

MARKET OVERVIEW

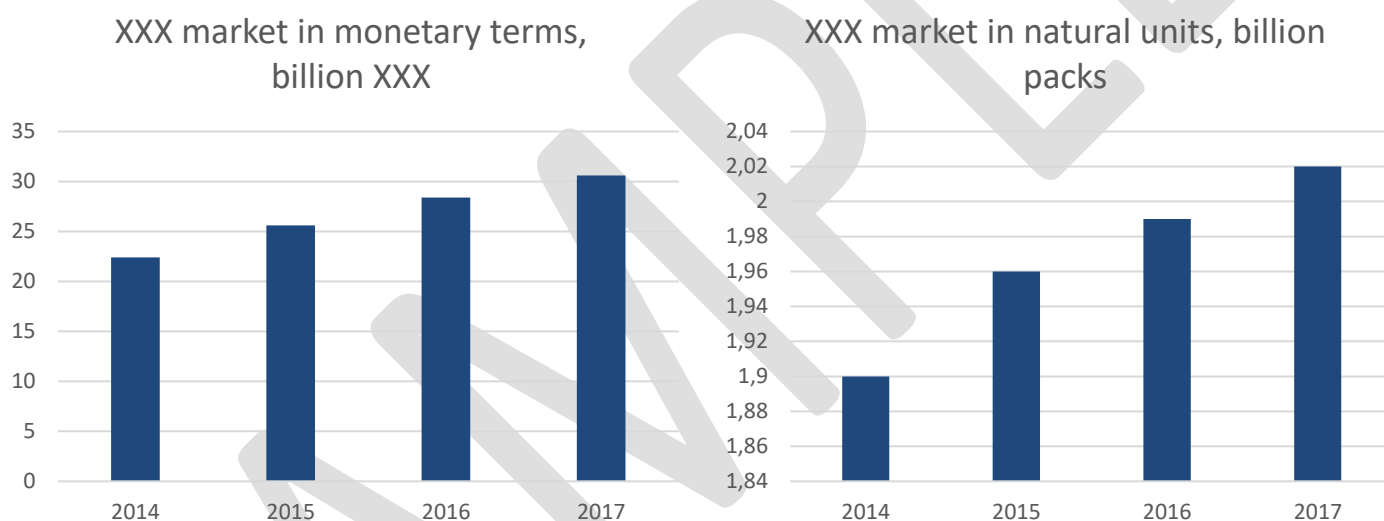
MARKET AT A GLANCE

Domestic Sale	2016 XXX XX,X billion (+XX,X% y-o-y) 2017 XXX X,X billion (+XX,X% y-o-y)
Domestic Conjunction	<ul style="list-style-type: none"> – redistribution of shares on the market – devaluation of national currency – stricter credit provision policy for retailers
Main Domestic Distributors	COMPANY XXX COMPANY XXX COMPANY XXX COMPANY XXX COMPANY XXX
Foreign Trade	IMPORT 2016 XXX X,X billion (-X,X% y-o-y) Countries of origin: Country XXX, Country XXX, Country XXX, Country XXX, Country XXX and others 2017 XXX X,X billion (-XX,X% y-o-y) Countries of origin: Country XXX, Country XXX, Country XXX, Country XXX, Country XXX and others
	EXPORT 2016 XXX XXX,X million (+X,X% y-o-y) Destination countries: Country XXX, Country XXX, Country XXX, Country XXX, Country XXX and others 2017 XXX XXX,X million (+XX,X% y-o-y) Destination countries: Country XXX, Country XXX, Country XXX, Country XXX, Country XXX and others
Forecasts	<ul style="list-style-type: none"> – sales 2018: +10-12% y-o-y in monetary terms – increase in the sales volume of alternative products – redistribution of shares on the market

MARKET VOLUME AND DEMAND

XXX market has always been attractive for domestic and foreign investors due to the rapid market growth (XX-XX% since 2010). Nowadays, the majority of economic spheres are going through tough times. According to the State Statistics Service of Country X, the decrease of GDP during 2017, in comparison to the same period in 2016, equaled to X,X%. Moreover, during 2017 the volume of industrial goods sold dropped by X,X%. Despite negative trends in Country X's economy, XXX market continues to grow in no small part due to the military conflict outbreak in the Country X.

