ASTARTA-KYIV
agri-industrial holding

ASTARTA HOLDING N. V. ANNUAL REPORT 2006

ASTARTA-KYIV
agri-industrial holding

ANNUAL REPORT
2006

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ANNUAL REPORT
FOR THE YEAR 2006

Four year summary of financial highlights and ratios

The following table sets forth ASTARTA Holding N.V. pro-forma results of the operations for the years ended 31 December 2003, 2004, 2005 and 2006 respectively.

Pro-forma consolidated income statement (In thousands of Euros)

	2006	2005	2004	2003
Revenues	68,051	51,783	31,888	22,291
Cost of revenues including remeasurement gains	(53,984)	(36,403)	(23,027)	(14,223)
Gross profit	14,067	15,380	8,861	8,068
Operating expenses, net	(6,552)	(6,638)	(2,628)	(4,448)
Profit from operations (EBIT)	7,515	8,742	6,233	3,620
Net financing expenses and gains	(2,008)	525	(1,256)	(283)
Profit before tax	5,507	9,267	4,977	3,337
Income tax benefit (expense)	256	386	297	(175)
Net profit	**5,763**	**9,653**	**5,274**	**3,162**

Pro-forma consolidated balance sheet (In thousands of Euros)

	2006	2005	2004	2003
Property, plant and equipment	31,505	25,448	16,541	15,777
Intangible assets	104	34	27	19
Other non-current assets	3,628	3,279	1,812	1,313
Total non-current assets	**35,237**	**28,761**	**18,380**	**17,109**
Inventories	45,910	29,867	18,492	12,846
Biological assets	5,597	1,854	966	779
Trade and other accounts receivable and prepayments	26,405	14,768	9,553	6,400
Promissory notes at fair value through profit or loss	239	516	393	146
Cash and cash equivalents	2,991	503	112	172
Total current assets	**81,142**	**47,508**	**29,516**	**20,343**
Total assets	**116,379**	**76,269**	**47,896**	**37,452**
Share capital	250	60	3	3
Additional paid-in capital	27,380	1,296	942	846
Retained earnings	35,758	29,358	21,920	18,825
Fair value reserve	(35)	—	—	—
Currency translation adjustment	(4,291)	(296)	(4,656)	(3,114)
Total equity	**59,062**	**30,418**	**18,209**	**16,560**
Long-term loans and borrowings	8,382	10,086	5,101	3,586
Deferred tax liabilities	933	1,729	387	652
Total non-current liabilities	**9,315**	**11,815**	**5,488**	**4,238**
Bank loans	24,568	11,305	8,904	5,950
Current portion of loans and borrowings	3,144	583	4	121
Trade accounts payable	14,581	4,745	5,461	3,696
Promissory notes issued	449	340	112	222
Minority interests	2,099	8,729	5,975	4,256
Other liabilities and accounts payable	3,161	8,334	3,743	2,409
Total current liabilities	**48,002**	**34,036**	**24,199**	**16,654**
Total equity and liabilities	**116,379**	**76,269**	**47,896**	**37,452**

Key ratios of the Group

	2006	2005	2004	2003
ROE	9.8%	31.7%	29.0%	19.1%
ROA	5.0%	12.7%	11.0%	8.4%
EV/EBITDA	14.08			
EV/SALES	2.13			
NET DEBT/EBITDA	3.22	1.80	1.64	1.75
NET DEBT/SALES	0.49	0.41	0.44	0.43
NET DEBT/EQUITY	0.56	0.71	0.76	0.57

Formulae for calculation of financial indicators

Return on equity (%)	$\frac{\text{Net Profit}}{\text{Shareholders equity}}$
Return on assets (%)	$\frac{\text{Net Profit}}{\text{Total assets}}$
EV	Market capitalization + Net debt
EBITDA	Operation profit + depreciation and amortization
EV/EBITDA	$\frac{\text{Market capitalization + Net debt}}{\text{EBITDA}}$
EV/Sales	$\frac{\text{Market capitalization + Net debt}}{\text{Sales}}$
Earning per share	$\frac{\text{Net profit}}{\text{Average number of shares during the financial period}}$
P/E	$\frac{\text{Adjusted closing price on the last trading day of the financial year}}{\text{Earning per share}}$
Market capitalistion	The number of shares at the end of the financial period multiplied by the closing price on the last trading day of the financial period.
EUR/PLN (as of 29 December 2006)	3,8312
Net debt	Short term debt + long term debt — cash and cash equivalents
Net debt/ EBITDA	$\frac{\text{Net debt}}{\text{EBITDA}}$
Net debt/Sales	$\frac{\text{Net debt}}{\text{Sales}}$

ASTARTA Holding N.V. Chairman's statement

Dear shareholders! Ladies and gentlemen!

On behalf of the Board of Directors, I would like to welcome and thank you for using the «window of opportunity» by pioneering an investment into Ukraine's sugar industry and agriculture. We strongly believe that today's globalization implies that competitiveness of any business rests on its openness, access to international capital markets, as well as management's efforts to maximize the shareholder value.

Adhering to these principles, we focused our efforts on transforming our Ukrainian business, the agro-industrial holding Astarta-Kyiv, into a European public company ASTARTA Holding N.V., which was admitted to listing on the Warsaw Stock Exchange on 17 August, 2006.

Such a «European integration» was successful due to Astarta's high business reputation, earned over many years, as well as conformity with our fundamental principle: «We strive for prosperity together with our partners».

Today we are happy to extend our partnership to many Polish and European investors to share the benefits of our, as we believe, promising business.

Management of ASTARTA Holding N.V. is fully committed to strengthening shareholders' confidence in our company by continuing an open dialogue about our business prospects, as well as consistent implementation of the European corporate governance standards.

To this end we have adopted a two-stage approach. First, we aim to improve corporate governance at the level of the Dutch holding company, ASTARTA Holding N.V. to comply with the Dutch Corporate Governance Code and applicable rules of the Warsaw Stock Exchange. We have drafted a number of documents to be approved by the Annual General Shareholder Meeting this year. Then, we will seek to introduce same principles at the level of our Ukrainian operations, Astarta-Kyiv.

Successful transformation into a public company allowed us to raise capital to finance the development strategy of the Group and to significantly increase the scale of our operations. The company increased sugar output from 87.5 thousand tons in 2005 to 160.6 thousand tons in 2006, or by 83.5%, while its share in the Ukrainian domestic sugar production grew from 4.6% to 6.2%.

In addition to dynamic growth of sugar output, we also strived to improve efficiency of sugar production. As a result of reconstruction and modernization of our sugar plants, we managed to increase capacity utilization from 76.3% to 87.4%, as well as reduce natural gas consumption in the production process by approximately 10%.

In line with its strategy of vertical integration, the Group's management focused on increasing the arable land under lease from 66.9 thousand hectares to 90 thousand hectares, which allowed us to more than double the land area under sugar beet in 2006. We also continued with introduction of modern US sugar beet growing technologies and because of that managed to increase sugar beet yield by 14% from 29.5 tons per hectare in 2005 to 33.6 tons per hectare in 2006. In turn, sugar beet output grew by 2.4 times to 527 thousand tons in 2006. The share of in-house sugar beet in the total processing volume grew from 31% to 42%.

Higher sugar output was also reflected in a significant growth of the Group's sales, i.e. sugar sales grew from 66.4 thousand tons in 2005 to 91.5 thousand tons in 2006.

As a result, the Group's revenue rose from EUR51,783 thousand in 2005 to EUR68,051 thousand, or by 31.4%. In 2006 the Group's EBIT totaled EUR7,515 thousand, EBITDA — EUR10,272 thousand, net profit — EUR5,763 thousand.

In the second half and especially towards the end of 2006, the Group's business faced significant challenges, which impacted its financial results and in particular margins. During this period the business was affected by a combination of negative factors, the majority of which were out of the management's control.

The main challenge was the situation in the Ukrainian sugar market at the beginning of the sugar beet production season in September 2006. For the first time in the last five years Ukraine's sugar output (approx. 2.6 million tons) exceeded domestic demand (approx. 2.2—2.3 million tons). As export opportunities are scarce due to high tariff barriers in the Russian and European markets, oversupply resulted in significant price decrease (by 26% from EUR462 per ton in August to EUR342 per ton in December 2006).

Last year our business expansion took place in the environment of rising prices for core raw materials (sugar beet), fuels (natural gas, coal, petroleum products) and other (limestone, fertilizers). Combined with growing salary and wage costs due to increasing number of personnel and minimum wages set by the Parliament of Ukraine, there was an increase in the production costs.

The Ukrainian government also failed to effectively regulate the sector last year.

Despite the requirements of the Ukrainian legislation and corresponding decisions of the Government of Ukraine, the State Agrarian Fund didn't intervene in the sugar market with purchases of approximately 155,000 tons of sugar. As a result, our Group was deprived of the opportunity to sell about 10,000 tons of sugar to the Fund. The Government also didn't fulfill its obligations on partial compensation of the interest rates on credits to agricultural producers from commercial banks. We estimate the amount of compensation lost at EUR 1 million.

Also in the period from October 2006 to February 2007, the Government of Ukraine adopted a set of resolutions imposing quotas and licenses for exports of certain grain crops, namely wheat, barley, corn and rye. Most grain exporters, including our Group, were not granted export licenses, which decreased Group's profit from sales of these products.

While meeting the abovementioned challenges, the Group's management focused on increasing sales and improving the efficiency, in particular by entering new market segments and trying to offset the negative price movements by entering into one-year fixed price contracts for sugar sales with major industrial consumers.

As a result of these efforts, the market share of the Group in total Ukrainian sugar sales grew from 3.2% in 2005 to 4.2% in 2006. We managed to diversify our sales by supplying to the beverage, dairy and pharmaceutical sectors where we concluded new contracts with «Coca-Cola», «Wimm-Bill-Dann», as well as with one of the leading local pharmaceutical companies «Arterium». This allowed us to achieve a higher average sugar selling price compared to the rest of the market during the second half of 2006, when the market was at its trough.

We believe that the results achieved by ASTARTA Holding N.V. in 2006 prove the effectiveness of our development strategy. It allowed us to maintain the financial soundness of our business in the most unfavorable external environment.

In 2007 we plan to concentrate our efforts on continuing reconstruction and modernization of our production assets, further development of the vertical integration and diversification of sales.

We know that one of most important competitive advantages of our Group and a prerequisite for the expansion to the new market segments is our ability to produce premium quality sugar. Exactly this factor contributed to our success in securing supply contracts with «Coca-Cola» in a highly competitive bidding. We continue the implementation of quality management systems across our sugar plants and ensuring their international certification.

To maximize shareholder value we strive to capitalize on our competitive advantage of being the only public agro-industrial company in Ukraine. In particular our public company status and financial reporting standards under IFRS allow us to decrease the effective interest rate on borrowings. We are currently negotiating with a number of European and North American banks on debt financing terms. This should offset the Ukrainian government's inability to subsidize interest rates.

Current price environment in the Ukrainian sugar market facilitates exit of inefficient sugar producers from the market creating consolidation opportunities for top players. We are actively seeking to participate in industry consolidation, primarily through M&A activity.

Further diversification of our business continues to be high on our agenda, including the possibility of bio-ethanol production. We are having detailed discussions with several European and North American players, which possess the required technology and experience, in order to set up a joint venture in Ukraine.

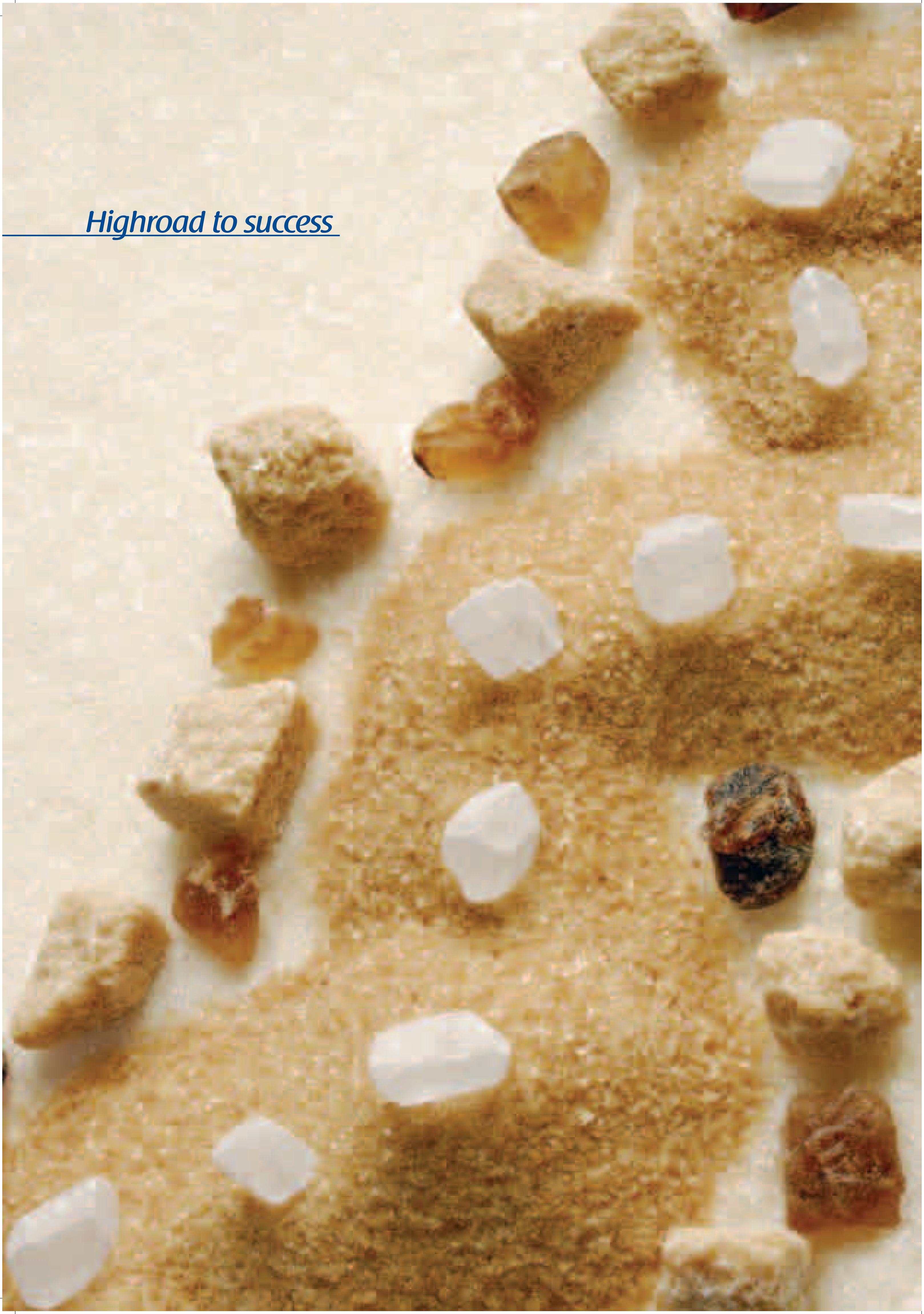
We are also seeking to create more value for our shareholders through the development of crops and meat production segments where we are also embarking on partnerships with experienced European players.

To conclude I would like to again express gratitude to our shareholders for their confidence in our business and also to highlight that we are fully aware of our high responsibility being the first public company from the agricultural sector of Ukraine and the pioneer on the Warsaw Stock Exchange. Management of ASTARTA Holding N.V. and all our employees of Astarta-Kyiv and its subsidiaries will do our best to become «the success story» for our shareholders, as well as for other Ukrainian companies which, I'm sure, will follow our path.

Sincerely yours,

Chairman
Valery Korotkov

Highroad to success



Report of the Board of Directors on the operations for the year 2006

Contents

1. Basis of preparation of the Consolidated Financial Statements and Pro-forma Consolidated Financial Statements

The consolidated financial statements as at and for the period from 9 June 2006 (inception) to year ended 31 December 2006, Pro-forma consolidated financial statements as at and for the year ended 31 December 2006 of ASTARTA Holding N.V. («the Company») are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Because the Company was only incorporated on 9 June 2006 there is no comparative financial information available for previous periods.

In order to give the reader a balanced and comprehensive analysis of the standing and the development of the Company all the comments of the management on the financial results of the Company and the Group in this report are based on the Pro forma consolidated financial statements for the years 2006 and 2005. The Pro-forma financial statements have been prepared as if the Company and the Group were operating under the current legal structure throughout 2005 and 2006.

2. Group at a Glance

ASTARTA Holding N.V. was incorporated under the law of the Netherlands as a parent holding company of a group of companies with all of their production assets based in Ukraine («the Group»). These assets are controlled by a Ukrainian operating company LLC Firm «Astarta Kyiv» («Astarta-Kyiv»).

Astarta-Kyiv was established in March 1993 with a view to trading in sugar and petroleum products between Russia and Ukraine. From 1996 we shifted to agribusiness and began to invest in production of sugar and agricultural products. A substantial reorganization was undertaken in 2006 in order to establish a consolidated Group for the purposes of listing on the Warsaw Stock Exchange (the «WSE»). For more information about the Company's admission to the WSE please refer section 7.3 «Admission to Warsaw Stock Exchange and disposal of IPO proceeds».

The Group now is an agri-industrial holding and one of the leaders of the Ukrainian sugar sector which is focusing the operations on production and sales of sugar made of sugar beet, sugar by-products and related services. The Group's business has dynamically grown during last several years. In line with the acquisition of the sugar plants and agricultural companies in 2003—2006 the total daily processing capacity of our sugar plants increased by 11,100 tons up to 17,630 tons, the amount of arable land under lease grew from 25,700 hectares to 90,000 hectares.

As on 1 May 2007, the Company controlled 5 sugar plants, 28 subsidiary agricultural companies, and 2 associated agricultural companies, as well as one canning and one mixed fodder plant. All of our operations are located in the Poltava and Vinnytsya Oblasts (administrative regions) of Ukraine. Our Ukrainian headquarters are in Kyiv.

In 2006 we were one of Top 5 Ukrainian sugar producers with the 6.2% share in the domestic sugar output and 4.2% in sugar sales in Ukraine. The revenues of the Group were c. EUR68.1 million, which represents an increase of about 31.4% compared with 2005.

We are also involved in growing and selling various grain crops and oilseed crops due to the necessity of crop rotation in sugar beet cultivation. Cattle farming is our additional, non-core activity.

For detailed information on the Group's products, markets and sales please refer to section 3 «Basic products and sales and the Group's markets», below.

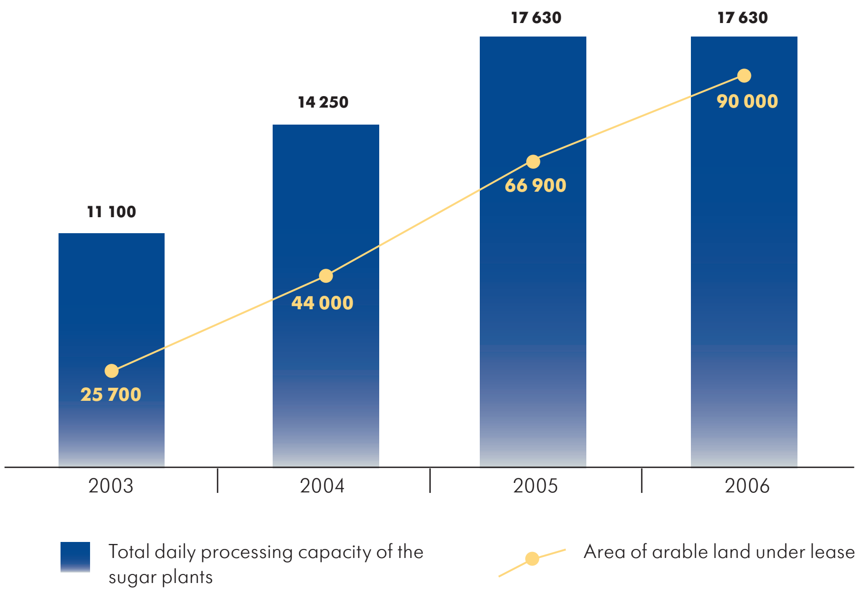


Figure 1. Sugar plant daily processing capacity, tons per day, and area of agricultural land under lease, hectares, as of December 31, 2003—2006

3. Basic products and sales and the Group's markets

The basic products of the Group are: sugar and sugar by-products (molasses, beet pulp), sugar beet, grains and oilseeds, as well as cattle-breeding products, including milk. **Table 1** provides output volumes of our basic products in 2005 and 2006.

We increased the sugar output from 87.5 thousand tons in 2005 to 160.6 thousand tons in 2006 or by 83.5%. This growth was achieved first of all due to better capacity utilization, which increased from 76.3% to 87.4%, together with the launching of Globynsky sugar plant acquired in late 2005. As a result of reconstruction and modernization of our sugar plants, we managed to reduce natural gas consumption in the production process by approximately 10%.

The Group increased its share in domestic sugar production from 4.6% in 2005 to 6.2% in 2006 and became one of the top 3 sugar producers of Ukraine. In connection with the increase of sugar production the output of sugar by-products increased correspondingly.

We continue to realize our ambition to strengthen vertical integration by increasing own grown sugar beet by agricultural companies of the Group. All in-house grown sugar beet is delivered to our sugar plants for processing, which allows us to build a value added chain for our core product sugar, since the costs of raw materials comprise c.60% of sugar production costs, and the price for sugar beet purchased from agricultural producers in the market is significantly higher than the cost of beets grown by our agricultural companies.

In order to maintain this ambition we are constantly increasing the area of arable land under lease. It was increased from 66.9 thousand hectares as of 31 December 2005 to about 90 thousand hectares as of 31 December 2006, or by 35%. At the same time we allocated more land for sugar beet growing, which increased correspondingly from 7.4 thousand hectares to 15.6 thousand hectares, or by 2.1 times.

Apart from extensive growth of the area of land for sugar beet cultivation we also introduced advanced technologies based on usage of American equipment (produced by Amity Technology LLC), seeds, fertilizers and plant protection agents by global and European leading producers, such as Syngeta, Rustica, BASF and Pioneer. This allowed us to increase the yield of this crop from 29.5 tons per hectare in 2005 to 33.6 tons per hectare in 2006 or by 14%.

As a result in-house grown sugar beet production by agricultural companies of the Group increased by 2.4 times, i.e. from 217 thousand tons in 2005 to 527 thousand tons in 2006. The share of in-house grown sugar beet in its total processing volume increased from 31% to 42%.

We also purchased sugar beet at market price from agricultural producers located in immediate proximity to our plants in order to supply our sugar production with raw materials. We believe that we do not depend on any single supplier as none of them supplies us with more than 10% of sugar beet processing volumes. As we increase volumes of in-house grown sugar beet, the share of raw materials purchased from the market is reduced.

To ensure efficient land use the Group implements scientifically proven crop rotation. Thus we grow grain and oilseed crops, mainly wheat, barley, corn, sun flower and soy. In 2006 their total output comprised 131.0 thousand tons, which was 5.3% more than in 2005. With regards to our auxiliary business such as cattle-breeding, the milk output increased from 19.8 thousand tons to 20.6 thousand tons.

Table 1. Output of basic products in 2005 and 2006

Products	**2006** thousand tons	**2005** thousand tons	**% growth**
Sugar	160.6	87.5	83.5
Sugar by-products including:			
Molasses	54.4	32.7	66.4
Beet pulp (wet)	920.5	530.0	73.7
Beet pulp (dry, granulated)	11.0	4.5	144.4
Sugar beet	527.0	217.0	142.9
Grain and oilseed crops	131.0	124.2	5.3
Milk	20.6	19.8	4.0

Figure 2 shows the revenues breakdown of the Group in 2006. Sales of sugar, sugar by-products and revenues from related business accounted for 77% of the total revenues. Other 17% of the revenues came from crop sales, and the remainder came from cattle breeding. Together with the crop sales, revenues from sugar and sugar-related business account for about 94% of the total revenues.

In terms of volumes, sugar sales increased from 66.4 thousand tons in 2005 to 91.5 thousand tons in 2006, or by 37.8%. The Group's share in the total sales in Ukraine increased from 3.2% in 2005 to 4.2% in 2006.

Table 2 shows sales by quarter during last two years. The larger share of the sales in 2006 compared to Q4 2005 (almost 50% vs. 34%) was caused by the significant sugar output increase in the last production season. Our sales strategy also influenced this share. We usually sell over one third of sugar produced during the production season (September-December) by the end of the calendar year, whereas the rest of sugar is sold before the next production season starts.

The Group is well-positioned in the B2B sector, among industrial consumers. Three of our largest consumers, providing for almost half of our sales in 2006, are confectionaries: Kraft Foods, AVK, and Poltavakoditer. Moreover, we sell sugar to wholesale traders (Trade House Privat), as well as mid- and small-scale industrial consumers, most of which are located in Central and Eastern Ukraine. **Figure 3** shows the major sugar consumers in 2006.

