



**ASTARTA-KYIV**  
agri-industrial holding

**ASTARTA HOLDING N.V.**

**ANNUAL REPORT 2007**

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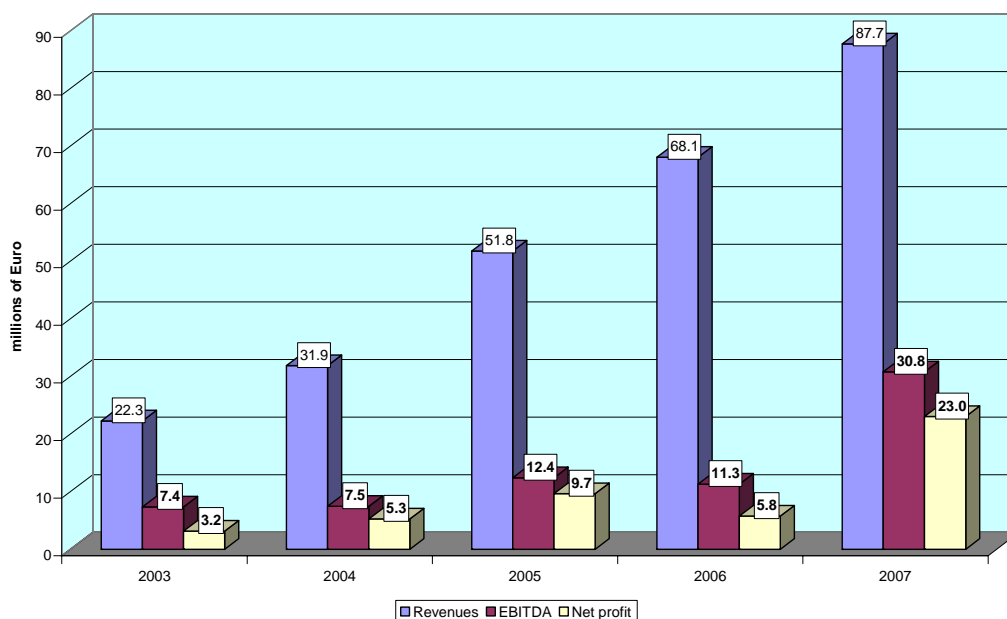
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## I. FIVE-YEAR SUMMARY OF FINANCIAL HIGHLIGHTS AND RATIOS

The following table sets forth ASTARTA Holding N.V. results of operations for the years ended 31 December

### Consolidated income statement for the year ended 31 December<sup>1</sup>

	(in thousands of Euros)				
	2007	2006	2005	2004	2003
Revenues	87,747	68,051	51,783	31,888	22,291
Cost of revenues including remeasurement gains	(63,145)	(53,984)	(36,403)	(23,027)	(14,223)
Gross profit	24,602	14,067	15,380	8,861	8,068
Operating income (expenses), net	1,175	(6,628)	(6,143)	(3,625)	(2,524)
Profit from operations (EBIT)	25,777	7,439	9,237	5,236	5,544
Net financing expenses and other non-operating income (expense)	(2,813)	(1,932)	30	(259)	(2,207)
Profit before tax	22,964	5,507	9,267	4,977	3,337
Income tax benefit (expense)	80	256	386	297	(175)
<b>Net profit</b>	<b>23,044</b>	<b>5,763</b>	<b>9,653</b>	<b>5,274</b>	<b>3,162</b>
Net profit (loss) attributable to:					
Minority interests	1,458	(637)	1,502	1,173	621
<b>Equity holders of parent company</b>	<b>21,586</b>	<b>6,400</b>	<b>8,151</b>	<b>4,101</b>	<b>2,541</b>

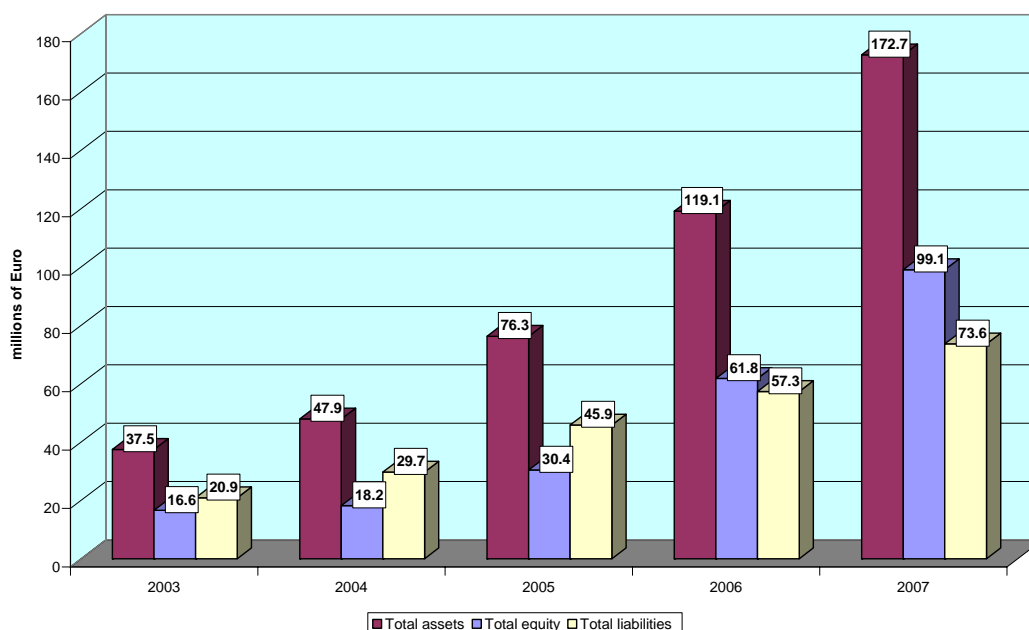


<sup>1</sup> As at 31 December 2007, management restated the estimate of fair value of dairy cattle to take into account a more accurate analysis of cattle by age. Had the Group not amended the methodology to determine the fair value of dairy cattle, the EBIT and Net profit in 2007 would be equal to EUR 19.4 million and 16.7 million correspondingly.

**Consolidated balance sheet as at 31 December**

(in thousands of Euros)

	2007	2006	2005	2004	2003
Property, plant and equipment	77,919	31,505	25,448	16,541	15,777
Non-current biological assets	6,380	3,701	2,467	1,703	1,303
Other non-current assets	1,228	1,209	846	136	29
<b>Total non-current assets</b>	<b>85,527</b>	<b>36,415</b>	<b>28,761</b>	<b>18,380</b>	<b>17,109</b>
Inventories	51,855	45,910	29,867	18,492	12,846
Biological assets	15,216	7,157	1,854	966	779
Trade and other accounts receivable, prepayments and promissory notes	19,026	26,644	15,284	9,946	6,546
Cash and cash equivalents	1,068	2,991	503	112	172
<b>Total current assets</b>	<b>87,165</b>	<b>82,702</b>	<b>47,508</b>	<b>29,516</b>	<b>20,343</b>
<b>Total assets</b>	<b>172,692</b>	<b>119,117</b>	<b>76,269</b>	<b>47,896</b>	<b>37,452</b>
Share capital	250	250	60	3	3
Additional paid-in capital and reserves	78,482	55,743	30,654	22,862	19,671
Retained earnings	28,038	6,254	-	-	-
Currency translation adjustment	(8,710)	(447)	(296)	(4,656)	(3,114)
Minority interests relating to open joint stock companies	1,014	-	-	-	-
<b>Total equity</b>	<b>99,074</b>	<b>61,800</b>	<b>30,418</b>	<b>18,209</b>	<b>16,560</b>
Long-term loans and borrowings	5,647	8,092	10,086	5,101	3,586
Minority interests relating to limited liability companies	3,566	2,099	8,729	5,975	4,256
Other long-term liabilities	6,688	1,223	1,729	387	652
<b>Total non-current liabilities</b>	<b>15,901</b>	<b>11,414</b>	<b>20,544</b>	<b>11,463</b>	<b>8,494</b>
Short-term loans and current portion of loans and borrowings	45,634	27,712	11,888	8,908	6,071
Trade accounts payable and other liabilities and accounts payable	12,083	18,191	13,419	9,316	6,327
<b>Total current liabilities</b>	<b>57,717</b>	<b>45,903</b>	<b>25,307</b>	<b>18,224</b>	<b>12,398</b>
<b>Total equity and liabilities</b>	<b>172,692</b>	<b>119,117</b>	<b>76,269</b>	<b>47,896</b>	<b>37,452</b>



**Key data, ratios and multiples of the Group**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
EBITDA	30,820	11,314	12,411	7,473	7,352
NET DEBT	50,213	32,813	21,471	13,897	9,485
ENTERPRISE VALUE (EV)	277,118	146,431			
EBITDA MARGIN, %	35.1%	16.6%	24.0%	23.4%	33.0%
NET PROFIT MARGIN %	26.3%	8.5%	18.6%	16.5%	14.2%
ROE	23.3%	9.3%	31.7%	29.0%	19.1%
ROA	13.3%	4.8%	12.7%	11.0%	8.4%
P/E	10.35	17.42			
EV / EBITDA	8.99	12.94			
EV / SALES	3.16	2.15			
NET DEBT / EBITDA	1.63	2.90	1.73	1.86	1.29
NET DEBT / SALES	0.57	0.48	0.41	0.44	0.43
TOTAL DEBT RATIO	0.43	0.48	0.60	0.62	0.56
DEBT / EQUITY	0.74	0.93	1.51	1.63	1.26
CURRENT RATIO	1.51	1.80	1.88	1.62	1.64

**Formulae for calculation of financial indicators**

RETURN ON EQUITY (%)	Net Profit / Shareholders equity
RETURN ON ASSETS (%)	Net Profit / Total assets
ENTERPRISE VALUE (EV)	Market capitalization + net debt + minority interests
EBITDA	Profit (loss) from operations + depreciation and amortization
EARNINGS PER SHARE	Net profit / Average number of shares during the financial period
P/E	Closing price on last trading day of financial year / Earnings per share
MARKET CAPITALIZATION	Number of shares at end of financial period multiplied by closing price on last trading day of the financial period.
PLN/EUR (for 31.12.2007)	3.582
NET DEBT	Short-term finance debt + long-term finance debt – cash
CURRENT RATIO	Current assets / Current liabilities

## **II. ASTARTA HOLDING N.V. CHAIRMAN AND CEO'S STATEMENT**

### ***Dear Shareholders,***

We are honored to highlight for you the most important achievements of ASTARTA Holding N.V. in 2007 and our ambitious development plans for the future. The Board of Directors believes that the major outcome of the last year is that our efforts to make business in the Ukrainian agricultural sector in a transparent and innovative manner were abundantly rewarded. We are especially pleased that ASTARTA's investors, who trusted the Company after its pioneering IPO on the Warsaw Stock Exchange, witnessed a dynamic increase of its share price in 2007.

The year 2007, which was the Group's first whole financial year after the IPO and its consolidation into the full-fledged European public company, was a challenging and successful one. It was the year of the widely discussed international financial crisis and major changes in the Ukrainian and global energy, food and commodities markets. ASTARTA has managed not only to respond to these challenges and demonstrate high economic performance, but substantially strengthened its market position, expanded businesses in the most promising segments, and built up its assets and capital. The keys to the Group's success were its strategy of vertical integration, the synergy of complimentary agribusinesses, and its devotion to sustainable and environmentally friendly production.

Despite moderate and sometimes adverse weather conditions for agriculture in Ukraine in 2007, ASTARTA has considerably increased its gross output of sugar beet, grains and oilseeds. This was due to the extension of the area under primary crops and higher yields resulting from the continued improvement of soils and investment into agricultural materials and machines.

Throughout 2007, ASTARTA managed to take full advantage of favorable market dynamics due to the strength of its efficiency and organization. Demand for food has increased as the global population continues to grow, thereby stimulating a price rally on the international, and consequently, Ukrainian markets. ASTARTA swiftly reacted to these market trends by making a new emphasis in its operations and initiating a gradual transformation from a historically sugar producing company to a diversified agricultural business.

To fully benefit from the rapid increase in prices for crops in 2007, the Group's management made a special focus on grains and oilseeds production. The decision was right, as lower supply together with global trends led to a substantial increase in prices for this produce from January to December in Ukraine. Against this background the Group's gross output of grains and oilseeds in 2007 amounted to over 201 thousand tons, increasing by 53% compared to the previous year, and so ensuring around 26% of Groups' total revenues in 2007.

We cannot but emphasize the substantial growth of 83% in the Group's revenues from cattle farming in 2007 that was associated with the increase in milk and meat production and multiplied by the favorable pricing situation on the Ukrainian market, thus securing about 8% of the total income.

Taking one more step to the eventual unrivaled leadership on the Ukrainian sugar market, ASTARTA increased its share to 8.4% with more than 155.5 thousand tons of sugar produced, placing second among Ukrainian sugar companies. The important feature of the 2007 production season was an increase of the Group's in-house sugar beet possessed from the previous year's 42% to 71%, which provided for significant cost reduction and continuous operation at the owned sugar plants.

To follow the trend of the previous periods, the Group has strengthened its position in the Ukrainian B2B segment by supplying around 80% of sugar produced to larger industrial companies. Whereas the Group retained its traditionally strong ties with confectioneries, it rapidly won over new customers among the drinks and dairy produce giants, like Coca-Cola, Danone, Vitmark, and Baltic Beverages Group. Coca-Cola Beverages Ukraine became the largest consumer of the Group's total sugar sales by absorbing over 21% of its volume. Strong business relations with our clients and the consistent expansion of Ukrainian industrial sugar consumption contribute to our solid market standing.

It is worth mentioning that while increasing in volume, sugar and sugar-related sales brought around 66% of the Group's revenues in 2007 in comparison to 78% in 2006. In the opinion of the Board of Directors, this situation not only demonstrates a shift in the markets, but most importantly, ASTARTA's ability to be proactive and flexible, as well as concentrate in a timely manner on segments with higher profitability.

Due to successful business operations, the Group's gross margin was 28% in 2007 against 21% in 2006. Net profit increased from EUR 5.8 million in 2006 to EUR 23.0 million in 2007. Also in 2007, the Group's profits from operations marked a significant increase to EUR 25.8 million against EUR 7.4 million in 2006.

Alongside operational activities in 2007, the Group intensively invested into property, plants and equipment, and the acquisition of corporate rights in agricultural enterprises. More than two-thirds of EUR 23.0 million in investments in 2007 were made to modernize sugar production capacities and purchase modern agricultural machinery.

In 2007 the Group concluded a number of purchase agreements of agricultural machinery with US companies Amity Technology LLC, Chief Industries Inc., Mathews Company, and CNH America LLC. Under the terms of the contracts, the Group will spend about USD 11.0 million for modern agricultural equipment produced in the USA. The abovementioned equipment is elaborate agricultural machinery, which was bought following the significant increase in the Group's arable land and further implementation of North American technologies of sugar beet and crop growing.

The continued modernization of the Group's sugar plants in 2007 has enhanced their efficiency and sugar yield rate. The Group has embarked on a four-year energy saving program, which gives a double effect of a reduction in production prime costs and a cut of emissions into atmosphere. The first will be increasingly relevant in view of the rigid price increase for primarily Russian-origin natural gas. The second will allow the Group to profit from trade in carbon gas emission quotas.

The Group's management considers agricultural land as a key asset and strategic resource to increase the business' value. Thus, over the past five years, the Group has actively expanded its land bank. During the reporting year, the Group acquired 12 agricultural companies in the Poltava and Vinnytsia regions of Ukraine and increased acreage of agricultural lands in use to 135 thousand hectares. The purchase and sale of agricultural land in Ukraine is still restricted by a legal moratorium. However, when it is lifted, the Group could profit from its preemptive rights to buy out the land plots under lease.

The dynamic development of ASTARTA in 2007 was not the least possible due to substantial progress in decreasing the cost of the Group's borrowings. Thus, a result of setting up an effective credit portfolio was that the average interest rate for loans contracted in the Ukrainian Hryvnia has decreased by approximately 2 percentage points. Also, a low-cost credit facility contracted from ABN AMRO BANK N.V. has significantly contributed to a further reduction in the cost of borrowings.

Looking forward, the Group will continue its transformation into a modern agricultural company with a solid land bank and optimal production list. Simultaneously we will work hard to improve the efficiency of agricultural production and raise crops yields. In view of the lucrative prices for crop produce on international and Ukrainian markets, we intend to increase the acreage of arable land and output of grains and oilseeds to boost the Group's revenues.

We will further exploit our expertise in the sugar business and augment the Group's share on the Ukrainian sugar market. To do this we are about to expand the geography of the Group's sugar production facilities to the western regions of Ukraine and continue modernizing existing plants to improve the efficiency of raw material processing and energy consumption. To minimize dependency on existing large customers, the Group will seek further sugar sale diversification in the soft-drink producer segment and improve logistic chains. This in turn will mitigate business risks to the Group and make Ukraine's WTO membership an opportunity for ASTARTA to enter previously closed markets.

The 2007 financial year has been an energetic, challenging and highly rewarding one. As we look ahead to the next growth phase, our people can take pride in their efforts. We have a highly capable management team, while our more than 8.5 thousand employees are the foundation and spirit of our business.

To conclude, we would like to mention that the Ukrainian agricultural market with its unique development tempo has huge potential for investments. ASTARTA is among the few enterprises in this sector that enjoy a solid market position, do business in a transparent and responsible manner, and has demonstrated vigorous growth of its value. The Group has a great future ahead, and we encourage you to be part of this future as our shareholders.

On behalf of the Board of Directors, we thank you for your continued trust and support and wish ASTARTA and you, its shareholders, the greatest possible success in the years to come.



**Sincerely yours,**

**Chairman**

**Valery Korotkov**

**Chief Executive Officer**

**Viktor Ivanchyk**

### III. REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS FOR 2007

#### 1. Basis for Preparation of Consolidated Financial Statements

The consolidated financial statements as at and for the year ended 31 December 2007 are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Because of the common control situation that existed throughout 2006 and 2007, prior-year data have been presented as if the Company and the Group were operating under the current legal structure throughout the reporting period.

#### 2. Group Overview

ASTARTA Holding N.V. (Company) was incorporated under the law of the Kingdom of the Netherlands on 9 June 2006 as a parent holding company of a group of companies with all of their production assets based in Ukraine. These assets are controlled by a Ukrainian operating company, LLC Firm "Astarta-Kyiv" ("Astarta-Kyiv").

On December 31, 2007, the Company controlled 5 sugar plants, 37 agricultural companies and 1 associated agricultural company, as well as a canning factory and a combined forage mill, all of which are located in the Poltava, Vinnytsia and Khmelnytsky Oblasts (administrative regions) of Ukraine.

The Group is an agri-industrial holding. Inspired by the best national farming traditions, we produce natural high-quality agricultural products cultivating unique fertile Ukrainian plough lands and applying modern technologies and equipment. The Group's subsidiaries are involved in sugar beet, grain and oilseed cultivation, sugar production and cattle farming.

The cornerstone of the Group's strategy is vertical integration of the business: The Group's agricultural companies cultivate sugar beet for further processing at the Group's sugar plants, thus securing higher margins of sugar production, as sugar beet costs account for approximately 60% of the sugar production prime cost. Cultivation of in-house sugar beet ensures relatively cheap and reliable supplies of main raw product to the Group's owned sugar plants.

To achieve an increasing crop capacity of the land bank under lease, we meticulously upgrade its quality for future years and use an optimal crop rotation structure, cultivating grains and oilseeds together with sugar beets, as well as reserve some part of the land for pastures. Crops and milk production are rapidly growing parts of our business that allow us to profit from the current situation in the domestic and international markets.

Our strategy for 2008-2012 includes an increase of the Group's share in the Ukrainian sugar and agricultural products markets as a result of increased efficiency in production, acquisitions and organic growth. We are also looking closely at options to enter new markets and embark on new opportunities, like bio-fuel production at our sugar plants to fully exploit the synergy of available raw materials, an existing infrastructure and skilled personnel.

#### 3. Shareholder Structure of ASTARTA Holding N.V.

According to information available to the Company, as of December 31, 2007, the following shareholders provided information concerning direct or indirect (through subsidiaries) ownership of at least 5% of the total votes at the General Shareholders Meeting of ASTARTA Holding N.V.

Table 1. Shareholder structure of ASTARTA Holding N.V. as of December 31, 2007

Shareholder	Number of shares	Percentage of owned share capital	Number of votes at the General Meeting	Percentage of votes at the General Meeting
Viktor Ivanchyk through his wholly owned Cypriot company Albacon Ventures Ltd.	10,000,000	40.00	10,000,000	40.00

Valeriy Korotkov through his wholly owned Cypriot company Aluxes Holding Ltd.	10,000,000	40.00	10,000,000	40.00
ING Parasol Specjalistyczny Fundusz Inwestycyjny	1,348,395	5.39	1,348,395	5.39
Other shareholders	3,651,605	14.61	3,651,605	14.61
<b>TOTAL</b>	<b>25,000,000</b>	<b>100.00</b>	<b>25,000,000</b>	<b>100.00</b>

#### 4. Management of the Company

The Board of Directors of ASTARTA Holding N.V. consists of five members: Viktor Ivanchyk (Chief Executive Officer), Petro Rybin (Chief Operating and Financial Officer), Marc van Campen (Chief Corporate Officer), Valery Korotkov (Chairman of the Board, Non-Executive Director), Wladyslaw Bartoszewski (Vice Chairman of the Board, Non-Executive Director, Chairman of the Audit Committee).

Viktor Ivanchyk and Valeriy Korotkov as owners of companies in Cyprus hold indirectly 80% of the votes at the General Shareholders Meeting of the Company – 40% each. Also, Viktor Ivanchyk and Valeriy Korotkov each own directly 0.01% of the share capital of Astarta-Kyiv.

The rest of the directors do not own, directly or indirectly, any shares or other securities giving them rights to acquire these shares, either from the date of the Company's registration up to the date of this statement, or after this period. (Refer to Corporate Governance Report for more information on the Management of the Company).

#### 5. Group's structure and personnel

##### 5.1 Group's Structure

Table 2. The Group's structure as at December 31, 2006 and 2007 is as follows:

Name	Activity	31 December 2007 % ownership	31 December 2006 % ownership
<b>Subsidiaries:</b>			
Ancor Investments Ltd	Investment activities	100.00%	100.00%
LLC Firm "Astarta-Kyiv"	Asset management	99.98%	99.98%
LLC "Agropromtsukor"	Sugar production	99.98%	99.98%
LLC "APO "Tsukrovyk Poltavshchyny"	Sugar production	98.53%	95.08%
LLC "Agricultural company "Zolota Gora"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Dovzhenko"	Agricultural	96.98%	96.98%
LLC "Agricultural company "Gogolevo"	Agricultural	96.98%	96.98%
LLC "Shyshaki combined forage factory"	Fodder production	82.71%	82.71%
LLC "Agricultural company "Shyshatska"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Stepove"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Fydrivske"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Troyitska"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Mriya"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Pustoviytove"	Agricultural	99.78%	99.78%
LLC "Agricultural company "Shevchenko"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Grynky"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Ordanivka"	Agricultural	97.98%	97.98%
SC "Agricultural company "Sofiivka"	Agricultural	99.98%	99.98%
LLC "Agricultural company "Kozatsky stan"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Dobrobut"	Agricultural	97.99%	97.99%
LLC "Agricultural company "Musievske"	Agricultural	74.99%	74.99%
LLC "Agricultural company "Zorya"	Agricultural	74.99%	74.99%
LLC "Agricultural company "Nadiya"	Agricultural	74.99%	74.99%
LLC "Agricultural company "Viytovetske"	Agricultural	99.98%	99.98%

LLC "Agricultural company "named after Bohdan Khmelnytskyi"	Agricultural	74.99%	74.99%
Globino canning factory "Globus"	Canning production, trade	99.98%	99.98%
SC "Agricultural company "Semenivska"	Agricultural	99.98%	99.98%
LLC "Agricultural company "named after Shevchenko" (Gadiach region)	Agricultural	81.98%	79.98%
LLC "Dobrobut" (Novo-Sanzharskiy region)	Agricultural	97.98%	97.98%
LLC "Zoria" (Novo-Sanzharskiy region)	Agricultural	97.98%	90.11%
LLC "Baliasne"	Agricultural	97.98%	97.98%
LLC "Agricultural Company "Agro-Maiak"	Agricultural	81.98%	79.98%
OJSC "Agricultural Company "Agrocomplex"	Agricultural	79.07%	–
LLC "Agricultural company "Stozhary"	Agricultural	63.99%	25.40%
OJSC "Agricultural Company "Zhdanivske"	Agricultural	60.05%	–
LLC "Agricultural Company "LAN-2007"	Agricultural	97.98%	–
LLC "Agricultural Company "Ukraina-Porik"	Agricultural	99.98%	–
LLC "Agricultural Company "Shedievo"	Agricultural	97.98%	–
LLC "Investment company "Poltavazernoproduct"	Agricultural	99.88%	–
LLC "Agricultural Company "Nauka-Agro-Mayak"	Agricultural	99.88%	–
LLC "Agricultural Company "Vasilivske"	Agricultural	74.99%	–
LLC "Agricultural Company "Khib I Liudi"	Agricultural	79.98%	–
LLC "Agricultural Company "Progres"	Agricultural	77.48%	–
Associate:			
LLC "Agricultural company "Pokrovska"	Agricultural	49.99%	49.99%

Ancor Investments LTD is incorporated under Cyprus legislation, and all other subsidiaries and an associate are incorporated in Ukraine.

During the year ended 31 December 2007 the Group acquired the following companies involved in agricultural activities:

Table 3. Acquisitions of agricultural companies in 2007

Name	Country of incorporation	Activity	Date of acquisition	% ownership as at date of acquisition
LLC "Agricultural Company "HTZ"	Ukraine	Agricultural	21.03.2007	99.98%
OJSC "Agricultural Company "Agrocomplex"	Ukraine	Agricultural	28.03.2007	71.44%
LLC "Agricultural Company "Stozhary"	Ukraine	Agricultural	24.05.2007	63.99%
OJSC "Agricultural Company "Zhdanivske"	Ukraine	Agricultural	17.07.2007	60.05%
LLC "Agricultural Company "LAN-2007"	Ukraine	Agricultural	31.08.2007	97.98%
LLC "Agricultural Company "Ukraina-Porik"	Ukraine	Agricultural	11.09.2007	99.98%
LLC "Agricultural Company "Shedievo"	Ukraine	Agricultural	04.10.2007	97.98%
LLC "Investment company "Poltavazernoproduct"	Ukraine	Agricultural	09.10.2007	99.88%
LLC "Agricultural Company "Nauka-Agro-Mayak"	Ukraine	Agricultural	10.10.2007	99.88%
LLC "Agricultural Company "Vasilivske"	Ukraine	Agricultural	30.10.2007	74.99%
LLC "Agricultural Company "Khib I Liudi"	Ukraine	Agricultural	05.11.2007	79.98%
LLC "Agricultural Company "Progres"	Ukraine	Agricultural	14.11.2007	77.48%

Changes to the Group's structure after the reporting date are described in the section, Material Events After the Reporting Date.

### **5.2 Group's Personnel**

As of December 31, 2007, the Group's head count comprised 8,617 employees, including 165 employees of the head office in Kyiv and 1,891 temporary workers. As the Group's production activities are arranged through production subsidiaries, the majority of our personnel are based outside Kyiv.

The key companies within the Group have their own HR managers and are responsible for hiring and dismissing their personnel. Our production companies' staffing structure comprises about 7% of the total charged with managerial functions and about 10% of service staff. The remaining 83% is approximately

equally divided between a core and auxiliary production work force. Approximately 63% of our employees are male and 37% are female. We provide equal employment opportunities to everyone, regardless of their gender, religion or nationality.

## 6. Production Activities

The primary products of the Group are sugar, by-products of sugar production (molasses and pulp), grain and oilseed crops, as well as cattle farming produce (milk and meat). The Group's production process has a seasonal nature. The production season for sugar and its by-products begins in September and ends in November-December. Harvesting of grain and oilseeds and technical crops begins in June-July and ends in November. Table 4 shows the Group's production indicators as of December 31, 2007.

Table 4. Production of key products of the Group (thousands of tons)

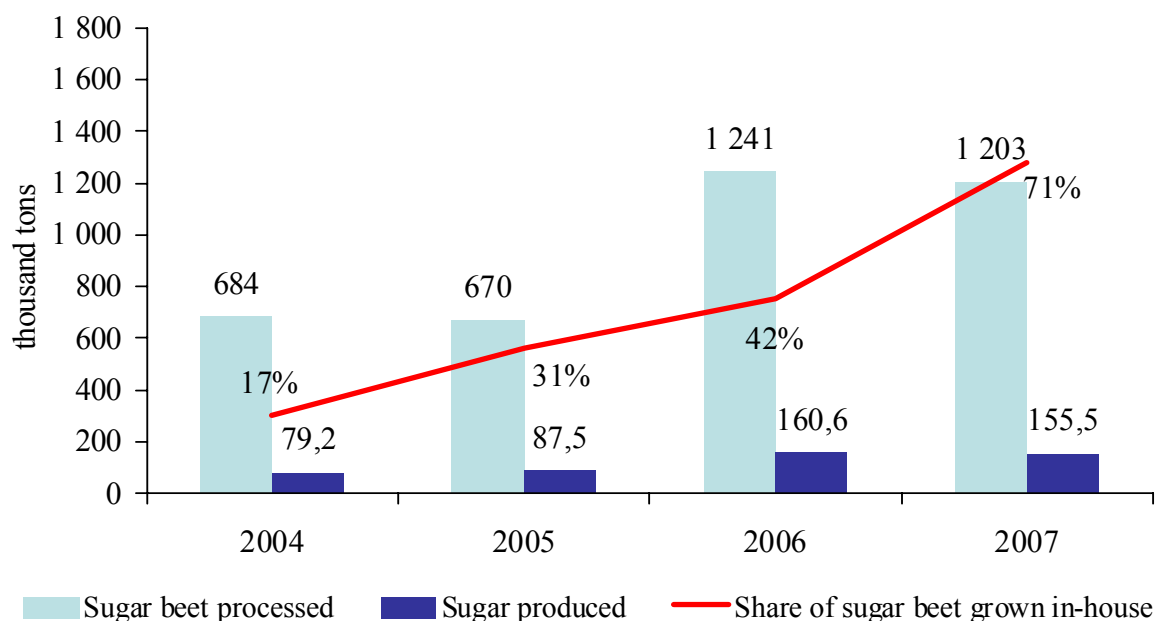
	2007 production season	2006 production season	Change, %
<i>Sugar and by-products</i>			
Sugar	155.5	160.6	(3)
Dried granulated pulp	15.4	11.0	40
Molasses	50.1	54.4	(8)
<i>Sugar beet</i>	856.5	527.0	63
<i>Grain and oilseed crops (gross)</i>	201	131.0	53
<i>Milk (gross)</i>	28.1	20.6	36

### 6.1 Production of Sugar and Sugar By-Products

The year 2007 was successful for the Group's sugar production. The important feature of the 2007 season was the increase of the Group's in-house sugar beet processed from 42% in 2006 to 71% in 2007. The Group's in-house grown sugar beet supplies to the controlled sugar plants provided for significant cost reduction.

The dynamics of the sugar beet processed by the Group's plants, sugar produced and share of the Group's in-house sugar beet in the total volume processed is shown in Figure 1.

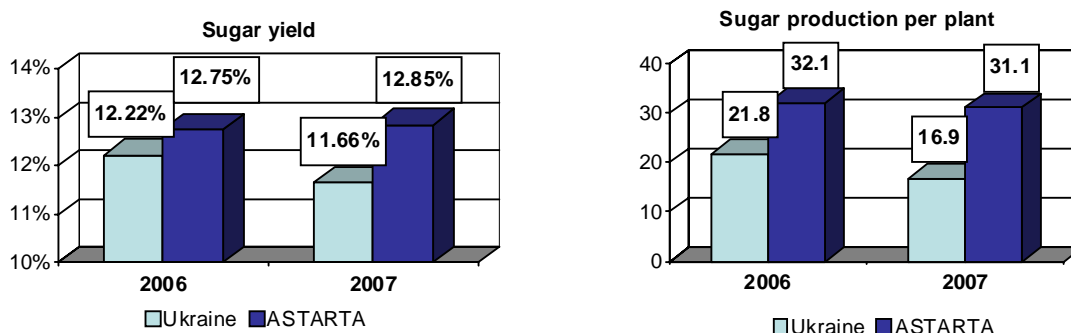
Figure 1. Sugar beet processed, sugar produced and the share of the Group's own sugar beet, 2004-2007



In 2007 the Group's sugar plants kept an average rate of sugar production per plant almost at the past year's level of 31.1 thousand tons, thus ensuring high efficiency margins. At the same time, average sugar production per plant across Ukraine in 2007 was down to 16.9 thousand tons, or by 22%.

The continued modernization of the Group's sugar plants in 2007 has enhanced its efficiency and brought the sugar yield rate to 12.85%, while the national average declined to 11.66% (Figure 2).

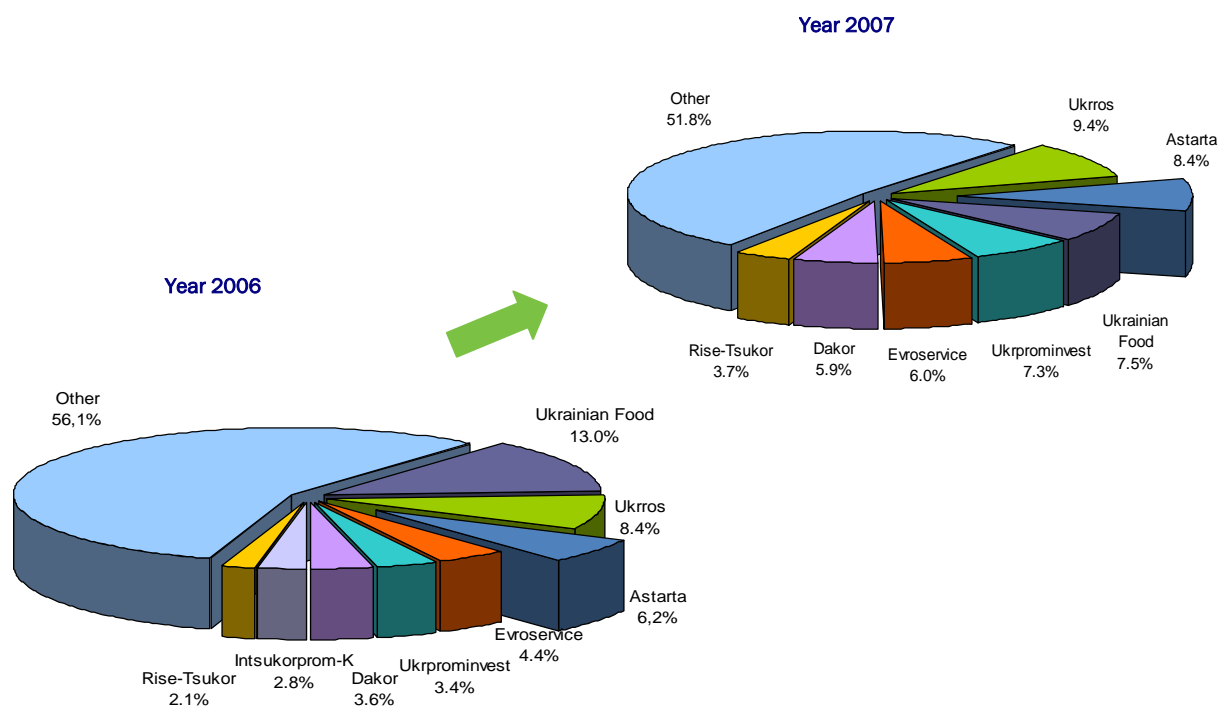
Figure 2. Sugar yield (% per ton of sugar beet) and average sugar production per plant (thousand tons) in 2006-2007



Source: National Association of Sugar Producers Ukrtsukor, Company data

In spite of the reduction in the Group's sugar output in 2007 (to 155.5 thousand tons from 160.6 thousand tons in the previous year), its share in overall Ukrainian sugar output grew from 6.2% in 2006 to 8.4% (Figure 3).

Figure 3. The Group's share in Ukrainian sugar production in 2006 and 2007



Source: National Association of Sugar Producers Ukrtsukor, management estimates

This was, in particular, caused by an overall decline in sugar production in Ukraine in 2007 due to significant overproduction in 2006 and the failure of the least efficient producers to remain on the market. Another reason was a sugar beet deficit in the sugar production season. Trying to increase profits from

grain and oilseed farming, many self-employed farmers abandoned growing sugar beet. Compared to 2006, areas under sugar beet cultivation across Ukraine in 2007 were reduced by over 20%.

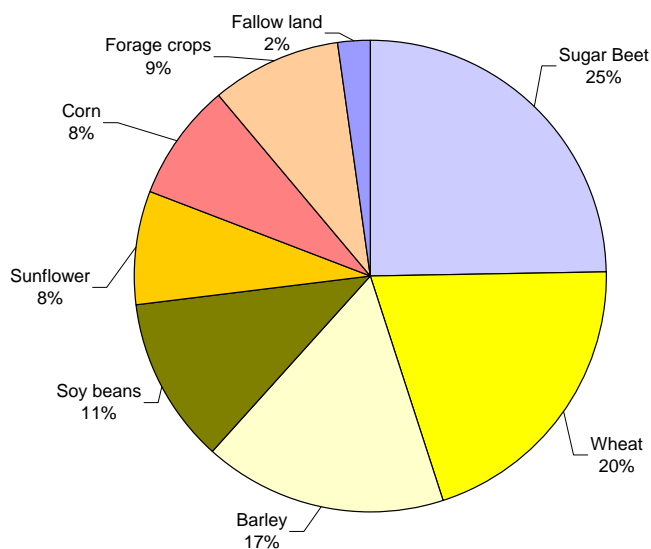
This situation reinforced the market position of primarily large-scale producers with access to relatively cheap operating capital, which were able to provide their sugar producing capacities with in-house grown beet and invested in efficiency of their own sugar plants and logistics.

## 6.2 Agricultural Production

Despite unfavorable weather conditions in 2007, ASTARTA considerably increased its gross output of sugar beet, grains and oilseeds. This was due to extension of the area under cultivation of these crops and an increase in crop yields as a result of continued improvement of soils and investment into agricultural materials and machines.

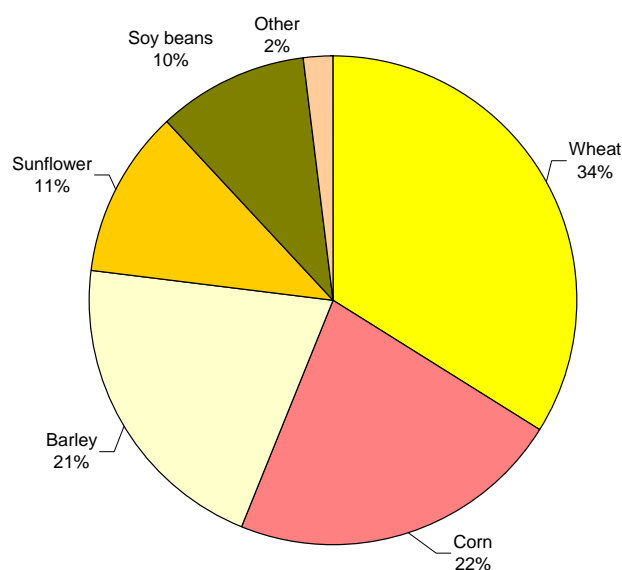
Thus, area under sugar beet increased from 15.6 thousand ha in 2006 to 23.0 thousand ha in 2007, or by 47%, and the yield grew 10% from 33.6 t/ha to 37.2 t/ha (net weight), while the average sugar beet yield across Ukraine did not improve against the previous year's figure. The Group's gross sugar beet yield was 41.0 t/ha, or more than 40% higher than the Ukrainian average (29.2 t/ha).

Figure 4. Breakdown of area under grain crops and technical crops in 2007, %



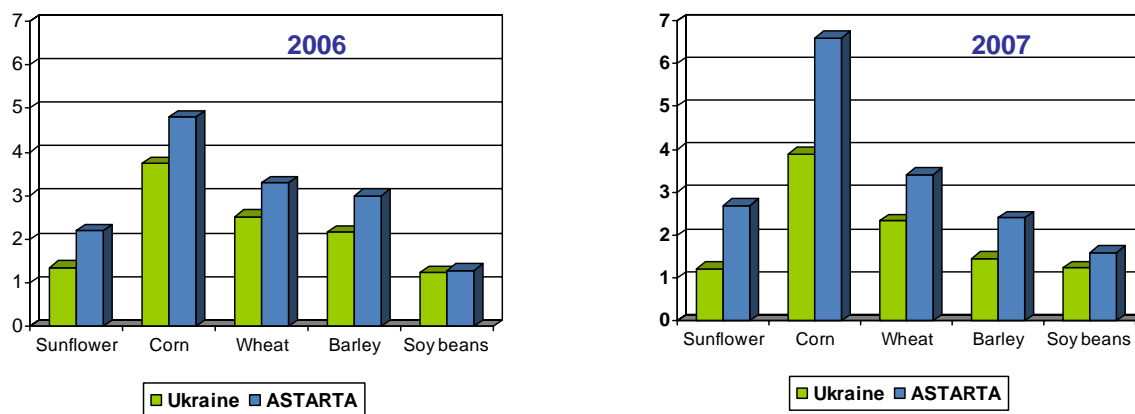
The Group's gross output of grains and oilseeds in 2007 amounted to 201 thousand tons, or 53% more than in the previous year. A significant portion of this output (about 77%) was attributable to early and late grain crops, like wheat, barley and corn. Oilseeds (sunflower and soybeans) accounted for 21% of the total crop output breakdown. Thus, these five basic crops accounted for about 98% of the total gross crop output (Figure. 5).

