shares are ordinary bearer shares and will exist in book entry form once they have been registered with the NDS. Investors may hold the Offer Shares them through the NDS participants, including investment firms and custodian banks. The Issuer will apply for registration of all of the Offer Shares with the National Depository for Securities. It is expected that on or soon after the Settlement Date all of the Offer Shares will exist in book-entry form.

Bearer Shares

Under Luxembourg law, the ownership of bearer shares is established by possession of the bearer certificate. To be valid, a bearer share shall be signed by at least one class A director and one class B director and must contain the following information:

– date of the constitutive instrument of the Issuer and the date of its publication;

– capital of the Issuer, number and type of Shares as well as the nominal value of the Shares;

– brief description of the contributions made to the Company and the conditions on which they are made;

– any special advantages conferred upon the founders;

– duration of the Company; and

– the day and time of the annual General Meeting and the municipality in which it is to be held.

One or more bearer shares can be represented by a single certificate, which shall contain the identification number of each share represented by such certificate.

All Offer Shares will be registered with the NDS and will be held by shareholders in book-entry form through the NDS and its participants. Ownership in Offer Shares will be evidenced in accordance with NDS procedures. Transfer of the Offer Shares will take place in book-entry form through the facilities of the NDS.

Registered shares

A register of registered shares will be kept at the registered office of the Company, where it will be available for inspection by any shareholder. Ownership of registered shares will be established by an entry in this register of registered shares.

Where shares are recorded in the register of registered shares on behalf of one or more persons in the name of a professional depository of securities or any other depository (such systems, professionals or depositories being referred to hereinafter as "Depositories") or of a sub-depository designated by one or more Depositories, the Company – subject to it having received from the Depository with whom those shares are kept in account an attestation in proper form – will permit those persons to exercise the rights attaching to those shares, including admission to and voting at general meetings, and shall consider those persons to be shareholders. The Board of Directors may determine the formal requirements with which such attestations must comply. Notwithstanding the foregoing, the Company will make payments, by way of dividends or otherwise, in cash, shares or other assets only into the hands of the Depository or sub-depository recorded in the register of registered shares or in accordance with their instructions, and that payment shall release the Company.

Certificates confirming that an entry has been made in the register of registered shares will be provided to the shareholders at their request. Certificates representing the shares in registered form may be issued but they do not constitute conclusive evidence. Title to the shares in registered form passes upon the registration of the transfer into the register of registered shares and in accordance with article 40 of the Companies' Act 1915.

Without prejudice to the modalities for the transfer of fungible shares in the case provided for above, according to article 40 of the Companies' Act 1915, transfers of shares in registered form shall be carried out by means of a declaration of transfer entered into the register of registered shares, dated and signed by the transferor and the transferee or by their duly authorized representatives, as well as in accordance with the rules on the assignment of claims laid down in article 1690 of the Luxembourg Civil code. The Company may accept and enter in the register of registered shares a transfer on the basis of correspondence or other documents recording the agreement between the transferor and the transferee.

Articles 39 and 40 of the Companies' Act 1915 provide that ownership of registered shares shall be established by an entry in the register of the registered shares. The register shall specify (i) the precise designation of each shareholder and the number of shares or fractional shares held by him; (ii) the payments made on the shares; and (iii) transfers and the dates thereof or conversion of the registered shares into shares in bearer form, if such conversion is permitted by the relevant articles of association.

Conversion of shares

According to article 43 of the Companies' Act 1915, an owner of shares in bearer form may at any time request the conversion of shares into shares in registered form. However, an owner of shares in registered form may at any time request the conversion of shares into shares in bearer form, only if the articles of association do not prohibit such conversion. In the case of the Company's Shares, the Articles of Association do not prohibit conversion of shares.

Book-entry form in Poland

Pursuant to the Trading in Financial Instruments Act, securities which are offered in a public offering or admitted to trading on a regulated market in Poland exist in uncertificated form as of the date of their registration under the relevant depository agreement (dematerialization). In particular, before the commencement of a public offering or trading on a regulated market, an issuer of securities is obliged to conclude with the NDS (*Krajowy Depozyt Papierów Wartościowych S.A.*, with its registered seat in Warsaw, Książęca Str. 4), an agreement to register in the depository of securities the securities offered in a public offering or trading on a regulated market. Therefore, no shares of the Company's common stock in physical form will be issued to holders of the Company's common stock in Poland. However, share deposit certificates evidencing the Shares may be issued at the request of the account holder. Pursuant to the Article 9 of Trading in Financial Instruments Act, a share deposit certificate confirms the title to exercise all rights arising from the securities which are not or cannot be exercised purely on the basis of entries in a securities account.

Rights attached to Shares

Set forth below is the information concerning the Company's Shares and related summary information concerning the material provisions of the Articles of Association of the Company and applicable Luxembourg law. Because it is a summary, it does not contain all of the information in the Articles of Association. Full text of the Company's Articles of Association is available at the Company's website www.westa.com.ua.

Voting Rights

At all the General Meetings, each Share confers the right to cast one vote. Each shareholder is entitled to attend the General Meeting either in person or through a proxy attending the meeting in person, and to address such meeting and exercise voting rights, in accordance with the Company's Articles of Association.

The annual General Meeting should be held each year on the first Monday of March at 9:00 or if such day is a legal or a bank holiday in Luxembourg, on the following business day in Luxembourg at the registered office of the Company or at such other place as specified in the notice of the meeting. General Meetings may be convened by the board of directors of the Company (the "Board of Directors"). Shareholders representing 10% of the Company's issued share capital may, pursuant to Article 70 of the Companies' Act 1915, request the Board of Directors to convene a General Meeting, the request being made in writing with an indication of the agenda. The Board of Directors must then convene the General Meeting within a period of one month starting on the date of receipt of the written request from the shareholders. An extraordinary General Meeting can be held whenever the Board of Directors deems it necessary. The Board of Directors should determine the items on the agenda of such meeting.

If all outstanding shares are in registered form, the General Meetings should be convened pursuant to a notice setting forth the agenda and the time and place at which the meeting will be held, sent by registered letter at least eight days prior to the meeting, the day of the convening notice and the day of the meeting not included, to each shareholder at the shareholder's address in the shareholder registry, or as otherwise instructed by such Shareholder. If any of the outstanding shares are in bearer form, the General Meetings should be convened pursuant to a notice announced in accordance with applicable laws.

The following issues fall in particular within the competence of the General Meeting: approval of the annual financial statement, discharge of duties by directors, issues of new shares (except for issues resolved upon by the Board of Directors of the Company on the basis of authorized share capital), redemption of shares, payments of dividends (except for payments of interim dividends resolved upon by the Board of Directors), amendments to the Articles of Association, mergers or divisions (subject to certain exceptions), transfer of the registered office to another municipality or abroad, dissolution of the Company.

Unless otherwise required by the Articles of Association or Luxembourg law, all resolutions of the General Meeting are in principle adopted by a simple majority of votes cast, no quorum being required.

The Company may allow shareholders to participate in the General Meetings by way of videoconference or similar means of telecommunication allowing their identification, subject to technical and legal conditions allowing for proper identification of the shareholders and exercise of the voting rights. Detailed instructions on participating in the General Meetings by means of telecommunication will be provided to the shareholders at the time of convening the relevant General Meeting.

Luxembourg is in the process of implementing the Directive 2007/36/EC of the European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies. Therefore, the above described regulations may be amended in a near future as a result of the implementation.

Dividends and Other Distributions

Dividends, when payable, will be distributed at the time and place fixed by the Board of Directors within the limits of the decision of the General Meeting. Furthermore, subject to the conditions provided for by the Companies' Act 1915, the Board of Directors may pay out interim dividends.

Distributions are made to shareholders *pro rata* to the aggregate amount of Shares held by each shareholder.

There are no preferred dividend rights, fixed rate of dividend or cumulative dividend rights.

Distributions that have not been claimed within five years as from the date that they have become available should lapse in favour of the Company. The shareholders do not have any rights to convert the dividends.

Dividend payments and other payments made by the Company and relating to the Shares held with the NDS shall be made through the NDS which is a Polish central clearinghouse and depository for securities with its seat at Książęca Str. 4, 00-498 Warsaw, Poland. The payment of the dividends to such depository operating principally a settlement system in relation to transactions on securities, dividends, interest, matured capital or other matured monies of securities or of other financial instruments being handled through the system of such depository shall discharge the Company.

All payments shall be in the amount transferred by the Company to the NDS that will transfer the respective amounts to accounts of its respective participants, for the purpose of their further payment to the owners of accounts with the NDS participants on which the Company's Shares will be held, in accordance with the rules and practices of the NDS.

Other than the right to dividends, the Shares do not carry any other right to share in the Issuer's profits. There Issuer has not issued any other securities which would carry the right to shares in the Issuer's profits.

Issue of Shares and Pre-emptive Rights

The subscribed share capital of the Company may at any time be increased or reduced by a resolution of the General Meeting adopted in the manner required for amendment of the Articles of Association, subject to the mandatory provisions of the Companies' Act 1915.

Each holder of the Shares should have pre-emptive rights to subscribe for any issue of the Shares *pro rata* to the aggregate amount of such holder's existing holding of the Shares. Each holder should, however, have no pre-emptive right on the Shares issued for a non-cash contribution. In addition, each shareholder should have no pre-emptive right with respect to a person who exercises a previously acquired right to subscribe for the Shares if pre-emptive rights of existing shareholders in connection with such subscription were duly suppressed.

Pre-emptive rights may be restricted or excluded by the Board of Directors within the scope of the authorized capital and / or in case of a contribution in kind. Pre-emptive rights may be restricted or excluded by a resolution of the General Meeting. This should apply *mutatis mutandis* to the granting of rights to subscribe for Shares (such as warrants) or the issue of securities convertible into shares.

If the Company decides to issue new shares in the future and if the pre-emptive rights of existing shareholders are not waived then the Company will publish the decision by placing an announcement in the Luxembourg official gazette and in two newspapers published in Luxembourg. The announcement will specify the period in which the pre-emptive right may be exercised. Such period may not be shorter than 30 days from the date of publication in the Luxembourg official gazette. Luxembourg law does not provide for any procedure for determining the pre-emptive right exercise date and such date is usually defined in the relevant resolution on the issue of shares. The announcement will also specify the details regarding procedure for exercise of the pre-emptive rights. The announcement will be published also in Poland in the manner used for communicating with investors on the WSE. The pre-emptive right is exercised by placing an order with the Company and paying for the newly issued shares. Under Luxembourg law the right to subscribe shall be transferable throughout the subscription period, and no restrictions may be imposed on such transferability other than those applicable to the shares in respect of which the right arises.

At present, the Company does not have any plans regarding future issues of shares after the Offering.

The Company has not issued any securities convertible into shares of the Company.

Repurchase of the Company's Own Shares

The Company may acquire fully paid-up Shares for a consideration, subject to certain provisions of the Companies' Act 1915 and the Company's Articles of Association, provided that the acquisition must not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the reserves which may not be distributed under law or the Articles of Association.

To the extent permitted by Luxembourg law the Board of Directors is irrevocably authorised and empowered to take any and all steps to execute any and all documents and to do and perform any and all acts for and in the name and on behalf of the Company which may be necessary or advisable in order to effectuate the acquisition of the Shares and the accomplishment and completion of all related action.

An acquisition of the Shares by the Board of Directors for a consideration should be authorized by the General Meeting, which shall determine the terms and conditions of the proposed acquisition and in particular the maximum number of Shares to be acquired, the duration of the period for which the authorisation is given and which may not exceed five years and, in the case of acquisition for value, the maximum and minimum consideration. Voting rights attached to Shares acquired by the Company in accordance with the above shall be suspended as long as such Shares are held in the Company's own capital.

In principle, the Company has no obligation to sell or cancel the Shares held by the Company in treasury. However, according to the Companies' Act 1915, the Company should either sell or cancel the Shares that the Company keeps in treasury after three years as from the date of their acquisition if the Shares were acquired under certain circumstances.

Capital Reduction

The General Meeting may, subject to Luxembourg law and the Articles of Association, resolve to reduce the issued share capital.

Annual Accounts

Annually the Board of Directors is required to prepare and approve the statutory financial statements, which must be accompanied by an annual report and an independent auditor's report.

The financial statements, the annual report and the auditor's report must be made available to the shareholders for review at the Company's registered office at least 15 days before the annual General Meeting. The financial statements should be approved by the annual General Meeting.

Liquidation Rights

In the event of dissolution of the Company, the Company must be liquidated according to applicable Luxembourg law. The balance of the Company's equity remaining after the payment of debts (and the cost of liquidation) should be distributed to the Company's shareholders *pro rata* to the aggregate amount of the Shares held by each shareholder.

Amendments to the Rights of Shareholders

Any amendments to the rights of shareholders require an amendment to the Articles of Association and are subject to the same quorum as for an extraordinary General Meeting. Any resolution to amend the Articles of Association must be taken before a Luxembourg notary and such amendments must be published in accordance with Luxembourg regulations. Articles of Association do not provide for any specific conditions that are more stringent than is required by law.

Challenging resolutions of General Meetings

Under Luxembourg law and the conflict of law rules, a resolution of the general meeting of shareholders of a Luxembourg company may only be appealed to a Luxembourg court in accordance with the Luxembourg commercial and civil proceedings law.

Pursuant to Luxembourg law, a resolution of the general meeting of shareholders may be appealed by each shareholder regardless of the number of shares held by him if the resolution is, amongst others, (i) in conflict with the statutory law, provisions of the Articles of Association or the proceedings for taking resolutions or (ii) made to the sole benefit of the majority shareholder and not in the Company's best interest (abus de majorité).

The appeal should be filed with a district court having jurisdiction over the relevant company's registered office. The statute of limitation to file an appeal is ten years or thirty years as of the day of passing of the resolution, the duration of such period depending on, amongst other things, the nature of the rule that has been breached.

As regards the Company, the competent courts are the Courts of Luxembourg-City, Grand Duchy of Luxembourg. The plaintiff should show a legal interest in appealing against the resolution. Under Luxembourg commercial proceedings rules, the appeal may be made in the French, Luxembourg or German language and can be made by an attorney qualified to practice in Grand Duchy of Luxembourg. Generally, the appeal will be subject to court fees. If the court finds in favour of the appealing shareholder, then the resolution will be nullified.

Similarly, under Luxembourg law each shareholder also has a right to appeal any action of the Board of Directors on the same grounds as specified above. The same appeal procedure will apply.

MANAGEMENT AND CORPORATE GOVERNANCE

Set out below is a summary of relevant information concerning the Board of Directors, senior management as well as a brief summary of certain significant provisions of Luxembourg corporate law, the Issuer's Articles of Association and particular issues from the corporate governance codes in respect of the Board of Directors.

Management Structure

The Issuer has a one-tier management structure consisting of the Board of Directors.

The Board of Directors is responsible for the management of the Issuer's operations. It is vested with the broadest powers to take any actions necessary or useful to fulfill the Company's corporate purpose, with the exception of actions reserved by Luxembourg law or the Articles of Association to the General Meeting of shareholders.

The Board of Directors must consist of at least one director. In case of plurality of directors the General Meeting may decide to elect two categories of directors (A director and B director). All members of the Board of Directors may be appointed and/or dismissed by the General Meeting of Shareholders.

The Board may delegate the day-to-day management of the Company's business and the power to represent the Company with respect thereto to one or more executive officers, executives, or other agents, who may together constitute a management board deliberating in conformity with rules determined by the Board. The Board may also delegate special powers to any person and confer special mandates on any person.

Any material agreement between the Company and its related party must be approved in advance by the Board, with at least one independent director voting in favour of such resolution. Typical transactions made in the ordinary course of business on arms-length basis with entities majority owned by the Company or other parties do not need to be approved by the Board.

The Issuer is bound towards third parties in all circumstances by the joint signature of any A director and any B director, or by the signature of any signatory duly authorised by the Board of Directors within the limits of such authorisation.

The Issuer intends to promote that Director B is an independent from the Issuer, i.e. it may not be an employee, board member (other than a member of the Issuer's Board of Directors), agent or relative of the Company or of the Principal Shareholder.

Members of the Board of Directors

As at the date of this Prospectus, the Board of Directors is composed of three members.

The table below sets forth the names, positions, election date, and terms of office of the current members of the Board of Directors.

Name	Position	Date of appointment	Expiration of term of office
Mr. Denys Dzenzers'kyy	A Director	November 24, 2010	2012
Mr. Dmytro Nikitin	A Director	November 24, 2010	2012
Mr. Christoph Nicolaus Kossmann	B Director	December 10, 2009	2015

The director's term of mandates expires at the annual general meeting in the year indicated above. Any director may be removed at any time, without notice and without cause, by the general meeting of shareholders.

The business address of the members of the Board of Directors is the Issuer's principal place of business at 412F, route d'Esch, L-1471 Luxembourg, the Grand Duchy of Luxembourg.

A brief description of qualifications and professional experience of the members of the Board of Directors is presented below.

Denys Dzenzers'kyy

Denys Dzenzers'kyy has been a member of the Board of Directors and CEO of the Company since 2010. Additionally he has held the position of a member of the supervisory board of WESTA-DNEPR JSC since 2010. He started his career in SIC ISTA, where he worked for five years as an economist of the economic planning department. Next, in years 2002-2003 he was the Vice-President on Economics at WESTA ISIC. Since October 2003 until March 2010 he held different posts in WESTA-DNEPR JSC such as Deputy Chairman of the Administrative Board, Vice-President on Economics, First Vice-President.

Mr. Dzenzers'kyy has a Master Degree on Economics. He graduated from the Dnipropetrovsk Construction and Architecture Institute in 2000 and in years 1993-1995 he completed Economic faculty at Kalkuhl in Bonn.

Dmytro Nikitin

Dmytro Nikitin has been the member of the Board of Directors and CFO of the Company since 2010. In years 1997-1999 he worked as a chief financial analyst at "Privatbank". Since 1999 he has been a deputy general director on economics at Techkomplekt LLC and since 2010 has been a member of the board of directors of "Russkie Akkumulatori" JSC.

Mr. Dmytro Nikitin graduated from Dnipropetrovsk Construction and Architecture Institute in 1997. He also gained Bachelor degree from Lakehead University, Canada in 1998.

Christoph Nicolaus Kossmann

Christoph Nicolaus Kossmann is an independent member of the Board of Directors. He started his career in Dexia Banque International a Luxembourg where he was a vice president in years 1990-2002. Next he held different managerial position at Experta Corporate and Trust Services S.A. (member of the executive board 2002-2006), Sal.Oppenheim International S.A. (gerant July 2006 – July 2007) and Sal.Oppenheim jr. & Cie S. C. A. (member of the executive board July 2007-October 2007).

Mr. Kossmann has a university degree, gained at the Law School of Freiburg University in 1981. As a part of increasing his professional qualifications he graduated form the Law School of Lausanne University (specification in international private law) in 1982, the Law School of Freiburg University (specification in international tax planning) in 1985. Mr. Kossmann also passed the Bar Exam in 1989.

The following table sets out past and current directorships held by the Issuer's Board of Directors members in the past five years:

Name	**Positions held**
Denys Dzenzers'kyy	*Current directorships:*
	WESTA-DNEPR JSC - Member of the Supervisory Board (since April 2010)
	Former directorships:
	WESTA-DNEPR JSC - Vice-President on Economics (February 2006 – December 2006)
	WESTA-DNEPR JSC - First Vice-President (December 2006 – March 2010)
Dmytro Nikitin	*Current directorships:*
	"Russkie Akkumulatori" JSC - Member of the Board of Directors (since November 2010)
	Techkomplekt LLC - Deputy General Director on Economics (since 1999)
	Former directorships:
	NONE

Christoph Nicolaus Kossmann	*Current directorships:* SGG S.A. - Member of the Executive Board and Partner (since October 2007) SGG S.A. - Secretary-General of the Administration Council (since July 2006) *Former directorships:* Sal.Oppenheim jr. & Cie S. C. A. - Member of the Executive Board (July 2007- October 2007). Mr. Christoph Kossmann (B Director of the Company) is currently and has been in the last five years a director in various companies administered by SGG S.A., his current employer. These positions did not have any relation to his membership in the Board of Directors and do not create any conflict of interest.

Senior Management

In the opinion of the Issuer, apart from the Board of Directors members, the following persons, being the key executives responsible for management and operations of the Ukrainian Operating Companies, are the most important for the Group (the "Senior Management"). A brief description of qualifications and professional experience of the Senior Management is presented below:

Viktor Dzenzers'kyy

Viktor Dzenzers'kyy has been a Chairman of the Supervisory Board of WESTA-DNEPR JSC since April 29, 2010. He has been at the origins of the production of lead-acid batteries in Ukraine. Mr. Viktor Dzenzers'kyy has extensive experience both in management and in batteries industry. His carrier developed from an engineer to a director of Institute of Transport Systems and Technologies of the National Academy of Science of Ukraine, which was created upon his initiative. He has held this position since 2004 until now. Mr. Viktor Dzenzers'kyy received a degree in engineering from Chernivetsky State University in 1965, he is a doctor of engineering, professor, laureate of the State Science and Engineering Prize, full cavalier of the award "For merits" (2005) and in 2008 was awarded the highest state award of Ukraine "Hero of Ukraine". Since 2006 he has been a minority shareholder of WESTA INDUSTRIAL LLC (0.00092% of total interest in the capital).

Sergiy Kasyan

Sergiy Kasyan has been a Member of the Supervisory Board of WESTA-DNEPR JSC since April 29, 2010. He has possessed a great experience in management gained by working at key positions in numerous companies from the late 1970's. In years 1992-1997 he held a position of General Director at ISTA JSC and between 1997 and 2002 he was a First Vice President of SIC ISTA. Subsequently he was a Vice President of the Manufacturing Matters at WESTA ISIC S.A. (2002-2003) and WESTA-DNEPR JSC (2003-2008). Since 2008 until April 2010 Mr. Kasyan was also a Chairman of the Administrative Board of WESTA-DNEPR JSC, and since 2006 he has been a minority shareholder of WESTA INDUSTRIAL LLC (0.00092% of total interest in the capital).

Mr. Kasyan graduated from the Dnepropetrovsk Metallurgical Institute in 1971.

Valerii Velychko

Valerii Velychko is a General Director of WESTA-DNEPR JSC. In years 1996 -2001 he gained experience at PFK UESU, where he was a deputy director. Mr. Velychko also worked for CJSC TPSO EKSO as representative office governor (2001 – 2002) and CJSC Ukrskloprom as a deputy director (2002-2003).

In 1981, Mr. Velychk*o* graduated from the Melitopol Institute of Agriculture Mechanization and Electrofication.

Vitaliy Kolisynskyy

Vitaliy Kolisynskyy has been a General Director of WESTA INDUSTRIAL LLC since 2009. He started his career in WESTA-DNEPR JSC as a Deputy of the General Director (2009). Before joining the Group, he worked in the Ministry of Defense (1988-2008).

Mr. Kolisynskyy has a university degree, gained at the National Academy of Defense of Ukraine in 2007.

Mykhaylo Zverev

Mykhaylo Zverev has held the position of General Director in Industrial Energy Systems LLC since 2004. He started his career in 1993 in Dnepropetrovsk Heavy Presses Plant, where he was a deputy general director on commerce. He started to cooperate with the Group in 2002 as Deputy General Director of WESTA-DNEPR JSC and in October 2003 he was appointed as a Senior Deputy General Director.

Pavlo Fisunenko

Pavlo Fisunenko has been a General Director of TECHKOMPLEKT LLC since 2007. He started to cooperate with the Group as Economist in 2004. In years 1999-2004 Mr. Fisunenko was a lecturer at Pridneprovsk State Academy of Civil Engineering and Architecture.

Mr. Fisunenko graduated from the Pridneprovsk State Academy of Civil Engineering and Architecture in 1999. He also holds a doctorate degree in philosophy.

The following table sets out past and current directorships held by the Senior Management in the past five years:

Name	**Position**
Viktor Dzenzers'kyy	*Current directorships:*
	WESTA-DNEPR JSC - Chairman of the Supervisory Board (since April 2010)
	Institute of Transport Systems and Technologies of the National Academy of Science of Ukraine – Director (since 2004)
	Former directorships:
	NONE
Sergiy Kasyan	*Current directorships:*
	WESTA-DNEPR JSC - Member of the Supervisory Board (since April 2010)
	Former directorships:
	WESTA-DNEPR JSC - Chairman of the Administrative Board (March 2008- April 2010)
	WESTA-DNEPR JSC -Vice President on the Manufacturing Matters (October 2003-March 2008)
Valerii Velychko	*Current directorships:*
	WESTA-DNEPR JSC - General Director (since July 2009)
	Former directorships:
	Westa-Plast LLC - General Director (2003 – 2009)
Vitaliy Kolisynskyy	*Current directorships:*
	WESTA INDUSTRIAL LLC - General Director (since July 2009)
	Former directorships:
	WESTA-DNEPR JSC - Deputy of the General Director (February 2009 – July 2009)
Pavlo Fisunenko	*Current directorships:*
	TECHKOMPLEKT LLC - General Director (since December 2007)
	Former directorships:
	NONE

Mykhaylo Zverev	*Current directorships:* Industrial Energy Systems LLC - General Director (since September 2004) *Former directorships:* WESTA-DNEPR JSC - Senior Deputy General Director (October 2003 – May 2008)

The business address of all members of the Senior Management is in Dnepropetrovsk. Mr. Kasyan, Mr. Fisunenko and Mr. Velychko are in 34 Budivelnykiv Street, Dnepropetrovsk Ukraine. The business address of Mr. Zeverev is Lazariana 3, whereas Mr. Kolisinskyy's and Mr. Viktor Dzenzers'kyy's business address is at 5 Pysarzevskoho Street, Dnepropetrovsk, Ukraine.

Shares or Share Options held

Except for Mr. Denys Dzenzers'kyy, who indirectly holds 100 per cent. of the Issuer's share capital as on the date of the Prospectus, no other member of the Board of Directors and no other member of Senior Management holds directly or indirectly any Shares or stock options over such Shares in the Company. For information on the shareholding of Mr. Denys Dzenzers'kyy see "*Principal Shareholder"*.

Except from Mr. Sergiy Kasyan, Mr. Denys Dzenzers'kyy and Mr. Viktor Dzenzers'kyy who have been a minority participants of WESTA INDUSTRIAL LLC since 2006 (0,00092% of total interest in the capital each) no employees of the Group hold any shares in the Group companies.

At the date of this Prospectus, the Issuer has no stock option plan or other arrangements in place for members of the Board of Directors, Senior Management or Group employees pursuant to which such persons can acquire shares or options of such shares in the Issuers' capital or its subsidiaries. The Company may however implement such arrangements in the future.

As far as the Issuer is aware, no member of the Board of Director or member of Senior Management intends to purchase any Offer Shares in the Offering.

Remuneration and Terms of Service Contracts

The remuneration of the members of the Board of Directors will be determined by the Board of Directors, in accordance with remuneration policy to be adopted by the General Meeting of shareholders after the Admission.

The objective of the Group's remuneration policy is to provide a compensation programme allowing for the attraction, retention and motivation of members of the Board of Directors who have the character traits, skills and background to successfully lead and manage the Company.

As the Issuer has only recently been established and current members of the Board of Directors have been appointed in November 2010, the Issuer has not paid historically any remuneration to members of the Board of Directors. Current A-class members of the Board of Directors as well as Senior Management have been employed in certain Group Subsidiaries and received from those companies in the previous financial year remuneration: Mr. Denys Dzenzers'kyy UAH 1,278,848 (USD 160,536), Mr Nikitin UAH 694,320 (USD 87,159), Mr. Viktor Dzenzers'kyy UAH 290,000 (USD 36,500) and received in kind benefits (as mobile phone and company car) in total value of UAH 260,000 (USD32,500), Mr. Kasyan UAH 290,000 (USD36,500) and received in kind benefits (as mobile phone and company car) in total value of UAH 135.458 (USD 17,004) in 2010, Mr. Valeriy Velychko received UAH 150,000 (USD 18,830) in total, Mr. Vitaliy Kolisynskyy UAH 120,000 (USD 15,064), Mr. Pavlo Fisunenko almost UAH 30,000 (USD 3,766) in total, and Mr. Mykhaylo Zverev almost UAH 131,000 (USD 16,445) in total.

The total remuneration, paid by the Group to the members of the Board of Directors, Senior Management as well as all other directors and management staff in the latest ended financial year was approximately USD 370,000.

The members of the Board of Directors and Senior Management are not granted any pensions, retirement or similar benefits by the Issuer or the Operating Companies. No amounts have been set aside or accrued by the

Issuer or its subsidiaries to provide pension, retirement or similar benefits to members of the Board of Directors or Senior Management.

Indemnity agreements

Members of the Board of Directors do not have any indemnity arrangements with the Issuer except for Directors B who shall be held free and harmless of any damage he might incur while carrying out the duties pertaining to his office in accordance with the agreement concluded between the Issuer and SGG (Luxembourg service provider), except for damage due to serious misconduct or gross negligence. The Group has not purchased any directors & officers liability insurance policy.

Non-compete compensation and employment termination compensation

In line with Ukrainian practice, members of the Board of Directors and members of the Senior Management do not have any agreements with the Group under which, after termination of the employment relationship with the Group, such persons would be is obligated to maintain non-competition duty for a certain period following termination of his employment relationship. However, the Company may enter into such agreements with members of the Board of Directors or members of the Senior Management in the future.

The service contracts, employment agreements or other similar agreements entered into between the Issuer or the Group companies and the members of the Board of Directors and the Senior Management do not provide for special benefits in the case of dismissal or termination of such persons service, employment contract or other similar agreement.

Other information on the Management

At the date of this Prospectus, except as stated above, none of the members of the Board of Directors or Senior Management:

- has been convicted of any offences relating to fraud;
- has been the subject of any official public incrimination or has been sanctioned by statutory or regulatory authorities (including professional associations) or
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conducting the affairs of any company;
- has been associated with any bankruptcy, receivership or liquidation, or similar proceedings, in their capacity as members of any administrative, managing, or supervisory body or as a senior executive.

No member of the Board of Directors and no member of the Senior Management holds a supervisory or a non-executive position in any listed company outside the Group or perform principal activities outside the Group which are significant with respect to the Issuer.

Apart from the fact that Viktor Dzenzers'kyy - Chairman of the Supervisory Board of WESTA-DNEPR JSC is a father of Denys Dzenzers'kyy - a Member of the Board of Directors of the Company, there are no family relationships among members of the Board of Directors and Senior Management.

There are no actual or potential conflicts of interest between the obligations of the members of the Board of Directors members and Senior Management, except Mr. Denys Dzenzers'kyy, toward the Company and their respective private interests and duties or obligations to the Company. Due to the fact that interests of the Group are not always in line with the interests of the Principal Shareholder, there is a potential conflict of interest between private interests of Mr. Denys Dzenzers'kyy and the interests of the Issuer, see *Existing shareholder will continue to exert significant influence on the management following the Offering.*

Except as stated above, there are no arrangements or understandings with the Principal Shareholders, customers, suppliers or others pursuant to which any member of the Board of Directors or Senior Management was selected or appointed.

Committees

As at the date of this Prospectus, the Board of Directors has established from among its members neither the Audit Committee nor the Remuneration Committee. The Company may decide to establish the Audit Committee after the Admission. The Issuer does not intend to establish the Remuneration Committee. The tasks and duties contemplated by a remuneration committee and selection and appointment committee will be performed by the entire Board of Directors.

The Company intends to promote that according with Article 11.2 of the Company's Articles of Association, the Audit Committee shall be composed solely of independent members of the Boards.

Audit Committee

If the Company decides to establish the Audit Committee, it shall be composed of three Directors.

The Audit Committee will assist in supervising the activities of the Board of Directors with respect to:

- monitoring the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the Company and the Group (including the criteria for the consolidation of the accounts of companies in the Group),

- reviewing at least annually the internal control and risk management systems, with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed,

- ensuring the effectiveness of the internal audit function (is such is appointed in the Company), in particular by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the department's budget, and by monitoring the responsiveness of management to its findings and recommendations.

The role and responsibilities of the Audit Committee, as well as its composition and the manner in which it operates and discharges its duties are set out in regulations for the Audit Committee, as drawn up by the Board of Directors. The Audit Committee regulations and its composition will be placed on the Issuer's website.

Corporate governance

Luxembourg

In April 2006, the Luxembourg Stock Exchange (the "LxSE") issued the "Ten principles of corporate governance of the Luxembourg stock exchange" (second edited-revised version dated October 2009) (the "Luxembourg Corporate Governance Code"). The Luxembourg Corporate Governance Code sets forth ten principles regarding in particular the fiduciary duties of the directors, the creation of committees, publication of information in the annual management report and the rights of the shareholders. Each principle is specified by recommendations. The LxSE is responsible for monitoring the application of the principles set out in the Luxembourg Corporate Governance Code.

The Luxembourg Corporate Governance Code is only applicable to companies whose shares are admitted to trading and listed (i) on the LxSE or (ii) on the LxSE and on one (or more) foreign regulated markets. The Luxembourg Corporate Governance Code is not applicable to Luxembourg companies that are not listed on the LxSE. Therefore, the Company is not required to comply with the rules set out in the Luxembourg Corporate Governance Code. However, according to the Luxembourg Corporate Governance Code, the principles set forth in such code could also serve as a reference framework for Luxembourg companies listed on a foreign regulated market.

The Company does not intend to comply with the provisions of the Luxembourg Corporate Governance Code, since it is not required to do so. Instead, the Company has decided to observe the majority of the WSE Corporate Governance Rules.

Poland

The Issuer has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles will apply to the Issuer only to the extent allowed by Luxembourg corporate law and corporate structure of Westa Group, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Issuer does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, its Board of Directors performs both the management and supervisory functions. As a result, the Issuer will apply those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly.

PRINCIPAL SHAREHOLDER

Principal Shareholder

As at the date of this Prospectus, 100% of the outstanding share capital of the Company is held by Vankeria Consultants Limited. Vankeria Consultants Limited is a Cypriot entity, with its registered office at Lampousas, 1, P.C. 1095, Nicosia, Cyprus. The company is owned by one natural person, Ukrainian citizen Mr. Denys Dzenzers'kyy holding 100% of shares. Vankeria Consultants Limited is a holding company which does not carry out any operating activity except for holding shares in the Issuer.

Change of control

As at the date of this Prospectus, so far as the Company is aware, there is no arrangement that might result in the change of control over the Company.

Dilution

The tables below indicate the Company's shareholding structure as at the date of this Prospectus and after the Offering:

	Shares owned prior to the Offering		Shares owned after the Offering(1)	
Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
Vankeria Consultants Limited..........................	33,100,000	100	33,100,000	75
Public	-	-	11,033,333	25
Total	33,100,000	100	44,133,333	100

(1) Assuming that all the Offer Shares are subscribed in the Offering;

The voting rights of the Principal Shareholder with respect to its shares do not differ in any respect from the rights attaching to the Shares. The Principal Shareholder will not have other voting rights from other shareholders, other than the greater or lesser voting power inherent in its percentage ownership in the Company's share capital.

Lock-up agreements

Except for the issue of the Offer Shares in the Offering and the issue of securities linked to the Company's share capital under any share / management incentive plan to be implemented by the Company, the Company has agreed that for the period of 12 (twelve) months from the Settlement Date, the Company will not, without the prior written consent of the Managers, which consent shall not be unreasonably withheld, propose or otherwise support an offering of any of the Company's shares, announce any intention to offer new shares and/or to issue any securities convertible into Company's shares or securities that in any other manner represent the right to acquire the Company's shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Company's shares.

Furthermore, the Principal Shareholder has agreed that for a period of 12 (twelve) months from the Settlement Date shall not: (i) sell or announce an intention to sell any of the Company's shares, (ii) issue any securities exchangeable into the Company's shares, (iii) issue any securities that in any other manner represent the right to acquire the Company's shares, and also (iv) conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling Company's shares, except the issue of securities linked to the Issuer's share capital under any share / management incentive plan to be implemented by the Issuer, without the prior consent of the Managers, which consent shall not be unreasonably withheld. In addition, the Principal Shareholder has undertaken for a period of 12 (twelve) months from the Settlement Date not to propose, vote in favour of or otherwise support: (i) any increase of the Company's share capital, (ii) any issuance of securities convertible into the Company's shares or (iii) any issuance of any other securities that in any other manner represent the right to acquire the Company's Shares, and also (iv) to conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of causing the Company to issue such instruments except the issue of securities linked to the Company's share capital under any share / management incentive plan to be implemented by the Company.

THE OFFERING AND PLAN OF DISTRIBUTION

General Information

The Issuer is offering for subscription up to 11,033,333 Offer Shares. The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions.

The Offering consists of: (i) public offering to retail investors in Poland (the "Retail Investors"), (ii) public offering to institutional investors in Poland (the "Polish Institutional Investors"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act (the "International Investors", and together with the Polish Institutional Investors, the "Institutional Investors"). The Retail Investors and Institutional Investors are jointly referred to as Investors.