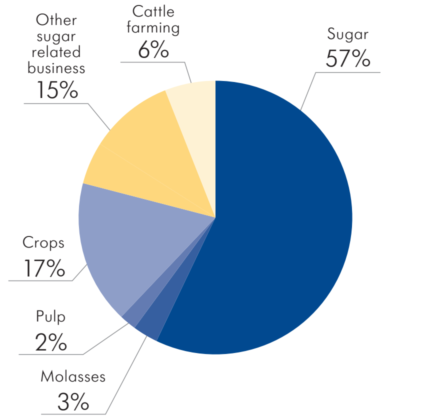


Figure 2. Revenues breakdown in 2006, %

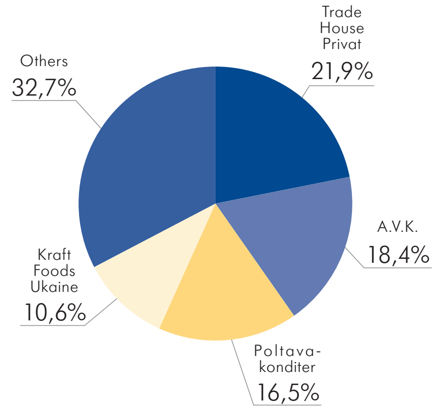


Figure 3. Major sugar consumers in 2006, %

Figure 4. Sugar sales breakdown in 2006—2007

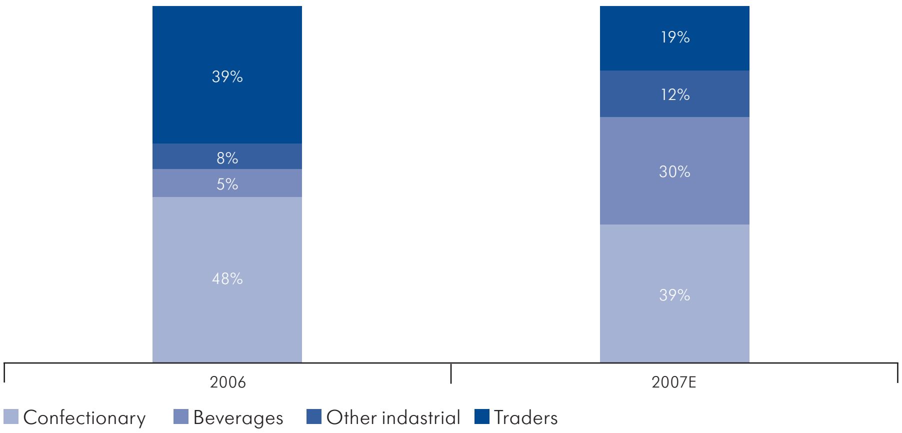


Table 2. Quarterly volumes of sugar sales in 2005 and 2006, tons

	2006	2005
1 quarter	12 296	12 705
2 quarter	14 184	19 060
3 quarter	20 095	11 946
4 quarter	44 920	22 689
Total:	**91 495**	**66 400**

3. Basic products and sales and the Group's markets
continued

We believe that the Group does not depend on any single consumer, however we are making efforts to diversify our sales and improve the Group's reputation on the market as a high quality sugar producer who always fulfils contract obligations.

To support these efforts we managed to increase the premium sugar output from 3,000 tons in 2005 to 10,000 tons in 2006 and plan to further raise it up to about 45,000 in 2007. This kind of sugar is a higher value added product and is of great demand by beverage producers.

As a result, we managed to diversify our sales by entering the beverage producers segment. Their share in our sales in 2006 amounted to 5%.

In line with this strategy, in late 2006-early 2007 we successfully concluded contracts with major beverage producers — «Coca-Cola Beverages Ukraine Limited» and «Khortytsia» (No.1 alcohol drinks producer in Ukraine), dairy producer — «Wimm-Bill-Dann Ukraine», as well as «Galychfarm» (No.2 pharmaceutical producer in Ukraine).

We also managed to increase the sugar by-products sales. The Group sold wet pulp produced by our sugar plants to local agricultural companies as cattle feed and exported almost all dry granulated pulp, which is a high-quality animal feed. We also increased sales of this product from 4.5 thousand tons in 2005 to 11.1 thousand tons in 2006 or by 2.5 times. Molasses sales grew from 33.3 thousand tons to 45.0 thousand tons or by 35%.

We sell grain crops and oilseeds to large international traders. The share of sales to the three largest consumers was about 46% in 2006. **Figure 5** shows revenue breakdown from grain crop sales by customers in 2006.

In late 2006, the Government of Ukraine adopted a set of resolutions imposing quotas and licenses for exports of certain grain crops, namely wheat, barley, corn and rye. As of December 31, 2006, the majority of grain exporters, including our Group, did not receive export licenses, which affected the price situation in the Ukrainian market. These restrictions had a negative impact on exports and on the business of a majority of grain exporters in Ukraine, as well as on the business and sales of our Group.

Situation in the Ukrainian sugar market

Sugar beet yield in Ukraine in 2006 exceeded 22 million tons which was 35% higher than in 2005. The higher yield led to increased beet processing and sugar production by the Ukrainian sugar plants. The domestic sugar output reached as high as 2.6 million tons in 2006. According to the sugar market experts, the domestic demand for sugar is about 2.2—2.3 million tons a year. Thus, the above output was not only enough to satisfy the demand, but also exceeded it for the first time in the last 5 years. Export opportunities are scarce due to high tariff barriers in the foreign markets.

Moreover, many Ukrainian sugar producers use tolling schemes, whereby they process sugar beet and are paid for processing with part of the sugar produced, and the remainder of sugar goes to the beet producers. Agricultural producers tend to sell this sugar as soon as possible in order to repay their ongoing costs and debts.

From the beginning of the processing season on 1 September 2006, the above mentioned factors led to bearish pressure on the sugar prices in Ukraine. As a result, sugar prices fell by 26 % from EUR 462 per ton (VAT excl.) in August 2006 to EUR 342 per ton (VAT excl.) in December 2006.

The Ukrainian Government also failed to effectively regulate the sector last year. Despite the requirements of the Ukrainian legislation and corresponding decisions of the Government of Ukraine, the State Agrarian Fund didn't intervene in the sugar market with purchases of approximately 155,000 tons of sugar. As a result, our Group was deprived of the opportunity to sell about 10,000 tons of sugar to the Fund.

This situation had a negative impact on the Group's revenues from the sugar sales during 2006. To offset the negative price movements, the Board of Directors aimed the Group's sales strategy at increasing sugar sales volumes concluding one-year contracts with fixed prices with the major industrial consumers.

One of the results of such policy was growth of the Group's share in the total domestic sugar sales from about 3.2 % in 2005 to approximately 4.2% in 2006 as stated in **Table 3**. We estimate its further growth up to 5.2% in 2007.

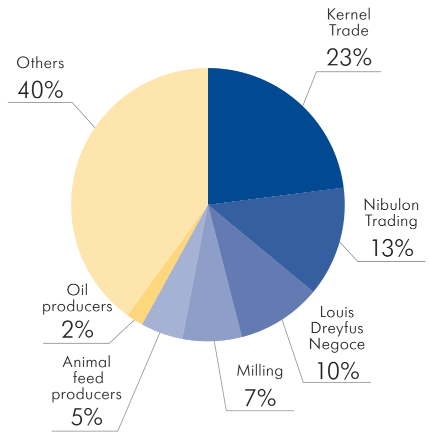


Figure 5. Revenue breakdown from crop sales in 2006, %

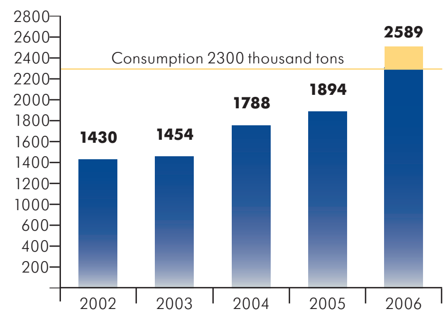


Figure 6. Sugar output and consumption in Ukraine in 2002—2006, thousand tons

Table 3. Group's share in the domestic sugar output and sales, 2005—2007

	2005	2006	2007E
Share in output, %	4.6	6.2	**6.5**
Share in sales, %*	3.2	4.2	**5.2**

*Management estimates

Figure 7 shows that the policy of entering into fixed price contracts somewhat limited the Group's opportunities to take advantage of market price growth in the first half of 2006, but it played a stabilizing role in the second half of the year, when the Group sold sugar at prices above the market average. By the end of the year 2006, we concluded long-term contracts for sale of half of total sugar volumes produced.

We expect the situation in sugar market to stabilize this year as a result of forecast reduction of area of land under sugar beet cultivation, as well as exit from the market by the least efficient players, and therefore, reduction of sugar beet and sugar output in 2007. According to International Sugar Organization's forecasts area of land under sugar beet is expected to be decreased by at least 15% to 680—700 thousand hectares. According to Ukrtsukor's estimates this area could even be reduced to 650 thousand hectares, implying over 20% decrease compared to 2006.

The tendency of the restructuring and consolidation of the Ukrainian sugar industry is observed together with the exit of the market by less efficient players. Ten top players have been continuously consolidating the market, in particular, their share in the total domestic sugar output in Ukraine increased to about 49% in 2006 comparing to about 44% in 2005. **Figure 8** shows the Ukrainian sugar output by players in 2006.

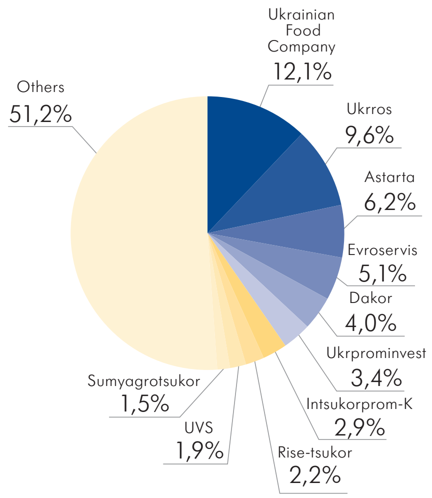
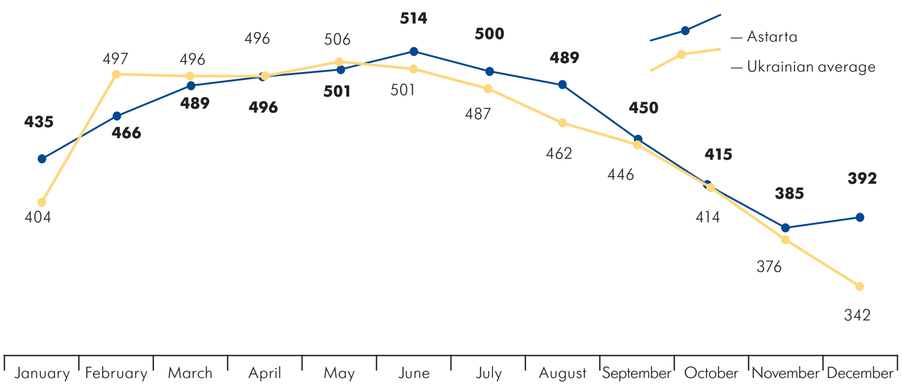


Figure 8. Ukrainian sugar output by players, 2006

Figure 7. Group's pricing power in 2006, EUR per ton, VAT excl.*

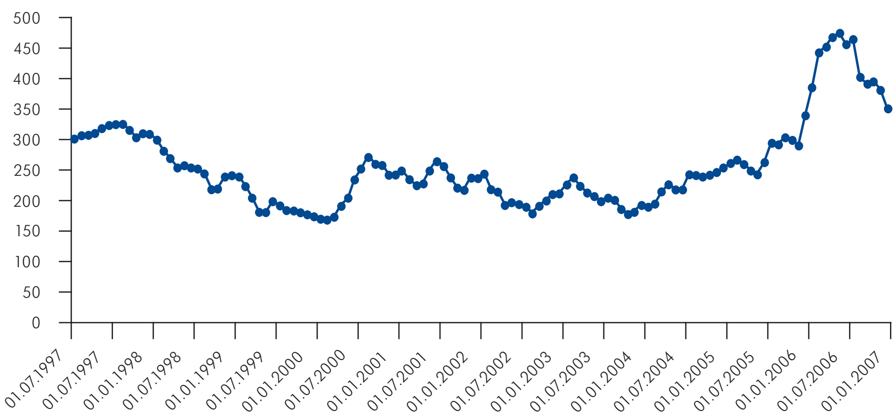


* Management estimates, National Association of Sugar Producers Ukrtsukor

World sugar market trends

Situation on the Ukrainian sugar market towards the end of the year 2006 followed global sugar market trends. A noteworthy surplus of world production over consumption is caused by a massive production increase in the last season. As a result, the future price for white sugar at LIFFE fell from USD 463 per ton in July 2006 to USD 350 per ton in December 2006 or by 24%. **Figure 9** shows world prices for white sugar in 1997—2006.

Figure 9. World sugar prices, 1997—2006, (LIFFE), USD per ton



4. Shareholder structure of ASTARTA Holding N.V.

According to the information available to the Group as of the date of the report preparation the following shareholders submitted information on holding directly or indirectly (through subsidiaries) at least 5% of the total vote at the General Shareholders' Meeting of ASTARTA Holding N.V.

Table 4. ASTARTA Holding N. V. shareholder breakdown

Shareholder	No. of shares	% of share capital held	No. of votes at GM	% of the total vote at GM	Nominal value of the shares, EUR	Nominal amount of the shares, EUR
Viktor Ivanchyk through his wholly owned Cypriot company Albacon Ventures Ltd.	10,000,000	40.00	10,000,000	40.00	0.01	100,000
Valery Korotkov through his wholly owned Cypriot company Aluxes Holding Ltd.	10,000,000	40.00	10,000,000	40.00	0.01	100,000
East Capital Asset Management AB	1,258,280	5.03	1,258,280	5.03	0.01	12,583
Other shareholders	3,741,720	14.97	3,741,720	14.97	0.01	37,417
Total	**25,000,000**	**100.00**	**25,000,000**	**100.00**	**0.01**	**250,000**

5. Management of the Company

5.1 Managing the Company and Group's business

During the last financial year, there were no changes in the key principles of managing the Company's and the Group's business.

5.2 Composition of the Company's Board of Directors

In 2006 the Company was managed by the Board of Directors which consisted of five members: three Executive Directors and two Non-Executive Directors. For more detailed information please refer section «Corporate Governance».

Composition of the Company's Board of Directors is as follows:

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.

During the last financial year, there were no changes in the rules governing appointment and dismissal of members of the Board of Directors. For more detailed information please refer the section «Corporate Governance».

5.3 Remuneration of the members of the Board of Directors

In 2006 the Company concluded the management contracts with Mr. Marc van Campen and Mr. Wladyslaw Bartoszewski for carrying out their roles of Executive Director and Non Executive Director's correspondingly.

The contract with Mr. Marc van Campen includes provisions regarding the following:

• managing and representing the Company, in legal and other proceedings, according to the provisions of the Dutch Civil Code;

• a fixed management fee of twelve thousand and five hundred euros (EUR12,500) ex. V.A.T., per annum which is billed annually in advance. Fees shall be adjusted every year after negotiation;

• reimbursement of fees payable to third parties such as legal fee, notaries, tax advice and disbursements.

The contract with Mr. Wladyslaw Bartoszewski includes provisions regarding the following:

• supervise the policy and fulfilment of duties of the Executive Directors A, and the general affairs of the Company;

• a fixed management fee of twelve thousand euros (EUR12,000) ex. V.A.T., per annum which is billed quarterly in advance. Fees shall be adjusted every year after negotiation;

• reimbursement of fees payable to third parties such as legal fee, notaries, tax advice and disbursements.

In 2006 Mr. Valery Korotkov did not receive any remuneration for the performance of his duties as the Chairman of the Board of Directors.

During the financial year 2006 the rest of the members of the Board of Directors received the following remuneration:

Mr. Wladyslaw Bartoszewski received a remuneration for execution of his duties as Non Executive Director of ASTARTA Holding N.V. for the period from June to December 2006 in the amount of EUR7,000 and a reimbursement of expenses for participation in the meetings of the Board of EUR800.

Mr. Viktor Ivanchyk received a remuneration for execution of his duties as General Director of Astarta Kyiv of UAH363,600 (about EUR55,970). UAH242,645 (about EUR37,330) is still due and payable to Mr. Ivanchyk for the period from June till December 2006.

Mr. Petro Rybin received a remuneration for his duties as Deputy General Director of Astarta Kyiv of UAH 303,000 (about EUR46,642). UAH 187,046 (about EUR28,792) is still due and payable to Mr. Rybin for the period from June till December 2006.

Mr. Marc van Campen received a remuneration for execution of his duties as Executive Director of ASTARTA Holding N.V. for the period from June to December 2006 in the amount of EUR7,292 and a reimbursement of expenses for participation in meetings of the Board of EUR2,000.

For additional details about the remuneration policy for the members of the Board of Directors please refer section «Corporate Governance»

5.4 Other information

As at December 31, 2006 there was no stock option plan for the management of the Company and its subsidiaries, nor other forms of remuneration, bonuses or benefits (whether in cash, in kind or in any other form), including those resulting from share-based incentive or bonus schemes, and in particular schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants, paid, payable or potentially payable to the Group's managing and supervisory personnel.

During the last financial year, there were no agreements concluded between the Company and its management personnel, which provide for compensation in case of their resignation or being removed from their position without a good reason, or being removed as a result of the Company being merged into another company.

Mr. Valery Korotkov holds 40% of shares in ASTARTA Holding N.V. through Aluxes Holding Ltd., a limited liability company established under the laws of Cyprus with its address at Neocleous House, 199 Arch. Makariou III Ave., 3030 Limassol, Cyprus.

Mr. Viktor Ivanchyk holds 40% of shares in ASTARTA Holding N.V. through Albacon Ventures Ltd., a limited liability company established under the laws of Cyprus with its address at 1, Lampousas Street, 1095 Nicosia, Cyprus.

Mr. Korotkov and Mr. Ivanchyk also hold 0.02% of participatory interests in Astarta-Kyiv in equal proportion. The reason behind this is that in accordance with the Civil Code of Ukraine, a legal entity (e.g., Ancor Investments Limited), which has only one shareholder (e.g., ASTARTA Holding N.V.), may not itself establish or acquire another legal entity (e.g., LLC Firm «Astarta-Kyiv»), in which the first legal entity (e.g., Ancor Investments Limited) will be the only shareholder and hold 100% of shares or participatory interests. The fact that Mr. Korotkov and Mr. Ivanchyk hold directly 0.02% of participatory interests in Astarta Kyiv permits the Group to comply with the aforesaid legal requirement.

6. Group's structure and personnel

6.1 Group's structure

ASTARTA Holding N.V. is as a parent holding company of the Group which fully controls Ukrainian operational company Astarta-Kyiv through Cypriot intermediary company Ancor Investments Limited.

As of 1 May 2007, Astarta-Kyiv controlled the following subsidiaries in the Poltava and Vinnytsya oblasts of Ukraine: 5 sugar plants, 28 agricultural companies, and 2 associated agricultural companies, as well as one canning and one mixed fodder plant.

Figure 10 describes the Group's structure as of December 31, 2006:

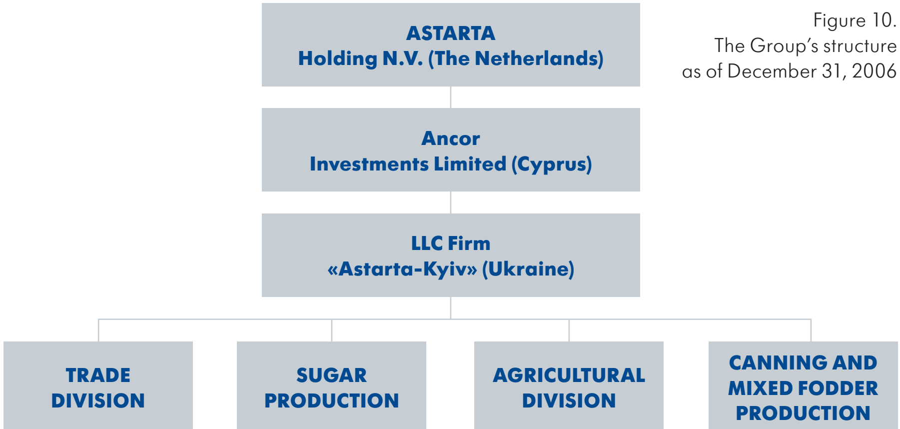


Figure 10.
The Group's structure
as of December 31, 2006

Trade division included LLC «Trade House «APO «Tsukrovyk Poltavschyny».

Sugar production division included: LLC APO «Tsukrovyk Poltavschyny» and SC «Agropromtsukor».

LLC APO «Tsukrovyk Poltavschyny» is a subholding organization, comprised four sugar plants in the Poltava oblast: Kobelyatsky, Yareskivsky, Veselopodilsky, Globynsky. The Company presently holds 95.08% of its equity and total vote in it.

SC «Agropromtsukor» comprised Zhdanivsky sugar plant. It is currently the Company's 99.98% owned-subsidiary.

Agricultural division comprised 26 subsidiary agricultural companies and 2 associated companies which are listed in **Table 5**.

The parent undertaking of all agricultural subsidiaries is Astarta-Kyiv.

Others included the following production companies: LLC «Globynskiy canning factory «Globus» with 99.98% of its equity owned by the Company and LLC «Shyshatsky Mixed Fodder Factory» with 82.71% of its equity owned by the Company.

Table 5. Agricultural subsidiaries of the Group in 2006

№	Name of subsidiary:	% of ownership as of 31 December, 2006
1	LLC «Agricultural company «Zolota Gora»	97.98%
2	LLC «Agricultural company «Dovzhenko»	96.98%
3	LLC «Agricultural company «Gogolevo»	96.98%
4	LLC «Agricultural company «Shyshatska»	97.98%
5	LLC «Agricultural company «Stepove»	97.98%
6	LLC «Agricultural company «Fydrivske»	97.98%
7	LLC «Agricultural company «Troyitska»	97.98%
8	LLC «Agricultural company «Mriya»	97.98%
9	LLC «Agricultural company «Pustoviytove»	99.78%
10	LLC «Agricultural company «Shevchenko»	97.98%
11	LLC «Agricultural company «Grynky»	97.98%
12	LLC «Agricultural company «Ordanivka»	97.98%
13	SC «Agricultural company «Sofyivska»	99.98%
14	LLC «Agricultural company «Kozatsky stan»	97.98%
15	LLC «Agricultural company «Dobrobut»	97.98%
16	LLC «Agricultural company «Musievske»	74.99%
17	LLC «Agricultural company «Zorya»	74.99%
18	LLC «Agricultural company «Nadiya»	74.99%
19	LLC «Agricultural company «Viytovetske»	99.98%
20	LLC «Agricultural company «named after Bohdan Khmelnitskiy»	74.99%
21	SC «Agricultural company «Semenivska»	99.98%
22	LLC «Agricultural company «named after Shevchenko» (Gadiach region)	79.98%
23	LLC «Dobrobut» (Novo-Sanzharskiy region)	97.98%
24	LLC «Zoria» (Novo-Sanzharskiy region)	90.11%
25	LLC «Baliasne»	97.98%
26	LLC «Agro-Maiak»	79.98%
№	**Associates:**	
1	LLC «Agricultural company «Stozhary»	25.40%
2	LLC «Agricultural company «Pokrovska»	49.99%

During 2006 the following agricultural companies were uquined and established by the Group:

• LLC AF «Mriya» — 97.98% of its capital was acquired;

• ALLC «Named after Shevchenko» — 79.98% of its capital was acquired;

• LLC «Zoria» (Novo-Sanzharskiy region) — 90.11% of its capital was acquired;

• LLC «Dobrobut» (Novo-Sanzharskiy region) — 97.98% of its capital was acquired;

• LLC «Baliasne» — 97.98% of its capital was acquired;

• LLC «Agro-Mayak» — 79.98% of its capital was acquired;

• SC AF «Sofyivska» — was established;

• SC AF «Semenivska» — was established.

In the first quarter of 2007 Astarta-Kyiv acquired 100.0% of the capital of ALLC «HTZ». As a result, the Group controls 99.98% of its capital.

It also purchased 24.8% of shares in OJSC «Agrocomplex». Before the transaction Astarta-Kyiv held 10.368% directly and 37.03% through LLC «Agricultural company «Pustoviytove». As of March 28, 2007 the Group controls 71.44% of OJSC «Agrocomplex».

On 24 May 2007 the Group acquired 26.93% of the chartered capital of LLC «Agricultural company «Stozhary» followed by additional contribution to the chartered capital of the company. Before the transactions the Group owned 25.40% of the chartered capital of LLC «Agricultural company «Stozhary». After them the Group owns 63.99% of the chartered capital of this company.

In 2006 the management continued consolidation of the assets of the Group by increasing the participatory interest in some subsidiary agricultural companies as stated in **Table 6**.

Changes in the Management System

In the reporting period no significant changes were made in the Company's management system.

At the same time some changes were introduced in the management system of Astarta-Kyiv. In December 2006, the Budget committee was created. It is responsible for organizing and controlling the budget preparation process, as well as improving efficiency of the control over revenues and expenses within Astarta-Kyiv and its subsidiaries.

At the beginning of 2007, the Internal Audit Department of Astarta-Kyiv was created. On April 10, 2007 Mr. Laskov, former CFO of Astarta-Kyiv, was appointed as the Department Head. He is responsible for internal control and audit within the Group.

The management constantly paid attention to streamlining the Group's structure. The following actions were undertaken in the beginning of the year 2007:

On March 22, 2007 LLC «Agricultural company «Fydrivske» passed the decision to merge with LLC «Agricultural company «Kozatsky stan». The merger process should be completed within four months.

On April 02, 2007 LLC «Trade House «APO «Tsukrovyk Poltavschyny» passed the decision to merge with LLC «APO «Tsukrovyk Poltavshchyny». The merger process should be completed within four months.

On March 06, 2007 ALLC «HTZ» passed the decision to merge with SC «Agricultural company «Sofyivska». The merger process should be completed within four months.