Figure 5. Breakdown of grain and oilseed output in 2007, %



Due to the continued improvement of soil and significant investments into agricultural machinery, in 2007 the yield of basic grains and oilseeds by the Group's agricultural companies notably exceeded Ukrainian average indices (Figure 6).

Figure 6. Average yield of basic crops in 2006 and 2007 at ASTARTA Group and on average across Ukraine, t/ha



Source: State Statistics Committee of Ukraine, Company data

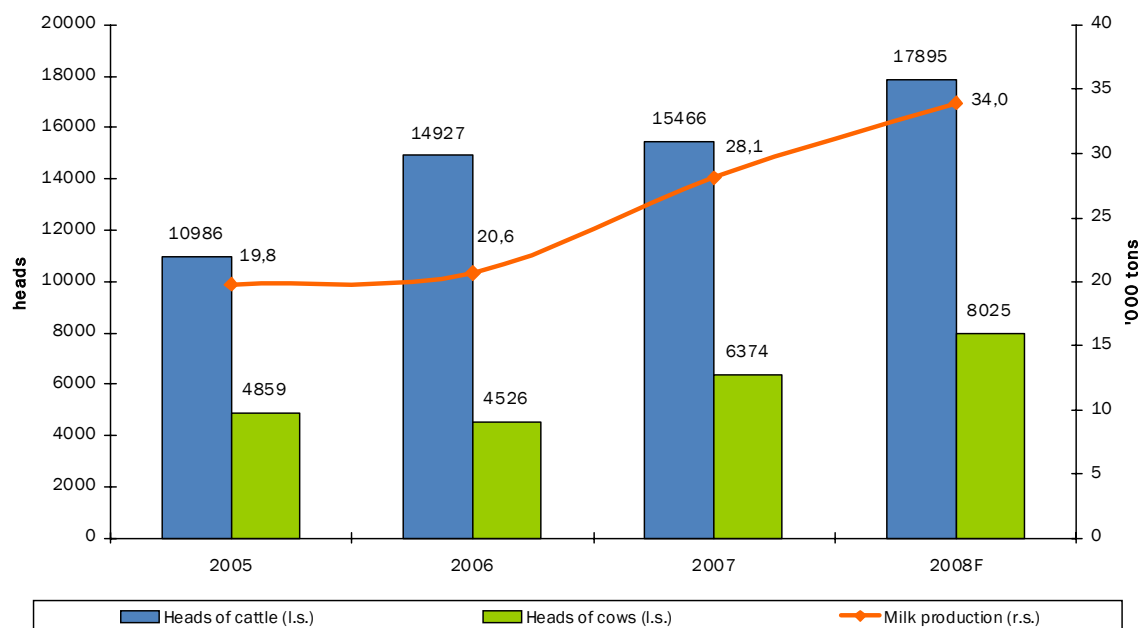
### 6.3 Production and Sales of Cattle Farming Products

The substantial increase in the Group's revenues from cattle farming (milk and meat) in 2007 was associated with an increase in production and a favorable pricing situation on the Ukrainian market. In particular, in 2007, average prices for raw milk grew by 55%. Such a rise in prices was primarily caused by an ongoing reduction of livestock headcount in Ukraine during past years.

To profit from this market situation, in 2007 the Group invested in its cattle farming business, increasing livestock and production capacities. In 2007 the total herd grew 4% to 15.5 thousand heads and the number of dairy cattle at the Group's farms in 2007 increased by 42% to 6.4 thousand from 4.5 thousand in 2006, while the gross milk yield increased from 20.6 thousand tons in 2006 to 28.1 thousand tons in 2007 (Figure 7). Total revenues from sales of cattle farming products in 2007 grew by 82% to EUR 7,335 thousand compared to EUR 4,020 thousand in 2006.



Figure 7. The Group's cattle headcount and milk output in 2005-2008.



Source: Company data, management estimates

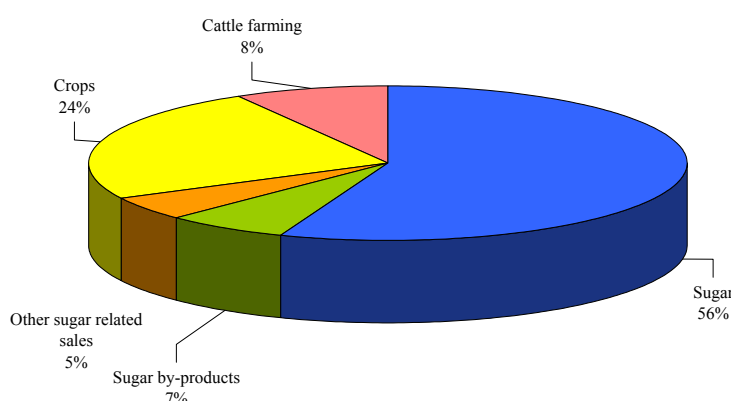
Although farming production in 2007 brought less than 10% of total revenues, the Group will expand this part of its business to exploit the favorable market situation and the synergy potential of combining cattle farming with in-house crops and sugar production.

## 7. Marketing Activities

The Group's basic products are sugar and by-products of sugar production (molasses and pulp), grains and oilseeds, as well as cattle farming production. In 2007, the Group's revenues were EUR 87,747 thousand, a 29% increase year-on-year. Revenues from sugar sales accounted for 56% of the Group's total revenues.

Revenues from selling sugar, sugar by-products and other sugar-related goods and services accounted for 68% of the total, while revenues from selling crops accounted for 24%, and revenues from cattle farming (i.e., from selling milk and meat) accounted for the remaining 8%. Figure 8 shows the breakdown of the Group's revenues in the period under review.

Figure 8. Breakdown of the Group's revenues in 2007



The increase in the Group's revenues in the reporting period was caused primarily by an increase in sugar sales (from 91,495 tons in 2006 to 141,190 tons in 2007, or by 54%) and by almost doubled revenues from the sale of grains, oilseeds and cattle farming produce.

## 7.1 Sales of Sugar

Revenue from sugar sales in 2007 was approximately EUR 49,014 thousand, or a 25% increase year-on-year. Sugar production and sales have a distinctive seasonal nature. Sugar produced in the previous year is sold between January and August of next year. The Group's sugar production grew by 83.5% in the 2006 production season, and that growth was reflected in the volume of sales in 2007. Table 5 shows 2006 and 2007 quarterly data of sugar sales.

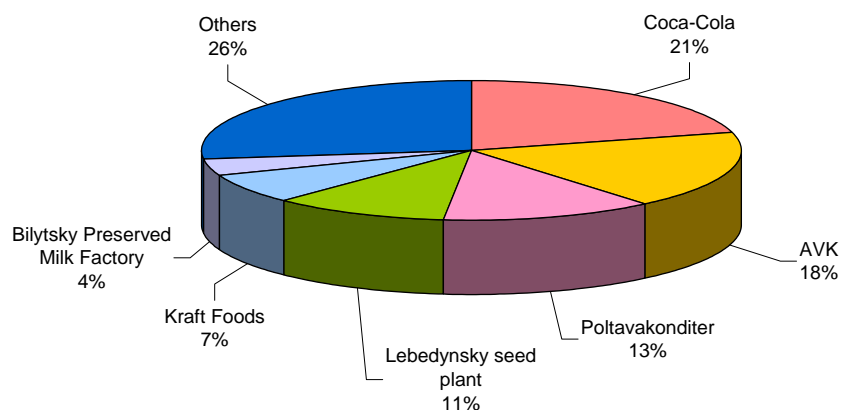
Table 5. Quarterly sugar sales in 2007 and 2006 (tons)

	2007	2006	2007/2006 increase, %
<b>1<sup>st</sup> quarter</b>	25,327	12,296	106
<b>2<sup>nd</sup> quarter</b>	26,202	14,184	85
<b>3<sup>rd</sup> quarter</b>	29,821	20,095	48
<b>4<sup>th</sup> quarter</b>	59,840	44,920	33
<b>Total</b>	<b>141,190</b>	<b>91,495</b>	<b>54</b>

A sharp rise in the production volume in 2006 and a focused marketing policy enabled the Group to enter new segments of the Ukrainian market. To follow the trend of the previous periods, the Group has strengthened its position in the B2B segment by supplying sugar to larger industrial customers. Entering new market segments (drink and dairy product producers) has changed the sugar sales structure in terms of customers.

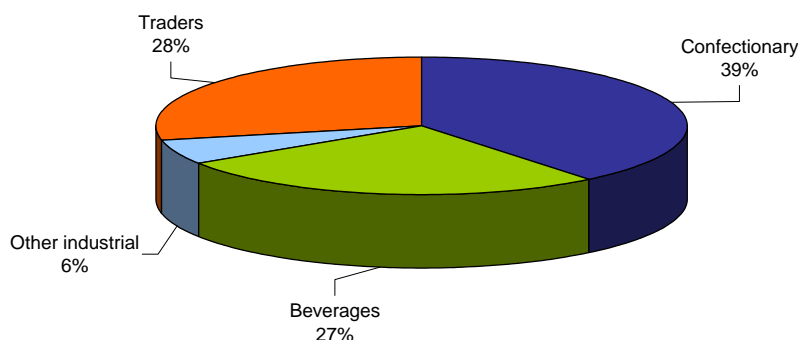
While the Group retained its position among confectioneries, the share of the three major customers (AVK, Kraft Foods, Poltavakonditer) decreased to 38% in 2007, whereas volumes of sales to these customers grew. A new customer of 2007, Coca-Cola Beverages Ukraine, became the largest consumer (21% of the Group's total sugar sales by volume). The structure of sugar sales by customer in 2007 is shown in Figure 9.

Figure 9. Breakdown of sugar sales by customer in 2007



In 2007, the Group's sugar sales share in the beverage segment increased 5.4 times, from 5% to 27% (Figure 10). The Group was successful in winning over large beverage producers by ensuring the highest quality standards of the sugar supplied and providing improved logistics arrangements.

Figure 10. Sugar sales breakdown by segment in 2007



In the 4<sup>th</sup> quarter of 2007, the Group entered into new yearly contracts for sugar sales in 2008 with a number of customers, including the following new ones: Zaporizhska confectionary, Bilytsky Preserved Milk Factory, Vitmark, Danone, Philip Morris, and Rainford Corporation.

Expansion of the customer base in the B2B sector and sales in new segments of the sugar market allows the Board of Directors to state that the Group depends neither on a single customer, nor on one market segment, and unforeseen reduction in consumption by any customer or in any market segment will not materially affect sugar sales.

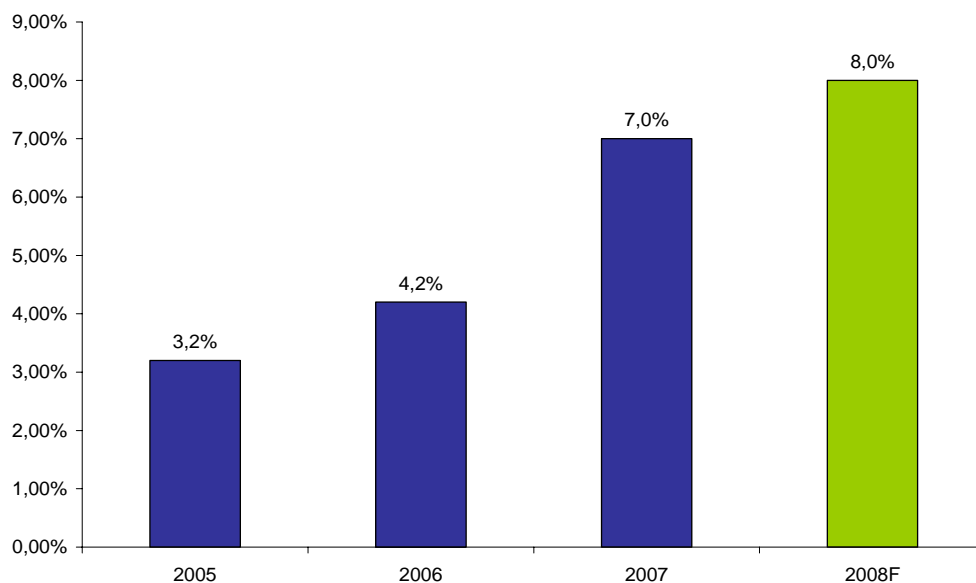
Table 6. Dynamics of the Group's client base expansion.

Partner	Brief description	Year cooperation began
	Poltavakonditer Leading confectionery producer in Ukraine	2000
	AVK Leading confectionery producer in Ukraine	2003
	Kraft Foods Ukraine Ukrainian division of the world's leading food company, leading confectionery producer in Ukraine	2003
	Wimm-Bill-Dann Ukraine Ukrainian division of one of the largest dairy producers in Eastern Europe	2006
	Coca-Cola Beverages Ukraine Ukrainian division of the world's leading producer of non-alcoholic beverages	2007
	Vitmark-Ukraine One of the largest Ukrainian juice producers	2007
	Artyomovsk Winery One of the largest Ukrainian producers of sparkling wines	2007

	Odessa Sparkling Wine Company	One of the largest Ukrainian producers of sparkling wines	2007
	Arterium Corporation (Galychfarm)	Leading national producer of phytogetic medicines	2007
	Danone	Ukrainian division of the world's leading producer of dairy products	2008
	Obolon	National leader in beer and soft drink production	2008
	Rainford Corporation	Leading Ukrainian producer of confectionery, soft drinks and dairy products	2008
	BBH-Ukraine (Slavutych)	Leading international brewery, producer of Pepsi and 7UP in Ukraine	2008
	Zaporizhska confectionery	Major confectionery producer in Ukraine	2008
	Philip Morris Ukraine	One of the world's largest tobacco producers	2008

The increase in sugar production and expansion of the client base allowed the Group to expand its share in the domestic sugar market from 4.2% in 2006 to 7.0% in 2007 with a strong focus on the B2B segment. The Group's management believes that further diversification of sales and the winning over of new clients in late 2007 will make it possible to increase the Group's share to 8.0% in 2008 (Figure 11).

Figure 11. Dynamics of the Group's share growth in the Ukrainian sugar market in 2005 to 2008



Source: management estimates

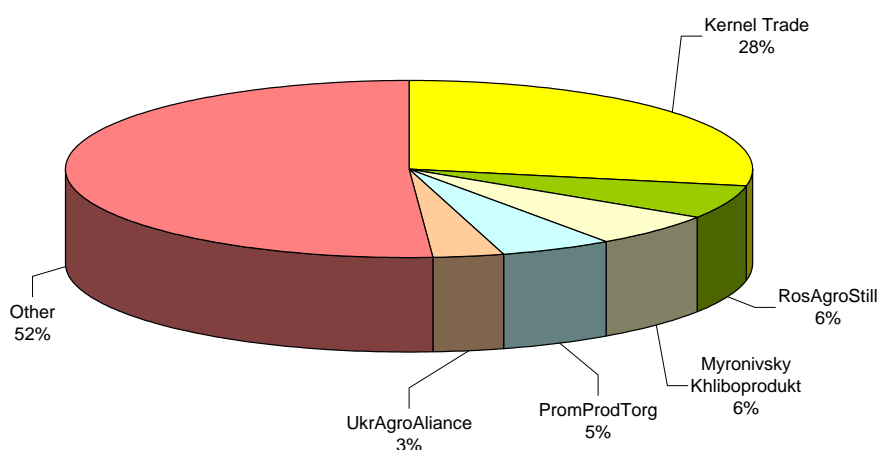
## 7.2 Grain and Oilseed Sales

In 2007, the Group's revenues from sales of 137.2 thousand tons of grains and oilseeds totaled EUR 21,185 thousand. The reason for the nearly doubled revenues from the sales of grain and oilseed crops was the increased production and favorable price situation on the Ukrainian market.

Major buyers of the Group's grain and oilseeds were leading Ukrainian and international grain traders and industrial customers, such as Kernel Trade, RosAgroStil, Myronovsky Khiboproduct, ProProdTorg, and UkrAgroAlliance.

Kernel Trade, accountable for approximately 28% of the Group's revenues from sales in this product category, has a major focus on production and distribution of sunflower oil, grain exports, services in storage of grain and oilseeds, and agricultural production. Figure 12 shows the Group's major buyers of grains and oilseeds in the reporting period.

Figure 12. Breakdown of grain and oilseed sales in 2007



## 7.3 Export Sales

The Group's total export sales in 2007 stood at EUR 5,834 thousand, or around 7% of total sales. Sugar and cattle farming products were not exported. Almost 79% of molasses produced by the Group's sugar plants was sold to customers in the EU, mainly Hungary, Bulgaria and Romania. Over 58% of beet pulp was sold to foreign customers, mainly in Lithuania and Turkey.

Because of limitations on the export of grains and oilseeds, the Group's sales of grain outside Ukraine (primarily to Russian and Belarusian customers) in 2007 reduced to 7% of total sales in this category. Breakdown of the Group's export sales is provided in Table 7.

Table 7. Export Sales in 2007

Product Description	Export Sales	
	EUR, thousands	Share of total by category, %
Molasses	2,839	79%
Grains and oilseeds	1,379	7%
Beet pulp	1,254	59%
Other	363	15%
<b>Total / share of total sales</b>	<b>5,834</b>	<b>7%</b>

## 8. Situation on the Group's Markets

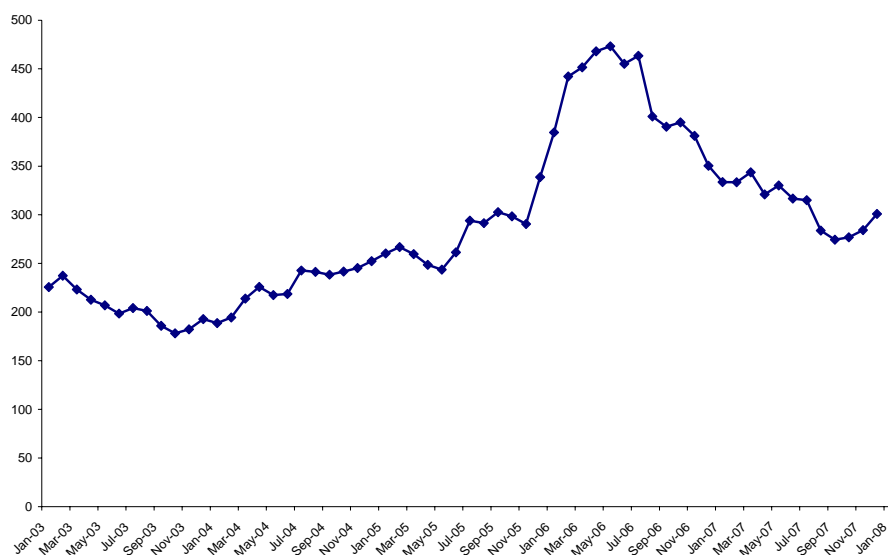
### 8.1 Sugar Market

#### World Market Situation

According to the International Sugar Organization (hereinafter referred to as the "ISO"), 166.0 million tons of sugar was produced in the world during the 2006/2007 marketing year, while world consumption of this product amounted to 154.8 million tons. This resulted in a surplus of sugar of 11.2 million tons, or 6.7% of the total production volume. According to the forecasts of the ISO, during 2007/2008, production and consumption of sugar in the world will grow by 1.45% and 2.78% correspondingly. Thus, the surplus of sugar in the current year will decrease to 9.3 million tons, though world production of sugar will prevail over world consumption of this product for the second season in a row. This will increase the ending sugar stock from 67.2 million tons in the 2006/2007 marketing year to 73.5 million tons in the 2007/2008 marketing year, or by 9.4%; the stock/production ratio will increase from 43.30% to 46.31%.

The abovementioned situation resulted in a reduction of prices for sugar on the world market. Figure 13 shows that negative price dynamics in relation to white sugar was observed during March-September 2007, showing an increase of prices as of November 2007.

Figure 13. Average white sugar prices on the London Commodity Exchange from January 2003 and through December 2007 in USD/t



Source: International Sugar Organization

Experts outline several reasons for this increase of sugar prices on the world market despite the abovementioned market situation of abundant stock of this product. One of the key reasons is the relation between sugar prices and the global tendency toward an increase of prices for raw goods, most importantly, oil and crops, because on the world market sugar cane is considered an agricultural and energy product.

The second significant reason is the inflow of major venture capital funds to the commodity market. By investing into futures contracts on supply of raw materials and commodities, investment funds thus hedge risks related to USD devaluation and increasing inflation processes in the world economy.

The combination of the abovementioned unbiased and subjective reasons, according to international experts, will result in a gradual increase of sugar prices on the world market in the 2007/2008 marketing year.

Forecasts of price dynamics on the world sugar market:

- No significant increase in sugar prices is expected in the short run;
- In the mid-run, rising crude oil prices and record high corn prices can push prices for sugar up as an energy product;

- In the long run, prices for sugar will grow due to increasing demand and the limited possibilities of a sugar production increase in Brazil, the largest exporting country.

### **Ukrainian Sugar Market**

Before the accession of Ukraine to the WTO, the Ukrainian sugar market was de facto closed due to protection by various import tariffs and an almost complete inability of domestic companies to export sugar due to similar protection measures imposed by countries that are potential consumers of Ukrainian sugar (most importantly, the Russian Federation and the EU).

In such circumstances as shown in Table 8, sugar prices in Ukraine depended mainly on the balance of domestic production and slowly growing domestic consumption (according to expert assessments, the latter comprised about 2.2 million tons of sugar per year; 1% CAGR over the past five years).

Table 8. Balance of sugar in Ukraine in the 2004/2005-2008/2009 marketing years

	2004/2005	2005/2006	2006/2007	2007/2008E	2008/2009F
Beginning stocks	332	117	179	622	327
Beet sugar production	1,791	1,891	2,597	1,860	1,640
Import	155	338	6	20	300
<b>Total supply</b>	<b>2,278</b>	<b>2,346</b>	<b>2,782</b>	<b>2,502</b>	<b>2,267</b>
Consumption	2,096	2,117	2,138	2,160	2,203
Export	65	50	22	15	20
<b>Total consumption</b>	<b>2,161</b>	<b>2,167</b>	<b>2,160</b>	<b>2,175</b>	<b>2,223</b>
Ending stocks	117	179	622	327	45

Source: National Association of Sugar Producers Ukrtsukor, management estimates

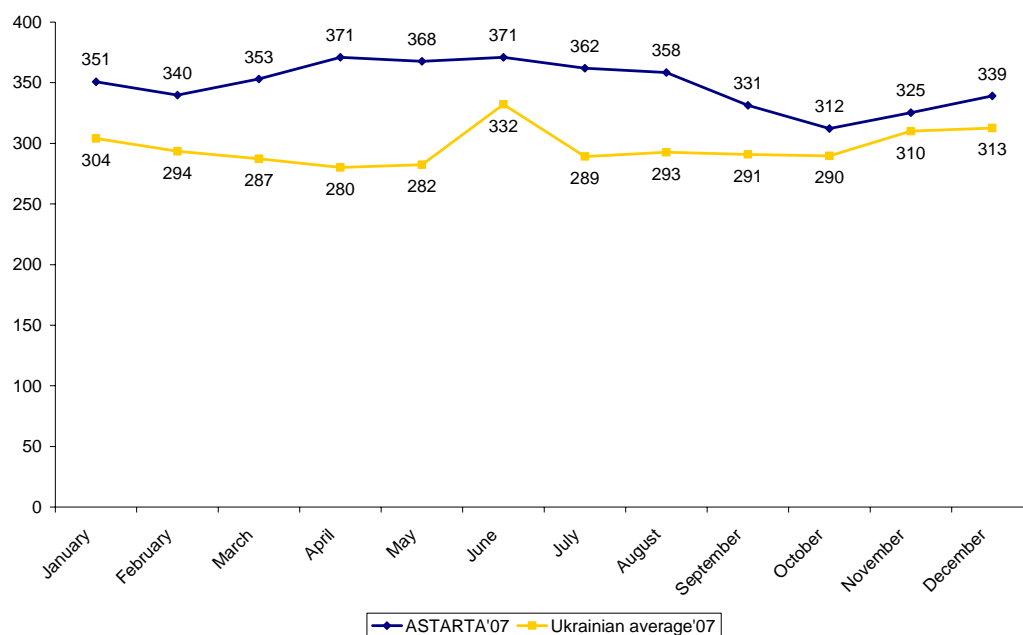
In 2007, the Ukrainian sugar market situation was influenced by the factors of the 2006/2007 production season, when Ukraine harvested the highest yield of sugar beet since 1996, up to 22.4 million tons, which provided for a 37% increase in sugar output (2.6 million tons) compared to 2005/2006, and caused consecutive market oversupply, which resulted in bearish pressure on prices.

As a result, sugar prices dropped to their minimum of EUR 280 per ton in April 2007. This situation caused a correction in projections of prices for sugar and sugar beet in the 2007 production season and made the Government lower minimum prices for sugar and sugar beet to a level that discouraged small agricultural producers from sowing sugar beet. According to the National Association of Sugar Producers “Ukrtsukor” (hereinafter referred to as “Ukrtsukor”), 650,000 ha was sown with sugar beet in 2007 (as compared to over 825,000 ha in 2006).

The drought that took place in May 2007 in Southern and Eastern Ukraine deteriorated the state of sugar beet plantings in those regions. A failure of a portion of sugar beet plantings led to a situation where harvesting was done on about 565,000 ha out of 650,000 ha sown with sugar beet. Unfavorable weather conditions in early autumn in a number of Ukrainian regions also had a negative impact on sugar beet quality.

As a result, only 1.86 million tons of sugar were produced from the 2007 beet harvest. Sugar prices began rising in late October 2007. That happened due to the deficit projected for the next year, and was untypical for the production season. The average price in October 2007 was EUR 290 per ton, which continued rising in November and equaled EUR 313 per ton as at 31 December. However, domestic sugar prices in December 2007 did not reach the level of 2006 in EUR equivalent, mainly due to Ukrainian Hryvnia devaluation against the Euro. Figure 14 shows average sugar prices on the Ukrainian market in 2007 and ASTARTA's selling prices in 2006 and 2007.

Figure 14. Average sugar prices on the Ukrainian market and ASTARTA's average prices in 2007 (net of VAT), euro per ton



Source: Analytical Agency Agriculture, management estimates

According to the optimistic forecasts of the "Ukrtsukor", the 2007/2008 season will bring a further decrease of acreage for cultivation of sugar beets in Ukraine to around 540 thousand ha, or a reduction of 15% from 2007, which will result in a decrease of production of beet to around 16.2 million tons and, correspondingly, a decrease of sugar production volumes. At the same time, according to the pessimistic forecasts of "Ukrtsukor", as well as market analysts and sugar sector companies, sugar beet acreage in 2008 could decrease to 300 thousand ha, thus being limited to fields cultivated by large vertically integrated sugar producers. Since a major portion of this acreage (not less than 80%) will be cropped by large sugar producers, who in the past years showed higher sugar beet yields than the country's average, we can assume that the average yield of this culture in Ukraine in 2008 will grow significantly to around 34 tons/ha, or by 16% compared to 2007.

As minor players are leaving the market, the continued decrease in the number of operating sugar plants in Ukraine may also contribute to a decrease in domestic sugar production. Thus, during the 2006/2007 season, 118 sugar plants were engaged in sugar beet processing against 106 plants in the 2007/2008 season.

On the whole, domestic sugar production in Ukraine could decrease from 1,860 thousand tons in the 2007/2008 season to around 1,640 thousand tons in the 2008/2009 season, or by around 12%. Since this will be insufficient to meet domestic consumption, by the end of 2008 Ukraine is likely to face a deficit on the domestic sugar market, and that will result in an increase of prices for sugar.

## 8.2 Crops Market

### Global Crops Market Overview

Long-run developments for global agriculture reflect continued high crude oil prices and strong demand for bio-fuel, particularly in the United States and the European Union. U.S. agricultural projections reflect a large increase in corn-based ethanol production, which affects production, use, and prices of farm commodities throughout the sector.

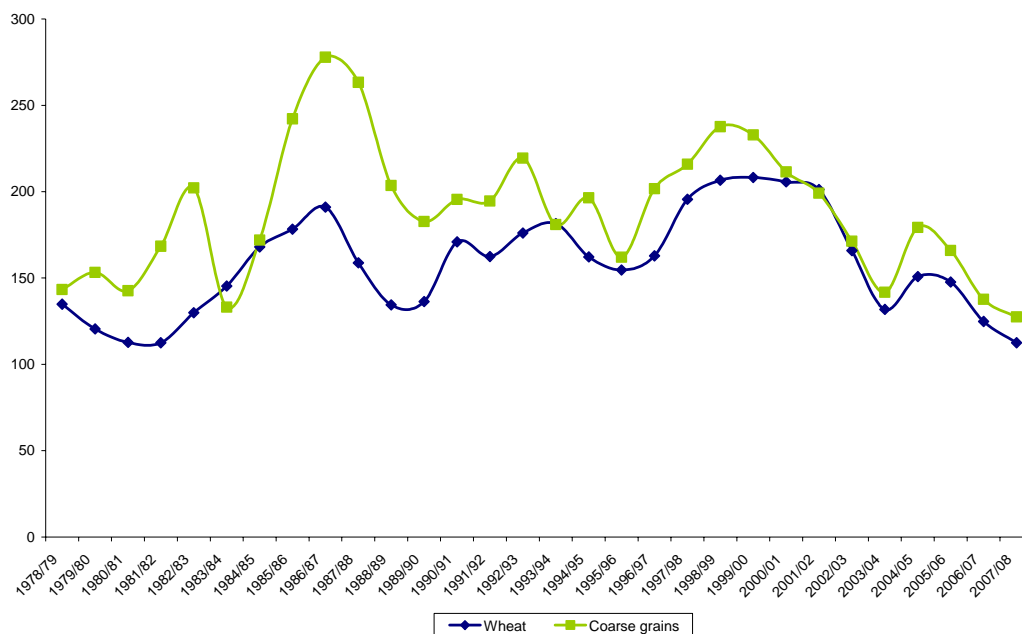
Expansion of bio-diesel use in the EU increases demand for vegetable oils in global markets. Additionally, steady domestic and international economic growth support gains in consumption, trade, and prices. Although export competition is projected to continue, global economic growth, particularly in developing countries, provides a foundation for gains in world trade and agricultural exports. Combined



with increases in domestic demand, particularly related to growth in ethanol production, the results are generally higher market prices.

World consumption of many grains, oilseeds, and meats has exceeded production in the past several years. As a result, global stocks have dropped sharply – to record lows in some cases (Figure 15) – and prices have risen. Tight market conditions are projected to persist for many commodities over most of the coming decade, keeping agricultural commodity prices high.

Figure 15. Global ending stocks for wheat and coarse grains in the 1978/79-2007/2008 marketing years, million tons



Source: US Department of Agriculture

The growing economies of developing countries are the main source of growth in world agricultural demand and trade. Food consumption and feed use are particularly responsive to income growth in those countries, with movement away from staple foods and increased diversification of diets. Import demand of developing countries is further reinforced by population growth rates that remain nearly twice that of developed countries.

International trade in cattle farming produce products, however, remains heavily dependent on demand from developed countries and the market access achieved under existing trade agreements. Strong policy support for domestically produced meat is expected to motivate growth in feed grain imports, especially in regions where limited land availability or agro-climatic conditions preclude expanding domestic crop production, such as in North Africa, the Middle East, and East and Southeast Asia.

Traditional exporters of a wide range of agricultural commodities, such as Argentina, Australia, Canada, the European Union (EU-27), and the United States, remain important in the coming decade. But countries that are making significant investments in their agricultural sectors, including Brazil, Russia, Ukraine, and Kazakhstan, are expected to have an increasing presence in export markets for basic agricultural commodities.

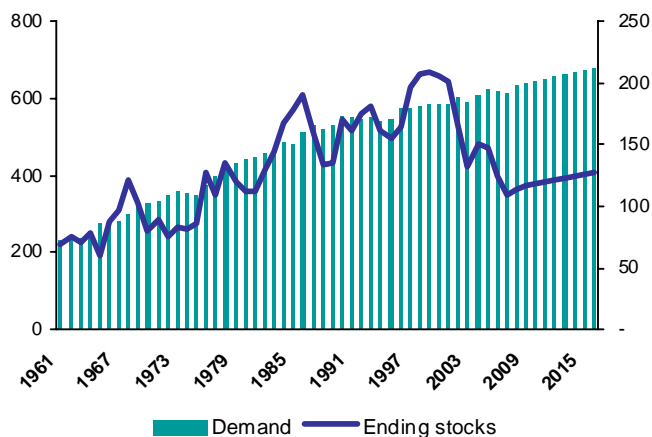
World agricultural production rises in response to high prices and technology enhancements. However, a limited ability to expand planted area in many countries and higher input costs, particularly for energy intensive inputs such as fuel and fertilizer, constrain production growth and increase uncertainties about future supply response.

Growth in demand for grain and oilseeds in the coming years will be conditioned on world population growth (1.2-1.3% annually). At the same time, cropland territories remain practically unchanged and productivity of grains increases slowly (0.8-0.9% annually). In the meantime, an escalation in prices for energy resources has resulted in vigorous growth of volumes of fuel produced with the use of agricultural products.

These factors show that an increase in world prices for grain and oilseeds will continue within the several coming years.

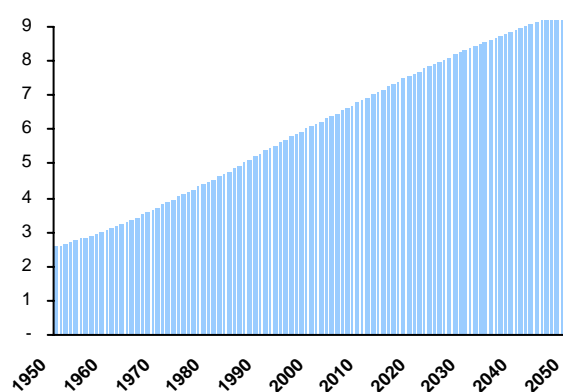
Figure 16. Global agri-market fundamentals

**Global wheat demand and ending stocks, mln tons**



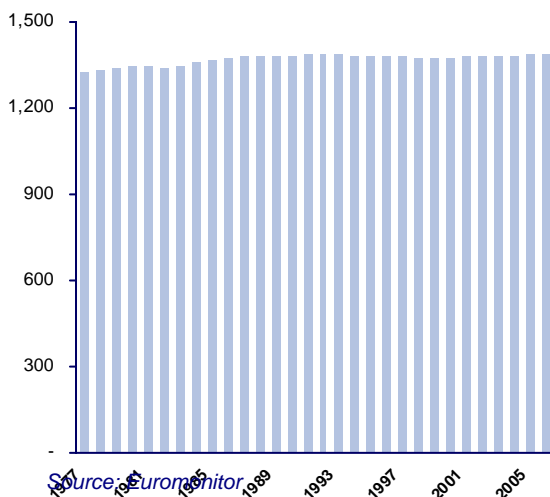
Source: USDA, FAPRI

**World population growth, bn**



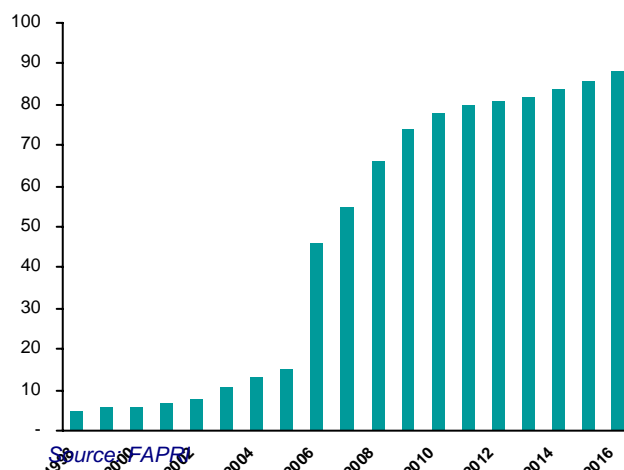
Source: US Census Bureau

**Global arable land dynamics, mln ha**



Source: Eurostat

**Global bio-ethanol production, mln tons**



Source: FAPRI

**Ukrainian market for grains and oilseeds**

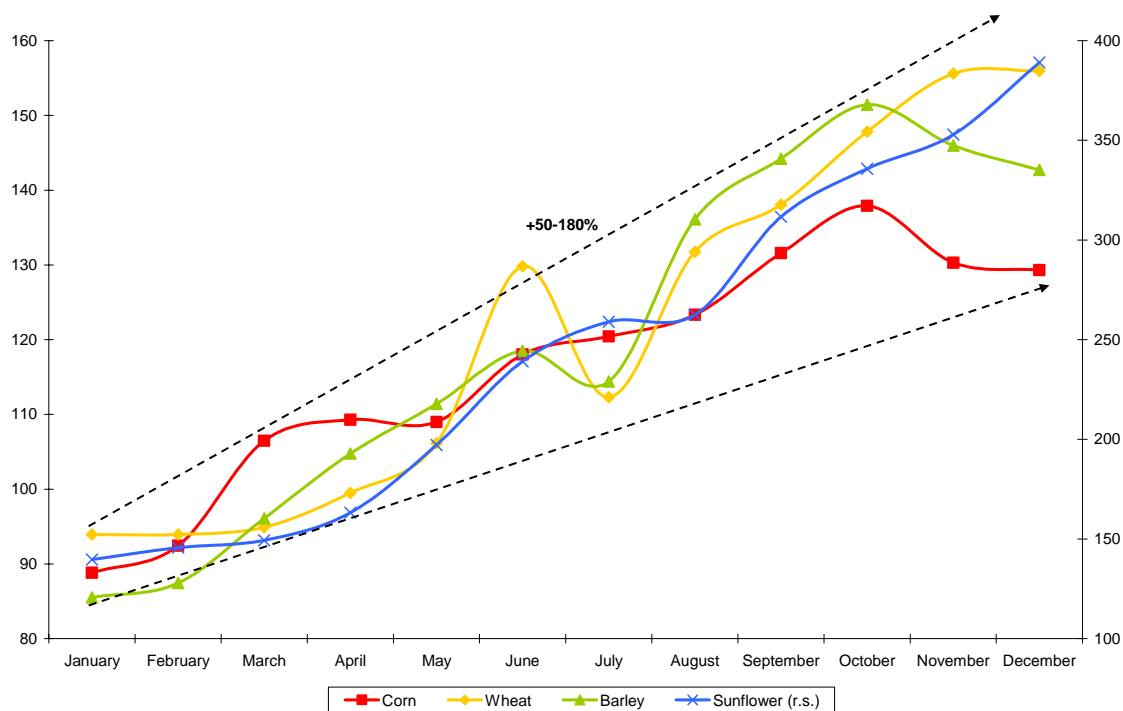
Adverse weather conditions in Ukraine, and in particular, drought in certain regions of the country in 2007, resulted in a decrease of total grain and oilseed output. In particular, total production of grains in 2007 amounted to 29.3 million tons, or 14.5% less than in 2006, due to an insignificant decrease of areas under grain crops by 5.4% and an overall decrease of their yield per hectare by 9.5%.

The aforementioned decrease in the yield of grains mostly results from a decrease in the cultivation of barley, which had been Ukraine's traditional export commodity, from 11.3 million tons in 2006 to less than 6.0 million tons in 2007, or by 47%. At the same time, the net output of wheat of 13.9 million tons remained at the same level as in 2006, while the production of corn increased from 6.5 million tons to 7.4 million tons, or by 14%.

Traditionally, Ukraine is a major international producer and exporter of grains. That's why the situation on the Ukrainian market for grain crops is influenced by global trends. Unfavorable weather conditions in Ukraine in 2007 resulted in lower supply that, together with global trends of growing demand and prices

for grains, led to a substantial increase in domestic prices for all crops. Grain prices grew 50-70%. Prices for sunflower seeds grew the most, by almost 180% over the reporting year.

Figure 17. Average prices for grain crops in Ukraine, January-December 2007, EUR/ton



Source: APK-Inform Agency, management estimates

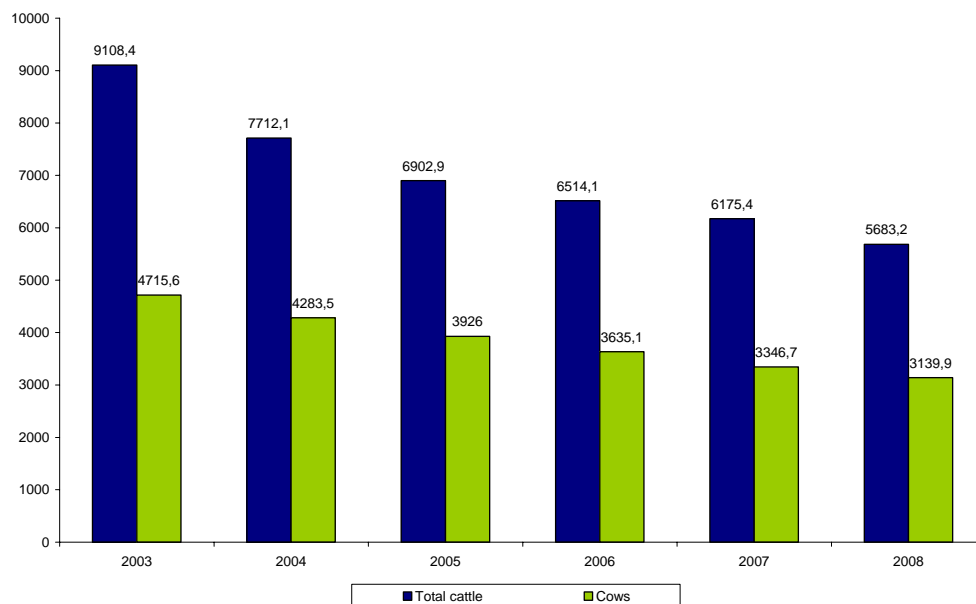
However, the price rise was somewhat slowed by the Ukrainian Government. In late 2006, the Government of Ukraine adopted a set of resolutions imposing export quotas and licenses for certain crops; namely, wheat, barley, corn and rye. These limits were not lifted in 2007 and had a negative impact on exports, however, they proved inefficient to stop the price rally.