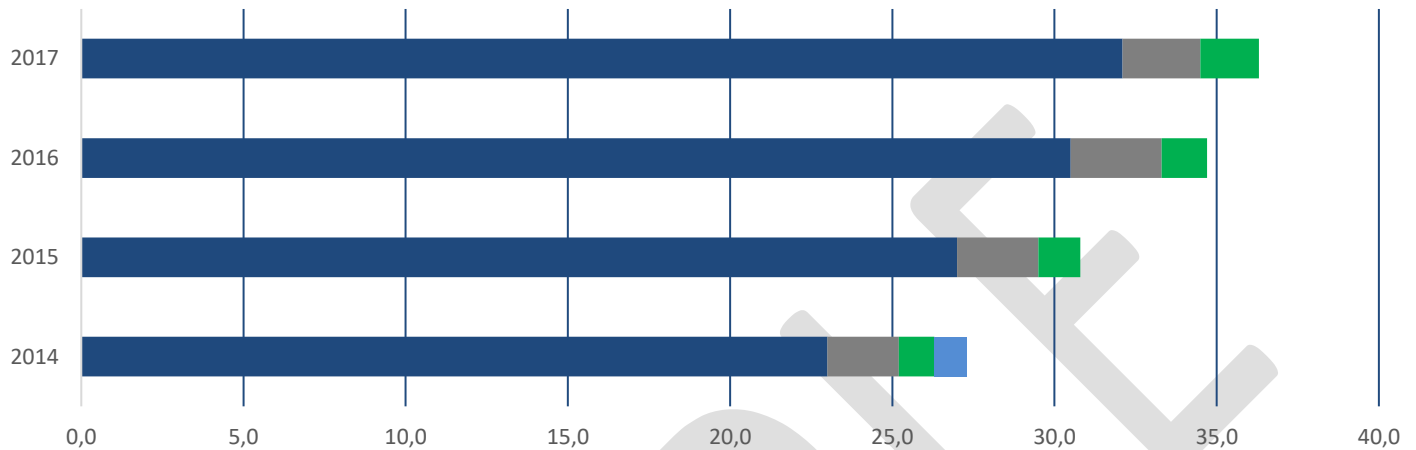
XXX market should be viewed within two segments: segment XX and segment XY. The latter is presented by XXX all over the country. In 2014 the volume of the market constituted XXX XX,X billion or X,X billion packs. During 2015, the upward trend continued and sales of XXX products added up by XX,X% reaching XXX XX,X billion in monetary terms and X,X billion packs in natural units (+X,X% y-o-y). In the following year, 2016, the market continued to expand and constituted XXX XX,X billion (+XX,X% y-o-y) or X,X billion packs (+X,X% y-o-y). 2017 demonstrated exceptional growth in monetary units XXX XX,X billion (+XX,X% y-o-y) and a rather strong performance in natural units - X,X billion packs (+X,X% y-o-y).



During 2017 the XXX market was influenced by national currency devaluation, VAT introduction and military conflict in the Country X. During first half of 2017 violent protests all around Country X and the military conflict that has been taking place in the Eastern regions of Country X since April 2014 increased the demand for XXX products. In contrast, the introduction of X% VAT for XXX products and national currency devaluation restrained the market.