6.2 Group's personnel

In 2006 the Group's average number of personnel was about 7,350, including approximately 100 employees in the head office in Kyiv and 1,300 temporary workers. Because our business is mainly conducted through production companies, the majority of our personnel are based outside of Kyiv. The key companies within the Group have their own human resources functions responsible for hiring and dismissing personnel. Our production companies' staffing structure comprises about 8% of the total in managerial functions and about 10% of service staff. The remaining 82% is approximately equally divided between core and auxiliary production work force.

Table 6. The increase of stakes in the subsidiaries of the Group in 2006

№	Name of subsidiaries:	% of ownership	
		as of 31 December 2006	as of 31 December 2005
1	LLC Firm «Astarta-Kiyv»	99.98%	99.8%
2	LLC «Trade House «APO «Tsukrovyk Poltavschyny»	97.55%	47.54%
3	LLC «Agricultural company «Zolota Gora»	97.98%	79.98%
4	LLC «Agricultural company «Dovzhenko»	96.98%	66.99%
5	LLC «Agricultural company «Gogolevo»	96.98%	66.99%
6	LLC «Agricultural company «Shyshatska»	97.98%	74.99%
7	LLC «Agricultural company «Stepove»	97.98%	74.99%
8	LLC «Agricultural company «Fydrivske»	97.98%	74.99%
9	LLC «Agricultural company «Troyitska»	97.98%	74.99%
10	LLC «Agricultural company «Pustoviytove»	99.78%	77.98%
11	LLC «Agricultural company «Shevchenko»	97.98%	46.79%
12	LLC «Agricultural company «Grynky»	97.98%	58.49%
13	LLC «Agricultural company «Ordanivka»	97.98%	74.99%
14	LLC «Agricultural company «Kozatsky stan»	97.98%	74.99%
15	LLC «Agricultural company «Dobrobut»	97.98%	74.99%

7. Financial Standing and Performance of the Group

7.1 Selected Financial Information

Table 7 sets out, in summary form, consolidated income statement information which was extracted from the Pro-forma consolidated income statement for 2006. The figures in the table are given in thousands of EUR.

In 2006 revenues increased to EUR68,051 thousand compared to EUR51,783 thousand in 2005, or by 31.4%. This is due to increased volumes of sugar sales (from 66.4 thousand tons to 91.5 thousand tons) and also sales of sugar-related products and grain crops. Another reasons for that were higher prices of sugar in the first half of 2006 compared to the same period of 2005 and the pricing power of the Group in the second half 2006. For additional information please refer the section «Basic product and sales and the Group's markets».

Table 7. Summary Income Statement

Name of subsidiaries:	2006	2005
Revenues	**68 051**	**51 783**
Cost of revenues	(55 295)	(36 942)
Gains from revaluation of agriculture goods to fair value	1 311	539
Gross profit	**14 067**	**15 380**
Other operating income	5 222	3 640
General administrative expenses	(5 956)	(4 025)
Selling and distribution expenses	(3 060)	(3 301)
Other operating expenses	(2 758)	(2 952)
Profit from operations	**7 515**	**8 742**
Net financial expenses	(5 597)	(2 420)
Gain from acquisition of subsidiaries	3 589	2 945
Profit before tax	**5 507**	**9 267**
Income tax benefit	256	386
Net profit	**5 763**	**9 653**
Net profit (loss) attributable to:		
Minority interests	(637)	1 502
Equity holders of parent company	6 400	8 151
EBIT	**7 515**	**8 742**
EBITDA	**10 272**	**11 916**
Gross margin, %	**20.7**	**29.7**
EBIT margin, %	**11.0**	**16.9**
EBITDA margin, %	**15.1**	**23.0**
Net profit margin, %	**8.5**	**18.7**

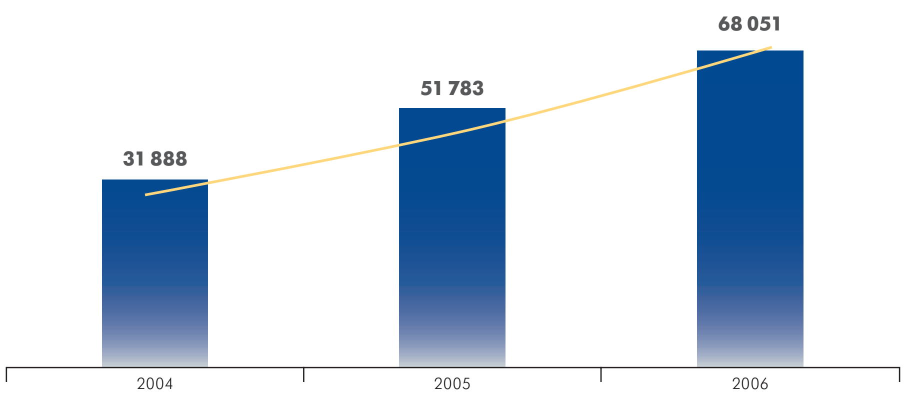


Figure 11. Growth of the Group's revenues, 2004—2006, thousands of EUR

About 94% of the Group's revenues came from sales of sugar, by-products and sugar-related business. Thus the substantial rise of the sugar output and sales in 2006 led to increased cost of revenues. At the same time the cost of revenues was growing faster than revenues because of the increased prices for raw materials, including sugar beet, payroll and related charges, fuels (natural gas, coal, oil products) and also for other materials (lime-stone, fertilizers). As a result Group's gross margin reduced to 20.7% for 2006 compared to 29.7% for 2005.

The average price per ton of sugar beet purchased from third parties increased by about 13% to about UAH220 per ton. At the same time the rise of the minimum wage by 21.7% to UAH400 imposed by the Government of Ukraine combined with the growing number of personnel due to the acquisition of new agricultural subsidiaries and resuming the operations of Globinskyi sugar plant led to increase in payroll and related charges by 73.4% to EUR5,165 thousand.

The expenses for fuel grew by more than 40% mainly in line with the growing prices for gas. Due to the gas price increase by Russian Federation from USD50 to USD95 per 1,000 cubic meters at the Ukrainian border in February 2006 the effective price paid by the Group rose from USD83 in 2005 to USD135 per 1,000 cubic meters in 2006 (with VAT and transportation costs included). In addition the average prices for diesel fuels increased by 13% to about UAH4,100 per ton, on basic type gasoline (which is used for filling up the agricultural equipment) by about 19% to approximately UAH4,250 per ton in 2006 in comparison with 2005.

The breakdown of the cost of revenues reflects the increase of the relative share of the raw materials costs from 23.4% of total in 2005 to 34.1% in 2006 and of payroll and related charges from 8.1% to 9.3%. At the same time the relative share of transportation costs decreased from 12.9% in 2005 to 9.9% in 2006 and fertilizers from 15.5% to 10.7% respectively.

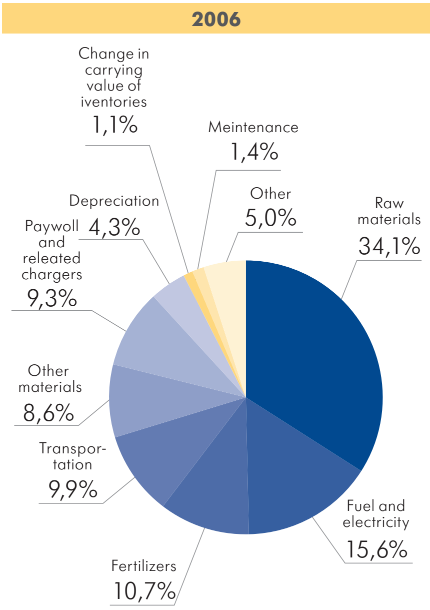
Table 8. Cost of revenues, 2005—2006

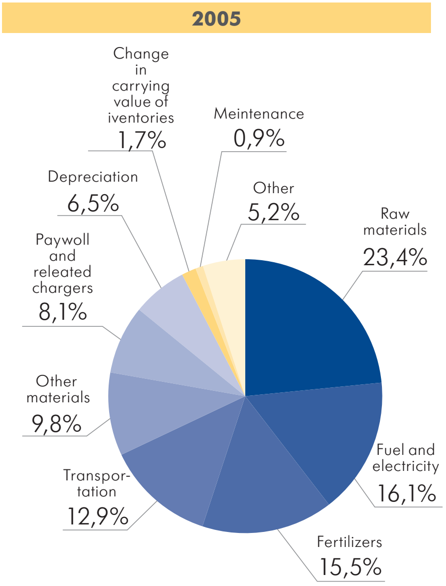
	2006	2005
Raw materials	18 855	8 630
Fuel and electricity	8 610	5 964
Fertilizers	5 907	5 732
Transportation	5 483	4 748
Other materials	4 736	3 632
Payroll and related charges	5 165	2 978
Depreciation	2 393	2 383
Change in carrying value of inventories	587	619
Maintenance	794	327
Other	2 765	1 929
Total	**55 295**	**36 942**

The Group's profit from operations in 2006 decreased from EUR8,742 thousand to EUR7,515 thousand mainly due to the increase of general administrative expenses against of higher salaries and wages resulting from the above mentioned factors. The additional factor behind this growth is the inclusion of the costs of audit services of the Group for the years 2003—2005 as described in the section 7.4 «The collaboration with the independent auditors». As a result the EBIT margin was reduced to 11% in 2006 against 16.9% in 2005. Despite of increased volumes of sales, selling and distribution expenses decreased from EU3,301 in 2005 to EUR3,060 in 2006. This was achieved due to the optimization of delivery logistics.

Profit before tax in 2006 decreased to EUR5,507 thousand compared to EUR9,267 in 2005 due to the growth of financial expenses in connection with the additional borrowings to finance increased operations. In addition, the Government of Ukraine failed to fulfil their obligations on partial compensation of the interest rates on short-term loans provided by the Ukrainian commercial banks to the agricultural producers in accordance with the Law of Ukraine «On the State Budget of Ukraine for 2006». Management estimates the total amount of compensation lost in 2006 at approximately EUR1 million.

Figure 12. The breakdown of cost of revenues, 2005—2006





7. Company's Financial Standing and Performance
continued

The Group continued its policy of acquisition of agricultural companies keeping in mind shareholder value maximization objective. Our primary goal was acquisition of additional arable land under lease. By means of purchasing six agricultural companies in 2006 we increased the area of land under lease by more than 17 thousand hectares (about 74% of the total area of land acquired in 2006). Because prices paid for the purchased agricultural companies were lower than their fair value we recognized a gain of EUR3,589 thousand from negative goodwill.

During 2006 and especially the fourth quarter of the last year our business was affected by a range of unfavourable factors, including adverse market conditions as reflected in the section «Basic products and sales and the Group's markets». Despite this pressure on the financial result of the Group, the net profit of the Group in 2006 was EUR5,763 thousand, corresponding to net profit margin of 8.5% against 18.7% in 2005.

The increase of PP&E by 23.8% from EUR25,448 thousand in 2005 to EUR31,505 thousand in 2006 was due to expansion of the Group's operations and also acquisition of 6 agricultural subsidiaries. Substantial growth of inventories from EUR29,867 thousand to EUR45,910 thousand or by 53.7% is mainly connected with the growth of sugar output in the last production season and as a consequence of higher stocks. By the end of the 2006 we also had higher stocks of grains because of the export restrictions imposed by the Ukrainian Government as described in the section «Basic products and sales and the Group's markets».

Another item of increase is trade and other accounts receivable and prepayments. It rose by almost 79% to EUR26,405 in the last year in comparison with the year 2005 due to the selling policy of the Group allowing the prolongation of payment terms to the most important industrial consumers which entered into fixed price contracts with Astarta-Kyiv.

Table 9. Group's assets, 2005—2006

	2006	2005
Property, plant and equipment	31 505	25 448
Intangible assets	104	34
Other non-current assets	3 628	3 279
Total non-current assets	35 237	28 761
Inventories	45 910	29 867
Biological assets	5 597	1 854
Trade and other accounts receivable and prepayments	26 405	14 768
Promissory notes at fair value through profit or loss	239	516
Cash and cash equivalents	2 991	503
Total current assets	81 142	47 508
Total assets	**116 379**	**76 269**

One of the important trends in the financial standing of the Group in the year 2006 was the significant rise of the Group' equity which nearly doubled from EUR30,418 in 2005 to EUR59,062 in 2006 due to successful placement of the shares of the Group during the IPO on the WSE. For additional information please refer section 7.3 «Admission to Warsaw Stock Exchange and disposal of IPO proceeds».

In order to finance the expansion of the operations of the Group we obtained additional credit resources which led to more than doubling of the bank loans from EUR11,305 thousand in 2005 to EUR24,568 thousand in 2006. The growth of trade accounts payable from EUR4,745 in 2005 to EUR14,581 thousand in 2006 is explained by the policy of the Group aimed on negotiation of prolongation of the payment terms under the contracts with our suppliers.

In 2006 management focused their efforts on further consolidation of the Group's assets by means of increase of the stakes in the agricultural and trade subsidiaries. For additional information please refer section 6.1 «Group's structure». As a result, the interest of the minority shareholders in the Group's equity and results has diminished. In particular, the minority interest in the equity decreased from EUR8,729 thousand to EUR2,099 thousand or by 76%. The net profit of EUR1,502 attributable to the minority interests in 2005 turned to net loss of EUR637 in 2006.

The rise of equity of the Group together with the decrease in net profit led to a deterioration of ROE and ROA ratios. At the same time the Group reports an improvement of its liquidity which is reflected in the improvement of quick, current and cash ratios.

Because of the attraction of the new loans to finance the expansion of the Group's operations the net debt increased to EUR33,103 thousand in 2006 from EUR21,471 thousand in 2005 or by about 54%. The net debt to equity ratio improved from 0.76 in 2005 to 0.56 in 2006. The net debt to EBITDA ratio increased from 1.80 in 2005 to 3.22 in 2006 which reflects the growing indebtedness of the Group.

The main reason behind this trend was the relatively high cost of capital for the Group. The average interest on the loans in UAH from Ukrainian banks which were the important sources of the financing of our operations was approximately 16%. This problem was aggravated by absence of compensation of the interest rates on short-term loans from the Government of Ukraine as mentioned earlier.

Figure 13.

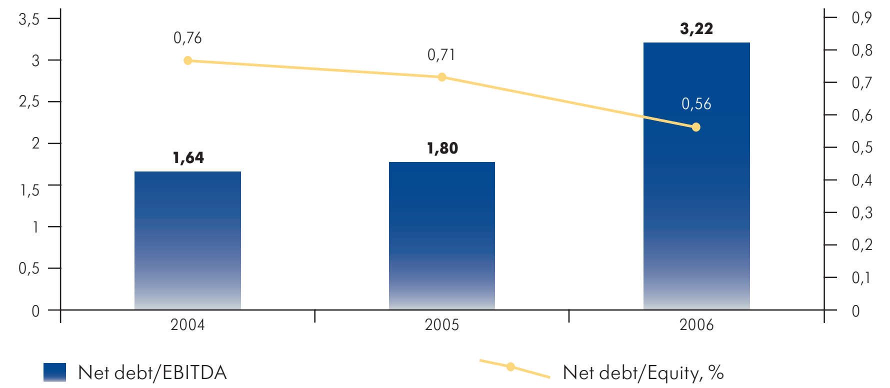


Table 10. Group's equity and liabilities, 2005—2006

Share capital	250	60
Additional paid-in capital	27 380	1 296
Retained earings	35 758	29 358
Fair value reserve	–35	—
Currency translation adjustment	–4 291	–296
Total equity	**59 062**	**30 418**
Long-term loans and borrowings	8 382	10 086
Deferred tax liabilities	933	1 729
Total non-current liabilities	**9 315**	**11 815**
Bank loans	24 568	11 305
Current portion of loans and borrowings	3 144	583
Trade accounts payable	14 581	4 745
Promissory notes issued	449	340
Minority interests	2 099	8 729
Other liabilities and accounts payable	3 161	8 334
Total current liabilities	**48 002**	**34 036**
Total equity and liabilities	**116 379**	**76 269**

Table 11. Balance sheet and liquidity items, 2005—2006

	2006	2005
Net profit	5 763	9 653
Equity	59 062	30 418
ROE, %	9.8%	31.7%
Assets	116 379	76 269
ROA, %	5.0%	12.7%
Current Assets	81 142	47 508
Inventories	45 910	29 867
Current liabilities	48 002	34 036
Quick ratio	0.73	0.52
Current ratio	1.69	1.40
Cash and cash equivalents	2 991	503
Cash ratio	0.06	0.01

7. Company's Financial Standing and Performance
continued

7.2 Loans and borrowings contracted within the Group

On 27 June 2006 the Company entered into a loan agreement with Lakemoy Holding Company (a related party to ASTARTA Holding N.V.) for a principal of EUR200 thousand with a repayment term until 1 September, 2006 and an interest rate of 10% per annum. The agreement contained standard provisions typical for contracts of such kind.

On 4 August 2006 the Company and Lakemoy Holding Company signed amendments to the above loan agreement on increase of the principal of the loan to EUR300 thousand. All other conditions of the agreement remained in force.

The Company drew down EUR247.5 thousand from the loan, which was repaid to Lakemoy Holding Company on 23 August 2006.

7.3 Admission to Warsaw Stock Exchange and disposal of IPO proceeds

On 16 August 2006 the Company's shares were admitted for trading on the WSE.

As a result of the Offering, 5,000,000 newly issued shares were sold. The issue price was PLN 19. In the offering 438 individual investors subscribed for the shares in the Individual Investors Tranche, and 25 institutional investors subscribed for the shares in the Institutional Investors Tranche.

Gross proceeds raised totaled PLN 95,000 thousand (EUR 24,553 thousand). The total costs and expenses of the offering amounted to EUR2,319 thousand. The net proceeds to the Company were EUR22,234 thousand.

Net proceeds through Ancor Investment Limited were transferred to Astarta-Kyiv to increase its chartered capital and then were used to finance the Group's development strategy, and also to enlarge the working capital and consolidate the assets of the Group.

In line with the strategy of the Group about EUR6.1 million from the proceeds was used by Astarta-Kyiv for the purchase of modern agricultural machinery and approximately EUR3 million was employed for the reconstruction and modernization of the sugar plants.

Ancor Investments Limited spent EUR1,944 thousand for the acquisition of additional 50% interest in the charter capital of LLC «Trade House APO «Tsukrovyk Poltavschyny» (a company used for investments and purchasing of goods and services for the operational activities of the production subsidiaries of the Group) from Lakemoy Holding Company Ltd. As a result of the transaction the Company controls 97.55% of its chartered capital.

The remainder of the IPO proceeds was used to finance working capital of the Group.

7.4 Collaboration with the independent auditors

On 5 December 2006 the Company concluded a contract for the delivery of audit services with CJSC «KPMG Audit» in Ukraine and on 16 February 2007 with 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 aforesaid contracts envisage the delivery of audit and review services for the year 2006. CJSC «KPMG Audit» is responsible for audit of the consolidated financial statements of Astarta Kyiv and its subsidiaries. In turn, KPMG Accountants N.V. is responsible for audit of the financial statements of the parent of the Group — ASTARTA Holding N.V., review of the consolidated financial statements of the Group and issuance of the auditor's opinions on the Company and Group financial statements.

The total fees agreed with KPMG Accountants N.V. are about EUR80 thousand and those of CJSC «KPMG Audit» are about EUR122.1 thousand (VAT and out of pocket expenses excluded).

In 2006 CJSC «KPMG Audit» and KPMG Accountants N.V. also provided services in relation with the audit of the consolidated financial statements of the Group for the years 2003, 2004, 2005 and the review of interim financial statements for the first half of the year, the third and fourth quarter 2006. The total amount of fees paid by the Company for these services was about EUR367 thousand.

In 2006 the aforesaid companies provided services connected with the IPO at the WSE. The total amount of fees paid for the IPO-related services amounted to approximately EUR481 thousand.

7.5 Deviations with the previously published financial results of the Company as of 31 of December 2006 in the reports for fourth quarter 2006

There are some deviations between the financial results of the Company stated in this report and Pro forma consolidated financial statements as at and for the year ended 31 December 2006 with the recently published unaudited financial results in the Report of the Board of Directors on the operations for the fourth quarter 2006 and Condensed consolidated financial statements for the three month ended 31 December 2006. For example the figure for the net profit changed from EUR5,597 thousand to EUR5,763 thousand.

Such deviations were caused by the absence of some of the required accounting information as of the date of publication of the reports for the fourth quarter of the year 2006. In such circumstances management applied a conservative approach in the determination of unaudited financial results as of the year ended 31 December 2006 which were published in the aforesaid quarterly reporting.

7.6 Investment plans for 2007 and the sources of their financing

In the year 2007 we will concentrate our investments on the achievement of the strategic goals of the Group, first of all the reconstruction and modernization of the sugar plants with the purpose to increase the quality of the product and reduce the power consumption in production and further development of the agricultural business through the purchase of modern machinery.

Our total investment program for 2007 is EUR12.8 million, including about EUR4 million for reconstruction and modernization of sugar plants.

We also plan to spend about EUR8.8 million for the development of our agricultural business by means of purchasing the state-of-art agricultural equipment for sugar beet and crops growing. Such investments will be financed through the attraction of bank loans and lease financing (about EUR6.6 million) as well as by our own working capital (about EUR2.2 million).

8. Implementation of the IT Technologies and Management Information System

The Group has IT systems and other office equipment needed to support its operating activities. To provide stable connections and data exchange with all operational subsidiaries we have installed and are constantly improving internal telecommunications systems which use, inter alia, the Internet and satellite channels.

Here are some steps we made to improve the management information system and automate the Group's business processes in 2006.

1. Implementation of license agreement for Microsoft products

In order to improve the information system and business manageability, as well as transparency, we concluded an Open Value license agreement with Ukrainian Microsoft representative, IT Grupa Tsentr, for the up-to-date Microsoft software to be installed on all the computers in the Ukrainian head office and all our production subsidiaries.

This 3-year agreement envisages the right of licensee to obtain the updates of the software and to get the 24h technical support from the Microsoft specialists on a free basis. The license agreement covers Windows operation systems and Microsoft Office package. Payment shall be done in three equal tranches during three years, so in fact this software was purchased on credit. The implementation of license agreement for the Microsoft software fully coincides with our policy to comply with the Ukrainian regulations on intellectual property rights.

2. Modernization of the complex integrated management system

The Group's management took a strategic decision to modernize the complex integrated management system in order to create a single enterprise resource planning system used by all subsidiaries. In line with this, a single automated personnel and wages accounting system is implemented based on 1C 7.7 platforms. In order to speed up the implementation of this project, consulting company Aksioma Audit was contracted as the one which is well-experienced in consulting agri-businesses.

In 2007, a pilot project will be implemented to introduce planning systems in crop and cattle production, as well as fuel accounting based on waybills. We plan to expand this project to all Group's agricultural subsidiaries.

This project will speed up management decisions based on up-to-date computerized information.

In order to improve efficiency and avoid redundance, a single document management system is to be introduced.

3. Realization of IT development project

The IT development project is being realized in line with the implementation of the contract with Datagroup company. By the end of 2006 we linked the head office in Kyiv and our production subsidiaries in the regions in a single corporate network with use of satellite communications.

It allowed us to get the access to the databases of the subsidiaries, to establish the high-quality corporate communication system based on the use of IP-telephony and also to improve the system of data processing and transfer within the Group.

Further implementation of the project will lead us to better management of the companies of our Group because of significantly higher efficiency of data transfer between head-office and our subsidiaries and to saving costs for long distance and international calls.

Our IT specialists also focused on the protection of the corporate computer network from unauthorized access.

We also purchased and installed the up-to-date Hewlett-Packard equipment which allows us to include a new company to the Group's computer network very quickly.

9. Corporate social responsibility

For ASTARTA, corporate social responsibility is the way we apply our mission to the business. Social parts of our mission are: «We always take care of our impeccable business reputation» and «Our business is stable and socially oriented.» This means considering the environmental issues and taking care of the community where we are doing business. ASTARTA is an agri-industrial holding operating in the rural Ukraine, where impeccable business reputation and social orientation is of top priority to ensure stability of business. Moreover, we feel our responsibility for community social wellbeing because we are one of the main employers in the agricultural regions with heavy unemployment problem.

Our corporate social responsibility programs in 2006 primarily dealt with: environment protection, young professional investments, support to healthcare and local communities.

Environment protection programs

ASTARTA's environmental policy is aimed not only to comply with the Ukrainian laws and regulations but also to build up additional competitive strengths of the Group. We focus our environmental efforts on energy use as the key factor for both cost competitiveness and air pollution reduction. Our consistent efforts on reconstruction and modernization of sugar plants allowed us to reduce gas consumption in 2006 by approximately 10%. This achievement had double effect: decrease of sugar prime cost by means of reduction of fuel consumption per ton of the sugar beet processed as well as reduction of the emission of greenhouse gases into atmosphere.

The second gives new opportunities for our business. Ukraine is an active participant of Kyoto protocol with huge potential in reducing greenhouse gases emission. By way of decreasing of energy consumption of our sugar production through application of new energy saving technologies we can reduce the emission of greenhouse gases, thus obtaining an opportunity to sell the carbon quotas.

Young professionals investments

We provide funding for the best students of the supported schools and our personnel 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 National University of Food Technologies, Poltava Agrarian Academy, Sumy Agrarian University, Poltava National University and Kyiv Institute for International Economic Affairs and Business.

Healthcare programs

We pay much attention to employee health. In 2006, ASTARTA introduced a new healthcare program for employees working for the Group for more than a year. This program envisages 3 grade health insurance and is aimed to support employee loyalty and to improve employee health. Our healthcare program includes medical emergency, advice, immunization and vitamin application.