The Ministry of Agrarian Policy of Ukraine forecasts a record-high 40-million-ton grain output in 2008, and these restrictions are due to be lifted by the Ukrainian Government starting July 1, 2008 (at the beginning of the harvest campaign). Thus, a higher grain output in 2008 will not result in a significant domestic price change due to strong global fundamentals.

### 8.3 Milk and Dairy Products Market in Ukraine

In 2007 the overall increase of domestic milk prices was 55% mainly due to growing demand for milk and dairy products (both in Ukraine and exported to Russia) alongside a simultaneous decrease in livestock (Figure 19).

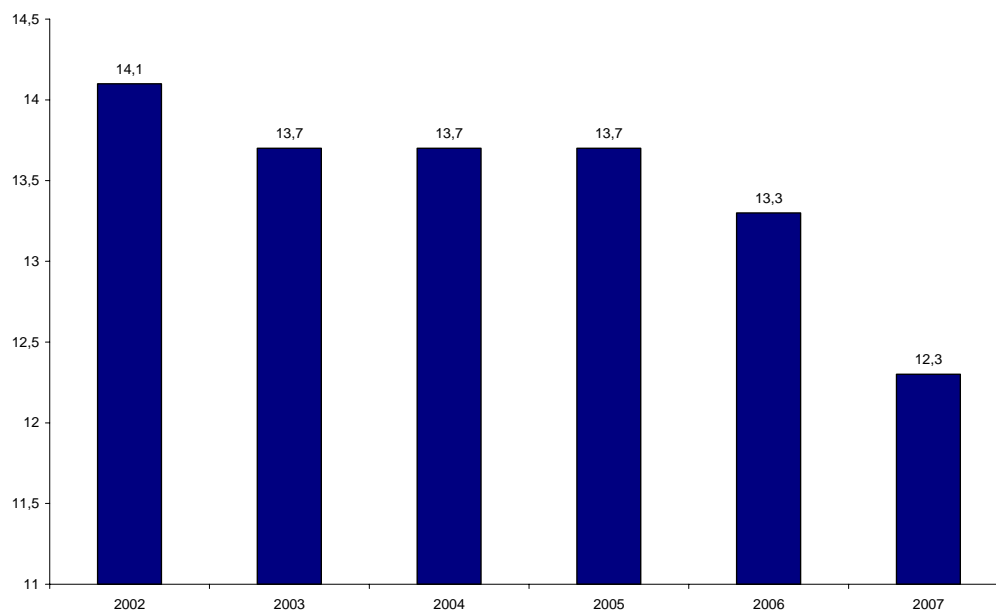
Figure 18. Livestock headcount in Ukraine as of January 1, thousand heads



Source: State Statistics Committee of Ukraine

Despite the decrease in Ukrainian milk yields, production of the main types of dairy products in 2007 increased. In particular, production of cheeses increased by 13%, sour milk products by 3%, processed milk by 7%, and spreads and butter blends by 16%.

Figure 19. Production of milk in Ukraine in 2002-2007, million tons



Source: State Statistics Committee of Ukraine

Price tendencies on the Ukrainian milk market are expected to change only provided that the number of livestock stabilizes, since domestic demand for milk and dairy products will continue to grow.

## 9. Financial Review and Strategic Achievements

### 9.1 Group's Financial Performance

Table 9. Summary Group income statement

Year to 31 December	(in thousands of Euros)		
	2007	2006	2005
Revenues	87,747	68,051	51,783
Cost of revenues, including re-measurement gains	(63,145)	(53,984)	(36,403)
<b>Gross profit</b>	<b>24,602</b>	<b>14,067</b>	<b>15,380</b>
Other operating income	15,703	4,006	3,640
General and administrative expenses	(7,572)	(5,956)	(4,025)
Selling and distribution expenses	(4,185)	(3,060)	(3,301)
Other operating expenses	(2,771)	(1,618)	(2,457)
<b>Profit from operations (EBIT)</b>	<b>25,777</b>	<b>7,439</b>	<b>9,237</b>
Net financial expenses	(7,437)	(5,597)	(2,420)
Gain on acquisition of subsidiaries and other income (expenses)	4,624	3,665	2,450
<b>Profit before tax</b>	<b>22,964</b>	<b>5,507</b>	<b>9,267</b>
Income tax benefits (expenses)	80	256	386
<b>Net profit</b>	<b>23,044</b>	<b>5,763</b>	<b>9,653</b>
Net profit (loss) attributable to:			
Minority interests	1,458	(637)	1,502
<b>Equity holders of parent company</b>	<b>21,586</b>	<b>6,400</b>	<b>8,151</b>
<b>Earnings per share attributable to shareholders of the parent (in Euros)</b>	<b>0.86</b>	<b>0.26</b>	<b>0.33</b>

Table 10. Key data and ratios for profitability analysis

EBITDA	30,820	11,314	12,411
Equity	99,074	61,800	30,418
Balance sheet total	172,692	119,117	76,269
Gross margin, %	28%	21%	30%
EBIT margin, %	29%	11%	18%
EBITDA margin, %	35%	17%	24%
Net profit margin, %	26%	8%	19%
Return on Equity (ROE)	23%	9%	32%
Return on Assets (ROA)	13%	5%	13%

*Definitions:*

- EBITDA: Profit (loss) from operations + depreciation and amortization
- Gross margin: gross profit to sales revenue
- EBIT margin: operating profit to sales revenue
- EBITDA margin: EBITDA to sales revenue
- Net profit margin: net profit to sales revenue
- Return on Equity: net profit to shareholders' equity
- Return on Assets: net profit to total assets

Table 9 provides selected financial data of the Group for 2005-2007. In 2007 the Group's revenue grew to EUR 87,747 thousand compared to EUR 68,051 in 2006, or by 29%. Such growth resulted from an increase in sales of all the Group's key products. In particular, sales of sugar increased from 91.5 thousand tons in 2006 to 141.2 thousand tons in 2007, or by 54%, and were accompanied by increases in the sale of sugar by-products.

Sales of grains and oilseeds increased from 103.5 thousand tons in 2006 to 137.2 thousand tons in 2007, or by 33%, while sales of milk increased from 20.6 thousand tons in 2006 to 25.9 thousand tons in 2007, or by 26%.

Another reason for the growth in revenues was the significant increase in prices for crops and cattle farming produce in 2007. In particular, in 2007 in Ukraine prices for wheat grew by 74%, for barley by 62%, corn by 23%, soybeans by 66%, and sunflower seeds by 180%. Milk wholesale prices in 2007 increased by 55%. Other information about sales is provided in the sections Marketing Activities, and Situation on the Group's Markets.

Furthermore, production inputs and overhead expenses ultimately impacting the cost of revenues, increased in price at a significantly slower rate in 2007. In particular, the cost of natural gas as the prime energy resource used in sugar production grew from USD 113 per 1,000 cubic meters in 2006 to USD 168 per cubic meter in 2007, or by 49% (net of VAT, including transportation costs). The price of gasoline for agricultural machinery grew by 15-20%. The wages of production employees increased by 15-20% in 2007, while the cost of fertilizers and crop protection agents rose by 40-60%.

At the same time, the cost of sugar beet purchased from the market in 2007 decreased by 10-12% to EUR 27-30 per ton. Moreover, the share of in-house grown sugar beet in 2007 reached 71% of the total volume processed by the Group's sugar plants (42% in 2006). Since the cost of the Group's own grown sugar beet is 18-20% lower than its market price, the aforementioned improvement in efficiency had a significant impact on the prime costs of sugar produced in 2007.

Also, in 2007, the Group's sugar plants launched the implementation of a four-year program of sugar plant modernization aimed at decreasing fuel consumption and increasing efficiency. The modernization of production facilities in 2007 resulted in decreased consumption of gas by approximately 6% per unit of finished goods.

Cost of revenues for the year ended 31 December by nature of expense was as follows:

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Raw materials	<b>18,859</b>	18,855
Fertilizers and plant protection agents	<b>15,376</b>	5,907
Fuel and electricity	<b>9,832</b>	8,610
Payroll and related charges	<b>6,768</b>	5,165
Transportation	<b>5,384</b>	5,483
Depreciation and amortization	<b>4,520</b>	3,511
Other materials	<b>3,794</b>	4,736
Maintenance	<b>1,601</b>	794
Change in carrying value of inventories	<b>140</b>	587
Other	<b>593</b>	1,647
	<hr/> <b>66,867</b> <hr/>	<hr/> 55,295 <hr/>

Due to all the abovementioned factors, the Group's gross margin in 2007 was 28% against 21% in 2006. Net profit increased from EUR 5,763 thousand in 2006 to EUR 23,044 thousand in 2007.

Also in 2007, the Group's profits from operations showed a significant increase to EUR 25,777 thousand against EUR 7,439 in 2006. The EBIT margin in 2007 grew to 29% against 11% in the previous year.

Such growth mainly resulted from a significant increase in the Group's other operating income. In particular, state subsidies to support agricultural producers received by the Group in 2007 amounted to EUR 5,999 thousand, which is approximately twice the amount received in 2006 (EUR 2,938 thousand).

A significant increase in other operating income also came from the re-measurement of fair value of the Group's biological assets. Such re-measurement in 2007 resulted in a EUR 9,080 thousand increase in the fair value of biological assets, while in 2006 the corresponding amount was only EUR 287 thousand.

A major fair value re-measurement surplus of EUR 5,209 thousand resulted from the re-valuation of livestock. Such an increase in the market value of livestock is attributed to the rapid increase in prices for cattle farming produce in 2007 and an expected further increase in the profitability of this business segment in coming years.

It is important to note that in the 4<sup>th</sup> quarter of 2007 the Group's management took a decision to revise the methods to determine fair value of livestock, in particular, dairy cattle, to take into account the present value of cash flows generated by cows over their full productive lives. Previously, because of low margins in the cattle farming business in the past, the fair value of dairy cattle was estimated at the net present value of estimated future cash flows generated by cows during one year after the balance sheet date.

The management believes that the amended methodology provides more precise valuation of biological assets in cattle farming and allows the readers of financial statements to have a clearer picture of the business' financial position.

Also, other operating income accounts for the re-measurement of winter crops, which in 2007 amounted to EUR 3,903 thousand, while in 2006 such re-measurement comprised EUR 1,503 thousand. Such a difference in the assessment of winter crops results from both an increase in the market value of crops in 2007 and an increase in crop acreage by 68% from 16,358 ha as of December 31, 2006 to 27,494 ha as of December 31, 2007.

When analyzing non-operating incomes and expenses, it should be noted that in 2007 the gain on the acquisition of subsidiaries significantly increased to EUR 5,050 thousand in 2007 compared with EUR 3,589 thousand in 2006, or by 41%.

The excess of net assets acquired over the consideration paid is recognized in the income statement as a gain on acquisition of subsidiaries. This gain arises because the fair value of the acquired non-monetary assets exceeds the amount paid for those assets. This situation is due to the lack of financial resources in the acquired companies, which prevented them from efficient use of their assets, and a lack of interested buyers.

Growth in this kind of income demonstrates the effects of the Group's management efforts in their search and acquisition of undervalued agricultural companies for increasing the business' value. During the reporting year, the Group acquired 12 agricultural companies with net assets totaling EUR 7,801 thousand and 29.2 thousand ha of agricultural land in operation. In 2006, the Group acquired six agricultural companies with net assets totaling EUR 4,081 thousand and 17.1 thousand ha of agricultural land in use.

The abovementioned factors contributed to growth in the Group's net profit to EUR 23,044 thousand in 2007, up from EUR 5,763 thousand in 2006. The net profit margin was 26% compared with 8% in 2006 and earnings per share in 2007 increased to EUR 0.86 compared to EUR 0.26 a year before.

## 9.2 Group's Financial Standing

Table 11. Summary Group balance sheet

	(in thousands of Euros)		
As at 31 December	<b>2007</b>	<b>2006</b>	<b>2005</b>
Property, plant and equipment	77,919	31,505	25,448
Non-current biological assets	6,380	3,701	2,467
Other non-current assets	1,228	1,209	846
<b>Total non-current assets</b>	<b>85,527</b>	<b>36,415</b>	<b>28,761</b>
Inventories	51,855	45,910	29,867
Biological assets	15,216	7,157	1,854
Trade accounts receivable	8,091	18,122	7,867
Other accounts receivable, prepayments and promissory notes	10,935	8,522	7,417
Cash and cash equivalents	1,068	2,991	503
<b>Total current assets</b>	<b>87,165</b>	<b>82,702</b>	<b>47,508</b>
<b>Total assets</b>	<b>172,692</b>	<b>119,117</b>	<b>76,269</b>
<b>Total equity</b>	<b>99,074</b>	<b>61,800</b>	<b>30,418</b>
Long-term loans and borrowings	5,647	8,092	10,086
Minority interests relating to limited liability companies	3,566	2,099	8,729
Other long-term liabilities	6,688	1,223	1,729
<b>Total non-current liabilities</b>	<b>15,901</b>	<b>11,414</b>	<b>20,544</b>
Short-term loans and current portion of loans and borrowings	45,634	27,712	11,888
Trade accounts payable	5,455	14,581	4,745
Other liabilities and accounts payable	6,628	3,610	8,674
<b>Total current liabilities</b>	<b>57,717</b>	<b>45,903</b>	<b>25,307</b>
<b>Total liabilities</b>	<b>73,618</b>	<b>57,317</b>	<b>45,851</b>

Table 12. Liquidity analysis information

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Production and inventory cycle, days	227	212	170
Average collection period, days	45	58	39
Average payment period, days	48	54	43
Average operating cycle (cash conversion period), days	224	216	166
Working capital, thousands of Euro	29,448	36,799	22,201
EBITDA	30,820	11,314	12,411
Current ratio	1.51	1.80	1.88
Quick ratio	0.35	0.65	0.62
Cash ratio	0.02	0.07	0.02



*Definitions:*

- Production and inventory cycle, days: average agriculture biological assets and inventory to sales revenue times number of days in the period;
- Average collection period, days: average trade receivable to sales revenue times number of days in the period;
- Average payment period, days: average trade payables times number of days in the period to cost of sales;
- Average operating cycle (cash conversion period), days: total of average production and inventory cycle and average collection period less average payment period;
- Working capital: difference between current assets and current liabilities;
- EBITDA: Profit (loss) from operations plus depreciation and amortization;
- Current ratio: current assets to current liabilities;
- Quick ratio: current assets less inventories to current liabilities;
- Cash ratio: cash and cash equivalents to current liabilities;

Table 13. Capital structure and solvency analysis information

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Total debt ratio	0.43	0.48	0.60
Long-term debt to equity ratio	0.16	0.18	0.68
Times interest earned	5.29	2.35	4.10
Net debt / EBITDA	1.63	2.90	1.73
Net debt / Sales	0.57	0.48	0.41

*Definitions:*

- Total debt ratio: total liabilities to total assets
- Long-term debt to equity ratio: total long-term liabilities to shareholders' equity
- Times interest earned: income before interest and income taxes to interest expense
- Net debt: Short-term and long-term finance debt less cash

Figure 20. Total asset dynamics and structure.

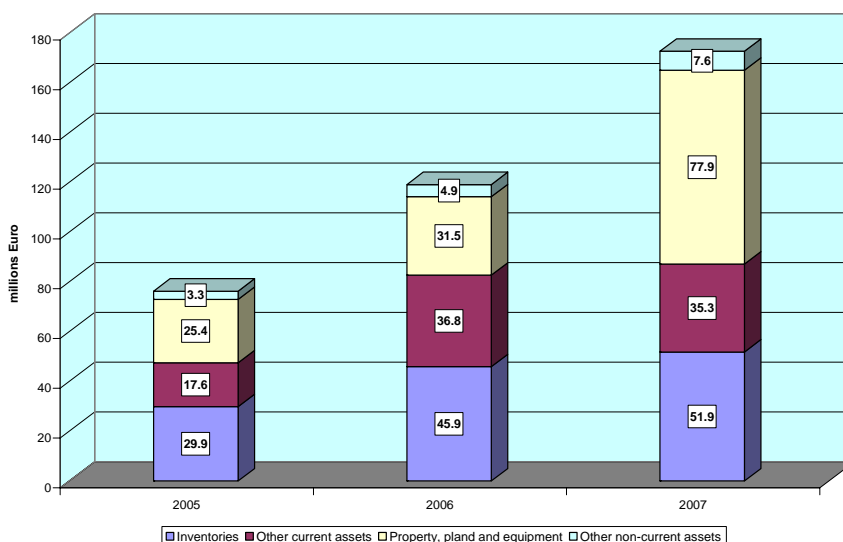
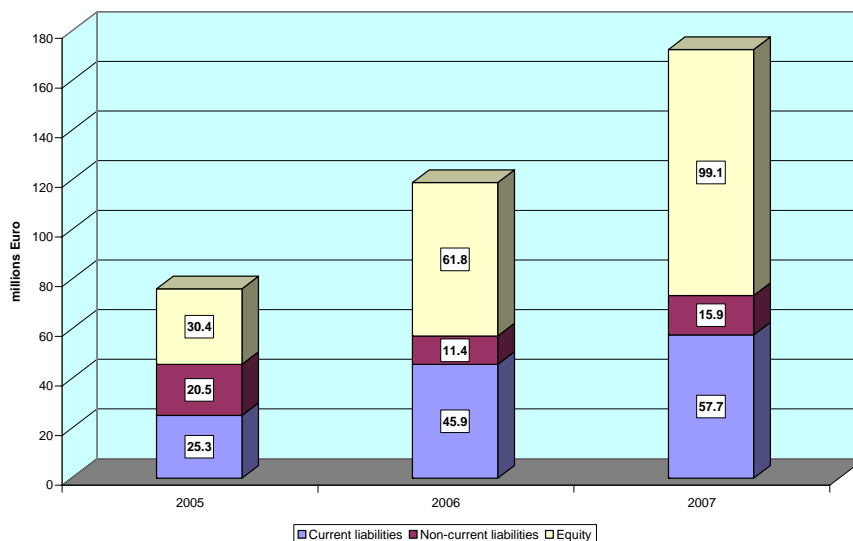


Figure 21. Equity and liabilities dynamics and structure.



When analyzing the financial standing of the Group, it is important to note that the Group's total assets increased significantly from EUR 119,117 as of 31 December 2006 to EUR 172,692 thousand, or by 45% over the reporting year. Moreover, the Group's non-current assets in 2007 increased to EUR 85,527 thousand from EUR 36,414 a year before, or by 135%, while current assets increased to EUR 87,165 thousand compared with EUR 82,702 thousand as of December 31, 2006, or by 5%.

The increase in non-current assets resulted mainly from growth in fixed assets – from EUR 31,505 thousand in 2006 to EUR 77,919 thousand over the reporting year. One reason for this increase is the presentation of buildings at their fair value rather than historical cost as of 31 December 2007. Due to adoption of the revaluation model of accounting for buildings, the carrying value of fixed assets increased by EUR 28,218 thousand. The Group's management believes that presenting buildings at fair value in the financial statements will help their readers have a clearer view of the business' financial position.

The other reason for the growth in fixed assets is a significant increase in investments made in the reporting year. Thus, in 2007 the Group more than doubled its capital expenditures, which amounted to EUR 20,278 thousand compared to EUR 9,249 thousand in the previous year.

Also, the non-current assets of the Group substantially increased due to the acquisition of a number of agricultural companies in 2007. The total amount of non-current assets acquired with new agricultural companies comprised EUR 6,927 thousand.

Moreover, in 2007 the value of non-current livestock also significantly increased to EUR 6,380 thousand as of December 31, 2007 compared to EUR 3,701 thousand in the previous year. This increase resulted from a general market increase in the value of cattle, which followed a significant growth in prices for cattle farming produce in 2007. In compliance with the requirements of the International Finance Reporting Standards (hereinafter referred to as the "IFRS"), biological assets are stated in the financial statements at their fair value. Thus, the general increase in the market value of cattle correspondingly affected the value of non-current biological assets owned by the Group.

The balance of biological assets as part of current assets more than doubled, from EUR 7,157 thousand at the end of 2006 to EUR 15,216 thousand at the end of 2007. The value of current livestock increased also mostly due to the abovementioned reasons from EUR 3,592 thousand to EUR 6,850 thousand. At the same time, the fair value of winter crops increased from EUR 3,294 thousand in 2006 to EUR 8,259 thousand (also refer to the section *Group's Financial Performance*).

The balance of inventories increased from EUR 45,910 thousand in 2006 to EUR 51,855 thousand in 2007, or by 13%. At the same time, the Group's trade receivables reduced by more than half, from EUR 18,122 thousand as of 31 December 2006 to EUR 8,091 thousand as of 31 December 2007. This decrease resulted from a tightening of the Group's credit policy in 2007 compared to the 4<sup>th</sup> quarter of 2006, when

the difficult situation on the sugar market forced the Group's management to extend the sales settlement period to avoid substantial price cuts.

In the reporting period, the Group significantly increased its capital from EUR 61,800 thousand at the end of 2006 to EUR 98,074 thousand, or by 59%. This resulted mainly from the net profit earned in 2007 attributable to equity holders, and from the increase in reserves following the revaluation of the Group's fixed assets.

Thus, the Group's retained earnings in 2007 increased from EUR 6,254 thousand to EUR 28,038 thousand, while the revaluation surplus of fixed assets as of December 31, 2007 comprised EUR 22,685 thousand.

At the same time, the Group's equity in 2007 reduced by the amount of the adjustment resulting from the translation of the financial statements from the Ukrainian Hryvnia into the Euro, which comprised EUR 8,263 thousand. Virtually all of the Group's assets, liabilities, and operations are denominated in Ukrainian Hryvnias or US dollars, and both currencies significantly devaluated against the Euro in 2007. Therefore, when converting the Group's financial statements into Euros, the currency translation adjustment was negative and significant, as indicated above.

The Group's long-term liabilities increased from EUR 11,414 thousand at the end of 2006 to EUR 15,901 thousand in 2007, or by 39%. This resulted mainly from an increase in deferred tax liabilities from EUR 933 thousand to EUR 6,105 thousand, which was caused by reporting the Group's fixed assets at revalued amounts as of 31 December 2007.

The Group's short-term liabilities grew from EUR 45,903 thousand at the end of 2006 to EUR 57,717 thousand, or by 26%. This resulted from an increase in short-term, and the current portion of long-term, loans and borrowing from EUR 27,712 thousand at the end of 2006 to EUR 45,634 thousand at the end of 2007, which is explained by increased needs to finance the Group's working capital.

At the same time, the Group's trade accounts payable significantly decreased from EUR 14,581 thousand to EUR 5,455 thousand over the reporting year. This decrease occurred for several reasons. First, the deficit of sugar beet as the key raw material for sugar production during production season resulted in a significant shortening of settlement terms from 35-45 days in the previous year to 3-10 days in 2007.

Secondly, since the Group increased its plough lands under sugar beet it was able to halve the supply of sugar beet from the market, reducing it from 720 thousand tons in the 2006 to 349 thousand tons in 2007. And finally, in 2007 the Group's management focused on a more efficient procurement policy, securing earlier settlements for raw materials supplied to win better prices and terms in 2008, as well as obtain early-bird discounts.

It should also be noted that cash flows from the Group's operations in 2007 were positive after a significant cash outflow in 2006. This mainly was the result of a notable decrease in trade account receivables and a significant increase in profit from operations.

Overall, the 2007 financial year was the most successful in the Group's history. In 2007, revenues, profit from operations and net profit, earnings per share and EBITDA were at a record high. Also, the Group's total assets and equity reached their highest level, as well as EBITDA and net profit margins.

Moreover, despite the significant increase in total assets, the return on assets of 13% in 2007 was also the highest in the past five years of operation. Along with that, despite the increase of loan-related debts, the Group's total debt ratio dropped to its minimum level of 0.43 by the end of 2007.

## **10. Key Investments in the Reporting Year**

In 2007 the Group intensively invested into fixed assets and the acquisition of corporate rights in agricultural enterprises. Table 14 below lists the key investments with a breakdown into types in comparison with data for 2006 and 2005.

Table 14. Key investments by the Group in 2005-2007

	(in thousands of Euros)		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Acquisition of property, plant and equipment</b>			
Buildings	918	490	763
Constructions	1,162	399	625
Equipment and machinery	16,223	6,179	4,053
Vehicles	1,896	1,994	749
Other fixed assets	79	187	59
<b>Total acquisition of property, plant and equipment</b>	<b>20,278</b>	<b>9,249</b>	<b>6,249</b>
<b>Acquisition of controlling interest in agricultural companies</b>	<b>2,555</b>	<b>495</b>	<b>42</b>
<b>Other investments</b>	<b>175</b>	<b>111</b>	<b>-</b>
<b>Total investments</b>	<b>23,008</b>	<b>9,855</b>	<b>6,291</b>

More than 2/3 of all investments in 2007 were made in two key directions:

- modernization of sugar production capacities aimed at cutting consumption of fuel and increasing efficiency of production equipment, and
- purchases of agricultural machinery mostly connected with a significant increase in plough lands in 2007.

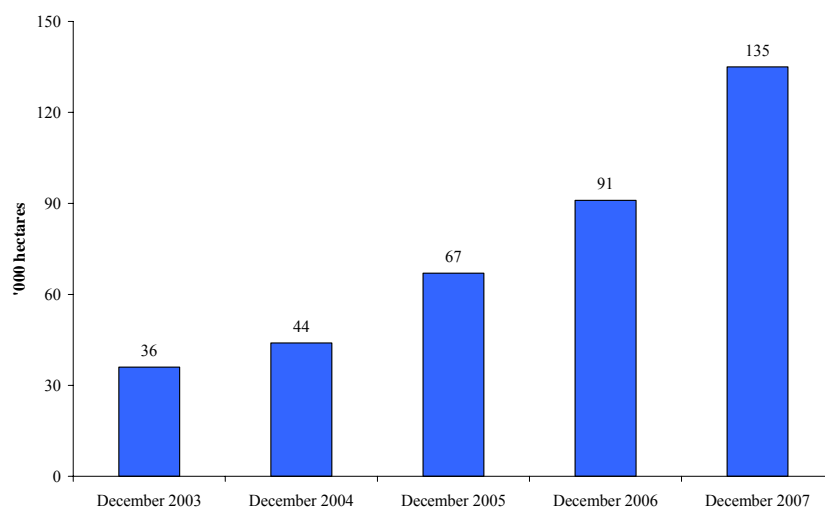
Other investments represent increases in the controlling stakes of the Group's subsidiaries and acquisitions of non-controlling stakes in entities formed to manage assets of non-operating state agriculture companies.

Acquisitions of agricultural companies and additional investments into existing subsidiaries were mostly financed with profits earned in the reporting year, while the purchase of equipment and machinery was financed through borrowings.

## 11. Increase of Agricultural Land in Operation

The Group's management considers agricultural land as the key asset and strategic resource to increase the business' value. Thus, over the past five years, the Group has actively expanded its agricultural land in operation. Through acquisitions and an increase of agricultural areas by existing subsidiaries, in 2007 the acreage of agricultural lands in use reached 135 thousand ha. The dynamics of increasing the land in use from 2003 through 2007 is shown in Figure 22 below.

Figure 22. Expansion of agricultural land in the Group's operation in 2003-2007, thousand ha



The purchase and sale of agricultural land in Ukraine is restricted by legal moratorium. Thus, the Group concludes lease agreements with agricultural landowners, who are mostly individuals. The vast majority of such individuals received the title to such lands as a result of privatization during agricultural reforms. Information on the number of concluded agreements on land lease, leased acreage and contractual liabilities is provided in Table 15 below:

Table 15. Consolidated information about the Group's land under lease as of December 31, 2007

<i>Term of rent subsequent to the reporting date</i>	<i>Number of agreements</i>	<i>Acreage, ha</i>	<i>Liabilities over lease period, thousands of Euro</i>
<b>Agricultural land</b>			
Less than one year	3,206	34,563	2,618
From one to five years	12,937	58,281	4,922
More than five years	8,351	37,352	2,545
	<b>24,494</b>	<b>130,197</b>	<b>10,085</b>
<b>Non-agricultural land</b>			
Less than one year	42	2,055	123
From one to five years	35	1,656	246
More than five years	8	263	9
	<b>85</b>	<b>3,974</b>	<b>378</b>
<b>Total</b>	<b>24,579</b>	<b>134,170</b>	<b>10,463</b>

## 12. Loans Contracted by the Group

On May 14, 2007, "Raiffeisen Bank Aval", a member of "Raiffeisen International Bank Holding AG" Group, increased the credit limit from UAH 200 million (EUR 27.0 million) to UAH 240 million (EUR 32.3 million) in the framework of a credit line previously granted to the companies controlled by ASTARTA Holding N.V. Such an increase was granted to provide guarantees in the framework of the contract between FE "Coca-Cola Beverages Ukraine Limited" and LLC Firm "Astarta-Kyiv" (a subsidiary of ASTARTA Holding N. V.).

On July 2, 2007, "Raiffeisen Bank Aval" increased the credit volumes granted to the Group up to UAH 300 million (EUR 40.4 million) to finance investments into production equipment and agricultural machinery. Also, the Group's companies were granted the option to convert a portion of previously contracted loans in Ukrainian Hryvnias to finance working capital totaling UAH 48 million (EUR 6.5 million) into a credit in US dollars with a corresponding decrease in the interest rate.

On October 18, 2007, the credit facility between LLC Firm "Astarta-Kyiv" and ABN AMRO BANK N.V. became effective. ASTARTA Holding N.V., Ancor Investments Limited, and another nine Ukrainian subsidiaries of the Group acted as guarantors under the above facility. Under this agreement ABN AMRO BANK N.V. granted a credit line to the Group of USD 25 million for one year with an option to be extended for two years to finance the need for working capital.

## 13. Share Price Performance of ASTARTA Holding H.V. on the Warsaw Stock Exchange

The year 2007 demonstrated the Company's high investment potential. Starting the year at PLN 17.09 per share, quotes for the shares fell until mid-May 2007 due to the difficult situation on the Ukrainian sugar market resulting from excessive production in 2006. However, upon the stabilization of prices for sugar by the middle of the year, and due to successful implementation of the Group's plans to expand its agricultural lands, starting from May 2007 the share price of ASTARTA Holding H.V. started to grow.

When the results of the Group's work for the first six and nine months of 2007 were published and were better than expected, the share price grew faster. The Company's capitalization in the 4th quarter increased even more when prices for crops showed intensive growth in the world market and Ukraine.

Overall, in 2007 the share price of ASTARTA Holding H.V. increased from PLN17.09 at the beginning of the year to PLN32.0 per share as of December 29, 2007 (the last trading day), thus securing an 87.2%

annual gain for investors. The dynamics of quotations of Astarta Holding H.V. shares on the Warsaw Stock Exchange compared with the WIG index is shown in Figure 23.

Figure 23. ASTARTA Holding H. V. vs. WIG quotations in 2007



Source: Warsaw Stock Exchange

The Group's significant stock quotation data are as follows

	2007	2006
Opening price (PLN)	17.09	19.00
Highest trading price (PLN)	32.00	21.50
Lowest trading price (PLN)	12.10	16.00
Closing price (PLN)	32.00	17.09
Closing price (Euros)	8.93	4.46
Year price change	87.2%	-10.1%
EPS (in Euros)	0.86	0.26
Price / earnings (P/E)	10.35	17.42
Market capitalization (thousands of PLN)	800,000	427,250
Market capitalization (thousands of Euros)	223,339	111,519
Share trading turnover (thousands of PLN)	152,800	91,941
Share trading turnover (thousands of Euros)	40,458	23,998

#### 14. Differences between Financial Results and Published Financial Forecasts

The management considers the Group's financial results in the reporting period positive. They were better than those forecasted earlier for several reasons. Substantial increases in sales of sugar, pulp and molasses in the 4<sup>th</sup> quarter of 2007 were accompanied by a noticeable price rise for these products. These favorable market conditions resulted in the management's decision to increase sales of all major products.

Other income in the 4<sup>th</sup> quarter of 2007 was also higher than previously expected. In particular, income from all types of state subsidies received by the Group was much higher than in the previous year, which consequently increased the profit from operations by EUR 1,448 thousand. Also, the gain from the acquisition of agricultural enterprises in the last quarter of 2007 comprised EUR 812 thousand.

Moreover, due to the significant rise of livestock product prices throughout 2007, as well as anticipated increases in the profitability of livestock breeding in the next few years, the market value of cattle grew significantly. An increase in the fair value of livestock amounting to EUR 5,209 thousand was reported in

the financial statements as profit for 2007. The major portion of this profit was reflected in the financial statements at the end of 2007.

Also, actual financial results appeared better than forecast because the average UAH/EUR exchange rate was higher than the one forecasted.

Due to the abovementioned reasons, the net profit, EBITDA and profit per ordinary share were notably higher in 2007 than the ones forecasted.

## **15. Strategic Achievements in 2007 and Strategic Goals for 2008**

In 2007, the Group achieved the following strategic goals:

1. Expanding agricultural land under lease. As of December 31, 2007, the Group leased around 135 thousand ha of agricultural land.
2. Stabilizing sugar output and improving production performance. In 2007, the Group's sugar plants produced 155.5 thousand tons of sugar.
3. Reinforcing the vertical integration of business and increasing production of in-house beet. Due to expansion of land under sugar beet to 23,000 ha and improving yields of this crop, the Group's agricultural subsidiaries increased sugar beet production to 856.5 thousand tons, and its share in the total processing volume rose to 71%.
4. Increasing output of premium quality sugar for the further diversification of sales. Modernization of the Group's sugar plants improved sugar quality parameters to meet EU quality requirements.
5. Diversifying sales. The Group's share in the Ukrainian sugar market increased from 4.2% in 2006 to 7.0% in 2007. The Group particularly pushed up sales in the beverage producer segment. At the same time, the share of three major confectioneries reduced to 38%. Those efforts were intended to make the Group less dependent on the situation in the Ukrainian confectionery industry and mitigate the influence of a possible reduction in demand in one of the segments.
6. Utilizing the synergy potential, increasing output of grains and oilseeds. The gross production of grains and oilseeds increased by 53% to 201 thousand tons. At the same time, due to a favorable market situation, revenues in this segment almost doubled. Milk production amounted to 28.1 thousand tons. Revenue from selling cattle farming produce grew by 83% during the period under review.

Based on the attained results in 2007, the Board of Directors set the following strategic goals for 2008:

### *1. Reinforcing vertical integration*

In view of the importance of agricultural land as a major production asset, which secures the production of not only grains and oilseeds but also the Group's own sugar beet, thus improving sugar production performance, the Board of Directors decided to further expand arable land to 158,000 ha by the end of 2008 and land under sugar beet up to 30,000 ha in 2008.

### *2. Improving efficiency of agriculture production*

Simultaneously with expanding arable land, the Group's management sets the goal of improving the efficiency of agricultural production, i.e., to raise sugar beet gross yield by 10% to 45 tons/ha in 2008.

### *3. Increasing the Group's share on the Ukrainian sugar market*

Based on the projected development of the sugar market situation in Ukraine and the Group's production indicators, as well as due to planned acquisitions, the Board of Directors decided to raise sugar output to 220,000 tons and increase the Group's share on the Ukrainian sugar market from 7.0% in 2007 to 8.0% in 2008.

### *4. Building up sugar production capacities*

The modernization of sugar plants allowed the Group to increase its daily processing capacity to 18,000 tons of beet in 2007. The Board of Directors believes that the daily processing capacity can be raised to 19,000 tons of beet in 2008, which will lead to higher efficiency of beet processing and, as a result, a reduction of sugar production prime costs. Another purpose of the modernization is to improve energy efficiency and lower natural gas consumption in the production process.

Beet processing capacities can also be increased by acquiring two sugar plants with a total processing capacity of 6,000 tons per day. Thus, the Group's total productivity could reach 25,000 tons of sugar beet per day.

*5. Further diversification of sales*

To minimize dependency on existing large customers in the sugar segment, the Board of Directors identifies further sales diversification in the drink producer segment as a strategic goal.

*6. Raising output of grains and oilseeds*

In view of the expanded area of leased arable land, the Board of Directors sets a target of raising the output of grains and oilseeds to 275,000 tons in 2008.

*7. Improving logistics*

To raise the sales efficiency and reduce the cost of sales, the Group's management plans to improve logistics, including the expansion of its own warehousing area and the Group's vehicle fleet.

*8. Participating in further consolidation of the industry*

The Group's management is keeping to its strategic goal of being one of the industry's major consolidators. With this purpose, the Group is studying the situation on the market and the positions of key competitors and individual sugar plants that are attractive for acquisition.

## **16. Evaluation of the Group's Ability to Fulfill Investment Plans**

Evaluating the prospects, management believes the Group has very good opportunities for further developments. Long-term business development will be achieved through investing profits and increasing debt finance from leading financial institutions.

In particular, the high profitability of ASTARTA operations in 2007 will allow the business to concentrate finance resources necessary to acquire new production assets in 2008, and to partially finance increased working capital needs.

At the same time, the modernization of existing sugar production facilities, purchase of new agricultural machinery and modernization of cattle farming production in 2008 will be financed with mid-term and long-term loans, as well as through finance leasing.

As of 31 December 2007 the Group had a low debt to equity ratio of 0.5:1 and a debt to EBITDA ratio of 1.5:1, which will enable the business to significantly expand its loan portfolio in 2008-2009.

## **17. Group's Ability to Manage Financial Resources and Perform its Obligations**

To ensure the efficient management of the business' financial resources, ASTARTA Holding N.V. has established and is currently developing a financial division comprising a planning and analytic department, an accounting methodology and tax planning department, a credit department and a financial reporting department. The Group's financial division represents a team of professionals, which combines both experienced highly qualified employees and talented young staff.

For many years the Group has enjoyed a reputation as a reliable borrower that timely meets its financial obligations. The Group has established and supports good business relationships with well-known financial institutions to secure diversification of the loan portfolio.

The Group's good creditworthiness is based on the positive cash flow from operating activities in the 2007 financial year, high EBITDA and the profitable operations of the Group's business. Rapidly growing capital and assets indicate the Group's ability to effectively serve and timely repay existing loans.

It is also important to note that the Group receives government partial compensations for interest paid on loans. These compensations increased from EUR 614 thousand in 2006 to EUR 1,068 thousand in 2007.



The Group plans to extend the duration of its loan portfolio by restructuring the majority of short-term loans into mid-term and long-term ones.

Thus, ASTARTA Holding N.V. has all the prerequisites for the effective management of its financial resources, timely discharge of its financial obligations and ability to identify threats as well as the measures to be applied to prevent such threats.

## **18. Operations with Related Parties**

In its business activities, the Group may engage in transactions with related parties represented by shareholders, affiliated companies, companies under common control, and the Group's management. Generally, such transactions are performed at market prices.

In 2007, only a few transactions with related parties were of significance. In particular, in 2007 the Group's companies purchased natural gas for the amount of EUR 7 929 thousand from the related company "Agropromgaz". Also, sugar for the amount of EUR 651 thousand was sold to the same company. No transactions with any other related parties were of significance.

## **19. Collaboration with Independent Auditors**

In 2007 the Company concluded contracts for the delivery of audit services with CJSC "KPMG Audit" in Ukraine and KPMG Accountants N.V. in the Netherlands. Both of these companies are member firms of the KPMG network of independent member firms affiliated with KPMG International.

The aforementioned contracts envisage the delivery of audit services for 2007. CJSC "KPMG Audit" is responsible for the audit of the consolidated financial statements of Astarta-Kyiv and its subsidiaries. In turn, KPMG Accountants N.V. is responsible for the audit of the financial statements of the parent of the Group – ASTARTA Holding N.V., and the consolidated financial statements of the Group and issuance of an auditor's opinion on the Company and Group financial statements.

Total fees agreed with KPMG Accountants N.V. are EUR 56 thousand and those of CJSC "KPMG Audit" are USD 175 thousand (equivalent to EUR 123 thousand), VAT and out of pocket expenses excluded.

Also in 2007, CJSC "KPMG Audit" provided services in relation to the review of interim financial statements for the first half of 2007 and KPMG Accountants N.V. provided services in relation to the review of condensed financial statements for the first quarter of 2007. The total amount of fees paid by the Company for these services was USD 48 thousand (EUR 35 thousand) and EUR 3 thousand correspondingly.

## **20. Material Factors and Events in 2007 and Outlook for 2008**

### ***20.1 Material Factors and Events that Affected the Group's Operations and Financial Results in 2007***

#### ***20.1.1 Operations***

##### *Acquisition of new agricultural companies*

In 2007, Astarta-Kyiv (a subsidiary of ASTARTA Holding N.V.) acquired controlling stakes in 12 agricultural companies. These acquisitions were made to implement the Group's strategy to expand agricultural land under lease and increase the production of sugar beet and crops. As a result, the Group's agricultural land in operation increased from 91 thousand ha to 135 thousand ha in 2007.