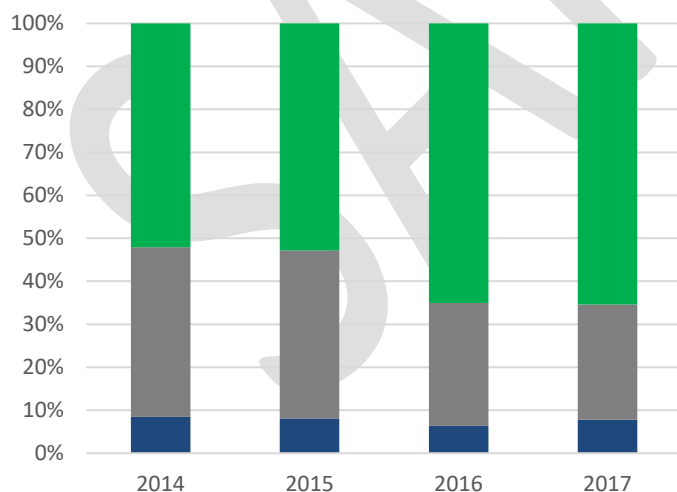
In general, XXX products sold in Country X may be divided into the following categories: category XX, category XY, Category XZ. During 2017, all of the abovementioned categories have shown positive dynamics compared to the same period last year. More detailed structure is presented in the table and graphs below. The weighted average cost for one pack in 2017 equaled to XXX XX,X (+XX,X% y-o-y). XXX segment remains as the most expensive with weighted average cost for one pack – XXX XX,X (+XX,X% y-o-y).

Sales structure by categories in 2014-2017, billion XXX

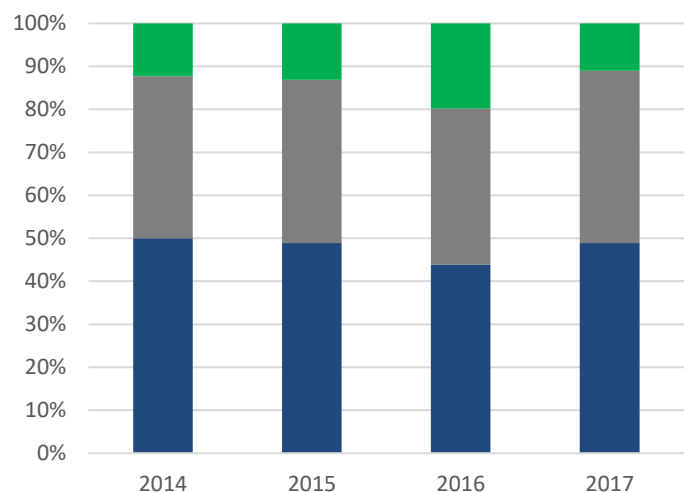


Lately, the raise of expensive XXX consumption was observed. XXX of the abovementioned niche are characterized by higher growth rate of absorption. In 2016, XXX of expensive segment added up for only XX% in overall structure in natural units, but accumulated XX,X% of revenue. Low cost XXX segment constituted almost half of the sales volume in natural units and only X% in monetary terms. During 2017, sales in all price segments increased, notably the highest rate rates were observed in low cost segment. It should be noted, that the share of expensive XXX segment expanded both in natural and monetary terms, as a result of currency devaluation, VAT introduction and transition of specific XXX from one price segment to another. More detailed information is presented in the graphs below.