Community wellbeing

ASTARTA aims to play a positive role in all communities in which we operate. Our program addresses the local needs of these communities. The top priority of ASTARTA charity program is to help children in their all-round education and health care.

Here are some examples of how we support the local communities:

• Velyki Sorochyntsi Boarding School celebrated its 50th anniversary. ASTARTA supported this school for long. Thus, we congratulated the school with gifts.

• Gogoleve general school celebrated its 50th anniversary. ASTARTA presented books for the school library. According to the results of the academic year the best students of 6—8 grades were awarded with grants. A literary contest named «The great people of Poltava» was established for the students of 9—11 grades.

• Ukraine celebrated the 205-th anniversary of the worldwide famous mathematician Mikhail Ostrogradsky. One of the schools we support is named after him. To this date, ASTARTA presented books for the school library. According to the results of the academic year the best students of 6—8 grades were awarded with grants. A literary contest named «The great history of Poltava» was established for the students of 9—11 grades.

• In 2006 ASTARTA subsidiaries took an active part in charity and spent over UAH1 million for charity. Hospitals, schools, adult communities and orphan homes received this assistance. ASTARTA subsidiaries provided c. UAH 40,000 to Yaresky school and over UAH 100,000 to Velyki Sorochyntsi boarding school to fund their educational and health care programs. ASTARTA also spent c. 85,000 UAH to help the disabled, low-income and large families.

All these efforts bring a positive impact to our business. While we lease over 90 thousand hectares of agricultural land mainly from individuals, taking part in the community life creates a positive image of the Group, and thus gives us another competitive strength in the developing land market of Ukraine.

10. Material Factors and Events in 2006 and Outlook for 2007

10.1 Material Factors and Events which effected Group's operations and financial results in 2006

In 2006, several material events effected Group's operations, financial standing and investments. Group's operations and financial results were also affected by the external market factors, such as sugar market situation in Ukraine and certain newly adopted regulations in 2006.

Operations

Group's assets consolidation

In 2006 the Group concentrated the effort on assets consolidation through buying out minority interests or contributing additional funds to subsidiary companies. For additional information about this process and its consequences for the Group please refer the sections 6.1 «Group's structure», 7.1 «Selected financial information».

Acquisition of new agricultural companies

In 2006, the Group acquired six agricultural companies. These acquisitions were aimed to support the Group's ambition to increase the sugar beet output in order to provide Group's sugar plants with the in-house sugar beet. This increase results in less dependency of the Group on the third party suppliers of this crop.

The information about the aforesaid acquisitions is stated in the section 6.1 «Group's structure».

Acquisition of the share in the charter capital of LLC «Trade House APO «Tsukrovyk Poltavschyny» by Ancor Investments Limited

In order to consolidate the Group's assets, Ancor Investment Limited acquired 50% of chartered capital of LLC «Trade House APO «Tsukrovyk Poltavschyny» from Lakemoy Holding Company (a related party of ASTARTA Holding N.V.). As a result of the transaction the Company now controls 97.55% of its chartered capital. The amount of this transaction was EUR1,944 thousand.

LLC «Trade House APO «Tsukrovyk Poltavschyny» is a company that is used for investments and purchasing of goods and services for the operational activities of the production subsidiaries.

Investments and financial activities

Admission to Warsaw Stock Exchange

On 16 August 2006 the Company's shares were admitted for trading on the WSE. For additional information please refer the section 7.3 «Admission to Warsaw Stock Exchange and disposal of IPO proceeds».

Acquisition of a significant block of shares in ASTARTA Holding N.V.

On 6 October 2006 East Capital Asset Management AB (with its registered office at Norra Kungstornet, Kungsgatan 30, Stockholm, Sweden), on behalf of East Capital Bering Ukraine Fund, purchased 53,280 of the Company's shares. After the acquisition East Capital Asset Management AB's holding in the Company amounts to 1,258,280 shares, representing 5.03% of the votes and the issued capital.

Acquisition of a significant block of shares in ASTARTA Holding N. V. subsidiaries

On August 18, 2006, the share capital of Ancor Investments Limited was increased from EUR6,000, which represented 6,000 shares with nominal value EUR1 each to EUR250,000, which represented 250,000 shares with nominal value EUR1 each. All newly issued shares were purchased by the Company at nominal value of EUR1 with additional premium of EUR90 for each share.

After the transaction the Company continues to own 100% of the share capital of Ancor Investments Limited. The amount transferred to this company was EUR 21,752 thousand.

In turn, Ancor Investments Limited used the proceeds from the share capital increase to increase the chartered capital of Astarta-Kyiv. EUR15,366 thousand was transferred to increase of charter capital of Astarta-Kyiv. As the result, Ancor Investments Limited owns 99.98% of the charter capital of Astarta-Kyiv.

Increase of the credit line limit

On August 2006, Raiffeisen Bank Aval Ukraine increased the credit line limit for Astarta-Kyiv to UAH 200 million (about EUR 31.2 million).

Non-fulfillment of Government obligations on partial compensation of the interest rates on short- and long-term loans to agricultural producers

As of December 31, 2006, the Government of Ukraine failed to fulfill their obligations on partial compensation of the interest rates on loans provided by the Ukrainian commercial banks to the agricultural producers in accordance with the Law of Ukraine «On the State Budget of Ukraine for 2006». Management estimates the total amount of compensation lost by 31 of December 2006 is approximately EUR 1 mln.

The failure to receive such compensation in 2006 adversely affected the financial results of the Group in 2006.

Capital expenditures to the Group's subsidiaries

LLC APO «Tsukrovyk Poltavschyny» and Amity Technology LLC signed a contract for the purchase and sale of agricultural equipment. The purchased equipment is sophisticated agricultural machinery and is being bought in relation to the significant increase of arable land for sugar beet production.

The Group constantly put its efforts on the reconstruction and modernization of the sugar plants with the purpose to increase the quality of the product and decrease of power consumption for production needs. In terms of this activity we established collaboration with the company «PERRY VIDEX» LLC, which is supplying to us the equipment, produced by «Babbini» and «Maguin» companies.

Material events in the Ukrainian sugar and grain market in 2006

For the description of material events in the Ukrainian sugar and grain market, please refer section «Basic products and sales and the Group's markets».

10.2 Material events in the Group's marketing

Significant contracts on sugar sales concluded by the Group in 2006

In 2006, the Group concluded significant contracts for sugar sales in 2007 with key industrial consumers in the Ukrainian market.

Astarta-Kyiv and CJSC «Kraft Foods Ukraine» concluded a purchase and sale agreement for sugar. According to this agreement Astarta-Kyiv is obliged to sell and deliver to CJSC «Kraft Foods Ukraine» sugar in lots within the period of validity of the agreement. This agreement came into effect since the date of its signing and shall be terminated on 1 November 2007.

In line with the implementation of the policy of diversification of consumers Astarta-Kyiv concluded sugar sale and purchase agreement with Kyiv city dairy plant No.3 and Kharkiv city dairy industrial complex specializing on production of sour milk products. These both enterprises belong to the company «Wimm-Bill-Dann Ukraine» which in its turn is controlled by the company «Wimm-Bill-Dann Food Products» (Russia). Under the agreements, expiring on 31 December 2007

Astarta-Kyiv shall supply sugar in agreed lots under standard conditions and terms.

Astarta-Kyiv and International Enterprise «Coca Cola Beverages Ukraine Limited» concluded a sugar sales contract for 2007. The contract provides for selling sugar in consignments within the current year according to a monthly schedule.

Astarta-Kyiv and A.V.K. Company concluded a sugar sales contract for 2007. The contract provides for selling sugar in consignments within the current year according to a monthly schedule.

Astarta-Kyiv and Poltavakonditer Company concluded a sugar sales contract for 2007. The contract provides for selling sugar in consignments within the current year according to a monthly schedule.

Political events which can affect the Group's business

Adoption of the Law on tariff quota implementation for import of raw cane sugar in view of forthcoming Ukraine's admission to the WTO

The Law of Ukraine No.404-V «On tariff quota implementation for import of raw cane sugar» was adopted by the Parliament on 30 November 2006.

The law suggests implementing yearly tariff quota for import to Ukraine of raw cane sugar in volumes amounting to 260 thousand tons with import duty rate equal to 2% of the customs value. The law also provides for the order of quota granting and of usage of final product of raw sugar processing within quota to be determined by the Cabinet of Ministers of Ukraine.

Adoption of this law is one of the obligatiows Ukraine has to meet to join WTO. The law will come into effect on 1 January of the year following the WTO entering year of Ukraine.

Basing on the forecasts of Ukrainian Government concerning final procedures of WTO membership legalization of Ukraine in 2007, the abovementioned clause of the law will mean that raw sugar import to our country might be recommenced in 2008.

Adoption of the Law on Prolongation of Agricultural Land Sale Moratorium

The Law of Ukraine No.490-V «On the Amendments to the Land Code of Ukraine on the Ban on Agricultural Land Sale until the Appropriate Laws» was adopted by the Parliament on 19 December 2006.

The Law bans sale of agricultural lands owned by the state and municipalities, as well as change in use and further disposal of land allotted to individuals and entities for agricultural use. The Law also indicates that sale of such land can be allowed on January 1, 2008, if the Verkhovna Rada of Ukraine adopts Laws on the State Land Cadastre and Land Market.

Adoption of the Law on amendments to the law of Ukraine «On state regulation of sugar production and realization»

The Law of Ukraine No.403-V «On amendments to the law of Ukraine «On state regulation of sugar production and realization» was adopted by the Parliament on 30 November 2006.

The law simplifies the regulative mechanism in the sugar production and realization sector by means of cancellation both economically unjustified quotes «B» (sugar supply volumes under international agreements) and «C» (sugar supply volumes exclusively beyond the bounds of the country). The law also abolishes compulsory export of sugar produced from imported raw material. Adoption of this law is one of the obligations Ukraine has to meet to join the WTO.

Significant agreements

All of the agreements which are significant and were able to make an influence on the Company's business are described in the current section above.

10.3 Material Factors which could influence Group's operations and financial results in the year 2007

In the opinion of the Board of Directors, the following factors will have a material bearing on the Group's development and performance in the year 2007:

External Factors:

• The pressure on prices in domestic sugar market primarily driven by the noticeable sugar stocks remained from the 2006 processing season when mid-term peak of sugar production in Ukraine had been achieved;

• Forecasted decrease of domestic sugar beet and sugar output in 2007 compared to 2006;

• On-going consolidation of the Ukrainian sugar market;

• Ineffective system of Governmental regulation of sugar and agricultural markets;

• Increase of prices for fuels (natural gas, coal, oil products), for inputs (limestone, fertilizers) and increase of wages;

• Growing welfare of the Ukrainian population resulting in the additional demand for sugar-containing products (confectionery, beverages, diary and milk products);

• Positive prospects for further dynamic growth of sugar-consuming industries, including confectionary, beverages and diary, due to the growing domestic demand together with the expansion to export markets;

• Growing investment attractiveness of the Ukrainian agriculture in a view of the abolishment of the moratorium on purchase and sale of the arable land in Ukraine from January 1, 2008.

Internal Factors

• The stabilization of a sugar production by our sugar plants;

• Increase of the Group'smarket share inof the Group on the Ukrainian sugar market;

• Further diversification of sales to the sectors of beverage producers, dairies and pharmaceutical producers;

• The implementation of quality control systems and increase of the premium quality sugar output;

• Further improvement of the vertical integration of business by means of increasing the production of in-house sugar beet and its share in the total amount of sugar beet to be processed;

• The acquisition of the additional areas of the arable land under lease;

• Possible decrease of the cost of capital for the Group through acquirement of the cheaper financial resources from the international capital markets;

• Active search for new business opportunities.

10.4 Description of Material Risk Factors and Threats of the Group

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

Risks related to the Group

Market Risks

• The commodity nature of our main products (sugar and grain) means that we are sensitive to market-driven pricing. Selling prices for our sugar and grain products are volatile and are determined by conditions on the domestic and on the world market. Among the key factors affecting the market are the weather, seasonality of demand and supply, the availability and price of raw materials, biological factors, crop yields and Governmental regulations. If any or all of these factors can depress prices or increase our operating costs, our business, results of operations and financial condition may be adversely affected.

10. Material Factors and Events in 2006 and Outlook for 2007
Continued

The current sugar market situation in Ukraine and its influence on the Group's business is described in section «Basic product and sales and the Group's markets».

• Most of the contracts with our customers are either entered into for the period of up to one year or are entered into as contracts for one transaction with «spot» prices fixed in the contract. We regularly re-enter into new contracts with our key customers on an annual basis. Such practice of short-term contracts is consistent with the general commercial practice on Ukrainian sugar and grain market.

• To minimize logistical expense and optimize administrative and management costs, we aim to trade on bulk wholesale terms, particularly in our white sugar and grain trading operations. As a result, we have well-established ties with a number of large customers in our white sugar trading operations. We sell our sugar primarily to industrial customers, of which about 50 per cent are confectionary plants. The loss of the majority of our customers or termination of their contracts, a decrease in sugar consumption by confectionary plants in Ukraine could lead to a material decrease in sales volumes, which could have an adverse effect on our business, results of operations and financial condition.

Natural conditions risk

• Our ability to obtain raw materials in a timely manner and in sufficient quantities may be affected by natural conditions, including, among others, drought, flood, unexpected or heavy frost and hurricanes. Such factors may cause deliveries of raw materials to be delayed or unavailable to us and may adversely affect our business, results of operations and financial condition.

Raw materials access and delivery risks

• We rely upon the availability of a sufficient stock of sugar beets located near our processing and storage facilities to supply our operations. Although we cultivate a growing proportion of sugar beet on our farms, our primary sugar beets suppliers are private agricultural farms. The supplies of these farms accounted for more than half of our total annual supplies of sugar beets in 2003, 2004, 2005 and 2006 respectively. Consequently, we depend on our network of and (contractual) relationships with these suppliers. Any abnormal loss of these suppliers through business failure, any failure to make contracted deliveries to us or any refusal to extend existing contracts would adversely impact our production and would negatively affect our business, results of operations and financial condition.

In particular the availability of the sugar beets for processing by our sugar plants in 2007 could be influenced by the expected lower harvest of the sugar beet because of the decrease of areas under this crop described in section «Basic product and sales and the Group's markets».

• We require significant quantities of raw materials to be delivered to our plants by truck or rail. Our operating profit may be adversely affected by increased transportation costs. If, under certain circumstances, a need arises to obtain larger than normal quantities of raw materials from farms located at a greater distance from our plants, such need will cause higher transportation costs. While these costs may be generally recovered through our sales pricing, the recovery may not occur in the same financial year as the cost is incurred and as a result our operating profit for a particular financial year could decrease.

Growing production costs risk

• Costs related to energy, including gas, inputs and labour constitutes a significant portion of our operating costs. According to state statistics, the wages and energy prices in Ukraine have been rising. It is expected that these costs will rise further in the coming years. Although we are currently working to reduce the energy consumption and manual labour, there can be no guarantee that increases of wages, prices on energy and inputs would not negatively affect our results of operations.

Access to capital and liquidity risks

• We have historically required a high level of working capital because of factors such as the seasonal nature of our business and our expansion programme. We have historically obtained working capital from many sources, including bank loans, shareholder loans and bonds issues. In the future, any inability to obtain working capital on comparable terms or at all could negatively affect our business, results of operations or financial condition.

• In order to upgrade our facilities or make future significant acquisitions, we may need to incur debt. To obtain future loans, we may need to pledge some of our significant assets as security. Restrictive covenants in any such loan facility may limit our flexibility to operate. In addition, any onerous collateral requirement may limit our ability to raise additional funds. For example, some of the current debt facilities of our operating subsidiaries contain covenants that impose operating and financial restrictions on such subsidiaries, including the restriction to establish new entities, amend the constituent documents, dispose, transfer and/or lease assets, grant and/or receive loans, provide suretyship, distribute dividends or profits, initiate the bankruptcy proceedings, change the registered name and/or legal form of the subsidiary, change the kinds of activities of the subsidiaries, conclude agreements related to the distribution of profits with third parties, receive credits from other banks, create liens, become a subject of alienation or reorganization, etc. Events beyond our control could prevent us from complying with these covenants. Breach of any such obligation may constitute an event of default.

• As of 31 December 2006 we had EUR36.1 million of debt obligations reflecting a debt/assets ratio of 31.0 per cent which is lower than average in the Ukrainian business environment. Any need to obtain additional loans to finance our development could increase such obligations and cause several consequences, including:

• Limitation to our ability to obtain additional financing for working capital, capital expenditures or other purposes;

• Need to dedicate a substantial portion of the cash flow to pay interest expense and repay debt principal, which would reduce funds that would otherwise be available to us for operations and future business opportunities;

• Limitation to our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;

• Placing the Group at a competitive disadvantage compared to its competitors that have less debt;

• Increasing our vulnerability to general adverse economic and industry conditions;

• Constraining our ability to pay dividends.

• Due to a seasonal nature of our business, we require high levels of financing at in the end of the summer to support the purchase of raw materials as they become available. We fulfil our seasonal financing requirements by obtaining short-term credit lines from commercial banks, which are repaid in autumn on the condition that our sales to customers are timely settled and are not repaid in instalments. If the majority of our customers were unable or unwilling to fulfil their payment obligations in a timely manner, we would be forced to repay our short-term credit lines from other resources, thus jeopardising our liquidity position.

Material risk

• We lease all the land plots on which we grow sugar beet, grains and oilseeds. Approximately 95 per cent of our land plots under lease are leased from private individuals, whereas approximately 5 per cent of our land plots are leased from local Government, farms and other entities. As of the date of this report, we lease approximately 93.8 thousand hectares of land. Any challenge to the validity or enforceability of our subsidiaries' or affiliates' rights to land they lease may result in the loss of the respective lease rights, without such loss extending to titles to plants on that land. However, we believe that lease contracts can be challenged only through court trials, and since we lease such land in good faith, we do not expect any negative court decisions that may result in the loss of the respective lease rights. Any relevant loss of land could materially affect the volume of cultivated and harvested raw materials and thus our business, results of operations and financial condition.

Other

• While we tend to maintain the types of insurance customarily available to commercial businesses in Ukraine, our insurance policies do not cover, and insurance is not commercially available, to cover all potential risks to which the Company is or may be exposed, such as crop insurance and management liability insurance. Our lack of insurance for all or certain business related risks may expose us to substantial losses, which could adversely affect our business, results of operations and financial condition.

• The existing management information systems of the Company are not as robust as those of companies organised in jurisdictions with a longer history of compliance with IFRS. Insufficient robustness of management information systems may limit our growth potential, adversely affect efficiency of our internal control and procedures and lead to incorrect presentation or interpretation of financial matters affecting the Company. The Group is currently in the process of switching to a fully integrated accounting system. We lack experience with the operation of the new system and, consequently, timely delivering of the information which has to be processed by it. Such situation is described in the section «Implementation of the IT technologies and management information systems».

Risks related to the country, politics, legal and economic environment

Political risks

Agricultural markets and agricultural production generally are subject to prevailing political and social policies. At times, Governments impose production and selling restrictions and limitations in the form of quotas, tariffs and other mechanisms to protect national producers both at international and domestic levels. These restrictions and limitations can affect volumes and prices in national, regional and world markets. There is no guarantee that the Ukrainian Government will grant new or additional quotas to agricultural producers or that it will impose other protectionism measures. Any change in Government regulations or legislation in our market, the markets in which we compete, or in the markets of our competitors could adversely affect our business, results of operations and financial condition.

The situation with grain export restrictions introduced by the Government of Ukraine in late 2006 — early 2007 and their influence on the Group's business is described in the section «Basic products and sales and the Group's markets».

Economic risks

• Agricultural markets and agricultural production generally are subject to prevailing political and social policies. At times, governments impose production and selling restrictions and limitations in the form of quotas, tariffs and other mechanisms to protect national producers both at international and domestic levels. The said restrictions and limitations can affect volumes and prices in national, regional and world markets. There is no guarantee that the Ukrainian government will grant new or additional quotas to agricultural producers such as the Company or that it will impose other protectionism measures. So far, sufficient quotas were put at the market's disposal. Any change in government regulations or legislation in our market, the markets in which we compete, or in the markets of our competitors could adversely affect our business, results of operations and financial condition

• The Ukrainian Government firmly regulates the production of sugar and sugar market in Ukraine. This regulations embedded in the Law of Ukraine «On State Regulation of Production and Sale of Sugar» dated 17 June 1999. This Law, inter alia, establishes the quotation of the domestic sugar production, fixation and support by the Government of the minimum guaranteed prices on sugar beet and sugar on a yearly basis.

Any failure by the Government to fulfil its obligations on regulation the sugar market, like mentioned in the section «Basic products and sales and the Group's markets», could adversely effect our business, results of operations and financial conditions.

• In 2001 the Ukrainian Government introduced a system of tariffs on imports of white and raw cane sugar with the goal of stimulating domestic production and processing of sugar beet. Under the tariffs the ex-works cost of sugar produced from the raw cane sugar is significantly higher than the production cost of beet sugar. In the future Ukraine will be required to liberalise its domestic sugar market in line with the obligations related to its WTO accession. In both cases our business results of operations and financial condition may be adversely affected.

• The Ukrainian Government provides various types of financial support to domestic agricultural producers by providing subsidies, including partially reimbursing interest paid on credit facilities with Ukrainian commercial banks and insurance premia for insuring the crops. In addition, Ukrainian agricultural producers were given a right to set aside their VAT net amounts and use them to finance operational activities. The aggregate amount of the above-mentioned compensation is determined annually in the state budget. The right to interest rate reimbursement is granted to agricultural companies based on a tender procedure, while other subsidies are paid upon application of the producer.

The decision by the Ukrainian Government to discontinue unexpectedly subsidies for domestic agricultural producers in the future, or our failure to qualify for such subsidies, could have a material adverse effect on our business, results of operations and financial condition.

For example, as of December 31, 2006, the Ukrainian Government failed to fulfil its obligations to partially compensate loan interest rates of Ukrainian commercial banks. We assess the total amount lost at about EUR1 million. This fact negatively affected our financials in 2006.

• Ukraine currently has a number of laws related to various taxes imposed by both central and local authorities. These tax laws have not been in force for significant periods of time, compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, tax laws in Ukraine are subject to frequent changes and amendments, which can result in either a friendlier environment or unusual complexities for the business. Differing opinions regarding legal interpretations often exist both among and within Governmental ministries and organizations, including the tax authorities, creating uncertainties and areas of conflict. Tax declarations/returns, together with other legal compliance areas (e.g., customs and currency

10. Material Factors and Events in 2006 and Outlook for 2007

Continued

control matters), are subject to review and investigation by a number of authorities, which are authorized by law to impose substantial fines, penalties and interest charges. These circumstances generally create tax risks in Ukraine more significant than typically found in countries with more developed tax systems. Generally, the Ukrainian tax authorities may re-assess tax liabilities of taxpayers only within a period of three years after the filing of the relevant tax return. However, this statutory limitation period may not be observed or may be extended in certain circumstances.

Country risks

• Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state. Concurrently with this transformation, Ukraine is progressively changing to a market economy. Although some progress has been made since independence to reform Ukraine's economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that is essential to support market institutions, the effective transition to a market economy and broad based social and economic reforms. Ukraine may continue to experience political instability or uncertainty, economic instability. Ukraine may not be able to maintain access to foreign trade and investment.

• Since independence in 1991, governmental instability has been a feature of the Ukrainian political scene and, as a result, Ukraine has had fifteen different prime ministers during this period. Historically, a lack of political consensus in the Parliament has made it difficult for the Ukrainian government to secure the support necessary to implement a series of policies intended to foster liberalisation, privatisation and financial stability. The various state authorities, and the relations among them, as well as the Ukrainian government's policies and the political leaders who formulate and implement them, are subject to rapid change.

Following the second round of presidential elections in November 2004, demonstrations and strikes took place throughout Ukraine to protest the election process and results. While tensions in Ukraine appear to have subsided following the invalidation of the November elections results by the Supreme Court of Ukraine and the revote held on 26 December 2004, resulting in the victory of Mr Viktor Yuschenko, the long-term effects of these events are not yet clear.

On 26 March 2006, the first Ukrainian parliamentary elections by proportional representation took place. According to the official results of the elections, out of 45 participants only 5 political groups were able to gain 3% or more of the national vote required to gain seats in the Parliament: Partiya Regioniv (the Party of Regions), chaired by President Yuschenko's main opponent at the 2004 presidential election, Mr Viktor Yanukovych; Blok Yuliy Tymoshenko (Bloc Yuliya Tymoshenko), led by the former Prime Minister Tymoshenko; Blok Nasha Ukrayina (Bloc Our Ukraine), an election alliance of political parties led by the current Prime Minister Yekhanurov and associated with President Yuschenko; the Socialist Party of Ukraine chaired by Mr Oleksandr Moroz; and the Communist Party of Ukraine led by Mr Petro Symonenko. Since none of these parties and election blocs won the majority of seats in Parliament, the majority coalition was formed on 22 June by 2006 by Bloc Yulia Tymoshenko, Bloc Our Ukraine and the Socialist Party of Ukraine.

However, on 6 July 2006 the Socialist Party of Ukraine pulled out from the abovementioned coalition and Mr. Oleksandr Moroz was elected the new Speaker of the Parliament of Ukraine with the support of the Party of Regions, the Socialist Party of Ukraine, and the Communist Party of Ukraine. Following these events, on 7 July 2006, the Party of Regions, the Socialist Party of Ukraine, and the Communist Party of Ukraine formed a new coalition in the Parliament. The new coalition subsequently nominated Mr. Viktor Yanukovych to the position of the Prime Minister approved by President Yuschenko.