#### ***20.1.2 Investments and Financial Activities***

##### *Decrease in the interest rate on borrowings*

In 2007 significant progress was achieved in decreasing the cost of the Group's borrowings. The basic interest rate for loans contracted in Ukrainian Hryvnias was decreased by 2 percentage points. A portion of the loan from Raiffeisen Bank Aval in the amount of UAH 48 million (EUR 6.5 million) was

converted from a loan in Hryvnias into a loan in US dollars with a 10% interest rate.

In October 2007, the National Bank of Ukraine registered a Credit Facility Agreement signed between LLC Firm "Astarta-Kyiv" and ABN AMRO BANK N.V. In accordance with the Facility Agreement, ABN AMRO BANK N.V. opened a one-year credit line of USD 25 million with an interest rate of Libor+2.4% and the possibility of extending the loan for an additional two years. The loan supports the aim of diversifying the credit portfolio of LLC Firm "Astarta-Kyiv" and decreasing its cost.

*Increase in credit line limits*

See section, Loans Contracted by the Group

*Implementation of production capacity modernization program*

In 2007 the Group launched a full-scale modernization program at its sugar plants to cut power consumption and improve efficiency. See the section, Financial Review, for more details. Part of this program is to be financed by an EBRD loan approved in early 2008.

*Contracts on the purchase of agricultural machinery*

In 2007 the Group concluded a number of purchase agreements of agricultural machinery with the following US companies: Amity Technology LLC, Chief Industries Inc., Mathews Company, and CNH America LLC. Under the terms of the contracts, the Group will spend US\$10,952 thousand, or equivalent of approximately Euro 7,476 thousand to purchase modern agricultural equipment produced in the USA.

The abovementioned equipment is elaborate agricultural machinery being bought due to the significant increase in arable land under sugar beet and further implementation of American sugar beet and crop growing technology.

*Significant gain on acquisition of agricultural companies*

In 2007 the Group acquired agricultural enterprises in the Poltava and Vinnytsia regions of Ukraine at prices significantly lower than the market value of the acquired net assets. The total difference between the market value of the net assets of the agricultural companies acquired and the price paid in 2007 was EUR 5,050 thousand.

*Increase in the fair value of cattle*

Due to the rapid price increase for cattle farming produce, the fair value of the Group's dairy cattle grew significantly in 2007. In compliance with IFRS, the total increase in livestock fair value amounting to EUR 5,209 thousand is reported as a gain in the income statement for 2007. Refer to the section, Group's Financial Standing, for more information.

*Revaluation of the Group's buildings*

The Group's consolidated balance sheet as of December 31, 2007 includes the buildings at their re-valued (rather than historic) value according to an option offered under IFRS. Because of this, the value of fixed assets in the Group's consolidated balance sheet increased by EUR 28,218 thousand, and its capital by EUR 22,685 thousand. Refer to the section, Group's Financial Standing, for more information.

*Devaluation of the Ukrainian Hryvnia compared to the Euro*

In 2007 the National Bank of Ukraine continued to pursue a the policy of supporting a fixed exchange rate of the Ukrainian Hryvnia to the US dollar. Since the Euro appreciated in relation to the US dollar on the world markets, its exchange rate also significantly improved compared to the Ukrainian Hryvnia. The operating subsidiaries and the associate in Ukraine have the Ukrainian hryvnia (UAH) as their functional currency, while consolidated financial statements are presented in two currencies, EUR and UAH. Thus, due to devaluation of Hryvnia, the financial results of the Group in 2007 translated to Euros were subject to a negative currency translation adjustment of around 9%.

*Purchase/sale of shares*

There were several changes in the Company shareholders structure between January 1, 2007 and December 31, 2007:

- East Capital Asset Management AB announced on August 7, 2007 that upon selling 145,000 shares of ASTARTA Holding N.V., it held 1,246,879 shares of the company representing 4.99% of votes and issued share capital.
- The Group received notification that on of 13 August 2007, ING Towarzystwo Funduszy Inwestycyjnych S.A. increased its holding of the Company's shares to 1,390,620 representing 5.56% of votes and issued share capital.
- The Group received notification that on 13 September 2007 ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty increased its share in ASTARTA Holding N.V. to 1,348,395 shares representing 5.39% of votes and issued share capital.

### **20.1.3 Material Events on the Ukrainian Sugar and Grain Markets in 2007**

#### *Significant price rise for agricultural products*

In 2007 prices for agricultural products increased at high rates on the world markets and in Ukraine. Thus, sale prices for crops in Ukraine showed increases ranging from 50% to 180% in 2007, while sale prices for milk, the key farming product of the Group's companies, increased by 55% in 2007.

#### *Other significant events on the Ukrainian sugar and crops market in 2007*

All other significant events on the Ukrainian sugar and crops market in 2007 are described in the section, Situation on the Group's Markets.

### **20.1.4 Material Events in the Group's Marketing**

#### *Significant contracts on sugar sales concluded by the Group in 2007*

During the reporting period, the Group signed a number of sugar supply contracts with large industrial customers. In particular,

- In January, Astarta-Kyiv signed a contract with Coca-Cola Beverages Ukraine Limited for the sale of sugar in 2007.
- In February, Astarta-Kyiv signed contracts with Khortytsya distillery and Galychfarm, a major Ukrainian pharmaceutical producer, for sugar supplies in 2007.
- In April, Astarta-Kyiv signed a contract to supply sugar to Artyomovsk Winery, Ukraine's major sparkling wines producer.
- In September, Astarta-Kyiv signed contracts to supply premium quality sugar to Odessa Sparkling Wine Company and Odessa Cognac Factory.
- In the 4<sup>th</sup> quarter of 2007, the Group signed one-year contracts to supply sugar to the following companies: Coca-Cola Beverages Ukraine, AVK, Kraft Foods, Poltavakonditer, Zaporizhska confectionary, Bilytsky Preserved Milk Factory, Vitmark juice producer, BBH, Danone, Philip Morris, Rainford Corporation and others.

### **20.1.5 Material Events After the Reporting Date**

#### *Credit portfolio optimization*

- In March, 2008, Raiffeisen Bank Aval (Ukraine) extended a short-term credit line for UAH 147,400 thousand (EUR 19,934 thousand) for one more year.
- In April, 2008, the Board of Directors of the European Bank for Reconstruction and Development approved a cooperation project with ASTARTA Holding N. V. Within this project, the EBRD will provide up to a USD 20 million long-term loan to the Group. The project will result in energy efficiency improvements in the energy intensive production of sugar.
- The Export-Import Bank of the United States, Washington, D.C. (an agency of the U.S. Government) approved a credit line for Ancor Investments Limited (a subsidiary of ASTARTA Holding N.V.) by Wells Fargo HSBC Trade Bank (USA) for up to USD 10 million to purchase US-made agricultural machinery. Previously, Ancor Investments Limited signed contracts with US manufacturers of agricultural machinery Amity Technology, Chief Industries Inc., Mathews Company, and CNH America.

*Acquisitions / Increase of interest in agricultural companies*

- In February 2008, Astarta-Kyiv signed a Protocol of intention to acquire two sugar plants and six agricultural companies with 8.2 thousand ha of agricultural land under lease in Khmelhytsky region.
- In February 2008, Astarta-Kyiv acquired 75% of the charter capital of LLC "Nadiya", which entitles it to 75% of the votes at general meetings of shareholders. LLC "Nadiya" is an agricultural company that rents around 1.5 thousand ha of land in the Khmelnytsky region. After this acquisition the total acreage of land rented by the Group increased from around 135 thousand ha to around 136.5 thousand ha.
- In April 2008, Astarta-Kyiv acquired 75-100% stakes in 15 agricultural companies in Vinnytsia, Zhytomyr, Khmelnytsky and Ternopil regions. After these acquisitions, the Group's total area of agricultural land under lease increased to 150 thousand ha. These acquisitions were meant to create a sugar beet growing area around the two sugar plants being acquired in Khmelhytsky region, as well as expand the existing area around the Zhdanivsky sugar plant.

*Changes in the shareholder structure of ASTARTA Holding N.V*

- Subsequent to the balance sheet date ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty disposed shares of Astarta Holding N.V. that resulted in declining the threshold of 5% of voting rights on the general shareholders meeting of Astarta Holding N.V. As at 20 May 2008 ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty possessed alone jointly 1,238,061 shares of Astarta Holding N.V., what gives 4.95% of registered capital of the Company.

**20.2 Material Factors which could Influence Group's Operations and Financial Results in 2008**

In the opinion of the Board of Directors, the following factors will have a material impact on the Group's development and performance in 2008:

*External factors:*

- Expected reduction of sugar beet cultivation areas will result in a decrease of sugar output in Ukraine and a consequent rise in prices for sugar and its by-products;
- On-going consolidation of the Ukrainian sugar market;
- Increase in prices for fuel (natural gas, coal, petroleum products), agricultural raw materials (seeds, fertilizers and plant protection agents), further increase of wages;
- Growing individual incomes in Ukraine will lead to an increased demand for sugar-containing products (confectionary products, drinks, dairy products);
- Growing investment attractiveness of the Ukrainian agricultural sector in view of the expected abolishment of the land sale moratorium will attract domestic and foreign investors;
- Further increase of prices for crops on the world markets and in Ukraine (*see the section, The Situation on the Group's Markets*);
- Further decrease of livestock in Ukraine and consequent increase of prices for cattle farming products.

*Internal factors:*

- Increase of the Group's market share on the Ukrainian sugar market;
- Further diversification of sales and expansion into new market segments;
- Increasing number of major clients among manufacturers of drinks, dairy products and pharmaceuticals;
- Increase of sugar output by the Group's sugar plants in 2008;

- Acquisition of two sugar plants and agricultural companies in 2008 and the consequent increase of the sugar production capacities and land bank;
- Continued modernization of sugar plants aimed at cutting energy consumption and improving efficiency;
- Implementation of a program to improve crop yields by the Group's agricultural companies
- Further vertical integration of the Group's business through an increase in the output of in-house grown sugar beet and its share in total beet processing
- Further expansion of land under grain and oilseed crops through the acquisition of agricultural companies

## **21. Material Risk Factors and Threats to the Group**

Described below are the risks and uncertainties we believe are significant for the Group, emphasizing the main risk factors and threats faced by the Ukrainian operational company Astarta-Kyiv and its subsidiaries.

### **21.1 Market Risks**

- The commodity nature of our major products (sugar and grain) means that the Group is sensitive to market price fluctuations. Selling prices for sugar and grains are volatile and depend on the situation on the domestic and world markets. The key factors affecting the market include weather, the seasonal nature of demand and supply, availability and cost of raw materials, biological factors, yield, and state regulation.

Any of these factors may bring down prices or drive up costs, subjecting our business, operating results and finances to unfavorable effects. The current situation on the Ukrainian sugar and agricultural products market and future prospects are described in the section, Situation on the Group's Markets.

- In an effort to minimize logistic and administrative expenses, we prefer wholesale trade, especially in white sugar and grains. For this reason, we have established reliable relations with an array of major customers, first of all, with producers of confectionary and soft drinks. A loss of some large customers or the termination of contracts with them, as well as a decrease in sugar consumption by confectionary and soft drink producers in Ukraine could lead to a material decrease in sales volumes, which could have an adverse effect on our business, the results of operations and financial conditions.
- Regular and sufficient raw supplies are prone to weather changes, including possible droughts, floods, and unexpected or strong frosts and storms. These factors can cause delays and stoppages in raw supplies, which could have an adverse effect on our business, the results of operations and financial conditions.
- Energy and labor costs make up a substantial share of our operating expenses. According to state statistics, wages and energy prices have repeatedly risen lately. These expenses are expected to keep growing. Although we are currently working to cut energy consumption and reduce labor intensity, it should not be ruled out that growing wages and energy prices negatively affect our operating results.
- Most of our customers make contracts for up to one year or just for one transaction with spot prices specified in the contract. We regularly re-execute contracts with our key customers on an annual basis. This practice of short-term contracts is in line with the common commercial practice on Ukraine's sugar and grain markets.

### **21.2 Liquidity Risks**

Please refer to Section 24, par. (c) of the Consolidated Financial Statements

### **21.3 Political Risks**

- The markets of agricultural products and agriculture as a whole depend on the currently prevailing policy. From time to time, the government has imposed restrictions on production and sales, as

well as quotas, tariffs and other restrictive mechanisms aimed at protecting the national producer on the international and national levels. Such restrictions tend to affect supply and prices on the national, regional and world markets.

No guarantee exists that the government of Ukraine will grant new or additional quotas to domestic agricultural producers or take other protectionist measures. Any change in government resolutions or legislation applicable to our market, the markets on which we compete, or the markets of our competitors could have an adverse effect on our business, the results of operations and financial conditions.

#### **21.4 Country risks**

- Despite that over the past 16 years since gaining independence in 1991 Ukraine has made significant progress on its path to a market economy, as well as political and judicial reforms, the country still lacks the appropriate legal and regulatory infrastructure that is critical for economic stability and successful socio-economic reforms.
- On December 18, 2007, the Verkhova Rada (Parliament) of Ukraine appointed Yulia Tymoshenko as Prime Minister of Ukraine, with 226 votes given for the appointment. The change in the Government could lead to a revision of Government policies with regard to regulation of the market, which could affect the Group's business.

#### **21.5 Economic Risks**

- In 2001, Ukraine's government introduced tariffs on cane sugar imports in an effort to encourage domestic sugar beet production and processing. Due to the tariffs, the cost of sugar made from raw sugar cane on ex-factory terms substantially exceeds the cost of sugar made from sugar beet. However, on February 5, 2008, President Viktor Yushchenko signed the protocol of accession to the WTO. On May 16, 2008, Ukraine became a WTO member.

After that, Ukraine will introduce import quotas for 260,000 tons of raw cane sugar starting from January 1, 2009. These quotas are not an obligation to purchase sugar, however, if the global market situation is favorable for those who import sugar to Ukraine, this amount can be imported with an import tariff as low as 2%. The over-quota import tariff will be 50% of the sugar price, while a specific tariff of EUR 300 per ton will not be applied. Thus, the Ukrainian sugar market will be more influenced by global market trends. Our business, the results of operations and financial condition may be adversely affected by these changes.

- After signing the WTO accession protocol, Ukraine started active discussions with the European Union about the formation of a free trade zone. A free trade zone could open new business opportunities for Ukrainian companies to export their goods to the EU, as well as for EU companies to strengthen competition on the Ukrainian market. The Group's business may be influenced by these changes.
- The government of Ukraine provides financial support in various forms to national agricultural producers. State subsidizing includes subsidies to partially cover interest on loans from commercial banks and insurance premiums paid under crop insurance policies. In addition, Ukrainian agricultural producers have been entitled to keep net VAT amounts and use these funds to finance their operations. If the government decides to end subsidizing the national agricultural producer, the move could have an adverse effect on our business, the results of operations and financial condition.
- Currently, there are laws in Ukraine regulating various taxes imposable by both central and local authorities. These laws have not had the due legal force and effect, unlike in more developed market economies, which has resulted in obscure and invalid instructions on how to apply these laws.

In addition, Ukrainian laws regulating taxes are often changed and amended, which could either create a friendly business environment or unusual difficulties for the business. Various opinions are offered between and within government ministries and organizations, including the tax authorities, with regard to the correct interpretation of such legislation, raising doubts and creating grounds for conflicts. Tax returns and other relevant legal issues (such customs and currency

control) are subject to review and study by numerous authorities legally empowered to impose substantial penalties, fines, and interest.

All these circumstances create tax risks in Ukraine that are far more serious than those typical of countries with more developed tax systems. The Ukrainian tax administration may recalculate tax liabilities of the taxpayer only within a three-year period following the date of the relevant tax return. However, this legally established period may be ignored or prolonged under certain circumstances.

### **21.6 Legal Risks**

Since the declaration of independence in 1991, Ukraine's legal system has been in a period of transition, being subject to more risks and changes than more mature legal systems. The risks connected with Ukraine's legal system include, but are not limited to, the following:

- some provisions in laws and instructions that are ambiguous and overly abstract, making it difficult to interpret and execute them;
- discrepancies between the Constitution of Ukraine and laws, presidential and parliamentary decrees, ministerial and local orders, resolutions and other regulatory acts;
- lack of judicial and administrative power to construe and interpret Ukrainian legislation, including the complicated mechanism of constitutional jurisdiction of the Constitutional Court of Ukraine;
- relative inexperience of judges and courts in interpreting Ukraine's legislation in the same and similar cases;
- corruption in the judicial branch; and
- high degree of differentiation of powers among government authorities, which may lead to arbitrary moves.

### **22. Corporate Social Responsibility**

Our Group is committed to its employees, customers and the public at large. For ASTARTA Holding, corporate social responsibility is a conscious voluntary decision to take part in addressing the social problems of society and means implementing the Group's strategy and applying our mission to the business.

This means not only do we pay attention to environmental issues by implementing state-of-the-art technologies. We also develop social infrastructure in those areas where our enterprises operate, and are concerned with improving the wellbeing of the community. As part of our corporate responsibility approach, we aim to invest in a range of local community activities to create additional benefits for affected communities.

As part of our corporate responsibility in the reporting period, we took numerous actions in the environment protection area and signed the UN Global Compact on social responsibility of business.

ASTARTA is determined to fulfill its responsibilities on safety and environmental issues and believes this will increase the Group's competitiveness and have a positive effect on achieving its strategic targets. The Group is confident that in the long run such an approach will help ASTARTA strengthen its position in the market and increase the confidence of society in the Group.

For ASTARTA, our core priority is to safeguard our workforce and community where we operate, as well as minimize environmental impacts. The Group is devoted to stable development and seeks to improve its opportunities to manage social and ecological risks. All our efforts are focused on improving the manageability of the impact of the Group's operations.

The Group actively develops measures to prevent, reduce and mitigate any negative social and ecological effects of our business practices. ASTARTA builds up its development plans, taking into account their positive influence on economic, social and ecological components in the development of Ukraine.

### ***22.1 ISO Standards: Quality, Social Responsibility and Environmental Concern in Our Business***

ASTARTA's environmental policies aim not only to comply with relevant Ukrainian laws and regulations, but to create additional competitive advantages for the Group. We focus our environmental efforts on energy use as the key factor for both cost competitiveness and air pollution reduction.

Our ongoing efforts in reconstruction and modernization of our sugar plants are intended to reduce gas consumption, which is supposed to give new business opportunities.

Ukraine is an active participant of the Kyoto protocol with huge potential in reducing greenhouse gas emission. By decreasing our sugar production's energy consumption through the application of new energy saving technologies, we can reduce the emission of greenhouse gases, thus obtaining an opportunity to sell carbon credits on the EU market.

All ASTARTA sugar plants implement an ongoing program for improving wastewater quality.

The establishment, introduction and certification of an integrated management system is a prerequisite for the successful performance of any organization in its finance, production, marketing, environmental and social spheres. To improve the quality of the Group's operating management, we have started developing and introducing a social and ecological management system. We have also taken steps to improve the efficiency of our social and ecological activities.

In 2007 our sugar plants and agricultural companies introduced integrated management systems in accordance with the international ISO standards of the 9001, 14000, 18000 and 22000 series. We elaborated a four-year energy saving program to cut greenhouse gas emissions.

### ***22.2 Global Compact on Social Responsibility of Business***

ASTARTA Holding N. V. is committed to complying with transparency and corporate responsibility standards in all areas of business operations.

To comply with this commitment, Astarta-Kyiv has filed an application for accession to the Global Compact of the United Nations.

The Global Compact is a voluntary international citizenship network involving the private sector and other social actors. Its goal is to advance responsible corporate citizenship as defined in its 10 principles covering human rights, labor rights, corruption and environmental responsibility. These underlying principles are borrowed from the Universal Declaration of Human Rights, fundamental ILO principles with regard to the right to work, and Rio principles of environment protection and development.

The ultimate objective of the Compact is to further develop common values to impart a "human face" to global business.

By signing this Compact our Group commits itself to adhere to, support, and implement basic values in the areas of human rights protection, employment, environment protection, and fighting corruption as part of its operations. Accession to the Compact suggests that our Group will publicly confirm its adherence to the Compact's principles on a yearly basis.

We believe that our commitment to corporate social responsibility will consolidate our Group, improve our reputation and reinforce our links to the environment, thus adding value to our business.

### ***22.3 Training and Professional Development for ASTARTA Personnel***

To support and advance the Group's development strategies in 2007, ASTARTA's management team set up an Internal System of Staff Training and Development (the "System"). The System is expected to become an efficient tool for providing management and personnel with knowledge and skills necessary to contribute to the business' success.

Plans of corporate development for the Group's employees were scheduled for 2008 and 2009. Corporate education will be focused on developing management competences of top and middle-level managers, and improve the professional qualifications of the Group's specialists. Special programs to support new specialists during their probation period and adaptation period were initiated.



In 2007 the Group provided for the education of 42 persons with specializations that are currently in demand in the agricultural business and food industry and will be demanded by the Group in the nearest three to five years, among which are: food technologies, electromechanical equipment of energy consuming industries, economics of enterprise, computer sciences, agronomics, corporate management and sugar beet factory engineering.

We also provide funding for the best students of the supported schools and our personnel's children to continue their studies at Ukrainian universities. Many children of ASTARTA employees are willing to follow their parents and grandparents, working for our sugar plants and agricultural companies.

Our future employees study at the National University of Food Technologies, Poltava National University, Kremenchuk State Polytechnic University, National University of Transport, Poltava State Agricultural Academy, Sumy National Agricultural University, and Kyiv Institute for International Economic Affairs and Business, National Aerospace University named after Zhukovskiy, and Kharkiv Aviation Institute.

### **23. Ratings and Awards**

Independent sources prove the high business management standards of the Group. In 2007, ASTARTA Holding N. V. and its subsidiaries were awarded in several contests and ratings.

- On February 6, 2007, the Ukrainian investment bank Concorde Capital released the first comprehensive corporate governance rating for 118 companies, including several listed on foreign exchanges, encompassing all sectors of the Ukrainian economy, such as metals, energy, mining, the food industries, the agro-industrial complex and banking. The companies were chosen based on their overall interest to investors. By every criterion ASTARTA Holding N.V. received the highest possible score (11) and, as a result, became one of the top three companies of the rating and the leading company of the consumer-related sector.
- In April, LLC APO Tsukrovyk Poltavshchyny (a subsidiary of ASTARTA Holding N. V.) became one of the top three nominees among Ukrainian sugar producers at the first All-Ukrainian Contest European Vector held by the Ukrainian Committee of the International Chamber of Commerce and DERZHGOVNIISHINFORM Center of the Ukrainian Ministry of Economy.
- The round table "IPO - reputation test. IPO trends of Ukrainian companies" was held on April 17 in Kyiv. "Mikhailov & Partners" Ukraine, the business magazine "Expert" and the National IPO committee announced the beginning of the first corporate reputation research among Ukrainian companies that are either just planning an IPO or already listed on foreign stock exchanges. In the research, ASTARTA was nominated as the leader by the number of IPO-related publications and by the number of positive publications.
- ASTARTA Holding N. V. applied for the contest, The Best Annual Report 2006, held by the Polish Instytut Rachunkowości i Podatków with its Annual Report for 2006. On October 19, 2007, this report was awarded by the Warsaw Stock Exchange as The Best Annual Report for 2006 in the Value for Shareholders category.
- On November 5, 2007, Zhdanivsky Sugar Plant (a subsidiary of ASTARTA Holding N. V.) became the winner of the quality-oriented contest, "The Best 100 Commodities of Ukraine" in the Food Products category.

Board of Directors of ASTARTA Holding N.V.

V. Ivanchyk \_\_\_\_\_

P. Rybin \_\_\_\_\_

M.M.L.J. van Campen \_\_\_\_\_

V. Korotkov \_\_\_\_\_

W.T. Bartoszewski \_\_\_\_\_

20 May 2008,  
Amsterdam, the Netherlands

## IV. Corporate Governance Report and Internal Controls

### 1. General

Corporate governance includes values and principles for good and responsible company management that apply to the management as well as employees of a company. The purposes of corporate governance are to ensure responsible, qualified, transparent, and long-term success-oriented company management and strengthen the trust of shareholders and investors in the capital market.

The Company has been guided by internationally and nationally recognized standards of good and responsible corporate management. We regard corporate governance as an issue that embraces all areas of the Company. We aim to justify on a sustained basis the trust placed in us by investors, financial markets, business partners, employees and the general public and continuously further develop corporate governance in the Group.

We are convinced that good corporate governance is an essential element of the Company's success. In this report we prove the intention of being the Company with the best corporate governance – an intention not only of words, but of activities.

### 2. Our main achievements

In the Annual Report 2006, we declared our objective to improve our corporate governance system. On 29 June 2007 the General Meeting of Shareholders adopted a set of corporate governance documents recommended by the Dutch Corporate Governance Code and Warsaw Stock Exchange Corporate Governance Rules. The adopted corporate governance documents are published on the Company's website [www.astartakiev.com](http://www.astartakiev.com).

The above-mentioned set of corporate governance documents includes:

**Bylaws of the General Meeting of Shareholders**, which were adopted in accordance with Article 26, paragraph 3 of the Company's Articles of Association, Best practice principle IV of the Dutch Corporate Governance Code and Best practice provision No. 6 of the Warsaw Stock Exchange Corporate Governance Rules contained in Best Practices in Public Companies in 2007 and is applied and interpreted with reference to them. The Bylaws regulate the General Meeting's meetings, decision-making process and general functioning.

**Rules of the Board of Directors**, which was adopted in accordance with article 17 paragraph 10 of the Company's Articles of Association, Best practice provision II (and III) of the Dutch Corporate Governance Code and Best practice provisions No. 28 and No. 40 of the Warsaw Stock Exchange Corporate Governance Rules. The Rules of the Board of Directors regulate the Board of Directors' decision-making process, working method, allocation of powers and general functioning. The Rules of the Board of Directors are applied and interpreted with reference to the Dutch Corporate Governance Code and the WSE Corporate Governance Rules.

The Board's duty is to promote the interests of the company and its shareholders. Board members do not represent the parties who proposed their election. To avoid conflicts of interest, board members cannot participate in the handling of matters that concern a Board member and the Company.

As to the composition of the ASTARTA Holding N.V. Board of Directors, see the section, Management of the Company.

We try to foresee all the cases to make our business constantly growing, so this year there was appointed an individual who will manage the Company in the absence or inability to act of all Directors. Such is the case if Directors are absent, for example, due to severe sickness, loss of their mental abilities, if they are missing, or in case of their death. Mr. Valery Laskov was appointed as the person temporarily charged with the management of the Company when all Directors are absent or unable to act.

**Profile of the Board of Directors**, which indicate the size and composition of the Board of Directors, taking account on the nature of the business, the activities and expertise and background of the Directors.

**The Resignation Schedule for Members of the Board of Directors**, which has been drawn up on the basis of article 6.2 of the Rules of the Board of Directors to avoid, as far as possible, a situation in which many members of the Board of Directors retire at the same time. This schedule is completed with taking

into account that a member of the Board of Directors will be appointed or reappointed for a maximum of three four-year terms for four years after (re)appointment.

The Resignation Schedule is as follows

<b>Name</b>	<b>Date of birth</b>	<b>Date of first appointment as director</b>	<b>Date of (possible) reappointment</b>	<b>Date of retirement</b>	<b>Max. term</b>
VIKTOR IVANCHYK	1956	June 2006	June 2010	June 2018	June 2018
PETRO RYBIN	1956	June 2006	June 2010	June 2018	June 2018
MARC VAN CAMPEN	1944	June 2006	June 2010	June 2018	June 2018
VALERY KOROTKOV	1963	June 2006	June 2010	June 2018	June 2018
WLADYSLAW BARTOSZEWSKI	1955	June 2006	June 2010	June 2018	June 2018

***The Remuneration Policy***, having the principal objectives that the amount and structure of the remuneration of the members of the Board of Directors of the Company is such that (i) qualified managers can be retained and motivated; (ii) the smooth and effective management of the Company is ensured, and (iii) the remuneration package with shareholder's interests is aligned over both the short and long term. Individual-specific responsibilities are taken into consideration in respect of the determination and differentiation of the remuneration of the members of the Board of Directors.

The Company has committed itself to provided total remuneration that is competitive, comparable to and consistent with the practice in the agri-industry on a comparable market and stays in reasonable relation to the Company's operating results and size.

On 29 June 2007 at the General Meeting of Shareholders the remuneration of Mr. Bartoszewski at 13,500 EUR, of Mr. Korotkov at 20,500 EUR, and of Mr. Van Campen 14,100 EUR were approved and ratified for the 2007 financial year. Mr. Ivanchyk and Mr. Rybin, in an amount equivalent to 135,000 EUR and 108,000 EUR, respectively, were remunerated on 29 June 2007. It should be noted that the remuneration increased by approximately 12.5% compared with the remuneration for 2006, which is the average increase in remuneration for top level management of listed companies in the Netherlands in 2006.

***The Charter of the Rules governing the Audit Committee***, where the role and responsibility of the Audit Committee, its composition and the manner in which it discharges its duties are indicated. The members of the Audit Committee of the Company are Mr. Bartoszewski (the Chairman) and Mr. van Campen.

***The Charter of the Rules governing the Remuneration Committee***, where the role and responsibility of the Remuneration Committee, its composition and the manner in which it discharges its duties are indicated. The members of the Remuneration Committee of the Company are Mr. Korotkov (the Chairman) and Mr. Bartoszewski.

***Profile and Tasks of the Compliance Officer***, in which the profile, role and responsibility of the compliance officer are indicated. The Company has a Compliance Officer performing inspections of a business to make sure all standards are being met. The compliance officer may direct a business to make changes and give the business a timeline for implementing changes that will comply with internal and external regulations concerning corporate governance. The Compliance Officer is elected by the Board of Directors of Astarta Holding N.V. The Compliance Officer may be dismissed at any time by the Board of Directors. Mr. Sergiy Kontiruk was elected by the Board of Directors to be a Compliance Officer of the Company (Minutes of the Board of Directors dated 26 September 2006).

***Securities Rules of the Board of Directors***, which govern the ownership interest of, and transactions in, securities (other than issued by the Company) by the members of the Board of Directors.

Directors may freely execute a transaction in other listed securities. In the event that it is likely that one or more Directors can make a judgment of the developments concerning a Company issuing other listed securities, which is better than a judgment that can be made on the basis of information that is publicly available (for instance: certain suppliers or customers of the Company), the compliance officer at the request of the chairman of the Board of Directors, and if no such officer has not been appointed, the chairman of the Board of Directors, may determine that Directors cannot execute transactions in certain designated other listed securities.

**Code of Conduct**, which ensures that our employees conduct business in line with our generally agreed corporate business values, guidelines and principles. We are aware that companies are increasingly under public scrutiny and that the Company, as an integral part of its communities, has major social responsibilities. We understand that public acceptance of our activities is an important component for our success.

The Company's values, published at our website: [www.astartakiev.com](http://www.astartakiev.com), help guide our corporate choices and decisions and influence the way we conduct our business. These Company values are also the standard against which the Company's conduct and that of its employees is judged. We have pulled together in this Code of Conduct a set of policies and guidelines, which provides for the Company's employees, regardless of where they are based, an understandable framework that they can adhere to in carrying out their responsibilities.

We expect all Company employees to comply with the provisions of this Code of Conduct, not only with the letter of these policies, but also with its spirit. Where Astarta Holding N.V. participates in joint ventures, the application of this Code of Conduct is also vigorously encouraged. The Code of Conduct was also approved by LLC Firm "Astarta-Kyiv" (a holding company for operational entities in Ukraine).

**Whistleblower Rules**, which ensure that Employees have the opportunity, without jeopardizing their employment position, to report alleged irregularities of a general, operational and financial nature within the Company and/or report alleged irregularities that relate to the performance of the members of the Management. These Whistleblower Rules were also adopted by LLC Firm "Astarta-Kyiv".

**Insider Trading Rules**, which have been prepared in accordance with section 5:65 in conjunction with section 5:56 par. 1 of the Dutch Financial Supervision Act.

The objective of these Insider Trading Rules is to promote Directors in the execution of a transaction in Astarta Securities in accordance with applicable laws, in particular, Polish and Dutch law, and with the corporate governance codes that are applicable to the Company, including but not limited to the Dutch Corporate Governance Code and the Warsaw Stock Exchange Corporate Governance Rules, as well as limit the risk that the good reputation of the Company as an honorable enterprise is discredited as a result of the execution of one or more transactions in Astarta Securities.

### **3. Internal Control and Audit**

The internal control and audit system is an integral part of corporate management. This system allows ensuring the efficiency of the Group's operations and support the interests of its shareholders and investors. In 2007, the Audit Committee of the Company, at its meeting, adopted a Plan of operation of the internal audit service.

International Professional Standards on Internal Audit (IPSIA) determine the following segments of the Company's activities as being subject to the assessment of risks, adequacy and efficiency of control:

- reliability and authenticity of information on financial and economic operations;
- profitability and efficiency of economic activities;
- preservation of assets;
- compliance with laws, regulatory acts, and contractual obligations.

All of the aforementioned segments imply the use of the accounting data of the business. Thus, maintaining a sound accounting and reporting system is crucial for performing an internal audit and setting the risk management procedures and internal control system of the Group.

Therefore, it was recommended by the Audit Committee that specialists of the internal audit department closely participate in introducing IFRS accounting procedures at the Group's subsidiaries. This will facilitate the improvement of accounting and reporting procedures, set a system of internal controls and determine the operations that require focusing the most on managing risks.

The instruments of control include policies, procedures and activities meant to ensure the attainment of the goals and tasks set and keeping risks within the limits set.

Implementation of IFRS accounting procedures at the Group's subsidiaries will ensure, most importantly, the reliability of financial and managerial reporting, as well as the efficiency of controls that rely on accounting data (budget control, investment project monitoring, asset integrity control, control of settlements with clients, suppliers, contractors, etc.).

Another priority for the internal audit department is the facilitation and control of the consolidated financial reporting, ensuring continuous monitoring of compliance with the recommendations of external auditors. The requirements with respect to financial statements of companies listed on stock exchanges grow constantly. Thus, the preparation and presentation of accurate and timely financial information used by both the Group's management and external parties is a key task requiring from the Group a high level of IT infrastructure development.

Therefore, the internal audit department initiated a project for the automation of consolidating the Group's financial data, the implementation of which will reduce the time required to compile the Group's consolidated financial statements to decrease the level of complexity of the existing procedures.

The principal goal of an internal audit is perfecting the Company's operations, thus advantaging the business and increasing its value. The implementation of the aforementioned projects complies with this goal. Also, the fulfillment of these tasks further underlines the important role of the internal audit department, not only in corporate management, but in the day-to-day operation of the Group.

We realize that transparency of the accounting, finance reporting and internal controls implies the transparency of the business itself which, correspondingly, contributes to growing the business' value and raising investor interest in it.

#### **4. Information Security Management**

Integrated information security management (ISM) is an integral part of the Group's comprehensive management policy and is to ensure the sustainable development of its business.

The Group's ISM principal objective is to assess and mitigate information-related risks to an acceptable level, while improving the business process and meeting customer requirements and the Group's obligations.

To ensure effective ISM within the Group, build and maintain information security management systems (ISMS) and ensure the security of the Group's information assets, an information security division was established in Astarta-Kyiv.

In 2007 the Group launched an upgrade of the ISMS based on the requirements of ISO 27001:2005 international standard and recommendations of ISO 17799:2005.

The Group's upgraded ISMS will ensure IS policy development; the allocation of responsibilities and identification of the roles for IT security maintenance; information-related risk management; installation and operation of IT security applications; development and support of an IT security awareness program for employees; and IS events management.

As a part of the Group's ISMS upgrade, a centrally managed antivirus security system (ASS) was introduced and is maintained at the Group's computer workstations and file servers. In addition to ASS, a multilevel spam filtration system was installed at the Group's mail server.

To mitigate the computer operating system's vulnerability, the Windows Server Update Services (WSUS) was implemented in Astarta-Kyiv's head office, enabling the automatic update of the Group's corporate network-connected PCs. It is also planned to introduce in 2008 a sophisticated information backup system that would operate over the Group's computer network.

To increase the efficiency of the business process and assets management of distantly based controlled companies, mobile access to corporate network resources within secure data transmission channels was arranged.

## 5. Statement on Compliance with Dutch Corporate Governance

As a company incorporated under the laws of the Netherlands, apart from applying Warsaw Corporate Governance Rules, the Company complies with the Dutch Corporate Governance Code by applying principles and best practice provisions that are applicable, or by explaining why the Company deviates from them. The Company tries to comply with both Dutch and Polish corporate governance rules, but in case of any discrepancies between them, Polish rules shall be followed.

Since various Corporate Governance Rules of the WSE are similar to rules provided under the Dutch Corporate Governance Code, a majority of the principles and best practice provisions of the Dutch Corporate Governance Code are being complied with. After the first General Meeting of Shareholders, all the documents and regulations concerning the corporate governance structure of the Company were adopted with the exception of the following best practice provisions, which are not fully applied:

### *The Board of Directors*

#### *Best practice provision II.2.1: amount and composition of remuneration*

In accordance with this best practice provision, options to acquire shares are a conditional remuneration component and become unconditional only when the management's board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date. The Company did not grant any options nor does it intend to grant any options, so it is not applicable to the Company. The same applies to best practice provisions II.2.2, II.2.3, II.2.4, II.2.5.

#### *Best practice provision II.2.14: determination and disclosure of remuneration*

In accordance with this provision, the company shall state in notes to annual accounts, in addition to information to be included, the value of any options granted to the management board and personnel, and shall indicate how this value is determined. The Company did not grant any options, so it is not applicable to the Company.

#### *Best practice provision III.5: composition and role of three key committees of the supervisory board*

The Company has a one-tier structure with only two non-executive directors and is therefore not obliged to have committees. However, the Company has a remuneration committee and an audit committee.

#### *Best practice provision III.6.6: conflicts of interest*

As for this best practice provision, there is a delegated board member, who has a special duty – more intensive supervision and advice and more regular consultation with the management board. The Company does not have such a person.

#### *Best practice provision III.8.3: one-tier management structure*

In accordance with this provision, the management board shall have committees that shall consist only of non-executive management board members. Since the Company has only two Non-Executive Directors, the executive directors are also committee members.

#### *Best practice provision III.8.4: one-tier management structure*

In accordance with this best practice provision, the majority of members of the management board shall be non-executive directors and are independent within the meaning of this Code. As for the Company, it has two Non-Executive Directors out of five Directors; two members of the Board of Directors are independent. The reason for this is to keep the Board of Directors as small and simple as possible. To apply this rule would mean that the Board should be comprised of nine persons; since only Mr Bartoszewski is an independent non-executive director, four additional independent non-executive directors would be required. This does not seem to be in the best interests of the Company, but rather would complicate matters.

### *General Meeting of Shareholders*

#### *Best practice provision IV.1.1: powers*

The General Meeting of Shareholders is the body appointing and dismissing Directors. Binding Nominations are not provided for in the Articles of Association.

*Best practice provision IV.1.2: powers*

In accordance with this provision, the voting right on financing preference shares shall be based on the fair value of the capital contribution. This in any event shall apply to the issue of financing preference shares. The Company does not have any preferred shares.

*Best practice provision IV.2: depositary receipts for shares*

The Company has not issued depositary receipts for its shares.

## **6. Focus on good corporate governance to continue**

Compliance with the principles of good corporate governance will continue to be a central management duty for us in the current fiscal year. We will continue to be guided by the rules of the Dutch Corporate Governance and the Warsaw Stock Exchange Corporate Governance Rules and intend to implement the provisions and rules accordingly. This also applies to the Codes' most recent rules adopted in June 2007. The Board of Directors will continue its close cooperation based on trust and jointly discuss all major business transactions.

## **7. Shareholders Meetings, Board Meetings and Committee Meetings**

The annual General Meeting of Shareholders was held in Amsterdam, the Netherlands on 29 June 2007. The Pre-Meeting of this shareholders meeting was held on 27 June 2007 in Warsaw, Poland.

Within the financial year 2007, the Board of Directors held the following meetings:

- two meetings in Amsterdam, the Netherlands, on 11 May 2007 and on 28 June 2007;
- three meetings in Kyiv, Ukraine, on 20 February 2007, on 21 February 2007 and on 21 September 2007; and
- two meetings via conference call on 4 April 2007 and on 8 November 2007.

The Audit Committee held two meetings: on 28 August 2007 in Amsterdam, the Netherlands and on 20 September 2007 in Kyiv, Ukraine. The remuneration committee did not meet.

## **8. Remuneration Report**

The Company has committed itself to providing total remuneration that is competitive, comparable to and consistent with the practice in the agri-industry on a comparable market and stays in reasonable relation to the Company's operating results and size.

The Company has a Remuneration Committee consisting of two members: Mr. Korotkov (the Chairman) and Mr. Bartoszewski. The Company's remuneration committee monitors the remuneration policy and advises and makes suggestions with respect to the remuneration of the Directors. The results must be submitted by the Board of Directors to the Company's General Meeting of Shareholders for approval and adoption.