Shares of price segments in overall sales in monetary terms

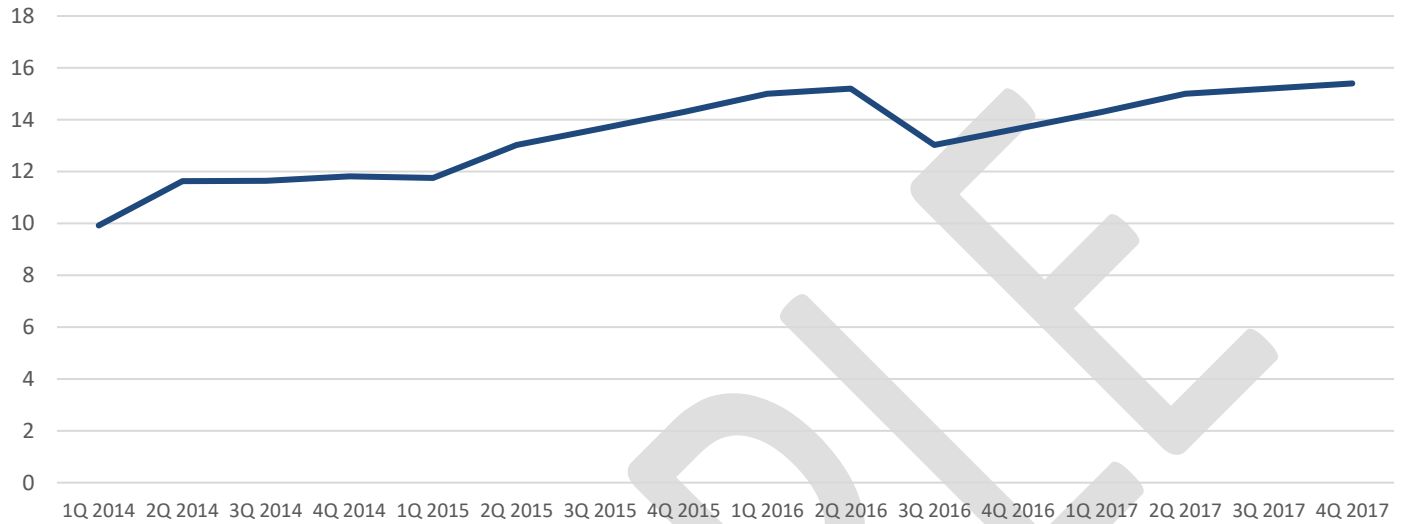


Shares of price segments in overall sales in natural units



The analysis of market volumes, structure and trends in monetary terms should be viewed in correspondence with the significant devaluation of Country X's national currency. The monthly XXX/XXX exchange rates for 2017 are presented in the table below.

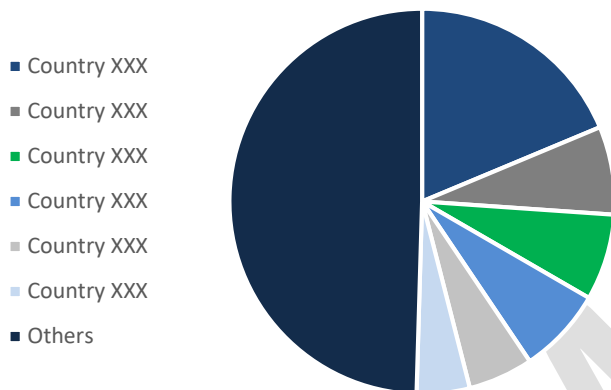
Official XXX/XXX exchange rates in 2014-2017



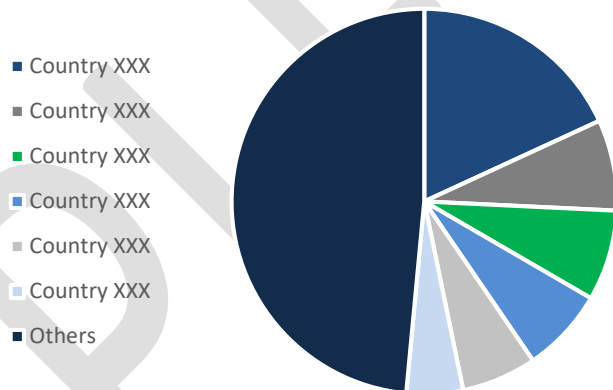
FOREIGN TRADE

Lately, import of XXX goods has been growing steadily. In 2014, the volume of import added up by XX,X% and equaled to XXX X,X billion. In 2015 the volume of import suffered a X,X% drop constituting XXX X,X billion. During 2016, the import declined and equaled to XXX X,X billion (-XX,X% y-o-y). In 2017, the volume of import added up by XX,X% y-o-y and reached XXX X,X billion. In both, 2016 and 2017 the main countries-suppliers were Country XXX, Country XXX, Country XXX, Country XXX, Country XXX and Country XXX.