On April 2 2007, President Yuschenko dismissed the Parliament of Ukraine and appointed the new parliamentary elections for May 27, 2007. This decision was litigated by 53 Parliament deputies on April 3 2007 in the Constitutional Court of Ukraine. On April 26 2007, President Yuschenko issued another Decree stating that the Decree of April 2 lost its effect and re-appointing the new parliamentary elections for June 24 2007

No assurance can be given that reform and economic growth will not be hindered as a result of any further disruption of government continuity, any continued dissent in the government and Parliament or any other changes affecting the stability of the government or involving a rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform. Political instability in Ukraine may have negative effects on the economy and thus on Group's business, results of operations and financial condition.

Legal risks

• Since independence in 1991, as Ukraine has been developing from a planned to a market based economy, the Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is, however, in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to, provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; inconsistencies between and among Ukraine's Constitution, laws, presidential decrees and Ukrainian Governmental, ministerial and local orders, decisions, resolutions and other acts; the lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine; the relative inexperience of judges and courts in interpreting Ukrainian legislation in the same or similar cases; corruption within the judiciary; and a high degree of discretion on the part of Governmental authorities, which could result in arbitrary actions. These and other factors that impact on Ukraine's legal system make an investment in the shares subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

• The Group is a company incorporated in accordance with Dutch law and has its registered office in The Netherlands. The majority of the assets of the Group is located in Ukraine. For this reason and despite the fact that The Netherlands is subject to the Regulation of the European Council of 22 December 2000 on the Jurisdiction and Enforcement in Civil and Commercial Matters, non-Dutch and non-Ukrainian investors may encounter difficulties in service of process and the conduct of proceedings with respect to any of the entities within the Group. For the same reason it may be more difficult for non-Dutch and non-Ukrainian investors to enforce a judgment of their home country courts issued against the entities within the Group than if those entities were located in that home country.

11. Group's strategy in 2006—2010, its fulfillment in 2006 and strategic goals for 2007

11.1 Group's strategy in 2006—2010

Our development strategy for 2006 to 2010 envisages both increasing the Group's share in the Ukrainian sugar market through acquisitions and organic growth, as well as entering new markets for the Group's products, primarily sugar, sugar by-products and grain crops. The key elements of our strategy are as follows:

• Organic growth through investments in modernisation and capacity increases of the current production assets base. We successively reconstruct our sugar plants to bring them in line with the EU standards. This involves purchasing and installing production equipment from leading international and European manufacturers, as well as dismantling from the sugar plants to be closed in terms of the EU sugar market reform. Such measures result in increasing the efficiency of our sugar production, ensuring in particular an optimal period of production (100 days per season) and significantly reducing our energy consumption (primarily natural gas).

• Acquisition-driven growth to become one of the leading consolidators in the highly fragmented domestic sugar industry. We plan to use our advantage of being the only public company in the Ukrainian sugar market in order to realize the opportunity of the market consolidation. We are also going to put our efforts into leasing additional land acreage in order to develop our own agricultural production. As a result of expansion of arable land and intensifying its usage in order to increase crop yields we will significantly rise sugar beet and grains output. We plan to increase sugar output and our share in Ukrainian sugar market.

• Vertical integration with increasing share of in-house grown raw materials. We are going to further develop vertical integration of our business to ensure secure supply and quality of inputs, as well as cost savings leading to improved margins. In line with this, we concentrate our efforts on noticeable output increase of in-house grown sugar beet due to increases of arable land and higher yields per acre. As a result, the corresponding share of in-house grown sugar beet in the overall sugar beet processing volume will significantly rise.

• Increasing production of premium-quality sugar. We aim to increase production of premium-quality sugar, and therefore enter the segment of certain industrial consumers, such as alcoholic and soft beverage producers and pharmaceutical manufacturers, all of which use premium quality sugar in their operations. With such purpose we plan to complete introduction of quality management systems corresponding to ISO 9001:2000 and HACCP at all our sugar plants in 2007—2008.

• Exports growth. We aim to expand our exports through entering new markets which are expected to lift trade barriers, e.g., Russia and the EU. In particular, we wish to take advantage of the forthcoming trade liberalization between Ukraine and Russia, stemming from the Protocol of 25 November 2005 between the Governments of Ukraine and the Russian Federation, as a result of which the latter is expected to lift trade barriers on 1 January 2009, thus making export of Ukrainian sugar to Russia possible. Besides, we rely on new opportunities for our business provided as a result of EU sugar market reform, which foresees decrease in guaranteed prices and sugar production in EU countries in the period ending 2010. In particular the reform would lead to growth of demand for sugar by-products, i.e. molasses (the raw material for ethanol production) and pulp. We also analyze export opportunities of our sugar to other CIS countries.

Table 12. Group's strategic goals in 2007—2010

	2005	2006	2007E	...	2010E
Organic growth and acquisition-driven growth					
Market share, %	3.2	4.2	5.2		10
Production capacities, tons per day	17,630	17,630	17,630		23,000
Arable land in lease, thousand hectares (as of 31 December of related year)	66,9	90	100		120
Sugar production, thousand tons	87.5	160.6	150—170		280
Grains production, thousand tons	124	131	190		270
Vertical integration through increasing share of in-house grown raw materials					
Land acreage under sugar beet, hectares	7,400	15,600	23,000		33,000
Sugar beet yield, tons per hectare	29.5	33.6	38		45
In-house grown sugar beet volume, thousand tons	217	527	over 800		1,500
Share of in-house grown sugar beet in the overall sugar beet processing volume, %	31	42	over 60		70
Increasing production of premium-quality refined sugar					
Production of premium-quality refined sugar, thousand tons	3	10	45		80
Exports growth					
Production of dry and granulated pulp, thousand tons	4.5	11	15		30

11. Group's strategy in 2006–2010, its fulfillment in 2006 and strategic goals for 2007
Continued

11.2 Fulfillment of the Group's strategy in 2006 and strategic goals of the Group in 2007

In 2007—2010 we plan to reach the following strategic goals:

Fulfillment of the Group's strategy in 2006

In 2006 we were realizing the Group's strategy and achieved planned strategic goals:

1) Sugar plants reconstruction and modernization

We continued to invest into reconstruction and modernization of the sugar plants with the purpose to increase the quality of the product and decrease power consumption for production needs. In line with this we established collaboration with the company «PERRY VIDEX» LLC, which supplies us with equipment from European sugar plants closing as a result of the EU sugar market reform. We concluded three contracts for the purchase of «Babbini» pulp presses and «Maguin» drum beet slicers with this company for a total value of 1.7 million US dollars. As a result natural gas consumption was reduced by approximately 10% in 2006.

2) Increase of sugar production and market share of the Group

The volume of sugar production increased from 87.5 thousand tons in 2005 to 160.6 thousand tons in 2006, or by 83.5%. This exceeds the earlier established strategic goal to increase sugar output in 2006 by 30%. The Group's market share was increased from 3.2% in 2005 to 4.2% in 2006.

3) Increase of arable land acreage under lease

As a result of acquisitions of agricultural companies and additional land lease by the subsidiaries of the Group the strategic goal of increase of total arable land under lease had been reached. The total arable land acreage under lease increased from 66.9 thousand hectares as of 31 December 2005 to 90 thousand hectares as of 31 December 2006, or by 35%.

4) Strengthening of vertical integration of our business

The share of in-house grown sugar beet output processed by our sugar plants increased from 31% in 2005 to 42% in 2006. The total amount of the sugar beet production of our agricultural companies increased from 217 thousand tons to 527 thousand tons or by 2.4 times. This was achieved due to an increase of land acreage for sugar beet cultivation from 7,400 hectares in 2005 to 15,600 hectares in 2006 and growth of its yield from 29.5 tons per hectare to 33.6 tons per hectare or by 14%.

5) Holding and winning new positions in a segment of large industrial consumers. Diversification of sales

In 2006 we managed to hold our positions among large industrial consumers, firstly among top three of them — Kraft Foods, AVK and Poltavakonditer — the leaders of Ukrainian confectionary industry. The share of sales to these companies comprised c.50% of total sugar sales volume, comparing to 56% in 2005.

The Group also diversified its sales, by entering segments of industrial consumers — beverages' and dairy producers. In particular, we concluded contracts with IE «Coca Cola Beverages Ukraine Limited», Kyiv city dairy plant No.3 and Kharkiv city dairy industrial complex, subsidiaries of «Wimm-Bill-Dann Ukraine». As a result the share of sales to beverage producers in our sugar sales structure amounted to 5% as of 31 December 2006.

6) Increase of production of premium-quality sugar

We reached the goal set to increase production of premium-quality sugar from 3,000 tons in 2005 to 10,000 tons in 2006. This will allow us to continue sales diversification in the segments of beverage producers, dairy and the pharmaceutical producers in 2007.

7) Increase of dry granulated pulp production

In line with our strategy to increase dry granulated pulp production from 4.5 thousand tons in 2005 to 30 thousand tons in 2010, in 2006 we produced 11.0 thousand tons of this product, which is 2.4 times more than in 2005.

The increase of sales of dry granulated pulp from 4.5 thousand tons in 2005 to 13.2 thousand tons in 2006 facilitated the development of the Group's exports potential, since nearly whole volume of this product is exported, mainly to European countries.

Group's strategic goals for 2007

In 2007 we will continue to realize the Group's strategy focusing our efforts on achieving the following goals:

1) Increase of arable land under lease

Due to the growing investment attraction of the Ukrainian agrarian sector, we will proceed with leasing additional arable land as a long-term basis for our business. We plan to increase arable land under lease from 90 thousand hectares on 31 December 2006 to over 100 thousand hectares on 31 December 2007.

2) Increase of sugar output and market share of the Group

We plan to stabilize sugar output at a level of 150—170 thousand tons compared to 160.6 thousand tons in 2006. This stabilization after the noticeable growth in 2006 is needed to enable us to focus on efficiency increases, energy consumption decreases, quality improvements and logistics development of increased deliveries of the in house grown sugar beet to processing locations.

We believe that the Group's share in Ukrainian sugar market will grow from 4.2% to 5.2% in 2007.

3) Using opportunities of the sugar market consolidation

We plan to capitalize on being the only public company in the Ukrainian sugar market by seeking opportunities of market consolidation primarily through M&A deals. We consider Top 10 Ukrainian sugar companies as potential targets for such deals.

4) Strengthening of vertical integration of the business

We plan to increase the share of in-house grown beet in our total processing volume from 42% in 2006 to over 60% in 2007 by increasing the production of this crop by our agricultural companies from 527 thousand tons to over 800 thousand tons.

5) Increase of production of premium-quality sugar

In order to enable further expansion in the segment of industrial consumers — beverage producers, dairy and pharmaceutical producers in 2007, we plan to put extra efforts to increase the volume of premium-quality sugar production. The production of this product will be increased from 10 thousand tons to approximately 45 thousand tons, and its share in total output — from 6.2% to about 26.5%.

6) Further diversification of sales

We plan to continue diversification of sales by entering new segments of industrial consumers — beverages and dairy producers, pharmaceutical companies.

Successful fulfilment of contracts concluded with IE «Coca Cola Beverages Ukraine Limited», Kyiv city dairy plant No. 3 and Kharkiv city dairy industrial complex («Wimm-Bill-Dann Ukraine») proves that the Group can strengthen its positions in beverage and dairy segments and we expect growth of the Groups sales volume and market share in 2007.

7) Using synergy opportunities

In order to better use of the synergy opportunities, we plan to develop the Group's non-core business by increasing grain production from 132.6 thousand tons in 2006 to 190.0 thousand tons in 2007 or by over 40%, and to increase milk production from 20.6 thousand tons to 25 thousand tons, or by c.20%.

We're also considering the opportunities meat production development with the involvement of a European partner company.

8) Seeking the opportunities of bio-ethanol production

We're actively considering the opportunities of the bio-ethanol production. In particular, we're seeking European partner companies experienced in this field. At the same time we take into account the possibility of formation of the Ukrainian bio-fuel market and export opportunities in the nearest future.

On 12 April 2007 the Verkhovna Rada of Ukraine adopted in the first reading a draft law «On the development of production and sales of bio-fuels» as basis for a bio-fuel market in Ukraine. The law proposes to set requirements for compulsory contents of bio-ethanol in motor fuels (from 2% in 2008 to 11% in 2011) and bio-diesel in diesel fuel (up to 8% in 2015).

9) Decrease of the cost of debt

Loans from Ukrainian commercial banks prevail in our credit portfolio. Their effective interest is c.16%. In order to minimize cost of debt we negotiate with leading banks of Europe and USA about attracting funds on more favorable terms. This will also allow us to mitigate the Governments' inability to partly compensate the interests for credits from Ukrainian commercial banks.

10) Selling of carbon credits

We consider the possibility of selling the carbon credits in line with the implementation of the energy saving projects by our sugar plants. For more information please refer section «Corporate social responsibility».

12. Representations of the Board of Directors

12.1. Representation of the Board of Directors on compliance of the annual financial statements

The Board of Directors of ASTARTA Holding N.V. hereby represent that to the best of their knowledge the annual financial statements of Astarta Holding N.V. and its capital group for the period ended 31 December 2006 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 ASTARTA Holding N.V. and its capital group, and that the report of the Board of Directors on the operations of ASTARTA Holding N.V. and it capital group for the year 2006 gives a true view of the developments, achievements and situation of the Company, including a description of the key risks and threats.

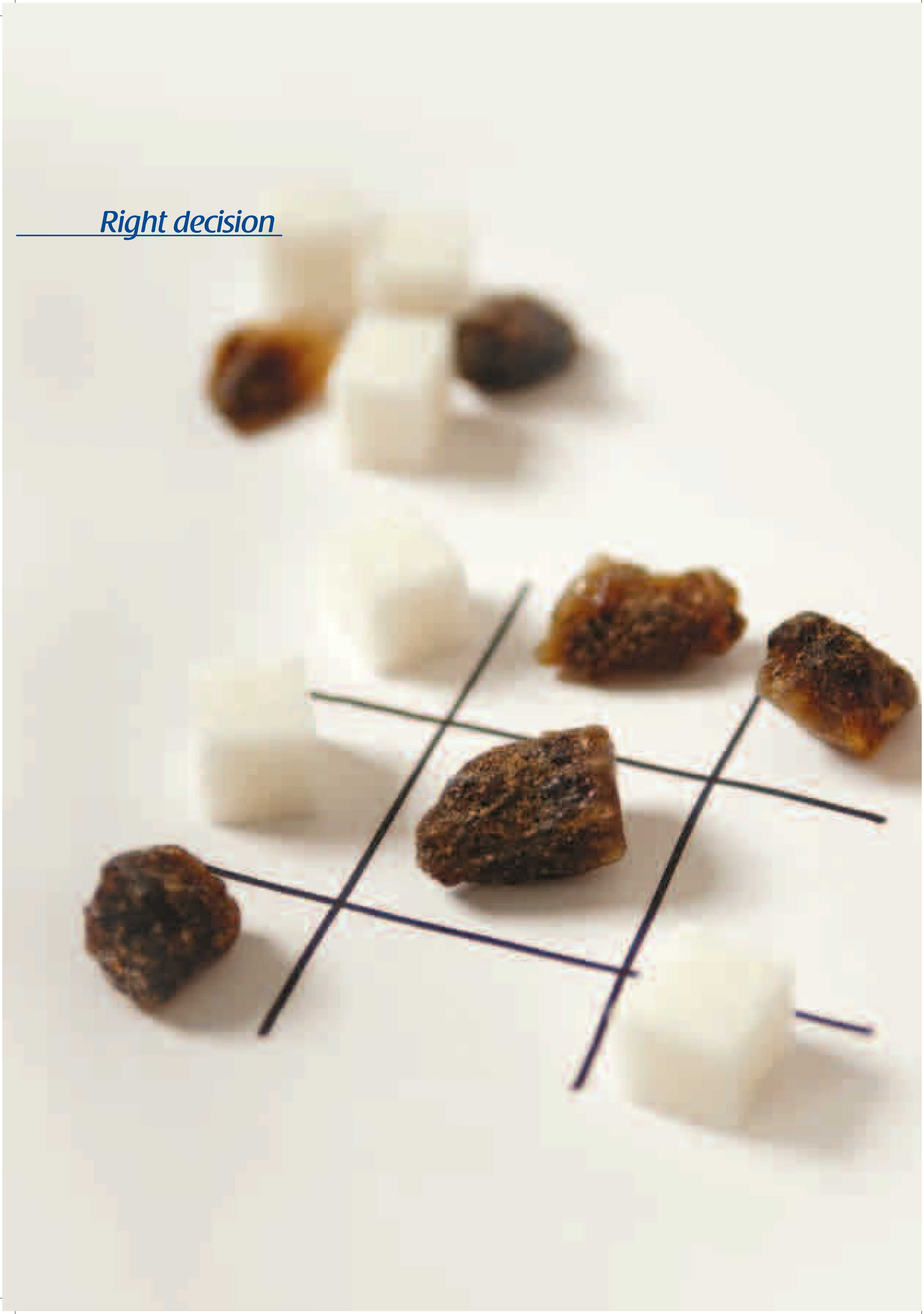
12.2. Representation of the Board of Directors of ASTARTA Holding N.V. on appointment of the entity qualified to audit annual financial statements

The Board of Directors of ASTARTA Holding N.V. hereby represents that the entity which performed the audit of the annual financial statements of ASTARTA Holding N.V. for the period ended 31 December 2006 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

31 May 2007,
Amsterdam, The Netherlands

Right decision



Corporate governance

Contents

1. General

We, ASTARTA Holding N.V., are a public company with limited liability (naamloze vennootschap) incorporated under Dutch law. Our statutory seat is in Amsterdam, the Netherlands, our registered address is Koningslaan 17, 1075 AA, Amsterdam, the Netherlands. Our Articles of Association (statuten) were executed by deed of June 9, 2006 before a substitute of Mr. Mark Peter Bongard, Civil Law Notary in Amsterdam, The Netherlands. The certificate of no-objection of the Ministry of Justice relating to our incorporation was issued on 19 May 2006. We are registered in the commercial register of the Chamber of Commerce and Industry for Amsterdam under number 34248891.

2. Board of Directors

A) Structure of management

Our Company is managed by the Board of Directors, which is responsible for the management of our Company, our overall results, as well as our mission, vision and strategy. We have a one-tier board structure consisting of executive and non-executive Board of Directors' members.

The Board of Directors is required to consist of at least one Executive Director A, one Executive Director B and one Director C, being a Non-Executive Director. All members of the Board of Directors may be appointed and/or dismissed by the General Meeting of Shareholders.

At present, our Board of Directors consists of five members: three Executive Directors (two Executive Directors A and one Executive Director B) and two Non-Executive Directors.

At least a half of the Non-Executive Directors should be independent from the Company, its shareholders and the other Directors. As we currently have two Non-Executive Directors, at least one of them should be independent. Mr. W. Bartoszewski is such independent Non-Executive Director. Moreover, Mr. van Campen who serves as the Executive Director B is also independent.

The Board of Directors may charge the Executive Director(s) A with the operational management of the Company and the business enterprise connected therewith, the preparation of the decision-making process of the Board of Directors and the implementation of the decision taken thereby. The Executive Director(s) A may subsequently determine which operational duties will be carried out by the Executive Director(s) B. The Non-Executive Director(s) is charged with the supervision of the general policy and the fulfillment of duties by the Executive Directors and the general affairs of the Company.

Our Board of Directors is firmly committed to managing our Company in a structured and transparent fashion. Our aim is to provide stakeholders with a clear view on corporate decisions and decision-making processes. Our reporting structure is in line with the management supervision of distinct business activities, and our corporate legal structure has largely been brought in line with our reporting structure. Responsibility for implementing and ensuring the continued effectiveness of business controls lies with the management. The success of these business controls is measured by management review, management self-assessment and internal audits conducted by our internal audit department.

The Executive Directors of the Board of Directors perform their activities under the supervision of the Non-Executive Directors. In performing their duties, the Executive Directors act in accordance with the interests of our Company and the business connected with it and, to that end, are required to consider all appropriate interests associated with our Company. The Executive Directors must in due time provide the Non-Executive Directors with all information necessary for the proper performance of their duties. In addition, the Executive Directors are required to provide the necessary means, allowing the Non-Executive Directors to obtain all information which is necessary for them to be able to function as a supervisory body of our Company.

Our Board of Directors is responsible for complying with all relevant legislation and regulations, for managing the risks associated with our Company's activities, for our financing and external communication. Our Executive Directors are required to report related developments to, and discusses the internal risk management and control systems with the Non-Executive Directors. The Board of Directors have drafted Rules of the Board of Directors, which inter alia set forth the obligations of the Directors, the division of duties, the procedures for meetings and the committees, which Rules the Board of Directors intends to follow. The draft Rules shall be adopted by the Board of Directors after it has heard the opinion of its shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

The draft Rules can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section on our website after their adoption by the Board of Directors.

In the Company's first financial year that started June 9, 2006 and ended December 31, 2006, the Board of Directors held one meeting in Kyiv. Besides this meeting, the Board of Directors held a teleconference to discuss the 3rd quarter 2006 figures on November 13, 2006, which teleconference was attended by all Directors.

B) Representation

The Company is represented by the Board of Directors. The authority to represent the Company, including the signing of documents, is also vested in one Executive Director A and one Executive Director B acting jointly. The Board of Directors is empowered to appoint officials with general or limited powers of representation. Each such official shall represent the Company with due observance of the limitations imposed on his or her powers. The Board of Directors determines the titles of such officials.

In the event that a conflict of interest arises between the Company and a Director, the Board of Directors will represent the Company. The General Meeting is authorised to appoint one or more persons to represent the Company at any time. If it does so, the representative authority contemplated in the first sentence of this paragraph will no longer apply. Without prejudice to the representative authority, in any case involving a conflict of interest the Board of Directors may act on behalf of the Company only after obtaining prior permission from the General Meeting of Shareholders.

Members of the Board of Directors are appointed and can be suspended or dismissed by the General Meeting of Shareholders. Any such suspension may be extended several times but the total term of the suspension may not exceed three months. The suspension shall expire on lapse of this period if no resolution has been adopted either to lift the suspension or to dismiss the Director. Share ownership in the Company is not required to qualify as a member of the Board of Directors.

C) Directors

The Company has prepared a profile for its Directors, which indicates the size and composition of the Board of Directors, the activities and expertise and background of the Directors. The draft Profile shall be adopted by the Board of Directors after it has heard the opinion of its shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

The draft Profile can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section at our website after their adoption by the Board of Directors.

2. Board of Directors
Continued

Viktor Ivanchyk (1956)

Executive Director A, CEO, Ukrainian national.

Viktor Ivanchyk serves as an Executive Director A with the Company and as the Chief Executive Officer since the Company's incorporation.

In 1993 he founded LLC Firm «Astarta-Kyiv» («Astarta-Kyiv»), the Ukrainian holding company for all Ukrainian operational companies, which General Director he has been since then.

In August 2005 he became a Deputy Chairman of Council of the National Association of Sugar Producers of Ukraine «Ukrtsukor». Mr. Ivanchyk worked for 4 years for the Kyiv Aviation Industrial Association (KiAPO) and then served at the state service.

He graduated from Kharkiv Aviation Institute named after N. E. Zhukovsky (1979) and from the French Business School in Toulouse (1994). Since 2006 he has continued his studies at the International Management Institute (IMI Kyiv) on a Senior Executive MBA Programme.

Shares owned in the Company: 10 million shares in the Company held through a cypriot holding company named Albacon Ventures Ltd.

Petro Rybin (1956)

Executive Director A, Ukrainian national.

Petro Rybin serves as an Executive Director A with the Company since its incorporation.

Prior to joining us, Mr. Rybin worked for the Kyiv Aviation Industrial Association (KiAPO) (1982—1989) and held position of a deputy Director and then Director of youth scientific-technical center «Alternative» (1989—1996).

In 1996 Mr. Rybin joined us and since that time he has worked on various positions in Astarta-Kyiv.

Mr. Rybin graduated from Dnietropetrovsk State University in 1980 and from All-Soviet Union Financial and Economic Institute (1991). In 2005 he took a course of the assets management in the Ukrainian institute for stock market development. Since 2006 he has continued his studies at the International Management Institute (IMI Kyiv) on a Senior Executive MBA Program.

Shares owned in the Company: 0.

Marc Van Campen (1944)

Executive Director B, Dutch national.

Marc van Campen serves as an Executive Director B with the Company since its incorporation.

Prior to joining us, Mr. Van Campen served in several positions with Océ Van der Grinten N.V. and most recently, until 2002, as a general counsel of NBM-Amstelland N.V., a Dutch company listed on the Amsterdam Stock Exchange and at that time one of the largest companies in the Netherlands in the field of construction and project development.

Mr. van Campen has, in the previous five years, been the General Counsel of NBM-Amstelland N.V., the Chairman of the Board of NBM-Amstelland Insurance AG, Zug (CH), Director at Montferland Beheer B.V. and Voorgrond Beheer B.V., both in Schoonhoven, Director at Nice Group B.V., Amsterdam, Director at GMT (PEP com) B.V., Amsterdam, the Director at Sympak International B.V., Amsterdam, and at M.M.L.J. van Campen Stamrecht B.V. Mr. van Campen is still holding the positions in the following entities: Montferland Beheer B.V., Nice Group B.V., GMT (PEP com) B.V., Sympak International B.V., M.M.L.J. van Campen Stamrecht B.V. and Voorgrond Beheer B.V.