No public offering in Luxembourg will take place, although for the purpose of the public offering in Poland the Issuer has taken and will take certain actions in Luxembourg as its home Member State.

All of the Offer Shares have been assigned ISIN code LU0627170920.

Publication of the Prospectus

The Prospectus, and any supplements to the Prospectus, will be published on the website of the Issuer www.westa.com.ua, on the website of the Co-Lead Manager www.dmbzwbk.pl, on the website of the Luxembourg Stock Exchange www.bourse.lu and on the website of the Lead Managers www.bgcapital.ge.

Notices

Any notices relating to the Offering and in particular the final Offer Price, and final results of the Offering will be filed with the CSSF and the PFSA, and will be published on the website of the Issuer www.westa.com.ua and of the Co-Lead Manager www.dmbzwbk.pl. In addition, any notices relating to the Offering which should be published in Luxembourg in accordance with Luxembourg law, shall be published on the website of the Luxembourg Stock Exchange www.bourse.lu or otherwise as required by Luxembourg law.

Corporate resolutions

By virtue of the sole shareholder's resolution dated March 18, 2011, the Board of Directors of the Issuer has been authorized to issue up to 11,900,000 new shares in the Issuer share capital during the period expiring right after the closing of the initial public offering of the Shares of the Issuer in Warsaw or the closing of any other offerings of the Shares of the Company, whichever event occurs first, in any case no later than a term of 5 years from the date of the publication of the authorisation in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*), with the power to limit or exclude any preferential subscription rights of the existing shareholders. Pursuant to Luxembourg corporate law, an appropriate report on the motives and reasons of the right to suppress the shareholder's preferential subscription rights has been submitted by the Board of Directors.

The authorised capital amounts to one hundred nineteen thousand Euro (EUR 119,000).

The sole shareholder authorized the Board of Directors to take any and all actions in connection with the Offering.

The issuance of the Offer Shares is scheduled to occur upon the Board of Director's execution of a resolution to that effect shortly prior to delivery and listing of the Offer Shares, as outlined below.

The Issuer, upon agreement with the Lead Managers, will determine the final terms on which the Offer Shares will be offered, including: (i) the final number of Offer Shares offered and, (ii) the final Offer Price. Upon the decision hereon, the Board of Directors will issue the Offer Shares.

For information on applicable selling restrictions in respect of the Offer Shares, please refer to "Selling Restrictions" and for information regarding the rights pertaining to the Shares, please refer to "The Issuer - Rights Attached to Shares".

Expected timetable of the Offering

The expected timetable below lists key dates relating to the Offering.

Publication of Prospectus	on or about May 17, 2011
Institutional Book-building	May 25, 2011 – May 27, 2011 until 4 pm CET
Subscriptions by Retail Investors	May 25, 2011 – May 27, 2011
Pricing and Initial Allotment Date	on or about May 27, 2011
Subscriptions by Institutional Investors	May 30, 2011 – June 2, 2011
Allotment Date	on or about June 6, 2011
Settlement Date	on or about June 7, 2011
Delivery Date	on or about June 8, 2011
Listing Date (listing of and start of trading in the Shares on the WSE)	on or about June 15, 2011

The subscription period ends with the end of the subscription period for the Institutional Investors.

The Issuer in consultation with the Lead Managers may decide to change the above dates if it deems so necessary for the successful completion of the Offering and Admission. Information on any changes in the above dates shall be announced on the websites of the Issuer (www.westa.com.ua) and the Co-Lead Manager (www.dmbzwbk.pl). Where required by law, any changes in the Offering dates shall be published in the form of an update report or, if applicable, a supplement to the Prospectus. Information on any change of the dates shall be published no later than on the originally set date, provided that if the period of acceptance of subscription orders or the book-building period is shortened, relevant information shall be published no later than on the date preceding the last day (according to the new schedule) of acceptance of subscription orders or of the book-building process.

Place of Subscription

Subscriptions will be accepted at the offices of the Co-Lead Manager and offices of Bank Zachodni WBK S.A., who acts as agent of the Co-Lead Manager. A detailed list of places where subscriptions are accepted is attached as Annex II to this Prospectus. The list, as well as any amendments to the list, will be published at the website of the Co-Lead Manager (www.dmbzwbk.pl).

Investors should verify with the entity offering the Offer Shares whether or not the entity is acting in association with the Issuer.

The Managers may establish a selling syndicate and authorize other investment firms and other licenced entities to accept subscriptions for Offer Shares. If such syndicate is created, the Issuer will publish an update report with names of entities accepting subscription orders and will provide all information on such entities as required by applicable regulations. Addresses of customer service points accepting subscriptions for Offer Shares will be published on the website of the Issuer (www.westa.com.ua) and on the website of the Co-Lead Manager (www.dmbzwbk.pl).

Subscriptions via Internet and by phone will be accepted by the Co-Lead Manager from investors who have a brokerage account agreement with the Co-Lead Manager and the agreement provides for placing subscriptions via Internet or by phone. Such subscriptions will be accepted in accordance with such agreement, internal regulations of the Co-Lead Manager accepted by the investor when entering into such agreement and technical requirements of using the Internet application made available by the Co-Lead Manager for placing subscriptions. If the Managers establish a selling syndicate and subscription orders are accepted by other investment firms or other licenced entities, such entities may agree with particular investors to accept subscriptions via Internet or by phone.

Book-building

Before the start of subscriptions by Institutional Investors, the book-building process will be conducted, during which selected Institutional Investors who have been invited to the process by the Managers, will declare their intention to subscribe for Offer Shares. In their declarations, the Institutional Investors will specify (i) the total number of Offer Shares they intend to subscribe for, (ii) the price at which they are willing to subscribe for the Offer Shares, and (iii) the currency (PLN or USD) in which they are willing to pay for the Offer Shares.

Invitations can be made in any form. Polish Institutional Investors who would like to take part in the book-building process and subscribe for Offer Shares in the Offering should contact the Co-Lead Manager for further details regarding subscription process

The book-building process will end on or about May 27 (4 pm CET), 2011. However, the deadline for receipt of indications of interest from the Institutional Investors may be extended or shortened at the discretion of the Managers.

On the basis of declarations as to the acquisition of the Offer Shares, the Issuer, upon recommendation from the Managers, will determine the Offer Price and will initially allocate the Offer Shares among particular Institutional Investors as well as to Retail Investors as a group.

The details of the book-building process will not be made public.

Eligible Investors

The Offer Shares may be acquired by retail investors in Poland (the "Retail Investors"), and by selected institutional investors invited by the Managers to participate in the book-building resident in the territory of Poland (the "Polish Institutional Investors").

In addition, the Issuer is offering the Offer Shares through private placement to selected investors in certain jurisdictions outside Poland and United States, where such an offering may be lawfully conducted. Such investors, together with Polish Institutional Investors are referred to as "Institutional Investors".

Retails investors include natural persons and legal entities resident in Poland, as well as unincorporated entities resident in Poland, except for US Persons.

Institutional Investors include legal entities resident in Poland or outside of Poland, except for US Persons, who have been invited by the Managers to participate in the book-building. Asset management companies managing portfolios of securities on behalf of their clients will be regarded as Institutional Investors.

Investors participating in the Offering must hold securities accounts with investment firms or custodian banks who are participants of the NDS.

The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

No separate tranches have been created in the Offering for various categories of investors (such as Institutional Investors or Polish Investors). Consequently, the Issuer reserves the right to allocate the Offer Shares between such groups of investors and within such groups to investors at its absolute discretion, following agreement with the Lead Managers. Total number of Offer Shares allocated to Institutional Investors and total number of Offer Shares allocated to Retail Investors will be decided by the Issuer on the Pricing and Initial Allotment Date, and announced on or around the Pricing and Initial Allotment Date at the same time and in the same manner as announcement of the final Offer Price and final number of Offer Shares. All of the Offer Shares may be subscribed solely by Institutional Investors or by Retail Investors, or by a combination thereof, as the case may be.

All investors that intend to acquire any of the Offer Shares should acquaint themselves with the relevant laws of their countries of residence prior to making a decision to subscribe for the Offer Shares.

Currency of the Offering

All monetary amounts used in the Offering will be expressed in PLN. In particular, the Maximum Price and the Offer Price are set, and the book-building process will be carried out in PLN. However, Institutional Investors may pay for the Offer Shares in USD. See: "Subscription and Allotment" below.

Issuance of Offer Shares

The Offer Shares will be issued on the Delivery Date, which is expected to be on or about June 8, 2011.

Purchase by management

According to the statements made, no Director or other member of the Company's management intends to subscribe for any Offer Shares.

Offer Price

The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions as specified below.

The Offer Price will not exceed PLN 17.30 (the "Maximum Price"). The Maximum does not necessarily reflect, or is close to, the final Offer Price.

During a book-building process amongst Institutional Investors invited by the Managers, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, which they will be willing to pay. The book-building, is expected to cease on or about May 27 (4 pm CET), 2011, but the deadline for receipt of indications of interest from the Institutional Investors may be extended or shortened at the discretion of the Managers.

The final Offer Price will be determined by the Issuer upon agreement with the Lead Managers, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.

The final Offer Price will not be higher than the Maximum Price but may be lower than the Maximum Price.

The Issuer will announce the final Offer Price on the Pricing and Initial Allotment Date on or around May 27, 2011, through a press release in Poland and in a manner compliant with applicable regulations as well as market practice in Luxembourg and Poland. In particular, the Offer Price will be filed with the CSSF and the PFSA and published in the same manner as the Prospectus. The Offer Price will be published on the website of the Issuer www.westa.com.ua and on the website of the Luxembourg Stock Exchange www.bourse.lu.

Due to the fact that the Maximum Price is included in the Prospectus, investors do not have the right to withdraw subscriptions after the final Offer Price has been determined and announced, pursuant to Article 10.1 of the Prospectus Act 2005 and Article 54.1 of the Public Offering Act.

The final Offer Price will be set in PLN and will be identical both for Retail Investors and Institutional Investors.

No expenses or taxes will be charged to the subscribers. Investment firms accepting subscriptions for Offer Shares may charge fees for accepting the subscriptions, in accordance with individual agreements made by the investment firms with particular subscribers and fee schedules of such investment firms.

Final number of Offer Shares

The final number of the Offer Shares in the Offering will not be higher than 11,033,333. The Issuer reserves the right to allocate in total a smaller number of Offer Shares than the total maximum number. This may happen, for instance, as a result of insufficient demand at a price level satisfactory to the Issuer.

On the Allotment Date the Issuer will announce the final number of the Offer Shares through a press release in Poland and in accordance with applicable regulations as well as market practice in Luxembourg and Poland. In particular, the final number of Offer Shares offered in the Offering will be filed with the CSSF and the PFSA and published in the same manner as the Prospectus, including publication on the website of the Issuer www.westa.com.ua, on the website of the Co-Lead Manager www.dmbzwbk.pl and on the website of the Luxembourg Stock Exchange www.bourse.lu.

Subscription and Allotment

Subscriptions for Offer Shares may be placed by eligible Retail Investors and Institutional Investors.

Subscriptions are irrevocable except as may be required under article 16 of the Prospectus Directive, as implemented in each relevant Member States' jurisdictions of the EU applicable to the Offering. In particular, investors who have subscribed for the Offer Shares have the right to withdraw their subscription if a supplement to the Prospectus is published. The right may be exercisable within two working days after publication of the supplement.

By placing subscription orders, each prospective Investor confirms that it (i) has read the Prospectus, (i) accepts the terms of the Offering, (iii) consents to being allocated a lower number of the Offer Shares than the number specified in such Investor's order, (iv) consents that it may not be allocated any Offer Shares at all.

The Investor placing the subscription order is responsible for any errors or missing information in the subscription form.

Subscription and Allotment by Institutional Investors

On the Pricing and Initial Allotment Date the Issuer will initially allocate the Offer Shares to selected investors who during the book-building process have offered a price for Offer Shares not less than the final Offer Price. The initial Allotment will be made by the Issuer in an entirely discretionally manner, upon agreement with the Lead Managers. The Institutional Investor may be initially allocated less Offer Shares than the number of Offer Shares indicated by it in the book-building process or may not be allocated any Offer Shares at all. The fact that an Institutional Investor offered a price for Offer Shares not less than the final Offer Price does not guarantee that such Investor will be initially allocated any Offer Shares. The number of Offer Shares initially allocated to an Institutional Investor will not be higher than the number of Offer Shares indicated by such Institutional Investor during book-building.

The Manager will advise investors of the number of the preliminarily allocated Offer Shares and will invite them to place a subscription order and make a payment.

Institutional Investors who were initially allocated the Offer Shares will be required to subscribe for all the Offer Shares initially allocated to them, during the subscription period for Institutional Investors, and to pay for such Offer Shares not later than on the last day of the Subscriptions for Institutional Investors until 6 pm CET, in a manner agreed with the Managers. Each Institutional Investor shall subscribe for a number of Offer Shares initially allocated to such Investor. Subscriptions for number of Offer Shares different than the number of Offer Shares initially allocated to such Investor may be rejected. Multiple suscriptions are not permitted.

If any Institutional Investor fails to subscribe for or pay for any Offer Shares initially allocated to such Investor, the Issuer in agreement with the Managers may, at its discretion, invite one or more other Institutional Investors to subscribe for the Offer Shares not subscribed for or paid for.

On the Allotment Date, Institutional Investors will be finally allocated such number of Offer Shares (i) which was initially allocated to such Investors on the Pricing and Initial Allotment Date, (ii) as to which the Institutional Investor placed a valid subscription order, and (iii) with respect to which the total Offer Price was fully paid.

Institutional Investors will be notified of their Allotments by the Managers.

Subscription and Allotment by Retail Investors

Subscription orders from Retail Investors will be accepted at the Customer Service Points of the Co-Lead Manager listed on the Company's website www.westa.com.ua.com or at any other place that may be publicly communicated by the Managers prior to the end of the subscription period for Retail Investors. For information on the detailed rules governing the placing of subscription orders, in particular: (i) the documents required if a subscription order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing subscription orders and deposit requests in a form other than the written form i.e. by telephone or internet, the Retail Investors should contact the Customer Service Point of the Co-Lead Manager or other entities accepting orders for Shares from Retail Investors at which they intend to place their subscription order.

Retail Investors who would like to purchase the Offer Shares in Poland are required to follow the instructions provided by the Co-Lead Manager who acts as intermediary in the Offering.

Retail Investors may subscribe for a minimum of 10 Offer Shares and not more than 100,000 Offer Shares. The Retail Investor may make any number of subscriptions provided that the total number of Offer Shares subscribed by it does not exceed 100,000 Offer Shares. If a Retail Investor subscribes in total for more than 100,000 Offer Shares he will be deemed to subscribe for 100,000 Offer Shares. Multiple subscriptions are permitted provided that they do not exceed in total 100,000 Offer Shares.

Purchase orders from the Retail Investors should be submitted at the Maximum Price only.

Orders not fully paid for or with improperly completed subscription forms will be invalid.

Retail Investors subscribing for the Offer Shares must at the same time submit instructions to deliver the Offer Shares allocated to them to their securities accounts. Prospective investors who do not have a securities account will be required to open such account prior to subscribing for the Offer Shares.

The Issuer will not give preferential treatment or discriminate between Retail Investors in Allotment of Offer Shares. If the total number of Offer Shares allocated to Retail Investors is equal to or less than the number of the Offer Shares subscribed by Retail Investors, each Retail Investor will allocated the number of Offer Shares for which the Investor subscribed. If the total number of Offer Shares allocated to Retail Investors as a group will be less than the total number of Offer Shares subscribed for by Retail Investors, the number of Offer Shares allocated to each Retail Investor will be equally reduced pro rata to the number of Offer Shares subscribed by such Investor. All fractional allotments will be rounded down and remaining individual shares shall be allocated to the Retail Investors who subscribed for the largest number of Shares.

Retail Investors may receive relevant notifications on allotment of Offer Shares in accordance with the regulations of their brokerage accounts.

Payment for the Offer Shares

Payment for the Offer Shares by Institutional Investors

Institutional Investors who were initially allocated Offer Shares are obliged to pay the Offer Price with respect of such Offer Shares not later than on the last day of Subscriptions for Institutional Investors until 6 pm CET.

Payments for the Offer Shares by the Institutional Investors may be made in PLN or in USD, at the selection of the Institutional Investor, as specified by such Institutional Investor during the book-building process. If the Institutional Investor does not specify the currency of payment during the book-building process, such Institutional Investor will be deemed to select payment in PLN. Notwithstanding the selection of payment currency, the book-building process will be carried out, and declarations of interest from Institutional Investors will be accepted, in PLN.

Institutional Investors who selected payment in PLN will be required to pay an amount in PLN corresponding to the number of Offer Shares initially allocated to such Investor multiplied by the Offer Price.

Institutional Investors who selected payment in USD will be required to pay an amount in USD corresponding to the number of Offer Shares initially allocated to such Investor multiplied by the Offer Price and converted into USD using the average exchange rate of the National Bank of Poland published on the Pricing and Initial Allotment Date.

A subscription placed without any payment will be invalid. A subscription placed with partial payment will be valid with respect to such number of Offer Shares for which payment has been made.

Institutional Investors, in particular, entities managing securities portfolios on behalf of their clients should liaise with the Managers in order to discuss actions required to place subscription orders and to pay for initially allocated Offer Shares.

Payment for the Offer Shares by Retail Investors

Full payment for the Offer Shares by Retail Investors must be made in PLN, not later than until the end of day of placing the subscription, in accordance with the regulations of the investment firm accepting the subscription.

The payment is equal to the number of Offer Shares for which the subscription is made multiplied by the Maximum Price.

A subscription placed without full payment for the Offer Shares will be invalid with respect to all the Offer Shares included in the subscription.

Any overpayments (either as a result of the Offer Price being lower than the Maximum Price, lack of Allotment of Shares or as a result of any proportional reduction) will start to be returned not later than seven business days after the Settlement Date without any interest or any other compensation.

Withdrawal of Subscription

A subscription for the Offer Shares is irrevocable except when after the start of the Offering, a supplement is made public concerning an event or circumstances occurring before the allotment of the securities, of which the Issuer became aware before the allotment. In such case, pursuant to article 13.2 of the Prospectus Act 2005 and article 51a of the Public Offering Act, the investor who has made a subscription before the publication of the supplement may withdraw such subscription by submitting a written statement to the institution where the subscription was made, within two business days from the date of the publication of the supplement. Under article 51a of the Public Offering Act, the right to withdraw the subscription will not apply to those cases when a supplement is made available in connection with errors in the prospectus of which the Issuer became aware after the allotment, and in connection with factors which occurred or of which the Issuer became aware after the allotment. In such case, if necessary, the Settlement Date will be adjusted in order to enable the Investors to withdraw their subscriptions.

Refund of payment for Offer Shares included in the withdrawn subscription will be made in accordance with instructions included in the subscription form within three business days after withdrawal of the subscription. The refund will be without interest or compensation.

Results and Closing of the Offering

The Issuer will announce the results of the Offering within 14 days from the Settlement Date, by means of a press release in Poland and in a manner compliant with applicable regulations, as well as market practices in Luxembourg and Poland. Results of the Offering will be published on the website of the Issuer www.westa.com.ua, on the website of the Co-Lead Manager www.dmbzwbk.pl and on the website of the Luxembourg Stock Exchange www.bourse.lu.

The Offering will close on the Delivery Date, upon subscription, Allotment and payment for the Offer Shares and issuance by the Issuer of the Offer Shares. The Placement Agreement will include conditions to the closing of the Offering (see "Placing").

Supplements to the Prospectus

In accordance with Article 13.1 of the Prospectus Act 2005 and Article 51.1 of the Public Offering Act, any significant change to the Prospectus, as defined in the aforementioned regulations will be communicated through a supplement to the Prospectus, if required. The supplement to the Prospectus will need to be approved by the CSSF, notified the PFSA and published in the same matter as the Prospectus. If the supplement is published after approval of the Prospectus by the CSSF and relates to events or circumstances which occurred prior to the Allotment Date and about which the Issuer or the Managers have learnt prior to the allotment, investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions. See: "*Withdrawal of Subscription*" above.

Change of terms of the Offering

In Poland, in accordance with Article 52 of the Public Offering Act, information resulting in changes to the content of the Prospectus or supplements already made available to the public in respect of the organization or conduct of subscription of Offer Shares or their admission to trading on the WSE, which do not require publication of the supplement, will be published in the form of an update report, in the same manner as the Prospectus. Such report will be simultaneously submitted to the PFSA. In such case, the Investors do not have a right to withdraw their subscriptions.

Cancellation or postponement of the Offering

The Issuer may cancel the Offering, upon recommendation of the Managers or at its own initiative, at any time prior to the Settlement Date. The Issuer may also change the dates of opening and closing of the book-building and subscription periods for the Retail Investors, or decide that the Offering will be postponed and that new dates of the Offering will be provided by the Issuer later.

The Issuer may cancel the Offering, upon recommendation of the Managers if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the WSE, as well as any other official stock exchange in the EU and the United States; (ii) sudden and material adverse change in the economic or political situation in Ukraine, Poland, Luxembourg or worldwide; (iii) a material loss or interference with the Issuer's business; (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Group, or (v) an insufficient, in the Issuer's opinion or that of the Managers, expected free float of the Issuer's shares on the WSE talking into account preliminary results of the book-building or of the subscriptions. In such event, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation.

Any decision on cancellation, suspension, postponement or changes of dates of the Offering will be published by way of an update report and a press release in Poland and in a manner compliant with applicable regulations, as well as market practices in Luxembourg and Poland. The Offering may not be cancelled or suspended after the official trading in the Offer Shares on the WSE has begun.

If the Offering is suspended, the Issuer may decide that subscriptions made, book-building declarations submitted and payments made will be deemed to remain valid, however for not longer than 60 days. In such case, Investors may withdraw subscriptions and declarations made by submitting a relevant statement to that effect within two business days after report on the suspension if announced.

All dealings in the Offer Shares prior to the commencement of the official trading on the WSE will be at the sole risk of the investor concerned, irrespective of whether or not the investor concerned has been notified of the number of Shares allocated to him.

Overallotment

The Issuer has not granted and will not grant any overallotment option.

Registration and Delivery of the Offer Shares

The National Deposit of Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*), with its seat at Książęca 4, 00-498 Warsaw, Poland, the Polish central clearinghouse and securities depository, will act as depositary of the Offer Shares.

An application will be made for the Offer Shares to be accepted for delivery through the book-entry facilities of the NDS, either directly as a participant of that system or indirectly through participants of the NDS. Investors should note that in order to trade the Shares on the WSE the Shares must be in book entry form.

All of the Offer Shares are bearer shares. All Offer Shares will be registered with the NDS and will be held by shareholders in a book entry form with a custodian bank or an investment firm as a participant of the NDS.

Delivery of the Offer Shares will be made in accordance with settlement instructions placed by investors upon subscription, through the facilities of the NDS, by registration of the Offer Shares on the Investors' securities accounts indicated by such Investors. Delivery of the Offer Shares is expected to take place on or about June 8, 2011, barring unforeseen circumstances, by appropriate entry on the Investor's securities accounts held through members of the NDS. The exact delivery dates will depend on timing of registration of Offer Shares in the facilities of the NDS.

No share certificates or other documents confirming subscription of Offer Shares will be issued by the Issuer to Investors. Investors shall be notified of registration of the Offer Shares on their securities accounts in accordance with the rules applicable at their respective investment firms or banks holding securities accounts. However, the date of delivery of such notifications shall not affect the date of the first listing of the Offer Shares and such notices may be delivered following the first day of listing of Offer Shares on the Warsaw Stock Exchange.

Listing and Trading

The Issuer intends to apply for admission of all the Offer Shares to listing and trading on the main market of the WSE, immediately after the Settlement Date. The main market of the WSE is a regulated market pursuant to MiFID. The Issuer expects that the trading in the Shares on the WSE will commence on June 15, 2011 or as soon as possible thereafter.

In connection with the listing of the Shares on the WSE, all the Offer Shares will be registered with and cleared through the NDS which is the central clearinghouse and depository of securities in Poland, including those listed on the WSE. The NDS will act as paying agent for any distributions payable to holders of the Offer Shares.

Investors trading on the WSE should consider that since under the laws of Luxembourg no court registration process is needed in order to validly issue new shares, the Offer Shares will be eligible for the listing application upon payment by investors, together with the Issuer's existing Shares. Consequently, the Issuer will not be seeking to apply for listing on the WSE of any temporary share receipts, such as "rights to shares" (*prawa do akcji*) within the meaning of the Act on Trading in Financial Instruments.

At present the Issuer does not intend to seek a listing of the Shares at any stock exchange other than the WSE but may consider such listing in the future.

Offering Agent

The Issuer has appointed Dom Maklerski BZ WBK S.A. with its seat at Plac Wolności 15, Poznań, Poland, to act as offering agent with respect to the Shares for the purposes of the public offering in Poland and admission to trading on the main market of the WSE.

PLACING

The Issuer intends to enter, prior to the Pricing and Allotment Date, into a placement agreement (the "Placement Agreement") in respect of the Offering with the Lead Managers and the Co-Lead Manager, in which the Lead Managers and the Co-Lead Manager will commit, on a best efforts basis, to procure subscribers for the Offer Price.

BG Capital JSC, a company incorporated under the laws of Georgia, company code 211359206, whose registered office is at 74a Chavchavadze Avenue, Tbilisi 0179, Georgia, and BG Trading Limited, a company incorporated under the laws of Cyprus, registered under No. HE 195267, whose registered office is at Arch.Makariou III, 58 Iris Tower, Office 602, P.C.1075, Nicosia, Cyprus, act as Lead Managers of the Offering. Dom Maklerski BZ WBK S.A. whose registered office is at Plac Wolności 15, 60-967 Poznań, Poland, acts as the Co-Lead Manager and offering agent in Poland for the purposes of the Offering in Poland and admission to trading on the WSE.

Bank Zachodni WBK S.A., whose registered office is at Rynek 9/11, 50-950 Wroclaw, Poland, acts as Advisor in the Offering, providing financial, organizational and management advice to the Issuer in connection with preparation of the Offering.

The Issuer has agreed to indemnify the Managers against certain liabilities and to reimburse the Managers for certain of their expenses in connection with the management of the Offering. The Managers are entitled in certain circumstances to be released and discharged from their respective obligations under the Placement Agreement prior to the Listing Date. Such circumstances include the non-satisfaction of certain conditions precedent and the occurrence of certain force majeure events.

Underwriting

The Issuer does not intend to enter into any underwriting agreements in connection with the Offering.

Stabilization

The Managers did not undertake to enter into any transactions aiming at stabilization of the price of Offer Shares.

Other Relationships

The Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company and the Principal Shareholder and any of its affiliates. The Lead Managers and their affiliates have received and may receive in the future customary fees and commissions for these transactions and service.

Stabilization

The Managers did not undertake to enter into any transactions aiming at stabilization of the price of Offer Shares.

Expenses of the Offering

As of the date of this Prospectus, the Issuer estimates the amount of total expenses for preparation of the Offering at approximately 5% - 6 % of the gross proceeds from the offering, i.e. approximately USD 3 million. These expenses consist of costs of preparation of the Prospectus, advisory services, marketing of the Offering and costs of analyses prepared with respect to the Offering.

The Issuer agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, i.e. standard brokerage fees charged by broker.

Lock-up Agreement

For description of lock-up agreements, concluded with regard to the Company's Shares please see Section *Principal Shareholder*, subsection *Lock-up agreements* above.

Interests of Natural and Legal Persons Participating in the Offering

The Lead Managers have a contractual relationship with the Issuer and the Principal Shareholder in connection with the Offering and the Admission. The Co-Lead Manager acts as subcontractor of the Lead Managers and has been mandated to act as the Offering Agent for the Offering in Poland and listing of the Issuer's Shares on the WSE.

The Managers advise the Issuer and the Principal Shareholder in connection with the Offering and Admission and coordinate the structuring and execution of the transaction. Furthermore, the Managers are involved in the Prospectus preparation process. If the transaction is successfully executed, the Managers will receive a combined commission which depends on the actual value of sold Offer Shares.

Dom Maklerski BZ WBK S.A. has a contractual responsibility in connection with the Offering and the admission of the Offering Shares to listing and trading on the WSE, and has been mandated to act as the Co-Lead Manager and the Offering and Listing Agent for the Offering Shares.

The Lead Managers or its affiliates may acquire in connection with the Offering the Offer Shares as Investors and hold or sell those Shares for their own account, which shall not constitute a preferential allotment. The Lead Managers does not intend to disclose the extent of such investments or transactions unless required by law.

The Co-Lead Manager advises in connection with the Offering and admission to the offering and listing and is involved into the structuring and execution of the transaction. If the transaction is successfully executed, the Co-Lead Manager will receive a commission which depends on the actual value of the Offering Shares sold in the Offering.

The Co-Lead Manager or its affiliates may acquire in connection with the Offering the Offer Shares as Investors and hold or sell those Shares for their own account, also outside of the offering period, which shall not constitute a preferential allotment. The Co-Lead Manager does not intend to disclose the extent of such investments or transactions unless required by law.

The Co-Lead Manager and its affiliates have engaged in and may in the future engage in investment banking, advisory services and other commercial dealings in the ordinary course of business with the Company and the Principal Shareholder and any of its affiliates. The Co-Lead Manager and its affiliates may receive in the future receive customary fees and commissions for these transactions and services.

Bank Zachodni WBK S.A., which is an affiliate of the Co-Lead Manager acts as subcontractor of the Lead Managers as advisor in the Offering. The advisor will receive a fee for its services which depends on the actual value of Offer Shares sold in the Offering.

The Managers or their affiliates may acquire in connection with the Offering the Offer Shares as investors and hold or sell those Shares for their own account, also outside of the offering period, which shall not constitute a preferential allotment. The Managers do not intend to disclose the extent of such investments or transactions unless required by law.

The Managers and its respective affiliates have in the past engaged and may in the future engage in investment and commercial banking and other commercial dealings in the ordinary course of business with the Principal Shareholder or with the Issuer, for which they have received customary fees and commissions.

SELLING RESTRICTIONS

Important information about this Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Prospectus Act 2005 (which implemented the Prospectus Directive into Luxembourg law), for the purpose of giving the information with regard to the Company and the Offer Shares it intends to offer pursuant to this Prospectus which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of article 5 of Prospectus Directive and article 8 of the Prospectus Act 2005. This Prospectus has been filed with, and was approved on May 13, 2011 by the CSSF, which is the competent authority in Luxembourg to approve this document as a prospectus. Under the Prospectus Directive and the Prospectus Act 2005, this Prospectus, once approved by the competent authority of one member state of the EU ("Home Member State") may be used for making a public offering and admission of securities to listing on a regulated market in another Member State of the EU ("Host Member State"), provided that the competent authority of the Home Member State provides the competent authority of the Host Member State with a certificate of approval of the Prospectus (in accordance with article 18 of the Prospectus Directive and article 19 of the Prospectus Act 2005).

The Company intends to undertake a public offering of the Offer Shares in Poland. Consequently, the Company will be authorized to carry out the Offering to the public in Poland, once the CSSF has provided the PFSA with (1) a certificate of approval of this Prospectus (in accordance with Art. 19 of the Prospectus Act 2005, Art. 18 of the Prospectus Directive and Art. 37 of the Public Offerings Act) and (2) a copy of the Prospectus together with a summary of the Prospectus in the Polish language and after the Prospectus in the English language and its summary in the Polish language have been made available to the public, which is equivalent to authorizing the Offering to the public in Poland.

For the purposes of the public offering in Poland the Issuer will publish a Polish translation of the summary of the Prospectus.

The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer declares that, after having taken all reasonable care to ensure that such is the case, the information in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Investors are authorised to use this Prospectuses solely for the purpose of considering the purchase of the Offer Shares in the Offering. You acknowledge and agree that the Managers make no representation or warranty, express or implied, as to the accuracy or completeness of information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers.

No person is authorised to give information or to make any representation in connection with the Offering other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Issuer, the Managers or any of their affiliates or advisers or selling agents. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Issuer and its subsidiaries or that the information set forth in this Prospectus is correct as at any date subsequent to the date of this Prospectus.

In making an investment decision, prospective investors must rely upon their own examination of the Issuer and the terms of this Prospectus, including the risks involved. The distribution of this Prospectus and the offering of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Managers require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the ordinary shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering to occur in any jurisdiction except Poland.

No Public Offering outside Poland

This Prospectus has been prepared on the basis that there will be no public offers of the Offer Shares, other than the Offering to the public in the territory of Poland in accordance with the Prospectus Directive, as implemented in Luxembourg and Poland, respectively. Accordingly, any person making or intending to make any offering, resale or other transfer within the European Economic Area (the "EEA"), other than in Poland, of the Offer Shares may only do so in circumstances under which no obligation arises for the Company, the Principal Shareholder or the Managers to produce an approved prospectus or other offering circular for such offering. Neither the Company, the Principal Shareholder, nor the Managers have authorized, nor will any of them authorize, the making of any offer of the Offer Shares through any financial intermediary, other than offers made by the Managers under this Prospectus.

No action has been or will be taken by the Company, the Principal Shareholder or the Managers in any jurisdiction other than Poland that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Company or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Notice to Investors

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the shares offered hereby.

No actions have been taken to register or qualify the Offer Shares or otherwise permit a public offering of the Offer Shares in any jurisdiction other than in Poland. The distribution of this Prospectus and the offer of the the Offer Shares in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Notice to Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any Offer Shares may not be made in that Relevant Member State, other than the offer in Poland after the publication of a Prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that it may make an offer of the Offer Shares to the public in that Relevant Member State under the following exemptions under the Prospectus Directive, if such exemptions have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined under the Prospectus Directive;
- by the Managers to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons, as permitted under the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the Issuer and the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than, in the case of paragraph (a) below, persons in Poland receiving the offer in Poland contemplated in the Prospectuses) who receives any communication in respect of, or who acquires any the Offer Shares under, the offer contemplated in the Prospectuses will be deemed to have represented, warranted and agreed to and with each of the Issuer and the Managers limited that:

(a) it is a qualified investor as defined under the Prospectus Directive; and

(b) in the case of any the Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale.

For the purposes of the provisions and representations above, the expression an “offer to the public” in relation to any the Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering so as to enable an investor to decide to purchase any the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Notice to investors in the United Kingdom

This Prospectus and any other material in relation to the securities described herein may only be distributed to and may only be directed at persons in the United Kingdom (the “UK”) that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“Qualified Investors”) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iii) to whom it may otherwise lawfully be distributed (all such persons together being referred to as “Relevant Persons”). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such the Offer Shares will be engaged in only with, Relevant Persons. This document and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) by recipients to any other person in the UK. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

No prospective investor should consider any information in this Prospectus to be investment, legal, tax or other advice. Each prospective investor should consult its own counsel, accountant and other advisers for such advice. None of the Issuer and the Managers makes any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in such shares by such offeree or purchaser.

The Managers are acting solely for the Issuer and no one else in connection with this offering and is not, and will not be, responsible to any other person for providing advice in respect of this offering or for providing the protections afforded to their respective clients. The Managers and certain related entities may acquire a portion of the Offer Shares for their own accounts.

In connection with this offerings, the Managers and any affiliate acting as an investor for its own account may acquire the Offer Shares and in that capacity may retain, purchase or sell for its own account the Offer Shares and any of the Issuer’s other securities or related investments and may offer or sell the Offer Shares or other investments otherwise than in connection with this offerings. Accordingly, references in this document to the Offer Shares being offered should be read as including any offering of securities to the Managers and any affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

In relation to member states of the EEA other than the United Kingdom, there may be further rules and regulations of such country or jurisdiction within the EEA relating to the offering of the Offer Shares or distribution or publication of this Prospectus or any other offering material or advertisement; persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of the Prospectus and the offer of Offer Shares applicable in such EEA member state.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions in reliance on Regulation S under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

Each of the Managers has agreed that, except as permitted by the Placement Agreement, it will not offer, sell or deliver the Offer Shares within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date, and that it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons.

This Prospectus has been prepared by the Company for use in connection with the offer and sale of the Offer Shares outside the United States and for the listing of the Offer Shares on the main market of the Warsaw Stock Exchange. The Company and the Managers reserve the right to reject any offer to purchase the Offer Shares, in whole or in part, for any reason.

Canada

This Prospectus is not, and under no circumstances is to be construed as, a Prospectus, an advertisement or a public offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organized under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

CERTAIN LUXEMBOURG AND POLISH SECURITIES MARKET REGULATIONS AND PROCEDURES AND THE WARSAW STOCK EXCHANGE

The Issuer intends to apply for admission to trading and to list all of the Offer Shares on the main markets of the WSE. As a result, the Issuer will be subject to certain Polish securities and capital market regulations, in particular with respect to disclosure of information. The Issuer will also be subject to supervision of relevant regulatory authorities and of the PFSA in particular. Moreover, the Issuer, being incorporated under the laws of Luxembourg, will be subject to certain aspects of the European Union and Luxembourg securities regulation as well as the Public Takeover Law.