Structure of imported XXX by countries of origin in 2016, in monetary terms

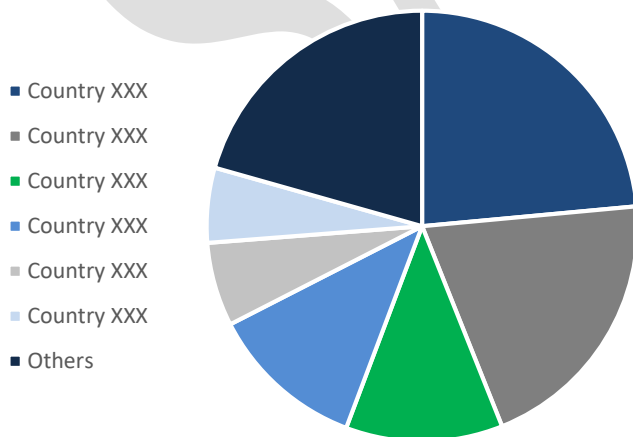


Structure of imported XXX by countries of origin in 2017, in monetary terms

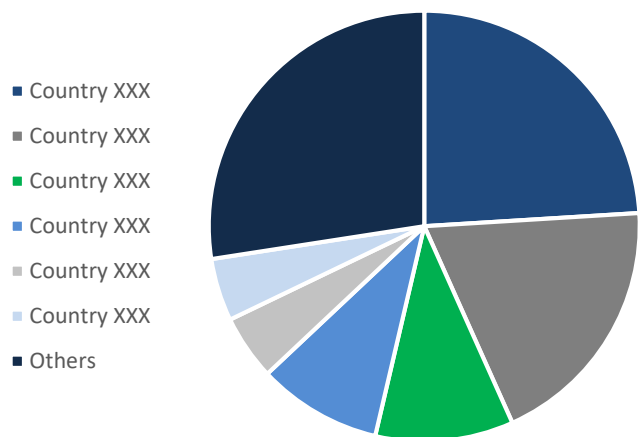


Geography of export supplies has not changed drastically recently, the major share of XXX is exported to CIS. The concentration of XXX export to CIS region was caused by strict quality requirements on European markets and compulsory necessity to have GMP certificates for manufacturers. In 2014 Country X's companies exported XXX for XXX XXX,X million (+XX,X% y-o-y). In 2015 the upward trend continued and the volume of XXX sold abroad constituted XXX XXX,X million (+X,X% y-o-y). Despite tensions between Country X and Country Y, together with political and economic instability in 2016 export demonstrated a solid growth and constituted XXX XXX,X million (+XX,X% y-o-y). During 2017 the volume of export continued to expand, supported by domestic producers, it equaled to XXX XXX,X million (+X,X% y-o-y).

Main export countries for XXX in 2016, in monetary terms



Main export countries for XXX in 2017, in monetary terms



DOMESTIC WHOLESALERS

Distribution segment is the most consolidated element on the Country X's XXX market. During the last few years, the structure of the leaders has not changed and greatly outrun other players. County X's wholesalers segment is highly concentrated. During 2017, the sales of TOP-6 distributors accounted for XX,X% of sales to retailers all over Country X.

The bankruptcy of one of the main players has influenced manufacturers and distribution segment as a whole. Manufacturers of XXX had to search for new partners and wholesalers had to boost their activity to supply XXX with XXX fully. The crisis influenced financial relations on the market, as well. Distributors changed policies of credit provision to retailers. Particularly, the duration of deferred payments shrunk, decrease of credit limits was observed and as a result - retailers were pushed to order more often but in smaller quantities. Thus, wholesalers faced tougher conditions of business activity.