The Remuneration Policy and the remuneration of each Director were determined at the Company's General Meeting of Shareholders. In accordance with the Minutes of the General Meeting of Shareholders dated 29 June 2007, the cash remuneration as mentioned in the Remuneration Policy for each of the Directors for 2007 until June was the same as for the 2006 financial year and cash remuneration for each of the Directors for 2007 as of June was as follows:

- (a) of Mr. Bartoszewski at EUR 13,500
- (b) of Mr. Korotkov at EUR 20,250
- (c) of Mr. Van Campen at EUR 14,100

The Executive Directors Mr. Ivanchyk and Mr. Rybin are remunerated by the subsidiary of the Company – LLC Firm "Astarta-Kyiv". Mr. Ivanchyk received remuneration for the performance of his duties in the 2006 financial year in the amount of 55,970 EURO and in the 2007 financial year in the amount of 127,500 EURO. Mr. Rybin received remuneration for the performance of his duties in the 2006 financial year in the amount of 46,642 EURO and in the 2007 financial year in the amount of 102,000 EURO.



Information about the remunerations paid to the Company's Directors for rendered services is presented in the table below (amounts in Euros).

Director's name	Position	June 2006-June 2007			July 2007-June 2008		
		Remuneration for rendered services	Reimbursable expenses	Total	Remuneration for rendered services	Reimbursable expenses	Total
V. Korotkov	Chairman of the Board of Directors, Non-Executive Director	18,000	4,184	<b>22,184</b>	20,250	1,981	<b>22,231</b>
M.M.L.J. van Campen	Executive Director and Chief Corporate Officer	12,500	2,000	<b>14,500</b>	14,100	2,000	<b>16,100</b>
W.T. Bartoszewski	Deputy Chairman of the Board of Directors, Non-Executive Director	12,000	800	<b>12,800</b>	13,500	5,168	<b>18,668</b>
Total				<b>49,484</b>			<b>56,999</b>

## 9. Report of Non-Executive Directors

The Non-Executive Directors of the Board of Directors, Mr. Korotkov and Mr. Bartoszewski, have performed the following actions and duties in their role as Non-Executive Directors in 2007:

The Non-Executive Directors are charged with supervising the policy, strategy and fulfillment of duties of the Executive Directors A and the Executive Directors B, and the general affairs of the Company.

In carrying out their task, they participated in the Board Meetings mentioned in paragraph 7 above and advised the Board of Directors on their management activities. Besides this, Mr. Korotkov is a member of the Remuneration Committee, and Mr. Bartoszewski is a member of the Remuneration Committee and of the Audit Committee. Since the remuneration policy has been set by the Company's General Meeting of Shareholders until the end of the 2007 financial year, the remuneration committee has not performed any other task other than monitoring whether the remuneration policy has been complied with. As for Mr. Bartoszewski, as a member of the Audit Committee, he has had several meetings with Mr. Van Campen as mentioned in paragraph 7 and provided the Board of Directors with advice in this respect.

There were no irregularities in the 2007 financial year that required interventions by the non-Executive Directors.

## 10. Representations of the Board of Directors

### *10.1. Representation of the Board of Directors on the compliance of annual financial statements*

The Board of Directors hereby represents that to the best of its knowledge the annual financial statements of the Company and its capital group for the period that ended 31 December 2007 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of the Company and its capital group, and that the report of the Board of Directors on the operations of the Company and its capital group for 2007 gives a true view of the developments, achievements and situation of the Company, including a description of the key risks and threats.

### *10.2. Representation of the Board of Directors on appointment of an entity qualified to audit annual financial statements*

The Board of Directors hereby represents that the entity KPMG Accountants N.V., which performed the audit of the annual financial statements of the Company for the period that ended 31 December 2007, has been appointed in accordance with the applicable laws and that this entity and the accountants performing the review met the conditions necessary to issue an impartial and independent report on the review in accordance with the applicable provisions of law.

Board of Directors of ASTARTA Holding N.V.

V. Ivanchyk \_\_\_\_\_

P. Rybin \_\_\_\_\_

M.M.L.J. van Campen \_\_\_\_\_

V. Korotkov \_\_\_\_\_

W.T. Bartoszewski \_\_\_\_\_

20 May 2008,  
Amsterdam, the Netherlands

**Caution note regarding forward-looking statements**

Certain statements contained in this annual report may constitute forecasts and estimates. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ from the anticipated results expressed or implied by these forward-looking statements.



**ASTARTA HOLDING N.V.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2007**

*These consolidated financial statements contain 86 pages*

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## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

*(in thousands of Ukrainian hryvnias)*

		2007	2006 (restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	578,119	209,535
Intangible assets		992	691
Biological assets	7	47,331	24,614
Investments held-to-maturity	8	4,987	5,625
Investments available-for-sale	9	1,795	400
Other long-term assets		431	-
Deferred tax assets	28	905	1,324
		634,560	242,189
<b>Current assets</b>			
Inventories	10	384,737	305,342
Biological assets	7	112,892	47,600
Trade accounts receivable	11	60,028	120,527
Other accounts receivable and prepayments	12	75,509	55,086
Promissory notes available-for-sale		5,632	1,589
Cash and cash equivalents		7,926	19,894
		646,724	550,038
<b>Total assets</b>		<b>1,281,284</b>	<b>792,227</b>

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, CONTINUED

(in thousands of Ukrainian hryvnias)

		2007	2006 (restated)
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	1,663	1,663
Additional paid-in capital		371,733	371,599
Retained earnings		192,042	40,969
Fair value reserve		-	(233)
Revaluation surplus		168,317	-
Currency translation adjustment		(6,199)	(2,979)
		<hr/>	<hr/>
Total equity attributable to equity holders of parent company		727,556	411,019
		<hr/>	<hr/>
Minority interests relating to open joint stock companies	14	7,520	-
		<hr/>	<hr/>
<b>Total equity</b>		<b>735,076</b>	411,019
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Loans and borrowings	15	41,897	53,818
Minority interests relating to limited liability companies	14	26,457	13,961
Other long-term liabilities		4,324	1,931
Deferred tax liabilities	28	45,298	6,205
		<hr/>	<hr/>
		117,976	75,915
		<hr/>	<hr/>
<b>Current liabilities</b>			
Short-term loans and borrowing	15	307,648	163,398
Current portion of long-term loans and borrowings	15	30,930	20,911
Trade accounts payable		40,476	96,978
Promissory notes issued		-	2,984
Other liabilities and accounts payable	16	49,178	21,022
		<hr/>	<hr/>
		428,232	305,293
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,281,284</b>	792,227
		<hr/> <hr/>	<hr/> <hr/>

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

*(in thousands of Euros)*

		<b>2007</b>	<b>2006</b>
			(restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	77,919	31,505
Intangible assets		134	104
Biological assets	7	6,380	3,701
Investments held-to-maturity	8	672	846
Investments available-for-sale	9	242	60
Other long-term assets		58	-
Deferred tax assets	28	122	199
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		<b>85,527</b>	36,415
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b>Current assets</b>			
Inventories	10	51,855	45,910
Biological assets	7	15,216	7,157
Trade accounts receivable	11	8,091	18,122
Other accounts receivable and prepayments	12	10,176	8,283
Promissory notes available-for-sale		759	239
Cash and cash equivalents		1,068	2,991
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		<b>87,165</b>	82,702
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b>Total assets</b>		<b>172,692</b>	119,117
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, CONTINUED

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b> (restated)
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	13 <b>250</b>	250
Additional paid-in capital	<b>55,797</b>	55,778
Retained earnings	<b>28,038</b>	6,254
Fair value reserve	-	(35)
Revaluation surplus	<b>22,685</b>	-
Currency translation adjustment	<b>(8,710)</b>	(447)
	<hr/>	<hr/>
Total equity attributable to equity holders of parent company	<b>98,060</b>	61,800
	<hr/>	<hr/>
Minority interests relating to open joint stock companies	14 <b>1,014</b>	-
	<hr/>	<hr/>
<b>Total equity</b>	<b>99,074</b>	61,800
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Loans and borrowings	15 <b>5,647</b>	8,092
Minority interests relating to limited liability companies	14 <b>3,566</b>	2,099
Other long-term liabilities	<b>583</b>	290
Deferred tax liabilities	28 <b>6,105</b>	933
	<hr/>	<hr/>
	<b>15,901</b>	11,414
	<hr/>	<hr/>
<b>Current liabilities</b>		
Short-term loans and borrowing	15 <b>41,465</b>	24,568
Current portion of long-term loans and borrowings	15 <b>4,169</b>	3,144
Trade accounts payable	<b>5,455</b>	14,581
Promissory notes issued	-	449
Other liabilities and accounts payable	16 <b>6,628</b>	3,161
	<hr/>	<hr/>
	<b>57,717</b>	45,903
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>172,692</b>	119,117
	<hr/> <hr/>	<hr/> <hr/>

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.



## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b> (restated)
<b>Revenues</b>	18 <b>615,286</b>	432,922
Cost of revenues	19 <b>(467,572)</b>	(351,772)
Gain arising from remeasurement of agricultural produce to fair value	20 <b>24,584</b>	8,343
	<hr/>	<hr/>
<b>Gross profit</b>	<b>172,298</b>	89,493
	<hr/>	<hr/>
Changes in fair value of biological assets	25 <b>62,833</b>	1,826
Other operating income	21 <b>44,561</b>	23,659
General and administrative expense	22 <b>(52,560)</b>	(37,893)
Selling and distribution expense	23 <b>(29,130)</b>	(19,467)
Other operating expense	24 <b>(19,155)</b>	(10,295)
	<hr/>	<hr/>
<b>Profit from operations</b>	<b>178,847</b>	47,323
	<hr/>	<hr/>
Net financial expense	26 <b>(51,740)</b>	(35,611)
Other income (expense)	27 <b>(3,153)</b>	482
Gain on acquisition of subsidiaries	5 <b>35,150</b>	22,831
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>159,104</b>	35,025
	<hr/>	<hr/>
Income tax benefit	28 <b>648</b>	1,632
	<hr/>	<hr/>
<b>Net profit</b>	<b>159,752</b>	36,657
	<hr/> <hr/>	<hr/> <hr/>
<b>Net profit (loss) attributable to:</b>		
Minority interests	14 <b>10,041</b>	(4,056)
Equity holders of parent company	<b>149,711</b>	40,713
	<hr/>	<hr/>
<b>Net profit</b>	<b>159,752</b>	36,657
	<hr/> <hr/>	<hr/> <hr/>
Weighted average basic and diluted shares outstanding (in thousands of shares)	<b>25,000</b>	25,000
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings per share attributable to shareholders of the parent (in Ukrainian hryvnias)	<b>5.99</b>	1.63
	<hr/> <hr/>	<hr/> <hr/>

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated statements set out on pages 16 to 86.

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b> <i>(restated)</i>
<b>Revenues</b>	18	87,747
Cost of revenues	19	(66,867)
Gain arising from remeasurement of agricultural produce to fair value	20	3,722
	<hr/>	<hr/>
<b>Gross profit</b>	<b>24,602</b>	14,067
	<hr/>	<hr/>
Changes in fair value of biological assets	25	9,196
Other operating income	21	6,507
General and administrative expense	22	(7,572)
Selling and distribution expense	23	(4,185)
Other operating expense	24	(2,771)
	<hr/>	<hr/>
<b>Profit from operations</b>	<b>25,777</b>	7,439
	<hr/>	<hr/>
Net financial expense	26	(7,437)
Other income (expense)	27	(426)
Gain on acquisition of subsidiaries	5	5,050
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>22,964</b>	5,507
	<hr/>	<hr/>
Income tax benefit	28	80
	<hr/>	<hr/>
<b>Net profit</b>	<b>23,044</b>	5,763
	<hr/> <hr/>	<hr/> <hr/>
<b>Net profit (loss) attributable to:</b>		
Minority interests	14	1,458
Equity holders of parent company		(637)
		21,586
		<hr/>
<b>Net profit</b>		<b>23,044</b>
		<hr/> <hr/>
Weighted average basic and diluted shares outstanding (in thousands of shares)		25,000
		<hr/> <hr/>
Basic and diluted earnings per share attributable to shareholders of the parent (in Euros)		0.86
		<hr/> <hr/>

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated statements set out on pages 16 to 86.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

*(in thousands of Ukrainian hryvnias)*

	2007	2006
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>159,104</b>	35,025
<i>Adjustments for:</i>		
Depreciation and amortization	<b>34,902</b>	24,651
Impairment provision on trade and other accounts receivable	23 <b>4,851</b>	3,367
Losses from associates	-	109
Gain on acquisition of subsidiaries	5 <b>(35,150)</b>	(22,831)
Gain on sales of property, plant and equipment	<b>(231)</b>	(226)
Write down of inventories	<b>2,444</b>	872
Interest expense	26 <b>37,220</b>	25,878
Increase in inventories	<b>(53,567)</b>	(112,340)
Decrease (increase) in trade and other receivables	<b>42,120</b>	(85,332)
Increase in biological assets	<b>(86,065)</b>	(27,822)
(Decrease) increase in trade and other payables	<b>(52,174)</b>	33,605
Income taxes paid	<b>(965)</b>	(433)
Interest paid	<b>(35,831)</b>	(24,933)
	<hr/>	<hr/>
<b>Cash flows provided by (used in) operating activities</b>	<b>16,658</b>	(150,410)
	<hr/>	<hr/>
<b>Investing activities</b>		
Purchase of property, plant and equipment, intangible assets and other non-current assets	<b>(157,119)</b>	(69,415)
Proceeds from sales of property, plant and equipment	<b>10,099</b>	4,867
Purchase of investments held-to-maturity	-	(5,625)
(Purchase) sale of promissory notes available-for-sale	<b>(1,626)</b>	1,260
Interest received	<b>812</b>	954
Proceeds from sales of bonds receivable from related party	<b>589</b>	354
Acquisition of subsidiaries net of cash acquired	5 <b>(17,676)</b>	(2,718)
	<hr/>	<hr/>
<b>Cash flows used in investing activities</b>	<b>(164,921)</b>	(70,323)
	<hr/>	<hr/>

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the consolidated statements set out on pages 16 to 86.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER,  
CONTINUED**

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
<b>Financing activities</b>		
Proceeds from loans and borrowings	<b>444,509</b>	202,572
Principal payments on loans and borrowings	<b>(305,329)</b>	(98,309)
(Decrease) increase in promissory notes issued	<b>(2,751)</b>	955
Acquisition from minority shareholders	<i>14</i> <b>(134)</b>	(15,573)
Proceeds from share issue	-	2,738
Net proceeds from IPO	-	148,221
	<hr/>	<hr/>
<b>Cash flows provided by financing activities</b>	<b>136,295</b>	240,604
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b>(11,968)</b>	19,871
Cash and cash equivalents as at 1 January	<b>19,894</b>	3,002
Currency translation difference	-	(2,979)
	<hr/>	<hr/>
<b>Cash and cash equivalents as at 31 December</b>	<b>7,926</b>	19,894
	<hr/>	<hr/>

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the consolidated statements set out on pages 16 to 86.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>22,964</b>	5,507
<i>Adjustments for:</i>		
Depreciation and amortization	<b>5,043</b>	3,875
Impairment provision on trade and other accounts receivable	23 <b>701</b>	529
Losses from associates	-	17
Gain on acquisition of subsidiaries	5 <b>(5,050)</b>	(3,589)
Gain on sales of property, plant and equipment	<b>(33)</b>	(36)
Write down of inventories	<b>353</b>	137
Interest expense	26 <b>5,350</b>	4,068
Increase in inventories	<b>(7,741)</b>	(13,781)
Decrease (increase) in trade and other receivables	<b>6,087</b>	(11,180)
Increase in biological assets	<b>(12,438)</b>	(4,373)
(Decrease) increase in trade and other payables	<b>(7,540)</b>	3,714
Income taxes paid	<b>(139)</b>	(68)
Interest paid	<b>(5,178)</b>	(3,929)
	<hr/>	<hr/>
<b>Cash flows provided by (used in) operating activities</b>	<b>2,379</b>	(19,109)
	<hr/>	<hr/>
<b>Investing activities</b>		
Purchase of property, plant and equipment, intangible assets and other non-current assets	<b>(22,703)</b>	(10,912)
Proceeds from sales of property, plant and equipment	<b>1,459</b>	767
Purchase of investments held-to-maturity	-	(846)
(Purchase) sale of promissory notes available-for-sale	<b>(235)</b>	242
Interest received	<b>117</b>	150
Proceeds from sales of bonds receivable from related party	<b>85</b>	69
Acquisition of subsidiaries net of cash acquired	5 <b>(2,541)</b>	(423)
	<hr/>	<hr/>
<b>Cash flows used in investing activities</b>	<b>(23,818)</b>	(10,953)
	<hr/>	<hr/>

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the consolidated statements set out on pages 16 to 86.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER,  
CONTINUED**

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
<b>Financing activities</b>		
Proceeds from loans and borrowings	<b>64,116</b>	31,843
Principal payments on loans and borrowings	<b>(44,125)</b>	(15,453)
(Decrease) increase in promissory notes issued	<b>(398)</b>	109
Acquisition from minority shareholders	<b>(18)</b>	(2,448)
Proceeds from share issue	-	419
Net proceeds from IPO	-	22,234
	<hr/>	<hr/>
<b>Cash flows provided by financing activities</b>	<b>19,575</b>	36,704
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b>(1,864)</b>	6,642
Cash and cash equivalents as at 1 January	<b>2,991</b>	503
Currency translation difference	<b>(59)</b>	(4,154)
	<hr/>	<hr/>
<b>Cash and cash equivalents as at 31 December</b>	<b>1,068</b>	2,991
	<hr/> <hr/>	<hr/> <hr/>

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the consolidated statements set out on pages 16 to 86.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007**

	Attributable to equity holders of parent company						Total	Minority interests	Total equity
	Share capital	Additional paid-in capital	Retained earnings	Fair value reserve	Revaluation surplus	Currency translation adjustment			
<i>(in thousands of Ukrainian hryvnias)</i>									
<b>As at 1 January 2007, as restated</b>	<b>1,663</b>	<b>371,599</b>	<b>40,969</b>	<b>(233)</b>	<b>-</b>	<b>(2,979)</b>	<b>411,019</b>	<b>-</b>	<b>411,019</b>
Net profit	-	-	149,711	-	-	-	149,711	-	149,711
Change in fair value of promissory notes available-for-sale	-	-	-	233	-	-	233	-	233
Net loss attributable to minority shareholders of open joint stock companies	-	-	-	-	-	-	-	(684)	(684)
Currency translation differences	-	-	-	-	-	(3,220)	(3,220)	-	(3,220)
Revaluation of property	-	-	-	-	209,366	-	209,366	-	209,366
Deferred tax liability attributable to revalued property	-	-	-	-	(41,049)	-	(41,049)	-	(41,049)
Total recognized income and expenses	-	-	149,711	233	168,317	(3,220)	315,041	(684)	314,357
Acquisitions of entities under common control (note 5)	-	-	1,362	-	-	-	1,362	-	1,362
Acquisition of open joint stock companies	-	-	-	-	-	-	-	8,095	8,095
Acquisitions from minority shareholders	-	134	-	-	-	-	134	109	243
<b>As at 31 December 2007</b>	<b>1,663</b>	<b>371,733</b>	<b>192,042</b>	<b>-</b>	<b>168,317</b>	<b>(6,199)</b>	<b>727,556</b>	<b>7,520</b>	<b>735,076</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Attributable to equity holders of parent company</u>						Total	Minority interests	Total
	Share capital	Additional paid-in capital	Retained earnings	Fair value reserve	Revaluation surplus	Currency translation adjustment			
<i>(in thousands of Euros)</i>									
<b>As at 1 January 2007, as restated</b>	<b>250</b>	<b>55,778</b>	<b>6,254</b>	<b>(35)</b>	<b>-</b>	<b>(447)</b>	<b>61,800</b>	<b>-</b>	<b>61,800</b>
Net profit	-	-	21,588	-	-	-	21,588	-	21,588
Change in fair value of promissory notes available-for-sale	-	-	-	35	-	-	35	-	35
Net loss attributable to minority shareholders of open joint stock companies	-	-	-	-	-	-	-	(90)	(90)
Currency translation differences	-	1	-	-	-	(8,263)	(8,262)	(81)	(8,343)
Revaluation of property	-	-	-	-	28,218	-	28,218	-	28,218
Deferred tax liability attributable to revalued property	-	-	-	-	(5,533)	-	(5,533)	-	(5,533)
Total recognized income and expenses	-	1	21,588	35	22,685	(8,263)	36,046	(171)	35,875
Acquisitions of entities under common control (note 5)	-	-	196	-	-	-	196	-	196
Acquisition of open joint stock companies	-	-	-	-	-	-	-	1,170	1,170
Acquisitions from minority shareholders	-	18	-	-	-	-	18	15	33
<b>As at 31 December 2007</b>	<b>250</b>	<b>55,797</b>	<b>28,038</b>	<b>-</b>	<b>22,685</b>	<b>(8,710)</b>	<b>98,060</b>	<b>1,014</b>	<b>99,074</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006**

	<u>Attributable to equity holders of parent company</u>					<b>Total</b>
	<b>Share capital</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Fair value reserve</b>	<b>Currency translation adjustment</b>	
<i>(in thousands of Ukrainian hryvnias)</i>						
<b>As at 1 January 2006</b>	358	181,277	-	-	-	181,635
Change in fair value of promissory notes available-for-sale	-	-	-	(233)	-	(233)
Currency translation differences	-	-	-	-	(2,979)	(2,979)
Net profit	-	17,954	22,759	-	-	40,713
Total recognized income and expenses	-	17,954	22,759	(233)	(2,979)	37,501
Proceeds from share issue	962	1,776	-	-	-	2,738
Proceeds from IPO	343	163,300	-	-	-	163,643
Costs of IPO	-	(15,422)	-	-	-	(15,422)
Gains less losses on transactions with minority interest	-	22,714	-	-	-	22,714
<b>As at 31 December 2006, as originally reported</b>	1,663	371,599	22,759	(233)	(2,979)	392,809
Restatement of fair value of dairy cattle (note 4)	-	-	18,210	-	-	18,210
<b>As at 31 December 2006, as restated</b>	1,663	371,599	40,969	(233)	(2,979)	411,019

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006**

	Attributable to equity holders of parent company					Total
	Share capital	Additional paid-in capital	Retained earnings	Fair value reserve	Currency translation adjustment	
<i>(in thousands of Euros)</i>						
<b>As at 1 January 2006</b>	60	30,654	-	-	(296)	30,418
Change in fair value of promissory notes available-for-sale	-	-	-	(35)	-	(35)
Currency translation differences	-	(3,794)	-	-	3,379	(415)
Net profit	-	2,884	3,516	-	-	6,400
Total recognized income and expenses	-	(910)	3,516	(35)	3,379	5,950
Proceeds from share issue	140	279	-	-	-	419
Proceeds from IPO	50	24,503	-	-	-	24,553
Costs of IPO	-	(2,319)	-	-	-	(2,319)
Gains less losses on transactions with minority interest	-	3,571	-	-	(3,530)	41
<b>As at 31 December 2006, as originally reported</b>	250	55,778	3,516	(35)	(447)	59,062
Restatement of fair value of dairy cattle (note 4)	-	-	2,738	-	-	2,738
<b>As at 31 December 2006, as restated</b>	250	55,778	6,254	(35)	(447)	61,800

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 16 to 86.

## **1 BACKGROUND**

### **(a) Organization and operations**

These consolidated financial statements are prepared by ASTARTA Holding N.V. (the Company), a Dutch public company incorporated in Amsterdam, the Netherlands, on 9 June 2006 under Dutch law.

The Company's legal address is Koningslaan 17, 1075 AA, Amsterdam, the Netherlands.

On 4 July 2006 the shareholders of the Company contributed their shares in the Cyprus based company Ancor Investments Ltd to ASTARTA Holding N.V. After the contribution, ASTARTA Holding N.V. owns 100% of share capital of Ancor Investment Ltd.

Ancor Investments Ltd owns 99.98% of the capital of LLC Firm "Astarta-Kyiv" (Astarta-Kyiv) registered in Ukraine, which in turn controls a number of subsidiaries in Ukraine.

On 16 August 2006 the Company's shares were admitted for trading on the Warsaw Stock Exchange. The first quotation of the shares on the Warsaw Stock Exchange took place on 17 August 2006.

As a result of the offering, 5,000,000 shares were sold. All of the shares were newly issued. Investors subscribed for shares totaling PLN 95,000 thousand (EUR 24,553 thousand). The total costs and expenses of the offering were EUR 2,319 thousand. The net proceeds of the offering were EUR 22,234 thousand.

These consolidated financial statements include the Company and its subsidiaries (the Group).

Historically, the principal operation of the Group has been the production of sugar. The Group is diversifying into an agricultural business by developing its dairy cattle operation and expanding its crop growing activities. The Group's sugar plants and croplands are mainly located in the Poltava and Vinnytsia oblasts (administrative divisions) of Ukraine. The business is vertically-integrated because sugar is produced at plants primarily using own-grown sugar beet. The Group is also active in growing and selling various grain crops.

The Group operated under common control of the current two 40.00% shareholders throughout the years 2006 and 2007 and also prior to the incorporation of Astarta Holding NV on 9 June 2006.

Because of the common control situation that existed throughout 2006 and 2007 and in order to achieve comparability in respect of income statement and cash flow information for the years 2007 and 2006, full year results are presented in the income statement and in the cash flow statement as if the Group was formed as a legal entity as at 1 January 2006.

Note 2 (c) contains a description of the nature of the adjustments applied to the consolidated financial statements for the year ended 31 December 2006.

### **(b) Ukrainian business environment**

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. These consolidated financial statements reflect management's current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position may be significant.

## **2 BASIS OF PREPARATION**

### **(a) Statement of compliance**

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

**(b) Basis of consolidation**

Subsidiaries are those enterprises controlled separately by an entity. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control effectively commences until the date that control effectively ceases.

Associates are those enterprises in which the Company has significant influence, but not control, over its financial and operating policies. The consolidated financial statements include the Company's share of the total recognized gains and losses of an associate on an entity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Company's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred obligations in respect of the associate.

During the year ended 31 December 2007 the Group increased its ownership in LLC "APO "Tsukrovyk Poltavshchyny", LLC "Agricultural company "named after Shevchenko" (Gadiach region), LLC "Zoria" (Novo-Sanzharskiy region), LLC "Agricultural Company "Agro-Maiak" and the former associated company LLC "Agricultural company "Stozhary" by acquiring additional ownership of capital.

Subsequent to the date of acquisition the Group acquired 71.44% of OJSC "Agricultural Company "Agrocomplex" share capital and increased its ownership in this entity to 79.07%.

On 28 March 2007 the Group acquired 99.98% of the capital of agricultural company LLC "HTZ", which was subsequently merged with SC "Agricultural company "Sofiivka". As at the date of merging the name of the entity remained SC "Agricultural company "Sofiivka". The ownership share of the Group in this company did not change.

These consolidated financial statements include the Company and its subsidiaries. The operating subsidiaries in Ukraine are owned by LLC Firm Astarta-Kyiv, a Ukrainian limited liability company.

Astarta Holding N.V. owns shares, directly and indirectly, in a number of subsidiaries and an associate with the following percentage of ownership:

Name	Activity	31 December 2007 % of ownership	31 December 2006 % of ownership
<b>Subsidiaries:</b>			
Ancor Investments Ltd	Investment activities	100.00%	100.00%
LLC Firm "Astarta-Kyiv"	Asset management	99.98%	99.98%
LLC "Agropromtsukor"	Sugar production	99.98%	99.98%
LLC "APO "Tsukrovyk Poltavshchyny"	Sugar production	98.53%	95.08%
LLC "Agricultural company "Zolota Gora"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Dovzhenko"	Agricultural	96.98%	96.98%
LLC "Agricultural company "Gogolevo"	Agricultural	96.98%	96.98%
LLC "Shyshaki combined forage factory"	Fodder production	82.71%	82.71%
LLC "Agricultural company "Shyshatska"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Stepove"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Fydrivske"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Troyitska"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Mriya"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Pustoviytove"	Agricultural	99.78%	99.78%
LLC "Agricultural company "Shevchenko"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Grynky"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Ordanivka"	Agricultural	97.98%	97.98%
SC "Agricultural company "Sofiivka"	Agricultural	99.98%	99.98%
LLC "Agricultural company "Kozatsky stan"	Agricultural	97.98%	97.98%
LLC "Agricultural company "Dobrobut"	Agricultural	97.99%	97.99%
LLC "Agricultural company "Musievske"	Agricultural	74.99%	74.99%
LLC "Agricultural company "Zorya"	Agricultural	74.99%	74.99%
LLC "Agricultural company "Nadiya"	Agricultural	74.99%	74.99%
LLC "Agricultural company "Viytovetske"	Agricultural	99.98%	99.98%
LLC "Agricultural company "named after Bohdan Khmelnytskyi"	Agricultural	74.99%	74.99%
Globino canning factory "Globus"	Canning production, trade	99.98%	99.98%
SC "Agricultural company "Semenivska"	Agricultural	99.98%	99.98%
LLC "Agricultural company "named after Shevchenko" (Gadiach region)	Agricultural	81.98%	79.98%
LLC "Dobrobut" (Novo-Sanzharskiy region)	Agricultural	97.98%	97.98%
LLC "Zoria" (Novo-Sanzharskiy region)	Agricultural	97.98%	90.11%
LLC "Baliasne"	Agricultural	97.98%	97.98%
LLC "Agricultural Company "Agro-Maiak"	Agricultural	81.98%	79.98%
OJSC "Agricultural Company "Agrocomplex"	Agricultural	79.07%	–
LLC "Agricultural company "Stozhary"	Agricultural	63.99%	25.40%
OJSC "Agricultural Company "Zhdanivske"	Agricultural	60.05%	–
LLC "Agricultural Company "LAN-2007"	Agricultural	97.98%	–
LLC "Agricultural Company "Ukraina-Porik"	Agricultural	99.98%	–
LLC "Agricultural Company "Shedievo"	Agricultural	97.98%	–
LLC "Investment company "Poltavazernoproduct"	Agricultural	99.88%	–
LLC "Agricultural Company "Nauka-Agro-Mayak"	Agricultural	99.88%	–
LLC "Agricultural Company "Vasilivske"	Agricultural	74.99%	–
LLC "Agricultural Company "Khib I Liudi"	Agricultural	79.98%	–
LLC "Agricultural Company "Progres"	Agricultural	77.48%	–
<b>Associate:</b>			
LLC "Agricultural company "Pokrovska"	Agricultural	49.99%	49.99%

Ancor Investments LTD is incorporated under Cyprus legislation and all other subsidiaries and the associate are incorporated in Ukraine.

**(c) Adjustments to the financial statements as at and for the year ended 31 December 2006**

Certain adjustments are made to the financial statements as at and for the year ended 31 December 2006.

In July 2006 the Group was structured into a legal group. Therefore, the period through 31 December 2006 constitutes the first six months of operations of the legal group.

Prior to July 2006 the Group did not constitute a legal group. However, the companies forming the Group were under common ownership prior to formation of the legal group. Accordingly, for purposes of presenting comparative financial data relating to periods before the legal group was formed, the companies are consolidated as if the Group existed during those periods in the same legal structure that is in place with effect from July 2006.

Certain subsidiaries and associates are not consolidated or accounted for under the equity method in consolidated financial statements because they do not relate to the Group's primary agricultural production and processing business and were disposed during the first six months of 2006.

These subsidiaries and associates were sold to related parties outside the Group and are accounted for as if the sale occurred prior to 1 January.

**(d) Acquisition and disposal of minority interests**

Any difference between the consideration paid to acquire minority interests or any difference between the consideration received upon disposal of minority interests and the carrying amount of that portion of the Group's interest in the subsidiary, is recognized as equity increases (or decreases) in the parent shareholder's interest, so long as the parent controls the subsidiary. The presentation of minority interests within equity supports the recognition of increases and decreases in ownership interests in subsidiaries without a change in control as equity transactions in the consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from (or sales of equity instruments to) minority interests is recognized directly in the parent shareholders' equity.

**(e) Transactions eliminated on consolidation**

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

**(f) Common control transactions**

The acquisition of controlling interests in entities that are under the control of the same controlling equity holders as the Group are accounted for on the date of acquisition. The assets and liabilities acquired are recognized at their previous book values as recorded in the individual IFRS financial statements of the acquired enterprise. The components of equity of the acquired enterprises are added to the same components within Group equity. Any cash paid for the acquisition is charged to equity.

The disposal of subsidiaries to entities that are under the control of the same controlling equity holders as the Group are accounted for by recognizing the difference between the consideration received and the carrying amount of the net assets of the subsidiary, including minority interests and attributable goodwill or negative goodwill, in equity.

**(g) Basis of accounting**

The consolidated financial statements are prepared using the fair value basis for property, biological assets, agricultural produce and promissory notes available-for-sale. Biological assets are stated at their fair value less estimated point-of-sale costs, whereas agricultural produce is stated at its fair value less estimated point-of-sale costs at the point of harvest. Promissory notes available-for-sale are stated at fair value. Beginning 31 December 2007, property is carried at fair value as determined by independent appraisal. All other assets and liabilities are carried at historical cost.

**(h) Minority interest participants**

Substantially all of the Company's subsidiaries are limited liability companies. Under Ukrainian law, a participant in a limited liability company may unilaterally withdraw his share in a company. In such case, the company is obliged to pay the withdrawing participant's share of the net assets of the company determined in accordance with Ukrainian National Accounting Standards not later than 12 months from the date of the withdrawal. Consequently, minority interests in limited liability companies that are subsidiaries are recognized as a non-current liability.

Since a participant in an open joint stock company may not withdraw his share in a company, the corresponding minority interests are recognized in equity.

**(i) Functional and presentation currency**

The operating subsidiaries and the associate in Ukraine have the Ukrainian hryvnia (UAH) as their functional currency. The financial data of the companies registered in Ukraine are converted from UAH to EUR and are rounded to the nearest thousand.

Management chose to present the consolidated financial statements in two currencies, EUR and UAH.

For the purposes of presenting consolidated financial statements, assets and liabilities are translated for companies operating in Ukraine from UAH to EUR using the closing rates at each balance sheet date, and income and expenses are translated at the average rates for each respective period. The rates are obtained from the National Bank of Ukraine. The resulting translation differences are shown in equity.

**(j) Critical accounting estimates and judgments in applying accounting policies**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The most significant estimates and assumptions are as follows:

***Impairment of trade accounts receivable***

Management estimates impairment by assessing the likelihood of the collection of trade accounts receivable based on an analysis of individual accounts. Factors taken into consideration when assessing individual accounts include an ageing analysis of trade accounts receivable in comparison with the credit terms provided to customers, the financial position and collection history with the customer.

***Fair value of property***

As at 31 December 2007 management adopted the revaluation model of accounting for property (buildings). Under this method, property is carried at fair value less any subsequent accumulated depreciation and impairment losses. As buildings in the sugar production, agricultural and cattle-farming businesses are specialized and rarely sold except as part of a continuing business, they are valued using depreciated replacement cost. The administrative building of LLC Firm "Astarta-Kiev" is valued using the market approach. Estimating the fair value of property requires the exercise of judgement and the use of assumptions. Management engages external independent appraisers to estimate the fair value of property. As at 31 December 2006 property was stated at cost less accumulated depreciation and impairment losses.

***Fair value of biological assets***

Due to the lack of an active market as defined by International Financial Reporting Standard IAS 41 Agriculture, the fair value of biological assets is estimated by present valuing the net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate. Management uses the assistance of independent appraisers to estimate expected cash flows, and determines discount rates by

reference to current market rates on deposits in Ukrainian hryvnia. The fair value is then reduced for estimated point-of-sale costs.

As at 31 December 2007 the estimate of fair value of dairy cattle was restated to take into account a more accurate analysis of cattle by age.

#### ***Fair value of agricultural produce***

Management estimates the fair value of agricultural produce by reference to quoted prices in an active market, as defined by International Financial Reporting Standard IAS 41. In addition, point-of-sale costs at the point of harvest are estimated and deducted from the fair value. The fair value less point-of-sale costs becomes the carrying value of inventories at that date.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies are applied in the preparation of the consolidated financial statements.

#### **(a) Application of new International Financial Reporting Standards**

Certain new International Financial Reporting Standards became effective on 1 January 2007. Listed below are those new or amended standards that are relevant to the Group's operations. The changes in accounting policies are applied retroactively unless otherwise stated.

- Amendment to International Financial Reporting Standard IAS 1 *Presentation of Financial Statements - Capital Disclosures* is effective for annual periods beginning on or after 1 January 2007. This amendment requires extended disclosure regarding capital and its measurement.
- International Financial Reporting Interpretations Committee (IFRIC) 9 *Reassessment of Embedded Derivatives* is effective for annual periods beginning on or after 1 June 2006, and clarifies that an embedded derivative shall be assessed for separation from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a significant change in the terms of the contract, i.e. in the terms of either the host contract or the embedded derivative or both.
- IFRIC 10 *Interim Financial Reporting and Impairment* is effective for accounting periods beginning on or after 1 November 2006. IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- International Financial Reporting Standard IFRS 7 *Financial Instruments: Disclosures* is effective for annual periods beginning on or after 1 January 2007. IFRS 7 requires extended disclosure in respect of financial instruments and replaces disclosure requirements in International Financial Reporting Standard IAS 32 *Financial Instruments: Disclosure and Presentation*.
- IFRS 8 *Operating Segments* was early adopted by the group in 2007. IFRS 8 replaces IAS 14 *Segment reporting*. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. Comparatives for 2006 have been restated.

#### **(b) Foreign currency transactions**

Transactions in foreign currencies are translated to hryvnias at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to hryvnias at the foreign exchange rate ruling at that date. Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to hryvnias at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in the income statement.



The principal UAH exchange rates used in the preparation of the consolidated financial statements are as follows:

Currency	Average reporting period rate		Reporting date rate	
	2007	2006	2007	2006
EUR	6.9196	6.4739	7.4195	6.6508
USD	5.0500	5.0500	5.0500	5.0500

### (c) **Property, plant and equipment**

#### *Owned assets*

As at 31 December 2007 buildings held for production, selling and distribution or administrative purposes are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. At the date of the revaluation accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Prior to 31 December 2007, property was stated at cost less accumulated depreciation and impairment losses. Management adopted the revaluation model for property because of the rapidly changing property market in Ukraine. Revaluations were carried out by independent appraisers and will be performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount at the balance sheet date.

A revaluation increase on property is recognized directly in equity, except to the extent that it reverses a previous revaluation decrease recognized in the income statement. A revaluation decrease on property is recognized in the income statement, except to the extent that it reverses a previous revaluation increase recognized directly in equity.

Upon disposal, any revaluation reserve relating to the building being sold is transferred to retained earnings.

Items of property, plant and equipment, other than buildings, acquired before 1 January 2003 are stated at deemed cost less subsequent accumulated depreciation and impairment losses. Deemed cost is based on the fair values of property, plant and equipment, other than buildings, as at 1 January 2003 based on an independent appraisal. Items of property, plant and equipment, other than buildings, acquired on or after 1 January 2003 are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

#### *Leased assets*

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

#### *Subsequent expenditure*

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized and the carrying amount of the component replaced is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the income statement as expenses as incurred.

### **Depreciation**

Depreciation on property, plant and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

Buildings	20-50 years
Machines and equipment	10-20 years
Vehicles	5-10 years
Other fixed assets	3-5 years

#### **(d) Intangible assets**

Intangible assets, which are acquired by the Group and which have finite useful lives, consist mainly from computer software and are stated at cost less accumulated amortization and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives, normally 4 years.

#### **(e) Biological assets**

The Group classifies livestock (primarily cattle) and crops as biological assets. Biological assets are carried at their fair value less estimated point-of-sale costs, except when the fair value cannot be measured reliably. If fair value cannot be measured reliably, biological assets are carried at cost less impairment. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to market.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset is included in net profit or loss for the period in which it arises.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets.

#### **(f) Agricultural produce**

The Group classifies crops as agricultural produce. Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in net profit or loss for the period in which it arises.

#### **(g) Financial instruments**

##### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, promissory notes, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Bank overdrafts that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***Held-to-maturity investments***

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

***Available-for-sale financial assets***

Investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

***Investments at fair value through profit or loss***

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, costs attributable to the transaction are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

***Other***

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

**(ii) *Fair value measurement principles***

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates using a discount rate representing a market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

**(h) *Inventories***

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of raw materials at the agricultural and sugar production facilities is determined using the weighted average method including acquisition costs incurred, such as transportation.

Work in progress and finished goods are stated at cost. Cost includes the cost of raw materials, labor and manufacturing overheads allocated proportionately to the stage of completion of the inventory.

Investments into future crops represent seeds, fertilizers and land cultivation to prepare for the subsequent growing season.

**(i) *Trade accounts receivable***

Trade accounts receivable are stated at their amortized cost less impairment losses.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and deposits with an original maturity date of three months or less.

**(k) Impairment**

***Financial assets***

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated of the future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

***Non-financial assets***

The carrying amounts of non-financial assets, other than inventories, biological assets, agricultural produce and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit and loss. Impairment losses are recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

***Reversal of impairment***

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(l) Share capital and earnings per share**

Earnings per share are calculated by dividing net profit attributable to shareholders of the parent company by the weighted average number of shares outstanding during the period. There are no potentially dilutive shares.

**(m) Loans and borrowings**

Loans and borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in the income statement.

**(n) Trade accounts payable**

Trade accounts payable are stated at their amortized cost. Balances due in less than one year are not discounted.