The information set out below describes certain aspects of Luxembourg and Polish securities market regulation regarding mandatory takeover bids, squeeze-out and sell-out rules that will apply to the Shares once the Offer Shares are admitted to trading on the WSE and is included for general information only. This summary does not purport to be a comprehensive description of all Luxembourg and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Each prospective investor should consult a professional legal adviser regarding legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation, in force as at the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

European Union Tender Offer Regulations

In the absence of regulatory guidance, a clear resolution to conflicts of laws issues relating to various tender offer regulatory regimes cannot be provided. The relevant conflict of laws provisions of the Takeover Directive explicitly state that if the offeree company's shares are not admitted to trading on a regulated market in the Member State in which the company has its registered office, and if the offeree company's shares are admitted to trading on regulated markets in another Member State, the authority competent to supervise the bid shall be that of the Member State on the market of which the shares are admitted to trading.

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the Managers' decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

Luxembourg regulations

Luxembourg Mandatory Takeover Bids

The Luxembourg law on public takeovers dated May 19, 2006 (the "Public Takeover Law") applies to takeover bids in relation to the securities of companies governed by the law of a Member State of the European Union or the European Economic Area, when all or some of those securities are admitted to trading on a regulated market in one or more Member States of the European Union or the European Economic Area. The term "securities" refers to shares and global depository receipts.

As far as the competent authority is concerned, the Public Takeover Law states that if the offeree company's securities are not admitted to trading on a regulated market in the Member State in which such offeree company has its registered office, the competent authority to supervise the bid shall be the authority of the Member State of the regulated market on which the offeree company's securities are admitted to trading, i.e. in the present case the competent financial authority in Poland.

In relation to matters concerning the information to be provided to the employees of the offeree company and in relation to matters concerning the applicable company law, in particular the percentage of voting rights which confers control (in Luxembourg the threshold is fixed at 33 1/3% of the voting rights) and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority shall be those of the Member State where the offeree company has its registered office, i.e. the CSSF which is the competent financial authority in Luxembourg.

Squeeze-out Rules

Under the Public Takeover Law if any natural or legal person holds a total of at least 95% of a company's share capital carrying voting rights and 95% of such company's voting rights as a result of a public takeover bid within the meaning of Article 2 (1) a) of the Public Takeover Law regarding the shares of a target company, such person may acquire the remaining shares in the target company by exercising a squeeze-out against the holders of the remaining shares pursuant to Article 15 of the Public Takeover Law.

Sell-out Rules

According to Article 16(1) of the Public Takeover Law, if any natural or legal person, alone or together with persons acting in concert with it, hold(s) a total of at least 90% of a company's share capital carrying voting rights and 90% of such company's voting rights as a result of a public takeover bid regarding the shares of a target company, any shareholder may exercise a sell-out with respect to his/her shares.

Polish regulations

The Takeover Directive allows the Member States to introduce, next to the mandatory takeover bids, additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments.

Pursuant to Article 72 of the Polish Public Offerings Act, any acquisition of shares in a public company in secondary trading and within a period of less than 60 days by a shareholder who holds shares entitling it to less than 33% of votes at a general shareholders' meeting, leading to the increase of its share in the total number of voting rights by more than 10%, shall be effected exclusively through a public tender offer.

Furthermore, any acquisition of shares in a public company by a shareholder who holds shares entitling it to at least 33% of votes at a general shareholders' meeting, in secondary trading and within a period of less than twelve months, leading to the increase of its share in the total number of voting rights by more than 5%, shall be effected exclusively through a public tender offer.

Additionally a shareholder that wishes to cross the 33% voting rights threshold is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. However, if the indicated thresholds are exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events, the shareholder must either launch a public tender as described above within three months, or sell the appropriate amount of shares so that the number of votes to which the shareholder is entitled is no more than 33% of votes.

It should be noted that Polish law explicitly excludes application of Polish regulations concerning thresholds only with respect to 66% threshold as the mandatory threshold under the Takeover Directive. In such case, Luxembourg threshold of 33 1/3% should apply. On the other hand, the additional threshold of 33% stipulated in Polish law is a separate obligation imposed by Poland irrespective of the Takeover Directive. Therefore, the announcement of a take-over bid when exceeding 33 1/3% of votes to satisfy the obligations imposed by the Takeover Directive should be deemed a different obligation from the obligation to announce a bid for 66% of votes when exceeding 33% of votes to satisfy additional Polish requirements.

The regulations set a number of detailed conditions to be followed in connection with a public tender offer, including without limitation the rules of determining the tender price, required security and settlement.

The Warsaw Stock Exchange

The WSE operates one of the two regulated markets in Poland within the meaning of the MiFID. The other regulated market (BondSpot, the subsidiary of the WSE) concentrates mainly on bond trading and OTC transactions. The WSE is a public joint-stock company and is controlled by the Polish State. Members of the WSE include banks and Polish and international brokers.

Shares listed on the WSE may be traded in a continuous price-setting system or in the single-price auction system, depending on capitalisation and intensity of trading. In addition, there are two markets for shares: Basic and parallel, the latter being for smaller, less liquid issuers. Shares of all listed companies on the WSE regulated market are classified into four segments according to their capitalisation: MINUS 5, 5 PLUS, 50 PLUS or 250 PLUS. To be traded in a specific market and segment, certain non-statutory criteria must be met by the securities in addition to the statutory listing criteria. Shares of companies which have high price volatility, or which are under bankruptcy proceedings may be classified into the Alert List segment and then moved to listing under the single-price auction system.

Settlement of all transactions executed on the WSE is handled by the NDS, a joint-stock company in which the WSE has a 33.3% stake (with the remaining shares held by the National Bank of Poland and the State Treasury of the Republic of Poland).

The electronic trading system used by the WSE is WARSET, a trading system similar to the system used in Paris, Brussels, Amsterdam, Chicago, and Singapore.

As of March 22, 2011, shares of 402 companies were listed on the WSE.

TAXATION

The information set out below describes the principal Luxembourg and Polish tax consequences of the acquisition, holding and disposal of the Shares and is included for general information only. This summary does not purport to be a comprehensive description of all Luxembourg and Polish tax considerations that may be relevant to a decision to acquire, hold or dispose of the Company's Shares. Each prospective investor should consult a professional tax adviser regarding tax consequences of acquiring, holding and disposing of the Company's Shares under the laws of their country and/or state of citizenship, domicile or residence. Should any withholding taxes be payable on amounts payable by the Company, the Company assumes responsibility for withholding of such taxes at the source.

This summary is based on tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as at the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

Taxation in Luxembourg

Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge, invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Company

Withholding Tax

Dividends paid by the Company to the shareholders are as a rule subject to a 15% withholding tax in Luxembourg. However, subject to the provisions of an applicable double tax treaty, the rate of withholding tax may be reduced. Furthermore, a withholding exemption may apply if at the time the income is made available, (i) the receiving entity is an eligible parent and (ii) has held or commits itself to hold for an uninterrupted period of at least 12 months a participation of at least 10% of the share capital of the Company or a participation of an acquisition price of at least EUR 1.2 million. Eligible parents include either (a) another company covered by Article 2 of the amended EU Parent-Subsidiary Directive, or a Luxembourg permanent establishment thereof, or (b) a company resident in a State having a double tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg corporate income tax or a Luxembourg permanent establishment thereof, or (c) a company limited by share capital (*société de capitaux*) or a cooperative society (*société coopérative*) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg corporate income tax, or a Luxembourg permanent establishment thereof, or (d) a Swiss company limited by share capital (*société de capitaux*) which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption.

No withholding tax is levied on capital gains and liquidation proceeds. The Issuer assumes responsibility for withholding taxes at source.

Income tax

The Company is a fully-taxable Luxembourg company. The net taxable profit of the Company is subject to Luxembourg corporate income tax and municipal business tax.

The taxable profit as determined for corporate income tax purposes is applicable, with minor adjustments, for municipal business tax purposes. Corporate income tax was levied at an effective maximum rate of 21.84% in 2010 (inclusive of the 4% surcharge for the employment fund) and 22.05 per cent. in 2011 (inclusive of the 5 per cent. surcharge for the employment fund). Municipal business tax is levied at a variable rate according to the municipality in which the company is located (6.75% in Luxembourg-city). The maximum aggregate corporate income tax and municipal business tax rate consequently amounts to 28.59% for companies located in Luxembourg-city in 2010 and 28.8 per cent. in 2011.

Under the participation exemption regime, dividends derived from shares may be exempt from income tax if (i) the distributing company is a qualified subsidiary ("Qualified Subsidiary") and (ii) at the time the dividend is put at the Company's disposal, the Company has held or commits itself to hold for an uninterrupted period of at least 12 months a qualified shareholding ("Qualified Shareholding"). A Qualified Subsidiary means (a) a company covered by Article 2 of the amended EU Parent-Subsidiary Directive or (b) a non-resident company limited by share capital (*société de capitaux*) liable to a tax corresponding to Luxembourg corporate income tax. A Qualified Shareholding means shares representing a direct participation of at least 10% in the share capital of the Qualified Subsidiary or a direct participation in the Qualified Subsidiary of an acquisition price of at least EUR 1.2 million. Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realized by the Company on shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Under the participation exemption regime, capital gains realized on shares may be exempt from income tax at the level of the Company if at the time the capital gain is realized, the Company has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the share capital of the Qualified Subsidiary (i) of at least 10% or of (ii) an acquisition price of at least EUR 6 million. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity. Taxable gains are determined as being the difference between the price for which shares have been disposed of and the lower of their cost or book value.

Net Worth Tax

The Company is as a rule subject to Luxembourg net worth tax at the rate of 0.5% applied on net assets as determined for net worth tax purposes. Net worth is referred to as the unitary value (*valeur unitaire*), as determined at 1 January of each year. The unitary value is in principle calculated as the difference between (i) assets estimated at their fair market value (*valeur estimée de réalisation*), and (ii) liabilities vis-à-vis third parties.

Under the participation exemption, a Qualified Shareholding held in a Qualified Subsidiary by the Company is exempt.

Other taxes

The issuance of the Shares against contributions in cash as well as other amendments to its articles of incorporation are currently subject to a EUR 75 fixed duty. The disposal of the Shares is not subject to a Luxembourg registration tax or stamp duty, unless recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

Taxation of the shareholders

Taxation of Luxembourg resident shareholders

Individual shareholders

Dividends and other payments derived from the Shares by resident individuals shareholders, who act in the course of the management of either their private wealth or their professional / business activity, are subject to income tax at the progressive ordinary rate (with a top effective marginal rate of currently 38.95% including solidarity surcharge). Under current Luxembourg tax laws, 50% of the gross amount of dividends received by resident individuals from (i) a fully-taxable Luxembourg resident company limited by share capital (*société de capitaux*), (ii) a company limited by share capital (*société de capitaux*) resident in a State with which Luxembourg has concluded a double tax treaty and liable to a tax corresponding to Luxembourg corporate income tax or (iii) a company resident in a EU Member State and covered by Article 2 of the EU Parent-Subsidiary Directive is exempt from income tax. A tax credit is as a rule granted for the 15% withholding tax.

Capital gains realized on the disposal of the Shares by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative gains and are subject to income tax at ordinary rates if the Shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse/partner and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the Company. Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are subject to income tax according to the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5-year period). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Shares.

Capital gains realized on the disposal of the Shares by resident individual shareholders, who act in the course of their professional / business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

Luxembourg resident corporate shareholders

Dividends and other payments derived from the Shares by a Luxembourg fully-taxable resident company are subject to corporate income tax and municipal business tax, unless the conditions of the participation exemption regime, as described below, are satisfied.

Should the conditions of the participation exemption not be fulfilled, 50% of the dividends received by a Luxembourg fully-taxable resident company from the Company are exempt from corporate income tax and municipal business tax. A tax credit is as a rule granted for the 15% withholding tax and any excess may be refundable.

Under the participation exemption regime, dividends derived from the Shares by a Luxembourg fully-taxable resident company may be exempt from income tax if cumulatively (i) the shareholder is a Luxembourg resident fully-taxable company and (ii) at the time the dividend is put at the shareholder’s disposal, the shareholder has held or commits itself to hold for an uninterrupted period of at least 12 months a Qualified Shareholding in the Company. Liquidation proceeds are assimilated to receive dividends for the purpose of the participation exemption and may be exempt under the same conditions. Shares held through a fiscally transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realized by a Luxembourg fully-taxable resident company on the Shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

Under the participation exemption regime, capital gains realized on the Shares by a Luxembourg fully-taxable resident company may be exempt from income tax at the level of the shareholder if cumulatively (i) the shareholder is a Luxembourg resident fully-taxable company and (ii) at the time the capital gain is realized, the shareholder has held or commits itself to hold for an uninterrupted period of at least 12 months Shares representing a direct participation (a) in the share capital of the Company of at least 10% or (b) of an acquisition price of at least EUR 6 million. Shares held through a fiscally transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Tax exempt shareholders

A shareholder who is either (i) an undertaking for collective investment subject to the amended law of December 20, 2002 or the law of December 17, 2010, (ii) a specialized investment fund governed by the law of February 13, 2007, or (iii) a family wealth management company governed by the law of May 11, 2007, is exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on the Shares are thus not subject to income tax in their hands.

Taxation of Luxembourg non-residents shareholders

Non-resident shareholders who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realize capital gains upon sale of Shares, except for a potential withholding tax (see above) and capital gains realised on a substantial participation (see above) before the acquisition or within the first 6 months of the acquisition thereof that are subject to income tax in Luxembourg at ordinary rates (subject to the provisions of an applicable double tax treaty).

Dividends received by a Luxembourg permanent establishment or permanent representative, as well as capital gains realised on the Shares, are subject to Luxembourg income tax, unless the conditions of the participation exemption regime are satisfied *i.e.* if cumulatively (i) the Shares are attributable to a qualified permanent establishment ("Qualified Permanent Establishment") and (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits itself to hold for an uninterrupted period of at least 12 months a Qualified Shareholding. A Qualified Permanent Establishment means (a) a Luxembourg permanent establishment of a company covered by Article 2 of the EU Parent-Subsidiary Directive, (b) a Luxembourg permanent establishment of a company limited by share capital (*société de capitaux*) resident in a State having a tax treaty with Luxembourg and (c) a Luxembourg permanent establishment of a company limited by share capital (*société de capitaux*) or a cooperative society (*société coopérative)* resident in the European Economic Area other than a EU Member State. If the conditions of the participation exemption are not fulfilled, 50% of the gross amount of dividends received by a Luxembourg permanent establishment or permanent representative is exempt from income tax. A tax credit is further granted for the 15% withholding tax.

Under the participation exemption regime, capital gains realized on the Shares may be exempt from income tax if cumulatively (i) the Shares are attributable to a Qualified Permanent Establishment and (ii) at the time the capital gain is realized, the Qualified Permanent Establishment has held or commits itself to hold for an uninterrupted period of at least 12 months Shares representing a direct participation in the share capital of the Company (a) of at least 10% or (b) of an acquisition price of at least EUR 6 million.

Other taxes

Net Wealth Tax

Luxembourg net wealth tax will not be levied on the Shares in the hands of a shareholder unless (i) such shareholder is a corporate entity resident in Luxembourg other than (a) an undertaking for collective investment governed by the amended law of December 20, 2002, or the law of December 17, 2010 (b) a securitization company governed by the law of March 22, 2004, (c) a company subject to the law of June 15, 2004 on venture capital vehicles, (d) a specialized investment fund governed by the law of February 13, 2007, or (e) a family wealth management company governed by the law of May 11, 2007, or (ii) the Shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg of a corporate entity. Further, Qualified Shareholding held in the Company by a Luxembourg resident fully-taxable company or attributable to a Qualified Permanent Establishment may be exempt from net wealth tax.

Inheritance tax and gift tax

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the Shares are included in his or her taxable basis for inheritance tax purposes. On the contrary, no inheritance tax is levied on the transfer of the Shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

Gift tax may be due on a gift or donation of the Shares, if the gift is embodied in a Luxembourg notarial deed or otherwise registered.

Taxation in Poland

This section provides information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this section also pertain to the Shares.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisors. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

Polish Corporate Investors

Taxation of Income Relating to Holding Shares

Dividends and other income (revenue) actually earned on holding shares (such as e.g. remuneration for redeemed shares- excluding buy-back of shares, liquidation proceeds) actually earned by legal persons and capital companies in organization, as well as other unincorporated entities (except civil, general, limited partnerships, professional partnerships, and limited joint-stock partnerships) with their registered office or place of management in Poland (the "Polish Corporate Shareholders"), shall be subject to taxation on the general rules under the Corporate Income Tax ("CIT") Act. They are taxed at the basic 19% rate.

Pursuant to Art. 20 section 3 of the CIT Act, an income tax exemption applies to dividends and other revenue earned on the holding of shares in companies whose seat or management office is outside Poland by Polish companies whose worldwide income is subject to CIT in Poland, regardless of where the source of income is located, if all of the following conditions are met:

- the entity which distributes the dividends and other revenue earned on shares is a company whose worldwide income (regardless of where the source of income is located) is subject to income tax in a European Union Member State other than Poland, or in a other Member State of the European Economic Area;

- Polish company holds directly not less than 10% of shares in the capital of the company referred to in item (a) above for an uninterrupted period of at least 2 years;

- the company which distributes the dividends and other revenue earned on shares does not benefit from the exemption from corporate income tax with respect to its all income, regardless of where the source of income is located.

CIT Act expressly provides that in order to benefit from the above exemption, the 2-year holding period requirement may be also met after the dividend is paid, provided that a given taxpayer would actually satisfy that requirement afterwards. Otherwise, a taxpayer who did not meet the 2-year holding period requirement would be obliged to pay the due income tax along with penalty interests.

The above exemption will not apply, however, if distributions are made upon liquidation of a company or upon buy-back of shares.

Moreover, dividends paid out by a Luxembourg company to Polish Corporate Shareholders may be exempt from Luxembourg withholding tax under Council Directive of July 23, 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, provided that the conditions specified by the Luxembourgian tax laws are satisfied.

The Double Tax Treaty concluded by the Republic of Poland and Grand Duchy of Luxembourg ("Double Tax Treaty") provides that dividends paid by a company with its registered office in Luxembourg to Polish Corporate Shareholders may be taxed both in Poland and Luxembourg, although such Luxembourg tax cannot exceed 5% of the gross amount of the dividend if the recipient of the dividend is a company (other than a partnership) holding at least 25% of the capital of the Luxembourg company distributing the dividend, or 15% of the gross amount of the dividend in all other situations.

It should be noted that in relation to the dividends which may be subject to taxation in Luxembourg, pursuant to Art. 24 sec. 1(a) of the Double Tax Treaty, an exemption from income tax applies in Poland.

Please note that the method of avoidance of double taxation (i.e. the exemption method) provided by the Double Tax Treaty with reference to dividends which are subject to withholding tax in Luxembourg, is unique compared with other double tax treaties entered into by Poland. Therefore, a tax advisor should be consulted regarding the possibility of applying this method in practice.

Pursuant to the provisions of the Double Tax Treaty, if Polish Corporate Shareholder carries on business in Luxembourg through a permanent establishment situated in Luxembourg (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in Luxembourg as business profits earned by that permanent establishment.

Taxation of Income from Disposal of Shares

Income earned by Polish Corporate Shareholders on disposal of shares of a Luxembourg company (including buy-back of shares) is subject to corporate income tax in Poland in accordance with the general rules. This income is aggregated with the business incomes of the given fiscal year, and subject to the general 19% CIT rate.

The income is computed as the difference between the revenue (in principle, the price agreed for the shares) and tax deductible costs (in principle, the costs of acquisition of the shares and costs related to the sale).

However, it should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, such agreed price may be challenged by the tax authorities.

Polish Individual Investors

Taxation of Income Relating to Holding Shares

Income earned by an individuals domiciled in Poland (the "Polish Individual Shareholders") on dividends and other income (revenue) actually earned on holding shares (such as e.g. remuneration for redeemed shares excluding buy-back of shares, liquidation proceeds) in a Luxembourg company is considered to be income from capital and it is not aggregated with incomes from other sources. Such income is subject to the 19% flat rate Personal Income Tax ("PIT"). The tax is settled on annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which income was earned.

It is not absolutely clear whether the tax due on dividend income earned by a Polish Individual Investor from a Luxembourg company shall be withheld by a Polish brokerage house assisting in the payment or not. On the one hand, there is a regulation (Art. 41 sec. 4 of the PIT Act) that clearly imposes on brokerage houses the obligation to withhold the tax. On the other hand, there is a regulation which provides that amounts of tax due on dividends earned outside Poland and the amounts of tax paid outside Poland on such dividends should be reported by a taxpayer (i.e. Polish Individual Investor) in his annual tax return (Art. 30a sec. 11). Most tax advisers seem to regard the latter provision as overruling the first one, and are thus of the opinion that a Polish brokerage house should not withhold any tax. However, in case of any doubts tax adviser should be consulted by a taxpayer.

The Double Tax Treaty provides that dividends paid by a company with its registered office in Luxembourg to Polish Individual Shareholders may be taxed both in Poland and Luxembourg, but such Luxembourg tax cannot exceed 15% of the gross amount of the dividend.

It should be noted that in relation to dividends which may be subject to tax in Luxembourg, the exemption with the progression method of avoidance of double taxation shall apply in Poland, pursuant to Art. 24 sec. 1(a) of the Double Tax Treaty. In accordance with these provisions, where a Polish Individual Shareholder receives dividends which may be taxed in Luxembourg, the Polish tax authorities shall exempt such income from tax. Nevertheless, when calculating the amount of tax on the remaining income such natural person, should take into account the exempted income from dividends.

Please note that the method of avoidance of double taxation (i.e. the exemption method) provided by the Double Tax Treaty with reference to dividends which are subject to withholding tax in Luxembourg, is unique compared with other double tax treaties entered into by Poland. Therefore, a tax advisor should be consulted regarding the possibility of applying this method in practice.

Pursuant to the provisions of the Double Tax Treaty, if the Polish Individual Shareholder carries on business in Luxembourg through a permanent establishment situated in Luxembourg (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on) or performs in Luxembourg independent personal services from a fixed base situated in Luxembourg, and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment or fixed base, dividends will be taxed in Luxembourg as business profits or as income from independent personal services earned by that permanent establishment or fixed base.

Taxation of Income from a Disposal of Shares

Income earned by a Polish Individual Shareholders on sale of shares (including buy-back of shares) should be classified as income from capital gains and as such it should not be combined with incomes from other sources but should be subject to the 19% flat PIT rate.

The income is computed as the difference between the revenue earned on disposal of shares (in principle, the price for the shares) and the related costs (in principle, the costs of acquisition of the shares and costs related to the sale). The tax is settled on annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which income was earned (this also being the deadline for paying the tax). No obligation exists to pay tax advances during the tax year.

The above is not applicable if a Polish Individual Shareholder holds the shares within the scope of its business activity. If this is the case, the income should be classified as a business income. In such case, income tax shall be paid at the progressive tax rates, which varies from 18% to 32%, or at the 19% flat rate (depending on the form of taxation chosen by the given individual).

It should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, this may be challenged by the tax authorities.

It should also be noted that pursuant to Art. 9 section 6 of the Polish PIT Act, losses incurred during a fiscal year on account of the disposal of shares may be deducted from the income received from that source over five consecutive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of the loss in any single fiscal year of the five-year period.

Foreign Investors

Individuals who do not have their place of residence in Poland and legal entities, companies in organization and other entities with no legal personality, if they are treated as tax residents under tax law of a given state, that have their registered office and place of management outside Poland are subject to PIT and CIT respectively, only with respect to the profits that are derive sources of income located on the territory of Poland.

Although this is not expressly provided for in Polish tax law, it should be noted that dividends from a Luxembourg company should not be treated as income derived from Poland, even if the company is listed on the Warsaw Stock Exchange. Consequently, it should be noted that dividends paid by a Luxembourg company to a foreign investor should not be subject to Polish income tax.

Polish tax law does not give clear direction on whether income from a sale of shares of a Luxembourg company should be treated as income derived from Poland if the shares are traded on the Warsaw Stock Exchange. It seems that the prevailing approach of the tax authorities is that trades on the Warsaw Stock Exchange shall be treated as, Polish source income. Consequently, as a rule, such income would be subject to Polish income tax and settled on general rules. In practice, however, most of the tax treaties would exempt such income from taxation in Poland. This should be verified on a case-by-case basis.

Tax on Civil Law Transactions

The tax on civil law transactions ("TCLT") is levied on agreements providing for a sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the purchaser is a Polish tax resident and the transaction is effected in Poland.

The tax rate on the sale of shares and the exchange of shares is 1% at their market value and should be paid within fourteen days of the date on which the tax obligation arose (that is, the date the share or exchange agreement was concluded), unless the sale of shares and the exchange of shares agreements are concluded in a form of a notary deed. In that case the due tax should be collected by the notary public acting as a tax remitter. The purchaser of shares is liable for paying the due tax on civil law transactions. In the case of an exchange of shares, the liability for paying the due tax is borne jointly and severally by the parties to the exchange of shares transaction.

Exemptions from the tax on civil law transactions apply, without limitation, to transactions concerning the sale of financial instruments (including shares) to investment companies or to foreign investment companies or, through them, the sale of such instruments within the boundaries of a regulated market, and the sale of such instruments made by investment companies or foreign investment companies outside the boundaries of a regulated market, provided that such instruments were acquired by those companies within the boundaries of a regulated market, as defined in the Polish Act on Trading in Financial Instruments.

Additionally, civil law transactions are not subject to TCLT if at least one party of a given transaction is subject to VAT or is exempted from VAT with respect to such transaction, however, with exception of sale of shares agreement.

INDEPENDENT AUDITORS

The Consolidated Financial Statements of the Issuer as at December 31, 2010 and for the year then ended were audited by Deloitte S.A., with its seat at 560 rue de Neudorf, L-2220 Luxembourg. Deloitte S.A. is a member of the "Institut des Reviseurs d'Entreprises" (IRE) and the "Ordre des Experts-comptables" (OEC) in Luxembourg.

Deloitte S.A. has given, and has not withdrawn, its written consent to the inclusion of its reports and the reference to themselves herein in the form and context in which they are included. Deloitte S.A. has no interest in the Company. The signatory of the independent auditors' report on the Financial Statements of the Issuer on behalf of Deloitte S.A. is John Psaila.

The Combined and Consolidated Financial Statements of Westa-Dnepr, its subsidiary, LIMITED LIABILITY COMPANY WESTA INDUSTRIAL, and its combined entities, LIMITED LIABILITY COMPANY INDUSTRIAL ENERGY SYSTEMS and LIMITED LIABILITY COMPANY TECHKOMPLEKT as of December 31, 2009 and 2008 and for the years then ended presented in the Prospectus were audited by Deloitte & Touche USC, with its seat at Prime Business Center, 48-50A Zhylyanska Street, Kyiv 01033, Ukraine.

Deloitte & Touche USC is a member of the Ukrainian Chamber of Audit – the professional organisation of auditors in Ukraine.

Deloitte & Touche USC has given, and has not withdrawn, its written consent to the inclusion of its reports and the reference to themselves herein in the form and context in which they are included. Deloitte & Touche USC has no interest in the Company.

The signatory of the independent auditors' reports on the Financial Statements on behalf of Deloitte & Touche USC is Sergey Kulyk.

ADDITIONAL INFORMATION

Capitalized terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to such terms in Annex I "*Defined Terms*".

This Prospectus has been prepared by the Company in connection with the Offering and Admission solely for the purpose of enabling a prospective investor to consider an investment in the Offer Shares. The information contained in this Prospectus has been provided by the Company and other sources identified herein.

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should, therefore, read this Prospectus in its entirety, and in particular, a section "*Risk Factors*", when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and not rely exclusively on the legal, financial or tax information contained in this Prospectus.

Save for the provisions of mandatory laws, no person is or has been authorized to give any information or to make any representation in connection with the Offering and/or Admission, other than as contained in this Prospectus, and if given or made, any other information or representation must not be relied upon as having been authorized by the Company, or by the Managers.

In this Prospectus, the terms "Issuer", "Company", "Westa Group", "Group", "Westa" and similar terms refer to WESTA ISIC S.A. and its direct and indirect consolidated subsidiaries, unless the context requires otherwise. Unless otherwise noted, references to "management" are to the members of the Board of Directors and the Senior Management, and statements as to the Company's beliefs, expectations, estimates and opinions are to those of the Company's management. The terms "Operating Companies" and "Operating Subsidiaries", refer to Ukrainian companies WESTA-DNEPR JSC, WESTA INDUSTRIAL LLC, Techkomplekt LLC and Industrial Energy Systems LLC, and term "Group Subsidiaries" refers to any direct or indirect subsidiary of the Issuer, if the context indicates.

The corporate governance structure of the Company is set out in its Articles of Association which are available on the Company's website: www.westa.com.ua.

Responsibility for this Prospectus

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company, which has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Neither the delivery of this Prospectus nor any sale made hereby at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or any of its subsidiaries or the Company and its subsidiaries taken as a whole (the "Westa Group", the "Group") since the date hereof or that the information contained herein is correct as of any date subsequent to the earlier of the date hereof or any date specified with respect to such information.

Neither the Managers nor the legal advisers to the Company accept any responsibility whatsoever for the contents of this Prospectus, or for its transaction, or for any other statement made or purported to be made by any of them or on their behalf in connection with the Company or the Offering. The Managers and the legal advisers to the Company accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of the information set forth herein and nothing contained in this Prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future.

Notice to Prospective Investors

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or any solicitation or invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such an offer or solicitation or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under "*Selling Restrictions*". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition to the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties and will be required to take certain actions described in particular in "*The Offering and Plan of Distribution*", which will be relied upon by the Company, the Managers and others. The Company and the Principal Shareholder reserve the right, in its sole and absolute discretion, to reject any purchase of Offer Shares that the Company, the Principal Shareholder, the Managers or any agents believe may give rise to a breach or a violation of any law, rule or regulation. See, in particular: "*Selling Restrictions*".

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other Unites States regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Presentation of Financial and Other Information

The Company maintains its financial statements (the "IFRS Financial Statements") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"), and interpretations, issued by the International Financial Reporting Interpretations Committee ("IFRIC") and as applicable in the respective years.

The IFRS Financial Statements included in this Prospectus comprise: (i) the audited Consolidated Financial Statement of the Issuer as of and for the year ended December 31, 2010; and (ii) the audited Combined and Consolidated Financial Statements of the Group as of and for each of the years ended December 31, 2008 and 2009 respectively.

The financial statements included in the Prospectus are presented in USD which is the presentation currency of the Group. The Operating Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Financial Statements, which have been prepared based on the Operating Subsidiaries' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded and accordingly the totals in these tables may not add up to 100 per cent.

Unless otherwise indicated, all references in this Prospectus to “US$” or “USD” are to the lawful currency of the United States and all references to "EUR", “Euro” or "€" are to the lawful currency of the European Economic and Monetary Union, of which Luxembourg is a member. References to "UAH" or "Hryvnia" are to the lawful currency of Ukraine, whereas all references to "PLN" and "Polish zloty" are to the lawful currency of Poland, all references to “CHF” are to the lawful currency of Switzerland, and all references to “RUB” or “Russian rouble” are to the lawful currency of the Russian Federation.

Potential investors should consult their own professional advisers to gain an understanding of the financial information contained herein.

Market, Economic and Industry Data

All references to market, economic or industry data, statistics and forecasts in this Prospectus consist of estimates compiled by professionals, state agencies, market and other organisations, researchers or analysts, publicly available information from other external sources as well as the Issuer's knowledge of the Group's sales and markets and assessments made by the Group's management.

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

- information available on website owned and operated by the State Statistics Committee of Ukraine (www. ukrstat.gov.ua);
- information available on website of the Electronics.ca Publications (www.electronics.ca);
- market researches available on website of the Global Information, Inc. (www.the-infoshop.com);
- information available on website of the Frost & Sullivan (www.frost.com);
- reports provided by www.just-auto.com;
- reports published on www.researchandmarkets.com;
- information available on www.batteryuniversity.com;
- statistical data of National Bank of Ukraine (www.bank.gov.ua);
- statistical data of National Bank of Poland (www.nbp.gov.pl).

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Company nor the Managers have independently verified that data. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Group is aware and able to ascertain from the information published by the cited sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. Subject to the foregoing, none of the Company or the Managers can assure investors of the accuracy or completeness of, or take any responsibility for, such data. The source for such third party information is cited whenever such information is used in this Prospectus.

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

Save where required by mandatory provisions of laws, the Company does not intend and do not undertake to update market, economic or industry data, statistics and forecasts contained in this Prospectus. Industry trends may change or significantly differ from the one projected in this Prospectus. Therefore investors should be aware that estimates made in this Prospectus may not be relied upon as indicatives of the Group's future performances and actual trends.

In this Prospectus, the Company makes certain statements regarding its competitive position, growth and market leadership. The Company believes these statements to be true based on market data and industry statistics regarding the competitive position of certain of the Group's competitors. In presenting the overview of the Group's competitive position in the relevant markets, the Company also relied on management's assessments and analysis of such competitive position. In making such assessments and analysis the management has used market information collected by its own employees and advisors for such purpose, either available on the basis of public information or derivable from the same.

Documents Incorporated by Reference

No documents or content of any website are incorporated by reference in this Prospectus.

Forward-looking Statements

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Company’s current views with respect to future events and financial performance of its Group. Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms such as "believes", "expects", "estimates", "anticipates", "intends", "plans", "may", "will", "should", "would", "could" or, in each case, their negatives or other variations or comparable terms. All statements other than statements of historical facts included in this Prospectus are forward-looking statements. Such items in this Prospectus include, but are not limited to, statements under "*Risk Factors*", "*Business Description*", "*Industry Overview*" and "*Operating and Financial Review*".

By their nature, forward-looking statements involve known and unknown risk and uncertainty, and other factors that may cause the Group’s actual results, performances and achievements to differ materially from any future results, performances, achievements or developments expressed in or implied by such forward-looking statements. The Company has based these forward-looking statements on numerous assumptions regarding the Group’s present and future business strategies, the Group’s current expectations and projections about future events and the environment in which the Group will operate in the future. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group, including, among other things:

- the Group’s ability to develop and expand its business;
- the Group’s ability to keep up with new technologies and expand into new markets;
- the Company’s and the Group Subsidiaries ability to control their costs;
- the Group’s future capital spending and availability of financial resources to finance capital spending;
- political and economic conditions in the countries in which the Group Subsidiaries operate;
- volatility in the world’s securities markets;
- the effects of regulation (including tax regulations) in Luxembourg and other countries in which the Group Subsidiaries operate.

The forward-looking statements speak only as at the date of this Prospectus. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, whether to reflect any new information, future events, any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statements is based, except as required by law, including under the Prospectus Act 2005 and the Polish Public Offerings Act.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Prospective investors are cautioned not to place undue reliance on such forward-looking statements, which are based on facts known to the Company only as at the date of this Prospectus.

Documents Available for Inspection

Copies of the following documents will, when published, be available for inspection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company from the date of this Prospectus throughout its validity period:

- the most recent version of the Articles of Association;
- the audited Consolidated Financial Statement of the Group as of December 31, 2010 and for the year then ended, together with the auditor's reports;
- the audited Combined and Consolidated Financial Statements of Westa-Dnepr, its subsidiary, LIMITED LIABILITY COMPANY WESTA INDUSTRIAL, and its combined entities, LIMITED LIABILITY COMPANY INDUSTRIAL ENERGY SYSTEMS and LIMITED LIABILITY COMPANY TECHKOMPLEKT as of December 31, 2008 and 2009 and for the years then ended, together with the auditor's reports;
- this Prospectus (including a summary translated into the Polish language) and supplements thereto, if any;
- copies of all corporate resolutions mentioned in this Prospectus.

Moreover, the following documents will be available through the Company's website www.westa.com.ua:

- this Prospectus together with a summary translated into the Polish language, and supplements;
- the most recent version of the Articles of Association.
- the 2010 Annual Report of the Issuer.

INDEX TO FINANCIAL STATEMENTS

WESTA ISIC S.A.

Consolidated Financial Statements
Year Ended 31 December 2010

WESTA GROUP

TABLE OF CONTENTS

WESTA GROUP

STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Board of Directors is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Westa ISIC S.A. and its subsidiaries (jointly the "Westa Group" or the "Group") as of 31 December 2010, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by European Union ("IFRS").

In preparing the consolidated financial statements, Board of Directors is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Board of Directors is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards in respective jurisdictions of Luxemburg, Ukraine and Cyprus;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2010 were authorized for issue on 2 May 2011 by:

Denys Dzenzers'kyy, CEO of Westa ISIC S.A.	Dmytro Nikitin, Director of Westa ISIC S.A.