He graduated with a master`s in law from the University of Nijmegen in 1968.

Shares owned in the Company: 0.

D) Shareholding by Directors and Insider Trading

The total number of the Company's ordinary shares held by members of the Board of Directors is 20 million amounting to 80 % of the issued and paid up share capital of the Company.

With respect to acquiring ownership interest of securities and transactions in securities by the Directors, the Board of Directors has drafted Securities Rules, which it intends to follow. The draft Securities Rules shall be adopted by the Board of Directors after it has heard the opinion of its shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

With respect to acquiring shares in the Company's capital by the Directors and other people that are involved with the Company, the Company follows the provisions of the EU Market Abuse Directive and has drafted Insider Trading Rules to reflect these provisions.

The draft Securities Rules and the draft Insider Trading Rules can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section on our website after their adoption by the Board of Directors.

Valery Korotkov (1963)

Non-Executive Director C, Chairman of the Board of Directors, Russian and British citizen

Valery Korotkov serves as a Non-Executive Director C with the Company and the Chairman of the Board of Directors since its incorporation.

From 1992 to 1999 Mr. Korotkov worked as a director for a number of companies, such as ROSMARK, MPVoil, CJSC «Rosneft-Zapad», «Rosagronefteproduct», CJSC «TNKinvestneft», Municipal Unitary Enterprise «Poklonnaya gora» and then for 6 years he was a deputy general director at the Financial Company «Agronefteproduct». In 2003 Mr. Korotkov became a co-owner of Astarta-Kyiv. Now he is holding the positions in the following entities: LLC «Itera-Alfaplastic» (a member of the Board of Directors), OSJC «ITERA-Invest-Stroy» (a member of the Board of Directors), ITERAINVEST HOLDING Ltd. (a Director), and CSJC «Dayson service» (a member of the Board of Directors).

Mr. Korotkov graduated from the Kharkov Institute of the Engineers of Communal Construction (1985). In 1990 he obtained the degree of Candidate of engineering sciences and in 2002 he graduated from the University College Kensington and obtained a degree of a Master of business administration.

Shares owned in the Company: 10 million shares in the Company held through a cypriot holding company named Aluxes Holding Ltd.

Wladyslaw Bartoszewski (1955)

Non-Executive Director C, Polish and British citizen

Wladyslaw Bartoszewski, PhD, is a graduate of the University of Warsaw and University of Cambridge. He has worked in financial services since 1990 and is registered with the British Financial Service Authority.

As of 2004, Mr. Bartoszewski works for Central Europe Trust Co. Ltd, a British investment banking firm based in Warsaw and Moscow. Between 2000—2003 he was a Managing Director of ING Barings, responsible for all its investment banking activities in Poland. In 1997, he joined J.P. Morgan where he was until the end of 2000 in charge of the Polish operations of the bank as a head of the Warsaw office. Between 1991 and 1997 he worked in Central Europe Trust Co. Ltd and prior to that Mr Bartoszewski was a lecturer at St Antony's College, Oxford, attached to the Institute of Russian, Soviet and East European Studies of the Oxford University as of 1985.

Mr. Bartoszewski has, in the previous five years, been a member of the governing bodies of Central Europe Trust Company Limited. Mr. Bartoszewski is still holding the position of Director in Central Europe Trust Company Limited.

Shares owned in the Company: 0.

None of the Managing Directors holds more than two supervisory board memberships of listed companies or is chairman of such supervisory board other than of a group company.

E) Chairman of the Board of Directors and the Corporate Secretary

The chairman of our Board of Directors determines the agenda and presides over meetings of our Board of Directors. The chairman is responsible for the proper functioning of our Board of Directors.

The chairman of the Board of Directors shall always be a Non-Executive Director and is appointed by the Board of Directors at its first meeting.

Our Board of Directors is assisted by our corporate secretary. All members of the Board of Directors have access to the advice and services of the corporate secretary, who is responsible for ensuring that the Board of Directors procedures are followed and that the Board of Directors acts in accordance with its statutory obligations under the Articles of Association. The corporate secretary is appointed and dismissed by the Board of Directors.

For ASTARTA Holding N.V., the corporate secretary has been appointed as secretary to the Board of Directors and as compliance officer for the purpose of the inside information regulations.

3. Committees of the Board of Directors

Our Board of Directors is intending to form during 2007 (immediately after the upcoming annual General Meeting of Shareholders) two committees to aid compliance with applicable corporate governance requirements: the audit committee and the remuneration committee.

A) Audit committee

The audit committee will be responsible for reviewing annually and reassessing the adequacy of the rules governing the committee as established by the Board of Directors. The audit committee will be charged with advising on, and monitoring the activities of the Board of Directors, with respect to inter alia, the integrity of our financial statements, our financing and finance related strategies and tax planning: including: (i) the operation of the internal risk management and control systems, (ii) the provision of financial information by the Company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts, work of internal and external auditors, etc.); (iii) compliance with recommendations and observations of internal and external auditors; (iv) the role and performance of the internal audit department; (v) the policy of the Company on tax planning; (vi) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the Company; (vii) the financing of the Company; (viii) the recommendation for the appointment of an external auditor by the General Meeting of Shareholders and (ix) preparing the review by the Board of Directors of the annual accounts and the review by the Board of Directors of the annual budget and major capital expenditures of the Company.

As transparency is extremely important for the Company, it intends to adopt regulations of the audit committee after it has heard the opinion of its shareholders on drafts prepared by the Board of Directors. Therefore, such procedure will be adopted along with the by-laws of the General Meeting of Shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

At least one of the members of this committee shall be a financial expert and all members shall be financially literate.

The draft regulations for our audit committee can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section on our website after their adoption by the Board of Directors.

B) Remuneration committee

The remuneration committee is to be appointed by the Board of Directors to propose a remuneration policy for members of the Board of Directors and to draft a proposal for the remuneration of the individual members of the Board of Directors for adoption by the General Meeting of Shareholders. Furthermore, the remuneration committee may prepare the allocation of management options and rights to shares in the Company's capital to other senior management of the Company by the Board of Directors.

As transparency is extremely important for the Company, it intends to adopt by-laws and regulations of the remuneration committee after it has heard the opinion of its shareholders on drafts prepared by the Board of Directors. Therefore, such procedure will be adopted along with the by-laws of the General Meeting of Shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

Draft regulations for our remuneration committee can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section on our website after their adoption by the Board of Directors.

4. Remuneration

The general policy with regard to the remuneration of members of the Board of Directors shall be adopted by the General Meeting of Shareholders. The current remuneration policy will be adopted by the General Meeting of Shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006. The exact remuneration for the individual Board members shall be determined in this General Meeting of Shareholders as well, to the extent that the General meeting of Shareholders has not already done so.

The objective of our remuneration policy is to provide a compensation program that allows us to attract, retain and motivate members of the Board of Directors who have the character traits, skills and background to successfully lead and manage the Company. Non-Executive Directors may not be granted shares and/or rights to shares by way of remuneration. In our remuneration policy we shall not grant shares or share option rights to any member of the Board of Directors.

The draft remuneration policy for our Board of Directors can be viewed on our website (www.astartakiev.com) and its executed version will be available on our website (in Corporate Documents section) after its adoption by the General Meeting of Shareholders.

C) Committee members

	Nationality	Appointed as Board member	Term expires	Prospective committee membership
V. Ivanchyk	Ukrainian	June 2006	2010	—
P. Rybin	Ukrainian	June 2006	2010	—
M.M.L.J. van Campen	Dutch	June 2006	2010	[Audit committee]
V. Korotkov	Russian British	June 2006	2010	[Remuneration committee]
W. Bartoszewski	Polish British	June 2006	2010	[Audit committee, Remuneration committee]

5. Governance and control

A) Dutch corporate governance code

On 9 December 2003, a committee commissioned by the Dutch Government (Commissie Tabaksblat) published a Dutch corporate governance code (the «Dutch Corporate Governance Code»). The Dutch Corporate Governance Code contains 21 principles and 113 best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The provisions of the Dutch Corporate Governance Code took effect on 1 January 2004 and apply to annual reports for financial years beginning on or after 1 January 2004. Dutch companies whose shares are listed on a government-recognised stock exchange, whether in The Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not and to what extent they apply the provisions of the Dutch Corporate Governance Code. If a company does not apply the best practice provisions of the Dutch Corporate Governance Code, it must explain the reasons why it does not apply them.

B) Corporate governance rules of the WSE

Pursuant to the WSE Rules, and in connection with our application for admission of our shares to trading on the WSE, in August 2006 we declared which of the Polish principles of corporate governance contained in «Best Practices in Public Companies in 2005» (the «Corporate Governance Rules of the WSE») we intended to comply with, as well as we listed those principles which we could not comply with, and the reasons for such non-compliance.

C) Application of the corporate governance codes

The Company was incorporated June last year and the Company is currently setting up a corporate governance structure as to comply with various regulations. This structure and the documents building it as referred to in this report shall be approved and adopted in the first general meeting of shareholders after listing of the shares. For transparency reasons, the Company has chosen for implementation at this stage instead of implementation prior to listing of its shares.

Therefore, in 2006, the Company did not comply with most corporate governance principles and provisions. After the first general meeting of shareholders and after adoption in this meeting of all documents and regulations concerning the corporate governance structure of the Company, the Company will comply with most principles and provisions as explained further in this report.

Since most of the Company's shareholders shall be located in Poland, the Company's first aim is to comply with the principles of the corporate governance of the WSE and to the extent not conflicting therewith, with the Dutch Corporate Governance Code. 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 shall be complied with. In case of any discrepancies between Polish and Dutch corporate governance rules, Polish rules shall be followed.

We take our commitments to our shareholders, employees, consumers and business partners very seriously. Our Board of Managing Directors has made its best effort to comply with the Dutch and Polish corporate governance codes.

Most Ukrainian companies do not have corporate governance procedures that are in line with best international practice standards. The concept of fiduciary duties of management or members of the board to their companies or shareholders is not as developed in Ukraine as it is in the United States of America or Western Europe. We acknowledge the importance of good corporate governance. We have reviewed the Dutch Corporate Governance Code, generally agree with its basic provisions, and have taken or will take any further steps we consider appropriate to implement the Dutch Corporate Governance Code. However, as we anticipate that most of our European shareholders' base will be located in Poland, we have decided to first aim to comply with the principles of corporate governance of the WSE.

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 shall be complied with. In case of any discrepancies between Polish and Dutch corporate governance rules, Polish rules shall be followed.

D) Deviation from the corporate governance codes

As mentioned, most provisions will be met after the first general meeting of shareholders and the Company is until now therefore not compliance with most principles, except for the principles of a more general nature.

Generally, we have made and shall continue to make all efforts to comply with all principles of the Corporate Governance Rules of the WSE approved by the WSE. However, certain principles can apply to us only to the extent allowed by Dutch law and subject to our one-tier corporate structure. We do not have two separate governing bodies (a supervisory board and a management board) which are obligatory in Polish joint stock companies. Instead, our Board of Directors, comprising both Executive and Non-Executive Directors, performs the combined roles of a supervisory board and a management board in a Polish company. As a result, those principles of the Corporate Governance Rules of the WSE which refer to relations between a supervisory board and a management board cannot be applied by us directly, but accordingly, while maintaining the spirit of these principles. In addition, our compliance with certain rules is limited by provisions of Dutch law. Therefore, the by-laws of our General Meeting of Shareholders will not include provisions on elections by separate groups of shareholders (Rule 6) because Dutch law does not provide for such group elections. Chairman of the General Meeting of Shareholders will not be elected at the beginning of each General Meeting of Shareholders (Rule 7) because the Company's Articles of Association require that general meetings are chaired by a chairman of the Board of Directors. No reports will be provided by a supervisory board member delegated by a group of shareholders (Rule 30) because Dutch law does not provide for such delegation of a board member by a group of shareholders.

If the envisaged rules and regulations are approved and adopted by the general meeting of shareholders and the structure set out by the Executive and Non-Executive members of the Board of Directors is in full force and effect, then the Company deviates from the following provisions of the Dutch Corporate Governance Code:

As for the first principle regarding the compliance and enforcement of the code, the Company agrees with this principle and does not deviate from the corresponding provisions.

As for the second principle regarding the Management Board, the Company has a one-tier structure and therefore has a Board of Directors consisting of Executive and Non-Executive Directors. The Company follows this principle to the extent possible with a one-tier structure and does not deviate from the corresponding provisions.

5. Governance and control
continued

• As for the principles regarding the remuneration of the Management Board, the Company is not in conflict with these principles.

• As for the principle on conflicts of interest, the Company agrees to the principle and materially does not deviate from the corresponding provisions, we even have a stricter policy as the general meeting of Shareholders is the approving organ, instead of the Supervisory Board as provided for by the Dutch Code.

As for the third principle regarding the Supervisory Board, the Company has a one-tier structure and therefore has a Board of Directors consisting of Executive and Non-Executive Directors. The Company follows this principle to the extent possible with a one-tier structure and does not deviate from the corresponding provisions.

• As for the principle on independence, the Company agrees to the principle, however, one of its Non-Executive Directors is also one of the beneficial owners of the Company. The Company however, does not deviate from the corresponding provisions.

• As for the principle on expertise and composition, the Company is not in conflict with these principles.

• As for the principle on the role of the chairman and the company secretary, the Company is not in conflict with these principles, however the Board of Directors elects the vice chairman.

• As for the principle on composition and role of the committees, the Company is not obliged to have committees with its number of Non-Executive Directors. The Company however shall install a remuneration committee and an audit committee and shall apply the provisions of the Dutch Code as much as possible.

• As for the principle on conflicts of interest, the Company agrees to the principle and materially does not deviate from the corresponding provisions.

• As for the principle regarding the remuneration of the Supervisory Board, the Company is not in conflict with these principles.

As for the principle regarding the one-tier structure, the Company agrees to the principle, but deviates from provision III.8.4. To comply with this principal we are planning to discuss the necessity of increasing the number of Non-Executive Directors and independent directors at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

As for the fourth principle regarding the shareholders and General Meeting of Shareholders, the Company agrees to the principle and materially does not deviate from the corresponding provisions.

• As for the principle regarding the depositary receipts, receipts for shares in the Company's capital with the concurrence of the Company have not been issued and this section is therefore not applicable.

• As for the principle regarding the information and logistics, the Company is not in conflict with these principles.

As for the fifth principle regarding the audit of the financial reporting and the position of the internal auditor function and of the external auditor, the Company agrees to the principle and materially does not deviate from the corresponding provisions.

• As for the principle regarding the external auditor, the Company agrees to the principle and materially does not deviate from the corresponding provisions.

• As for the principle regarding the internal auditor, the Company installed the Internal Auditor Department on April 10, 2007.

• As for the principle regarding the meetings with the external auditor, the Company agrees to the principle and materially does not deviate from the corresponding provisions.

E) Further information

Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, has been included in the full text of the Company's declaration regarding Corporate Governance Rules of the WSE, which was filed with the WSE on 16 August 2006 together with our WSE listing application and is available on our website (www.astartakiev.com).

In the nearest future (by the end of June 2007 at the latest) we will adopt and publish our statement on compliance with the Corporate Governance Rules of the WSE for year 2007, which will be published by way of a current report in Poland and will be available on our website.

Detailed information regarding non-compliance or partial compliance with the Dutch Corporate Governance Code has been included in the full text on our website (www.astartakiev.com).

The full text of the Dutch corporate governance code and the Corporate Governance Rules of the WSE can be viewed on our website, www.astartakiev.com. The information on our website, however, does not form part of this annual report.

We are not subject to any other corporate governance regime.

6. General Meeting of Shareholders

A) General

The general meeting of shareholders has inter alia the power to appoint, suspend and dismiss the members of the Board of Directors, to adopt the annual accounts, to declare dividends, to discharge the Directors and to amend the company's Articles of Association.

The Company's general meeting of shareholders has delegated its authority to issue shares and to cancel existing pre-emptive rights in connection therewith to the Board of Directors. The Board of Directors is authorized to issue up to the Company's current authorized share capital in the amount equal to EUR 300,000 for a period until July 9, 2007. In the next general meeting of shareholders this delegation shall be reviewed again.

In accordance with Dutch corporate law, the decisions by the Company's Board of Directors leading to an important change in the company's or its business enterprise's entity or character, shall be subject to the approval of the general meeting of shareholders, which approval shall be given with a majority of at least two-thirds (2/3) of the votes cast. Such decisions include in any case:

a. the transfer the business of the Company or almost the entire business of the Company to a third party;

b. the entering into or termination of any long-term co-operation of the Company with another legal entity or company or as a fully liable partner in a limited or general partnership, if such co-operation or termination is of far-reaching significance to the Company;

c. the acquisition or disposal by the Company or a subsidiary of the Company of a participation in the capital of another company with a value of at least one third of the amount of the assets according to the balance sheet with explanatory notes, or in case the company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes, forming part of the most recently adopted annual accounts of the Company.

The absence of such approval does not affect the representative authority of the Board of Directors or the Directors.

B) Annual meeting

The general meeting of shareholders shall meet at least once year. The meetings shall take place in Amsterdam, Schiphol or any other place in the Netherlands as approved of by the Board of Directors. Within six months of the end of the Company's financial year the annual general meeting shall be held. The agenda of that meeting shall, among other matters, contain the following items:

a. the annual report;
b. adoption of the annual accounts;
c. granting of discharge to the Directors;
d. adoption of the profit appropriation;
e. proposal to distribute dividends;
f. filling of any vacancies;
g. appointment of a person that may be temporarily charged with the management of the Company when all Directors are absent or unable to act;
h. any other motions of the Board of Directors, or as the shareholders and/or depository receipts holders may file and notify.

Shareholders and/or depositary receipt holders, severally or jointly representing at least one hundredth (1/100) of the Company's issued capital, may request the Board of Directors in writing to place one or more items on the agenda for adoption in the up coming general meeting of shareholders, provided that the Board of Directors received the request at least three weeks before the date of the general meeting of shareholders and provided that this is not in conflict with any of the Company's significant interests.

The convocations and all notifications will be made by way of an announcement in a Dutch and a Polish national daily newspaper and in accordance with the laws of the jurisdiction in which the stock exchange is established, as well as by means of any additional publication as the Board of Directors deems necessary.

C) Pre-meeting

Since most of our shareholders shall be located in Poland, we — in accordance with principle IV.1 of the Dutch Code, provide for a Pre-meeting to be held in Poland, prior to each general meeting of shareholders, which have to be held in the Netherlands. The agenda for the Pre-meeting shall be identical to that of the General Meeting of Shareholders and convocation shall take place in the same notice or announcement. In the pre-meeting, the shareholders shall discuss and vote on the agenda items and may grant power of attorney to the members of the Board of Directors to vote on their behalf at the actual general meeting of Shareholders in the Netherlands and to formalize the outcome of the Pre-meeting.

A Pre-meeting shall be held on or before the business day prior to the day of the general meeting of shareholders. All subjects on the agenda of the general meeting of shareholders shall be conducted in the Pre-meeting. In the Pre-meeting, shareholders may authorise the Company's Directors in writing — on their behalf — to attend the general meeting of shareholders, to speak therein and to exercise the right to vote in accordance with the instructions of the granted power of attorney.

A Pre-meeting shall be called by the Board of Directors on or before the tenth day prior to day of the Pre-meeting. The convocation may be combined with the convocation to the general meeting of shareholders.

In the convocation of the Pre-meeting, the business to be transacted shall be mentioned as well as manner in which the shareholders shall have to be registered and may exercise their rights. All convocations to Pre-meetings shall take place in accordance with the rules and regulations of the securities laws concerned.

Unless the contents of all documents which have to be deposited for inspection by the shareholders are included in the convocation to the Pre-meeting, these documents shall be available without costs at a) the Company's offices in the Netherlands and b) the Company's website (www.astartakiev.com).

Each shareholder may attend the Pre-meetings, speak therein and exercise its voting rights. The shareholders will have to present a receipt issued by a member of the clearing and deposit system in accordance with the legal provisions of the jurisdiction in which the stock exchange is established.

The shareholders may be represented by a person authorised thereto in writing, provided that the Board of Directors have received a copy of such power of attorney on or before the day prior to the Pre-meeting. Every person entitled to exercise voting rights attending the Pre-meeting has to sign the attendance list. The chairman of the Pre-meeting may decide that the attendance list has to be signed by other persons attending the Pre-meeting. The chairman shall decide with respect to the admission of other persons to the Pre-meeting.

6. General Meeting of Shareholders
continued

D) Meeting procedures

Each shareholder may attend the general meetings, speak therein and exercise its voting rights. The shareholders will have to present a receipt issued by a member of the clearing and deposit system in accordance with the legal provisions of the jurisdiction in which the stock exchange is established.

Minutes shall be taken of the business transacted at any shareholders' meeting in a manner to be determined by the chairman of the meeting, which minutes shall be confirmed and signed by the chairman and a person assigned by the shareholders at the beginning of their meeting.

If a notarial report is drawn up of the business transacted at a meeting of shareholders, the co-signing thereof by the chairman of the meeting shall suffice.

The Company shall have By-laws with respect to general meetings of shareholders containing additional regulations to the provisions laid down in the Company's Articles of Association. These By-laws shall be adopted by the Board of Directors after approval of the general meeting of shareholders at the annual General Meeting of Shareholders for adoption results of the financial year 2006.

The draft By-laws can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section on our website after their adoption by the Board of Directors.

E) Voting

All resolutions shall be passed with an absolute majority of the votes validly cast, unless a qualified majority is required by law or the Company's Articles of Association.

If, when voting on persons, no absolute majority of votes is obtained by any person, a second free ballot shall be held. If no absolute majority should be obtained in this case either, further ballots shall be held either until one person has obtained an absolute majority of the votes or, in the case of a vote on two persons, the vote is tied. Any further ballots as referred to (excluding the second, free ballot) shall involve a vote between the persons voted on in the previous round, excluding, however, the person who received the fewest votes in the said round. If more than one person received the fewest votes during the previous round, a drawing of lots shall decide which of these persons will not be allowed to go on to the next round. If, in the case of a vote between two persons, the vote should be tied, a drawing of lots shall decide the matter. If the vote is tied on an issue other than the appointment of persons, the proposal shall be deemed to have been rejected.

All votes shall be taken orally, unless the chairman decides, or a party entitled to vote requests, that a vote be taken using written ballots. Any such vote shall be taken using closed, unsigned ballot papers.

Abstentions and invalid votes shall be regarded as votes not having been cast. Voting by acclamation shall be permitted if none of the parties entitled to vote attending the meeting object.

The opinion of the chairperson expressed at a meeting with regard to the outcome of a vote shall be decisive. The same applies to the contents of any resolution adopted, insofar as the vote was taken on a proposal not recorded in writing. If the accuracy of the said opinion should be contested immediately after it was expressed, however, another vote will be taken if such should be requested by a majority of those parties entitled to vote attending the meeting or, if the original vote was not taken by means of polling or using ballots, by any party attending and entitled to vote. Such new vote shall cancel the legal consequences of the original vote.

7. Controls and procedures

A) Internal risk management and control systems

General

Our Board of Directors is responsible for our system of internal risk management and controls and for reviewing their operational effectiveness. The internal risk management and control systems are designed to identify significant risks and to assist us in managing the risks that could prevent us from achieving our objectives, but cannot provide absolute assurance against material misstatements, fraud and violations of laws and regulations.

Nevertheless, because of their inherent limitations, the control systems described below, as well as those in the two following sections may not prevent or detect all misstatements, inaccuracies, errors, fraud or noncompliance with law and regulations, neither can they provide certainty as to the achievement of our objectives.

Since our Company was founded on 9 June 2006 the risk management and internal control framework mentioned below describes corresponding elements of such control on the level of the Ukrainian holding company — Astarta-Kyiv (unless stipulated otherwise), which company is established under and acting on Ukrainian legislation.

Control Systems

Our internal risk management and control systems have two principal organizational forms: (i) a structural and functional form, including regulations for functional collaboration of departments both horizontally (job descriptions, charters of subsidiaries, rules of agreements adjustment etc.) and vertically (rules of budgeting and planning, financial and economic analysis etc.) and (ii) a direct control form.

(i). The abovementioned control elements provide for functioning of overall control, which foresees among others the following:

1) Control over whole stage of business planning (budgeting).

Preliminary control over relative processes is executed over Astarta-Kyiv vertically, starting from designation of Astarta-Kyiv's objectives and tasks for the planning period and ending with an adoption by its management of the plans, prepared and coordinated with all participants after their verification concerning their conformity with the objectives.

Current control over business plans (budgets) is executed firstly by comparing actual budgets with adopted plans in order to control fixed indices and prevent adverse forthcomings for particular enterprises and Astarta-Kyiv as a whole. All deviations are to be analyzed in order to reveal the reasons for deviating and the measures to be taken in order to eliminate these deviations;

2) Control over revenues and expenses.

Control over revenues and expenses of the enterprises of Astarta-Kyiv, as well as over crediting and withdrawal of funds of these enterprises is executed by way of regulations' elaboration on budgeting and elaboration of budget itself of Astarta-Kyiv's enterprises.

The budget commission of Astarta-Kyiv was founded in order to improve efficiency of the control over revenues and expenses of the enterprises, which commission holds meetings on a monthly basis to approve budgets and control over budgeting in Astarta-Kyiv and its subsidiaries;

3) Control over sales of the enterprises of the holding.

Astarta-Kyiv provides centralized sales of the Group's core products. It is conducted though carrying on negotiations with consumers, drafting schedules of dispatching and sending them to our sugar plants by managers of Astarta-Kyiv's office. The controls over sales are maid in a way of control over execution of the dispatching schedules by our sugar plants as well as cooperating with our consumers.