The main trend of the segment – rearrangement of shares between key players. Notable increase was observed in the share of the biggest distributor on the Country X's market. In 2017, Company XXX executed XX,X% of overall XXX sales. In 2016, the Company occupied XX,X% of the segment. Moreover, new companies among market leaders increased shares as well. Company XXX doubled its sales of XXX during 2017, in comparison with 2016.

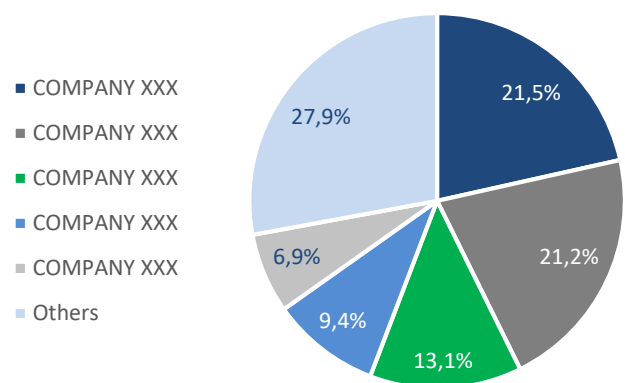
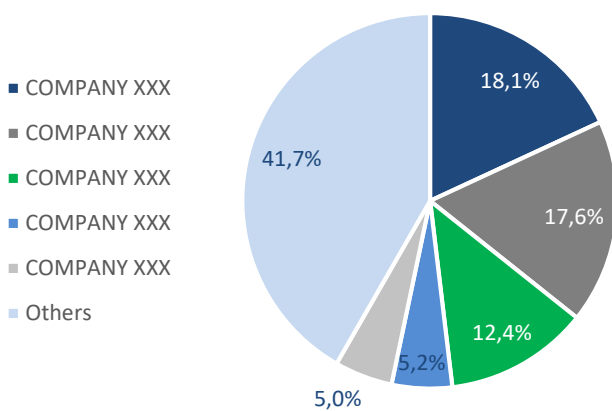
In 2016 the volume of supply to XXX equaled to XXX XX billion in wholesale prices for X,X billion packs having increased by XX,X% in monetary terms and X,X% in natural units, in comparisson with 2015. During 2017, distributors increased supplies by XX,X% in monetary units, in comparisson with 2016, having unloaded XXX goods for XXX XX,X billion.

The biggest XXX distributors in terms of sales to retailers are Company XXX (City X), Company XXX (City X), Company XXX (City X), Company XXX (City X) and Company XXX (City X), the latest has stopped its operation activity and there is a litigation regarding the Company's bankruptcy. The shares of TOP-6 distributors in overall sales to XXX are presented below.

MAIN PLAYERS

Share of wholesale segment in
2017

Share of wholesale segment in
2016



MAIN PLAYERS

COMPANY XXX**Established (started business activities):**

1990

Revenue: 2016

XXX XXX,X billion

Revenue: 2017

XXX XXX,X billion

Share in wholesale segment: 2016

XX,X%

Share in wholesale segment: 2017

XX,X%

Retail chain

XXX, XXX

Contacting information

+X(X)XXXXXXXX

X@XXXXX.XX

<http://www.XXXX.XX/>**COMPANY XXX****Established (started business activities):**

1993

Revenue: 2016

XXX XXX billion

Revenue: 2017*

XXX XXX,X billion

Share in wholesale segment: 2016

X,X%

Share in wholesale segment: 2017

XX,X%

Retail chain

XXX, XXX

Contacting information:

+X(X)XXXXXXXX

X@XXXXX.XX

<http://www.XXXX.XX/>**COMPANY XXX****Established (started business activities):**