1

Deloitte

Deloitte S.A.
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 401
www.deloitte.lu

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the shareholders of
Westa Isic S.A.
412F, route d'Esch
L-1471 Luxembourg

Following our appointment by the Board of Directors, we have audited the accompanying consolidated financial statements of Westa Isic S.A., which comprise the consolidated statement of financial position as of December 31, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Société Anonyme
RCS Luxembourg B 67.895
Autorisation d'établissement: n°88607

Member of Deloitte Touche Tohmatsu

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the *réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As discussed in Note 1, the distributions to shareholders made during the year ended December 31, 2010 and included in the consolidated statement of changes in equity include amounts withdrawn by the controlling shareholder of the Group amounting to USD 12,846 thousand. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity, classification and completeness of this amount. As a consequence, we are unable to determine whether any adjustments to this amount are necessary.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the to the validity, classification and completeness of the distributions to shareholders, the consolidated financial statements give a true and fair view of the consolidated financial position of Westa Isic S.A. as of December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Emphasis of matter

We draw attention to Note 30 to the consolidated financial statements which describes the fact that a high concentration of the Westa Isic Group's transactions have been carried out with related parties and that similarly, a large proportion of outstanding balances are with counterparties that are related parties. The terms and conditions of business carried out with related parties are determined based on arrangements specific to each contract and transaction, and such terms and conditions could vary from those that could be transacted with third parties. Our opinion is not qualified in respect of this matter.

Deloitte.

We also draw attention to Note 33 to the consolidated financial statements which describes the fact that a high concentration of the Westa Isic Group's sales and outstanding balances relate to a major customer. Our opinion is not qualified in respect of this matter.

Other matters

The combined financial statements of Westa Isic S.A. as of and for the year ended December 31, 2009, that are included as corresponding figures, were audited by the predecessor auditor whose report dated May 2, 2011, expressed an opinion that is qualified for the following reasons:

- The predecessor auditor was not appointed as the auditor of certain entities within the Westa Isic Group until after December 31, 2008 and thus, did not observe the counting of physical inventories at these entities at the beginning and end of that year. The predecessor auditor was unable to perform satisfactory alternative procedures concerning the inventory quantities held by these entities as of December 31, 2008 and January 1, 2008. As a result of this matter, the predecessor auditor was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories as of these dates.
- The predecessor auditor stated that during the years ended December 31, 2009 and December 31, 2008, distributions to shareholders included amounts withdrawn by the controlling shareholder of the Westa Isic Group amounting to USD 5,862 thousand and USD 14,834 thousand, respectively. The predecessor auditor was unable to obtain sufficient appropriate audit evidence as to the validity, classification and completeness of these amounts and was hence unable to determine whether any adjustments to these amounts were necessary.

For Deloitte S.A., Cabinet de révision agréé

John Psaila, Réviseur d'entreprises agréé
Partner

May 4, 2011

WESTA GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2010
(in thousands of US Dollars)

	Notes	31 December 2010	31 December 2009
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	179,708	158,497
Prepayments for property, plant and equipment	6	10,701	10,034
Intangible assets		620	472
Investments in associates	7	161	616
Deferred tax assets	8	1,636	779
Other non-current assets	9	1,415	1,524
Total non-current assets		194,241	171,922
CURRENT ASSETS:			
Inventories	10	18,986	14,058
Trade and other accounts receivable	11	48,315	45,197
Government grant receivable	27	9,795	-
Advances to suppliers and prepaid expenses	12	31,658	11,370
Taxes recoverable and prepaid	13	11,862	9,676
Other financial assets	14	11,099	15,425
Cash and cash equivalents	15	10,640	3,221
Total current assets		142,355	98,947
TOTAL ASSETS		336,596	270,869
EQUITY AND LIABILITIES			
EQUITY/(DEFICIT):			
Share capital/combined contributed capital	16	41	18,446
Additional paid-in capital	1	16,665	-
Revaluation reserve		28,248	28,456
Accumulated deficit		(43,372)	(81,065)
Cumulative translation difference		(1,043)	(810)
Equity/(deficit) attributable to shareholders of the Parent		539	(34,973)
Non-controlling interests	17	700	-
Total equity/(deficit)		1,239	(34,973)
CONTINGENCIES AND CONTRACTUAL COMMITMENTS	31		
NON-CURRENT LIABILITIES:			
Long-term borrowings	18	145,555	148,896
Bonds issued	19	6,439	13,934
Deferred tax liabilities	8	-	11,300
Total non-current liabilities		151,994	174,130
CURRENT LIABILITIES:			
Trade and other accounts payable	20	30,181	12,016
Advances received		1,935	5,668
Short-term borrowings and current portion of the long-term borrowings	18	149,158	112,649
Taxes payable	21	605	451
Provisions and accruals	22	1,484	928
Total current liabilities		183,363	131,712
TOTAL LIABILITIES		335,357	305,842
TOTAL EQUITY AND LIABILITIES		336,596	270,869

On behalf of Board of Directors of Westa Group:

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 56 form an integral part of these consolidated financial statements.

5

WESTA GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of US Dollars)

	Notes	2010	2009
REVENUE	23	154,305	83,004
COST OF SALES	24	(103,713)	(61,605)
GROSS PROFIT		50,592	21,399
General and administrative expenses	25	(5,691)	(7,805)
Selling and distribution expenses	26	(3,858)	(1,457)
Government grant recognized as income	27	9,827	-
Other expenses, net	28	(750)	(4,720)
Foreign exchange gain/(loss), net		3,499	(6,564)
Finance costs	29	(33,066)	(26,857)
Interest income		1,544	3,854
Share of gains/(losses) of associates	7	102	(83)
PROFIT/(LOSS) BEFORE INCOME TAX		22,199	(22,233)
INCOME TAX BENEFIT/(EXPENSE)	8	11,768	(1,052)
NET PROFIT/(LOSS) FOR THE YEAR		33,967	(23,285)
Revaluation of property, plant and equipment, net of deferred tax		-	2,197
Other comprehensive (loss)/income		(236)	918
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		33,731	(20,170)
Profit/(loss) for the year attributable to:			
Shareholders of the Parent		33,487	(22,075)
Non-controlling interests		480	(1,210)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent		33,254	(16,203)
Non-controlling interests		477	(3,967)
EARNINGS PER SHARE	34		
Basic and diluted (USD per share)		1.01	(0.67)

On behalf of Board of Directors of Westa Group:

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 56 form an integral part of these consolidated financial statements.

WESTA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of US Dollars)

	Attributable to Shareholders of the Parent						Non-controlling interests	Total equity/ (deficit)
	Combined contributed capital/ Share capital	Additional paid-in capital	Revaluation reserve	Accumulated deficit	Cumulative translation difference	Total		
31 December 2008	**16,540**	**-**	**21,734**	**(41,185)**	**(1,744)**	**(4,655)**	**4,430**	**(225)**
Distribution to shareholders (Note 1)	-	-	-	(13,646)	-	(13,646)	-	(13,646)
Distribution to shareholders related to Group reorganization (Note 1)	-	-	-	(932)	-	(932)	-	(932)
Net loss for the year	-	-	-	(22,075)	-	(22,075)	(1,210)	(23,285)
Revaluation of property, plant and equipment (Note 5)	-	-	2,927	-	-	2,927	2	2,929
Deferred tax arising on revaluation of property, plant and equipment (Note 8)	-	-	(732)	-	-	(732)	-	(732)
Translation adjustment	-	-	-	-	934	934	(16)	918
Total comprehensive income for the year	**-**	**-**	**2,195**	**(22,075)**	**934**	**(18,946)**	**(1,224)**	**(20,170)**
Changes in non-controlling interests (Note 1)	1,906	-	4,527	(3,227)	-	3,206	(3,206)	-
31 December 2009	**18,446**	**-**	**28,456**	**(81,065)**	**(810)**	**(34,973)**	**-**	**(34,973)**
Distribution to shareholders (Notes 1 and 11)	-	-	-	(12,846)	-	(12,846)	-	(12,846)
Contribution from shareholders (Note 1)	-	-	-	17,052	-	17,052	-	17,052
Net profit for the year	-	-	-	33,487		33,487	480	33,967
Translation adjustment	-	-	-	-	(233)	(233)	(3)	(236)
Total comprehensive income for the year	**-**	**-**	**-**	**33,487**	**(233)**	**33,254**	**477**	**33,731**
Capital contribution	41	-	-	-	-	41	-	41
Effect from corporate reorganization (Note 1)	(18,446)	16,665	(208)	-	-	(1,989)	223	(1,766)
31 December 2010	**41**	**16,665**	**28,248**	**(43,372)**	**(1,043)**	**539**	**700**	**1,239**

On behalf of Board of Directors of Westa Group:

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 56 form an integral part of these consolidated financial statements.

WESTA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of US Dollars)

	2010	2009
OPERATING ACTIVITIES:		
Profit/(loss) before income tax	22,199	(22,233)
Adjustments to reconcile profit/(loss) to net cash provided by operations:		
Finance costs	33,066	26,857
Depreciation and amortization expense	4,415	4,476
Inventory write-off	-	341
Change in allowance for doubtful VAT recoverable	28	770
Loss on disposal of property, plant and equipment	18	-
Loss on revaluation of property, plant and equipment	-	607
Interest income	(1,544)	(3,854)
Share of (gains)/ losses of associates	(102)	83
Non-operating foreign exchange (gain)/loss	(4,848)	10,829
Operating profit before working capital changes	53,232	17,876
Increase in trade and other accounts receivable	(7,903)	(8,809)
Increase in Government grant receivable	(9,827)	-
Increase in advances to suppliers and prepaid expenses	(20,322)	(2,354)
(Increase)/decrease in inventories	(4,903)	2,844
Increase in taxes payable (other than income tax)	78	110
Increase/(decrease) in trade and other accounts payable	18,171	(7,461)
Increase in provisions and accruals	555	36
(Decrease)/ increase in advances received	(3,762)	173
Decrease in taxes receivable (other than income tax)	(2,112)	(1,878)
Cash generated by operations	23,207	537
Income tax paid	(465)	(165)
Interest paid	(37,688)	(15,167)
Net cash used in operating activities	(14,946)	(14,795)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment and intangible assets	(19,497)	(36,908)
Proceeds from disposal of property, plant and equipment	-	64
Interest received	1,544	3,854
Decrease/(increase) in other financial assets	4,386	(2,850)
Change in other non-current assets	1,453	-
Proceeds from sale of investments available for sale	-	26
Net cash used in investing activities	(12,114)	(35,814)

WESTA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of US Dollars)

FINANCING ACTIVITIES:	**2010**	**2009**
Contribution from/(distribution to) shareholders	11,532	(20,521)
Distribution to shareholders related to Group reorganization	-	(932)
Capital contribution	41	-
Payments on bonds redeemed	(7,561)	-
Proceeds from bonds issuance	-	14,118
Proceeds from borrowings	96,145	151,087
Principal payments on borrowings	(65,662)	(98,393)
Net cash generated from financing activities	34,495	45,359
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,435**	**(5,250)**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**3,221**	**8,602**
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(16)	(131)
CASH AND CASH EQUIVALENTS, at the end of the year	**10,640**	**3,221**

On behalf of Board of Directors of Westa Group:

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 56 form an integral part of these consolidated financial statements.

WESTA GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of US Dollars unless otherwise stated)

1. NATURE OF THE BUSINESS AND CORPORATE REORGANIZATION

Nature of the business – Westa ISIC S.A. (the "Parent"), a public limited liability company registered under the laws of Luxembourg, was formed on 10 December 2009 under the legal name of Tramine Development S.A. The Parent was acquired in 2010 by Vankeria Consultants Limited to serve as the ultimate holding company of PSC "WESTA-DNEPR" (the "WESTA-DNEPR") and its subsidiaries. The Parent's legal name was changed from Tramine Development S.A. to Westa ISIC S.A. on 24 November 2010. Hereinafter, Westa ISIC and its subsidiaries are referred to as the "Westa Group" or the "Group". The registered address of Westa ISIC is 412 F Route d'Esch, L-2082 Luxemburg.

The controlling shareholder of Westa ISIC is the Chief Executive Officer of the Group Mr. Denys Dzenzers'kyy (the "Principal Shareholder"), who owns 100% of the shares of Vankeria Consultants Limited registered in Cyprus, which is the immediate sole shareholder of Westa ISIC.

The principal operating office of the Group is located at 34, Budivelnykiv St., Dnipropetrovsk, 49055, Ukraine.

Principal operating activity of Westa Group started in January 2005. Westa Group is one of the leading manufacturing groups in Ukraine involved in the production and distribution of starter accumulator batteries that refer to a maintenance-free category and category of batteries requiring maintenance. The extent of batteries application is as follows:

- Commercial vehicles, tractors, combine harvesters equipped with petrol and diesel engines;
- Cars of any class with petrol and diesel engines;
- Batteries for heavy-duty trucks, including those of special-purpose.

Batteries are sold in Ukraine, Russia and other countries, collectively in more than 30 countries.

As of 31 December 2010 and 2009 the structure of the Group and principal activities of the companies forming the Group were as follows:

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Group 31 December 2010	 31 December 2009
Parent:				
Westa ISIC S.A.	Holding company	Luxemburg	Parent	-
Subsidiary:				
WESTA-DNEPR (CYPRUS) LIMITED	Sub-holding company	Cyprus	100.00%	-
PSC "WESTA-DNEPR"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.25%	97.25%

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Group	
			31 December 2010	31 December 2009
Limited company "WESTA INDUSTRIAL"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.20%	97.24%
LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS"	Researcher and development of the third generation battery	Ukraine, Dnipropetrovsk	97.19%	100.00%
Limited Company "TECHKOMPLEKT"	Trade house (operating company)	Ukraine, Dnipropetrovsk	97.19%	100.00%
Associates:				
PrSC "Dnepro-Deu"	Maintenance of transmission equipment	Ukraine, Dnipropetrovsk	21.00%	21.00%
PrSC "WESTA-PAK"	Manufacturing of packaging products (operating company)	Ukraine, Dnipropetrovsk	-	23.91%

The Group also has an ownership in two dormant subsidiaries, namely LLC "WF Production" and LLC "FW Trading", which were not engaged in significant operating activities as of 31 December 2010 and 2009 and for the years then ended. These subsidiaries are stated at cost due to their insignificance to the consolidated financial statements of the Group.

Corporate reorganization – Prior to 31 December 2010 the ownership in the companies forming the Group was not united in the form of a legal holding and was represented by the following Ukrainian entities: "WESTA-DNEPR" and its subsidiary, Limited Company "TECHKOMPLEKT" and LTD "INDUSTRIAL ENERGY SYSTEMS". All of these companies were in operation as of 1 January 2008 (the date of the Group's transition to International Financial Reporting Standards). During the year ended 31 December 2010 the possession of various entities in which the Principal Shareholder previously held ownership interests were contributed into Westa ISIC S.A. The Group accounted for this contribution as a transaction between entities under common control, meaning that all transfers were done at the pre-acquisition carrying amounts. In particular, the following processes were completed during the year ended 31 December 2010 to form the business engaged in production and distribution of starter accumulator batteries as described above in this Note:

- The ownership in the Ukrainian entities of the Group was united under a single holding company WESTA-DNEPR. Then WESTA-DNEPR was transferred by the Principal Shareholder to Westa Dnepr (Cyprus) Limited for USD 1,758 thousand. This amount remained unpaid as of 31 December 2010 and was shown within trade and other accounts payable (Note 20);
- Westa ISIC S.A. was acquired by Vankeria Consultants Limited in 2010 to serve as a holding company of the Group;
- Westa Dnepr (Cyprus) Limited was established in Cyprus and ownership in this entity was transferred to Westa ISIC S.A. for an insignificant consideration;

- The Group disposed ownership in one of its subsidiary at cost, namely LLC "Rekuperaciya svinca", to an entity under common control. In order to present financial information of the Group for the years ended 31 December 2010 and 2009, which is to reflect financial performance of the Group on comparable basis, this subsidiary was not consolidated in the accompanying financial statements and the cost of investment into the disposed subsidiary was shown as a distribution to the shareholders in the consolidated statement of changes in equity from the earliest period for which the Group prepared its financial statements in accordance with International Financial Reporting Standards (starting 1 January 2008). Contributions to the share capital of this disposed subsidiary during the year ended 31 December 2009 were also shown as a distribution to the shareholders in the consolidated statement of changes in equity for the respective period in the amount of USD 932 thousand.

Following the above, the consolidated financial information for the periods up to the formal date of the Group formation has been prepared based on the following assumptions:

- The assets, liabilities and the profit or loss of the entities comprising the Group have been aggregated for all periods presented, based on when the Principal Shareholder obtained its ownership interests in the entities;
- All transactions and balances between Group entities have been eliminated;
- Transactions and balances with entities controlled by the Principal Shareholder that are not within the Group are classified as related party transactions and balances;
- The share capital presented as of 31 December 2010 represents that of the Parent. The excess of net assets of WESTA-DNEPR acquired from the Principal Shareholder over the consideration paid to him in the amount USD 16,665 thousand was recognized as additional paid-in capital in the statement of changes in equity upon legal reorganization of the Group. The share capital before legal reorganization of each of the Group entities has been combined and was presented as combined contributed capital. The Group retained earnings balance therefore represents the historical retained earnings of the entities comprising the Group;
- All other items within equity have been aggregated in a manner consistent with the assets and liabilities;
- The non-controlling interests share, which has been increased and reduced throughout the periods presented as a result of a number of further direct and indirect acquisitions and disposals by the Group was presented as equity transactions.

Transactions with a larger group of entities under common control with the Group – During the years ended 31 December 2010 and 2009 the Group was also engaged in the purchase of raw materials from parties under common control at prices in excess of market. Based on requirements of International Financial Reporting Standards Framework and substance of these transactions, the excess in prices over the purchase price paid by the parties under common control, was recorded as a distribution to the shareholders in the consolidated statement of changes in equity for the years ended 31 December 2010 and 2009 in the amount of USD 12,846 thousand and USD 5,862 thousand, respectively, with corresponding decrease of cost of sales and decrease of cost of inventories.

During the years ended 31 December 2010 and 2009 the Group was involved in reallocation of the resources to and from larger group of entities under common control. These amounts were recorded as contribution from and distribution to the shareholders in the consolidated statement of changes in equity for the years ended 31 December 2010 and 2009 in the amount of USD 17,052 thousand and USD 7,784 thousand, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These consolidated financial statements for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The accompanying consolidated financial statements have been prepared in accordance with the requirements of all IAS, IFRS, and Interpretations of International Financial Reporting Interpretations Committee ("IFRIC"), which were effective as of 31 December 2010.

The entities of the Group maintain their accounting records in accordance with accounting standards and other statutory requirements to financial reporting in the country of their incorporation. Local statutory accounting principles and procedures differ from accounting principles generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group entities' statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The accompanying financial statements of the Company are prepared on the historical cost basis, except for the revaluation of plant and equipment and certain financial instruments.

Adoption of new and revised International Financial Reporting Standards – The following new and revised Standards and Interpretations have been adopted in the current year:

- IFRS 3 "Business Combinations" (Revised 2008);
- IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008);
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Revised 2008);
- IFRIC 17 "Distributions of Non-cash Assets to Owners";
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items (July 2008);
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 3 "Business Combinations" (Revised 2008) has been applied effective 1 January 2010 prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. The most significant changes affecting the Group's accounting policies are as follows:

- IFRS 3 (Revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognized identifiable net assets of the acquired subsidiary;
- IFRS 3 (Revised 2008) changes the recognition and subsequent accounting for contingent consideration. Previously, contingent consideration was recognized at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognized against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of twelve months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration are recognized in profit or loss;

- IFRS 3 (Revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquired subsidiary;
- IFRS 3 (Revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008) resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries, which were applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions:

- When control of a subsidiary is lost as a result of a transaction, event or circumstance, IAS 27 (Revised 2008) requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amounts and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized in profit or loss;
- IAS 27 (Revised 2008) requires that the non-controlling interests' proportionate share of profit or loss is attributed to the non-controlling interests even if this results in the non-controlling interests having a debit balance. In prior years, the excess of the losses applicable to the non-controlling interests in a subsidiary over the non-controlling interest in the subsidiary's equity were allocated against the Parent's interest except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

The adoption of IFRS 3 "Business Combinations" (Revised 2008), IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008) and IAS 28 "Investments in Associates" (revised in 2008) did not materially affect the amounts reported in the current year but may affect the accounting for future transactions as a result of changes in the Group's accounting policies.

In the current year, the Group also adopted amendments to a number of Standards including those resulting from annual improvements to IFRS that are effective for annual periods beginning on or after 1 January 2010. Adoption of these amendments, as well as adoption of other Standards and Interpretations did not have any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions and arrangements.

Standards and Interpretations in issue but not effective – At the date of authorization of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	**Effective for annual period beginning on or after**
Amendment to IAS 32 "Financial Instruments: Presentation" – Classification of rights issues	1 February 2010
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a minimum funding requirement	1 January 2011
Amendments to IAS 24 "Related Party Disclosures"	1 January 2011
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Replacement of "fixed dates" for certain exceptions with "the date of transition to IFRSs" and Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011*
Amendments to IFRS 7 "Financial instruments: Disclosures" – Transfers of financial assets	1 July 2011*
Amendments to IAS 12 "Income Taxes" – Limited scope amendment (recovery of underlying assets)	1 January 2012*
IFRS 9 "Financial Instruments: Classification and Measurement"	1 January 2013*

* Standards and Interpretations not yet endorsed by the European Union.

As of the date of authorization of these consolidated financial statements, there were also amendments to other Standards and Interpretation issued resulting from annual improvements to IFRS that are effective in future periods.

The management is currently evaluating the impact of the adoption of IFRS 9 "Financial Instruments: Classification and Measurement", amendments to IAS 24 "Related Party Disclosures" and IAS 12 "Income Taxes". For other Standards and Interpretations management anticipates that their adoption in future periods will have no material effect on the consolidated financial statements of the Group.

Functional and presentation currency – The functional currency of the consolidated financial statements of the Group is the Ukrainian Hryvnia ("UAH"). The currency of presentation is United States dollars ("USD"). The assets and liabilities of the subsidiaries denominated in functional currencies are translated into presentation currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income or loss.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The relevant exchange rates were as follows:

	As of 31 December 2010	Average for the 2010	As of 31 December 2009	Average for the 2009
UAH/USD	7.9617	7.9353	7.985	7.7916
UAH/EUR	10.5731	10.5313	11.4489	10.8736
UAH/RUB	0.2612	0.2614	0.2640	0.2467

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Control is achieved when the Parent has the power to govern the financial and operating policies of an entity, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to Shareholders of the Parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Accounting for acquisitions from third parties – Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment at the acquisition date" (see 3.16.2); and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interest in the subsidiary and the fair value of the Group's previously-held interest in the subsidiary (if any), the excess is recognized in the profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the subsidiary's identifiable net assets. The choice of measurement basis is made on transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other Standards.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Accounting for acquisitions from entities under common control – The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these consolidated financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these consolidated financial statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the earliest period presented.

Any gain or loss on disposals to entities under common control are recognized directly in equity and attributed to Shareholders of the Parent.

Non-controlling interests – Non-controlling interests in subsidiaries and consolidated entities are identified separately from the Group's equity therein. The interests of non-controlling shareholders consist of the amount of those interests at the date of the original business combination (see above) and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholders in excess of the non-controlling shareholders' interest in the subsidiary's equity are attributed to the non-controlling shareholders even if this results in the non-controlling shareholders having a debit balance.

Investments in associates – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 "Impairment of Assets" to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments – Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

Financial assets and liabilities are initially recognized at fair value plus, in the case when financial asset or financial liability are not stated at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.
The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are only offset and the net amounts are reported in the statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets – Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest income (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) – including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts – through the expected life of the financial asset (liability), or, where appropriate, a shorter period.

Accounts receivable – Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired.

Other financial assets – Other financial assets include deposits with original maturity of more than three months held for investment purposes or as guarantees for the Group's borrowings and are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, cash with banks and deposits with original maturity of less than three months.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If the Group determines that no objective evidence exists that impairment has incurred for individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets – The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issue costs. Repurchase of the Parent's own equity instruments is recognised in and deducted from directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Parent's own equity instruments.

Financial liabilities – Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities – Other financial liabilities, including borrowings, trade payables and payables for property and equipment are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities – The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Contributed capital of consolidated entities – Contributed capital is recognized at the fair value of the contributions received by the Group's consolidated entities.

Trade and other payables – Accounts payable are subsequently measured at amortized cost using the effective interest rate method. Accounts payable are classified as long-term if they are due for settlement in period longer than twelve months from the reporting date. Accounts payable which are expected to be settled within twelve months from the reporting date are classified as current accounts payable.

Borrowings and bonds issued – Interest-bearing borrowings and bonds are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and bonds issued and recorded as finance costs.

Borrowing costs – Borrowing costs include interest expenses and other debt service costs.

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Property, plant and equipment – Buildings and structures, machinery and equipment and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset recognized previously in other comprehensive income.

On the subsequent sale or retirement of revalued items of property, plant and equipment, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Fixtures and other depreciable assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The cost of self-constructed assets includes the cost of material, direct labour and an appropriate portion of production overheads.

As the historical cost information was not available, the Group elected to use a fair value as a deemed cost as of the date of transition to IFRS. The management used valuation performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS. The fair value was defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets was determined at their market value.

If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income or a depreciated replacement cost approach was used to estimate the fair value.

Depreciation is recognized so as to write off the cost or revalued amount of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the profit or loss as incurred.

Depreciable amount represents the cost, deemed cost or revalued amount of an item of property, plant and equipment less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	25 - 85 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 25 years
Furniture and other depreciable assets	1 - 12 years

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets become available for use, i.e. when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Intangible assets – Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets – At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax – Income taxes have been computed in accordance with the laws currently enacted in Ukraine. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax – Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period – Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

Inventories – Inventories are stated at the lower of cost and net realizable value. The costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions – Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and assets – Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Dividends – Dividends declared during the reporting period are recognized as distributions of retained earnings to equity holders during the period, the amount of recognized but unpaid dividends is included in current liabilities. Dividends declared after the reporting date but before the financial statements were authorized for issue are not recognized as a liability at the reporting date, but are disclosed in the notes to the financial statements.

Segment information – IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the Chief Executive Officer (CEO) of the Group. The CEO reviews the Group's internal reporting in order to assess performance and allocate resources. Currently, the CEO evaluates the business from a single perspective as one unit manufacturing starter batteries. No further analysis to assess profitability based on types of batteries sold or based on geography of sales (while revenue per regions and distributors is reviewed) is made by the CEO. For this reason the CEO and the Group's management considers the entire Group to be a single operating and reportable segment.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, net of value added tax ("VAT") or other sales related taxes.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised using the effective interest method.

The Group derives its revenue from sales to distributors operating on aftermarket. Specifically, revenue from the sale of goods to distributors is recognized when goods are dispatched and the risk and rewards are passed to the distributor based on the provision of applicable terms for the sale (the Group uses Incoterms).

Defined contribution plan – The employees of the Ukrainian entities of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. Group's contributions to the State Pension Fund are recorded in the profit or loss on the accrual basis. The Group is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

The Group's contributions to the State Pension Fund during the years ended 31 December 2010 and 2009 amounted to USD 2,875 thousand and USD 2,013 thousand, respectively.

Warranty provisions – Provisions for warranty costs are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Government grants – Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Key sources of estimation uncertainty – The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment provision for accounts receivable – The majority of the Group's accounts receivable that are past due but not considered to be impaired as at 31 December 2010 and 2009 relate to the trade and other accounts receivable due from the Group's related parties and accounts receivable arisen on sales of securities in the total amount of USD 1,862 thousand and USD 5,390 thousand, respectively. Such accounts receivable are analyzed separately from accounts receivable from third parties for impairment assessment. After analysis performed as of 31 December 2010 and 2009 the Group's management considered these amounts as recoverable and no allowance was provided in these financial statements based on the past experience of the Group as well as current arrangements and expectations about respective debtors' ability to settle their debt to the Group. If there is deterioration in creditworthiness of such debtors the actual results could differ from these estimates.

Recoverability of property, plant and equipment – As part of the valuation of property, plant and equipment as of 31 December 2009 the Group assessed the existence of external (economic) obsolescence. Such analysis is necessary to determine whether the fair value of items of specialized nature, which was valued using the depreciated replacement cost approach, is recoverable. The assessment of absence of external (economic) obsolescence was determined using projections of future cash flows of the Group discounted using a weighted average cost of capital of 17%. Future cash flows projections were built on the following key assumption: production of 4 million of conventional batteries in 2010, with subsequent growth rate in 2011 at 14%, 5.4% in 2012, 3% in 2013, and 1% thereafter, and growth rate for terminal value at 2%. As of 31 December 2010 the Group assessed that the Group performance was better than assumptions used and hence there is no indication that the recoverable amount of the Group's property, plant and equipment has declined below the carrying value.

Useful lives of property, plant and equipment – The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets – Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. As of 31 December 2010 and 2009 the Group recognized deferred tax asset related to tax losses carried forward at individual entities of the Group in the amount of USD 3,717 thousand and USD 5,822 thousand, respectively, as the Group intends to utilize such deferred tax assets against set off with related deferred tax liabilities. The management judgment to recognize respective deferred tax assets was also based on the ability of the Group to carry forward respective losses for indefinite time in future based on existing requirements of tax legislation in Ukraine. Meantime, in the past, there were instances when other Ukrainian laws provided specific periods within which tax losses could be utilized. If any new law enacted subsequently to 31 December 2010 provides specific period for utilization of the amount of the Group's tax losses carry forward, the Group can loose its ability to utilize part or all of the deferred tax assets currently recognized.

VAT recoverable –The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods. Management classified VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

4. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in these consolidated financial statements, for the years ended 31 December 2009 the Group incurred net loss of USD 23,285 thousand, and as of 31 December 2009 had an equity deficit of USD 34,973 thousand. The Group had an excess of current liabilities over current assets of USD 41,008 thousand as of 31 December 2010 and USD 32,765 thousand as of 31 December 2009.

The management of the Group believes that the preparation of the accompanying consolidated financial statements on going concern basis is appropriate due to the following measures which are focused to improve the liquidity position of the Group and its profitability:

- Excess of current liabilities over current assets as of 31 December 2010 in the amount of USD 41,008 thousand is caused mainly by short-term borrowings and the current portion of long-term borrowings. On 15 April 2011 management of the Group negotiated with its major lender (Ukrainian bank) a prolongation of principal repayments of short-term borrowings and current portion of long-term borrowings stated as of 31 December 2010 in the amount of USD 96,301 thousand with quarterly reduction of credit limits starting from 1 October 2012 till final settlement by 31 December 2016. Respective amendments to loan agreements were signed on 27 April 2011 (Note 35). The Group also negotiated the reduction in interest rate for such borrowings down from 11.7 % to 10.9% per annum starting April 2011. In addition, the Group renegotiated the terms of principal repayments of USD 7,091 thousand of short-term borrowings with another Ukrainian bank starting from payment of USD 843 thousand to August 2011, subsequent monthly payments of USD 272 thousand and final settlement of the remaining balance to be made in July 2013 (Note 35). Based on an analysis of the Group's consolidated liquidity position after renegotiated terms with these two Ukrainian banks the management of the Group does not anticipate any liquidity gap for a period of at least twelve months from the reporting date.

- During the recent years the Group was extensively investing in its production capacities increasing them by 2.5 times from 2008. In addition, over the last few years the Group was securing its dominant position on such markets as Ukraine, Russia, Kazakhstan, Moldova, and Belarus. The Group also entered into European market in 2008 and plans to continue strengthening its market position on this market as well as expanding of its geographical sales with particular interest of markets of Africa, Middle East and Asia markets as they are characterized by more often replacement of batteries comparing with CIS and European markets. Execution of this strategy enabled the Group to produce and sell 4.32 million conventional batteries in 2010 compared to 2.52 million of conventional batteries produced and sold in 2009. As a result, the Group has managed to increase it gross profit by more than 2 times and become profitable in 2010. The Group's management considers that it would be able to sustain further growth of business and reach production and sales level of 6.5 million of conventional batteries in 2011. Management believes the projected level of output will enable the Group to increase its profits due to economy of scale and generate sufficient cash flows from its operating activities to meet its obligations as they become due.
- The Group is also focused on cost effectiveness initiatives to improve its profitability. As lead represents circa 80% of production costs the Group concentrates its cost reduction programs for the next few years in two following areas:
  - reduction of lead content by integrating innovative production technologies, and
  - diversification of lead supplies, including recuperation of lead by recycling obsolete batteries.

5. PROPERTY, PLANT AND EQUIPMENT

The following table represents movements in property, plant and equipment for the year ended 31 December 2009:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2008	**19,845**	**65,208**	**732**	**422**	**30,447**	**116,654**
Additions	-	911	245	192	44,820	46,168
Capitalized borrowing costs	-	-	-	-	3,151	3,151
Transfers	1,076	175	-	-	(1,251)	-
Revaluation increase	2,632	2,314	136	-	1,734	6,816
Revaluation decrease	-	(2,996)	(28)	-	(1,470)	(4,494)
Eliminated on revaluation	(324)	(3,820)	(130)	-	-	(4,274)
Disposals	-	(64)	-	-	-	(64)
Translation difference	(734)	(2,354)	(33)	(21)	(2,215)	(5,357)
As of 31 December 2009	**22,495**	**59,374**	**922**	**593**	**75,216**	**158,600**
Accumulated depreciation						
As of 31 December 2008	-	-	-	**(20)**	-	**(20)**
Depreciation charge for the year	(332)	(3,924)	(134)	(85)	-	(4,475)
Disposals	-	9	-	-	-	9
Eliminated on revaluation	324	3,820	130	-	-	4,274
Translation difference	8	95	4	2	-	109
As of 31 December 2009	-	-	-	**(103)**	-	**(103)**
Net book value						
As of 31 December 2009	**22,495**	**59,374**	**922**	**490**	**75,216**	**158,497**
As of 31 December 2008	**19,845**	**65,208**	**732**	**402**	**30,447**	**116,634**

As of 31 December 2009 revaluation decrease in the amount of USD 3,887 thousand was recognized in other comprehensive income as decrease in revaluation reserve since it related to decrease of previously recognized revaluation reserve of respective items of property, plant and equipment. Excess of revaluation decrease over previously recognized revaluation reserve of respective items of property, plant and equipment in the amount of USD 607 thousand was recognized as loss on revaluation.

The main factor contributing to the impairment of the property, plant and equipment as of 31 December 2009 was change in market conditions

The following table represents movements in property, plant and equipment for the year ended 31 December 2010:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2009	**22,495**	**59,374**	**922**	**593**	**75,216**	**158,600**
Additions	-	9,441	19	18	7,328	16,806
Disposals	-	(18)	-	-	-	(18)
Capitalized borrowing costs	3,954	4,017	19	-	407	8,397
Transfers	24,359	40,756	186	52	(65,353)	-
Translation difference	(28)	(6)	2	2	411	381
As of 31 December 2010	**50,780**	**113,564**	**1,148**	**665**	**18,009**	**184,166**
Accumulated depreciation						
As of 31 December 2009	**-**	**-**	**-**	**(103)**	**-**	**(103)**
Depreciation charge for the year	(320)	(3,757)	(232)	(62)	-	(4,371)
Disposals	-	-	-	-	-	-
Translation difference	1	14	1	-	-	16
As of 31 December 2010	**(319)**	**(3,743)**	**(231)**	**(165)**	**-**	**(4,458)**
Net book value						
As of 31 December 2010	**50,461**	**109,821**	**917**	**500**	**18,009**	**179,708**
As of 31 December 2009	**22,495**	**59,374**	**922**	**490**	**75,216**	**158,497**

As of 31 December 2009 construction in progress of the Group were represented by items of imported property, plant and equipment that were undergoing custom clearance before being transferred to the Group site with the carrying amount of USD 32,635 thousand and that were treated by the Group as qualifying assets. The Group got customs clearance for that property, plant and equipment during the year ended 31 December 2010 and put them into operation.

As of 31 December 2009 and 2008 all Group's property, plant and equipment, excluding furniture and other depreciable assets, were revalued by independent valuators in accordance with the requirements of International Valuation Standards. The valuation of specialized items of revalued property, plant and equipment was determined based on depreciable replacement cost, while the analogues method was used to determine the valuation of the remaining items.

As of 31 December 2010 and 2009, had the Group's property, plant and equipment, excluding furniture and other depreciable assets, been carried at historical cost less accumulated depreciation where applicable, their carrying amount would have been the following:

	2010	2009
Buildings and structures	44,621	16,791
Machinery and equipment	88,625	36,588
Vehicles	505	522
Construction in progress and equipment due to installation	5,631	50,439
Total	**139,382**	**104,340**

As of 31 December 2010 and 2009, fully depreciated assets with a cost of USD 456 thousand and USD 15 thousand, respectively, were included into property, plant and equipment.

As of 31 December 2010 and 2009 the Group has property, plant and equipment pledged to secure the Group's bank borrowings (Note 18).

6. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2010 and 2009 prepayments for property, plant and equipment were as follows:

	2010	2009
Construction works	10,677	9,173
Machinery and equipment	12	847
Other	12	14
Total	**10,701**	**10,034**

As of 31 December 2010 and 2009 there were prepayments for property, plant and equipment for the amount of USD 9,125 thousand and 1,162 thousand, respectively, pledged as collateral to secure bank borrowings of the Group (Note 18).

7. INVESTMENTS IN ASSOCIATES

As of 31 December 2010 and 2009 investments in associates were represented as follows:

	2010		2009	
PrSC "WESTA PAK"	n/a	-	23.91%	455
PrSC "Dnepro Deu"	21.00%	161	21.00%	161
Total		**161**		**616**

As of 31 December 2010 the Group's investment in PrSC "Dnepro Deu" was carried at cost since effect of its operations was not material.

The Group accounted for its investment in PrSC "WESTA PAK" using the equity method. Investment in PrSC "WESTA PAK" was sold in 2010 for USD 558 thousand. Summarized balances of the Group's associate PrSC "WESTA PAK" as of 31 December 2009 were as follows:

	2009
Investment in PrSC "WESTA PAK"	
Total assets	3,362
Total liabilities	(1,460)
Net assets	1,902
Group's share of associate's net assets	**455**

Summarized results of operations of the Group's associate PrSC "WESTA PAK" for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Total revenue	2,609	2,123
Total profit/(loss) for the year	425	(346)
Group's share of associate's profit/(loss) for the year	**102**	**(83)**

As of 31 December 2010 and 2009 the Group has pledged its investment in associate to secure the Group's bank borrowings (Note 18).

8. INCOME TAX

During the years ended 31 December 2010 and 2009 the Group companies incorporated in Ukraine were subject to income tax at a 25% rate. The new Tax Code of Ukraine, which was enacted in December 2010, introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 December 2010 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to be realised.

The net results of the Group companies incorporated in jurisdictions other than Ukraine (Luxemburg and Cyprus) were insignificant during the years ended 31 December 2010 and 2009.

The main components of income tax expense for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Current tax expense	460	211
Deferred tax (benefit)/expense	(12,228)	841
Income tax (benefit)/expense	**(11,768)**	**1,052**

As of 31 December 2010 and 2009 the major components of deferred tax assets and liabilities were as follows:

	2010	2009
Deferred tax assets arising from:		
Tax losses carried forward	3,717	5,822
Trade and other accounts payable	1,904	1,400
Trade and other accounts receivable	296	111
Provisions and accruals	199	100
Inventories	39	-
Other	62	60
Net deferred tax assets	**6,217**	**7,493**

	2010	2009
Deferred tax liabilities arising from:		
Advances to suppliers and prepaid expenses	(2,166)	(725)
Property, plant and equipment and other non-current assets	(1,287)	(17,017)
Construction in progress	(936)	-
Inventories	(170)	(272)
Other	(22)	-
Total deferred tax liabilities	**(4,581)**	**(18,014)**
Net deferred tax position	**1,636**	**(10,521)**

As of 31 December 2010 and 2009 the excess of tax losses carried forward over net deferred tax liabilities assessed on individual subsidiaries' basis in the amounts of USD 13,325 thousand and USD 8,515thousand, respectively, were not recognized as deferred tax assets, since it was uncertain whether the Group will be able to utilize these deferred tax assets. In accordance with Ukrainian legislation tax losses can be carried forward for unlimited period of time.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of the financial position as of 31 December:

	2010	2009
Deferred tax asset	1,636	779
Deferred tax liability	-	(11,300)
Net deferred tax position	**1,636**	**(10,521)**

The movements in deferred taxes during the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Deferred tax liability as of the beginning of the year	**(10,521)**	**(9,300)**
Deferred tax directly charged to revaluation reserve	-	(732)
Deferred tax benefit/(expense)	12,228	(841)
Translation difference	(71)	352
Deferred tax liability as of the end of the year	**1,636**	**(10,521)**

The charge for the years ended 31 December 2010 and 2009 can be reconciled to the profit/ (loss) per the statement of comprehensive income as follows:

	2010	2009
Profit/(loss) before income tax	**22,199**	**(22,233)**
Theoretical income tax expense/(benefit) at the tax rate of 25%	5,550	(5,558)
Tax effect of:		
Change in tax losses carried forward not recognized as deferred tax asset	4,801	1,775
Permanent differences on contribution from/ (distributions to) shareholders	1,027	(1,541)
Permanent differences resulting from non-deductible expenses	574	6,491
Differences resulting from new Tax Code of Ukraine implementation	(20,864)	-
Permanent difference from government grants	(2,457)	-
Permanent differences resulting from non-taxable income	(399)	(115)
Income tax benefit/ (expense)	**(11,768)**	**1,052**

9. OTHER NON-CURRENT ASSETS

As of 31 December 2010 and 2009 other non-current assets of the Group were represented by the bank term deposit in the amount of USD 1,342 thousand and USD 1,448 thousand, respectively, being pledged as collateral to secure bank borrowing with the maturity in February 2012 (Note 18). The deposit provided 7.75% interest per annum and will mature in March 2012.

As of 31 December 2010 and 2009 the balance also comprised available-for-sale investments in the amount of USD 73 thousand and USD 76 thousand, respectively.

10. INVENTORIES

Inventories as of 31 December 2010 and 2009 were as follows:

	2010	2009
Raw materials	7,655	6,086
Finished goods	6,751	3,804
Work in progress	4,311	3,946
Other inventories	269	222
Total	**18,986**	**14,058**

As of 31 December 2010 and 2009 the Group had inventories pledged as collateral to secure the Group's bank borrowings (Note 18).

As of 31 December 2009, inventories for the amount of USD 14,058 thousand were presented net of the net realizable value adjustment of USD 341 thousand. The net realizable value adjustment was charged to cost of inventory in cost of sales for the year ended 31 December 2009.

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade accounts receivable as of 31 December 2010 and 2009 were as follows:

	2010	2009
Trade receivables, including:		
-UAH denominated	24,711	22,419
-RUB denominated	13,822	8,081
-USD denominated	1,759	1,717
-EUR denominated	2,234	625
Receivables for securities sold (UAH denominated)	5,022	9,885
Other receivables, including:		
-UAH denominated	556	1,405
-USD denominated	211	1,065
Total	**48,315**	**45,197**

As of 31 December 2010 and 2009 trade and other receivables included balances with related parties in the amount of USD 24,202 thousand and USD 20,367 thousand, respectively (Note 30).

As of 31 December 2010 and 2009 the Group had trade and other accounts receivable pledged as collateral to secure the Group's bank borrowings (Note 18).

The average credit period for the Group's customers was 45 days for the years ended 31 December 2010 and 2009, respectively. No interest is charged on trade receivables.

The Group's management performed regular analysis of trade accounts receivable recoverability based on past experience, facts and circumstances existing and best management's estimates as of each reporting date.

Included in the Group's trade and other accounts receivable balances as of 31 December 2010 and 2009 were debtors which are past due at the respective reporting date and which the Group still considered recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

Ageing of past due but not impaired trade and other accounts receivable as of 31 December 2010 and 2009 were as follows:

	2010	2009
Neither past due nor impaired	46,453	39,807
Past due but not impaired:		
Past due up to 90 days	1,721	467
Past due from 90 to 180 days	-	3,504
Past due from 180 to 365 days	93	1,231
More than 1 year	48	188
Total	**48,315**	**45,197**

Management believes that there were no trade and other receivables that required allowance for irrecoverable amounts as there were no individually impaired receivables as of 31 December 2010 and 2009. No allowance for irrecoverable trade and other accounts receivable was provided in these consolidated financial statements.

As of 31 December 2010 receivables for securities from related parties in the amount of USD 6,232 thousand were recorded at amortized cost using 19% discount rate. Difference between carrying value and fair value of these accounts receivable on their initial recognition in the amount of USD 1,297 thousand was recognized as distribution to shareholders in 2010.

As of 31 December 2010 trade and other accounts receivable included balances of USD 11,421 thousand, which were not offset with trade and other accounts payable to the same counterparties as they related to different Group entities and thus, the Group had no legally enforceable right to set-off these balances.

12. ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

As of 31 December 2010 and 2009 advances to suppliers and prepaid expenses were as follows:

	2010	2009
Advances for raw materials	30,453	10,833
Advances for services	553	191
Advances for utilities	62	142
Other advances and prepaid expenses	590	204
Total	**31,658**	**11,370**

As of 31 December 2010 and 2009 advances to suppliers and prepaid expenses included balances with related parties in the amount of USD 27,529 thousand and USD 5,645 thousand, respectively (Note 30).

Management believes that there were no advances to suppliers and prepaid expenses that required allowance for irrecoverable amounts as there were no individually impaired balances as of 31 December 2010 and 2009.

As of 31 December 2010 and 2009 the Group has pledged its rights related advances made to secure the Group's bank borrowings (Note 18).

As of 31 December 2010 advances to suppliers and prepaid expenses included balances of USD 9,182 thousand, which were not offset with trade and other accounts payable to the same counterparties as they related to different Group entities and thus, the Group had no legally enforceable right to set-off these balances.

13. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as of 31 December 2010 and 2009 were as follows:

	2010	2009
Value added tax recoverable	11,759	10,329
CIT prepaid	97	-
Other taxes prepaid	6	22
Provision for doubtful VAT	-	(675)
Total	**11,862**	**9,676**

As of 31 December 2010 and 2009 the Group has pledged its rights on proceeds from taxes recoverable to secure the Group's bank borrowings (Note 18).

14. OTHER FINANCIAL ASSETS

As of 31 December 2010 and 2009 other financial assets were represented by short-term bank deposits and restricted cash and were as following:

	2010	2009
-EUR denominated	9,489	10,246
-UAH denominated	821	387
-USD denominated	789	4,792
Total	**11,099**	**15,425**

As of 31 December 2010 and 2009 the Group had bank deposits with maturity range 3 – 12 months and amounted to USD 4,095 thousand and USD 8,426 thousand, respectively, which were restricted in use and pledged as collateral to secure borrowings (Note 18).

The weighted average interest rate for the deposits was 13% as of 31 December 2010 and 2009.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
Cash equivalents held in banks in UAH	9,297	78
Cash held at current accounts in banks in EUR	531	68
Cash held at current accounts in banks in RUB	388	377
Cash held at current accounts in banks in UAH	255	100
Cash held at current accounts in banks in USD	169	2,098
Cash equivalents held in banks in USD	-	500
Total	**10,640**	**3,221**

As of 31 December 2010 and 2009 the Group has pledged its cash and cash equivalents to secure the Group's bank borrowings (Note 18).

16. SHARE CAPITAL/ COMBINED CONTRIBUTED CAPITAL

As discussed in Note 1 the Parent was acquired in 2010 to serve as the ultimate holding company of the Group. As of 31 December 2010 the authorized, issued and fully paid share capital of the Parent was EUR 31 thousand (USD 41 thousand) comprising of 310 shares of EUR 100 each at nominal value. 100% owner of the Parent's share capital is Vankeria Consultants Limited, entity under control of the Principal Shareholder.

As of 31 December 2009 the authorized and fully contributed combined capital of the Group comprised of the following:

Shareholder	31 December 2009 Quantity of shares	31 December 2009 Par value of shares
PSC "WESTA-Dnepr"	11,999,200	12,058
"WESTA INDUSTRIAL" Ltd.	n/a	18,428
"INDUSTRIAL ENERGY SYSTEMS" LTD	n/a	6,733
"TECHKOMPLEKT" LTD	n/a	10
Total combined contributed capital		**37,229**
Less		
Eliminated on Consolidation		(18,424)
Non-controlling interests in combined contributed capital		(359)
Combined contributed capital attributable to Common ultimate owners of the Group		**18,446**

17. NON-CONTROLLING INTERESTS

As of 31 December 2010 and 2009, the value of share of the non-controlling owners in the Group companies was the following:

	2010	2009
Non-controlling interests value	700	-

In March 2009 the effective ownership interest in PSC "WESTA-DNEPR" was increased by 22.25% through the reduction of minority interest by means of a new share issue acquired by an entity under common control. The effect from the change in minority interest in the amount of USD 3,206 thousand was recognized by the Group in the combined and consolidated statement of changes in equity for the year ended 31 December 2009.

18. BORROWINGS

The following table summarizes long-term bank loans and credit lines outstanding as of 31 December 2010 and 2009:

Currency	Weighted average interest rate	2010	Weighted average interest rate	2009
USD	12%	187,427	13%	156,571
EUR	10%	43,340	11%	51,254
UAH	19%	21,690	20%	27,284
		252,457		**235,109**
Less:				
Current portion of long-term bank borrowings		(106,902)		(86,213)
Total long-term borrowings		**145,555**		**148,896**

38

As of 31 December 2010 and 2009 short-term loans, borrowings and credit lines due within one year consisted of the following:

Currency	**Weighted average interest rate**	**2010**	**Weighted average interest rate**	**2009**
USD	12%	18,352	17%	5,000
UAH	n/a	-	24%	2,505
Total bank borrowings due within one year		**18,352**		**7,505**
Add:				
Current portion of long-term bank borrowings		106,902		86,213
Payables for factoring operations		4,813		7,071
Interest accrued		19,091		11,860
Total short-term borrowings		**149,158**		**112,649**
Total borrowings		**294,713**		**261,545**

The Group's borrowings are drawn from Ukrainian banks and subsidiaries of foreign banks as term loans and credit line facilities. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings is payable on a monthly or quarterly basis.

Term bank loans and credit line facilities were as follows as of 31 December 2010 and 2009:

	31 December 2010	**31 December 2009**
Closed-end credit lines	164,637	171,764
Revolving credit lines	101,692	55,850
Term loans	4,480	15,000
Total bank borrowings	**270,809**	**242,614**

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2010 and 2009:

	31 December 2010	**31 December 2009**
Fixed interest rate	248,148	204,751
Floating interest rate	22,661	37,863
Total	**270,809**	**242,614**

As of 31 December 2010 and 2009 the Group's total bank borrowings and respective interest forecasted based on contractual repayment schedule were repayable as follows:

	31 December 2010	31 December 2009
Due within three months	78,844	21,377
Due from three months to six months	21,943	31,639
Due from six months to twelve months	52,507	74,915
Total current portion repayable in one year	**153,294**	**127,931**
Due in the second year	77,731	68,343
Due thereafter	87,479	115,905
Total	**318,504**	**312,179**
Less interest forecasted	(42,882)	(62,494)
Add accrued interest	19,091	11,860
Total borrowings	**294,713**	**261,545**

The Group as well as particular subsidiaries has to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied by the Group related to the financial performance of the Group companies, change in the assets level and usage of loan funds in accordance with the stated purpose. There were no significant breach of covenants by the Group as of 31 December 2010 and 2009, respectively. The Group entities should also obtain approval from the lenders regarding the property to be used as collateral.

As of 31 December 2010 and 2009 the Group's borrowings were secured by the following pledged assets:

	2010	2009
Property, plant and equipment	159,804	146,928
Trade and other accounts receivables	45,338	25,409
Other non-current assets	1,342	1,448
Inventories	18,631	14,058
Advances to suppliers and prepaid expenses	10,680	6,983
Taxes recoverable and prepaid	3,685	1,030
Cash and cash equivalents	922	1,564
Other financial assets	4,095	8,426
Intangible assets, net	104	115
Prepayments for property, plant and equipment	9,125	1,162
Total	**253,726**	**207,199**

The table above includes all assets of PSC "WESTA-DNEPR" as of 31 December 2010 and 2009 that were pledge under the agreements with of the Ukrainian banks.

As of 31 December 2010 the Group had the following pledges, except those stated above:

- Finished goods, that will be produced by Limited company "WESTA INDUSTRIAL" starting the third quarter of the year ended 31 December 2010 to fourth quarter of the year ended 31 December 2013 (2,541,000 accumulators), with the pledge value in the amount of USD 322,893 thousand;
- There was also guarantee provided by the related party LLC "Westa Market" to secure Group borrowings.

As of 31 December 2009 the Group had the following pledges, except those stated above:

- Finished goods, that will be produced by Limited company "WESTA INDUSTRIAL" starting the third quarter of the year ended 31 December 2009 to fourth quarter of the year ended 31 December 2010 (542,000 accumulators), with the pledge value in the amount of USD 49,286 thousand;
- Property plant and equipment of the Group's related parties in the amount of USD 4,542 thousand and of third parties in the amount of USD 1,593 thousand;
- Shares held by the Group's related parties in the Group's associates in the amount of USD 837 thousand;
- Other investments of the related parties of the Group in the amount of USD 5,058 thousand.

19. BONDS ISSUED

Bonds issued and outstanding as of 31 December 2010 and 2009 were as follows:

	2010	2009
20 % Domestic bonds due in 2011	6,439	6,262
18 % Domestic bonds due in 2012	-	6,262
19 % Domestic bonds due in 2012	-	1,252
Unamortized premium on bonds issued	-	158
Total	**6,439**	**13,934**

20 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 6,262 thousand 20% unsecured domestic bonds, due in November 2011, with premium amounted to USD 225 thousand. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's entity Limited Company "TECHKOMPLEKT". Interest on 20% domestic bonds is payable on a monthly basis. The Group had the right for early redemption of the bonds as of 7 November 2009 and 14 November 2010 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 7 November 2009 and 14 November 2010.

18 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 6,262 thousand 18% unsecured domestic bonds, due in February 2012, at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's consolidated entity Limited Company "TECHKOMPLEKT". Interest on 18% domestic bonds is payable on a quarterly basis. The Group had the right for early redemption of the bonds as of 29 November 2009 and 27 February 2011 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 29 November 2009. In 2010 bonds were redeemed by the Group at par value. Interest was paid in full amount.

19 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 1,252 thousand 19% unsecured domestic bonds, due in January 2012 at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's entity Limited Company "TECHKOMPLEKT". Interest on 19% domestic bonds is payable on a quarterly basis. The Group had the right for early redemption of the bonds as of 1 November 2009 and 30 January 2011 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 1 November 2009. In 2010 bonds were redeemed by the Group at par value. Interest was paid in full amount.

On 31 of December 2010 outstanding balance of bonds amounted to USD 7,563 thousand was redeemed at par based on mutual consent of WESTA DNEPR and respective bonds holders.

20. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
Trade payables for raw materials, including:		
-UAH denominated	14,157	7,867
-EUR denominated	1,787	178
-USD denominated	7,699	99
Trade payables for services, including:		
-UAH denominated	3,521	2,173
-EUR denominated	42	351
-USD denominated	-	11
Unsettled liabilities for the acquisition of property, plant and equipment, including:		
-UAH denominated	-	6
-EUR denominated	360	770
-USD denominated	67	164
Accounts payable for available-for-sale investments, including:		
-UAH denominated	2,059	198
Other current liabilities, including:		
-UAH denominated	406	199
-EUR denominated	43	-
-USD denominated	40	-
Total	**30,181**	**12,016**

As of 31 December 2010 accounts payable for available-for-sale investments included USD 1,758 thousand of remained unpaid amount for transfer the single holding company WESTA-DNEPR by Principal Shareholder to Westa Dnepr (Cyprus) Limited.

As of 31 December 2010 and 2009 trade and other payables included balances with related parties in the amount of USD 18,531 thousand and USD 8,161 thousand, respectively (Note 30).

The average credit period rendered to the Group by trade suppliers comprises 122 days and 120 days in the years ended 31 December 2010 and 2009, respectively. No interest is charged on trade and other payables.

The table below summarizes the maturity profile of the Group's trade and other payables as of 31 December 2010 and 2009 based on contractual undiscounted payments:

	31 December 2010	31 December 2009
Due within three months	28,432	10,203
Due from three to six months	200	1,357
Due from six months to twelve months	1,549	456
Total	**30,181**	**12,016**

As of 31 December 2010 trade and other accounts payable included balances of USD 20,603 thousand, which were not offset with trade and other accounts receivable and advances to suppliers and prepaid expenses to the same counterparties as they related to different Group entities and thus, the Group had no legally enforceable right to set-off these balances.

21. TAXES PAYABLE

As of 31 December 2010 and 2009 taxes payable were as follows:

	31 December 2010	31 December 2009
Payroll related taxes	316	369
Corporate income tax payable	141	63
Other taxes	148	19
Total	**605**	**451**

22. PROVISIONS AND ACCRUALS

Provisions and accruals as of 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
Accrued payroll	649	529
Warranty provision	509	250
Provision for unused vacation	326	149
Total	**1,484**	**928**

Warranty provision as of 31 December 2010 and 2009 represents the estimated amount of cost required to substitute sold batteries that will break-down before the end of the warranty period by the new batteries. Warranty provision is recorded only with reference to sales in Ukraine.

Provision for unused vacation represents a provision for employee benefit for the earned number of paid vacation days, which were not settled as of the reporting date.

23. REVENUE

Revenue for the years ended 31 December 2010 and 2009 was as follows:

	2010	2009
Sales of finished goods	150,985	82,411
Other sales	3,320	593
Total	**154,305**	**83,004**

For the years ended 31 December 2010 and 2009, revenue included transactions with related parties in amount of USD 30,835 thousand and USD 50,920 thousand, respectively (Note 30).

24. COST OF SALES

Cost of sales for the years ended 31 December 2010 and 2009 was as follows:

	2010	2009
Inventory	88,224	49,386
Salaries, wages and related charges	6,754	5,009
Utilities	3,528	2,909
Depreciation	3,475	3,193
Repairs and maintenance	474	398
Transportation costs	398	421
Warranty costs	270	148
Other expenses	590	141
Total	**103,713**	**61,605**

For the years ended 31 December 2010 and 2009 the Group purchases included transactions with related parties in amount of USD 68,869 thousand and USD 52,660 thousand, respectively (Note 30).

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Salaries, wages and related charges	2,239	2,374
Transportation costs	1,026	1,426
Bank charges	798	1,198
Depreciation and amortization	702	742
Other services	162	1,111
Communication services	159	142
Non-refundable taxes	145	174
Repairs and maintenance	130	121
Rent of property, plant and equipment	116	303
Other expenses	214	214
Total	**5,691**	**7,805**

For the years ended 31 December 2010 and 2009 general and administrative expenses included transactions with related parties in amount of USD 715 thousand and USD 1,611 thousand, respectively (Note 30).

26. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Transportation costs	2,105	367
Inventory	1,292	827
Salaries, wages and related charges	173	157
Other	288	106
Total	**3,858**	**1,457**

27. GOVERNMENT GRANT RECOGNIZED AS INCOME

In 2010 the WESTA-DNEPR won a competition for innovation run by State Agency of Ukraine for Investments and Development (the "State Agency") the prize for winning the competition is that the Group will receive a grant from the State Budget of Ukraine. The amount of government grant was determined as amount of interest paid by WESTA-DNEPR mainly in 2009-2008 and partially in 2010 and related to a number of loan agreements with Ukrainian banks. The government grant was recorded as income as the Group management determined that WESTA-DNEPR met all of the following, which were conditions for receipt of the grant:

- Westa-Dnepr provided all necessary information and documentation to the State Agency;
- The decision to disburse the amounts to WESTA-DNEPR was approved by the State Agency;
- Interest under specified loan agreements was paid to banks;
- There is reasonable assurance that the grant will be receivable.

In case of cancelation of loan agreements to which interest paid related to, WESTA-DNEPR will be obliged to repay back the amount of the grant plus 5% penalties.

28. OTHER EXPENSES, NET

Other expenses for the year ended 31 December 2010 and 2009 consisted of the following:

	2010	2009
Allowance for irrecoverable VAT	28	770
Other expenses, net	722	892
Loss on disposal of other assets	-	2,451
Loss on revaluation of property, plant and equipment	-	607
Total	**750**	**4,720**

29. FINANCE COSTS

Finance costs for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Interest expense on bank borrowings	26,308	21,640
Interest expense on bonds	3,312	1,330
Interest expense on factoring	2,987	3,887
Other financial costs, net	459	-
Total	**33,066**	**26,857**

30. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include common ultimate owners, affiliates and entities under common ownership and control with the Group and members of key management personnel. Terms and conditions of business with related parties are determined based on arrangements specific to each contract or transaction and are not executed on terms similar to those used for third parties. These terms and conditions could vary to those that would have been obtained had underlying transactions been transactions been transacted with third parties.

The Principal Shareholder of the Group is Denys Dzenzers'kyy.

The Group enters into transactions with related parties that are under the common control of the Principal Shareholder of the Group, disposed subsidiary (Note 1) and other related parties (entities where the Principal shareholder exercises significant influence). In the ordinary course of business, there are following major types of transactions and operations with such related parties:

- Sales of finished goods;
- Provision of tolling services starting from 2010;
- Purchases of lead and other supplies used in production;
- Purchases of miscellaneous services;
- Transactions related to the Group's formation;
- Other transactions described in Note 1.

The revenues from sales to related parties for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Companies under common control	22,492	31,215
Other related parties	8,343	19,705
Total revenues from sales to related parties	**30,835**	**50,920**
Total per caption revenue (Note 23)	**154,305**	**83,004**

The purchases from related parties for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Purchases		
Companies under common control	23,645	39,317
Other related parties	45,224	13,343
Total purchases from related parties	**68,869**	**52,660**
Total purchases	**127,891**	**77,724**
General and administrative expenses		
Companies under common control	715	700
Other related parties	-	911
Total	**715**	**1,611**
Total per caption general and administrative expenses (Note 25)	**5,691**	**7,805**

The purchases of property, plant and equipment from related parties for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Companies under common control	4,690	36
Other related parties	43	792
Total	**4,733**	**828**

The balances of trade and other accounts receivable due from related parties (Note 11) were as follows as of 31 December 2010 and 2009:

	2010	2009
Trade receivables		
Companies under common control	15,796	14,448
Other related parties	2,380	381
Receivables for securities sold		
Companies under common control	3,629	2,911
Other related parties	312	755
Other receivables		
Companies under common control	93	55
Other related parties	1,992	1,817
Total	**24,202**	**20,367**
Total per caption trade and other accounts receivable (Note 11)	**48,315**	**45,197**

As of 31 December 2010 and 2009 the Group did not create any allowance for irrecoverable trade and other accounts receivable due from related parties.

The balances of advances made to related parties (Note 12) as of 31 December 2010 and 2009 were as follows:

	2010	2009
Companies under common control	113	111
Common ultimate shareholder	9	11
Other related parties	27,407	5,523
Total advances to related parties	**27,529**	**5,645**
Total per caption advances (Note 12)	**31,658**	**11,370**

The balances of advances received from related parties were as follows as of 31 December 2010 and 2009:

	2010	2009
Companies under common control	667	2,136
Other related parties	123	1,673
Total advances from related parties:	**790**	**3,809**
Total per caption advances received	**1,935**	**5,668**

The balances of trade and other accounts payable due to related parties as of 31 December 2010 and 2009 were as follows (Note 20):

	2010	2009
Trade accounts payable		
Companies under common control	9,172	4,960
Other related parties	9,051	1,596
Accounts payable for available-for-sale investments		
Companies under common control	3	-
Other related parties	65	1,411
Unsettled liabilities for the acquisition of property, plant and equipment		
Companies under common control	167	100
Other related parties	-	-
Other current liabilities		
Companies under common control	35	8
Other related parties	38	86
Total	**18,531**	**8,161**
Total per caption trade and other accounts payable (Note 20)	**30,181**	**12,016**

As described in Note 18 there was also a guarantee provided by the related party LLC "Westa Market" to secure Group borrowings.

The remuneration of the key management personnel of the Group for the years ended 31 December 2010 and 2009 amounted to USD 357 thousand and USD 180 thousand, respectively.

31. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Contractual commitments on purchases – During the years ended 31 December 2010 and 2009, the Group entered into a number of contracts with suppliers of equipment and construction contracts. As of 31 December 2010 there were no outstanding purchase commitments under such contracts (2009: USD 8,107 thousand).

Operating lease commitments – As of 31 December 2010 and 2009 there were no significant commitments under non-cancellable operating lease agreements.

Ongoing Global Liquidity Crisis – The financial markets, both globally and in Ukraine, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2008 and worsened since August 2008. The global financial turmoil has significantly affected Ukrainian economy. It has resulted in a decrease of the country's GDP, significant fluctuations in debt and equity prices, substantial outflow of capital, increase of inflation level.

While many countries, including Ukraine, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems could slow or disrupt the economy of Ukraine and adversely affect the Group operating within its environment.

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital. Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Operating environment – Although in recent years there has been a general improvement in economic conditions in the country, Ukraine continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within the country is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Taxation – Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In years 2010 and 2009 and previous periods the Group was involved in reallocation of the resources to and from larger group of entities under common control (Note 1). These transactions that may be interpreted by the tax authorities in a way different from that of the Group and additional tax charges and penalties may be imposed. Despite the fact that the most significant tax returns of the Group companies for the said periods were reviewed by the tax authorities without any significant disputes or additional tax charges, they are still open for further review. In accordance with the current legislation, tax returns remain open and subject to examination for the three-year period after their submission, however, in certain cases this limitation does not apply. Future tax examinations could raise issues or assessments which are contrary to the Group's tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. As of 31 December 2010 and 2009 maximum tax exposure related to such transactions was estimated as USD 14,438 thousand and USD 16,213 thousand, respectively.

In 2010 the Group rendered manufacturing services based on tolling arrangements with one of its related parties. In some instances the Group subsequently purchased raw materials imported in Ukraine based on tolling arrangements for subsequent use in its own production. The Group management believes it followed all local tax legislation applicable for such transactions. Meantime, the tax authorities may challenge an approach of the Group used for these transactions and additional tax charges and penalties may be imposed on the Group. No reliable estimate of the Group's tax exposure to these transactions can be made.

Management believes that it is not likely that any significant settlement will arise from the above cases and, therefore, the Group's consolidated financial statements do not include any amount of provision in this respect.

Legal – In the ordinary course of business, the Group is subject to legal actions and complaints. The management of the Group believes that the ultimate liability, if any, arising from such legal actions or complaints will not have a material effect on the financial position or results of future operations of the Group. There were no material claims against the Group as of 31 December 2010 and 2009.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2010 and 2009 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, other financial assets, trade and other accounts receivable, trade and other accounts payable, provisions and accruals, payables for factoring operations due to the short-term nature of the financial instruments.

Bonds issued are recorded at amortized cost in the financial statements which approximates their fair values at USD 6,439 thousand. The fair value of the Group's borrowings is estimated at USD 269,900 thousand compared to carrying amount of USD 289,901 thousand (Note 18). Fair value was estimated by discounting the expected future cash outflows by a market rate of interest.

33. FINANCIAL RISK MANAGEMENT

Capital risk management – The Group did not have a consolidated capital structure prior to 31 December 2010. After the completion of the formation of the Group, the primary objective of the Group is to ensure that it is able to continue as a going concern by optimising its capital ratios in order to support its business and maximise the return to its shareholder. Upon completion of the Group formation at the end of the 2010 financial year, management plans to review the capital structure on a regular basis. Based on the results of this review, the Group plans to take steps to balance its overall capital structure through the payment of dividends, new share issuances as well as the issuance of new debt or the redemption of existing debt. The management of the Group is planning to monitor capital on the basis of the gearing ratio.

The capital structure of the Group consists of short-term and long term borrowings (Note 18), unsecured domestic bonds issued (Note 19), share capital (Note 16), additional paid in capital, revaluation reserve and accumulated deficit. Net debt is determined as total loans and borrowings (Note 18) less cash and cash equivalents (Note 15) and bank term deposits (Note 9), as shown in the consolidated statement of financial position.

Major categories of financial instruments – The Group's principal financial liabilities comprise borrowings, trade and other accounts payable, provisions and accruals and bonds issued. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents, other financial assets.

	31 December 2010	31 December 2009
Financial assets		
Cash and cash equivalents	10,640	3,221
Other financial assets	11,099	15,425
Trade and other accounts receivable	48,315	45,197
Government grant receivable	9,795	-
Other non-current assets	1,415	1,524
Total financial assets	**81,264**	**65,367**
Financial liabilities		
Trade and other accounts payable	30,181	12,016
Short-term borrowings and current portion of the long-term borrowings	149,158	112,649
Provisions and accruals	975	678
Long-term borrowings	145,555	148,896
Bonds issued	6,439	13,934
Total financial liabilities	**332,308**	**288,173**

The main risks arising from the Group's financial instruments are commodity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.

Commodity price risk – Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market prices of the Group's finished goods or raw materials used in production.

51

The management of the Group considers that the Group's exposure to the commodity price risk is remote due to the absence of the long-term selling contracts with a fixed price arrangements and expectation that in the future market prices for its finished goods will continue to grow faster than the market prices for the major components consumed in production.

Credit risk – The Group is exposed to credit risk which is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

The credit risk is primarily attributable to trade accounts receivable. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to particular customer, thus establishing the individual credit period limits. The approved credit periods are validated by each customer individually and are based on the historical performance.

There are three major groups of customers: foreign customers, distributors and retail networks. The Group operates without standardized procedure on setting credit limits and credit periods for its customers. Credit limits and periods are set for customers on individual basis but not exceeding two month. The standard credit periods on sales of goods to distributors were limited to not more than 20 days and to retail networks – to 60 days. New domestic customers are served on prepayments terms only, while credit sales for those with positive credit history vary from 14 to 20 days. Export sales in 2010 and 2009 were conducted by the Group on prepayment basis mainly, while for some customers individually stated credit period can not exceed 50 days. Before granting the customer with credit period and credit limit, the Group assesses his trading and payment experience. No interest is charged on trade accounts receivable.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts of trade receivable from the customers for recoverability starting from the date credit period is expired.

The Group's five largest customers represent 57% and 50% of trade accounts receivable balances as of 31 December 2010 and December 2009, respectively.

The summary below shows the sales and the outstanding balances of accounts receivables of the top five customers at the respective balance sheet dates:

Counterparty	Customer locations	Revenue Amount	Outstanding balance as of 31 December 2010	Concentration of outstanding balance, %
Customer 1	Russia	52,538	11,255	23%
Customer 2	Ukraine	8,277	11,058	23%
Customer 3	Russia	10,680	2,886	6%
Customer 4	Ukraine	14,713	2,316	5%
Customer 5	Ukraine	5,895	63	-
Total		**92,103**	**27,578**	

Counterparty	Customer locations	Revenue Amount	Outstanding balance as of 31 December 2009	Concentration of outstanding balance, %
Customer 1	Russia	27,090	7,898	17%
Customer 2	Ukraine	14,323	9,290	21%
Customer 3	Ukraine	14,352	4,748	11%
Customer 4	Ukraine	14,563	585	1%
Customer 5	Ukraine	6,595	-	-
Total		**76,923**	**22,521**	

Sales to one Group's largest customer amounted to USD 52,538 thousand for the year ended 31 December 2010 (2009: USD 27,090 thousand), which comprised 34% and 33% of total revenues for the respective years. Of the trade accounts receivables balance as of 31 December 2010, USD 11,255 thousand (2009: USD 7,898 thousand) is due from abovementioned customer. Apart from the largest customer of the Group, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk – Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to realize an asset at a reasonable price and in an appropriate time frame.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2010 and 2009:

Financial liabilities	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	1-5 years	2010 Total
Borrowings	97,935	21,943	52,507	165,210	337,595
Trade and other accounts payables	28,432	200	1,549	-	30,181
Provisions and accruals	593	127	255	-	975
Bonds issued	314	314	628	7,431	8,687
Total	**127,274**	**22,584**	**54,939**	**172,641**	**377,438**

Financial liabilities	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	1-5 years	2009 Total
Borrowings	33,237	31,639	74,915	184,248	324,039
Trade and other payables	10,203	1,357	456	-	12,016
Provisions and accruals	169	170	339	-	678
Bonds issued	653	654	7,466	7,722	16,495
Total	**44,262**	**33,820**	**83,176**	**191,970**	**353,228**

As of 31 December 2010 and 2009, the Group's current ratio was as follows:

	31 December 2010	31 December 2009
Current assets	142,355	98,947
Current liabilities	183,363	131,712
Current ratio	**0.78**	**0.75**

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group borrows on both a fixed and variable rate basis. The primary sources of the Group's funds are loans with fixed interest rate.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	2010			2009		
	CIRR	**EURIBOR**	**NBU discount rate**	**LIBOR**	**EURIBOR**	**NBU discount rate**
Profit/(loss)	70/(70)	156/(156)	n/a	74/(74)	193/(193)	112/(112)

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Foreign currency risk – Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as of the reporting dates are as follows:

	USD 31 December		**EUR 31 December**		**RUB 31 December**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Assets						
Cash and cash equivalents (Note 15)	169	2,598	531	68	388	377
Trade and other accounts receivable (Note 11)	1,970	2,782	2,234	625	13,822	8,081
Other financial assets (Note 14)	789	4,792	9,489	10,246	-	-
Other non-current assets (Note 9)	-	-	1,341	1,448	-	
Total assets	**2,928**	**10,172**	**13,595**	**12,387**	**14,210**	**8,458**
Liabilities						
Borrowings (Note 18)	(215,401)	(166,654)	(48,029)	(53,778)	-	-
Trade and other accounts payable (Note 20)	(7,806)	(274)	(2,232)	(1,299)	-	-
Total liabilities	**(223,207)**	**(166,928)**	**(50,261)**	**(55,077)**	**-**	**-**
Total net position	**(220,279)**	**(156,756)**	**(36,666)**	**(42,690)**	**14,210**	**8,458**

The table below details the Group's sensitivity to strengthening of US Dollar, EURO and Russian Ruble against the Ukrainian Hryvnia by 10%. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		**EUR – impact**		**RUB – impact**	
	31 December 2010	**31December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
Profit/ (loss)	(22,028)/22,028	(15,675)/15,675	(3,667)/3,667	(4,269)/ 4,269	1,421/(1,421)	846/(846)

Operating environment (export sales) risks – Historically significant part of the Group's revenue was from sales to the Russian Federation, therefore the Group is exposed to risks of limitations to export operations. During the years ended 31 December 2010 and 2009, the Group's management diversified this risk by optimizing share of domestic sales and exports to other markets.