**(o) Income tax**

Under Ukrainian law, producers of agricultural products are permitted to choose between general and special regimes of taxation with respect to certain taxes. In particular, in accordance with the Law of Ukraine "On the Fixed Agricultural Tax", dated 17 December 1998, as amended (the Law on Fixed Agricultural Tax), agricultural companies engaged in the production, processing and sale of agricultural products may choose to be registered as payers of fixed agricultural tax (FAT), provided that their sales of agricultural goods of their own production account for more than 75% of their gross revenue.

FAT is paid in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, vehicle tax, duties for geological survey works and duties for trade patents. The amount of FAT payable is calculated as a percentage of the deemed value of all land plots (determined by state) leased or owned by a taxpayer. The FAT regime is effective until 31 December 2009.

In accordance with the Law on Fixed Agricultural Tax, 36 subsidiaries elected to pay FAT in lieu of other taxes in 2007. During the years ended 31 December 2006 and 2007, the remaining companies are subject to income taxes at a 25% rate.

For these companies, income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. No deferred tax is recognized for companies that are involved in the agricultural business and that are exempt from income taxes until 31 December 2009 as management believes it is likely that this exemption will be extended as has historically been the case.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(p) Government subsidies**

The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. There are grants and benefits established by Verkhovna Rada (the

Parliament) as well as by the Ministry of Agrarian Policy, the Ministry of Finance, the State Committee of Water Industry, the customs authorities and local district administrations.

#### ***VAT refunds for agriculture and cattle farming***

According to the Law of Ukraine, "On the Value Added Tax (VAT)", companies that generate not less than 50% of gross revenues for the previous tax year from sales of own agricultural products are entitled to refunds of VAT on sales of agricultural products. The VAT on sales, net of VAT paid on purchases, is transferred to a special account, and is restricted to payments for goods and services related to agricultural activities. Until qualifying expenditures are made, the VAT is recorded as deferred government subsidy and shown in other accounts payable in the balance sheet, while corresponding amounts of cash are maintained in special purpose bank accounts. Once qualifying expenditures are made from special purpose bank accounts, the subsidy is recognized in other operating income.

In December 2007, this VAT refund was extended to 1 January following the year in which the Parliament ratifies the protocol on the accession of Ukraine to the World Trade Organization, which occurred on 10 April 2008. When the VAT refund ceases on 1 January 2009 agricultural producers will be subject to VAT on sales at a 9% rate, while the VAT rate on purchases will be 20%. The change in VAT rate from 20% to 9% does not affect the eligibility for retention of the net VAT liability arising from sales of agricultural products.

Nevertheless, the decrease of the VAT rate from 20% to 9% will result in a decrease of VAT refunds available to the Group.

#### ***Government Grants Related to Crop Growing***

The amount of this type of subsidy is calculated based on the number of hectares sowed with a particular crop. In particular, the companies growing winter wheat and rye, spring wheat, oats, peas, buckwheat and millet receive subsidies of UAH 100 (Euro 13) per hectare of the planted area. The subsidy for growing soy beans is UAH 80 (Euro 11), and sugar beet is UAH 550 (Euro 74) per hectare.

The amount of reimbursement is based on a variety of factors. The Group recognizes these subsidies when received due to the uncertainty in the amount and timing of receipt.

#### ***Government Grants Related to Processing of Animal Products***

Agricultural producers who breed poultry and cattle are entitled to state subsidies for every item of poultry or cattle either slaughtered at their own (owned or leased) facilities or transferred for slaughtering and processing to other entities. As from 1 January 2007, financial support for bred and slaughtered cattle and poultry is granted in the following amounts: UAH 1.40 (Euro 0.19) per kilogramme of beef, UAH 1.05 (Euro 0.14) per kilogramme of pork and UAH 0.50 (Euro 0.07) per kilogramme of poultry, in each case based on live weight at time of slaughter.

#### ***Partial Compensation for Finance Costs and Other Subsidies***

Companies that are subject to the FAT are also eligible for reimbursement by the government for a portion of interest incurred on borrowings by the entity. The amount of interest subsidy depends on the terms and purposes of financing obtained from banks. The interest subsidy falls within the range of 7-9% and 10-14% for loans received in foreign and local currency, respectively. Because the interest subsidy is payable only when the governmental budget allows, it is recorded on the cash basis, and is reflected in other operating income.

The Group is entitled to receive reimbursement from various government programs for the cost of agricultural machinery produced in Ukraine, insurance of agricultural produce losses and fertilizers produced in Ukraine. Agricultural producers are required to meet certain conditions to qualify for these subsidies.

**(q) Revenues**

Revenues from the sale of goods are recognized in the income statement when the significant risks and rewards of ownership are transferred to the buyer. No revenues are recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(r) Non-monetary transactions**

The Group enters into non-cash transactions as is common with many Ukrainian companies. These transactions involve tolling schemes and provision of inventories and agricultural services in exchange for sugar beets. Non-cash transactions consist of mutual settlements arising from the exchange of goods and services, and transactions that are settled by means of promissory notes. Approximately 1% of revenues and purchases in 2007 were received and paid for in the form of non-cash transactions (2006: 5%). Mutual settlement transactions are centrally managed. Prices are usually fixed in contracts with the mutual settlement transactions valued and recorded at the market prices for the goods involved in the transaction. Non-cash sales and purchases are accounted for on an accrual basis in the same manner as traditional cash transactions.

**(s) Expenses**

Expenses are accounted for on an accrual basis.

**(t) Operating lease payments**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease payments made.

**(u) Net financial expense**

All interests and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

**(v) Employee benefits**

The Group is committed to reimburse employees for all expenses incurred in case of injuries at work. These amounts are expensed when they are incurred.

Furthermore, the Group makes contributions into the Ukrainian state pension fund based on each employee's wage. These amounts are expensed when they are incurred.

The Group is also obligated to make contributions to certain defined benefit plans. Neither the contributions nor obligations are significant to these consolidated financial statements.

**(w) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

**(x) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, the following will potentially have an impact on future consolidated financial statements:

International Financial Reporting Standard IAS 23 *Borrowing Costs* is effective for annual periods beginning on or after 1 January 2009. The new International Financial Reporting Standard eliminates the option of immediately expensing borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Management anticipates that the adoption of this standard in future periods will not have a material effect on the consolidated financial statements.

#### 4 RESTATEMENTS AND RECLASSIFICATIONS

##### *Restatement of the fair value of dairy cattle*

As at 31 December 2007, management restated the estimate of fair value of dairy cattle in order to take into account a more accurate analysis of cattle by age.

Because of low margins in cattle farming business in the past, previously, the fair value of dairy cattle was determined by estimating the net present value of future cash flows to be generated by cows during one year after the balance sheet date.

Beginning on 31 December 2007, management determined that the fair value of dairy cattle should be estimated at the net present value of estimated future cash flows to be generated by cows during their remaining productive lives after the balance sheet date. The average productive life of a dairy cow is estimated at 5 years.

This technique is used due to the absence of an active, transparent market for dairy cattle in Ukraine. Management uses the assistance of independent appraisers in the estimation of future cash flows.

International Financial Reporting Standard IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the restatement of the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable. Due to the lack of information on the age of dairy cattle in periods prior to 2007, management restated the carrying value of dairy cattle as at 31 December 2006. The effect of this restatement is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as restated</b>
Biological assets - dairy cattle, non-current	16,422	7,833	24,255
Biological assets - dairy cattle, current	13,513	10,377	23,890
Retained earnings	22,759	18,210	40,969

<i>(in thousands of Euros)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as restated</b>
Biological assets - dairy cattle, non-current	2,469	1,179	3,648
Biological assets - dairy cattle, current	2,032	1,559	3,591
Retained earnings	3,516	2,738	6,254

The restatement had no deferred tax effect since all the cattle are owned by subsidiaries registered as FAT payers.

Had the Group not amended the methodology to determine the fair value of dairy cattle as at 31 December 2007 the carrying value of non-current dairy cattle as at that date would be equal to UAH 31,867 thousand (EUR 4,295 thousand), the carrying value of current dairy cattle would be equal to UAH 18,087 thousand (EUR 2,451 thousand) and profit before taxation and net profit would be reduced to UAH 111,728 thousand (EUR 16,591 thousand) and UAH 112,376 thousand (EUR 16,671 thousand) respectively. Basic and diluted earnings per share attributable to shareholders of the parent would decrease by UAH 1.90 (EUR 0.25).

##### *Reclassifications in the balance sheet as of 31 December 2006*

Certain reclassifications are made to financial statements as at 31 December 2006 in order to conform to the current year presentation:



- Minority interests relating to limited liability companies are reclassified from current liabilities to non-current liabilities. Such treatment is based on clarification of Ukrainian legislation relating to limited liability companies made available in 2007. The effect of this reclassification is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as reclassified</b>
Minority interests relating to limited liability companies, non-current	-	13,961	13,961
Minority interests relating to limited liability companies, current	13,961	(13,961)	-

<i>(in thousands of Euros)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as reclassified</b>
Minority interests relating to limited liability companies, current	-	2,099	2,099
Minority interests relating to limited liability companies, non-current	2,099	(2,099)	-

- Other long-term liabilities amounting to UAH 1,931 thousand (EUR 290 thousand) are reported separately in 2007. In 2006 they were presented in Loans and borrowings. The effect of this reclassification is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as reclassified</b>
Loans and borrowings	55,749	(1,931)	53,818
Other long-term liabilities	-	1,931	1,931

<i>(in thousands of Euros)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as reclassified</b>
Loans and borrowings	8,382	(290)	8,092
Other long-term liabilities	-	290	290

*Reclassifications in the income statement for the year ended 31 December 2006*

Changes in the fair value of biological assets were previously reported in Other operating income (UAH 9,561 thousand (EUR 1,503 thousand) and in Other operating expense (UAH 7,735 thousand (EUR 1,216 thousand). These are now shown as a separate line item in the income statement and reported net at UAH 1,826 thousand (EUR 287 thousand). The effect of this reclassification is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as reclassified</b>
Changes in fair value of biological assets	-	1,826	1,826
Other operating income	33,220	(9,561)	23,659
Other operating expense	(18,030)	7,735	(10,295)

<i>(in thousands of Euros)</i>	<b>as originally reported</b>	<b>adjustment</b>	<b>as reclassified</b>
Changes in fair value of biological assets	-	287	287
Other operating income	5,222	(1,503)	3,719
Other operating expense	(2,834)	1,216	(1,618)

## 5 ACQUISITION OF SUBSIDIARIES

During 2007 the Group acquired the following companies:

<b>Name</b>	<b>Country of incorporation</b>	<b>Activity</b>	<b>Date of acquisition</b>	<b>% of ownership as at the date of acquisition</b>
LLC "Agricultural Company "HTZ"	Ukraine	Agricultural	21.03.2007	99.98%
OJSC "Agricultural Company "Agrocomplex"	Ukraine	Agricultural	28.03.2007	79.07%
LLC "Agricultural Company "Stozhary"	Ukraine	Agricultural	24.05.2007	63.99%
OJSC "Agricultural Company "Zhdanivske"	Ukraine	Agricultural	17.07.2007	60.05%
LLC "Agricultural Company "LAN-2007"	Ukraine	Agricultural	31.08.2007	97.98%
LLC "Agricultural Company "Ukraina-Porik"	Ukraine	Agricultural	11.09.2007	99.98%
LLC "Agricultural Company "Shedievo"	Ukraine	Agricultural	04.10.2007	97.98%
LLC "Investment company "Poltavazernoproduct"	Ukraine	Agricultural	09.10.2007	99.88%
LLC "Agricultural Company "Nauka-Agro-Mayak"	Ukraine	Agricultural	10.10.2007	99.88%
LLC "Agricultural Company "Vasilivske"	Ukraine	Agricultural	30.10.2007	74.99%
LLC "Agricultural Company "Khlib I Liudi"	Ukraine	Agricultural	05.11.2007	79.98%
LLC "Agricultural Company "Progres"	Ukraine	Agricultural	14.11.2007	77.48%

During 2006 the Group acquired the following companies:

<b>Name</b>	<b>Country of incorporation</b>	<b>Activity</b>	<b>Date of acquisition</b>	<b>% of ownership as at the date of acquisition</b>
LLC "Agricultural Company "Mriya"	Ukraine	Agricultural	30.04.2006	97.98%
LLC "Agricultural Company "Named after Shevchenko"	Ukraine	Agricultural	04.09.2006	79.98%
LLC "Zoria" (Novo-Sanzharskiy region)	Ukraine	Agricultural	05.10.2006	90.11%
LLC "Dobrobot" (Novo-Sanzharskiy region)	Ukraine	Agricultural	07.10.2006	97.98%
LLC "Baliasne"	Ukraine	Agricultural	13.10.2006	97.98%
LLC "Agricultural Company "Agro-Maiak"	Ukraine	Agricultural	12.12.2006	79.98%

The acquisition of these companies during 2007 had the following effect on assets and liabilities, which are stated at their fair values, as at the date they were acquired:

(in thousands of Ukrainian hryvnias)

	Recognized fair value at acquisition											Total	
	HTZ	Agro-kom-plex	Sto-zhary	Zhda-nivske	LAN-2007	Ukra-ina-Porik	She-dievo	Poltava-zerno-produkt	Nauka-agro-mayak	Vasi-livske	Khlib I Liudi		Prog-res
<b>Non-current assets</b>													
Property, plant and equipment	1,633	1,570	1,082	18,747	5,303	11,800	3,767	-	237	808	284	2,115	47,346
Construction in progress	-	-	-	-	27	168	-	-	-	325	202	129	851
Non-current biological assets	-	-	-	396	310	851	-	-	-	-	657	-	2,214
Other non-current assets	-	-	365	-	-	-	-	-	-	143	238	-	746
<b>Current assets</b>													
Inventories	43	231	1,974	7,672	1,892	2,852	2,672	16	5,775	2,165	2,649	1,397	29,338
Current biological assets	-	-	-	161	53	663	11	-	-	381	275	206	1,750
Trade accounts receivable	-	523	386	173	26	121	-	52	2,479	16	15	17	3,808
Other accounts receivable and prepayments	40	17	242	462	-	753	389	-	1,183	-	-	-	3,086
Promissory notes received	-	2,417	-	-	-	-	-	-	-	-	-	-	2,417
Cash and cash equivalents	-	5	10	7	10	11	14	1	14	8	14	4	98
<b>Non-current liabilities</b>													
Long-term loans and borrowings	-	(70)	-	-	(84)	-	(9)	-	-	(300)	-	-	(463)
Other long-term liabilities	-	-	-	-	-	-	(34)	-	-	-	-	(432)	(466)
<b>Current liabilities</b>													
Short-term loans and borrowings	-	-	-	(1,938)	(350)	-	-	-	-	(510)	(340)	(418)	(3,556)
Trade accounts payable	(10)	(92)	(3,099)	(4,951)	(690)	(952)	(162)	-	(2,552)	(1,255)	(249)	(239)	(14,251)
Other liabilities and accounts payable	(3)	(2,608)	(354)	(1,962)	(220)	(1,286)	(381)	(58)	(389)	(342)	(104)	(816)	(8,523)
Minority interest acquired	-	(597)	(218)	(7,498)	(127)	(3)	(127)	-	(8)	(360)	(729)	(442)	(10,109)
<b>Net identifiable assets, liabilities and contingent liabilities</b>	<b>1,703</b>	<b>1,396</b>	<b>388</b>	<b>11,269</b>	<b>6,150</b>	<b>14,978</b>	<b>6,140</b>	<b>11</b>	<b>6,739</b>	<b>1,079</b>	<b>2,912</b>	<b>1,521</b>	<b>54,286</b>
Excess of net assets acquired over consideration paid :													
acquisitions from third parties	704	-	-	9,415	5,607	11,359	2,103	3	2,253	21	2,331	1,354	35,150
acquisitions from entities under common control	-	1,296	66	-	-	-	-	-	-	-	-	-	1,362
Consideration paid	(999)	(100)	(322)	(1,854)	(543)	(3,619)	(4,037)	(8)	(4,486)	(1,058)	(581)	(167)	(17,774)
Cash acquired	-	5	10	7	10	11	14	1	14	8	14	4	98
<b>Net cash outflow</b>	<b>(999)</b>	<b>(95)</b>	<b>(312)</b>	<b>(1,847)</b>	<b>(533)</b>	<b>(3,608)</b>	<b>(4,023)</b>	<b>(7)</b>	<b>(4,472)</b>	<b>(1,050)</b>	<b>(567)</b>	<b>(163)</b>	<b>(17,676)</b>

(in thousands of Euros)

	Recognized fair value at acquisition											Total	
	HTZ	Agro-kom-plex	Sto-zhary	Zhda-nivske	LAN-2007	Ukra-ina-Porik	She-dievo	Poltava-zerno-produkt	Nauka-agro-mayak	Vasi-livske	Khlib I Liudi		Prog-res
<b>Non-current assets</b>													
Property, plant and equipment	235	226	156	2,694	762	1,696	541	-	34	116	41	304	6,805
Construction in progress	-	-	-	-	4	24	-	-	-	46	29	19	122
Non-current biological assets	-	-	-	57	45	122	-	-	-	-	94	-	318
Other non-current assets	-	-	52	-	-	-	-	-	-	21	34	-	107
<b>Current assets</b>													
Inventories	6	33	284	1,103	272	410	384	2	830	311	381	200	4,216
Current biological assets	-	-	-	23	8	95	1	-	-	55	40	30	252
Trade accounts receivable	-	75	55	26	4	18	-	7	356	2	2	2	547
Other accounts receivable and prepayments	6	2	35	66	-	108	56	-	171	-	-	-	444
Promissory notes received	-	347	-	-	-	-	-	-	-	-	-	-	347
Cash and cash equivalents	-	1	1	1	1	2	2	-	2	1	2	1	14
<b>Non-current liabilities</b>													
Long-term loans and borrowings	-	(10)	-	-	(13)	-	(1)	-	-	(43)	-	-	(67)
Other long-term liabilities	-	-	-	-	-	-	(5)	-	-	-	-	(62)	(67)
<b>Current liabilities</b>													
Short-term loans and borrowings	-	-	-	(279)	(50)	-	-	-	-	(73)	(49)	(60)	(511)
Trade accounts payable	(1)	(13)	(445)	(712)	(99)	(137)	(23)	-	(367)	(180)	(36)	(35)	(2,048)
Other liabilities and accounts payable	-	(375)	(51)	(282)	(32)	(185)	(55)	(8)	(56)	(49)	(15)	(117)	(1,225)
Minority interest acquired	-	(86)	(31)	(1,078)	(18)	-	(18)	-	(1)	(52)	(105)	(64)	(1,453)
<b>Net identifiable assets, liabilities and contingent liabilities</b>	<b>246</b>	<b>200</b>	<b>56</b>	<b>1,619</b>	<b>884</b>	<b>2,153</b>	<b>882</b>	<b>1</b>	<b>969</b>	<b>155</b>	<b>418</b>	<b>218</b>	<b>7,801</b>
Excess of net assets acquired over consideration paid :													
acquisitions from third parties	101	-	-	1,353	806	1,633	302	-	324	3	334	194	5,050
acquisitions from entities under common control	-	186	10	-	-	-	-	-	-	-	-	-	196
Consideration paid	(145)	(14)	(46)	(266)	(78)	(520)	(580)	(1)	(645)	(152)	(84)	(24)	(2,555)
Cash acquired	-	1	1	1	1	2	2	-	2	1	2	1	14
<b>Net cash outflow</b>	<b>(145)</b>	<b>(13)</b>	<b>(45)</b>	<b>(265)</b>	<b>(77)</b>	<b>(518)</b>	<b>(578)</b>	<b>(1)</b>	<b>(643)</b>	<b>(151)</b>	<b>(82)</b>	<b>(23)</b>	<b>(2,541)</b>

The acquisition of these companies during 2006 had the following effect on assets and liabilities, which are stated at their fair values, as at the date they were acquired:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Mriya</b>	<b>Named after Shevchenko</b>	<b>Zoria (Novo- Sanzharskiy region)</b>	<b>Dobrobut (Novo- Sanzharskiy region)</b>	<b>Baliasne</b>	<b>Agro-Maiak</b>	<b>Total</b>
<b>Non-current assets</b>							
Property, plant and equipment	217	3,413	2,411	1,749	4,030	6,110	17,930
Non-current biological assets	345	-	1	-	965	1,185	2,496
Other non-current assets	-	90	-	-	-	397	487
<b>Current assets</b>							
Inventories	986	6,781	1,190	1,001	2,670	2,891	15,519
Current biological assets	268	2,953	-	-	1,475	985	5,681
Trade accounts receivable	2,743	400	21	635	129	201	4,129
Other accounts receivable and prepayments	215	6	758	49	199	-	1,227
Cash and cash equivalents	24	238	2	1	121	76	462
<b>Non-current liabilities</b>							
Long-term loans and borrowings	-	(349)	-	(130)	-	-	(479)
<b>Current liabilities</b>							
Short-term loans and borrowings	(1,000)	(1,100)	(500)	(400)	(600)	(491)	(4,091)
Trade accounts payable	(2,051)	(2,977)	(1,295)	(1,162)	(333)	(1,554)	(9,372)
Other liabilities and accounts payable	(83)	(1,379)	(1,016)	(189)	(271)	(865)	(3,803)
Minority interest acquired	(416)	(1,615)	(155)	(31)	(168)	(1,790)	(4,175)
<b>Net identifiable assets, liabilities and contingent liabilities</b>	<b>1,248</b>	<b>6,461</b>	<b>1,417</b>	<b>1,523</b>	<b>8,217</b>	<b>7,145</b>	<b>26,011</b>
Excess of net assets acquired over consideration paid:							
acquisitions from third parties	1,239	5,931	1,082	1,186	6,867	6,526	22,831
Consideration paid	(9)	(530)	(335)	(337)	(1,350)	(619)	(3,180)
Cash acquired	24	238	2	1	121	76	462
<b>Net cash inflow/(outflow)</b>	<b>15</b>	<b>(292)</b>	<b>(333)</b>	<b>(336)</b>	<b>(1,229)</b>	<b>(543)</b>	<b>(2,718)</b>

<i>(in thousands of Euros)</i>	<b>Mriya</b>	<b>Named after Shevchenko</b>	<b>Zoria (Novo- Sanzharskiy region)</b>	<b>Dobrobot (Novo- Sanzharskiy region)</b>	<b>Baliasne</b>	<b>Agro- Maiak</b>	<b>Currency translation differences</b>	<b>Total</b>
<b>Non-current assets</b>								
Property, plant and equipment	35	528	378	273	638	920	46	2,818
Non-current biological assets	55	-	-	-	154	178	(1)	386
Other non-current assets	-	14	-	-	-	59	-	73
<b>Current assets</b>								
Inventories	157	1,047	186	156	422	434	(2)	2,400
Current biological assets	43	455	-	-	233	148	4	883
Trade accounts receivable	438	62	3	99	20	30	-	652
Other accounts receivable and prepayments	34	1	117	8	30	-	3	193
Cash and cash equivalents	4	37	-	-	19	12	-	72
<b>Non-current liabilities</b>								
Long-term loans and borrowings	-	(54)	-	(20)	-	-	-	(74)
<b>Current liabilities</b>								
Short-term loans and borrowings	(160)	(170)	(77)	(61)	(95)	(74)	(2)	(639)
Trade accounts payable	(328)	(460)	(202)	(182)	(53)	(234)	3	(1,456)
Other liabilities and accounts payable	(13)	(213)	(159)	(29)	(43)	(131)	1	(587)
Minority interest acquired	(66)	(250)	(25)	(7)	(28)	(270)	6	(640)
<b>Net identifiable assets, liabilities and contingent liabilities</b>	<u>199</u>	<u>997</u>	<u>221</u>	<u>237</u>	<u>1,297</u>	<u>1,072</u>	<u>58</u>	<u>4,081</u>
Excess of net assets acquired over consideration paid								
acquisitions from third parties	198	916	169	185	1,085	979	57	3,589
Currency translation differences							(3)	(3)
Consideration paid	(1)	(81)	(52)	(52)	(212)	(93)	(4)	(495)
Cash acquired	4	37	-	-	19	12	-	72
<b>Net cash outflow</b>	<u><u>3</u></u>	<u><u>(44)</u></u>	<u><u>(52)</u></u>	<u><u>(52)</u></u>	<u><u>(193)</u></u>	<u><u>(81)</u></u>	<u><u>(4)</u></u>	<u><u>(423)</u></u>

It is not practicable to determine what would be the total revenue and net profit for the year ended 31 December 2007 had the acquisitions occurred on 1 January 2007 in accordance with IFRS because the acquired companies' financial statements were prepared only in accordance with Ukrainian National Accounting Standards, which are significantly different from IFRSs.

The excess of net assets acquired over the consideration paid is recognized in the income statement as a gain on acquisition of subsidiaries. This gain arises because the fair value of the acquired non-monetary assets exceeds the amount paid for those assets. This situation is due to the significant risks involved in agricultural business in Ukraine, the lack of financial resources in the acquired companies which prevented them from efficient use of their assets, and a lack of interested buyers.

## 6 PROPERTY, PLANT AND EQUIPMENT

A summary of activity in property, plant equipment for the year ended 31 December 2007 is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Buildings</b>	<b>Construc- tion</b>	<b>Machines and equipment</b>	<b>Vehicles</b>	<b>Other fixed assets</b>	<b>Un- installed equipment</b>	<b>Total</b>
<b>Cost</b>							
<b>1 January 2007</b>	69,339	39,756	117,083	35,963	1,582	12,481	276,204
Additions	6,356	8,044	112,257	13,117	544	12,074	152,392
Additions from acquisition of subsidiaries	28,893	6,746	10,499	1,142	66	851	48,197
Disposals	(2,014)	(2,344)	(6,744)	(4,857)	(95)	-	(16,054)
Revaluation surplus	201,427	-	-	-	-	-	201,427
<b>31 December 2007</b>	<b>304,001</b>	<b>52,202</b>	<b>233,095</b>	<b>45,365</b>	<b>2,097</b>	<b>25,406</b>	<b>662,166</b>
<b>Accumulated depreciation</b>							
<b>1 January 2007</b>	5,852	5,359	43,111	12,183	164	-	66,669
Depreciation charge	2,778	1,355	24,458	5,482	430	-	34,503
Disposals	(454)	(259)	(5,107)	(3,357)	(9)	-	(9,186)
Decrease due to revaluation	(7,939)	-	-	-	-	-	(7,939)
<b>31 December 2007</b>	<b>237</b>	<b>6,455</b>	<b>62,462</b>	<b>14,308</b>	<b>585</b>	<b>-</b>	<b>84,047</b>
<b>Net book value 31 December 2007</b>	<b>303,764</b>	<b>45,747</b>	<b>170,633</b>	<b>31,057</b>	<b>1,512</b>	<b>25,406</b>	<b>578,119</b>

<i>(in thousands of Euros)</i>	<b>Buildings</b>	<b>Construc- tion</b>	<b>Machines and equipment</b>	<b>Vehicles</b>	<b>Other fixed assets</b>	<b>Un- installed equipment</b>	<b>Total</b>
<b>Cost</b>							
<b>1 January 2007</b>	<b>10,426</b>	<b>5,978</b>	<b>17,604</b>	<b>5,407</b>	<b>238</b>	<b>1,877</b>	<b>41,530</b>
Additions	918	1,162	16,223	1,896	79	1,745	22,023
Additions from acquisition of subsidiaries	4,153	970	1,509	164	10	121	6,927
Disposals	(291)	(339)	(974)	(702)	(14)	-	(2,320)
Revaluation surplus	27,148	-	-	-	-	-	27,148
Currency translation difference	(1,381)	(735)	(2,945)	(651)	(30)	(319)	(6,061)
<b>31 December 2007</b>	<b>40,973</b>	<b>7,036</b>	<b>31,417</b>	<b>6,114</b>	<b>283</b>	<b>3,424</b>	<b>89,247</b>
<b>Accumulated depreciation</b>							
<b>1 January 2007</b>	<b>880</b>	<b>806</b>	<b>6,482</b>	<b>1,832</b>	<b>24</b>	<b>-</b>	<b>10,024</b>
Depreciation charge	401	196	3,535	792	62	-	4,986
Disposal	(65)	(39)	(738)	(485)	(1)	-	(1,328)
Decrease due to revaluation	(1,070)	-	-	-	-	-	(1,070)
Currency translation difference	(114)	(93)	(860)	(211)	(6)	-	(1,284)
<b>31 December 2007</b>	<b>32</b>	<b>870</b>	<b>8,419</b>	<b>1,928</b>	<b>79</b>	<b>-</b>	<b>11,328</b>
<b>Net book value 31 December 2007</b>	<b>40,941</b>	<b>6,166</b>	<b>22,998</b>	<b>4,186</b>	<b>204</b>	<b>3,424</b>	<b>77,919</b>

An independent valuation of the Group's buildings was performed in accordance with International Valuation Standards by certified appraiser LLC "Konsultingova grupa "BINEK" to estimate their fair value. The administrative building of LLC Firm "Astarta-Kiev" was valued using the market approach. The valuation of other buildings was performed using the depreciated replacement cost method. This method determines the cost to construct the assets in their present state and considers their remaining useful life.

The depreciated replacement cost method was used because of the lack absence of an active market for the types of buildings used in the operation. These buildings are typically specialized structures that can only be used in sugar production or other agricultural activities.

Under the depreciated replacement cost method the cost to construct the asset is based on the cost of the necessary materials and construction work as at the date of valuation.

As at 31 December 2007 the carrying amount of buildings that would have been included in the consolidated financial statements had the buildings been carried at cost less any accumulated depreciation and any accumulated impairment losses is UAH 94,398 thousand (EUR 12,723 thousand).



A summary of activity in property, plant equipment for the year ended 31 December 2006 is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Buildings</b>	<b>Construc- tion</b>	<b>Machines and equipment</b>	<b>Vehicles</b>	<b>Other fixed assets</b>	<b>Un- installed equipment</b>	<b>Total</b>
<b>Cost</b>							
<b>1 January 2006</b>	57,473	36,942	76,516	22,056	392	2,458	195,837
Additions	3,118	2,537	39,311	12,682	1,190	10,413	69,251
Additions from acquisition of subsidiaries	9,765	2,795	3,082	2,288	-	-	17,930
Disposals	(1,018)	(2,517)	(1,826)	(1,063)	-	(390)	(6,814)
<b>31 December 2006</b>	<u>69,338</u>	<u>39,757</u>	<u>117,083</u>	<u>35,963</u>	<u>1,582</u>	<u>12,481</u>	<u>276,204</u>
<b>Accumulated depreciation</b>							
<b>1 January 2006</b>	4,115	3,761	27,240	8,697	57	-	43,870
Depreciation charge	1,777	1,780	16,858	3,965	107	-	24,487
Disposals	(40)	(182)	(987)	(479)	-	-	(1,688)
<b>31 December 2006</b>	<u>5,852</u>	<u>5,359</u>	<u>43,111</u>	<u>12,183</u>	<u>164</u>	<u>-</u>	<u>66,669</u>
<b>Net book value 31 December 2006</b>	<u><u>63,486</u></u>	<u><u>34,398</u></u>	<u><u>73,972</u></u>	<u><u>23,780</u></u>	<u><u>1,418</u></u>	<u><u>12,481</u></u>	<u><u>209,535</u></u>

<i>(in thousands of Euros)</i>	<b>Buildings</b>	<b>Construc- tion</b>	<b>Machines and equipment</b>	<b>Vehicles</b>	<b>Other fixed assets</b>	<b>Un- installed equipment</b>	<b>Total</b>
<b>Cost</b>							
<b>1 January 2006</b>	9,624	6,189	12,811	3,692	66	413	32,795
Additions	490	399	6,179	1,994	187	1,637	10,886
Additions from acquisition of subsidiaries	1,534	440	484	360	-	-	2,818
Disposals	(160)	(396)	(287)	(167)	-	(61)	(1,071)
Currency translation difference	(1,062)	(655)	(1,583)	(472)	(15)	(112)	(3,899)
<b>31 December 2006</b>	<u>10,426</u>	<u>5,977</u>	<u>17,604</u>	<u>5,407</u>	<u>238</u>	<u>1,877</u>	<u>41,529</u>
<b>Accumulated depreciation</b>							
<b>1 January 2006</b>	690	629	4,562	1,456	10	-	7,347
Depreciation charge	279	280	2,650	623	17	-	3,849
Disposal	(6)	(29)	(155)	(75)	-	-	(265)
Currency translation difference	(83)	(75)	(575)	(172)	(2)	-	(907)
<b>31 December 2006</b>	<u>880</u>	<u>805</u>	<u>6,482</u>	<u>1,832</u>	<u>25</u>	<u>-</u>	<u>10,024</u>
<b>Net book value 31 December 2006</b>	<u><u>9,546</u></u>	<u><u>5,172</u></u>	<u><u>11,122</u></u>	<u><u>3,575</u></u>	<u><u>213</u></u>	<u><u>1,877</u></u>	<u><u>31,505</u></u>

Leased assets included in the table above, where the Group is a lessee under a finance lease arrangements, comprise machinery and equipment. A summary of activity is as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Lease right, 1 January	<b>10,528</b>	520	<b>1,583</b>	87
Accumulated depreciation , 1 January	<b>(98)</b>	(22)	<b>(16)</b>	(4)
Depreciation charge for the year	<b>(597)</b>	(76)	<b>(86)</b>	(12)
Currency translation difference	-	-	<b>(156)</b>	(8)
<b>Net book value at 31 December</b>	<b>9,833</b>	422	<b>1,325</b>	63

## 7 BIOLOGICAL ASSETS

As at 31 December biological assets comprise the following groups:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>		<b>2006</b>	
	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b> (restated)
<b>Non-current biological assets:</b>				
Cattle	<b>5,479</b>	<b>46,510</b>	4,772	24,255
Other		<b>821</b>		359
		<b>47,331</b>		24,614
<b>Current biological assets:</b>				
Cattle	<b>9,987</b>	<b>50,820</b>	10,155	23,890
Other		<b>796</b>		1,802
Crops (hectares)	<b>27,494</b>	<b>61,276</b>	16,358	21,908
		<b>112,892</b>		47,600
		<b>160,223</b>		72,214

(in thousands of Euros)

	2007		2006	
	Units	Amount	Units	Amount (restated)
<b>Non-current biological assets:</b>				
Cattle	5,479	6,269	4,772	3,647
Other		111		54
		6,380		3,701
<b>Current biological assets:</b>				
Cattle	9,987	6,850	10,155	3,592
Other		107		271
Crops (hectares)	27,494	8,259	16,358	3,294
		15,216		7,157
		21,596		10,858

Non-current cattle are represented by dairy livestock with an average yearly lactation period of nine months. Current cattle comprise immature cattle and cattle intended for sale. Other biological assets mainly represent pigs, horses and sheep.

An independent valuation of cattle, crops and other biological assets was performed by certified appraiser LLC “Konsultingova grupa “BINEK”. The valuation, which conforms to International Valuation Standards, was performed by estimating the present value of the net cash flows expected to be generated from biological assets discounted at a current market discount rate.

Fair values of biological assets were based on the following key assumptions:

- For crops revenue is projected based on the expected volume of harvested grains and oilseeds. For dairy cattle revenue is projected based on the expected milk produced during their productive life after the reporting date and expected volume of meat at the date of slaughter.
- The average productive life of a cow is determined based on internal statistical information.
- Prices for grains, oilseeds, milk and meat are obtained from state statistical reports as at the end of the reporting period.
- Production and point-of-sale costs are projected based on actual operating costs.
- The growth in sales prices as well as in production and point-of-sale costs is assumed to be in line with forecasted consumer price index in Ukraine.
- A pre-tax discount rate of 15% is applied in determining fair value of biological assets. The discount rate is based on the average cost of capital for the Group in Ukraine effective at the reporting date.

The key assumptions represent management’s assessment of future trends in agriculture and cattle farming business and are based on both external and internal sources of data.

Changes in key assumptions used to estimate biological assets would have the following effect on biological assets and on earnings per share attributable to shareholders of the parent as at and for the year ended 31 December 2007:

	<i>Effect on biological assets</i>		<i>Effect on earnings per share</i>	
	<i>thousands of Ukrainian hryvnias</i>	<i>thousands of Euros</i>	<i>Ukrainian hryvnias</i>	<i>Euros</i>
1% increase in discount rate	(2,743)	(370)	(0.11)	(0.01)
1% decrease in discount rate	2,826	381	0.11	0.01
10% increase in price for milk	14,416	1,943	0.58	0.08
10% decrease in price for milk	(14,416)	(1,943)	(0.58)	(0.08)
10% increase in price for meat	1,364	184	0.05	0.01
10% decrease in price for meat	(1,364)	(184)	(0.05)	(0.01)
10% increase in price for crops	9,619	1,297	0.38	0.05
10% decrease in price for crops	(9,619)	(1,297)	(0.38)	(0.05)
5% increase in annual consumer price index	9,535	1,285	0.38	0.05
5% decrease in annual consumer price index	(8,466)	(1,141)	(0.34)	(0.05)

The following represents the changes during the year ended 31 December in the carrying amounts of non-current and current biological assets:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Non-current livestock</b>	<b>Current livestock</b>	<b>Crops</b>	<b>Total</b>
<b>As at 1 January 2006</b>	<b>14,730</b>	<b>11,069</b>	<b>-</b>	<b>25,799</b>
Purchases	68	735	-	803
Additions from acquisitions of subsidiaries	2,496	5,681	-	8,177
Investments into livestock and future crops	2,175	11,474	160,598	174,247
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	(4,161)	(3,574)	17,904	10,169
Transfers	1,580	(1,580)	-	-
Sales	(107)	(8,490)	-	(8,597)
Decrease due to harvest	-	-	(156,594)	(156,594)
Restatement of fair value of dairy cattle	7,833	10,377	-	18,210
<b>As at 1 January 2007</b>	<b>24,614</b>	<b>25,692</b>	<b>21,908</b>	<b>72,214</b>
Purchases	141	2,048	-	2,189
Additions from acquisitions of subsidiaries	2,214	1,087	663	3,964
Investments into livestock and future crops	1,104	15,165	321,503	337,772
Gain arising from changes in fair value attributable to physical changes and to changes in market prices	16,314	19,731	51,372	87,417
Transfers	3,383	(3,383)	-	-
Sales	(439)	(8,724)	-	(9,163)
Decrease due to harvest	-	-	(334,170)	(334,170)
<b>As at 31 December 2007</b>	<b>47,331</b>	<b>51,616</b>	<b>61,276</b>	<b>160,223</b>

<i>(in thousands of Euros)</i>	<b>Non-current livestock</b>	<b>Current livestock</b>	<b>Crops</b>	<b>Total</b>
<b>As at 1 January 2006</b>	2,467	1,854	-	4,321
Purchases	11	115	-	126
Additions from acquisitions of subsidiaries	386	883	-	1,269
Investments into livestock and future crops	342	1,804	25,245	27,391
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	(654)	(562)	2,814	1,598
Transfers	248	(248)	-	-
Sales	(17)	(1,335)	-	(1,352)
Decrease due to harvest	-	-	(24,615)	(24,615)
Currency translation difference	(260)	(208)	(150)	(618)
Restatement of fair value of dairy cattle	1,178	1,560	-	2,738
<b>As at 1 January 2007</b>	<b>3,701</b>	<b>3,863</b>	<b>3,294</b>	<b>10,858</b>
Purchases	20	296	-	316
Additions from acquisitions of subsidiaries	318	157	95	570
Investments into livestock	174	2,384	46,463	49,016
Gain arising from changes in fair value attributable to physical changes and to changes in market prices	2,358	2,851	7,593	12,802
Transfers	489	(489)	-	-
Sales	(63)	(1,261)	-	(1,324)
Decrease due to harvest	-	-	(48,293)	(48,293)
Currency translation difference	(617)	(844)	(893)	(2,354)
<b>As at 31 December 2007</b>	<b>6,380</b>	<b>6,957</b>	<b>8,259</b>	<b>21,596</b>

### **Risk management in agricultural business**

The Group is exposed to a number of risks related to its biological assets:

#### *Price fluctuation risk*

The Group is exposed to financial risks arising from changes in sugar, grains, oilseeds and milk prices. The Company does not anticipate that prices for its main products will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in prices. Management reviews its outlook for sugar, grains, oilseeds and milk prices regularly in considering the need for active financial risk management.

#### *Climate and other risks*

Biological assets are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular field and farm inspections and industry pest and disease surveys. The Group also insures itself against natural disasters.

#### *Regulatory and environmental risks*

Operations are subject to laws and regulations adopted in Ukraine. The Group has established environmental policies and procedures aimed at compliance with Ukrainian environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

## 8 LONG-TERM RECEIVABLES HELD-TO-MATURITY AND OTHER NON-CURRENT ASSETS

Long-term receivables classified as held-to-maturity and other non-current assets as at 31 December 2007 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Interest rate</b>	<b>Due date</b>	<b>2007</b>	<b>2006</b>
Bonds receivable	16.0%	21 June 2009	<b>4,287</b>	4,951
Investments held to maturity			<b>700</b>	674
			<u><b>4,987</b></u>	<u>5,625</u>

<i>(in thousands of Euros)</i>	<b>Interest rate</b>	<b>Due date</b>	<b>2007</b>	<b>2006</b>
Bonds receivable	16.0%	21 June 2009	<b>578</b>	744
Investments held to maturity			<b>94</b>	102
			<u><b>672</b></u>	<u>846</u>

## 9 INVESTMENTS AVAILABLE-FOR-SALE

As at 31 December investments available-for-sale comprise the following:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Equity accounted investments in agriculture partnerships	<b>1,037</b>	-	<b>140</b>	-
Other equity accounted investments	<b>749</b>	-	<b>101</b>	-
Investments in associates	<b>9</b>	400	<b>1</b>	60
	<u><b>1,795</b></u>	<u>400</u>	<u><b>242</b></u>	<u>60</u>

Equity accounted investments in agriculture partnerships represent non-controlling stakes in entities formed to manage assets of non-operating state agriculture companies. Other equity accounted investments represent non-controlling stakes acquired with new companies. All equity investments are stated at cost as they have no quoted price in an active market.