(ii). The monitoring means of control environment include direct control. One of the main instruments of direct control is the Revision committee of Astarta-Kyiv. The Revision committee executes control over performing by the executive body of Astarta-Kyiv of its functions on behalf of participants of Astarta-Kyiv and reports to them on its findings.

The Revision committee executes its control over Astarta-Kyiv at least once a year upon instruction of the general participants' meeting, unsolicited or on request of any participant. The Revision committee may execute extraordinary revisions of the business. The Revision committee reports on review of the annual report and balance of Astarta-Kyiv and may hold extraordinary participants' meetings if significant interests of Astarta-Kyiv are under threat or cases of abusive practice from the side of the management are revealed.

After introduction to the WSE, we have begun to strengthen the direct control, which shall result in the establishment of an Internal Audit Department in 2007. For the Internal Audit Department to be effective we plan to obtain external advice on the development of a work plan for the Internal Audit Department. The Audit committee of the Board of Directors will also be involved in its establishment. We plan that the Internal Audit Department will be involved in review and analysis of our risk management and control systems from the 2nd half of 2007, which the Board of Directors has reviewed, analysed and prioritised the risks to which we are exposed and has reviewed our control environment for the year that ended 31 December 2006. The outcome of this review and analysis has been shared and has been discussed with our external auditors.

In connection to the abovementioned we are aware that some functions of our internal risk management and control systems could be improved. We believe that we are taking adequate steps to strengthen our internal risk management and control systems in these functions. The need to further strengthen controls and procedures and financial and tax staffing was reconfirmed in the investigations of the external auditors.

Deficiencies

Over the period covered by this annual report we have not identified any control issues that would be classified as a material weakness. We have, however, identified some significant control deficiencies, which in our view do not have a material impact on our financial results.

The first category of significant control deficiencies relates to the lack of unified instruction on preparation of reports under IFRS. These issues were being solved in 2006 by pooling experience and activities of reports preparation under IFRS in Astarta-Kyiv as well as our staff strengthening of our financial department by employing IFRS experienced specialists having worked for the «big four» audit companies. We plan to complete preparation of the unified instruction and to switch over to reporting in conformity with such regulation starting from 2nd half 2007.

We also identified the need to improve our IT system, including issues of usage of the system as a mean of control. To solve the issue we designated an IT specialist from our IT department in order to provide usage of IT as a measure of control efficiency improvement and cooperation with economic security department. We also plan to elaborate and introduce a regulation on IT security in Astarta-Kyiv.

Another category of significant control deficiency relates to insufficient formalization and optimization of processes of financial and management accounting. In order to solve these issues we analyzed the best software to enable (i) standardization and improvement of our financial accounting system and its

7. Controls and procedures
continued

becoming in conformity with IFRS, as well as (ii) formalization of management accounting aiming at control of fulfillment of designated tasks in the process of business planning.

According to specific regulations we also permanently verify and improve our system of internal control over financial reports. Our external auditors are obligated to consider our internal control over financial reporting as a basis for designing their auditing procedures for the purpose of expressing their opinion on our consolidated financial statements. We have discussed our own assessment of our control and risk management framework with our auditors and are in agreement with them on the significant deficiencies to be remediated in 2007.

B) Disclosure controls and procedures

As of the end of the period covered by this annual report, under the supervision and with the participation of our Chief Executive Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Our Chief Executive Officer concluded that our disclosure controls and procedures should be strengthened. The remedial actions, including the ones described above, are intended to strengthen our disclosure controls and procedures.

C) Section II.1.3 of the Dutch corporate governance code

As mentioned, since the Company has just been incorporated, the Company did not comply with most corporate governance principles and provisions in the first financial year, including the principles and provisions with respect to the internal risk management and control systems. However, the Company has been working on a system that is in compliance with the Dutch corporate governance code, such in cooperation and consultation with the Company's external auditor. Within the last couple of months the Company has made a lot of progress in its endeavour to comply with the relevant principles and provisions of the Dutch corporate governance code.

The Board of Directors are intending to continue developing our internal risk management and control systems after adoption by the annual General Meeting of Shareholders the whole set of corporate governance documents, so the systems will be working effectively.

We refer to the paragraph above «Internal risk management and control systems» for a description of significant control, our planned improvements and cautionary language regarding the inherent limitations in control.

D) Code of conduct

The Board of Directors has drafted a Code of Conduct which it shall present at the annual General Meeting of Shareholders for adoption results of the financial year 2006. The Code of Conduct has been drafted to ensure that the Company's employees conduct business in accordance with the Company's generally agreed corporate business values, guidelines and principles. Besides the Code of Conduct, the Company shall also have Whistleblower Rules, which Whistleblower Rules shall also be adopted by the Board of Directors after the approval of the General Meeting of Shareholders. The Whistleblower Rules should ensure the possibility for employees to have the opportunity to report alleged irregularities of a general, operational and financial nature within the Company or alleged irregularities relating to the performance of the managing Directors, without jeopardizing their employment position.

The draft Code of Conduct and the draft Whistleblower Rules can be viewed on our website (www.astartakiev.com) and will be posted in the Corporate Documents section on our website after their adoption by the Board of Directors.

8. Conflicts of interest / related party transactions

The Company's Articles of Association reflect Dutch law with respect to conflict of interest situations. In the event that a conflict of interest arises between the Company and a Director, the Board of Directors will represent the Company. The General Meeting is authorised to appoint one or more persons to represent the Company at any time. If it does so, the representative authority contemplated in the first sentence of this paragraph will no longer apply. Without prejudice to the representative authority, in any case involving a conflict of interest the Board of Directors may act on behalf of the Company only after obtaining prior permission from the General Meeting of Shareholders. The General Meeting of Shareholders is therefore always authorised to decide how to resolve conflicts of interest between members of the Board of Directors and/or the external auditor on one hand and the Company on the other.

In the Rules of the Board of Directors and the Code of Conduct further rules and regulations are established with respect to conflict of interest situations, including related party transactions. According to these Company regulations, each member of the Board of Directors is required to report immediately and provide all relevant information to the chairman of the Board of Directors and to the other members of the Board of Directors about any conflict of interest or potential conflict of interest that may be of material significance to the Company and/or to the relevant Director, including any conflict concerning the relevant Director's spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.

If the Chief Executive Director has a conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him/her, he or she is required to report this immediately to the chairman of the Board of Directors and provide all relevant information, including information concerning his spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.

All transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company shall be agreed on terms that are customary in the sector concerned. The decision to enter into transactions in which there are conflicts of interests with such persons that are of material significance to the Company and/or to such persons require the approval of the Board of Directors.

As of the adoption of the Rules of the Board of Directors, all such transactions shall be explicitly approved by the Board of Directors.

The external auditor shall in any event have a conflict of interest with the Company, if:

a. the independence of the external auditor with respect to its supervision of financial reporting is compromised by the non-audit activities it provides to the Company, including, for example, consulting on tax, marketing, management, strategy, acquisitions or information technology;

b. the responsible partner in the external auditor's firm has been in charge of the audit activities for the Company during a continuous period of 5 years without rotation;

c. under applicable law, including the rules of any exchange on which the Company's shares (or depositary receipts thereof) are listed, such conflict of interest exists or is deemed to exist; or

d. the Board of Directors at its sole discretion has ruled that such conflict of interest exists or is deemed to exist.

The external auditor of the Company, as well as each Director, shall immediately report any potential conflict of interest concerning the external auditor to the audit committee, if installed and to the chairman of the Board of Directors. The external auditor of the Company, as well as each Director must provide all information relevant to the conflict of interest to the chairman of the Board of Directors. In all circumstances other than the ones listed under c) and d) above, the Board of Directors upon the recommendation of the audit committee, if installed, will determine whether a reported (potential) conflict of interest qualifies as a conflict of interest pursuant to which the appointment of the external auditor will have to be reconsidered or other measures must be taken to resolve it.

9. Auditor

Our external auditor is KPMG Accountants N.V. To comply with the Netherlands corporate laws, we are intending to propose to our General Meeting of Shareholders to appoint it as the Company's external auditor.

Our audit committee will have the sole authority, subject to confirmation by our Board of Directors, to recommend to our General Meeting of Shareholders the appointment or replacement of the external auditor. The audit committee will be directly responsible for the compensation and oversight of the work of the external auditor on behalf of the Board of Directors (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The audit committee is required to pre-approve all auditing and audit related services, and permitted non-audit services (including the fees and terms thereof) to be performed for us by the external auditor.

At least every four years, the audit committee together with the Board of Directors thoroughly assesses the functioning of the external auditor in the various entities and capacities in which the external auditor operates. The main conclusions of this assessment will be communicated to our General Meeting of Shareholders for the purposes of assessing the nomination for the appointment of the external auditor.

Conflicts of interest and potential conflicts of interest between the external auditor and the Company are to be resolved in accordance with the regulations of the audit committee.

We at times use our external auditor to provide us with other services but only in cases where these services do not conflict with and do not threaten the external auditor's independence.

High profits

Consolidated financial statements as at and for the period from 9 June 2006 (inception) to 31 December 2006

Contents

Consolidated balance sheet

Consolidated balance sheet as at 31 December 2006

	Note	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Assets			
Non-current assets			
Property, plant and equipment	5	209,535	31,505
Intangible assets		691	104
Biological assets	6	16,781	2,523
Long-term receivables held-to-maturity	7	5,625	846
Investments in associates		400	60
Deferred tax asset	25	1,324	199
		234,356	**35,237**
Current assets			
Inventories	8	305,342	45,910
Biological assets	6	37,223	5,597
Trade accounts receivable	9	120,527	18,122
Other accounts receivable and prepayments	10	55,086	8,283
Promissory notes available-for-sale		1,589	239
Cash and cash equivalents		19,894	2,991
		539,661	**81,142**
Total assets		**774,017**	**116,379**

	Note	In thousands of Ukrainian hryvnias	In thousands of Euros
Equity and liabilities			
Equity			
Share capital	11	1,663	250
Additional paid-in capital		371,599	55,778
Undistributed income		22,759	3,516
Fair value reserve		(233)	(35)
Currency translation adjustment		(2,979)	(447)
Total equity		**392,809**	**59,062**
Non-current liabilities			
Loans and borrowings	13	55,749	8,382
Deferred tax liabilities	25	6,205	933
		61,954	**9,315**
Current liabilities			
Bank loans	14	163,398	24,568
Current portion of loans and borrowings	13	20,911	3,144
Trade accounts payable		96,978	14,581
Promissory notes issued		2,984	449
Minority interests	12	13,961	2,099
Other liabilities and accounts payable	15	21,022	3,161
		319,254	**48,002**
Total equity and liabilities		**774,017**	**116,379**

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 f54 to f77.

Consolidated income statement

Consolidated income statement for the period from 9 June 2006 to 31 December 2006.

	Note	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Revenues	17	296,852	45,861
Cost of revenues	18	(252,050)	(38,939)
Gains arising from remeasurement of agricultural produce to fair value		12,961	2,002
Gross profit		**57,763**	**8,924**
Other operating income	19	14,885	2,300
General and administrative expense	20	(21,351)	(3,299)
Selling and distribution expense	21	(13,224)	(2,043)
Other operating expense	22	(30,924)	(4,778)
Profit from operations		**7,149**	**1,104**
Net financial expense	23	(24,905)	(3,847)
Other income, net	24	482	74
Gain on acquisition of subsidiaries	4	21,592	3,336
Profit before tax		**4,318**	**667**
Income tax benefit	25	8,769	1,355
Net profit		**13,087**	**2,022**
Net profit (loss) attributable to:			
Minority interests	12	(9,672)	(1,494)
Equity holders of parent company		22,759	3,516
Net profit		**13,087**	**2,022**
Weighted average basic and diluted shares outstanding (in thousands of shares)[1]		25,000	25,000
Basic and diluted earnings per share attributable to shareholders of the parent (in Ukrainian hryvnias)		0.91	0.14

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages f54 to f77.

[1] The Company presents an average number of 25,000 thousand shares during the period from 9 June till 31 December 2006 because all shares issued participated fully and equally in the results from inception.

Consolidated cash flow statement

Consolidated cash flow statement for the period from 9 June 2006 to 31 December 2006.

	Notes	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Operating activities			
Profit before tax		**4,318**	**667**
Adjustments for:			
Depreciation and amortization		11,938	1,844
Impairment / provision	21	1,660	256
Gain on acquisition of subsidiaries	4	(21,592)	(3,336)
Gain on sales of property, plant and equipment	24	(226)	(35)
Losses from associates		55	8
Change in carrying value of inventories		3,732	577
Change in fair value of biological assets		(32,657)	(5,045)
Increase in inventories		(294,541)	(45,504)
Increase in trade and other receivables		(120,923)	(18,681)
Purchase of current biological assets	6	(248)	(38)
Proceeds from sale of non-current biological assets	6	91	14
Purchase of non-current biological assets	6	(13,626)	(2,105)
Increase in trade and other accounts payable		106,160	16,400
Income taxes paid		(362)	(56)
Interest expense	23	12,191	1,883
Interest paid		(11,121)	(1,718)
Result of business combination of entities under common control	4	236,817	36,583
Cash flows used in operating activities		**(118,334)**	**(18,285)**

	Notes	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Investing activities			
Purchase of property, plant and equipment		(225,320)	(34,808)
Proceeds from sale of property, plant and equipment		3,382	522
Purchase of long-term investments		(400)	(62)
Proceeds from sale of long-term investments		433	67
(Increase) decrease in promissory notes received		(1,822)	(281)
Increase in long-term receivables held-to-maturity	7	(5,625)	(846)
Acquisition of subsidiaries net of cash acquired	4	(2,733)	(423)
Cash flows used in investing activities		**(232,085)**	**(35,831)**
Financing activities			
Proceeds from loans and borrowings		76,181	11,769
Proceeds from bank loans		169,532	26,191
Principal payments on bank loans		(9,225)	(1,425)
Increase in promissory notes issued		2,984	461
Acquisition from minority shareholders	12	(16,290)	(2,517)
Net proceeds from share issue		149,183	22,424
Contributions by equity holders		927	143
Cash flows provided by financing activities		**373,292**	**57,046**
Net increase in cash and cash equivalents		22,873	2,930
Cash and cash equivalents as at 9 June 2006		—	—
Currency translation differences		(2,979)	61
Cash and cash equivalents as at 31 December		**19,894**	**2,991**

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages f54 to f77.

Consolidated statement of changes in equity

Consolidated statement of changes in equity for the period from 9 June 2006 to 31 December 2006.

(In thousands of Ukrainian hryvnias)	Attributable to equity holders of parent company					
	Share capital	Additional paid-in capital	Undis-tributed income	Fair value reserve	Currency transla-tion dif-ferences	**Total**
As at 9 June 2006						
Net profit	—	—	22,759	—	—	22,759
Change in fair value of promissory notes available-for-sale	—	—	—	(233)	—	(233)
Currency translation differences	—	962	—	—	(2,979)	(2,017)
Total recognised income and expenses						**20,509**
Contribution by shareholders	358	569	—	—	—	927
Net assets from combination of entities under common control (note 4)	962	235,855	—	—	—	236,817
Proceeds from IPO	343	163,300	—	—	—	163,643
Costs of IPO	—	(15,422)	—	—	—	(15,422)
Gain less losses on transactions with minority shareholders	—	(13,665)	—	—	—	(13,665)
As at 31 December 2006	**1,663**	**371,599**	**22,759**	**(233)**	**(2,979)**	**392,809**

(In thousands of Euros)	Attributable to equity holders of parent company					
	Share capital	Additional paid-in capital	Undis-tributed income	Fair value reserve	Currency transla-tion dif-ferences	**Total**
As at 9 June 2006						
Net profit	—	—	3,516	—	—	3,516
Change in fair value of promissory notes available-for-sale	—	—	—	(36)	—	(36)
Currency translation differences	—	(828)	—	1	(447)	(1,274)
Total recognised income and expenses						**2,206**
Contributions by equity holders	60	90	—	—	—	150
Net assets from combination of entities under common control (note 4)	140	36,443	—	—	—	36,583
Proceeds from IPO	50	24,503	—	—	—	24,553
Costs of IPO	—	(2,319)	—	—	—	(2,319)
Gain less losses on transactions with minority shareholders	—	(2,111)	—	—	—	(2,111)
As at 31 December 2006	**250**	**55,778**	**3,516**	**(35)**	**(447)**	**59,062**

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 f54 to f77.

Notes to the consolidated financial statements

1. Background

(a) Organization and operations

These consolidated financial statements are prepared by ASTARTA Holding N.V. (the Company) and provide disclosures as at and for the period from 9 June 2006 (inception) to 31 December 2006. These consolidated financial statements include the Company and its subsidiaries (the Group).

ASTARTA Holding N.V. is a Dutch public company incorporated in Amsterdam, Netherlands on 9 June 2006 under the 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 charter 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 are 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.

The principal operation of the Group is production of sugar. The Group's sugar plants and croplands are 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 that result from the crop rotation necessary for sugar beet cultivation. The sugar production activities, including by-products and crop rotation related products, account for not less than 90% of the revenues of the Group.

Cattle farming operation is an additional, non-core activity.

(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).

The Group adopted the amended version of IFRS that are effective for accounting periods beginning on 1 January 2006.

(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 so as to obtain benefits from it 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 associates 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 discounted except to the extent that the Company has incurred obligations in respect of the associate.

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

In addition to the acquisition of Astarta-Kyiv on 4 July 2006 as described above, changes in the Company's composition are as follows:

On 4 September 2006, ASTARTA Holding N.V. acquired 79.98% of the capital of LLC «Agricultural company «Shevchenko».

On 5 October 2006, ASTARTA Holding N.V. acquired 90.11% of the capital of LLC «Zoria» (Novo-Sanzharskiy region).

On 7 October 2006, ASTARTAHolding N.V. acquired 97.98% of the capital of LLC «Dobrobut» (Novo-Sanzharskiy region).

On 13 October 2006, ASTARTA Holding N.V. acquired 97.98% of the capital of LLC «Baliasne».

On 12 December 2006, ASTARTA Holding N.V. acquired 79.98% of the capital of LLC «Agro-Maiak».

Also for the purpose of increasing of control over subsidiaries the Group acquired additional ownership interests from minority shareholders. The subsidiary companies «Agricultural Company «Sofiyivska» and «Agricultural Company «Semenivska» were established.

New included in these consolidated financial statements are the entities listed in the Table to the right:

Name	Activity	31 December 2006 % of ownership
Subsidiaries:		
Ancor Investments Ltd	Investment activities	100.00%
LLC «Firm «Astarta-Kyiv»	Asset management	99.98%
LLC «Agropromtsukor»	Sugar production	99.98%
LLC «APO «Tsukrovyk Poltavshchyny»	Sugar production	95.08%
LLC «Torgovy dim»	Trade	97.55%
LLC «Agricultural company «Zolota Gora»	Agricultural	97.98%
LLC «Agricultural company «Dovzhenko»	Agricultural	96.98%
LLC «Agricultural company «Gogolevo»	Agricultural	96.98%
LLC «Shyshaki combined forage factory»	Production, services	82.71%
LLC «Agricultural company «Shyshatska»	Agricultural	97.98%
LLC «Agricultural company «Stepove»	Agricultural	97.98%
LLC «Agricultural company «Fydrivske»	Agricultural	97.98%
LLC «Agricultural company «Troyitska»	Agricultural	97.98%
LLC «Agricultural company «Mriya»	Agricultural	97.98%
LLC «Agricultural company «Pustoviytove»	Agricultural	99.78%
LLC «Agricultural company «Shevchenko»	Agricultural	97.98%
LLC «Agricultural company «Grynky»	Agricultural	97.98%
LLC «Agricultural company «Ordanivka»	Agricultural	97.98%
SC «Agricultural company «Sofiivka»	Agricultural	99.98%
LLC «Agricultural company «Kozatsky stan»	Agricultural	97.98%
LLC «Agricultural company «Dobrobut»	Agricultural	97.98%
LLC «Agricultural company «Musievske»	Agricultural	74.99%
LLC «Agricultural company «Zorya»	Agricultural	74.99%
LLC «Agricultural company «Nadiya»	Agricultural	74.99%
LLC «Agricultural company «Viytovetske»	Agricultural	99.98%
LLC «Agricultural company «named after Bohdan Khmelnitskiy»	Agricultural	74.99%
Globino canning factory «Globus»	Canning production, trade	99.98%
SC «Agricultural company «Semenivska»	Agricultural	99.98%
LLC «Agricultural company «named after Shevchenko» (Gadiach region)	Agricultural	79.98%
LLC «Dobrobut» (Novo-Sanzharskiy region)	Agricultural	97.98%
LLC «Zoria» (Novo-Sanzharskiy region)	Agricultural	90.11%
LLC «Baliasne»	Agricultural	97.98%
LLC «Agro-Maiak»	Agricultural	79.98%
Associates:		
LLC «Agricultural company «Stozhary»	Agricultural	25.40%
LLC «Agricultural company «Pokrovska»	Agricultural	49.99%

Ancor Investments Ltd is incorporated under Cyprus legislation and all other subsidiaries and associates are incorporated in Ukraine.

Notes to the consolidated financial statements
continued

(c) Acquisition and disposal of minority interests

Any difference between the consideration paid to acquire a minority interest or any difference between the consideration received upon disposal of a minority interest and the carrying amount of that portion of the Group's interest in the subsidiary, is recognised as equity increases (or decreases) in the parent shareholder's interest, so long as the parent controls the subsidiary. The presentation of minority interest 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 recognised directly in parent shareholders' equity.

(d) Transactions eliminated on consolidation

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

(e) 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 at the date that common control was established.The assets and liabilities acquired are recognised 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 recognising 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.

(f) Basis of accounting

The consolidated financial statements are prepared using the fair value basis for 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. All other assets and liabilities are carried at historical cost.

(g) Functional and presentation currency

The Euro (EUR) is the functional and presentation currency of Astarta Holding N.V. The operating subsidiaries and associates 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, Euro 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.

(h) 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 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.

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.

(i) Seasonality of Production and Markets

The Group's primarily activity is agricultural production. As a consequence, the Group's production activities are subject to seasonality. Significant expenditures for harvesting crops, processing of sugar beet, and preparation of arable lands for the upcoming season of production are required in the fourth quarter.

The principal product of the Group is also subject to seasonal price fluctuations. The season for sugar beet processing lasts from September to December. During this period the supply of sugar increases causing a decrease in market prices of sugar. Sugar prices peak at the end of the second and third quarters due to the decrease in sugar stocks on the domestic market and the increase in demand for products with sugar content.

3. Significant accounting policies.

The Group applied IFRS that are effective as at 1 January 2006.

(a) 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 condensed consolidated financial statements are as follows:

Currency	31 December 2006	30 June 2006
USD	5.0500	5.0500
EUR	6.6508	6.3270

As at the date of these consolidated financial statements the exchange rate is UAH 5.0500 to USD 1.00 and UAH 6.7771to EUR 1.00.

(b) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment acquired by Group companies before 1 January 2003 are stated at deemed cost less accumulated depreciation and impairment losses. Deemed cost is based on the fair values of property, plant and equipment as at 1 January 2003 based on an independent appraisal. Items of property, plant and equipment acquired by Astarta-Kyiv 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 labour 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.

(ii) 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.

(iii) Subsequent expenditure

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

(iv) Depreciation

Depreciation 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.

The estimated useful lives are as follows:

Buildings	20—50 years
Production equipment	10—20 years
Furniture and office equipment	3—5 years
Vehicles	5—10 years

(c) 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 amortisation and impairment losses.

(d) Biological assets

The Group classifies cattle 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.

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

(e) 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.

(f) 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 sale 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.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's 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.

Notes to the consolidated financial statements
continued

Investments at fair value through profit or loss

An instrument is classified as 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, attributable transaction costs 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 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.

(g) 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, labour 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.

(h) Trade accounts receivable

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

(i) Cash and cash equivalents

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

(j) Impairment

(i) 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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred profit or loss.

(ii) Reversal of impairment

An impairment loss is reverted if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(iii) Non-financial assets

The carrying amounts of the Group's 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 recognised 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.

An impairment loss is 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 been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(k) Share capital and earnings per share

Earnings per share is 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.

(l) 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.

(m) Trade accounts payable

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

(n) Other accounts payable

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

(o) Income tax

Companies within the Group that are involved in agricultural business are exempt from income taxes in Ukraine until 31 December 2009. These companies are subject to a flat agricultural tax calculated as 0.15% in 2006 of the cadastre value of land used. To qualify for the agricultural tax, the exempt entities must be involved in agricultural production activities and sales of agricultural production must not be less than 75 percent of the total sales for the entity. The agricultural tax is included in cost of revenue.

For other 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 recognised for companies within the Group 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 certain companies in the Group are entitled to receive government subsidies.

Value Added Tax (VAT) that the Group would otherwise be required to remit to the government can be retained and used for certain qualifying expenditures. 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 restricted bank accounts. Once qualifying expenditures are made from the restricted bank accounts, the subsidy is recognized in other operating income.

Companies in the Group that are subject to the flat agricultural tax 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. The Group also receives amounts ranging from UAH 55 to UAH 100 per hectare for production of certain winter and spring crops. The amounts of reimbursement are based on a variety of factors. The Group recognises these subsidies when received due to the uncertainty in amount and timing of receipt.