34. EARNINGS PER SHARE

The earnings/(losses) and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2010	2009
Profit/(loss) for the year attributable to equity holders of the Parent	33,487	(22,075)
Earnings/(losses) used in calculation of earnings per share	**33,487**	**(22,075)**
Weighted average number of shares outstanding*	33,100,000	33,100,000
Earnings/ (losses) per share	1.01	(0.67)

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

* As discussed in Note 35 to the financial statements subsequent to 31 December 2010 the nominal value of the Parent's share was decreased to EUR 0.01 making the total number of shares issued as 3,100,000. In addition, the share capital of the Parent was increased by EUR 300 thousand through issuance of 30,000,000 of new shares with equal voting rights at nominal value EUR 0.01 each. As the contribution to the share capital was considered as not significant comparing to the expected market value of shares issued no adjustment to the number of weighted average number of shares outstanding was made for the purpose of earnings per share calculation for the years ended 31 December 2010 and 2009.

35. SUBSEQUENT EVENTS

On 18 March 2011 the Parent:

- Decreased par value of Parent's shares from EUR 100 to EUR 0,01;
- Increased its authorized share capital from EUR 31 thousand to EUR 331 thousand consisting of 33,100,000 shares of EUR 0.01, by the creation of additional 30,000,000 ordinary shares of EUR 0.01 each. Increase in share capital was issued and fully paid by the date of approval of these financial statements;
- Authorized Parent's Board of directors to issue up to 11,900,000 additional ordinary shares of EUR 0.01 each.

On 15 April 2011 management of the Group negotiated with its major lender (Ukrainian bank) a prolongation of principal repayments of short-term borrowings and current portion of long-term borrowings stated as of 31 December 2010 in the amount of USD 96,301 thousand with quarterly reduction of credit limit starting from 1 October 2012 till final settlement by 31 December 2016. Respective amendments to loan agreements were signed on 27 April 2011. The Group also negotiated the reduction in interest rate for such borrowings down from 11.7% to 10.9% per annum starting April 2011.

On 29 April 2011 management of the Group renegotiated the terms of principal repayments of USD 7,091 thousand of short-term borrowings with another Ukrainian bank starting from payment of USD 843 thousand in August 2011, subsequent monthly payments of USD 272 thousand and final settlement of the remaining balance to be made in July 2013.

On 29 April 2011 the Group received in full a cash consideration for the government grant recognized as of 31 December 2010 (Note 27).

36. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2010 were approved by Board of Directors of Westa ISIC S.A. on 2 May 2011.

WESTA-DNEPR GROUP

Combined and Consolidated
Financial Statements
Years Ended 31 December 2009 and 2008

WESTA-DNEPR GROUP

TABLE OF CONTENTS

WESTA-DNEPR GROUP

STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

Board of Directors is responsible for the preparation of combined and consolidated financial statements that present fairly the financial position of Public stock company "WESTA-DNEPR", its subsidiary, Limited Company "WESTA INDUSTRIAL" and its combined entities, LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS" and Limited Company "TECHKOMPLEKT" (jointly the "Westa-Dnepr Group" or the "Group") as of 31 December 2009 and 2008, the combined and consolidated results of its operations, cash flows and changes in owners' equity for the years then ended, in accordance with International Financial Reporting Standards as adopted by European Union ("IFRS").

In preparing the combined and consolidated financial statements, Board of Directors is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the combined and consolidated financial statements; and
- Preparing the combined and consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Board of Directors, within its competencies, is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- Taking steps to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The accompanying combined and consolidated financial statements of the Group as of 31 December 2009 and 2008 and for the years then ended is the responsibility of the Group's Board of Directors.

The combined and consolidated financial statements of the Group for the year ended 31 December 2009 and 2008 were approved by Board of Directors on 2 May 2011.

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

Deloitte

PJSC "Deloitte & Touche USC"
48-50A, Zhylyanska St.
Kyiv 01033
Ukraine

Tel.: +38 (044) 490 9000
Fax: +38 (044) 490 9001
www.deloitte.ua

INDEPENDENT AUDITOR'S REPORT

To the Board of directors of Westa ISIC S.A.:

We have audited the accompanying combined and consolidated financial statements of Public stock company "WESTA-DNEPR", its subsidiary, Limited Company "WESTA INDUSTRIAL" and its combined entities, LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS" and Limited Company "TECHKOMPLEKT" (jointly the "Westa-Dnepr Group" or the "Group") as of 31 December 2009 and 2008, and the combined and consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the combined and consolidated financial statements

Board of Directors is responsible for the preparation and fair presentation of the accompanying combined and consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audit. Except as discussed in Basis for Qualified Opinion below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined and consolidated financial statements are free from material misstatement.

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

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

Deloitte

Basis for Qualified Opinion

We were not appointed as auditors of certain Group entities until after 31 December 2008 and thus, did not observe the counting of physical inventories at these entities at the beginning and end of that year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held by these entities as of 31 December 2008 and 1 January 2008, which are stated in the combined and consolidated statements of financial position at USD 6,329 thousand and USD 12,773 thousand, respectively. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories.

As discussed in Note 1, during the years ended 31 December 2009 and 2008 the distributions to shareholders in the combined and consolidated statements of changes in equity included amounts withdrawn by the controlling shareholder of the Group of USD 5,862 thousand and USD 14,834 thousand, respectively. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity, classification and completeness of these amounts. As a result of this matter we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters described in the Basis for Qualified Opinion above, the combined and consolidated financial statements present fairly, in all material respects, the combined and consolidated financial positions of the Group as of 31 December 2009 and 2008 and its combined and consolidated financial performance and its combined and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 29 to the combined and consolidated financial statements which describes the fact that a high concentration of the Group's transactions have been carried out with related parties and that similarly, a large proportion of outstanding balances are with counterparties that are related parties. The terms and conditions of business carried out with related parties are determined based on arrangements specific to each contract and transaction, and such terms and conditions could vary from those that could be transacted with third parties.

Without further qualifying our opinion, we draw attention to Note 32 describing a high concentration of the Group's transactions and balances with a major customer.

Deloitte & Touche

2 May 2011

WESTA-DNEPR GROUP

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2009, 2008 AND 1 JANUARY 2008

(in thousands of US Dollars)

	Notes	31 December 2009	31 December 2008	1 January 2008
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	5	158,497	116,634	113,219
Prepayments for property, plant and equipment	6	10,034	18,105	6,014
Intangible assets		472	569	68
Investments in associates	7	616	747	888
Deferred tax assets	8	779	441	22
Other non-current assets	9	1,524	232	657
Total non-current assets		171,922	136,728	120,868
CURRENT ASSETS:				
Inventories	10	14,058	17,802	17,804
Trade and other accounts receivable	11	45,197	30,988	8,260
Advances to suppliers and prepaid expenses	12	11,370	9,409	1,996
Taxes recoverable and prepaid	13	9,676	8,907	7,509
Other financial assets	14	15,425	14,614	1,299
Cash and cash equivalents	15	3,221	8,602	20,064
Total current assets		98,947	90,322	56,932
TOTAL ASSETS		270,869	227,050	177,800
EQUITY AND LIABILITIES				
(DEFICIT) /EQUITY :				
Combined contributed capital	16	18,446	16,540	15,708
Revaluation reserve		28,456	21,734	-
(Accumulated deficit)/retained earnings		(81,065)	(41,185)	9,246
Cumulative translation difference		(810)	(1,744)	-
(Deficit)/equity attributable to the Principal Shareholder of the Group		(34,973)	(4,655)	24,954
Minority interests	17	-	4,430	8,375
Total (deficit)/equity		(34,973)	(225)	33,329
CONTINGENCIES AND CONTRACTUAL COMMITMENTS	30			
NON-CURRENT LIABILITIES:				
Long-term borrowings	18	148,896	147,823	91,845
Bonds issued	19	13,934	-	-
Deferred tax liabilities	8	11,300	9,741	12,427
Total non-current liabilities		174,130	157,564	104,272
CURRENT LIABILITIES:				
Trade and other accounts payable	20	12,016	19,695	20,136
Advances received		5,668	5,703	2,318
Short-term borrowings and current portion of the long-term borrowings	18	112,649	43,083	15,984
Taxes payable	21	451	304	290
Provisions and accruals	22	928	926	1,471
Total current liabilities		131,712	69,711	40,199
TOTAL LIABILITIES		305,842	227,275	144,471
TOTAL EQUITY AND LIABILITIES		270,869	227,050	177,800

On behalf of Board of Directors of Westa-Dnepr Group:

Denys Dzenzers'kyy,	Dmytro Nikitin,
CEO of Westa ISIC S.A.	Director of Westa ISIC S.A.

The notes on pages 9 to 53 form an integral part of these combined and consolidated financial statements.

4

WESTA-DNEPR GROUP

COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(in thousands of US Dollars)

	Notes	2009	2008
REVENUE	23	83,004	144,585
COST OF SALES	24	(61,605)	(103,226)
GROSS PROFIT		21,399	41,359
General and administrative expenses	25	(7,805)	(9,824)
Selling and distribution expenses	26	(1,457)	(1,731)
Other expenses, net	27	(4,720)	(7,162)
Foreign exchange loss, net		(6,564)	(49,655)
Finance costs	28	(26,857)	(19,676)
Interest income		3,854	1,860
Share of losses of associate		(83)	(2)
LOSS BEFORE INCOME TAX		(22,233)	(44,831)
INCOME TAX (EXPENSE)/BENEFIT	8	(1,052)	7,851
NET LOSS FOR THE YEAR		(23,285)	(36,980)
Other comprehensive income		3,115	22,433
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(20,170)	(14,547)
Loss for the year attributable to:			
The Principal Shareholder of the Group		(22,075)	(30,592)
Minority interests		(1,210)	(6,388)
Total comprehensive loss attributable to:			
The Principal Shareholder of the Group		(16,203)	(13,345)
Minority interests		(3,967)	(1,202)
LOSSES PER SHARE	33		
Basic and diluted (USD per share)		(0.67)	(0.92)

On behalf of Board of Directors of Westa-Dnepr Group:

Denys Dzenzers'kyy, CEO of Westa ISIC S.A.	Dmytro Nikitin, Director of Westa ISIC S.A.

The notes on pages 9 to 53 form an integral part of these combined and consolidated financial statements.

5

WESTA-DNEPR GROUP

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(in thousands of US Dollars)

	Attributable to the Principal Shareholder of the Group					Minority interests	Total (deficit)/ equity
	Combined contributed capital	Revaluation reserve	(Accumulated deficit)/ retained earnings	Cumulative translation difference	Total		
1 January 2008	**15,708**	**-**	**9,246**	**-**	**24,954**	**8,375**	**33,329**
Net loss for the year	-	-	(30,592)	-	(30,592)	(6,388)	(36,980)
Revaluation of property, plant and equipment (Note 5)	-	28,979	-	-	28,979	6,915	35,894
Deferred tax arising on revaluation of property, plant and equipment (Note 8)	-	(7,245)	-	-	(7,245)	(1,729)	(8,974)
Translation adjustment	-	-	-	(1,744)	(1,744)	(2,743)	(4,487)
Total comprehensive income for the year	**-**	**21,734**	**(30,592)**	**(1,744)**	**(10,602)**	**(3,945)**	**(14,547)**
Distribution to shareholders (Note 1)	-	-	(17,909)	-	(17,909)	-	(17,909)
Distribution to shareholders related to Group reorganization (Note 1)	-	-	(1,930)	-	(1,930)	-	(1,930)
Combined contributed capital increase	832	-	-	-	832	-	832
31 December 2008	**16,540**	**21,734**	**(41,185)**	**(1,744)**	**(4,655)**	**4,430**	**(225)**
Net loss for the year	-	-	(22,075)	-	(22,075)	(1,210)	(23,285)
Revaluation of property, plant and equipment (Note 5)	-	2,927	-	-	2,927	2	2,929
Deferred tax arising on revaluation of property, plant and equipment (Note 8)	-	(732)	-	-	(732)	-	(732)
Translation adjustment	-	-	-	934	934	(16)	918
Total comprehensive income for the year	**-**	**2,195**	**(22,075)**	**934**	**(18,946)**	**(1,224)**	**(20,170)**
Distribution to shareholders (Note 1)	-	-	(13,646)	-	(13,646)	-	(13,646)
Distribution to shareholders related to Group reorganization (Note 1)	-	-	(932)	-	(932)	-	(932)
Change in minority interest	1,906	4,527	(3,227)	-	3,206	(3,206)	-
31 December 2009	**18,446**	**28,456**	**(81,065)**	**(810)**	**(34,973)**	**-**	**(34,973)**

On behalf of Board of Directors of Westa-Dnepr Group:

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

The notes on pages 9 to 53 form an integral part of these combined and consolidated financial statements.

6

WESTA-DNEPR GROUP

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(in thousands of US Dollars)

	2009	2008
OPERATING ACTIVITIES:		
Loss before income tax	(22,233)	(44,831)
Adjustments to reconcile loss to net cash generated by operations:		
Finance costs	26,857	19,676
Non-operating foreign exchange loss	10,829	56,433
Depreciation and amortization expense	4,476	4,286
Change in allowance for doubtful VAT recoverable	770	-
Loss on revaluation of property, plant and equipment	607	5,836
Inventory write-off	341	-
Loss on disposal of property, plant and equipment	-	1,247
Share of losses of associates	83	2
Interest income	(3,854)	(1,860)
Operating profit before working capital changes	17,876	40,789
Increase in trade and other accounts receivable	(8,809)	(33,127)
Increase in advances to suppliers and prepaid expenses	(2,354)	(13,538)
Decrease/(increase) in inventories	2,844	(9,104)
Increase in taxes receivable (other than income tax)	(1,878)	(5,903)
(Decrease)/increase in trade and other accounts payable	(7,461)	8,534
Increase/(decrease) in provisions and accruals	36	(58)
Increase in advances received	173	6,217
Increase in taxes payable (other than income tax)	110	150
Cash generated by/(used in) operations	537	(6,040)
Income tax paid	(165)	(189)
Interest paid	(15,167)	(20,771)
Net cash used in operating activities	(14,795)	(27,000)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment and intangible assets	(36,908)	(45,854)
Proceeds from disposal of property, plant and equipment	64	5,378
Interest received	3,854	1,860
Decrease in other financial assets	(2,850)	(20,110)
Purchase of investments in associate	-	(167)
Proceeds from sale of investments available for sale	26	554
Net cash used in investing activities	(35,814)	(58,339)

WESTA-DNEPR GROUP

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(in thousands of US Dollars)

FINANCING ACTIVITIES:	**2009**	**2008**
Distribution to shareholders	(20,521)	(20,072)
Distribution to shareholders related to Group reorganization	(932)	(1,930)
Proceeds from bonds issuance	14,118	-
Proceeds from borrowings	151,087	150,660
Principal payments on borrowings	(98,393)	(55,769)
Net cash generated by financing activities	45,359	72,889
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,250)**	**(12,450)**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**8,602**	**20,064**
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(131)	988
CASH AND CASH EQUIVALENTS, at the end of the year	**3,221**	**8,602**

On behalf of Board of Directors of Westa-Dnepr Group:

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Dmytro Nikitin,
Director of Westa ISIC S.A.

The notes on pages 9 to 53 form an integral part of these combined and consolidated financial statements.

WESTA-DNEPR GROUP

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(in thousands of US Dollars unless otherwise stated)

1. NATURE OF THE BUSINESS AND CORPORATE REORGANIZATION

Nature of the business – The accompanying combined and consolidated financial statements were prepared to present historical financial information of the group of entities, which formed a legal group as part of reorganization process finalized by 31 December 2010 (see further details on Corporate reorganization in this Note) and include the consolidated financial statements of Public Stock Company "WESTA-DNEPR" and its subsidiary Limited Company "WESTA INDUSTRIAL", Limited Company "TECHKOMPLEKT" and LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS" (hereinafter, "combined entities"), for the years ended 31 December 2009 and 2008. Collectively, the companies form WESTA-DNEPR Group (hereinafter, the "Group" or the "WESTA-DNEPR Group"). For the purpose of these combined and consolidated financial statements, all prior period financial information has been presented, as if the WESTA-DNEPR Group formation was effective from 1 January 2008, the date of transition to International Financial Reporting Standards ("IFRS").

The Group and combined entities before and after restructuring were under the control and management of the Principal Shareholder of the Group (see Note 29).

The principal operating office of the Group is located at 34, Budivelnykiv St., Dnipropetrovs'k, 49055, Ukraine. PSC "WESTA-DNEPR" was incorporated on 22 October 2002 under the laws of Ukraine.

Principal operating activity of the Westa-Dnepr Group started in January 2005. Westa-Dnepr Group is one of the leading manufacturing groups in Ukraine involved in the production and distribution of starter accumulator batteries that refer to a maintenance-free category and category of batteries requiring maintenance. The extent of batteries application is as follows:

- Commercial vehicles, tractors, combine harvesters equipped with petrol and diesel engines;
- Cars of any class with petrol and diesel engines;
- Batteries for heavy-duty trucks, including those of special-purpose.

Batteries are sold in Ukraine, Russia and other counties, collectively in more than 30 countries.

As of 31 December 2009, 2008 and 1 January 2008 the structure of the Group and principal activities of the companies forming the Group were as follows:

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Principal Shareholder		
			31 December 2009	31 December 2008	1 January 2008
Parent:					
PSC "WESTA-DNEPR"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.25%	75.00%	75.00%
Subsidiary:					
Limited company "WESTA INDUSTRIAL"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.24%	56.18%	56.18%

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Principal Shareholder		
			31 December 2009	31 December 2008	1 January 2008
Combined entities:					
LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS"	Providing of production and logistic services for the Group	Ukraine, Dnipropetrovsk	100.00%	100.00%	100.00%
Limited Company "TECHKOMPLEKT"	Trade house (operating company)	Ukraine, Dnipropetrovsk	100.00%	100.00%	100.00%
Associates:					
PrSC "WESTA-PAK"	Manufacturing of packaging products (operating company)	Ukraine, Dnipropetrovsk	23.91%	24.99%	24.76%
PrSC "Dnepro-Deu"	Maintenance of transmission equipment	Ukraine, Dnipropetrovsk	21.00%	21.00%	-

The Group also has ownership in two dormant subsidiaries, namely LLC "WF Production" and LLC "FW Trading", which were not engaged in significant activities as of 31 December 2009 and 2008. These subsidiaries are stated at cost due to their insignificance to the combined and consolidated financial statements of the Group.

Corporate reorganization – Prior to 31 December 2010 the ownership in the companies forming the Group was not united in the form of a legal holding. During the year ended 31 December 2010 the following processes were completed to form the business engaged in the production and distribution of starter accumulator batteries:

- In 2010 an entity controlled by the Principal Shareholder acquired a non-operating entity domiciled in Luxemburg, it was renamed to "Westa ISIC S.A." and set up as the holding company of the Group;
- An entity established in Cyprus, namely "Westa Dnepr (Cyprus) Limited" was transferred to the ownership of Westa ISIC S.A.;
- The ownership in the combined entities, which was previously held by the Principal Shareholder, was transferred to Westa Dnepr (Cyprus) Limited as a transaction between entities under common control;
- The Group disposed ownership in one of its subsidiary, namely LLC "Recuperatsiya svyntsyu", to an entity under common control. In order to present financial information of the Group for the years ended 31 December 2009 and 2008, which is to reflect financial performance of the Group on comparable basis, the cost of investment into the disposed subsidiary was shown as distribution to the shareholders in the combined and consolidated statement of changes in equity from the earliest for the year ended 31 December 2008 in the amount of USD 1,930 thousand. Subsequent contributions to the share capital of the disposed subsidiary in the amount of USD 932 thousand were shown as distribution to the shareholders in the combined and consolidated statement of changes in equity for the year ended 31 December 2009.

Following the above, the consolidated financial information for the periods up to the formal date of the Group formation has been prepared based on the following assumptions:

- The assets, liabilities and the profit or loss of the entities comprising the Group have been aggregated for all periods presented;
- All transactions and balances between Group entities have been eliminated;
- Transactions and balances with entities controlled by the Principal Shareholder that are not within the Group are classified as related party transactions and balances;
- The share capital in 2009 and 2008 of each of the Group entity has been combined and was presented as combined contributed capital. The Group retained earnings balance therefore represents the historical retained earnings of the entities comprising the Group;
- All other items within equity have been aggregated in a manner consistent with the assets and liabilities;
- The non-controlling interests share, which has been increased and reduced throughout the periods presented as a result of a number of further direct and indirect acquisitions and disposals by the Group was presented as equity transactions.

Transactions with a larger group of entities under common control – During the years ended 31 December 2009 and 2008 the Group was also engaged in the purchase of raw materials from parties under common control at prices in excess of market. Based on requirements of International Financial Reporting Standards Framework for the Preparation and Presentation of Financial Statements and substance of these transactions, the excess in prices over the purchase price paid by the parties under common control, was recorded as a distribution to the shareholders in the combined and consolidated statement of changes in equity for the years ended 31 December 2009 and 2008 in the amount of USD 5,862 thousand and USD 14,834 thousand, respectively with corresponding decrease of cost of sales and decrease of cost of inventories.

In addition, during the years ended 31 December 2009 and 2008 the Group was involved in reallocation of the resources to larger group of entities under common control. These amounts were recorded as distribution to the shareholders in the combined and consolidated statement of changes in equity for the years ended 31 December 2009 and 2008 in the amount of USD 7,784 thousand and USD 5,005 thousand, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These combined and consolidated financial statements for the years ended 31 December 2009 and 2008 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Group adopted IFRS as its reporting framework as of 1 January 2008. The Group's opening IFRS statement of financial position as of 1 January 2008 ("the date of transition to IFRS") was prepared in accordance with the requirements of IFRS 1, "First Time Adoption of International Financial Reporting Standards" ("IFRS 1"). Prior to 2008, the Group did not prepare financial statements in accordance with IFRS as adopted by European Union.

The accompanying combined and consolidated financial statements have been prepared in accordance with the requirements of all International Accounting Standards ("IAS"), IFRS, and Interpretations of International Financial Reporting Interpretations Committee ("IFRIC"), which were effective as of 31 December 2009.

The Group has not previously prepared consolidated or combined and consolidated financial statements under Ukrainian Accounting Standards ("UAS") or any other accounting standards. Accordingly, no reconciliation to prior consolidated or combined and consolidated financial statements prepared in accordance with UAS or any other relevant accounting standards could be provided in these combined and consolidated financial statements.

The entities of the Group maintain their accounting records in accordance with accounting standards and other statutory requirements to financial reporting in the country of their incorporation. Local statutory accounting principles and procedures differ from accounting principles generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group entities' statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The accompanying financial statements of the Group are prepared on the historical cost basis, except for the revaluation of property, plant and equipment and certain financial instruments.

Standards and Interpretations in issue but not effective – At the date of authorization of these combined and consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	**Effective for annual period beginning on or after**
IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Revised November 2008)	1 July 2009
IFRS 3 "Business Combinations" (Revised January 2008)	1 July 2009
IFRIC 17 "Distributions of Non-cash Assets to Owners"	1 July 2009
Amendments to IAS 27 "Consolidated and Separate Financial Statements" (January 2008)	1 July 2009
Amendment to IAS 28 "Investments in Associates" – Consequential amendments arising from amendments to IFRS 3	1 July 2009
Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items (July 2008)	1 July 2009
Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"	30 June 2009
Amendment to IAS 32 "Financial Instruments: Presentation" – Classification of rights issues	1 February 2010
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
Amendments to IFRIC 14 "IAS 19— The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a minimum funding requirement	1 January 2011
Amendments to IAS 24 "Related Party Disclosures"	1 January 2011
Amendments to IFRS 7 "Financial instruments: Disclosures" – Transfers of financial assets	1 July 2011*
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Replacement of "fixed dates" for certain exceptions with "the date of transition to IFRSs" and Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011*
Amendments to IAS 12 "Income Taxes" - Limited scope amendment (recovery of underlying assets)	1 January 2012*
IFRS 9 "Financial Instruments: Classification and Measurement"	1 January 2013*

* Standards and Interpretations not yet endorsed by the European Union.

As of the date of authorization of these combined and consolidated financial statements, there were also amendments to other Standards and Interpretation issued resulting from annual improvements to IFRS that are effective in future periods.

The management is currently evaluating the impact of the adoption of IAS 27 "Consolidated and Separate Financial Statements", IFRS 3 "Business Combinations" (Revised January 2008), IFRS 9 "Financial Instruments: Classification and Measurement" and For other Standards and Interpretations management anticipates that their adoption in future periods will have no material effect on the combined and consolidated financial statements of the Group.

Functional and presentation currency – The functional currency of the combined and consolidated financial statements of the Group is the Ukrainian Hryvnia ("UAH"). The currency of presentation is United States dollars ("USD"). The assets and liabilities of the subsidiaries denominated in functional currencies are translated into presentation currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income or loss.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The relevant exchange rates were as follows:

	As of 31 December 2009	**Average for the 2009**	**As of 31 December 2008**	**Average for the 2008**	**As of 1 January 2008**
UAH/USD	7.985	7.7916	7.7000	5.2693	5.0500
UAH/EUR	11.4489	10.8736	10.8555	7.7114	7.4195
UAH/RUB	0.2640	0.2467	0.2621	0.2114	0.2058

Basis of combination and consolidation – Acquisition of new combined entities from third parties is made by the use of purchase method. The combined and consolidated financial statements of the Group incorporate the financial statements of PSC "WESTA-DNEPR", entities controlled by the PSC "WESTA-DNEPR" (its subsidiaries) and combined entities, which are involved in the production and distribution of starter accumulator batteries. The summary of subsidiaries and combined entities is presented in Note 1.

The control over subsidiary is deemed to exist when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The control over the combined entities is deemed to be achieved when the power to govern the financial and operating policies exists and belongs to the Principal Shareholder.

The financial statements of subsidiaries and combined entities are included in the combined and consolidated financial statements of the Group from the date when control effectively commences until the date when control effectively ceases.

On acquisition, the assets, liabilities, and contingent liabilities of a subsidiary and combined entities are measured at their fair values. The interest of minority shareholders in subsidiaries and the combined entities in the acquiree is initially measured at the minority's proportion of the net fair values of the assets, liabilities and contingent liabilities recognized.

Changes in the Group's interests in subsidiaries and combined entities that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the minority interest are adjusted to reflect the changes in their relative interests in the subsidiaries and combined entities. Any difference between the amount by which the minority interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Principal Shareholder.

Where necessary, adjustments are made to the financial statements of subsidiaries and combined entities to bring the accounting policies used into line with those adopted by the Group.

All significant intercompany transactions, balances and unrealized gains (losses) on transactions are eliminated on consolidation and combination.

Minority interests – Minority interest in subsidiaries and combined entities are identified separately from the Group's equity therein. The interests of minority shareholders consist of the amount of those interests at the date of the original business combination (see above) and the share of the minority interest in changes in equity since the date of the combination. Losses applicable to the minority shareholders in excess of the minority shareholders' interest in the subsidiary's or combined entity's equity are allocated against the interests of the Group except to the extent that the minority shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the combined and consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments – Financial assets and financial liabilities are recognized on the Group's combined and consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting. Settlement date accounting refers to (a) the recognition of an asset/ liability on the day it is received/ incurred by the entity, and (b) the derecognition of an asset/ liability and recognition of any gain or loss on disposal on the day that it is delivered/ settled by the entity.

Financial assets and liabilities are initially recognized at fair value plus, in the case when financial asset or financial liability are not stated at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are only offset and the net amounts are reported in the statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets – Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest income (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) – including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts – through the expected life of the financial asset (liability), or, where appropriate, a shorter period.

Accounts receivable – Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value.

Other financial assets – Other financial assets include deposits with original maturity of more than three months held for investment purposes or as guarantees for the Group's borrowings and are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, cash with banks and deposits with original maturity of less than three months.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If the Group determines that no objective evidence exists that impairment has incurred for individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets – The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issue costs.

Repurchase of the own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments.

Financial liabilities – Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

Other financial liabilities – Other financial liabilities, including borrowings, bonds issued, trade and other payables, payables for property, plant and equipment and accruals are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities – The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Contributed capital of combined entities – Contributed capital is recognized at the fair value of the contributions received by the Group's combined entities.

Trade and other payables – Accounts payable are subsequently measured at amortized cost using the effective interest rate method. Accounts payable are classified as long-term if they are due for settlement in period longer than twelve months from the reporting date. Accounts payable which are expected to be settled within twelve months from the reporting date are classified as current accounts payable.

Borrowings and bonds issued – Interest-bearing borrowings and bonds are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and bonds issued and recorded as borrowing costs.

Borrowing costs – Borrowing costs include interest expenses and other debt service costs. Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Property, plant and equipment – Buildings and structures, machinery and equipment and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset recognized previously in other comprehensive income.

On the subsequent sale or retirement of revalued items of property, plant and equipment, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Fixtures and other depreciable assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The cost of self-constructed assets includes the cost of material, direct labour and an appropriate portion of production overheads.

As the historical cost information was not available for some items of property, plant and equipment, the Group elected to use a fair value as a deemed cost for them as of the date of transition to IFRS. The management used valuation performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS. The fair value was defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets was determined at their market value.

If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income or a depreciated replacement cost approach was used to estimate the fair value.

Depreciation is recognized so as to write off the cost, deemed cost or revalued amount of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the profit or loss as incurred.

Depreciable amount represents the cost, deemed cost or revalued amount of an item of property, plant and equipment less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	10 - 80 years
Machinery and equipment	1 - 25 years
Vehicles	2 - 25 years
Furniture and other depreciable assets	1 - 25 years

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets become available for use, i.e. when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Intangible assets – Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets – At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax – Income taxes have been computed in accordance with the laws currently enacted in the Ukraine. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax – Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period – Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

Inventories – Inventories are stated at the lower of cost and net realizable value. The costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions – Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and assets – Contingent liabilities are not recognized in the combined and consolidated financial statements. They are disclosed in the notes to the combined and consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Dividends – Dividends declared during the reporting period are recognized as distributions of retained earnings to equity holders during the period, the amount of recognized but unpaid dividends is included in current liabilities. Dividends declared after the reporting date but before the financial statements were authorized for issue are not recognized as a liability at the reporting date, but are disclosed in the notes to the financial statements.

Segment information – IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the Chief Executive Officer (CEO) of the Group. The CEO reviews the Group's internal reporting in order to assess performance and allocate resources. Currently, the CEO evaluates the business from a single perspective as one unit manufacturing starter batteries. No further analysis to assess profitability based on types of batteries sold or based on geography of sales (while revenue per regions and distributors is reviewed) is made by the CEO. For this reason the CEO and the Group's management considers the entire Group to be a single operating and reportable segment.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, net of value added tax ("VAT") or other sales related taxes.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised using the effective interest method.

The Group derives its revenue from sales to distributors operating on aftermarket. Specifically, revenue from the sale of goods to distributors is recognized when goods are dispatched and the risk and rewards are passed to the distributor based on the provision of applicable terms for the sale (the Group uses Incoterms).

Defined contribution plan – The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund are recorded in the profit or loss on the accrual basis. The Group is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

The Group's contributions to the State Pension Fund during the years ended 31 December 2009 and 2008 amounted to USD 2,013 thousand and USD 2,532 thousand, respectively.

Warranty provisions – Provisions for warranty costs are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Key sources of estimation uncertainty – The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment provision for accounts receivable – The majority of the Group's accounts receivable that are past due but not considered to be impaired as at 31 December 2009, 2008 and 1 January 2008 relate to the trade and other accounts receivable due from the Group's related parties and accounts receivable arisen on sales of securities in the total amount of USD 5,390 thousand, USD 24,279 thousand and USD 4,543 thousand, respectively. Such accounts receivable are analyzed separately from trade accounts receivable from third parties for impairment assessment. After analysis performed as at 31 December 2009 and 2008 the Group's management considers these amounts as recoverable and no allowance was provided in these combined and consolidated financial statements based on the past experience of the Group as well as current arrangements and expectations about respective debtors' ability to settle their debt to the Group. If there is deterioration in creditworthiness of such debtors the actual results could differ from these estimates.

Recoverability of property, plant and equipment – As part of the valuation of property, plant and equipment as of 31 December 2009 the Group assessed the existence of external (economic) obsolescence. Such analysis is necessary to determine whether the fair value of items of specialized nature, which was valued using depreciated the replacement cost approach, is recoverable. The assessment of absence of external (economic) obsolescence was determined using projections of future cash flows of the Group discounted using a weighted average cost of capital of 17%. Future cash flows projections were built on the following key assumption: production of 4 million of conventional batteries in 2010, with subsequent growth rate in 2011 at 14%, 5.4% in 2012, 3% in 2013, and 1% thereafter, and growth rate for terminal value at 2%. Should the actual results are worsen then projected by the management of the Group some amount of property, plant and equipment may not be recoverable.

Useful lives of property, plant and equipment – The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets – Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. As at 31 December 2009 and 2008 the Group recognized deferred tax asset related to tax losses carried forward at individual entities of the Group in the amount of USD 5,822 thousand and USD 7,621 thousand respectively, as the Group intends to utilize such deferred tax assets against set off with related deferred tax liabilities. The management judgment to recognized respective deferred tax assets was also based on the ability of the Group to carry forward respective such losses for indefinite time in future based on existing requirements of tax legislation in Ukraine.

Meantime, in the past, there were instances when other Ukrainian laws provided specific periods within which tax losses could be utilized. If any new law enacted subsequently to 31 December 2009 provides specific period for utilization of the amount of the Group's tax losses carry forward, the Group can loose ability to utilize part or all of the deferred tax assets currently recognized.

VAT recoverable – Management classified VAT recoverable balance as current based on past history of receiving VAT refunds from the state budget and expectations that it will be realized within twelve months from the reporting date. The timely refund of VAT receivable is dependent on fulfillment of state budget, availability of respective funds on account of the state treasury and priorities of Ukrainian government. Changes in the pattern of receiving VAT refunds from the state budget could affect the Group's ability to realize this asset within twelve months since the reporting date.

4. GOING CONCERN

These combined and consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in these combined and consolidated financial statements, for the years ended 31 December 2009 the Group incurred net loss of USD 23,285 thousand, and as of 31 December 2009 had an equity deficit of USD 34,973 thousand. The Group had an excess of current liabilities over current assets of USD 32,765 thousand as of 31 December 2009.

The management of the Group believes that the preparation of the accompanying combined and consolidated financial statements on the going concern basis is appropriate due to the following measures which are focused to improve the liquidity position of the Group and its profitability:

- On 15 April 2011 management of the Group negotiated with its major lender (Ukrainian bank) a prolongation of principal repayments of short-term borrowings and the current portion of long-term borrowings stated as of 31 December 2010 in the amount of USD 96,301 thousand with quarterly reduction of credit limits starting from 1 October 2012 till final settlement by 31 December 2016. Respective amendments to loan agreements were signed on 27 April 2011 (Note 34). The Group also negotiated the reduction in interest rate for such borrowings down from 11.7% to 10.9% per annum starting April 2011. In addition, the renegotiated the terms of principal repayments of USD 7,091 thousand of short-term borrowings with another Ukrainian bank starting from payment of USD 843 thousand in August 2011, subsequent monthly payments of USD 272 thousand and final settlement of the remaining balance to be made in July 2013 (Note 34). Based on an analysis of the Group's consolidated liquidity position after renegotiated terms with these two Ukrainian banks the management of the Group does not anticipate any liquidity gap for a period of at least twelve months from the reporting date.

- During the recent years the Group was extensively investing in its production capacities increasing them by 2.5 times from 2008. In addition, over the last few years the Group was securing its dominant position on such markets as Ukraine, Russia, Kazakhstan, Moldova, and Belarus. The Group also entered into European market in 2008 and plans to continue strengthening its market position on this market as well as expanding of its geographical sales with particular interest in the Africa, Middle East and Asia markets as they are characterized by more often replacement of batteries comparing with CIS and European markets. Execution of this strategy enabled the Group to produce and sell 4.32 million conventional batteries in 2010 compared to 2.52 million of conventional batteries produced and sold in 2009. As a result, the Group managed to increase it gross profit by more than 2 times and become profitable in 2010.