In 2007 the Group has discontinued recognition of its share of losses of associate LLC “Agricultural company “Pokrovska”. The Group’s unrecognized share of losses of the associate as at 31 December 2007 is UAH 2,521 thousand (EUR 340 thousand).

Summarized financial information of the Group's associates as at and for the year ended 31 December is as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Assets	<b>39,321</b>	36,135	<b>5,300</b>	5,434
Liabilities	<b>48,618</b>	45,342	<b>6,553</b>	6,818
Revenue	<b>14,796</b>	14,339	<b>2,138</b>	2,215
Net profit (loss)	<b>166</b>	(5,448)	<b>24</b>	(842)

## 10 INVENTORIES

Inventories as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Finished goods:		
Sugar production	<b>185,200</b>	194,293
Agricultural produce	<b>78,392</b>	37,310
Cattle farming	<b>3,425</b>	2,963
Other production	<b>2,346</b>	5,607
Raw materials and consumables for:		
Sugar production	<b>14,624</b>	10,510
Agricultural produce	<b>40,660</b>	22,105
Cattle farming	<b>1,899</b>	642
Other production	<b>3,210</b>	2,411
Investments into future crops	<b>54,981</b>	29,501
	<b>384,737</b>	305,342

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Finished goods:		
Sugar production	<b>24,961</b>	29,213
Agricultural produce	<b>10,566</b>	5,610
Cattle farming	<b>462</b>	445
Other production	<b>316</b>	843
Raw materials and consumables for:		
Sugar production	<b>1,971</b>	1,580
Agricultural produce	<b>5,480</b>	3,324
Cattle farming	<b>256</b>	97
Other production	<b>433</b>	362
Investments into future crops	<b>7,410</b>	4,436
	<b>51,855</b>	45,910

## 11 TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Trade receivables	<b>68,267</b>	124,883
Less provision for impairment (note 17)	<b>(8,239)</b>	(4,356)
	<b><u>60,028</u></b>	<u>120,527</u>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Trade receivables	<b>9,201</b>	18,777
Less provision for impairment (note 17)	<b>(1,110)</b>	(655)
	<b><u>8,091</u></b>	<u>18,122</u>

Trade receivables that are less than one month past due are not considered impaired. As at 31 December 2007 trade receivables of UAH 27,368 thousand (2006: UAH 25,853 thousand) or EUR 3,689 thousand (2006: EUR 3,887 thousand) are past due but not impaired. These relate to a number of existing customers for whom there is no recent history of credit problems and where management believes collection is probable. None of the trade receivables are collateralized.

## 12 OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS

Other accounts receivable and prepayments as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Taxes recoverable and prepaid	<b>43,143</b>	38,927
Advances to suppliers	<b>22,833</b>	12,806
Other receivables	<b>13,134</b>	5,884
Miscellaneous accounts receivable	<b>366</b>	468
Less provision for impairment (note 17)	<b>(3,967)</b>	(2,999)
	<b><u>75,509</u></b>	<u>55,086</u>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Taxes recoverable and prepaid	<b>5,815</b>	5,854
Advances to suppliers	<b>3,077</b>	1,925
Other receivables	<b>1,770</b>	885
Miscellaneous accounts receivable	<b>49</b>	70
Less provision for impairment (note 17)	<b>(535)</b>	(451)
	<b><u>10,176</u></b>	<u>8,283</u>



## 13 SHARE CAPITAL

ASTARTA Holding N.V. has one class of common shares with par value of EUR 0.01. All shares have equal voting rights. The number of authorized shares as of 31 December 2007 is 30,000 thousand (2006: 30,000 thousand) and the number of issued and fully paid-up shares is 25 thousand (2006: 25 thousand).

Share capital as at 31 December is as follows:

*(in thousands of Ukrainian hryvnias)*

	2007		2006	
	Amount	%	Amount	%
<b>Astarta Holding N.V.</b>				
Ivanchyk V.P.	665	40.00%	665	40.00%
Korotkov V.M.	665	40.00%	665	40.00%
"East Capital Asset Management AB"	-	-	84	5.03%
ING Parasol Specjalistyczny Fundusz Inwestycyjny	90	5.39%	-	-
Other shareholders	243	14.61%	249	14.97%
	<b>1,663</b>	<b>100.00%</b>	<b>1,663</b>	<b>100.00%</b>

*(in thousands of Euros)*

	2007		2006	
	Amount	%	Amount	%
<b>Astarta Holding N.V.</b>				
Ivanchyk V.P.	100	40.00%	100	40.00%
Korotkov V.M.	100	40.00%	100	40.00%
"East Capital Asset Management AB"	-	-	13	5.03%
ING Parasol Specjalistyczny Fundusz Inwestycyjny	13	5.39%	-	-
Other shareholders	37	14.61%	37	14.97%
	<b>250</b>	<b>100.00%</b>	<b>250</b>	<b>100.00%</b>

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors both the composition of shareholders, as well as the return on capital. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2007, the Group's strategy, which is unchanged from 2006, is to maintain the gearing ratio below 45%. The gearing ratios at 31 December 2007 and 2006 are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Total borrowings (note 15)	<b>380,475</b>	238,127	<b>51,281</b>	35,804
Less cash and cash equivalents	<b>(7,926)</b>	(19,894)	<b>(1,068)</b>	(2,991)
Net debt	<b>372,549</b>	218,233	<b>50,213</b>	32,813
Total equity	<b>735,076</b>	411,019	<b>99,074</b>	61,800
Total capital	<b>1,107,625</b>	629,252	<b>149,287</b>	94,613
Gearing ratio	<b>34%</b>	<b>35%</b>	<b>34%</b>	<b>35%</b>

The Group does not purchase its own shares on the market. There were no changes in the approach to capital management during the reporting period. No companies in the Group are subject to externally imposed capital requirements.

### **Dividend policy**

The dividend policy is to pay dividends at a level consistent with the Group's growth and development plans, while maintaining a reasonable level of liquidity. The current intention of the Board of Directors is to recommend to the General Meeting of Shareholders that no dividends be declared until approval by the General Meeting of Shareholders of the financial statements for the year ending 31 December 2008.

The dividend policy will, however, be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the Board of Directors and the General Meeting of Shareholders after taking into account various factors including business prospects, future earnings, cash requirements, financial position, expansion plans and requirements of Dutch law. In addition, payment of future dividends may be made only if shareholders' equity exceeds the sum of the paid-in share capital plus the reserves required to be maintained by law and by the Articles of Association. All shares carry equal dividend rights.

## 14 MINORITY INTERESTS

The movements in minority interests for the year ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
<b>Balance as at 1 January</b>	<b>13,961</b>	52,129
Share in profit (loss)	<b>10,041</b>	(4,056)
Acquisitions from minority shareholders	<b>(134)</b>	(15,573)
Gains less losses on transactions with minority shareholders	-	(22,714)
Minority interests acquired with new subsidiaries	<b>10,109</b>	4,175
	<hr/>	<hr/>
<b>Balance as at 31 December</b>	<b>33,977</b>	13,961
	<hr/> <hr/>	<hr/> <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
<b>Balance as at 1 January</b>	<b>2,099</b>	8,729
Share in profit (loss)	<b>1,458</b>	(637)
Acquisitions from minority shareholders	<b>(18)</b>	(2,448)
Gains less losses on transactions with minority shareholders	-	(3,571)
Minority interests acquired with new subsidiaries	<b>1,453</b>	640
Currency translation difference	<b>(412)</b>	(614)
	<hr/>	<hr/>
<b>Balance as at 31 December</b>	<b>4,580</b>	2,099
	<hr/> <hr/>	<hr/> <hr/>

## 15 LOANS AND BORROWINGS

This note provides information about the contractual terms of loans and borrowings. Refer to note 30 for more information about exposure to interest rate and foreign currency risk. Loans and borrowings as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Long-term loans and borrowings:		
Bank loans	<b>30,638</b>	22,058
Borrowings from non-financial institutions	-	3,553
Finance lease liabilities	<b>5,880</b>	282
Interest-bearing vendor financing arrangements	<b>5,379</b>	-
Bonds payable	-	27,925
	<hr/> <b>41,897</b> <hr/>	<hr/> 53,818 <hr/>
Current portion of long-term loans and borrowings:		
Bank loans	<b>10,671</b>	20,783
Finance lease liabilities	<b>2,362</b>	128
Interest-bearing vendor financing arrangements	<b>2,897</b>	-
Bonds payable	<b>15,000</b>	-
	<hr/> <b>30,930</b> <hr/>	<hr/> 20,911 <hr/>
Short-term loans and borrowing	<b>307,648</b>	163,398
	<hr/> <b>380,475</b> <hr/>	<hr/> 238,127 <hr/>
 <i>(in thousands of Euros)</i>	 <b>2007</b>	 <b>2006</b>
Long-term loans and borrowings:		
Bank loans	<b>4,130</b>	3,317
Borrowings from non-financial institutions	-	534
Finance lease liabilities	<b>792</b>	42
Interest-bearing vendor financing arrangements	<b>725</b>	-
Bonds payable	-	4,199
	<hr/> <b>5,647</b> <hr/>	<hr/> 8,092 <hr/>
Current portion of long-term loans and borrowings:		
Bank loans	<b>1,439</b>	3,125
Finance lease liabilities	<b>318</b>	19
Interest-bearing vendor financing arrangements	<b>390</b>	-
Bonds payable	<b>2,022</b>	-
	<hr/> <b>4,169</b> <hr/>	<hr/> 3,144 <hr/>
Short-term loans and borrowing	<b>41,465</b>	24,568
	<hr/> <b>51,281</b> <hr/>	<hr/> 35,804 <hr/>

Bonds payable include UAH denominated general obligation bonds issued by APO “Tsukrovyk Poltavshchyny” in August 2005. The face value of each bond is UAH 1,000 (Euro 135) and as at 31 December 2007 UAH 15,000 thousand (EUR 2,022 thousand) are outstanding (2006: UAH 14,580 thousand (EUR 2,193 thousand). The bonds pay fixed interest at 15.0% and are subject to redemption and further placement semi-annually beginning November 2005 until July 2008.

On 16 June 2006 Astarta-Kiev issued Series A bonds totaling UAH 15,000 thousand (EUR 2,254 thousand). No bonds are outstanding as at 31 December 2007 (31 December 2006: UAH 13,345 thousand; EUR 2,006 thousand). The bonds’ original maturity date was 16 June 2009 and they had an initial interest of 18.0% per annum.

Bank loans are secured as at 31 December as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Property, plant and equipment	<b>355,176</b>	144,864	<b>47,871</b>	21,787
Biological assets	<b>1,207</b>	-	<b>163</b>	-
Inventories	<b>213,134</b>	101,697	<b>28,726</b>	15,218
	<b><u>569,517</u></b>	<u>246,561</u>	<b><u>76,760</u></b>	<u>37,005</u>

The terms and repayment schedule for loans and borrowings as at 31 December are as follows:

	Interest type	Effective interest rate	Nominal interest rate	Less than one year	2007		Total	Less than one year	2006		Total
					From one to two years	More than two years			From one to two years	More than two years	
<i>(in thousands of Ukrainian hryvnias)</i>											
Loans from local banks received in UAH	Fixed	15.0%	15.0%	128,676	6,471	4,570	139,717	342	1,205	-	1,547
Loans from local banks received in UAH	Fixed	15.5%	15.5%	480	-	-	480	-	-	-	-
Loans from local banks received in UAH	Fixed	16.0%	16.0%	-	-	-	-	164,460	945	663	166,068
Loans from local banks received in UAH	Fixed	17.0%	17.0%	418	93	76	587	13,331	-	7,800	21,131
Loans from local banks received in UAH	Fixed	18.0%	18.0%	181	121	-	302	4,997	-	9,361	14,358
Loans from local banks received in UAH	Fixed	19.0%	19.0%	717	105	5	827	300	-	-	300
Loans from local banks received in UAH	Fixed	20.0%	20.0%	109	-	-	109	730	75	-	805
Loans from local banks received in UAH	Fixed	24.0%	24.0%	-	-	-	-	21	-	-	21
Loans from local banks received in Euro	Floating	Euribor+6.0%	Euribor+6.0%	2,777	-	-	2,777	-	-	-	-
Loans from local banks received in Euro	Fixed	7.0%	7.0%	-	-	-	-	-	2,009	-	2,009
Loans from local banks received in USD	Fixed	10.0%	10.0%	50,511	4,148	-	54,659	-	-	-	-
Loans from local banks received in USD	Fixed	10.5%	10.5%	4,300	4,300	10,749	19,349	-	-	-	-
Loans from non-resident banks received in USD	Floating	Libor+2.4%	Libor+2.4%	126,250	-	-	126,250	-	-	-	-
Other long-term borrowings received from non-resident non-financial institutions in USD	Fixed	14.0%	10.0%	-	-	-	-	-	2,151	-	2,151
Other long-term borrowings received from a local non-financial institution in UAH	Fixed	18.0%	0.0%	-	-	-	-	-	1,402	-	1,402
Other short-term borrowings received from a local non-financial institution in UAH	Fixed	15.0%	0.0%	3,900	-	-	3,900	-	-	-	-
Interest-bearing vendor financing arrangements in USD	Fixed	10.5%	10.5%	2,897	1,655	3,724	8,276	-	-	-	-
Finance lease liabilities	Fixed	14.0-16.0%	14.0-16.0%	2,362	2,316	3,564	8,242	128	142	140	410
Bonds payable	Fixed	15.0%	15.0%	15,000	-	-	15,000	-	-	-	-
Bonds payable	Fixed	18.0%	17.0%	-	-	-	-	-	15,000	12,925	27,925
				<u>338,578</u>	<u>19,209</u>	<u>22,688</u>	<u>380,475</u>	<u>184,309</u>	<u>22,929</u>	<u>30,889</u>	<u>238,127</u>

The terms and repayment schedule for loans and borrowings as at 31 December are as follows:

<i>(in thousands of Euros)</i>	Interest type	Effective interest rate	Nominal interest rate	2007			Total	2006			Total
				Less than one year	From one to two years	More than two years		Less than one year	From one to two years	More than two years	
Loans from local banks received in UAH	Fixed	15.0%	15.0%	17,343	872	616	18,831	51	181	-	232
Loans from local banks received in UAH	Fixed	15.5%	15.5%	65	-	-	65	-	-	-	-
Loans from local banks received in UAH	Fixed	16.0%	16.0%	-	-	-	-	24,728	143	100	24,971
Loans from local banks received in UAH	Fixed	17.0%	17.0%	56	13	10	79	2,004	-	1,173	3,177
Loans from local banks received in UAH	Fixed	18.0%	18.0%	24	16	-	40	752	-	1,407	2,159
Loans from local banks received in UAH	Fixed	19.0%	19.0%	97	14	1	112	45	-	-	45
Loans from local banks received in UAH	Fixed	20.0%	20.0%	15	-	-	15	110	11	-	121
Loans from local banks received in UAH	Fixed	24.0%	24.0%	-	-	-	-	3	-	-	3
Loans from local banks received in Euro	Floating	Euribor+6.0%	Euribor+6.0%	374	-	-	374	-	-	-	-
Loans from local banks received in Euro	Fixed	7.0%	7.0%	-	-	-	-	-	302	-	302
Loans from local banks received in USD	Fixed	10.0%	10.0%	6,808	559	-	7,367	-	-	-	-
Loans from local banks received in USD	Fixed	10.5%	10.5%	580	580	1,449	2,609	-	-	-	-
Loans from non-resident banks received in USD	Floating	Libor+2.4%	Libor+2.4%	17,016	-	-	17,016	-	-	-	-
Other long-term borrowings received from non-resident non-financial institutions in USD	Fixed	14.0%	10.0%	-	-	-	-	-	323	-	323
Other long-term borrowings received from a local non-financial institution in UAH	Fixed	18.0%	0.0%	-	-	-	-	-	211	-	211
Other short-term borrowings received from a local non-financial institution in UAH	Fixed	15.0%	0.0%	526	-	-	526	-	-	-	-
Interest-bearing vendor financing arrangements in USD	Fixed	10.5%	10.5%	390	223	502	1,115	-	-	-	-
Finance lease liabilities	Fixed	14.0-16.0%	14.0-16.0%	318	312	480	1,110	19	21	21	61
Bonds payable	Fixed	15.0%	15.0%	2,022	-	-	2,022	-	-	-	-
Bonds payable	Fixed	18.0%	17.0%	-	-	-	-	-	2,255	1,944	4,199
				<u>45,634</u>	<u>2,589</u>	<u>3,058</u>	<u>51,281</u>	<u>27,712</u>	<u>3,447</u>	<u>4,645</u>	<u>35,804</u>

**16 OTHER LIABILITIES AND ACCOUNTS PAYABLE**

Other accounts payable as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Advances received from customers	<b>9,588</b>	702
Accounts payable to government	<b>6,602</b>	2,906
Salaries payable	<b>5,745</b>	5,014
Accrual for unused vacations	<b>4,442</b>	1,936
Deferred government subsidy	<b>3,142</b>	175
Settlements with land and fixed assets lessors	<b>2,758</b>	6,202
Accounts payable for property, plant and equipment	<b>2,664</b>	470
Social insurance payable	<b>2,359</b>	2,033
VAT settlements	<b>2,158</b>	904
Interest payable	<b>1,749</b>	360
Settlements for acquired companies	<b>1,600</b>	-
Other payables	<b>6,371</b>	320
	<hr/>	<hr/>
	<b>49,178</b>	21,022
	<hr/> <hr/>	<hr/> <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Advances received from customers	<b>1,292</b>	106
Accounts payable to government	<b>890</b>	437
Salaries payable	<b>774</b>	754
Accrual for unused vacations	<b>599</b>	291
Deferred government subsidy	<b>423</b>	26
Settlements with land and fixed assets lessors	<b>372</b>	932
Accounts payable for property, plant and equipment	<b>359</b>	71
Social insurance payable	<b>318</b>	306
VAT settlements	<b>291</b>	136
Interest payable	<b>236</b>	54
Settlements for acquired companies	<b>216</b>	-
Other payables	<b>858</b>	48
	<hr/>	<hr/>
	<b>6,628</b>	3,161
	<hr/> <hr/>	<hr/> <hr/>



**17 PROVISIONS FOR IMPAIRMENT OF TRADE AND OTHER ACCOUNTS RECEIVABLE**

Provisions for impairment of trade and other accounts receivable as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Trade accounts receivable (note 11)	<b>8,239</b>	4,356
Other accounts receivable (note 12)	<b>3,967</b>	2,999
	<u><b>12,206</b></u>	<u>7,355</u>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Trade accounts receivable (note 11)	<b>1,110</b>	655
Other accounts receivable (note 12)	<b>535</b>	451
	<u><b>1,645</b></u>	<u>1,106</u>

Changes in provisions for impairment of trade and other accounts receivable during the year ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
<b>Balance at 1 January</b>	<b>7,355</b>	9,020
Charge in income statement (note 23)	<b>4,851</b>	3,367
Amounts written off	-	(5,032)
	<u><b>12,206</b></u>	<u>7,355</u>
<b>Balance as at 31 December</b>	<u><b>12,206</b></u>	<u>7,355</u>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
<b>Balance at 1 January</b>	<b>1,106</b>	1,511
Charge in income statement (note 23)	<b>701</b>	529
Amounts written off	-	(791)
Currency translation difference	<b>(162)</b>	(143)
	<u><b>1,645</b></u>	<u>1,106</u>
<b>Balance as at 31 December</b>	<u><b>1,645</b></u>	<u>1,106</u>

## 18 REVENUES

Revenues for the year ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Sugar and related sales:		
Sugar	<b>343,686</b>	250,150
Molasses	<b>25,300</b>	14,603
Pulp	<b>15,025</b>	6,699
Other sugar related sales	<b>27,361</b>	58,751
	<hr/> <b>411,372</b> <hr/>	<hr/> 330,203 <hr/>
Crops	<b>148,548</b>	72,287
Cattle farming	<b>51,436</b>	25,574
Other sales	<b>3,930</b>	4,858
	<hr/> <b>615,286</b> <hr/> <hr/>	<hr/> 432,922 <hr/> <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Sugar and related sales:		
Sugar	<b>49,014</b>	39,321
Molasses	<b>3,608</b>	2,295
Pulp	<b>2,143</b>	1,053
Other sugar related sales	<b>3,902</b>	9,235
	<hr/> <b>58,667</b> <hr/>	<hr/> 51,904 <hr/>
Crops	<b>21,185</b>	11,363
Cattle farming	<b>7,335</b>	4,020
Other sales	<b>560</b>	764
	<hr/> <b>87,747</b> <hr/> <hr/>	<hr/> 68,051 <hr/> <hr/>

For the year ended 31 December 2007 sales totaling UAH 8,486 thousand (EUR 1,144 thousand) were settled through barter transactions, which do not result in a net cash inflow from operations (2006: UAH 22,018 thousand, EUR 3,461 thousand).

More than 90% of revenue is generated from sales to customers in Ukraine.

## 19 COST OF REVENUES

Cost of revenues for the year ended 31 December by product is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Sugar and related sales:		
Sugar	<b>288,044</b>	191,907
Molasses	<b>11,102</b>	9,065
Pulp	<b>12,187</b>	6,753
Other sugar related sales	<b>30,411</b>	47,241
	<hr/> <b>341,744</b> <hr/>	<hr/> 254,966 <hr/>
Crops	<b>77,611</b>	65,712
Cattle farming	<b>44,214</b>	27,630
Other sales	<b>4,003</b>	3,464
	<hr/> <b>467,572</b> <hr/>	<hr/> 351,772 <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Sugar and related sales:		
Sugar	<b>41,193</b>	30,166
Molasses	<b>1,588</b>	1,425
Pulp	<b>1,743</b>	1,062
Other sugar related sales	<b>4,349</b>	7,426
	<hr/> <b>48,873</b> <hr/>	<hr/> 40,079 <hr/>
Crops	<b>11,099</b>	10,329
Cattle farming	<b>6,323</b>	4,343
Other sales	<b>572</b>	544
	<hr/> <b>66,867</b> <hr/>	<hr/> 55,295 <hr/>

## 20 GAIN ARISING FROM REMEASUREMENT OF AGRICULTURAL PRODUCE TO FAIR VALUE

The gain arising from remeasurement of agricultural produce to fair value represents the net change in the fair value from 1 January to 31 December. The gain arising from remeasurement of agricultural produce is determined as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Valuation adjustment with respect to agriculture produce as at				
31 December	<b>30,142</b>	5,558	<b>4,463</b>	836
1 January	<b>(5,558)</b>	2,785	<b>(836)</b>	466
Currency translation difference	-	-	<b>95</b>	9
	<hr/>	<hr/>	<hr/>	<hr/>
Gain arising from remeasurement of agricultural produce to fair value	<b>24,584</b>	8,343	<b>3,722</b>	1,311
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 21 OTHER OPERATING INCOME

Other operating income for the year ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Government subsidies relating to:		
VAT	<b>14,211</b>	5,290
Cattle farming	<b>13,478</b>	5,645
Interest and financing costs	<b>7,314</b>	3,906
Crop production	<b>6,900</b>	3,849
Other operating income	<b>2,658</b>	4,969
	<hr/>	<hr/>
	<b>44,561</b>	23,659
	<hr/> <hr/>	<hr/> <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Government subsidies relating to:		
VAT	<b>2,075</b>	832
Cattle farming	<b>1,968</b>	887
Interest and financing costs	<b>1,068</b>	614
Crop production	<b>1,008</b>	605
Other operating income	<b>388</b>	781
	<hr/>	<hr/>
	<b>6,507</b>	3,719
	<hr/> <hr/>	<hr/> <hr/>

**22 GENERAL AND ADMINISTRATIVE EXPENSE**

General and administrative expense for the year ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Salary and related charges	<b>20,917</b>	16,994
Professional services	<b>6,099</b>	4,327
Fuel and other materials	<b>5,200</b>	3,033
Depreciation	<b>2,852</b>	2,313
Taxes other than corporate income tax	<b>2,383</b>	1,017
Maintenance	<b>2,358</b>	2,036
Communication	<b>2,309</b>	1,508
Insurance	<b>2,025</b>	1,199
Office expenses	<b>1,168</b>	1,006
Transportation	<b>955</b>	630
Rent	<b>443</b>	419
Other services	<b>3,608</b>	1,880
Other general and administrative expense	<b>2,243</b>	1,531
	<b>52,560</b>	<b>37,893</b>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Salary and related charges	<b>3,013</b>	2,671
Professional services	<b>879</b>	680
Fuel and other materials	<b>749</b>	477
Depreciation	<b>411</b>	364
Taxes other than corporate income tax	<b>343</b>	160
Maintenance	<b>340</b>	320
Communication	<b>333</b>	237
Insurance	<b>292</b>	188
Office expenses	<b>168</b>	158
Transportation	<b>138</b>	99
Rent	<b>64</b>	66
Other services	<b>520</b>	295
Other general and administrative expense	<b>322</b>	241
	<b>7,572</b>	<b>5,956</b>

## 23 SELLING AND DISTRIBUTION EXPENSE

Selling and distribution expense for the year ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Transportation	<b>11,006</b>	6,847
Impairment provision on trade and other accounts receivable (note 17)	<b>4,851</b>	3,367
Salary and related charges	<b>4,780</b>	3,586
Fuel and other materials	<b>2,118</b>	1,424
Professional services	<b>1,754</b>	428
Commissions	<b>1,102</b>	695
Advertising	<b>531</b>	355
Other services	<b>1,458</b>	1,482
Other selling and distribution expense	<b>1,530</b>	1,283
	<hr/>	<hr/>
	<b>29,130</b>	19,467
	<hr/> <hr/>	<hr/> <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Transportation	<b>1,581</b>	1,076
Impairment provision on trade and other accounts receivable (note 17)	<b>701</b>	529
Salary and related charges	<b>687</b>	564
Fuel and other materials	<b>304</b>	224
Professional services	<b>252</b>	67
Commissions	<b>158</b>	109
Advertising	<b>76</b>	56
Other services	<b>210</b>	233
Other selling and distribution expense	<b>216</b>	202
	<hr/>	<hr/>
	<b>4,185</b>	3,060
	<hr/> <hr/>	<hr/> <hr/>

## 24 OTHER OPERATING EXPENSE

Other operating expense for the year ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Penalties paid	<b>3,466</b>	372
Inventory written off	<b>2,444</b>	872
Fixed assets impairment	<b>1,924</b>	450
Canteen expenses	<b>1,922</b>	1,061
Social expenses	<b>1,885</b>	1,093
Charity	<b>1,368</b>	1,191
Representative expenses	<b>1,195</b>	158
Other salary and related charges	<b>1,129</b>	948
VAT written off	<b>935</b>	904
Other operating expenses	<b>2,887</b>	3,246
	<hr/> <b>19,155</b> <hr/>	<hr/> 10,295 <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Penalties paid	<b>501</b>	58
Inventory written off	<b>354</b>	137
Fixed assets impairment	<b>278</b>	71
Canteen expenses	<b>278</b>	167
Social expenses	<b>273</b>	172
Charity	<b>198</b>	187
Representative expenses	<b>173</b>	25
Other salary and related charges	<b>163</b>	149
VAT written off	<b>135</b>	142
Other operating expenses	<b>418</b>	510
	<hr/> <b>2,771</b> <hr/>	<hr/> 1,618 <hr/>

## 25 CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

Changes in fair value of biological assets for the year ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Non-current livestock	<b>16,314</b>	(4,161)
Current livestock	<b>19,731</b>	(3,574)
Crops	<b>26,788</b>	9,561
	<hr/> <b>62,833</b> <hr/>	<hr/> 1,826 <hr/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Non-current livestock	<b>2,358</b>	(654)
Current livestock	<b>2,851</b>	(562)
Crops	<b>3,987</b>	1,503
	<u><b>9,196</b></u>	<u>287</u>

Increase in biological balances is mainly due to significantly expanded agricultural operation and increase in market prices for crops and milk.

## **26 NET FINANCIAL EXPENSE**

Net financial expense for the year ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Interest expense:		
Bank loans	<b>(33,698)</b>	(22,538)
Bonds payable	<b>(2,477)</b>	(3,340)
Interest-bearing vendor financing arrangements	<b>(652)</b>	-
Finance lease liabilities	<b>(393)</b>	-
	<u><b>(37,220)</b></u>	<u>(25,878)</u>
Loss from promissory notes transactions	<b>(10,784)</b>	(6,380)
Foreign currency exchange losses	<b>(1,418)</b>	(3,961)
Interest income:		
Bonds receivable	<b>541</b>	222
Cash balances	<b>271</b>	732
	<u><b>812</b></u>	<u>954</u>
Other financial expense	<b>(3,130)</b>	(346)
	<u><b>(51,740)</b></u>	<u>(35,611)</u>



<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Interest expense:		
Bank loans	<b>(4,844)</b>	(3,543)
Bonds payable	<b>(356)</b>	(525)
Interest-bearing vendor financing arrangements	<b>(94)</b>	-
Finance lease liabilities	<b>(56)</b>	-
	<u><b>(5,350)</b></u>	<u>(4,068)</u>
Loss from promissory notes transactions	<b>(1,550)</b>	(1,002)
Foreign currency exchange losses	<b>(204)</b>	(623)
Interest income:		
Bonds receivable	<b>78</b>	35
Cash balances	<b>39</b>	115
	<u><b>117</b></u>	<u>150</u>
Other financial expense	<b>(450)</b>	(54)
	<u><b>(7,437)</b></u>	<u>(5,597)</u>

## **27 OTHER INCOME (EXPENSE)**

Other income (expense) for the years ended 31 December 2007 and 2006 consists mainly of gains (losses) on the disposal of fixed assets and non-recurring income and expenses.

## **28 INCOME TAX BENEFIT**

Certain companies in the Group are subject to income taxes. The components of income tax benefit for these companies for the year ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Current expense	<b>(889)</b>	(394)
Deferred benefit	<b>1,537</b>	2,026
	<u><b>648</b></u>	<u>1,632</u>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Current expense	<b>(110)</b>	(63)
Deferred benefit	<b>190</b>	319
	<u><b>80</b></u>	<u>256</u>

The corporate income tax rate is 25% in 2007 and 2006.

Amount of FAT expense in 2007 was UAH 651 thousand (EUR 94 thousand) (2006: UAH 487 thousand; EUR 75 thousand) and is included in cost of revenues.

The difference between the total expected income tax expense (benefit) computed by applying the statutory income tax rate to profit (loss) before tax and the reported tax expense (benefit) is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Companies subject to income tax</b>	<b>Companies not subject to income tax</b>	<b>Total</b>
<b>Year ended 31 December 2007</b>			
Profit (loss) before tax	(13,529)	172,633	159,104
	<hr/>	<hr/>	<hr/>
Income tax benefit at statutory rate	(3,382)	-	(3,382)
Non-deductible items	2,734	-	2,734
	<hr/>	<hr/>	<hr/>
<b>Income tax benefit</b>	<b>(648)</b>	<b>-</b>	<b>(648)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>(in thousands of Euros)</i>	<b>Companies subject to income tax</b>	<b>Companies not subject to income tax</b>	<b>Total</b>
<b>Year ended 31 December 2007</b>			
Profit (loss) before tax	(2,245)	25,209	22,964
	<hr/>	<hr/>	<hr/>
Income tax benefit at statutory rate	(561)	-	(561)
Non-deductible items	481	-	481
	<hr/>	<hr/>	<hr/>
<b>Income tax benefit</b>	<b>(80)</b>	<b>-</b>	<b>(80)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Companies subject to income tax</b>	<b>Companies not subject to income tax</b>	<b>Total</b>
<b>Year ended 31 December 2006</b>			
Profit before tax	7,905	27,120	35,025
	<hr/>	<hr/>	<hr/>
Income tax expense at statutory rate	1,976	-	1,976
Non-taxable items	(3,608)	-	(3,608)
	<hr/>	<hr/>	<hr/>
<b>Income tax benefit</b>	<b>(1,632)</b>	<b>-</b>	<b>(1,632)</b>
	<hr/>	<hr/>	<hr/>

<i>(in thousands of Euros)</i>	<b>Companies subject to income tax</b>	<b>Companies not subject to income tax</b>	<b>Total</b>
<b>Year ended 31 December 2006</b>			
Profit before tax	1,244	4,263	5,507
	<hr/>	<hr/>	<hr/>
Income tax expense at statutory rate	311	-	311
Non-taxable items	(567)	-	(567)
	<hr/>	<hr/>	<hr/>
<b>Income tax benefit</b>	<b>(256)</b>	<b>-</b>	<b>(256)</b>
	<hr/>	<hr/>	<hr/>

Movements in temporary differences during the years ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	1 January 2007	Recognized in equity	Recognized in income statement	31 December 2007
<b>Deferred tax assets</b>				
Tax loss recoverable	7,630	-	(3,529)	4,101
Trade and other accounts payable	3,036	-	(461)	2,575
Trade and other accounts receivable and prepayments	1,569	-	838	2,407
Property, plant and equipment	1,226	-	338	1,564
Inventories	262	-	1,152	1,414
Investments	1,081	-	(1,081)	-
Netting	(13,480)	-	2,324	(11,156)
	<u>1,324</u>	<u>-</u>	<u>(419)</u>	<u>905</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(5,454)	(41,049)	(317)	(46,820)
Inventories	(10,770)	-	3,322	(7,448)
Trade and other accounts receivable and prepayments	(935)	-	(856)	(1,791)
Trade and other accounts payable	(2,526)	-	2,131	(395)
Netting	13,480	-	(2,324)	11,156
	<u>(6,205)</u>	<u>(41,049)</u>	<u>1,956</u>	<u>(45,298)</u>

<i>(in thousands of Euros)</i>	1 January 2007	Recognized in equity	Recognized in income statement	Currency translation difference	31 December 2007
<b>Deferred tax assets</b>					
Tax loss recoverable	1,148	-	(510)	(85)	553
Trade and other accounts payable	456	-	(67)	(42)	347
Trade and other accounts receivable and prepayments	236	-	121	(33)	324
Property, plant and equipment	184	-	49	(22)	211
Inventories	39	-	166	(14)	191
Investments	163	-	(156)	(7)	-
Netting	(2,027)	-	336	187	(1,504)
	<u>199</u>	<u>-</u>	<u>(61)</u>	<u>(16)</u>	<u>122</u>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(820)	(5,533)	(46)	89	(6,310)
Inventories	(1,619)	-	480	134	(1,005)
Trade and other accounts receivable and prepayments	(141)	-	(155)	55	(241)
Trade and other accounts payable	(380)	-	308	19	(53)
Netting	2,027	-	(336)	(187)	1,504
	<u>(933)</u>	<u>(5,533)</u>	<u>251</u>	<u>110</u>	<u>(6,105)</u>

<i>(in thousands of Ukrainian hryvnias)</i>	<b>1 January 2006</b>	<b>Recognized in income statement</b>	<b>31 December 2006</b>
<b>Deferred tax assets</b>			
Tax loss recoverable	-	7,630	7,630
Trade and other accounts payable	3,053	(17)	3,036
Trade and other accounts receivable and prepayments	2,567	(998)	1,569
Property, plant and equipment	962	264	1,226
Investments	-	1,081	1,081
Inventories	2,710	(2,448)	262
Netting	(5,876)	(7,604)	(13,480)
	<u>3,416</u>	<u>(2,092)</u>	<u>1,324</u>
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(9,590)	4,136	(5,454)
Inventories	(180)	(10,590)	(10,770)
Trade and other accounts receivable and prepayments	(2,221)	1,286	(935)
Trade and other accounts payable	(2,284)	(242)	(2,526)
Long term loans and borrowings	(1,924)	1,924	-
Netting	5,876	7,604	13,480
	<u>(10,323)</u>	<u>4,118</u>	<u>(6,205)</u>

<i>(in thousands of Euros)</i>	<b>1 January 2006</b>	<b>Recognized in income statement</b>	<b>Currency translation difference</b>	<b>31 December 2006</b>
<b>Deferred tax assets</b>				
Tax loss recoverable	-	1,199	(51)	1,148
Trade and other accounts payable	528	(3)	(69)	456
Trade and other accounts receivable and prepayments	430	(157)	(37)	236
Property, plant and equipment	161	41	(18)	184
Investments	-	170	(7)	163
Inventories	454	(382)	(33)	39
Netting	(984)	(1,195)	152	(2,027)
	<u>589</u>	<u>(327)</u>	<u>(63)</u>	<u>199</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(1,606)	650	136	(820)
Inventories	(31)	(1,665)	77	(1,619)
Trade and other accounts receivable and prepayments	(372)	202	29	(141)
Trade and other accounts payable	(382)	(38)	40	(380)
Long term loans and borrowings	(322)	302	20	-
Netting	984	1,195	(152)	2,027
	<u>(1,729)</u>	<u>646</u>	<u>150</u>	<u>(933)</u>

## **29 SEGMENT REPORTING**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

At 31 December 2007, the group is organized into three main business segments:

- production and wholesale distribution of sugar
- growing and selling grain and oilseeds crops (agriculture), and
- dairy cattle farming.

Other group operations mainly comprise the production and sales of canned goods and fodder. Neither of these constitutes a separately reportable segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker that makes strategic decisions is the management board.

Revenues from external customers are derived primarily from the sales of sugar, crops and cattle farming products and are measured in a manner consistent with that in the income statement.

Revenues of UAH 171,093 thousand (EUR 24,400 thousand) in the year ended 31 December 2007 and UAH 115,365 thousand (EUR 16,453 thousand) in the year ended 31 December 2006 are derived from two external customers and are attributable to the sugar production segment.

The amounts provided to the Board of Directors with respect of total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Investments classified as available-for-sale financial assets are not considered to be segment assets. The amounts of total liabilities are measured in a manner consistent with that of the financial statements. Liabilities are allocated based on the operations of the segment. The Group's interest-bearing liabilities are not considered to be segment liabilities.