2002

Revenue: 2016

XXX XXX,X billion

Revenue: 2017

XXX XXX,X billion

Share in wholesale segment: 2016

XX,X%

Share in wholesale segment: 2017

XX,X%

Retail chain

XXX, XXX

Contacting information

+X(X)XXXXXXXX

X@XXXXX.XX

<http://www.XXXX.XX/>**COMPANY XXX****Established (started business activities):**

1994

Revenue: 2016

XXX XX,X billion

Revenue: 2017

XXX XX,X billion

Share in wholesale segment: 2016

X,X%

Share in wholesale segment: 2017

X,X%

Retail chain

XXX, XXX

Contacting information

+X(X)XXXXXXXX

X@XXXXX.XX

<http://www.XXXX.XX/>**COMPANY XXX****Established (started business activities):**

1995

Revenue: 2016

XXX XX billion

Revenue: 2017

XXX XX,X billion

MAIN PLAYERS

Share in wholesale segment: 2016

X,X%

Share in wholesale segment: 2017

X,X%

Retail chain

XXX, XXX

Contacting information

+X(X)XXXXXXXX

X@XXXXX.XX

<http://www.XXXX.XX/>

MARKET FORECASTS

FORECASTS

Due to the military conflict in Country X, it is rather complicated to make forecasts for the market expansion, nevertheless experts predict a 10-12% growth of the XXX market in Country X if the conflict will not escalate further. Nowadays, domestic manufacturers spend XX% of the cost of goods for raw materials, it is expected that this figure will decrease steadily and will equal to XX% by the end of 2018. XXX distributors will follow the main trends of the market:

- Redistribution of shares on the market;
- Stricter credit provision policy for retailers;
- Increase in the sales volume of alternative products.

RISKS

The main factors that threaten Country X's market of XXX are devaluation of national currency; lack of funds; decrease of citizen's buying capacity. The main risk that XXX wholesalers face today is the escalation of the conflict in Country X and further occupation of Country X's territories.

TRENDS

Major trends that were observed on Country X's market of XXX wholesalers during 2016 and 2017:

- VAT introduction. In April, Country X's government imposed XXX goods with X% tax. Since, the governmental units have not provided XXX-distributors with interpretation of what group of XXX fall under the tax.
 - Tougher credit provision policy. As a result of exchange rates volatility, distributors try to secure their risks and were forced to shorten duration of payment deferments or work under the condition of advanced payment.
 - Bankruptcy of a key player. Company XXX was announced bankrupt in August. As a result, other wholesalers had to close the gap in demand and the disposition of powers was changed as well.
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RAW DATA FOR ANALYSIS

	2014	2015	2016	2017
Nominal GDP (XXX. bln.)	XX XXX,X	XX XXX,X	XX XXX,X	XX XXX,X
CPI	XXX,X	XXX,X	XXX,X	XXX,X
Industrial production index	XXX,X	XXX,X	XXX,X	XXX,X

Average exchange rates

	2014		2015		2016		2017	
	USD/XXX	EUR/XXX	USD/XXX	EUR/XXX	USD/XXX	EUR/XXX	USD/XXX	EUR/XXX
January	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
February	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
March	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
April	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
May	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
June	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
July	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
August	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
September	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
October	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
November	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
December	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX
Year	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX	XX,XX

Sales by segments

Monetary units (XXX million)

Periods	XXX	XXX	XXX	TOTAL
2014	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2015	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2016	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2017	XXX XXX	XXX XXX	XXX XXX	XXX XXX

Monetary units (USD million)

Periods	XXX	XXX	XXX	TOTAL
2014	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2015	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2016	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2017	XXX XXX	XXX XXX	XXX XXX	XXX XXX

Monetary units (EUR million)

Periods	XXX	XXX	XXX	TOTAL
2014	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2015	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2016	XXX XXX	XXX XXX	XXX XXX	XXX XXX
2017	XXX XXX	XXX XXX	XXX XXX	XXX XXX

Natural units (million packs)

Periods	XXX	XXX	XXX	TOTAL
2014	X XXX	X XXX	X XXX	X XXX