The Group's management considers that it would be able to sustain further growth of business and reach production and sales level of 6.5 million of conventional batteries in 2011. Management believes the projected level of output will enable the Group to increase its profits due to economy of scale and generate sufficient cash flows from its operating activities to meet its obligations as they become due.

- The Group is also focused on cost effectiveness initiatives to improve its profitability. As lead represents circa 80% of production costs the Group concentrates its cost reduction programs for the next few years in two following areas:
  - reduction of lead contents by integrating of innovative production technologies, and
  - diversification of lead supplies, including recuperation of lead by recycling obsolete batteries.

5. PROPERTY, PLANT AND EQUIPMENT

The following tables represent movements in property, plant and equipment for the years ended 31 December 2009 and 2008:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 1 January 2008	**23,045**	**48,351**	**477**	**440**	**41,016**	**113,329**
Additions	2,114	2,835	382	136	21,168	26,635
Disposals	(2,899)	(655)	(18)	-	(3,067)	(6,639)
Capitalized borrowing costs	-	-	-	-	1,416	1,416
Transfers	5,533	10,355	110	54	(16,052)	-
Revaluation increase	2,902	28,798	267	-	3,927	35,894
Eliminated on revaluation	(902)	(1,940)	(80)	-	-	(2,922)
Loss on revaluation of property, plant and equipment	(464)	(1,533)	(77)	-	(3,762)	(5,836)
Translation difference	(9,484)	(21,003)	(329)	(208)	(14,199)	(45,223)
As of 31 December 2008	**19,845**	**65,208**	**732**	**422**	**30,447**	**116,654**
Accumulated depreciation						
As of 1 January 2008	-	**(110)**	-	-	-	**(110)**
Depreciation charge for the year	(1,341)	(2,785)	(130)	(29)	-	(4,285)
Disposals	-	9	9	-	-	18
Eliminated on revaluation	902	1,940	80	-	-	2,922
Translation difference	439	946	41	9	-	1,435
As of 31 December 2008	-	-	-	**(20)**	-	**(20)**
Net book value						
As of 31 December 2008	**19,845**	**65,208**	**732**	**402**	**30,447**	**116,634**
As of 1 January 2008	**23,045**	**48,241**	**477**	**440**	**41,016**	**113,219**

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2008	**19,845**	**65,208**	**732**	**422**	**30,447**	**116,654**
Additions	-	911	245	192	44,820	46,168
Capitalized borrowing costs	-	-	-	-	3,151	3,151
Transfers	1,076	175	-	-	(1,251)	-
Revaluation increase	2,632	2,314	136	-	1,734	6,816
Revaluation decrease	-	(2,996)	(28)	-	(1,470)	(4,494)
Eliminated on revaluation	(324)	(3,820)	(130)	-	-	(4,274)
Disposals	-	(64)	-	-	-	(64)
Translation difference	(734)	(2,354)	(33)	(21)	(2,215)	(5,357)
As of 31 December 2009	**22,495**	**59,374**	**922**	**593**	**75,216**	**158,600**
Accumulated depreciation						
As of 31 December 2008	-	-	-	**(20)**	-	**(20)**
Depreciation charge for the year	(332)	(3,924)	(134)	(85)	-	(4,475)
Disposals	-	9	-	-	-	9
Eliminated on revaluation	324	3,820	130	-	-	4,274
Translation difference	8	95	4	2	-	109
As of 31 December 2009	-	-	-	**(103)**	-	**(103)**
Net book value						
As of 31 December 2009	**22,495**	**59,374**	**922**	**490**	**75,216**	**158,497**
As of 31 December 2008	**19,845**	**65,208**	**732**	**402**	**30,447**	**116,634**

As of 31 December 2009 construction in progress of the Group were represented by the imported in Ukraine items of property, plant and equipment that were undergoing custom clearance before being transferred to the Group site with the carrying amount of USD 32,635 thousand and that were treated by the Group as qualifying assets. The Group got customs clearance for that property, plant and equipment during the year ended 31 December 2010. As of 31 December 2008 the Group had prepayments for these qualifying assets and interest capitalized in respect of these assets in the amount of USD 822 thousand (Note 6).

As of 31 December 2009 and 2008 all Group's property, plant and equipment, excluding furniture and other depreciable assets, were revalued by independent valuators in accordance with the requirements of International Valuation Standards. The valuation of specialized items of revalued property, plant and equipment was determined based on depreciable replacement cost, while the analogues method was used to determine the valuation of the remaining items.

As of 31 December 2009 revaluation decrease in the amount of USD 3,887 thousand was recognized in other comprehensive income as decrease in revaluation reserve since it related to decrease of previously recognized revaluation reserve of respective items of property, plant and equipment. As of 31 December 2009 excess of revaluation decrease over previously recognized revaluation reserve of respective items of property, plant and equipment in the amount of USD 607 thousand was recognized as loss on revaluation. The Group recognized loss on revaluation of property, plant and equipment as of 31 December 2008 in the amount of USD 5,836 thousand (Note 27). The main factor contributing to the impairment of the property, plant and equipment as of 31 December 2009 and 2008 was change in market conditions.

The straight line method of depreciation is used by the Group (Note 2). As of 31 December 2009 and 2008, had the Group's property, plant and equipment, excluding furniture and other depreciable assets, been carried at historical cost less accumulated depreciation where applicable, their carrying amount would have been the following:

	31 December 2009	31 December 2008
Buildings and structures	16,791	18,166
Machinery and equipment	36,588	35,015
Vehicles	522	654
Construction in progress and equipment due to installation	50,439	42,562
Total	**104,340**	**96,397**

As of 31 December 2009 and 2008, fully depreciated assets with a cost of USD 15 thousand and USD 39 thousand, respectively, were included into property and equipment.

As of 31 December 2009, 2008 and 1 January 2008 the Group has property, plant and equipment pledged to secure the Group's bank borrowings (Note 18).

6. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2009, 2008 and 1 January 2008 prepayments for property, plant and equipment were as follows:

	31 December 2009	31 December 2008	1 January 2008
Machinery and equipment	847	16,852	3,778
Construction works	9,173	1,196	2,193
Other	14	57	43
Total	**10,034**	**18,105**	**6,014**

As of 31 December 2008 the Group had prepayments for machinery and equipment being classified by the Group as qualifying assets. The Group recognized interest capitalized in respect of these assets in the amount of USD 822 thousand.

As of 31 December 2008 and 1 January 2008 prepayments for property, plant and equipment included balances with related parties amounted to USD 4,212 thousand and USD 1,700 thousand, respectively (Note 29). There were no prepayments for property, plant and equipment made to related parties as of 31 December 2009.

As of 31 December 2009, 2008 and 1 January 2008 there were prepayments for property, plant and equipment amounted USD 1,162 thousand, USD 15,982 thousand and USD 1,722, respectively, pledged as collateral to secure bank borrowings of the Group (Note 18).

7. INVESTMENTS IN ASSOCIATES

As of 31 December 2009, 2008 and 1 January 2008 investments in associates were represented as following:

	31 December 2009		31 December 2008		1 January 2008	
PrSC "WESTA PAK"	23.91%	455	24.99%	580	24.76%	888
PrSC "Dnepro-Deu"	21.00%	161	21.00%	167	-	-
Total		**616**		**747**		**888**

As of 31 December 2009 and 2008 the Group's investment in PrSC "Dnepro-Deu" was carried at cost since effect of its operations was not significant. The Group accounted for its investment in PrSC "WESTA PAK" using the equity method. Summarized balances of the Group's associate in PrSC "WESTA PAK" were as follows:

	31 December 2009	31 December 2008	1 January 2008
Investment in PrSC "WESTA PAK"			
Total assets	3,362	3,017	4,351
Total liabilities	(1,460)	(696)	(766)
Net assets	1,902	2,321	3,585
Group's share of associate's net assets	**455**	**580**	**888**

Summarized results of operations of the Group's associate PrSC "WESTA PAK" for the years ended 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Total revenue	2,123	2,171
Total loss for the year	(346)	(8)
Group's share of associate's loss for the year	**(83)**	**(2)**

As of 31 December 2009, 2008 and 1 January 2008 the Group had pledged its ownership in associates as collateral to secure the Group's bank borrowings (Note 18).

8. INCOME TAX

During the years ended 31 December 2009 and 2008 the corporate income tax rate was established at 25% in Ukraine. The main components of income tax expense/ (benefit) for the years ended 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Current tax expense	211	132
Deferred tax expense/(benefit)	841	(7,983)
Income tax expense/(benefit)	**1,052**	**(7,851)**

As of 31 December 2009, 2008 and 1 January 2008 the major components of deferred tax assets and liabilities were as follows:

	31 December 2009	31 December 2008	1 January 2008
Deferred tax assets arising from:			
Tax losses carried forward	5,822	7,621	1,634
Trade and other accounts payable	1,400	512	568
Trade and other accounts receivable	111	299	-
Provisions and accruals	100	132	302
Inventories	-	249	-
Other	60	55	9
Net deferred tax assets	**7,493**	**8,868**	**2,513**
Deferred tax liabilities arising from:			
Property, plant and equipment and other non-current assets	(17,017)	(17,332)	(14,306)
Advances to suppliers and prepaid expenses	(725)	(640)	(83)
Inventories	(272)	(160)	(342)
Other	-	(36)	(187)
Total deferred tax liabilities	**(18,014)**	**(18,168)**	**(14,918)**
Net deferred tax position	**(10,521)**	**(9,300)**	**(12,405)**

The tax losses could be carried forward for unlimited period of time. As of 31 December 2009, 2008 and 1 January 2008 excess of tax losses carried forward over net deferred tax liabilities assessed on individual entities' basis in the amounts of USD 8,515 thousand, USD 7,032 thousand and USD 325 thousand, respectively, were not recognized as deferred tax assets, since it was uncertain whether the Group will be able to utilize these deferred tax assets.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are presented in the combined and consolidated statement of the financial position as of 31 December:

	31 December 2009	31 December 2008	1 January 2008
Deferred tax asset	779	441	22
Deferred tax liability	(11,300)	(9,741)	(12,427)
Net deferred tax position	**(10,521)**	**(9,300)**	**(12,405)**

The movements in deferred taxes during the years ended 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Deferred tax liability as of the beginning of the year	**(9,300)**	**(12,405)**
Deferred tax (expense)/benefit	(841)	7,983
Deferred tax directly charged to revaluation reserve	(732)	(8,974)
Translation difference	352	4,096
Deferred tax liability as of the end of the year	**(10,521)**	**(9,300)**

The charge for the years ended 31 December 2009 and 2008 can be reconciled to the loss per the combined and consolidated statement of comprehensive loss as follows:

	31 December 2009	31 December 2008
Loss before income tax	**(22,233)**	**(44,831)**
Theoretical income tax benefit at the tax rate of 25%	(5,558)	(11,208)
Tax effect of:		
Change in valuation allowance	1,775	6,971
Permanent differences on distribution to shareholders	(1,541)	(2,852)
Permanent differences resulting from non-deductible expenses	6,491	1,893
Permanent differences resulting from non-taxable income	(115)	(2,655)
Income tax expense/(benefit)	**1,052**	**(7,851)**

9. OTHER NON-CURRENT ASSETS

As of 31 December 2009 other non-current assets of the Group were represented by the bank term deposit in the amount of USD 1,448 thousand, being pledged as collateral to secure bank borrowing (Note 18) with the maturity in February 2012. The deposit provided 7.75% interest per annum and matured in March 2012.

As of 31 December 2009, 2008 and 1 January 2008 the balance also comprised available for sale investments in the amount of USD 76 thousand, USD 232 thousand and USD 657 thousand, respectively.

As of 31 December 2009, 2008 and 1 January 2008 the Group had other non-current assets pledged as collateral to secure the Group's bank borrowings (Note 18).

10. INVENTORIES

Inventories as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	31 December 2008	1 January 2008
Raw materials	6,086	4,598	9,065
Work in progress	3,946	4,474	6,175
Finished goods	3,804	7,560	2,547
Other inventories	222	1,170	17
Total	**14,058**	**17,802**	**17,804**

As of 31 December 2009, 2008 and 1 January 2008 the Group had inventories pledged as collateral to secure the Group's bank borrowings (Note 18).

As of 31 December 2009 inventories amounted USD 14,058 thousand were presented net of the net realizable value adjustment of USD 341 thousand (2008: Nil). The net realizable value adjustment was charged to cost of inventory in cost of sales for the year ended 31 December 2009.

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	31 December 2008	1 January 2008
Trade receivables, including:			
-UAH denominated	22,419	19,259	5,746
-RUB denominated	8,081	7,108	2,084
-USD denominated	1,717	886	248
-EUR denominated	625	-	36
Receivables for securities sold (UAH denominated)	9,885	3,283	-
Other receivables, including:			
-UAH denominated	1,405	452	146
-USD denominated	1,065	-	-
Total	**45,197**	**30,988**	**8,260**

As of 31 December 2009, 2008 and 1 January 2008 trade and other accounts receivable included balances with related parties in the amount of USD 20,367 thousand, USD 13,102 thousand and USD 2,819 thousand, respectively (Note 29).

As of 31 December 2009, 2008 and 1 January 2008 the Group had trade and other accounts receivable pledged as collateral to secure the Group's bank borrowings (Note 18).

The average credit period for the Group's customers is 45 days for the years ended 31 December 2009 and 2008. No interest is charged on trade receivables.

The Group's management performed regular analysis of trade accounts receivable recoverability based on past experience, facts and circumstances existing and best management's estimates as of each reporting date.

Included in the Group's trade and other receivables balances as of 31 December 2009, 2008 and 1 January 2008 were debtors which are past due at the respective reporting date and which the Group still considered recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

Ageing of past due but not impaired trade and other accounts receivable as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	**31 December 2008**	**1 January 2008**
Neither past due nor impaired	39,807	6,709	3,717
Past due but not impaired:			
Past due up to 90 days	467	19,349	2,434
Past due from 90 to 180 days	3,504	3,089	1,115
Past due from 180 to 365 days	1,231	675	938
More than 1 year	188	1,166	56
Total	**45,197**	**30,988**	**8,260**

Management believes that there were no trade and other receivables that required allowance for irrecoverable amounts as there were no individually impaired receivables as of 31 December 2009, 2008 and 1 January 2008. As of 31 December 2009, 2008 and 1 January 2008 the Group did not create any allowance for irrecoverable trade and other accounts receivable due from related parties. Subsequently to 31 December 2009 the Group signed the prolongation agreements with some of its counterparties and due dates for trade and other accounts receivable related to operations with securities in the amount of USD 7,503 thousand were amended (Note 34).

12. ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

As of 31 December 2009, 2008 and 1 January 2008 advances to suppliers and prepaid expenses were as follows:

	31 December 2009	**31 December 2008**	**1 January 2008**
Advances for raw materials	10,833	8,918	186
Advances for services	191	342	184
Advances for utilities	142	132	33
Advances for securities	-	-	1,539
Other advances and prepaid expenses	204	17	54
Total	**11,370**	**9,409**	**1,996**

As of 31 December 2009, 2008 and 1 January 2008 advances to suppliers and prepaid expenses included balances with related parties in the amount of USD 5,645 thousand, USD 6,951 thousand and USD 103 thousand, respectively (Note 29).

As of 31 December 2009, 2008 and 1 January 2008 the Group's ownership rights for advances to suppliers and prepaid expenses were pledged as collateral to secure the Group's bank borrowings (Note 18).

13. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	31 December 2008	1 January 2008
Value added tax recoverable	10,329	8,897	7,509
Other taxes prepaid	22	10	-
Allowance for irrecoverable VAT	(675)	-	-
Total	**9,676**	**8,907**	**7,509**

As of 31 December 2009, 2008 and 1 January 2008 the Group had taxes recoverable and prepaid pledged as collateral to secure the Group's bank borrowings (Note 18).

14. OTHER FINANCIAL ASSETS

As of 31 December 2009, 2008 and 1 January 2008 other financial assets were represented by short-term bank deposits and were as following:

	31 December 2009	31 December 2008	1 January 2008
-EUR denominated	10,246	6,598	-
-USD denominated	4,792	6,289	-
-UAH denominated	387	1,727	1,299
Total	**15,425**	**14,614**	**1,299**

As of 31 December 2009, 2008 and 1 January 2008 the Group had bank deposits which were restricted in use and pledged as collateral to secure the Group's bank borrowings (Note 18).

The weighted average interest rate for the deposits were set up at the level of 13%, 11% and 10% as of 31 December 2009, 2008 and 1 January 2008, respectively.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	31 December 2008	1 January 2008
Cash equivalents held in banks in UAH	78	6,637	5,000
Cash held at current accounts in banks in USD	2,098	397	5,327
Cash held at current accounts in banks in RUB	377	862	408
Cash held at current accounts in banks in UAH	100	701	6,764
Cash held at current accounts in banks in EUR	68	5	56
Cash equivalents held in banks in USD	500	-	2,509
Total	**3,221**	**8,602**	**20,064**

As of 31 December 2009, 2008 and 1 January 2008 the Group's cash and cash equivalents were pledged as collateral to secure the Group's bank borrowings (Note 18).

16. COMBINED CONTRIBUTED CAPITAL

As of 31 December 2009, 2008 and 1 January 2008 the authorized and fully combined contributed capital of the Group comprised of the following:

	31 December 2009		31 December 2008		1 January 2008	
Shareholder	**Quantity of shares**	**Par value of shares**	**Quantity of shares**	**Par value of shares**	**Quantity of shares**	**Par value of shares**
PSC "WESTA-DNEPR"	11,999,200	12,058	1,319,229	13,058	1,319,229	13,058
"WESTA INDUSTRIAL" Ltd.	n/a	18,428		8,143		1,409
"INDUSTRIAL ENERGY SYSTEMS" LTD.	n/a	6,733		6,733		5,907
"TECHKOMPLEKT" LTD.	n/a	10		10		4
Total combined contributed capital		**37,229**		**27,944**		**20,378**
Less						
Eliminated on Consolidation		(18,424)		(8,139)		(1,405)
Minority interest in combined contributed capital		(359)		(3,265)		(3,265)
Combined contributed capital attributable to the Principal Shareholder of the Group		**18,446**		**16,540**		**15,708**

17. MINORITY INTERESTS

As of 31 December 2009, 2008 and 1 January 2008, the share and value of the minority owners in the Group companies was as following:

Group company	31 December 2009	31 December 2008	1 January 2008
Share of minority shareholders	2.75%	25%	25%
Minority interest value	-	4,430	8,375

In March 2009 the effective ownership interest in PSC "WESTA-DNEPR" was increased by 22.25% through the reduction of minority interest by means of a new share issue acquired by an entity under common control. The effect from the change in minority interest in the amount of USD 3,206 thousand was recognized by the Group in the combined and consolidated statement of changes in equity for the year ended 31 December 2009.

18. BORROWINGS

The following table summarizes long-term bank loans and credit lines outstanding as of 31 December 2009, 2008 and 1 January 2008:

Currency	Weighted average interest rate	31 December 2009	Weighted average interest rate	31 December 2008	Weighted average interest rate	1 January 2008
USD	13%	156,571	13%	124,757	11%	90,000
EUR	11%	51,254	12%	31,732	n/a	-
UAH	20%	27,284	19%	13,576	17%	2,970
		235,109		170,065		92,970
Less:						
Current portion of long-term bank borrowings		(86,213)		(22,242)		(1,125)
Total long-term borrowings		**148,896**		**147,823**		**91,845**

As of 31 December 2009, 2008 and 1 January 2008 short-term loans, borrowings and credit lines due within one year consisted of the following:

Currency	Weighted average interest rate	31 December 2009	Weighted average interest rate	31 December 2008	Weighted average interest rate	1 January 2008
USD	17%	5,000	n/a	-	12%	730
UAH	24%	2,505	13%	7,791	14%	13,761
EUR	n/a	-	n/a	-	11%	294
Total bank borrowings due within one year		**7,505**		**7,791**		**14,785**
Add:						
Current portion of long-term bank borrowings		86,213		22,242		1,125
Interest free short-term borrowings from non-financial institutions payable on demand		-		5,616		-
Payables for factoring operations		7,071		6,639		-
Interest accrued		11,860		795		74
Total short-term borrowings		**112,649**		**43,083**		**15,984**
Total borrowings		**261,545**		**190,906**		**107,829**

The Group's borrowings are drawn from Ukrainian banks as term loans and credit line facilities. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings is payable on a monthly basis.

Term bank loans and credit line facilities were as follows as of 31 December 2009, 2008 and 1 January 2008:

	31 December 2009	31 December 2008	1 January 2008
Closed-end credit lines	171,764	119,050	72,805
Revolving credit lines	55,850	48,806	24,950
Term loans	15,000	10,000	10,000
Total bank borrowings	**242,614**	**177,856**	**107,755**

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2009, 2008 and 1 January 2008:

	31 December 2009	31 December 2008	1 January 2008
Fixed interest rate	204,751	153,948	107,755
Floating interest rate	37,863	23,908	-
Total	**242,614**	**177,856**	**107,755**

As of 31 December 2009, 2008 and 1 January 2008 the Group's total bank borrowings and respective interest forecasted based on contractual repayment schedule were repayable as follows:

	31 December 2009	31 December 2008	1 January 2008
Due within three months	21,377	18,413	11,511
Due from three months to six months	31,639	7,807	7,744
Due from six months to twelve months	74,915	39,195	7,217
Total current portion repayable in one year	**127,931**	**65,415**	**26,472**
Due in the second year	68,343	67,481	13,034
Due thereafter	115,905	121,232	107,431
Total	**312,179**	**254,128**	**146,937**
Less future interest payments	(62,494)	(64,016)	(39,108)
Add: accrued interest	11,860	795	-
Total borrowings	**261,545**	**190,907**	**107,829**

The Group as well as particular Group companies had to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied by the Group related to the financial performance of the Group companies, change in the assets level and usage of loan funds in accordance with the stated purpose. There were no significant breach of covenants by the Group as of 31 December 2009, 2008 and 1 January 2008.
The Group entities should also obtain approval from the lenders regarding the property to be used as collateral. There were no breaches of such terms as at respective reporting dates.

As of 31 December 2009, 2008 and 1 January 2008 the Group's borrowings were secured by the following pledged assets:

	31 December 2009	31 December 2008	1 January 2008
Property, plant and equipment	146,928	112,782	110,167
Prepayments for property, plant and equipment	1,162	15,982	1,722
Other non-current assets	1,448	232	-
Trade and other accounts receivable	25,409	4,252	5,063
Inventories	14,058	17,802	17,804
Ownership rights for advances to suppliers and prepaid expenses	6,983	8,920	346
Other financial assets	8,426	2,000	1,299
Cash and cash equivalents	1,564	7,177	4,214
Taxes recoverable and prepaid	1,030	1,288	3,158
Intangible assets	115	115	68
Total	**207,123**	**170,550**	**143,841**

The table above includes all assets of PSC "WESTA-DNEPR" as of 31 December 2009 and 2008, and 1 January 2008 that were pledged under the agreements with of the Ukrainian banks.

As of 31 December 2009 the Group had the following pledges, except those stated above:

- Finished goods, that will be produced by Limited company "WESTA INDUSTRIAL" starting the third quarter of the year ended 31 December 2009 to fourth quarter of the year ended 31 December 2010 (542,000 accumulators), with the pledge value in the amount of USD 49,286 thousand;
- Property, plant and equipment of the Group's related parties in the amount of USD 4,542 thousand and of third parties in the amount of USD 1,593 thousand;
- Shares held by the Group's related parties in the Group's associates in the amount of USD 837 thousand;
- Other investments of the related parties of the Group in the amount of USD 5,058 thousand.

As of 31 December 2008 the Group had the following pledges, except those stated above:

- Property, plant and equipment of the Group's related parties in the amount of USD 4,058 thousand and of third parties in the amount of USD 1,652 thousand;
- Shares held by the Group's related parties in the Group's associates in the amount of USD 868 thousand;
- Other investments of the related parties of the Group in the amount of USD 5,246 thousand.

As of 31 December 2008 there were also guarantees provided by the some related parties and the Principal Shareholder to secure Group borrowings.

19. BONDS ISSUED

Bonds issued and outstanding as of 31 December 2009 were as follows:

	31 December 2009
20 % Domestic bonds due in 2011	6,262
18 % Domestic bonds due in 2012	6,262
19 % Domestic bonds due in 2012	1,252
Unamortized premium on bonds issued	158
Total	**13,934**

There were no bonds issued by the Group as of 31 December 2008 and 1 January 2008.

20 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 6,262 thousand 20% unsecured domestic bonds, due in November 2011, with premium amounted to USD 225 thousand. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's combined entity Limited Company "TECHKOMPLEKT". Interest on 20% domestic bonds is payable on a monthly basis. The Group had the right for early redemption of the bonds as of 7 November 2009 and 14 November 2010 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 7 November 2009.

18 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 6,262 thousand 18% unsecured domestic bonds due in February 2012 at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's combined entity Limited Company "TECHKOMPLEKT". Interest on 18% domestic bonds is payable on a quarterly basis. The Group had the right for early redemption of the bonds as of 29 November 2009 and 27 February 2011 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 29 November 2009.

19 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 1,252 thousand 19% unsecured domestic bonds, due in January 2012, at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's combined entity Limited Company "TECHKOMPLEKT". Interest on 19% domestic bonds is payable on a quarterly basis.
The Group had the right for early redemption of the bonds as of 1 November 2009 and 30 January 2011 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 1 November 2009.

20. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	31 December 2008	1 January 2008
Trade payables for raw materials, including:			
-UAH denominated	7,867	16,121	18,533
-EUR denominated	178	-	-
-USD denominated	99	-	-
Trade payables for services, including:			
-UAH denominated	2,173	404	947
-EUR denominated	351	-	416
-USD denominated	11	2,008	-
Unsettled liabilities for the acquisition of property, plant and equipment, including:			
-EUR denominated	770	498	73
-USD denominated	164	1	86
-UAH denominated	6	140	21
Accounts payable for available-for-sale investments, including:			
-UAH denominated	198	224	-
Other current liabilities, including:			
-UAH denominated	199	299	60
Total	**12,016**	**19,695**	**20,136**

As of 31 December 2009, 2008 and 1 January 2008 trade and other payables included balances with related parties in the amount of USD 8,161 thousand, USD 8,858 thousand and USD 1,885 thousand, respectively (Note 29).

The average credit period rendered to the Group by trade suppliers comprises 120 and 128 days in the years ended 31 December 2009 and 2008, respectively. No interest is charged on trade payables.

The table below summarizes the maturity profile of the Group's trade and other payables as of 31 December 2009, 2008 and 1 January 2008 based on contractual undiscounted payments:

	31 December 2009	31 December 2008	1 January 2008
Due within three months	10,203	19,695	19,430
Due from three to six months	1,357	-	706
Due from six months to twelve months	456	-	-
Total	**12,016**	**19,695**	**20,136**

21. TAXES PAYABLE

As of 31 December 2009, 2008 and 1 January 2008 taxes payable were as follows:

	31 December 2009	31 December 2008	1 January 2008
Payroll related taxes	369	270	217
Corporate income tax payable	63	13	-
Other taxes	19	21	73
Total	**451**	**304**	**290**

22. PROVISIONS AND ACCRUALS

Provisions and accruals as of 31 December 2009, 2008 and 1 January 2008 were as follows:

	31 December 2009	31 December 2008	1 January 2008
Accrued payroll	529	399	350
Warranty provision	250	388	757
Provision for unused vacation	149	139	364
Total	**928**	**926**	**1,471**

Warranty provision as of 31 December 2009, 2008 and 1 January 2008 represents the estimated amount of cost required to substitute sold batteries that will break-down before the end of the warranty period by new batteries.

Provision for unused vacation represents a provision for employee benefit for the earned number of paid vacation days, which were not settled as of the reporting date.

23. REVENUE

Revenue for the years ended 31 December 2009 and 2008 was as follows:

	2009	2008
Sales of finished goods	82,411	143,586
Other sales	593	999
Total	**83,004**	**144,585**

For the years ended 31 December 2009 and 2008, revenue included transactions with related parties in amount of USD 50,920 thousand and USD 26,230 thousand, respectively (Note 29).

24. COST OF SALES

Cost of sales for the years ended 31 December 2009 and 2008 was as follows:

	2009	2008
Inventory	49,386	86,921
Salaries, wages and related charges	5,009	7,376
Depreciation	3,193	2,963
Utilities	2,909	3,733
Transportation costs	421	662
Repairs and maintenance	398	675
Warranty costs	148	545
Other expenses	141	351
Total	**61,605**	**103,226**

For the years ended 31 December 2009 and 2008 purchases from related parties amounted to USD 52,660 thousand and USD 67,843 thousand, respectively (Note 29).

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Salaries, wages and related charges	2,374	3,926
Transportation costs	1,426	960
Bank charges	1,198	1,272
Other services	1,111	1,210
Depreciation and amortization	742	920
Rent of property, plant and equipment	303	492
Other expenses	214	224
Non-refundable taxes	174	129
Communication services	142	232
Repairs and maintenance	121	459
Total	**7,805**	**9,824**

For the years ended 31 December 2009 and 2008 general and administrative expenses included transactions with related parties in amount of USD 1,611 thousand and USD 1,312 thousand, respectively (Note 29).

26. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Inventory	827	624
Transportation costs	367	715
Salaries, wages and related charges	157	139
Other	106	253
Total	**1,457**	**1,731**

27. OTHER EXPENSES, NET

Other expenses for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Loss/(gain) on disposal of other current assets	2,451	-
Loss on revaluation of property, plant and equipment	607	5,836
Other expenses, net	892	120
Allowance for doubtful VAT recoverable	770	-
Loss on disposal of property, plant and equipment	-	1,206
Total	**4,720**	**7,162**

28. FINANCE COSTS

Finance costs for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Interest expense on bank borrowings	21,640	14,443
Interest expense on factoring	3,887	4,117
Interest expense on bonds	1,330	-
Other financial costs, net	-	1,116
Total	**26,857**	**19,676**

29. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the Principal Shareholder, companies controlled by the Principal Shareholder, affiliates and companies under common ownership and control with the Group and members of key management personnel. Terms and conditions of business with related parties are determined based on arrangements specific to each contract or transaction and are not executed on terms similar to those used for third parties.

The Principal Shareholder of the Group is Denys Dzenzers'kyy.

The Group enters into transactions with related parties that are under the common control of the Principal Shareholder of the Group, disposed subsidiary (Note 1) and other related parties (entities where the Principal shareholder exercises significant influence). In the ordinary course of business, there are following major types of transactions and operations with such related parties:

- Sales of finished goods;
- Purchases of lead and other supplies used in production;
- Purchases of miscellaneous services;
- Transactions related to the Group's corporate reorganization;
- Other transactions described in Note 1.

The revenues from sales to related parties for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Companies under common control	31,215	4,046
Other related parties	19,705	22,184
Total revenues from sales to related parties	**50,920**	**26,230**
Total per caption revenue (Note 23)	**83,004**	**144,585**

The purchases from related parties for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Companies under common control	38,336	20,223
Subsidiary disposed as part of legal restructuring (Note 1)	981	4,548
Other related parties	13,343	43,072
Total purchases from related parties	**52,660**	**67,843**
Total purchases	**77,724**	**122,414**
General and administrative expenses		
Companies under common control	700	1,041
Other related parties	911	271
Total	**1,611**	**1,312**
Total per caption general and administrative expenses (Note 25)	**7,805**	**9,824**

The purchases of property, plant and equipment from other related parties for the year ended 31 December 2009 amounted to USD 792 thousand (2008: Nil).

The balances of advances made to related parties were as follows as of 31 December 2009, 2008 and 1 January 2008:

	31 December 2009	31 December 2008	1 January 2008
Companies under common control	111	3	1
Common ultimate shareholder	11	-	-
Other related parties	5,523	6,948	102
Total advances to related parties	**5,645**	**6,951**	**103**
Total per caption advances made (Note 12)	**11,370**	**9,409**	**1,996**

The balances of trade and other accounts receivable due from related parties were as follows as of 31 December 2009, 2008 and 1 January 2008:

	31 December 2009	31 December 2008	1 January 2008
Trade receivables			
Companies under common control	9,700	9,825	2,456
Subsidiary disposed as part of legal restructuring (Note 1)	4,748	499	-
Other related parties	381	1,073	156
Receivables for securities sold			
Companies under common control	2,911	-	-
Other related parties	755	958	-
Other receivables			
Companies under common control	55	-	26
Common ultimate shareholder	-	-	2
Other related parties	1,817	747	179
Total trade and other accounts receivable due from related parties	**20,367**	**13,102**	**2,819**
Total per caption trade and other accounts receivable (Note 11)	**45,197**	**30,988**	**8,260**

As of 31 December 2009, 2008 and 1 January 2008 the Group did not create any allowance for irrecoverable trade and other accounts receivable.

The balances of prepayments for property, plant and equipment made to related parties were as follows as of 31 December 2009, 2008 and 1 January 2008:

	31 December 2009	31 December 2008	1 January 2008
Companies under common control	-	2,391	-
Other related parties	-	1,821	1,700
Total prepayments for property, plant and equipment to related parties	**-**	**4,212**	**1,700**
Total per caption prepayments for property, plant and equipment (Note 6)	**10,034**	**18,105**	**6,014**

The balances of advances received from related parties were as follows as of 1 December 2010 and 2009:

	31 December 2009	31 December 2008	1 January 2008
Company under Group's control	2,136	2,857	-
Other related parties	1,673	1,743	59
Total advances from related parties:	**3,809**	**4,600**	**59**
Total per caption advances received	**5,668**	**5,703**	**2,318**

The balances of trade and other accounts payable due to related parties were as follows as of 31 December 2009, 2008 and 1 January 2008:

	31 December 2009	31 December 2008	1 January 2008
Trade accounts payable			
Companies under common control	4,960	4,767	1,834
Other related parties	1,596	2,325	27
Accounts payable for available-for-sale investments			
Other related parties	1,411	1,690	-
Unsettled liabilities for the acquisition of property, plant and equipment			
Companies under common control	100	75	15
Other related parties	-	1	9
Other current liabilities			
Companies under common control	8	-	-
Other related parties	86	-	-
Total	**8,161**	**8,858**	**1,885**
Total per caption trade and other accounts payable (Note 20)	**12,016**	**19,695**	**20,136**

The remuneration of the key management personnel of the Group for the years ended 31 December 2009 and 2008 amounted to USD 180 thousand per annum.

30. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Contractual commitments on purchases – During the years ended 31 December 2009 and 2008, the Group entered into a number of contracts with suppliers of equipment and construction contracts. As of 31 December 2009 and 2008 the outstanding purchase commitments under such contracts amounted to USD 8,107 thousand and USD 26,067 thousand, respectively (1 January 2008: USD 12,267 thousand).

Operating lease commitments – As of 31 December 2009 and 2008 there were no significant commitments under non-cancellable operating lease agreements.

Ongoing Global Liquidity Crisis – The financial markets, both globally and in Ukraine, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2008 and worsened since August 2008. The global financial turmoil has significantly affected Ukrainian economy. It has resulted in a decrease of the country's GDP, significant fluctuations in debt and equity prices, substantial outflow of capital, increase of inflation level.

While many countries, including Ukraine, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems could slow or disrupt the economy of Ukraine and adversely affect the Group operating within its environment.

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital. Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Operating environment – Although in recent years there has been a general improvement in economic conditions in the country, Ukraine continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within the country is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Taxation – Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In 2009 and previous periods the Group was involved in reallocation of the resources to larger group of entities under common control (Note 1). These transactions may be interpreted by the tax authorities in a way different from that of the Group and additional tax charges and penalties may be imposed. Despite the fact that the most significant tax returns of the Group companies for the said periods were reviewed by the tax authorities without any significant disputes or additional tax charges, they are still open for further review. In accordance with the current legislation, tax returns remain open and subject to examination for the three-year period after their submission, however, in certain cases this limitation does not apply. Future tax examinations could raise issues or assessments which are contrary to the Group's tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. The maximum exposure of the Group with regard to this risk as at 31 December2009, amounts to USD 16,216 thousand (2008: nil).

Management believes that it is not likely that any significant settlement will arise from the above cases and, therefore, the Group's combined and consolidated financial statements do not include any amount of provision in this respect.