The segment information for the year ended 31 December 2007 is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Sugar production</b>	<b>Agriculture</b>	<b>Cattle farming</b>	<b>Other businesses</b>	<b>Unallocated</b>	<b>Total</b>
<b>Total revenues</b>	411,372	293,177	51,436	3,930	-	759,915
Inter-segment revenue	-	144,629	-	-	-	144,629
Revenue from external customers	411,372	148,548	51,436	3,930	-	615,286
Cost of revenues	(341,744)	(77,611)	(44,214)	(4,003)	-	(467,572)
Gains from remeasurement of biological assets to fair value	-	24,584	-	-	-	24,584
<b>Gross profit</b>	<b>69,628</b>	<b>95,521</b>	<b>7,222</b>	<b>(73)</b>	<b>-</b>	<b>172,298</b>
General and administrative expense	(15,657)	(16,359)	(5,664)	(1,231)	(13,649)	(52,560)
Selling and distribution expense	(16,992)	(2,910)	-	(1,177)	(8,051)	(29,130)
Other operating income (expense)	(4,540)	46,677	50,623	(16)	(4,505)	88,239
<b>Profit before interest and taxation</b>	<b>32,439</b>	<b>122,930</b>	<b>52,180</b>	<b>(2,497)</b>	<b>(26,205)</b>	<b>178,847</b>
Loss from exchange differences	-	-	-	-	(1,418)	(1,418)
Interest expense	-	-	-	-	(37,220)	(37,220)
Interest income	-	-	-	-	812	812
Other expense	-	-	-	-	(17,067)	(17,067)
Gain of acquisition of subsidiaries	-	-	-	-	35,150	35,150
<b>Profit before tax</b>	<b>32,439</b>	<b>122,930</b>	<b>52,180</b>	<b>(2,497)</b>	<b>(45,948)</b>	<b>159,104</b>
Taxation	-	-	-	-	648	648
<b>Net profit</b>	<b>32,439</b>	<b>122,930</b>	<b>52,180</b>	<b>(2,497)</b>	<b>(45,300)</b>	<b>159,752</b>
<b>Total assets</b>	<b>538,103</b>	<b>486,993</b>	<b>150,113</b>	<b>56,872</b>	<b>48,298</b>	<b>1,280,379</b>
Unallocated deferred tax	-	-	-	-	905	905
<b>Consolidated total assets</b>	<b>538,103</b>	<b>486,993</b>	<b>150,113</b>	<b>56,872</b>	<b>49,203</b>	<b>1,281,284</b>
<b>Total liabilities</b>	<b>43,047</b>	<b>-</b>	<b>-</b>	<b>830</b>	<b>457,033</b>	<b>500,910</b>
Unallocated deferred tax	-	-	-	-	45,298	45,298
<b>Consolidated total liabilities</b>	<b>43,047</b>	<b>-</b>	<b>-</b>	<b>830</b>	<b>502,331</b>	<b>546,208</b>
<b>Other segment information:</b>						
Depreciation and amortization	13,128	19,678	754	881	461	34,902
Additions to non-current assets:						
Property, plant and equipment	71,703	104,213	21,286	2,699	688	200,589
Intangible assets	248	137	-	-	315	700
Biological non-current assets	-	-	2,355	-	-	2,355

<i>(in thousands of Euros)</i>	<b>Sugar production</b>	<b>Agriculture</b>	<b>Cattle farming</b>	<b>Other businesses</b>	<b>Unallocated</b>	<b>Total</b>
<b>Total revenues</b>	58,667	41,810	7,335	560	-	108,372
Inter-segment revenue	-	20,625	-	-	-	20,625
Revenue from external customers	58,667	21,185	7,335	560	-	87,747
Cost of revenues	(48,873)	(11,099)	(6,323)	(572)	-	(66,867)
Gains from remeasurement of biological assets to fair value	-	3,722	-	-	-	3,722
<b>Gross profit</b>	9,794	13,808	1,012	(12)	-	24,602
General and administrative expense	(2,256)	(2,357)	(816)	(177)	(1,966)	(7,572)
Selling and distribution expense	(2,441)	(418)	-	(169)	(1,157)	(4,185)
Other operating income (expense)	(655)	6,827	7,402	(2)	(640)	12,932
<b>Profit before interest and taxation</b>	4,442	17,860	7,598	(360)	(3,763)	25,777
Loss from exchange differences	-	-	-	-	(203)	(203)
Interest expense	-	-	-	-	(5,350)	(5,350)
Interest income	-	-	-	-	117	117
Other expense	-	-	-	-	(2,427)	(2,427)
Gain of acquisition of subsidiaries	-	-	-	-	5,050	5,050
<b>Profit before tax</b>	4,442	17,860	7,598	(360)	(6,576)	22,964
Taxation	-	-	-	-	80	80
<b>Net profit</b>	4,442	17,860	7,598	(360)	(6,496)	23,044
<b>Total assets</b>	72,526	65,637	20,232	7,665	6,510	172,570
Unallocated deferred tax	-	-	-	-	122	122
<b>Consolidated total assets</b>	72,526	65,637	20,232	7,665	6,632	172,692
<b>Total liabilities</b>	5,802	-	-	112	61,599	67,513
Unallocated deferred tax	-	-	-	-	6,105	6,105
<b>Consolidated total liabilities</b>	5,802	-	-	112	67,704	73,618
<b>Other segment information:</b>						
Depreciation and amortization	1,897	2,844	109	127	66	5,043
Additions to non-current assets:						
Property, plant and equipment	10,349	15,041	3,072	390	98	28,950
Intangible assets	36	20	-	-	46	102
Biological non-current assets	-	-	338	-	-	338



The segment information for the year ended 31 December 2006 is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Sugar production</b>	<b>Agriculture</b>	<b>Cattle farming</b>	<b>Other businesses</b>	<b>Unallocated</b>	<b>Total</b>
<b>Total revenues</b>	330,203	178,862	25,574	4,858	-	539,497
Inter-segment revenue	-	106,575	-	-	-	106,575
Revenue from external customers	330,203	72,287	25,574	4,858	-	432,922
Cost of revenues	(254,966)	(65,712)	(27,630)	(3,464)	-	(351,772)
Gains from remeasurement of biological assets to fair value	-	8,343	-	-	-	8,343
<b>Gross profit</b>	75,237	14,918	(2,056)	1,394	-	89,493
General and administrative expense	(11,515)	(9,476)	(3,151)	(1,014)	(12,737)	(37,893)
Selling and distribution expense	(6,578)	(2,712)	-	(496)	(9,681)	(19,467)
Other operating income (expense)	(1,176)	15,072	(1,218)	551	1,961	15,190
<b>Profit before interest and taxation</b>	55,968	17,802	(6,425)	435	(20,457)	47,323
Loss from exchange differences	-	-	-	-	(3,961)	(3,961)
Interest expense	-	-	-	-	(25,878)	(25,878)
Interest income	-	-	-	-	954	954
Other expense	-	-	-	-	(6,244)	(6,244)
Gain of acquisition of subsidiaries	-	-	-	-	22,831	22,831
<b>Profit before tax</b>	55,968	17,802	(6,425)	435	(32,755)	35,025
Taxation	-	-	-	-	1,632	1,632
<b>Net profit</b>	55,968	17,802	(6,425)	435	(31,123)	36,657
<b>Total assets</b>	296,253	237,703	66,162	22,711	168,074	790,903
Unallocated deferred tax	-	-	-	-	1,324	1,324
<b>Consolidated total assets</b>	296,253	237,703	66,162	22,711	169,398	792,227
<b>Total liabilities</b>	93,612	8,287	-	12,050	261,054	375,003
Unallocated deferred tax	-	-	-	-	6,205	6,205
<b>Consolidated total liabilities</b>	93,612	8,287	-	12,050	267,259	381,208
<b>Other segment information:</b>						
Depreciation and amortization	8,805	14,463	421	828	134	24,651
Additions to non-current assets:						
Property, plant and equipment	24,602	48,274	1,987	140	12,178	87,181
Intangible assets	347	63	-	11	228	649
Biological non-current assets	-	-	2,564	-	-	2,564

<i>(in thousands of Euros)</i>	<b>Sugar production</b>	<b>Agriculture</b>	<b>Cattle farming</b>	<b>Other businesses</b>	<b>Unallocated</b>	<b>Total</b>
<b>Total revenues</b>	51,905	28,115	4,020	764	-	84,804
Inter-segment revenue	-	16,753	-	-	-	16,753
Revenue from external customers	51,905	11,363	4,020	763	-	68,051
Cost of revenues	(40,078)	(10,329)	(4,343)	(545)	-	(55,295)
Gains from remeasurement of biological assets to fair value	-	1,311	-	-	-	1,311
<b>Gross profit</b>	11,827	2,345	(323)	218	-	14,067
General and administrative expense	(1,810)	(1,489)	(495)	(159)	(2,003)	(5,956)
Selling and distribution expense	(1,034)	(426)	-	(78)	(1,522)	(3,060)
Other operating income (expense)	(185)	2,370	(191)	87	307	2,388
<b>Profit before interest and taxation</b>	8,798	2,800	(1,009)	68	(3,218)	7,439
Loss from exchange differences	-	-	-	-	(623)	(623)
Interest expense	-	-	-	-	(4,068)	(4,068)
Interest income	-	-	-	-	150	150
Other expense	-	-	-	-	(980)	(980)
Gain of acquisition of subsidiaries	-	-	-	-	3,589	3,589
<b>Profit before tax</b>	8,798	2,800	(1,009)	68	(5,150)	5,507
Taxation	-	-	-	-	256	256
<b>Net profit</b>	8,798	2,800	(1,009)	68	(4,894)	5,763
<b>Total assets</b>	44,543	35,740	9,948	3,415	25,272	118,918
Unallocated deferred tax	-	-	-	-	199	199
<b>Consolidated total assets</b>	44,543	35,740	9,948	3,415	25,471	119,117
<b>Total liabilities</b>	14,075	1,246	-	1,812	39,251	56,384
Unallocated deferred tax	-	-	-	-	933	933
<b>Consolidated total liabilities</b>	14,075	1,246	-	1,812	40,184	57,317
<b>Other segment information:</b>						
Depreciation and amortization	1,384	2,273	66	130	22	3,875
Additions to non-current assets:						
Property, plant and equipment	3,867	7,588	312	22	1,914	13,703
Intangible assets	52	9	-	2	35	98
Biological non-current assets	-	-	397	-	-	397

**30 FINANCIAL INSTRUMENTS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>Loans and receivables</b>	<b>Financial assets available- for-sale</b>	<b>Investments held-to- maturity</b>	<b>Total</b>
<b>31 December 2007</b>				
<b>Financial assets as per balance sheet</b>				
Bonds receivable	-	-	4,287	4,287
Other long-term receivables	-	-	75	75
Trade accounts receivable (note 11)	68,267	-	-	68,267
Promissory notes available for sale	-	5,632	-	5,632
Investments held to maturity	-	-	700	700
Cash and cash equivalents	7,926	-	-	7,926
	<u>76,193</u>	<u>5,632</u>	<u>5,062</u>	<u>86,887</u>
			<b>Liabilities at amortized cost</b>	<b>Total</b>
<b>Financial liabilities as per balance sheet</b>				
Loans and borrowings			380,475	380,475
Trade accounts payable			40,476	40,476
			<u>420,951</u>	<u>420,951</u>
<i>(in thousands of Euros)</i>	<b>Loans and receivables</b>	<b>Financial assets available- for-sale</b>	<b>Investments held-to- maturity</b>	<b>Total</b>
<b>31 December 2007</b>				
<b>Financial assets as per balance sheet</b>				
Bonds receivable	-	-	578	578
Other long-term receivables	-	-	10	10
Trade accounts receivable (note 11)	9,201	-	-	9,201
Promissory notes available for sale	-	759	-	759
Investments held to maturity	-	-	94	94
Cash and cash equivalents	1,068	-	-	1,068
	<u>10,269</u>	<u>759</u>	<u>682</u>	<u>11,710</u>
			<b>Liabilities at amortized cost</b>	<b>Total</b>
<b>Financial liabilities as per balance sheet</b>				
Loans and borrowings			51,281	51,281
Trade accounts payable			5,455	5,455
			<u>56,736</u>	<u>56,736</u>

<i>(in thousands of Ukrainian hryvnias)</i>	Loans and receivables	Financial assets available- for-sale	Investments held-to- maturity	Total
<b>31 December 2006</b>				
<b>Financial assets as per balance sheet</b>				
Bonds receivable	-	-	4,951	4,951
Other long-term receivables	-	-	-	-
Trade accounts receivable	124,883	-	-	124,883
Promissory notes available for sale	-	1,589	-	1,589
Investments held to maturity	-	-	674	674
Cash and cash equivalents	19,894	-	-	19,894
	<hr/>	<hr/>	<hr/>	<hr/>
	144,777	1,589	5,625	151,991
	<hr/>	<hr/>	<hr/>	<hr/>
		Liabilities at fair value through the profit or loss	Liabilities at amortized cost	Total
<b>Financial liabilities as per balance sheet</b>				
Loans and borrowings	-	-	238,127	238,127
Trade accounts payable	-	-	96,978	96,978
Promissory notes issued	-	2,984	-	2,984
	<hr/>	<hr/>	<hr/>	<hr/>
	-	2,984	335,105	338,089
	<hr/>	<hr/>	<hr/>	<hr/>
<i>(in thousands of Euros)</i>	Loans and receivables	Financial assets available- for-sale	Investments held-to- maturity	Total
<b>31 December 2006</b>				
<b>Financial assets as per balance sheet</b>				
Bonds receivable	-	-	744	744
Other long-term receivables	-	-	-	-
Trade accounts receivable	18,777	-	-	18,777
Promissory notes available for sale	-	239	-	239
Investments held to maturity	-	-	102	102
Cash and cash equivalents	2,991	-	-	2,991
	<hr/>	<hr/>	<hr/>	<hr/>
	21,768	239	846	22,853
	<hr/>	<hr/>	<hr/>	<hr/>
		Liabilities at fair value through the profit or loss	Liabilities at amortized cost	Total
<b>Financial liabilities as per balance sheet</b>				
Loans and borrowings	-	-	35,804	35,804
Trade accounts payable	-	-	14,581	14,581
Promissory notes issued	-	449	-	449
	<hr/>	<hr/>	<hr/>	<hr/>
	-	449	50,385	50,834
	<hr/>	<hr/>	<hr/>	<hr/>

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Trade receivables neither past due nor impaired</b>				
Counterparties with external credit rating (Standard & Poor's)				
A+/Stable/A-1	-	6,652	-	1,000
A-/Stable/A-2	<b>2,768</b>	2,771	<b>373</b>	417
Counterparties without external credit rating				
Group A	<b>17,258</b>	66,332	<b>2,326</b>	9,973
<b>Past due or impaired trade receivables</b>	<b>40,002</b>	44,772	<b>5,392</b>	6,732
	<b>60,028</b>	120,527	<b>8,091</b>	18,122

Group A represents existing customers (more than one year) with no defaults in the past.

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash and cash equivalents</b>				
Banks with external credit rating (Moody's)				
Baa1/Stable	<b>4,406</b>	7,635	<b>594</b>	1,148
Ba2/Stable	<b>30</b>	6	<b>4</b>	1
B2/Stable	<b>353</b>	783	<b>48</b>	118
Banks without external credit rating				
Group A	<b>480</b>	164	<b>65</b>	25
Group B	<b>2,578</b>	11,256	<b>347</b>	1,692
Cash on hand	<b>79</b>	50	<b>10</b>	7
	<b>7,926</b>	19,894	<b>1,068</b>	2,991

Group A represents Ukrainian banks. Group B represents other foreign banks.

## 31 FINANCIAL RISK MANAGEMENT

### (a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about exposure to each of these risks and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### (b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, non-derivative financial instruments and receivables from customers.

The carrying amount as at 31 December of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2007</b>	<b>2006</b>
Bonds receivable	<b>4,287</b>	4,951
Investments	<b>2,495</b>	1,074
Trade accounts receivable	<b>60,028</b>	120,527
Other accounts receivable and prepayments	<b>75,509</b>	55,086
Promissory notes available-for-sale	<b>5,632</b>	1,589
Cash and cash equivalents	<b>7,926</b>	19,894
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<b>155,877</b>	<b>203,121</b>
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Bonds receivable	<b>578</b>	744
Investments	<b>336</b>	161
Trade accounts receivable	<b>8,091</b>	18,122
Other accounts receivable and prepayments	<b>10,176</b>	8,283
Promissory notes available-for-sale	<b>759</b>	239
Cash and cash equivalents	<b>1,068</b>	2,991
	<u><b>21,008</b></u>	<u>30,540</u>

**(c) Trade accounts receivable**

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 22 percent of revenue is attributable to sales transactions with a single customer.

Management established a credit policy under which each new customer is analyzed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The review includes external ratings, where available, and in some cases bank references.

More than 60 percent of customers have been transacting with the Group for over three years, and no losses are expected from non-performance by these counterparties. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of management. The balance of the twelve major debtors as at 31 December is as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Debtors with external credit rating (Standard & Poor's)				
A+/Stable/A-1	-	6,652	-	1,000
A-/Stable/A-2	<b>2,768</b>	2,771	<b>373</b>	417
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Debtors without external credit rating				
Group A	<b>39,112</b>	87,473	<b>5,272</b>	13,152
	<u><b>41,880</b></u>	<u>96,896</u>	<u><b>5,645</b></u>	<u>14,569</u>

Group A represents existing customers (more than one year) for whom there is no recent history of defaults.

The Group does not require collateral in respect of trade and other receivables. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that

relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2007 no guarantees are outstanding (31 December 2006: none).

#### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses non-derivative financial liabilities excluding interest payments and excluding the impact of netting agreements into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

<b>31 December 2007</b> <i>(in thousands of Ukrainian hryvnias)</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than one year</b>	<b>From one to two years</b>	<b>More than two years</b>
Bank loans	345,057	345,057	314,419	15,238	15,400
Borrowings from non-financial institutions	3,900	3,900	3,900	-	-
Finance lease liabilities	8,242	8,242	2,362	2,316	3,564
Interest-bearing vendor financing arrangements	8,276	8,276	2,897	1,655	3,724
Bonds payable	15,000	15,000	15,000	-	-
Trade and other accounts payable	89,654	89,654	89,654	-	-
	<u>470,129</u>	<u>470,129</u>	<u>428,232</u>	<u>19,209</u>	<u>22,688</u>

<b>31 December 2007</b> <i>(in thousands of Euros)</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than one year</b>	<b>From one to two years</b>	<b>More than two years</b>
Bank loans	46,508	46,508	42,378	2,054	2,076
Borrowings from non-financial institutions	526	526	526	-	-
Finance lease liabilities	1,110	1,110	318	312	480
Interest-bearing vendor financing arrangements	1,115	1,115	390	223	502
Bonds payable	2,022	2,022	2,022	-	-
Trade and other accounts payable	12,083	12,083	12,083	-	-
	<u>63,364</u>	<u>63,364</u>	<u>57,717</u>	<u>2,589</u>	<u>3,058</u>



<b>31 December 2006</b> <i>(in thousands of Ukrainian hryvnias)</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than one year</b>	<b>From one to two years</b>	<b>More than two years</b>
Bank loans	206,239	206,239	184,181	4,234	17,824
Borrowings from non-financial institutions	3,553	4,151	-	3,553	-
Finance lease liabilities	410	410	128	142	140
Bonds payable	27,925	27,925	-	15,000	12,925
Trade and other accounts payable	118,000	118,000	118,000	-	-
Promissory notes issued	2,984	3,217	2,984	-	-
	<u>359,111</u>	<u>359,942</u>	<u>305,293</u>	<u>22,929</u>	<u>30,889</u>

<b>31 December 2006</b> <i>(in thousands of Euros)</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than one year</b>	<b>From one to two years</b>	<b>More than two years</b>
Bank loans	31,010	31,010	27,693	637	2,680
Borrowings from non-financial institutions	534	624	-	534	-
Finance lease liabilities	61	61	19	21	21
Bonds payable	4,199	4,199	-	2,255	1,944
Trade and other accounts payable	17,742	17,742	17,742	-	-
Promissory notes issued	449	484	449	-	-
	<u>53,995</u>	<u>54,120</u>	<u>45,903</u>	<u>3,447</u>	<u>4,645</u>

**(e) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by management.

***Currency risk***

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, which is primarily the Ukrainian hryvnia. The currencies in which these transactions primarily are denominated are U.S. dollars and the Euro. Management does not hedge exposure to foreign currency risk.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The policy applied to borrowings in foreign currency is to obtain loans primarily denominated in U.S. dollars. This approach is applied due to the fact that Ukrainian hryvnia against U.S. dollars (due to the government regulations) has been stable for over three years. The exchange rate is UAH 5.050 to USD 1.00.

The exposure to foreign currency risk is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2007		31 December 2006	
	EUR	USD	EUR	USD
Trade accounts receivable	-	1,452	-	-
Other accounts receivable	356	2,422	82	-
Cash and cash equivalents	2,578	-	11,256	-
Bank loans	(2,777)	(200,258)	(2,009)	-
Interest-bearing vendor financing arrangements	-	(8,276)	-	-
Other long-term borrowings received from non-resident non-financial institutions	-	-	-	(2,151)
Trade accounts payable	(17)	(8,627)	-	-
Other liabilities and accounts payable	(2,003)	(5,702)	(3,461)	(948)
<b>Net exposure</b>	<b>(1,863)</b>	<b>(218,989)</b>	<b>5,868</b>	<b>(3,099)</b>

<i>(in thousands of Euros)</i>	31 December 2007		31 December 2006	
	EUR	USD	EUR	USD
Trade accounts receivable	-	196	-	-
Other accounts receivable and prepayments	48	326	12	-
Cash and cash equivalents	347	-	1,692	-
Bank loans	(374)	(26,992)	(302)	-
Interest-bearing vendor financing arrangements	-	(1,115)	-	-
Other long-term borrowings received from non-resident non-financial institutions	-	-	-	(323)
Trade accounts payable	(2)	(1,163)	-	-
Other liabilities and accounts payable	(270)	(769)	(520)	(142)
<b>Net exposure</b>	<b>(251)</b>	<b>(29,517)</b>	<b>882</b>	<b>(465)</b>

A 10 percent strengthening of the Ukrainian hryvnia against the following currencies at 31 December would have increased (decreased) pre-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<i>Effect in thousands of Ukrainian hryvnias</i>		<i>Effect in thousands of Euros</i>		
	2007	2006	2007	2006	
EUR	186	(587)	EUR	25	(88)
USD	21,890	310	USD	2,952	47

A 10 percent weakening of the Ukrainian hryvnia against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### **Interest rate risk**

Changes in interest rates impact primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). To minimize risks associated with interest rates, management

obtains loans primarily at fixed rates. As at 31 December 2007 such loans account for 70% of total borrowings (2006: 100%). The fixed rate levels are determined based on the market environment at the time of borrowing. During 2007 borrowings at variable rates were denominated in U.S. dollars and Euros (2006: nil).

At 31 December the interest rate profile of interest bearing financial instruments is as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Fixed rate instruments</b>				
Financial assets	4,287	4,951	578	744
Financial liabilities	251,448	238,127	33,891	35,804
	<u>255,735</u>	<u>243,078</u>	<u>34,469</u>	<u>36,548</u>
<b>Variable rate instruments</b>				
Financial liabilities	129,027	-	17,390	-
	<u>129,027</u>	<u>-</u>	<u>17,390</u>	<u>-</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

With respect to variable rate instruments, a change of 100 basis points in interest rates over the reporting period would have increased (decreased) equity and profit by UAH 209 thousand (Euro 30 thousand) provided all other variables are held constant.

***Other market price risk***

The Group does not enter into commodity contracts other than to meet expected usage and sale requirements; such contracts are not settled net.

Equity investments are not listed on a stock exchange; therefore, it is not practicable to determine their sensitivity to market changes.

**(f) Fair values**

Estimated fair values of the financial assets and liabilities are determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these consolidated financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realization of the unrealized gains and losses can have an effect on fair value estimates and have not been considered.

## 32 COMMITMENTS

### (a) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to employees. The Group transferred certain social operations and assets to local authorities; however, management expects that the Group will continue to fund these social programs through the foreseeable future. These costs are recorded in the year they are incurred.

### (b) Operating leases

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

The Group leases plough-land and industrial land under non-cancellable lease agreements in its normal course of business. The total size of leased land as at 31 December 2007 is 134,170 hectares (2006: 96,982 hectares). Lease payments recognized as an expense in 2007 are UAH 13,074 thousand (EUR 1,966 thousand; 2006: UAH 11,163 thousand, EUR 1,869 thousand).

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Less than one year	<b>20,339</b>	13,074	<b>2,741</b>	1,966
From one to five years	<b>38,346</b>	34,023	<b>5,168</b>	5,116
More than five years	<b>18,944</b>	4,309	<b>2,554</b>	647
	<hr/> <b>77,629</b> <hr/>	<hr/> 51,406 <hr/>	<hr/> <b>10,463</b> <hr/>	<hr/> 7,729 <hr/>

**(c) Financial leases**

The future minimum lease payments payable under finance leases are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Less than one year	<b>3,425</b>	140	<b>462</b>	21
From one to two years	<b>3,046</b>	143	<b>411</b>	22
More than two years	<b>4,312</b>	141	<b>580</b>	20
	<u><b>10,783</b></u>	<u>424</u>	<u><b>1,453</b></u>	<u>63</u>
Future finance charges on finance leases	<u><b>(2,541)</b></u>	<u>(14)</u>	<u><b>(343)</b></u>	<u>(2)</u>
Present value of finance lease liabilities	<u><b>8,242</b></u>	<u>410</u>	<u><b>1,110</b></u>	<u>61</u>
Less than one year	<b>2,362</b>	128	<b>318</b>	19
From one to two years	<b>2,316</b>	142	<b>312</b>	21
More than two years	<b>3,564</b>	140	<b>480</b>	21
	<u><b>8,242</b></u>	<u>410</u>	<u><b>1,110</b></u>	<u>61</u>

**(d) Contractual commitments**

At 31 December, the Group has the following contractual commitments:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Purchase commitments:				
Fixed assets	<b>56,236</b>	16,161	<b>7,580</b>	2,430
Materials	<b>5,936</b>	4,256	<b>800</b>	640
Services	<b>25</b>	-	<b>3</b>	-
	<u><b>62,197</b></u>	<u>20,417</u>	<u><b>8,383</b></u>	<u>3,070</u>
Sales commitments:				
Sugar and by products	<b>31,411</b>	-	<b>4,234</b>	-

**33 CONTINGENCIES**

**(a) Insurance**

The insurance industry in Ukraine is in a developing state and many forms of insurance, for example, environmental risk insurance, are not yet generally available. The Group has obtained insurance over its plant facilities. However, it does not have full coverage for certain financial risks such as business interruption, damage of third party property or environmental damage. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

**(b) Litigation**

The Group is involved in various legal proceedings in the ordinary course of business. Management does not believe the result of any such actions will have a material effect on the financial condition or results of operations.

**(c) Taxation contingencies**

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines and penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

In 2004, LLC “Astarta-Kyiv” concluded a commission agreement with its subsidiary LLC “APO “Tsukrovyk Poltavshchyny”. According to the agreement LLC “Astarta-Kyiv” acted on behalf of LLC “APO “Tsukrovyk Poltavshchyny” to acquire the equipment amounting to UAH 3,851 thousand. The commission agreement did not specify the date of supply of equipment or the date from which the agreement came into effect. From the tax authorities’ perspective, the amounts received by LLC “Astarta-Kyiv” under the agreement may be treated as non-returnable financial aid, which is subject to taxation according to the statutory legislation. Accordingly, there is a risk that the tax authorities may impose additional income tax liabilities amounting to UAH 962 thousand (EUR 130 thousand) along with 100% penalties. No amounts are accrued in these consolidated financial statements relating to this matter.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. Currently, there are no significant disputes with any tax authority. However, the interpretations of the relevant authorities could differ and the effect on these pro-forma consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments are made in these pro-forma consolidated financial statements.

**34 RELATED PARTY TRANSACTIONS**

The Group performs transactions with related parties in the ordinary course of business. Related parties comprise the Group parent’s associates, the shareholders, companies are under common control of the Group’s controlling owners, key management personnel and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined on an ongoing basis. The terms of some related party transactions may differ from market terms.

Balances and transactions with related parties, substantially all of which are with companies under common control of the shareholders, as at 31 December and for the year then ended are shown at their carrying value and are as follows:

**(a) Revenues**

Sales of goods and services to related parties outside the consolidated Group for the year ended 31 December are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues	<b>10,512</b>	8,382	<b>1,519</b>	1,318
	<b>10,512</b>	8,382	<b>1,519</b>	1,318

**(b) Purchases**

Purchases of goods and services from related parties for the year ended 31 December are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Purchases	<b>52,813</b>	301,788	<b>7,632</b>	47,438
	<hr/>	<hr/>	<hr/>	<hr/>

**(c) Receivables**

Receivables from related parties as at 31 December are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Trade accounts receivable	<b>4,807</b>	8,742	<b>648</b>	1,314
Long-term receivables	<b>4,287</b>	4,951	<b>578</b>	744
Advances made	<b>882</b>	-	<b>119</b>	-
Other receivables	<b>3,572</b>	-	<b>481</b>	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>13,548</b>	13,693	<b>1,826</b>	2,058
	<hr/>	<hr/>	<hr/>	<hr/>

**(d) Payables**

Payables from related parties as at 31 December are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Trade accounts payable	<b>461</b>	8,133	<b>62</b>	1,223
Other payables	<b>55</b>	3,843	<b>7</b>	578
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>516</b>	11,976	<b>69</b>	1,801
	<hr/>	<hr/>	<hr/>	<hr/>

**(e) Loans and borrowings**

Loans and borrowings from related parties as at 31 December are as follows:

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Non-resident	-	2,151	-	323
Local	<b>5,379</b>	1,402	<b>725</b>	211
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>5,379</b>	3,553	<b>725</b>	534
	<hr/>	<hr/>	<hr/>	<hr/>

Refer to note 13 for interest rates and maturity rates for loans and borrowings from related parties.

**(f) Management remuneration**

Remuneration of key management for the year ended 31 December is shown below. Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Group.

	<i>(in thousands of Ukrainian hryvnias)</i>		<i>(in thousands of Euros)</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Salary and short term benefits	<u><b>1,907</b></u>	<u>1,132</u>	<u><b>275</b></u>	<u>178</u>

**35 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

The following subsequent events as at the date of these consolidated financial statements:

*Raiffeisen Bank Aval short term loan facility*

In March 2008, the Group entered into a loan agreement with Raiffeisen Bank Aval (Ukraine) to extend existing short-term loan amounting to UAH 147,500 thousand (Euro 19,879) by one year.

*Wells Fargo HSBC Trade Bank credit program*

In March 2008, the Group entered into a loan agreement with Wells Fargo HSBC Trade Bank (USA) with a credit limit of USD 9,978 thousand (UAH 50,389; Euro 6,791 thousand) to finance its capital expenditures in purchasing agricultural machinery and equipment. The credit facility is denominated in US dollars, and matures in 2013.

*Acquisition of agricultural companies and other changes in the Group's composition*

In April 2008, the Group established a new 100% owned subsidiary SC "Tsukrovyk Podillia". LLC Firm "Astarta-Kyiv" contributed UAH 50 thousand (EUR 7 thousand) into charter capital of this entity.

In April 2008, the Group increased its control over OJSC "Agricultural Company "Agrocomplex" by means of acquiring additional participation in the charter capital. The Group owns 81.24% subsequent to the additional purchase.

*Changes in the shareholder structure of ASTARTA Holding N.V.*

Subsequent to the balance sheet date ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty disposed shares of Astarta Holding N.V. that resulted in declining the threshold of 5% of voting rights on the general shareholders meeting of Astarta Holding N.V. As at 20 May 2008 ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty possessed alone jointly 1,238,061 shares of Astarta Holding N.V., what gives 4.95% of registered capital of the Company.



Subsequent to 31 December 2007 the Group acquired the following companies incorporated in Ukraine:

No	Company	Region of Ukraine	Date of acquisition	% of ownership as at the date of acquisition	Consideration paid, thousands of	
					Ukrainian hryvnias	Euros
1	LLC "STOV Nadiya"	Khmelnitsky	07.02.2008	74.99%	228	30
2	LLC "Khmilnitske"	Vinnitsa	01.04.2008	79.98%	76	10
3	LLC "Avangard"	Zhitomir	01.04.2008	82.13%	85	11
4	Private Company "Galichanka"	Ternopil	02.04.2008	99.98%	1,232	166
5	LLC "Khliborob"	Khmelnitsky	03.04.2008	74.99%	335	45
6	SC "Avratin -agro"	Khmelnitsky	10.04.2008	99.98%	Note 1	
7	Private Company "Agrometa"	Khmelnitsky	10.04.2008	99.98%	Note 1	
8	LLC "SVK Ranok"	Khmelnitsky	10.04.2008	82.48%	Note 1	
9	LLC "SVK Niva"	Khmelnitsky	10.04.2008	79.64%	Note 1	
10	Private Company "Agro-Nadra"	Khmelnitsky	10.04.2008	99.98%	Note 1	
11	LLC "Volochnysk-Agro"	Khmelnitsky	10.04.2008	99.98%	Note 1	
12	LLC "Khlibny Dar"	Khmelnitsky	16.04.2008	79.98%	39	5
13	LLC "Bagriniivske"	Vinnitsa	17.04.2008	74.99%	1,700	229
14	LLC "List-Ruchky"	Poltava	24.04.2008	74.99%	76	10
15	LLC "Niva-Agro-K"	Khmelnitsky	30.04.2008	74.99%	250	34
16	LLC "Chervona Zirka"	Khmelnitsky	30.04.2008	74.99%	500	67

Note 1. The total consideration paid for acquisition of SC "Avratin -agro", Private Company "Agrometa", LLC "SVK Ranok", LLC "SVK Niva", Private Company "Agro-Nadra" and LLC "Volochnysk-Agro" is UAH 10,100 thousand (EUR 1,361 thousand).

It is not practicable to determine the carrying amounts of the acquired companies' assets and liabilities in accordance with IFRS immediately prior to the date of acquisition because the acquired companies' financial statements were prepared only in accordance with Ukrainian National Accounting Standards, which are significantly different from IFRSs.

For the same reason it is not practicable to determine what would be the total revenue and net profit for the year ended 31 December 2007 had the acquisitions occurred on 1 January 2007.

Board of Directors of ASTARTA Holding N.V.

V. Ivanchyk \_\_\_\_\_ (signed) \_\_\_\_\_

P. Rybin \_\_\_\_\_ (signed) \_\_\_\_\_

M.M.L.J. van Campen \_\_\_\_\_ (signed) \_\_\_\_\_

V. Korotkov \_\_\_\_\_ (signed) \_\_\_\_\_

W.T. Bartoszewski \_\_\_\_\_ (signed) \_\_\_\_\_

20 May 2008,  
 Amsterdam, The Netherlands

**ASTARTA HOLDING N.V.**  
**COMPANY FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2007**

*These financial statements contain 8 pages*

## **CONTENTS**

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## COMPANY BALANCE SHEET AS AT 31 DECEMBER

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b> <b>(restated)</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	3 <b>99,658</b>	61,825
<b>Current assets</b>		
Other accounts receivable and prepayments	<b>14</b>	6
Cash and cash equivalents	<b>12</b>	493
	<b>26</b>	499
	<b>99,684</b>	62,324
<b>Equity and liabilities</b>		
Share capital	<b>250</b>	250
Additional paid-in capital	<b>55,797</b>	55,778
Retained earnings	<b>28,038</b>	6,254
Fair value reserve	-	(35)
Revaluation surplus	<b>22,685</b>	-
Currency translation adjustment	<b>(8,710)</b>	(447)
Minority interests relating to open joint stock companies	<b>1,014</b>	-
	<b>99,074</b>	61,800
<b>Current liabilities</b>		
Other liabilities and accounts payable	<b>610</b>	524
<b>Total equity and liabilities</b>	<b>99,684</b>	62,324

**COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b>
Net income from subsidiaries and associated companies	<b>22,145</b>	4,134
Other net expense	<b>(559)</b>	(618)
	<hr/>	<hr/>
<b>Net income before income tax</b>	<b>21,586</b>	3,516
Income taxes	-	-
	<hr/>	<hr/>
<b>Net income</b>	<b>21,586</b>	3,516
	<hr/>	<hr/>
Weighted average basic and diluted shares outstanding (in thousands of shares)	<b>25,000</b>	25,000
	<hr/>	<hr/>
Basic and diluted earnings per share attributable to shareholders of the parent (in Euros)	<b>0.86</b>	0.14
	<hr/>	<hr/>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **1 GENERAL**

ASTARTA Holding N.V. (the Company) is a Dutch public company with limited liability, incorporated in Amsterdam on 9 June 2006. The Company acts as a holding company for a number of entities operating in the agricultural sector in Ukraine.

These financial statements are prepared in accordance with the provisions of the fourth Directive of the European Community as set forth in Title 9, Book 2 of the Dutch Civil Code, applying the exemption offered by article 402 to present a condensed income statement.

### **2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

#### **Basis of preparation**

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please, see pages 16 to 30 for a description of these principles.

#### **Basis of recognition of participations in subsidiaries**

The net asset value of the participating interest in subsidiaries is determined on the basis of valuation of assets, liabilities and contingent liabilities and based on computation of results on the same bases as for the Company's own assets, liabilities, contingent liabilities and financial results.

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

#### **Foreign currency transactions**

All assets and liabilities denominated in currencies other than EUR are translated at the rates of exchange prevailing on balance sheet date. All transactions in foreign currencies are translated into EUR at rates of exchange approximately those prevailing on the dates of the transactions. Unless otherwise indicated, any resulting exchange differences are recognized in the income statement.

#### **Other assets and liabilities**

Unless indicated otherwise, assets and liabilities are stated at cost.

### **3 INVESTMENTS IN SUBSIDIARIES**

As at 31 December 2007 the Company owns 100% of the shares of Ancor Investments Ltd. These shares were acquired in July 2006 in return for a contribution-in-kind transaction.

<i>(in thousands of Euros)</i>	<b>2007</b>	<b>2006</b> <b>(restated)</b>
<b>Balance as at January 1,</b>	<b>61,825</b>	-
Contribution of shares at equity value		36,583
Capitalization of subsidiaries following initial public offering	-	21,892
Net income from subsidiaries and associated companies	<b>22,145</b>	4,134
Increase (decrease) in reserves of Group companies	<b>23,951</b>	(3,075)
Restatement of fair value of dairy cattle	-	2,738
Cummulative translation differences	<b>(8,263)</b>	(447)
	<hr/>	<hr/>
<b>Balance as at 31 December</b>	<b>99,658</b>	61,825
	<hr/> <hr/>	<hr/> <hr/>

With regard to the restatement of fair value of dairy cattle please refer to note 4 of the consolidated financial statements.

#### 4 CAPITAL AND RESERVES

The authorized share capital amounts to EUR 300,000 and consists of 30,000,000 ordinary shares with a nominal value of EUR 0.01 each. As at 31 December 2007, 25,000,000 shares are issued and fully paid up. Share capital as at 31 December is as follows:

<i>(in thousands of Euros)</i>	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	Amount	%
<b>Astarta Holding N.V.</b>				
Ivanchyk V.P.	<b>100</b>	<b>40.00%</b>	100	40.00%
Korotkov V.M.	<b>100</b>	<b>40.00%</b>	100	40.00%
East Capital Asset Management AB	-	-	13	5.03%
ING Parasol Specjalistyczny Fundusz Inwestycyjny	<b>13</b>	<b>5.39%</b>	-	-
Other shareholders	<b>37</b>	<b>14.61%</b>	37	14.97%
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>250</b>	<b>100.00%</b>	250	100.00%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 5 NUMBER OF EMPLOYEES AND EMPLOYMENT COSTS

The Company has no employees other than directors. Hence, it did not pay any wages and related social security contributions.

#### 6 DIRECTORS

The Company is managed by the Board of Directors which consists of five members: three Executive Directors and two Non Executive Directors.

The composition of the Board of Directors is as follows:

<b>Viktor Ivanchyk</b>	Chief Executive Officer
<b>Petro Rybin</b>	Chief Operating and Financial Officer
<b>Marc van Campen</b>	Chief Corporate Officer
<b>Valery Korotkov</b>	Chairman of the Board, Non Executive Director
<b>Wladyslaw Bartoszewski</b>	Vice Chairman of the Board, Non-Executive Director.

During 2007, there were no changes in the rules governing appointment or dismissal of members of the Board of Directors. Pursuant to the Dutch regulation “Disclosure of Remuneration of Board Members Act”, the total remuneration and shares held by executive and non-executive Board members is specified below.

<i>(in Euros)</i>	<b>2007</b>	<b>2006</b>
Viktor Ivanchyk	<b>127,500</b>	55,970
Petro Rybin	<b>102,000</b>	46,642
Marc van Campen	<b>13,300</b>	7,292
Valery Korotkov	<b>19,125</b>	-
Wladyslaw Bartoszewski	<b>12,750</b>	7,000
	<hr/>	<hr/>
	<b>274,675</b>	116,904
	<hr/>	<hr/>

Board of Directors of ASTARTA Holding N.V.

V. Ivanchyk \_\_\_\_\_(signed)\_\_\_\_\_

P. Rybin \_\_\_\_\_(signed)\_\_\_\_\_

M.M.L.J. van Campen \_\_\_\_\_(signed)\_\_\_\_\_

V. Korotkov \_\_\_\_\_(signed)\_\_\_\_\_

W.T. Bartoszewski \_\_\_\_\_(signed)\_\_\_\_\_

20 May 2008,  
Amsterdam, The Netherlands

## **7 OTHER INFORMATION**

### **Profit allocation and distribution in accordance with articles of association**

The corporate Articles of Association lay down the following conditions regarding the appropriation of profit (summary):

#### **Article 25**

1. The profits shall be at the disposal of the General Meeting.
2. The Company can only make profit distributions to the extent its equity exceeds the paid and called up capital plus reserves which must be maintained pursuant to the law.
3. Dividend payments may be made only after adoption of the annual accounts which show that such payments are permitted. Dividends shall be payable immediately after they have been declared, unless the General Meeting should fix a different date when adopting the relevant resolution. Shareholders' claims vis-à-vis the Company in respect of the payment of a dividend shall lapse after a period of five years from the point at which they are made payable.
4. With due observance of the provisions of paragraph 2 and provided that the requirements of paragraph 2 are fulfilled as evidenced by the interim balance sheet as mentioned in article 2:105, paragraph 4 Dutch Civil Code (Burgerlijk Wetboek), the General Meeting may adopt a resolution to distribute an interim dividend or to make distributions from a reserve which need not be maintained by law.



Within eight days of the day the payment was announced, the Company must deposit such interim balance sheet with the Trade Register where the Company is registered. If the General Meeting adopts a resolution to that effect, distributions may be made otherwise than in cash.

**Proposal for profit allocation**

The Board of Directors will propose to the Annual General Meeting of Shareholders to transfer the net profit of EUR 21,586 thousand to retained earnings.

## **AUDITOR'S REPORT**

### ***Report on the financial statements***

We have audited the accompanying 2007 financial statements of Astarta Holding N.V., Amsterdam, the Netherlands. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year and notes thereon. The company financial statements comprise the company balance sheet as at 31 December 2007, the company income statement for the year then ended and the notes.

### ***Management's responsibility***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion with respect to the consolidated financial statements***

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Astarta Holding N.V. as at 31 December 2007, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

***Opinion with respect to the company financial statements***

In our opinion, the company financial statements give a true and fair view of the financial position of Astarta Holding N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

***Report on other legal and regulatory requirements***

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 20 May 2008

KPMG ACCOUNTANTS N.V.

M.M.B. Blauwhoff RA Partner

**GENERAL INFORMATION TO INVESTORS**  
**The results of the listing of Company's shares in 2007**  
*ASTARTA Holding N.V. stock quotation information*

	<b>2007</b> (historical)	<b>2006</b> (pro-forma)
Opening price (PLN)	17.09	19.00
Highest trading price (PLN)	32.00	21.50
Lowest trading price (PLN)	12.10	16.00
Closing price (PLN)	32.00	17.09
Closing price (Euros)	8.93	4.46
Year price change	87.2%	-10.1%
EPS (in Euros)	0.85	0.26
Price / earnings (P/E)	10.46	17.42
Market capitalization (thousands of PLN)	800,000	427,250
Market capitalization (thousands of Euros)	223,339	111,519
Share trading turnover (thousands of PLN)	152,800	91,941
Share trading turnover (thousands of Euros)	40,458	23,998

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