Legal – In the ordinary course of business, the Group is subject to legal actions and complaints. The management of the Group believes that the ultimate liability, if any, arising from such legal actions or complaints will not have a material effect on the financial position or results of future operations of the Group. There were no material claims against the Group as of 31 December 2009, 2008 and 1 January 2008.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2009 and 2008 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- The fair value is estimated to be the same as the carrying value for cash and cash equivalents, other financial assets, trade and other accounts receivable, other non-current assets, trade and other accounts payable, provisions and accruals, payables on factoring due to the short-term nature of the financial instruments.
- As of 31 December 2009, 2008 and 1 January 2008 the fair value of bank borrowings is estimated at USD 231,794 thousand, USD 186,538 thousand and 100,145 thousand compared to carrying amount of USD 254,474 thousand, USD 184,268 thousand and 107,829 thousand, respectively. Fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest.
- As of 31 December 2009 the fair value of bonds issued is estimated at USD 11,594 thousand compared to carrying amount of USD 13,934 thousand. Fair value of bonds issued was estimated by discounting the expected future cash outflows by a market rate of interest.

32. FINANCIAL RISK MANAGEMENT

Capital risk management – The Group did not have a consolidated capital structure prior to 31 December 2010. After the completion of the formation of the Group, the primary objective of the Group is to ensure that it is able to continue as a going concern by optimizing its capital ratios in order to support its business and maximize the return to its shareholder. Upon completion of the Group formation at the end of the 2010 financial year, management plans to review the capital structure on a regular basis. Based on the results of this review, the Group plans to take steps to balance its overall capital structure through the payment of dividends, new share issuances as well as the issuance of new debt or the redemption of existing debt. The management of the Group is planning to monitor capital on the basis of the gearing ratio. It should be noted, that as the result of a negative impact of the global financial crisis and negative cash flows from operating activities the Group's ability to manage its capital structure during the years ended 31 December 2009 and 2008 was limited to attraction of new bank borrowings to support its capital investments projects. The capital structure of the Group consists of short-term and long term borrowings (Note 18), unsecured domestic bonds issued (Note 19), combined contributed capital (Note 16) and revaluation reserve and accumulated deficit. Net debt is determined as total loans and borrowings (Note 18) less cash and cash equivalents (Note 15), as shown in the combined and consolidated statement of financial position.

Major categories of financial instruments – The Group's principal financial liabilities comprise borrowings, trade and other accounts payable, provisions and accruals and bonds issued. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents, other financial assets.

	31 December 2009	31 December 2008	1 January 2008
Financial assets			
Cash and cash equivalents	3,221	8,602	20,064
Other financial assets	15,425	14,614	1,299
Trade and other accounts receivable	45,197	30,988	8,260
Other non-current assets	1,524	232	657
Total financial assets	**65,367**	**54,436**	**30,280**
Financial liabilities			
Trade and other accounts payable	12,016	19,695	20,136
Short-term borrowings and current portion of the long-term borrowings	112,649	43,083	15,984
Provisions and accruals	678	538	714
Long-term borrowings	148,896	147,823	91,845
Bonds issued	13,934	-	-
Total financial liabilities	**288,173**	**211,139**	**128,679**

The main risks arising from the Group's financial instruments are commodity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.

Commodity price risk – Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market prices of the Group's finished goods or raw materials used in production.

The management of the Group considers that the Group's exposure to the commodity price risk is remote due to the absence of the long-term selling contracts with a fixed price arrangements and the fact that sales agreements with the Group's distributors incorporate a clause allowing the Group to increase prices for its finished goods if market price for lead grows.

Credit risk – The Group is exposed to credit risk which is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

The credit risk is primarily attributable to trade accounts receivable. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to particular customer, thus establishing the individual credit period limits. The approved credit periods are validated by each customer individually and are based on the historical performance.

There are three major groups of customers: foreign customers and national distributors in retail networks. The Group operates without standardized procedure on setting credit limits and credit periods for its customers. Credit limits and periods are set on individual basis but not exceeding three months. The standard credit periods on sales of goods to distributors were limited to not more than 60 days. New domestic distributors are served on prepayments terms only. Export sales in 2009 and 2008 were conducted by the Group on prepayment basis mainly, while for some customers individually stated credit period can not exceed 60 days. Related parties are granted longer credit periods – up to three months. Before granting the customer with credit period and credit limit, the Group assesses his trading and payment experience. No interest is charged on trade accounts receivable.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts of trade receivable from the customers for recoverability starting from the date credit period is expired.

The Group's five largest distributors represent 50% and 48% of trade accounts receivable balances as of 31 December 2009 and 2008, respectively.

Counterparty	Customer locations	Revenue Amount	Outstanding balance as of 31 December 2009	Concentration of outstanding balance, %
Customer 1	Ukraine	14,323	9,290	21%
Customer 2	Ukraine	14,352	4,748	11%
Customer 3	Russia	27,090	7,898	17%
Customer 4	Ukraine	14,563	585	1%
Customer 5	Ukraine	6,595	-	-
Total		**76,923**	**22,521**	

Counterparty	Customer locations	Revenue Amount	Outstanding balance as of 31 December 2008	Concentration of outstanding balance, %
Customer 1	Ukraine	30,127	10,534	33%
Customer 2	Ukraine	11,217	3,654	13%
Customer 3	Kazakhstan	11,465	515	2%
Customer 4	Ukraine	19,142	120	-
Customer 5	Russia	15,605	-	-
Total		**87,556**	**14,823**	

Sales to one Group's largest customer amounted to USD 27,090 thousand for the year ended 31 December 2009 (2008: USD 15,605 thousand), which comprised 33% and 11% of total revenues for the respective years. Of the trade accounts receivables balance as of 31 December 2009 USD 7,898 thousand (2009: USD nil) is due from abovementioned customer. Apart from the largest customer of the Group, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk – Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to realize an asset at a reasonable price and in an appropriate time frame.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2009:

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**Total**
Borrowings	33,237	31,639	74,915	184,248	324,039
Trade and other accounts payable	10,203	1,357	456	-	12,016
Provisions and accruals	169	170	339	-	678
Bonds issued	653	654	7,466	7,722	16,495
Total	**44,262**	**33,820**	**83,176**	**191,970**	**353,228**

The table includes both interest and principal cash flows as of 31 December 2008:

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**Total**
Borrowings	19,208	7,807	39,195	188,713	254,923
Trade and other accounts payable	19,695	-	-	-	19,695
Provisions and accruals	134	135	269	-	538
Total	**39,037**	**7,942**	**39,464**	**188,713**	**275,156**

The table includes both interest and principal cash flows as of 1 January 2008:

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**Total**
Borrowings	11,511	7,744	7,217	120,465	146,937
Trade and other accounts payable	19,430	706	-	-	20,136
Provisions and accruals	179	178	357	-	714
Total	**31,120**	**8,628**	**7,574**	**120,465**	**167,787**

As of 31 December 2009, 2008 and 1 January 2008, the Group's current ratio was as follows:

	31 December 2009	31 December 2008	1 January 2008
Current assets	98,947	90,322	56,932
Current liabilities	131,712	69,711	40,199
Current ratio	**0.75**	**1.30**	**1.42**

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group borrows on both a fixed and variable rate basis.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%.
The analysis was applied to interest bearing liabilities (bank borrowings) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	2009			2008		
	LIBOR	EURIBOR	NBU discount rate	LIBOR	EURIBOR	NBU discount rate
Profit/(loss)	74/(74)	193/(193)	112/(112)	126/(126)	87/(87)	26/(26)

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Foreign currency risk – Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as of the reporting dates are as follows:

	USD			EUR			RUB		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Assets									
Cash and cash equivalents (Note 15)	2,598	397	7,836	68	5	56	377	862	408
Trade and other accounts receivable (Note 11)	2,782	886	248	625	-	36	8,081	7,108	2,084
Other financial assets (14)	4,792	6,289	-	10,246	6,598	-	-	-	-
Other non-current assets (Note 9)	-	-	-	1,448	-	-	-	-	-
Total assets	**10,172**	**7,572**	**8,084**	**12,387**	**6,603**	**92**	**8,458**	**7,970**	**2,492**
Liabilities									
Borrowings and interest accrued (Note 18)	(166,654)	(125,031)	(90,730)	(53,778)	(31,879)	(294)	-	-	-
Trade and other accounts payable (Note 20)	(274)	(2,009)	(86)	(1,299)	(498)	(489)	-	-	-
Total liabilities	**(166,928)**	**(127,040)**	**(90,816)**	**(55,077)**	**(32,377)**	**(783)**	-	-	-
Total net position	**(156,756)**	**(119,468)**	**(82,732)**	**(42,690)**	**(25,774)**	**(691)**	**8,458**	**7,970**	**2,492**

The table below details the Group's sensitivity to strengthening of US Dollar, EURO and Russian Ruble against the Ukrainian Hryvnia by 10%. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		EUR – impact		RUB – impact	
	31 December 2009	**31December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
Profit or loss	(15,676)/15,676	(11,947)/11,947	(4,269)/4,269	(2,577)/2,577	846/(846)	797/(797)

Operating environment (export sales) risks – Historically, significant part of the Group's revenue was from sales to the Russian Federation, therefore the Group is exposed to risks of limitations to export operations. During the years ended 31 December 2009 and 2008, the Group's management diversified this risk by optimizing share of domestic sales and exports to other markets.

33. EARNINGS PER SHARE

The losses and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2009	**2008**
Loss for the year attributable to equity holders of the Company	(22,075)	(30,592)
Losses used in calculation of earnings per share	**(22,075)**	**(30,592)**
Weighted average number of shares outstanding*	33,100,000	33,100,000
Losses per share	(0.67)	(0.92)

* As the Group was not formed under legal holding as of 31 December 2009 and 2008 the calculation of losses per share were based on number of shares issued by Westa ISIC S.A. as further discussed in Note 34 to the combined and consolidated financial statements. As the contribution to the share capital of Westa ISIC S.A. (EUR 331 thousand) was considered as not significant comparing to the expected market value of shares issued no adjustment to the number of weighted average number of shares outstanding was made for the purpose of losses per share calculation for the years ended 31 December 2009 and 2008.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

34. SUBSEQUENT EVENTS

During the year ended 31 December 2010 the Group attracted USD 96,145 thousand of new loans and repaid USD 65,662 thousand of borrowings.

During the year ended 31 December 2010 the Group redeemed before its maturity USD 7,561 thousand of unsecured domestic bonds.

During the year ended 31 December 2010 the Group put into operations production facilities of Limited company "WESTA INDUSTRIAL".

The Group disposed Investment in PrSC "Westa Pak" was sold in 2010 for USD 558 thousand.

During the year ended 31 December 2010 the Group signed the prolongation agreements with some of its counterparties and due dates for trade and other accounts receivable related to operations with securities in the amount of USD 7,503 thousand were amended.

On 18 March 2011 the Westa ISIC S.A.:

- Decreased par value of the Westa ISIC S.A. shares from EUR 100 to EUR 0.01;
- Increased its authorized share capital from EUR 31 thousand to EUR 331 thousand consisting of 33,100,000 shares of EUR 0.01, by the creation of additional 30,000,000 ordinary shares of EUR 0.01 each. Increase in share capital was issued and fully paid by the date of approval of these financial statements;
- Authorized Westa ISIC S.A.'s Board of directors to issue up to 11,900,000 additional ordinary shares of EUR 0.01 each.

On 15 April 2011 Board of Directors of the Group negotiated with its major lender (Ukrainian bank) a prolongation of principal repayments of short-term borrowings and current portion of long-term borrowings stated as of 31 December 2010 in the amount of USD 96,301 thousand with quarterly reduction of credit limit starting from 1 October 2012 till final settlement by 31 December 2016. Respective amendments to loan agreements were signed on 27 April 2011. The Group also negotiated the reduction in interest rate for such borrowings down from 11.7% to 10.9% per annum starting April 2011.

On 29 April 2011 Board of Directors of the Group renegotiated the terms of principal repayments of USD 7,091 thousand of short-term borrowings with Ukrainian bank starting from payment of USD 843 thousand in August 2011, subsequent monthly payments of USD 272 thousand and final settlement of remaining balance to be made in July 2013.

On 29 April 2011 the Group received approximately USD 9.8 million of a cash consideration for the government grant recognized during the year ended 31 December 2010.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The combined and consolidated financial statements of the Group for the year ended 31 December 2009 and 2008 were approved by Board of Directors of Westa ISIC S.A. on 2 May 2011.

ANNEX I

DEFINED TERMS

Admission	Admission of Shares to trading on the WSE
Allotment Date	The date on which the Offer Shares will be allocated to Investors
AMC	The Antimonopoly Committee of Ukraine
Articles of Association	The articles of association of the Company
Beneficial Owner	Mr. Denys Dzenzers'kyy
Board of Directors	The Board of Directors of the Company
CIS	The Commonwealth of Independent States
CIT	The Corporate Income Tax in Ukraine
Companies' Act 1915	The Luxembourg law of August 10, 1915, regarding commercial companies, as amended
Company, Issuer	WESTA ISIC S.A a public limited company (*société anonyme*), having its registered office at 412F, route d'Esch, L–1471 Luxembourg, Grand Duchy of Luxembourg and registered with *Registre de Commerce et des Sociétés* in Luxembourg under number B150.326
Combined and Consolidated Financial Statements	Audited Combined and Consolidated Financial Statements of Westa-Dnepr, its subsidiary, LIMITED LIABILITY COMPANY WESTA INDUSTRIAL, and its combined entities, LIMITED LIABILITY COMPANY INDUSTRIAL ENERGY SYSTEMS and LIMITED LIABILITY COMPANY TECHKOMPLEKT as of December 31, 2009 and 2008 and for the years then ended
Consolidated Financial Statements	Audited consolidated financial statements of the Group as of December 31, 2010 and for the year then ended
CSSF	*Commission de Surveillance du Secteur Financier* – capital market regulatory authority in Luxembourg
Current report	The official electronic information dissemination service as defined in article 56.1 of the Public Offering Act
Directors	Directors A and Directors B of the Company
EEA	European Economic Area
ESPI	The electronic public company reporting system in Poland
EU	The European Union
EUR, €, euro	The lawful currency of the European Economic and Monetary Union, of which Luxembourg is a member.
Financial Statements	The Combined Financial Statements and Consolidated Financial Statements
GDP	Gross domestic product
General Meeting of Shareholders, general Meeting	The General Meeting of Shareholders of the Company
Group, Westa, Westa Group	The Company together with all Group Subsidiaries
Group Subsidiary, Group Subsidiaries	Any direct or indirect subsidiary of the Company
Hryvnia or UAH	The lawful currency of Ukraine
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards

IFRS Financial Statements	Consolidated Financial Statement and Combined Financial Statements contained in the Prospectus
IMF	The International Monetary Fund
Industrial Energy Systems LLC, LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS"	Industrial Energy Systems LLC (limited liability company), with its registered office at 3, Lazariana Street, Dnipropetrovsk, 49000 Ukraine, recorded with the companies' registrar of Ukraine under the number 33185376
Institutional Investors	Selected corporate entities (legal persons) and non-corporate entities other than individuals, to whom the Offering is addressed
Listing Agent	Dom Maklerski BZWBK S.A. with its seat at Plac Wolnosci 15, 60-967 Poznan, Poland
Listing Date	First day of trading in Shares on the WSE
LLC	Limited liability company under Ukrainian law
Luxembourg Corporate Governance Code	Corporate governance code contained in "Ten principles of corporate governance of the Luxembourg stock exchange"
Managers	BG Capital, 77A Chervonoarmiyska, Kyiv 03150, Ukraine, BG Trading Limited, Arch. Makariou III, 58 IRIS TOWER, 6th floor, office 602 P.C. 1075, Nicosia, Cyprus, and Dom Maklerski BZWBK S.A. with its seat at Plac Wolnosci 15, 60-967 Poznan, Poland
Maximum Price	The maximum price per one Offer Share. The Offer Price will not exceed the Maximum Price.
Member State	A Member State of the European Economic Area
Mémorial C	Official gazette in Luxembourg - *Mémorial C, Recueil des Sociétés et Associations*.
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC
NBP	The National Bank of Poland
NBU	The National Bank of Ukraine
NDS	*Krajowy Depozyt Papierów Wartościowych S.A*. (*KDPW S.A*)*, t*he National Depository for Securities – the clearing and settlement institution in Poland
NPV	Net present value
Offer Price	The offer price per Offer Share determined on the Pricing Date
Offer Shares	Up to 11,033,333 newly issued ordinary bearer shares in the share capital of the Issuer, offered in the Offering
Offering	The offering of the Offer Shares, based on this Prospectus
Operating Companies, Operating Subsidiaries	Ukrainian subsidiaries of the Issuer: WESTA-DNEPR JSC, WESTA INDUSTRIAL LLC, Techkomplekt LLC, Industrial Energy Systems LLC
PAP	The Polish Press Agency
PC	Private company under Ukrainian law
PFSA	The Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), the capital market regulatory authority of the Republic of Poland
PLN, Polish zloty	The lawful currency of the Republic of Poland
Polish Manager	Bank Zachodni WBK SA., Rynek 9/11, 50-950 Wroclaw, Poland

Principal Shareholder	Vankeria Consultants Limited, a private company limited by shares, incorporated under the law of the Republic of Cyprus, having its registered office at 1 Lampousas, P.C. 1095, Nicosia, Cyprus, recorded with the companies' registrar of Cyprus under the number HE 271059, being as on the date of the Prospectus the sole shareholder of the Issuer
Prospectus	This Prospectus constituting a prospectus in the meaning of the Prospectus Directive prepared for the purpose of the Offering and the Admission
Prospectus Act 2005	Luxembourg law dated July 10, 2005 relating to prospectuses for securities, implementing the Prospectus Directive into the Luxembourg law
Prospectus Directive................................	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of November 4, 2003, on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementing measures
Public Offering Act	The Polish Act of July 29, 2005, on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets, and on Listed Companies
Public Takeover Law	The Luxembourg law on public takeovers dated 19 May 2006
Regulation 809/2004, Prospectus Regulation	Commission Regulation (EC) no 809/2004 of April 29 , 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended
Regulation S...	Regulation S promulgated under the United States Securities Act of 1933, as amended, governing offers and sales made outside the United States without registration under the US Securities Act
Retail Investors..	Individuals who intend to purchase Offer Shares in the Offering
RUB	The lawful currency of the Russian Federation
Settlement Date..	The date of the settlement of the Offering
Shares	The ordinary shares of the Issuer with nominal value of EUR 0.01 each
SSCU	State Statistics Committee of Ukraine
Subscription Period.................................	The period in which Investors may place orders to subscribe for or purchase the Offer Shares
Takeover Directive	Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids
Techkomplekt LLC, Limited Company "TECKOMPLEKT"..............	Techkomplekt LLC (limited liability company), with its registered office at 148K, Heroiv Stalinhrada Street, Dnipropetrovsk, 49000 Ukraine, recorded with the companies' registrar of Ukraine under the number 32804524
Trading in Financial Instruments Act....	The Polish Act of July 29, 2005, on Trading in Financial Instruments
US Securities Act	The United States Securities Act of 1933, as amended
USD, US$, US Dollars	US dollar, the lawful currency of the United States of America
WESTA-DNEPR JSC, PSC "WESTA-DNEPR".........................	WESTA-DNEPR JSC (public joint stock company), with its registered office at 34, Budivelnykiv Street, Dnipropetrovsk, 49055 Ukraine, recorded with the companie's registrar of Ukraine under the number 31950849

WESTA INDUSTRIAL LLC, Limited Company "WESTA INDUSTRIAL"......	WESTA INDUSTRIAL LLC (limited liability company), with its registered office at5, Pysarzhevskoho Street, Dnipropetrovsk, 49005 Ukraine, recorded with the companies' registrar of Ukraine under the number 32702174
WSE...	The Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*), a regulated market in Poland
WSE Corporate Governance Rules........	Polish Principles of Corporate Governance contained in "Best Practices in Public Companies in 2010" approved by the WSE
WTO...	The World Trade Organization

ANNEX II

LIST OF PLACES ACCEPTING SUBSCRIPTIONS FOR OFFER SHARES FROM RETAIL INVESTORS

The list of Points of Sale of the BZ WBK Brokerage House (Dom Maklerski BZ WBK S.A.)			
No.	City	Address	Post Code
1	Bolesławiec	ul. Sądowa 6	59-700
2	Bydgoszcz	ul. Gdańska 128	85-021
3	Chorzów	ul. Katowicka 72	41-500
4	Dzierżoniów	ul. Mickiewicza 4	58-200
5	Gdynia	ul. 10 Lutego 11	81-366
6	Głogów	ul. Obrońców Pokoju 12	67-200
7	Gniezno	ul. Sienkiewicza 17	62-200
8	Gorzów Wielkopolski	ul. Gen. Wł. Sikorskiego 24	66-400
9	Inowrocław	ul. Grodzka 5/7	88-100
10	Jelenia Góra	ul. Jasna 14	58-500
11	Kalisz	ul. Parczewskiego 9A	62-800
12	Katowice	ul. Katowicka 61	40-174
13	Kędzierzyn-Koźle	pl. Wolności 1a	47-220
14	Kępno	ul. Kościuszki 6	63-300
15	Kielce	ul. Wspólna 2	25-950
16	Kłodzko	ul. Kościuszki 7	57-300
17	Konin	ul. Energetyka 6A	62-510
18	Kraków	ul. Karmelicka 9	31-133
19	Legnica	ul. Gwarna 4A	59-220
20	Leszno	ul. Słowiańska 33	64-100
21	Lubin	ul. Odrodzenia 5	59-300
22	Łodź	al. Piłsudskiego 3	90-368
23	Nowy Tomyśl	ul. Poznańska 13	64-300
24	Opole	ul. Ozimska 6	45-057
25	Ostrów Wielkopolski	pl. Bankowy 1	63-400
26	Piła	ul. Sikorskiego 81	64-920
27	Płock	ul. Kolegialna 21	09-402
28	Poznań	pl. Wolności 16	60-967
29	Poznań	ul. Św. Marcin 81	60-967
30	Poznań	ul. Szkolna 5	61-832
31	Sopot	ul. Chopina 6	81-752
32	Toruń	ul. Krasińskiego 2	87-100
33	Wałbrzych	ul. Chrobrego 7	58-300
34	Warszawa	ul. Kasprowicza 119a	01-949
35	Warszawa	ul. Jana Pawła II 23	00-854
36	Warszawa	ul. Rzymowskiego 34	02-697
37	Wrocław	Rynek 9/11	50-950
38	Wrocław	pl. Kościuszki 7/8	50-950
39	Zgorzelec	ul. Wolności 11	59-900
40	Zielona Góra	ul. Bankowa 5	65-950
41	Zespół Private Brokerage		

The list of Points of Sale of the BZ WBK Brokerage House's (Dom Maklerski BZ WBK S.A.) Agent, i.e. Bank Zachodni WBK S.A.			
No.	City	Address	Post Code
1	Aleksandrów Łódzki	ul.Wojska Polskiego 69	95-070
2	Białogard	ul. 1 Maja 7a	78-200
3	Białystok	ul. M.Skłodowskiej - Curie 2	15-097
4	Białystok	ul.Świętojańska 16	15-277
5	Białystok	ul.Pałacowa 1a	15-042
6	Bielsko-Biała	ul. Partyzantów 22	43-300
7	Bielsko-Biała	ul.Cieszyńska 362	43-382
8	Bogatynia	ul. Daszyńskiego 4abc	59-920
9	Bolesławiec	ul. Bankowa 12	59-700
10	Bolesławiec	ul. Sądowa 6	59-700
11	Brzeg	ul. Powstańców Śląskich 6	49-300
12	Brzeg Dolny	ul. 1 Maja 10a	56-120
13	Brzesko	ul.Jana Matejki 2	32-800
14	Bydgoszcz	ul. Królowej Jadwigi 18	85-231
15	Bydgoszcz	ul. Powstańców Wlkp. 26	85-090
16	Bydgoszcz	ul. Szubińska 83	85-312
17	Bydgoszcz	ul. Gdańska 30	85-006
18	Bystrzyca Kłodzka	ul. Mickiewicza 8	57-500
19	Bytom	ul. Dworcowa 4	41-902
20	Chełm	ul. Lubelska 73	22-100
21	Chodzież	ul. Ks.Prymasa St. Wyszyńskiego 4	64-800
22	Chojnów	ul. Dąbrowskiego 12	59-225
23	Ciechanów	ul. Pułtuska 4/6	06-400
24	Cieszyn	ul. Stary Targ 1	43-400
25	Częstochowa	ul. Krótka 46/48	42-200
26	Elbląg	ul. Pułkownika Dąbka 8-12	82-300
27	Gdańsk	ul.Fieldorfa 2	80-041
28	Gdańsk	ul. 3 Maja 3	80-958
29	Gdańsk	ul. Długie Ogrody 10	80-765
30	Gdańsk	ul.Miszewskiego 12/14	80-239
31	Gdańsk	ul. Kołobrzeska 28	80-394
32	Gdynia	ul. 10 Lutego 11	81-366
33	Gdynia	ul. Paprykowa 9	81-591
34	Gdynia	ul. Starowiejska 25	81-363
35	Gdynia	ul.Chylońska 116	81-007
36	Gdynia	ul. Świętojańska 89	81-381
37	Gliwice	ul. Dolnych Wałów 1	44-100
38	Głogów	ul. Słowiańska 12	67-200
39	Głogów	ul. Galileusza 18	67-200
40	Głuszyca	ul. Grunwaldzka 10	58-340

41	Gniezno	ul. Sienkiewicza 17	62-200
42	Gorzów Wielkopolski	ul. Kombatantów 2	66-414
43	Gorzów Wielkopolski	ul. Pionierów 8	66-400
44	Gostyń	ul. Bojanowskiego 22	63-800
45	Grodzisk Wlkp.	ul. 3 Maja 8	62-065
46	Grudziądz	al. 23 Stycznia 42	86-300
47	Grudziądz	ul.Chełmińska 68	86-300
48	Gryfice	ul.Niepodległości 42	72-300
49	Gubin	ul. Piastowska 4	66-620
50	Inowrocław	ul. Grodzka 5/7	88-100
51	Jarocin	ul. Kilińskiego 2a	63-200
52	Jaworzno	Grunwaldzka 39	43-600
53	Jelenia Góra	pl. Niepodległości 4	58-500
54	Jelenia Góra	pl. Piastowski 1A	58-560
55	Jelenia Góra	ul. Jasna 14	58-500
56	Kalisz	ul. Parczewskiego 9a	62-800
57	Kalisz	ul. Podmiejska 32	62-800
58	Kamienna Góra	ul. Parkowa 1	58-400
59	Kartuzy	ul.Dworcowa 5	83-300
60	Katowice	ul. Wita Stwosza 2	40-036
61	Katowice	al.. Korfantego 5	40-005
62	Katowice	ul. Katowicka 61	40-174
63	Katowice	ul.Staromiejska 12	40-013
64	Kępno	ul. Kościuszki 6	63-600
65	Kęty	ul.Kościuszki 12	32-650
66	Kłodzko	ul. Kościuszki 7	57-300
67	Koło	ul. Zielona 2	62-600
68	Kołobrzeg	ul. Gierczak 44/45	78-100
69	Komorniki	ul. Poznańska 17	62-052
70	Kostrzyn n/Odrą	ul. Sikorskiego 10	66-470
71	Koszalin	ul. 1 Maja 12	75-800
72	Kościan	al. Kościuszki 2	64-000
73	Kożuchów	ul. Rynek 20	67-120
74	Kraków	ul.Kijowska 22/24	30-079
75	Kraków	ul.Lubicz 23a	31-503
76	Kraków	ul. Karmelicka 9	31-133
77	Kraków	ul. Fiszera 36	31-321
78	Kraków	Rynek Główny 30	31-010
79	Kraków	ul. Westerplatte 15/16	31-033
80	Kraków	ul. Wielicka 72	30-552
81	Kraków	ul. Halszki 1a	30-611
82	Kraków	ul. Wadowicka 6	30-415
83	Kraków	ul.Krowoderskich Zuchów 12	31-272

84	Krosno Odrz.	ul. Bankowa 1	66-600
85	Krosno Odrz.	ul. Poznańska 21	66-600
86	Krotoszyn	ul. Sienkiewicza 12a	63-700
87	Kutno	ul. Grunwaldzka 5	99-300
88	Legnica	ul. Gwarna 4a	59-220
89	Lublin	ul. Spółdzielczości Pracy 26	20-147
90	Lubsko	ul. XX-Lecia 10	68-300
91	Łódź	al.Piłsudskiego 76	90-330
92	Łódź	al. Piłsudskiego 3	90-368
93	Łódź	ul. Sienkiewicza 24	90-114
94	Łódź	ul. Adwokacka 2	91-305
95	Mielec	al.Niepodległości 14	39-300
96	Międzyrzecz	Os. Centrum 4	66-300
97	Namysłów	ul. Dubois 5	46-100
98	Nowa Ruda	ul. Armii Krajowej 4	57-400
99	Nowa Sól	ul. Moniuszki 9	67-100
100	Nowogrodziec	ul. Kościelna 17	59-730
101	Nowy Sącz	ul.Szwedzka 4-6	33-300
102	Nowy Tomyśl	ul. Poznańska 13	64-300
103	Oborniki	ul. Piłsudskiego 2	64-600
104	Oborniki Śląskie	ul. Dworcowa 33	55-120
105	Oleśnica	Rynek-Ratusz	56-400
106	Olsztyn	pl.Bema 1	10-516
107	Oława	ul. 3 Maja 2a	55-200
108	Opole	ul. Ozimska 6	45-057
109	Ostrzeszów	ul. Zamkowa 20	63-500
110	Piła	ul. Sikorskiego 81	64-920
111	Piotrków Trybunalski	ul.Armii Krajowej 22 b	97-300
112	Polkowice	Rynek 13/14	59-100
113	Poznań	ul. Fredry 12	61-701
114	Poznań	pl. Wolności 16	60-967
115	Poznań	ul. Jugosłowiańska 10	60-301
116	Poznań	ul. Św. Marcin 81	61-808
117	Poznań	ul. Powstańców Wlkp.16	61-895
118	Poznań	ul. Św. Marcin 66/72	61-807
119	Poznań	Plac Wolności 15	60-967
120	Poznań	ul. Gronowa 22	61-680
121	Poznań	Plac Andersa 5	61-894
122	Prudnik	ul. Piastowska 18	48-200
123	Pruszcz Gdański	ul.Wita Stwosza 3	83-000
124	Przemyśl	ul. Okrzei 1	37-700
125	Puławy	ul.Piłsudskiego 58	24-100
126	Radom	ul.Żeromskiego 9	26-610

127	Radom	ul.Bolesława Chrobrego 41	26-605
128	Rawicz	Rynek 18	63-900
129	Rogoźno	ul. Wielka Poznańska 24	64-610
130	Rzeszów	al.Józefa Piłsudskiego 32	35-001
131	Sanok	ul. 3 Maja 23	38-500
132	Skawina	ul.Konopnickiej 3a	32-050
133	Słubice	ul. Kościuszki 2	69-100
134	Słupca	ul. Poznańska 14	62-400
135	Słupsk	pl. Dąbrowskiego 3a	76-200
136	Sopot	ul. Chopina 6	81-752
137	Stalowa Wola	ul.Okulickiego 16b	37-450
138	Starogard Gdański	ul. Hallera 16	83-200
139	Strzegom	ul. T. Kościuszki 14	58-150
140	Strzelce Opolskie	ul. Zamkowa 1	47-100
141	Strzelin	ul. Książąt Brzeskich 7	57-100
142	Suchy Las	ul. Szkolna 20	62-002
143	Sulechów	al. Niepodległości 5	66-100
144	Sulęcin	Plac Czarnieckiego 16	69-200
145	Szamotuły	ul. Dworcowa 27	64-500
146	Szczecin	ul. Matejki 22	70-530
147	Szczecin	ul. Jagiellońska 37a	70-382
148	Szczecin	ul. Śląska 43a	70-952
149	Szczecinek	pl. Wolności 11	78-400
150	Szklarska Poręba	ul. Jedności Narodowej 16	58-580
151	Szprotawa	Rynek 12	67-300
152	Środa Śląska	ul. Wrocławska 11a	55-300
153	Świdnica	pl. 1000-lecia Państwa Polskiego 1	58-100
154	Świebodzice	al. Lipowe 5	58-160
155	Świebodzin	ul. Głogowska 8	66-200
156	Świnoujście	ul. Grunwaldzka 21	72-600
157	Tarnowo Podgórne	ul. Poznańska 74	62-080
158	Tarnowskie Góry	ul. Oświęcimska 1	42-600
159	Tarnów	ul. Bitwy o Wał Pomorski 6	33-100
160	Tarnów	ul. Kaczkowskiego 1	33-100
161	Toruń	ul. Krasińskiego 2	87-100
162	Trzebnica	ul. Ks. Dziekana Wawrzyńca Bochenka 71	55-100
163	Tychy	ul. Bałuckiego 4	43-100
164	Wałbrzych	ul. Chrobrego 7	58-300
165	Wałbrzych	ul. Słowackiego 20 b	58-300
166	Warszawa	ul. Sobieskiego 60	02-930
167	Warszawa	ul. Kasprowicza 119a	01-949
168	Warszawa	ul. Belgradzka 4	02-793
169	Warszawa	ul. Powstańców Śląskich 49	01-355

170	Warszawa	ul. Grójecka 70	02-359
171	Warszawa	ul. Zwycięzców 28	03-944
172	Warszawa	ul. Marszałkowska 142	00-061
173	Warszawa	Aleja Jana Pawła II 35	00-899
174	Warszawa	Aleje Jerozolimskie 53	00-697
175	Warszawa	ul. Jana Pawła II 23	00-854
176	Warszawa	ul.Puławska 62/64	02-603
177	Warszawa	ul.Puławska 182	02-670
178	Warszawa	ul. Tarnowiecka 13	04-174
179	Warszawa	ul. Domaniewska 37	02-672
180	Wągrowiec	ul. Jeżyka 2C	62-100
181	Wieliczka	ul.Limanowskiego 1a	32-020
182	Włocławek	ul. Kościuszki 6	87-810
183	Wolsztyn	Rynek 7	64-200
184	Wołów	ul. Rynek 1-4	56-100
185	Wrocław	ul. Kamienna 145	50-503
186	Wrocław	pl. Powstańców Śląskich 17/115	53-314
187	Wrocław	Rynek 9/11	50-950
188	Wrocław	ul. Legnicka 51 - 53	54-203
189	Wrocław	ul. Kuźnicza 17-19	50-950
190	Wrocław	Plac Kościuszki 7/8	50-950
191	Września	ul. Warszawska 17	62-300
192	Wschowa	ul. Niepodległości 3a	67-400
193	Zabrze	pl.Wolności 299	41-800
194	Ząbkowice Śląskie	ul. Legnicka 3	57-200
195	Zduńska Wola	ul.Łaska 49/51	98-220
196	Zgorzelec	ul. Wolności 11	59-900
197	Zielona Góra	ul. Bankowa 5	65-950
198	Zielona Góra	ul. Boh. Westerplatte 23a	65-001
199	Złotoryja	Rynek 5	59-500
200	Żagań	pl. Wolności 6	68-100
201	Żary	ul. Wrocławska 12	68-200
202	Żary	Rynek 6-7	68-200
203	Żory	Rynek 25	44-240
204	Departament Private Banking Banku Zachodniego WBK S.A.		

Point of Sale of the BZ WBK Brokerage House (Dom Maklerski BZ WBK S.A.) dedicated for investors invited to the book building			
1	Warszawa	ul. Grzybowska 5a, 4th floor	00-132

THE ISSUER

WESTA ISIC S.A.
412F route d'Esch
L-1471 Luxembourg
The Grand Duchy of Luxemburg

GROUP OF OPERATING COMPANIES

WESTA-DNEPR JSC
5 Pysarzhevskoho Street
49005 Dnepropetrovsk
Ukraine

MANAGERS

BG Trading Limited
Arch. Makariou III, 58 Iris Tower,
Office 602, P.C. 1075, Nicosia, Cyprus

BG Capital JSC
74a Chavchavadze Avenue,
Tbilisi 0179
Georgia

Dom Maklerski BZ WBK S.A.
Plac Wolności 15
60-967 Poznań
Poland

LISTING AGENT

Dom Maklerski BZ WBK S.A.
Plac Wolności 15
60-967 Poznań
Poland

ADVISER

Bank Zachodni WBK S.A.
Rynek 9/11
50-950 Wrocław
Poland

LEGAL ADVISERS TO THE ISSUER

As to Polish law:

Baker & McKenzie
Gruszczyński and Partners
Attorneys at Law L.P.
Rondo ONZ 1
00-124 Warsaw
Poland

As to Ukrainian law:

Baker & McKenzie –
CIS, Limited
Renaissance Business Center
24 Vorovskoho St.
Kyiv 01054
Ukraine

As to Luxembourg law:

Baker & McKenzie Luxembourg
12, rue Eugène Ruppert
L-2453 Luxembourg
The Grand Duchy of Luxembourg

INDEPENDENT AUDITORS OF THE ISSUER AND OF THE GROUP

Deloitte S.A.
560 rue de Neudorf
L-2220 Luxembourg
The Grand Duchy of Luxembourg

Deloitte & Touche USC
Prime Business Center
48-50A Zhylyanska Street
Kyiv 01033
Ukraine