(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 has a significant level of 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 5% of revenues and purchases in the six months to 31 December 2006 are received and paid for in the form of non-cash transactions. 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

Net financial expense comprise interest expense on borrowings, interest income on funds invested and dividend income, if any.

All interest 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.

Notes to the consolidated financial statements
continued

(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:

IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for any entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect Group's financial instruments and share capital.

IFRS 8 Operating Segments is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the «management approach» to segment reporting.

IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the group's 2007 financial statements, with retrospective application required.

IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e. 1 January 2004).

Management plans to adopt these new standards and amendments in its annual financial statements when they become effective. Management has not yet analyzed the likely impact of these standards and interpretations on the financial or performance.

4. Acquisition of subsidiaries

During the period from 9 June 2006 to 31 December 2006 the Group acquired the following companies from third parties:

Name	Country of incorporation	Activity	Date of acquisition	% of ownership as at 31 December 2006
LLC «Agricultural Company «named after Shevchenko» (Gadiach region)	Ukraine	Agricultural	4/09/2006	79.98%
LLC «Zoria» (Novo-Sanzharskiy region)	Ukraine	Agricultural	5/10/2006	90.11%
LLC «Dobrobut» (Novo-Sanzharskiy region)	Ukraine	Agricultural	7/10/2006	97.98%
LLC «Baliasne»	Ukraine	Agricultural	13/10/2006	97.98%
LLC «Agro-Maiak»	Ukraine	Agricultural	12/12/2006	79.98%

The acquisition of these companies had the following effect on assets and liabilities as at the date they were acquired:

	Recognized fair value at acquisition	
	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Non-current assets		
Property, plant and equipment	17,713	2,737
Biological assets	2,151	332
Investments	487	75
Current assets		
Inventories	14,533	2,245
Biological assets	5,413	836
Trade accounts receivable	1,386	214
Other accounts receivable and prepayments	1,012	156
Cash and cash equivalents	438	68
Non-current liabilities		
Long-term liabilities		
Long-term loans and borrowings	(479)	(74)
Current liabilities		
Bank loans	(3,091)	(477)
Trade accounts payable	(7,321)	(1,131)
Other liabilities and accounts payable	(3,720)	(575)
Minority interest acquired	(3,759)	(580)
Net identifiable assets, liabilities and contingent liabilities	24,763	3,826
Excess of net assets acquired over consideration paid	21,592	3,336
Consideration paid	3,171	490
Cash acquired	438	68
Net cash outflow	**2,733**	**422**

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 six months ended 31 December 2006 had the acquisitions occurred on 1 July 2006.

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.

Notes to the consolidated financial statements
continued

On 4 July 2006, the Company gained the control over the following entities:

Name	Country of incorporation	Activity	% of ownership as at 31 December 2006
Ancor Investmetns Ltd	Cyprus	Investment	100.00%
LLC Firm «Astarta-Kyiv»	Ukraine	Agriculture	99.98%

These entities were under common control of the shareholders on the date of acquisition, and accordingly, the acquisitions are recorded based on the carrying value of the acquired assets and liabilities as follows:

	Recognized fair value at acquisition	
	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Non-current assets		
Property, plant and equipment	165,730	25,605
Biological assets	13,626	2,105
Investments	1,716	265
Deferred tax assets	2,832	433
Current assets		
Inventories	111,227	17,183
Biological assets	110,735	17,107
Trade accounts receivable	86,690	13,393
Other accounts receivable and prepayments	19,379	2,994
Cash and cash equivalents	3,344	517
Non-current liabilities		
Long-term liabilities		
Long-term loans and borrowings	(59,085)	(9,128)
Deferred tax liabilities	(16,767)	(2,590)
Current liabilities		
Bank loans	(97,138)	(15,007)
Trade accounts payable	(32,845)	(5,074)
Other liabilities and accounts payable	(50,093)	(7,739)
Minority interest acquired	(22,499)	(3,476)
Less share capital acquired	(35)	(5)
Net assets acquired	**236,817**	**36,583**

5. Property, plant and equipment

Management commissioned an independent appraiser to appraise property, plant and equipment held by Group companies as at 1 January 2003 in order to determine its deemed cost for the purpose of preparing the Group's first IFRS financial statements. The fair value was determined primarily by reference to depreciated replacement cost.

A summary of activity in property, plant equipment for the period from 9 June 2006 to 31 December 2006 is as follows:

In thousands of Ukrainian hryvnias	Buildings and construction	Machines and equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost 9 June 2006	–	–	–	–		
Additions	–	–	–	–	41,186	41,186
Additions from combination of entities under common control	94,841	90,870	24,453	1,924	8,632	220,720
Additions from acquisition of subsidiaries	12,560	2,946	2,207	–	–	17,713
Disposals	(1,772)	(720)	(533)	–	(390)	(3,415)
Transfers	3,466	23,987	9,836	(342)	(36,947)	–
31 December 2006	**109,095**	**117,083**	**35,963**	**1,582**	**12,481**	**276,204**
Accumulated depreciation 9 June 2006	–	–	–	–	–	–
Additions from combination of entities under common control	(9,511)	(35,043)	(10,324)	(112)	–	(54,990)
Depreciation charge	(1,734)	(8,219)	(1,933)	(52)	–	(11,938)
Disposals	34	151	74	–	–	259
31 December 2006	**(11,211)**	**(43,111)**	**(12,183)**	**(164)**	**–**	**(66,669)**
Net book value as at 31 December 2006	**97,884**	**73,972**	**23,780**	**1,418**	**12,481**	**209,535**

As at 31 December 2006 property and equipment with a carrying amount of UAH 144,864 thousand is pledged to secure bank loans (notes 13 and 14).

Notes to the consolidated financial statements
continued

A summary of activity in property, plant equipment for the period from 9 June 2006 to 31 December 2006 is as follows:

(In thousands of Euros)	Buildings and construction	Machines and equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost 9 June 2006	—	—	—	—		
Additions	—	—	—	—	6,363	6,363
Additions from combination of entities under common control	14,652	14,039	3,778	297	1,334	34,100
Additions from acquisition of subsidiaries	1,940	455	342	—	—	2,737
Disposals	(274)	(111)	(82)	—	(60)	(527)
Transfers	536	3,706	1,520	(54)	(5,708)	—
Currency translation difference	(451)	(485)	(151)	(5)	(52)	(1,144)
31 December 2006	**16,403**	**17,604**	**5,407**	**238**	**1,877**	**41,529**
Accumulated depreciation 9 June 2006	—	—	—	—	—	—
Additions from combination of entities under common control	(1,469)	(5,414)	(1,595)	(17)	—	(8,495)
Depreciation charge	(268)	(1,270)	(299)	(8)	—	(1,845)
Disposals	5	23	11	—	—	39
Currency translation difference	47	179	51	—	—	277
31 December 2006	**(1,685)**	**(6,482)**	**(1,832)**	**(25)**	**—**	**(10,024)**
Net book value as at 31 December 2006	**14,718**	**11,122**	**3,575**	**213**	**1,877**	**31,505**

As at 31 December 2006, property and equipment with a carrying value of EUR 21,787 thousand is pledged to secure bank loans (notes 13 and 14).

6. Biological assets

As at 31 December biological assets comprise the following groups:

	As at 31 December 2006		
	In Units	(In thousands of Ukrainian hryvanias)	(In thousands of Euros)
Non-current biological assets:			
Cattle	4,772	16,422	2,469
Other	356	359	54
		16,781	2,523
Current biological assets:			
Cattle	10,155	13,513	2,032
Other	5,058	1,803	271
Plants (hectares)	16,358	21,907	3,294
		37,223	**5,597**
		54,004	**8,120**

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.

The following represents the changes during the period from 9 June 2006 to 31 December in the carrying amounts of non-current and current biological assets:

(In thousands of Ukrainian hryvnias)	Non-current biological assets	Current biological assets	Total
Balance as at 9 June 2006	—	—	—
Purchases	—	248	248
Additions from acquisition of subsidiaries	2,151	5,413	7,564
Additions from combination of entities under common control	13,626	110,735	124,361
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	609	(22,395)	(21,786)
Gain (loss) arising on revaluation of plants used in production process	—	(50,452)	(50,452)
Transfers	486	(486)	—
Sales	(91)	(5,840)	(5,931)
Balance as at 31 December 2006	**16,781**	**37,223**	**54,004**

(In thousands of Euros)	Non-current biological assets	Current biological assets	Total
Balance as at 9 June 2006	—	—	—
Purchases	—	38	38
Additions from acquisition of subsidiaries	332	836	1,168
Additions from combination of entities under common control	2,105	17,107	19,212
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	94	(3,460)	(3,366)
Gain (loss) arising on revaluation of plants used in production process	—	(7,793)	(7,793)
Transfers	75	(75)	—
Sales	(14)	(902)	(916)
Currency translation difference	(69)	(154)	(223)
Balance as at 31 December 2006	**2,523**	**5,597**	**8,120**

Notes to the consolidated financial statements, continued

7. Long-term receivables held-to-maturity
Long-term receivables classified as held-to-maturity as at 31 December 2006 are as follows:

	Interest rate	Due date	(In thousands of Ukrainian hryvanias)	(In thousands of Euros)
Bonds receivable from related party	18%	21 June 2009	4,951	744
Investment held-to-maturity	—	21 July 2030	674	102
			5,625	**846**

8. Inventories
Inventories as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvanias)	(In thousands of Euros)
Finished goods:		
sugar production	195,106	29,336
agricultural production	24,385	3,666
Raw materials and consumables for:		
sugar production	15,929	2,395
agricultural production	38,400	5,774
Investments into future crops	31,522	4,739
	305,342	**45,910**

As at 31 December 2006, inventories with a carrying amount of UAH 101,697 thousand (EUR 15,218 thousand) are pledged to secure bank loans (notes 13 and 14).

9. Trade accounts receivable
Trade accounts receivable as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Trade accounts receivable	124,883	18,777
Less provision for impairment (note 16)	(4,356)	(655)
	120,527	**18,122**

10. Other accounts receivable and prepayments
Other accounts receivable and prepayments as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Other accounts receivable	5,884	885
Advances to suppliers	12,806	1,925
Receivable from government	12,367	1,860
Miscellaneous	27,028	4,064
Less provision for impairment (note 16)	(2,999)	(451)
	55,086	**8,283**

Miscellaneous accounts receivable mainly consist of receivables from sales of biological assets and other inventories.

11. Share capital

Share capital as at 31 December 2006 is as follows:

	As at 31 December 2006 (in %)	As at 31 December 2006 (In thousands of Ukrainian hryvnias)	As at 31 December 2006 (In thousands of Euros)
Astarta Holding N.V.			
Ivanchyk V.P.	40.00%	665	100
Korotkov V.M.	40.00%	665	100
«East Capital Asset Management AB»	5.03%	84	13
Other shareholders	14.97%	249	37
	100.00%	**1,663**	**250**

The dividend policy is to pay dividends at a level consistent with the Company'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 the 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 paid-in share capital plus the reserves required to be maintained by law and by the Company's Articles of Association. All shares carry equal dividend rights.

12. Minority interests

The movements in minority interests for the period from 9 June 2006 to 31 December2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Balance as at 9 June 2006	—	—
Share in loss	(9,672)	(1,494)
Gains less losses on transactions with minority shareholders	13,665	2,111
Minority interests arising from combinations of entities under common control (note 4)	22,499	3,476
Minority interests acquired with new subsidiaries (note 4)	3,759	580
Acquisitions from minority shareholders	(16,290)	(2,517)
Currency translation difference	—	(57)
Balance as at 31 December 2006	**13,961**	**2,099**

Notes to the consolidated financial statements
continued

13. Loans and borrowings

This note provides information about the contractual terms of loans and borrowings. Refer to note 26 for more information about the Group's exposure to interest rate and foreign currency risk.

Loans and borrowings as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Non-current portion:		
Borrowings from related parties	3,553	534
Bank loans	24,271	3,649
Bonds payable	27,925	4,199
	55,749	**8,382**
Current portion		
Bank loans	20,911	3,144
Total	**76,660**	**11,526**

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 167) and as at 31 December 2006 UAH 14,580 thousand (EUR 2,193 thousand) are outstanding. The bonds pay fixed interest at 17% and are subject to redemption and further placement semi-annually beginning November 2005 until July 2008.

On 16 June 2006 Astarta-Kyiv issued Series A bonds totaling UAH 15,000 thousand (EUR 2,254 thousand) and as at 31 December 2006 UAH 13,345 thousand (EUR 2,006 thousand) are outstanding. The bonds mature on 16 June 2009 and bear initial interest at 18% per annum.

On 26 June 2006 LLC «APO «Tsukrovyk Poltavschyny» issued Series B bonds totaling UAH 15,000 thousand (EUR 2,254 thousand). No bonds are outstanding as at 31 December 2006. The bonds mature on 24 June 2009 and bear initial interest at 18% per annum, payable quarterly.

Terms schedule

The terms for loans and borrowings as at 31 December 2006 are as follows:

	Interest type	Effective interest rate	Nominal interest rate	(In thousands of Ukrainian hryvnia)	(In thousands of Euros)
Loans from local banks received in UAH	Fixed	15.0%	15.0%	1,547	233
Loans from local banks received in UAH	Fixed	16.0%	16.0%	6,343	954
Loans from local banks received in UAH	Fixed	17.0%	17.0%	20,512	3,084
Loans from local banks received in UAH	Fixed	18.0%	18.0%	13,945	2,097
Loans from local banks received in UAH	Fixed	20.0%	20.0%	805	121
Loans from local banks received in UAH	Fixed	24.0%	24.0%	21	2
Loans from local banks received in Euro	Fixed	7.0%	7.0%	2,009	302
Other long-term borrowings received from non-resident non-financial institutions in USD (related party)	Fixed	14.0%	10.0%	2,151	323
Other long-term borrowings received from a local non-financial institution in UAH (related party)	Fixed	18.0%	—	1,402	211
Bonds payable	Fixed	18.0%	17.0%	27,925	4,199
				76,660	**11,526**

Bank loans are secured by inventories, biological assets and property and equipment.

Repayment schedule

The repayment schedule for loans and borrowings as at 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Less than one year	20,911	3,144
From one to five years	55,749	8,382
	76,660	**11,526**

14. Bank loans

Bank loans as at 31 December 2006 are as follows:

	Interest type	Interest rates	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Loans from local banks received in UAH	Fixed	16.0%	160,135	24,078
Loans from local banks received in UAH	Fixed	17.0%	2,550	383
Loans from local banks received in UAH	Fixed	18.0%	413	62
Loans from local banks received in UAH	Fixed	19.0%	300	45
			163,398	**24,568**

All bank loans are due within 12 months and are secured by inventories, biological assets and property and equipment.

15. Other liabilities and accounts payable

Other accounts payable as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
VAT payable	904	136
Advances received from customers	1,852	278
Settlements with land and fixed asset lessors	6,202	933
Accounts payable to government	2,906	437
Salaries payable	6,950	1,045
Social insurance	2,033	306
Deferred government subsidy	175	26
Total	**21,022**	**3,161**

16. Provisions for impairment of trade and other accounts receivable

Provisions for impairment of trade and other accounts receivable as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Trade accounts receivable (note 9)	4,356	655
Other accounts receivable (note 10)	2,999	451
	7,355	**1,106**

Changes in provisions for impairment of trade and other accounts receivable during the period from 9 June 2006 to 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Balance at 9 June 2006	–	–
Provision for impaired accounts receivable	9,856	1,523
Charge in income statement (note 21)	(1,660)	(256)
Amounts written off	(841)	(130)
Currency translation difference	–	(31)
Balance as at 31 December 2006	**7,355**	**1,106**

Notes to the consolidated financial statements
continued

17. Revenues

Revenues for the period from 9 June 2006 to 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Sugar and related business:		
Sugar	168,025	25,958
Molasses	5,145	795
Pulp	4,285	662
Crops	52,575	8,122
Services rendered under barter terms	22,018	3,402
Other sugar related business	31,554	4,875
Total sugar and related business	**283,602**	**43,814**
Milk	9,813	1,516
Cattle	3,437	531
Total	**296,852**	**45,861**

For the period from 9 June 2006 to 31 December 2006 sales totalling UAH 22,018 thousand (EUR 3,402 thousand) were settled through barter transactions, which does not result in a net cash inflow from operations. More than 90% of revenue is generated from sales to customers in Ukraine.

18. Cost of revenues

Cost of revenues for the period from 9 June 2006 to 31 December 2006 by product is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Sugar and related business:		
Sugar	130,042	20,090
Molasses	4,284	662
Pulp	4,285	662
Crops	48,189	7,445
Services rendered under barter terms	14,514	2,242
Other sugar related business	33,274	5,141
Total sugar and related business	**234,588**	**36,242**
Milk	11,530	1,781
Cattle	5,932	916
Total	**252,050**	**38,939**

Cost of revenues for the period from 9 June 2006 to 31 December 2006 by nature of expense is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Raw materials	85,949	13,278
Fuel and electricity	39,247	6,063
Fertilizers	26,927	4,160
Transportation	24,992	3,861
Other materials	21,587	3,335
Payroll and related charges	23,544	3,637
Depreciation	10,908	1,685
Maintenance	2,674	413
Change in carrying value of inventories	3,619	559
Other	12,603	1,948
Total	**252,050**	**38,939**

19. Other operating income

Other operating income for the period 9 June 2006 to 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Government subsidies relating to VAT	3,934	608
Government subsidies relating to interest and financing costs	2,602	402
Government subsidies relating to agriculture	8,342	1,289
Penalties	7	1
	14,885	**2,300**

20. General and administrative expense

General and administrative expense for the period from 9 June 2006 to 31 December 2006 is as follows:

Other general and administrative expense mainly includes rental fees, canteen costs and other miscellaneous expenses.

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Salary and related charges	9,800	1,514
Depreciation	1,261	195
Communication	949	147
Transportation	1,809	279
Professional services	2,253	348
Materials	1,268	196
Maintenance	2,638	408
Other	1,373	212
	21,351	**3,299**

21. Selling and distribution expense

Selling and distribution expense for the period from 9 June 2006 to 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Transportation	4,656	719
Advertising	223	34
Salary and related charges	2,673	413
Professional services	347	54
Impairment provision on trade and other accounts receivable (note 16)	1,660	256
Commissions	572	88
Other	3,093	479
	13,224	**2,043**

22. Other operating expense

Other operating expense for the period from 9 June 2006 to 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Changes in fair value of biological assets	22,395	3,460
Charity	742	115
Other	7,787	1,203
	30,924	**4,778**

Notes to the consolidated financial statements
continued

23. Net financial expense

Net financial expense for the period from 9 June 2006 to 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Interest expense	12,191	1,883
Financial expense	12,714	1,964
	24,905	**3,847**

24. Other income

Other income for the period from 9 June 2006 to 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Gain on disposal of fixed assets	226	35
Recovery of previously written-off assets	256	39
	482	**74**

25. Income tax benefit

Certain companies in the Group are subject to income taxes. The components of income tax benefit for these companies for the period from 9 June 2006 to 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Current	285	44
Deferred	(9,054)	(1,399)
Total income tax benefit	**(8,769)**	**(1,355)**

The corporate income tax rate is 25% in 2006. 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:

(In thousands of Ukrainian hryvnias)	Companies subject to income tax	Companies not subject to income tax	Total
Profit before tax	**3,975**	**343**	**4,318**
Income tax expense at statutory rate	994	–	994
Non-taxable items	(9,763)	–	(9,763)
Income tax benefit	**(8,769)**	**–**	**(8,769)**

(In thousands of Euros)	Companies subject to income tax	Companies not subject to income tax	Total
Profit before tax	**614**	**53**	**667**
Income tax expense at statutory rate	154	–	154
Non-taxable items	(1,509)	–	(1,509)
Income tax benefit	**(1,355)**	**–**	**(1,355)**

Movements in temporary differences during the period from 9 June 2006 to 31 December 2006 are as follows:

(In thousands of Ukrainian hryvnias)	As at 9 June 2006	Deferred tax relating to combination of entities under common control	Recognized in income statement	As at 31 December 2006
Property, plant and equipment	–	(9,195)	4,911	(4,284)
Investments in subsidiaries and associates	–	(40)	1,121	1,081
Inventories	–	1,752	(12,190)	(10,438)
Trade accounts receivable	–	(6,839)	7,644	805
Advances made	–	(78)	(623)	(701)
Other accounts receivable	–	109	406	515
Long-term loans and other borrowings	–	(62)	270	208
Trade accounts payable	–	63	(49)	14
Promissory notes issued	–	–	(2,211)	(2,211)
Other accounts payable	–	355	9,775	10,130
Net deferred tax liability	**–**	**(13,935)**	**9,054**	**(4,881)**

(In thousands of Euros)	As at 9 June 2006	Deferred tax relating to combination of entities under common control	Recognized in income statement	Currency translation difference	As at 31 December 2006
Property, plant and equipment	–	(1,421)	759	18	(644)
Investments in subsidiaries and associates	–	(6)	173	(4)	163
Inventories	–	271	(1,883)	43	(1,569)
Trade accounts receivable	–	(1,057)	1,181	(3)	121
Advances made	–	(15)	(96)	6	(105)
Other accounts receivable	–	17	63	(2)	78
Long-term loans and other borrowings	–	(10)	42	(1)	31
Trade accounts payable	–	10	(8)	–	2
Promissory notes issued	–	–	(342)	9	(333)
Other accounts payable	–	54	1,510	(42)	1,522
Net deferred tax liability	**–**	**(2,157)**	**1,399**	**24**	**(734)**

Notes to the consolidated financial statements
continued

26. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

As at 31 December 2006, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) 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. Such loans account for over 90% of the Group's total borrowings. The fixed rate levels are determined based on the market environment at the time of borrowing.

(c) Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the measurement currencies of the entities. The currency giving rise to this risk is primarily the USD. Management does not hedge exposure to foreign currency risk.

During 2006, the Ukrainian hryvnia remained stable against the US dollar. The exchange rate is UAH 5.050 to USD 1.00.

(d) Fair values

Estimated fair values of the financial assets and liabilities have been 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.

For all financial assets and liabilities, the carrying value is estimated to approximate the fair value as at 31 December 2006.

27. 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 acres of industrial land under non-cancellable lease agreements in its normal course of business.

Non-agricultural activities are located on plots of industrial land, totalling 6,525 hectares as at 31 December 2006. Sugar plants, other plants (LLC «Shyshaki combined forage factory», Globino canning factory «Globus»), administrative buildings and other non-agricultural buildings and facilities are located on industrial land. Plough-land is leased from local authorities, individuals and legal entities. The total size of leased plough-land as at 31 December 2006 is 90,457 hectares.

The maturity dates for lease agreements concluded with local authorities and individuals as at 31 December 2006 range from 2007 to 2015.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Industrial land		
Less than one year	1,046	157
From one to five years	2,722	409
More than five years	—	—
	3,768	**566**
Plough-land		
Less than one year	12,028	1,809
From one to five years	31,301	4,706
More than five years	4,309	648
	47,638	**7,163**
	51,406	**7,729**

28. 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.

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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these consolidated financial statements.

29. 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 of the Group and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined 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 2006 and for the period from 9 June 2006 to 31 December 2006 are shown at their carrying value and are as follows:

(a) Revenues

Sales of goods and services to related parties for the period from 9 June 2006 to 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Revenues	3,234	500

(b) Purchases

Purchases of goods and services from related parties for the period from 9 June 2006 to 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Purchases of goods and services	300,472	46,420

(c) Financial income

Financial income from related parties for the period from 9 June 2006 to 31 December 2006 is as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Financial income	222	34

(d) Receivables

Receivables from related parties as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Trade accounts receivable	8,742	1,314
Long-term receivables	4,951	744
	13,693	**2,058**

(e) Payables

Payables from related parties as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Accounts payable — Trade	8,133	1,223
Advances received	1	—
Other	3,842	578
	11,976	**1,801**

(f) Loans and borrowings

Loans and borrowings from related parties as at 31 December 2006 are as follows:

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Non-resident	2,151	323
Local	1,402	211
	3,553	534

See note 13 for interest rates and maturity rates for loans and borrowings from related parties.

(g) Management remuneration

Remuneration of key management for the period from 9 June 2006 to 31 December 2006 is shown below. Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Group.

	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Salary and short term benefits	890	137

Notes to the consolidated financial statements
continued

30. Events subsequent to the balance sheet date

The following subsequent events as at the date of these pro-forma consolidated financial statements:

Increase of credit limit

In March 2007, Raiffasein Bank Aval Ukraine increased the credit line limit for Astarta-Kyiv from UAH 200 million (EUR 31.2 million) to UAH 240 million (EUR 36.0 million). The credit line limit was increased to secure sugar delivery contracts with FE «Coca-Cola Beverages Ukraine Limited» with a bank guarantee.

Conclusion of contracts

On 31 January 2007 LLC «APO «Tsukrovyk Poltavschyny» (which is structured into a holding company) signed two contracts to purchase agricultural equipment from Amity Technology LLC (USA). Under the terms of the contracts Amity Technology LLC will supply 14 WIC Planters and 10 Wil-Rich Row Crop Cultivators.

The total value of the contracts is USD 1,353 thousand and USD 423 thousand respectively, or equivalent to EUR 1,046 thousand and EUR 327 thousand respectively.

In January 2007 Astarta-Kyiv and FE «Coca-Cola Beverages Ukraine Limited» signed a contract for sugar sales in 2007. Under the terms of the contract LLC Firm «Astarta-Kyiv» will supply FE «Coca-Cola Beverages Ukraine Limited» with sugar according to a monthly schedule. The contract contains standard provisions typical for contracts of such kind.

The acquisition of new agricultural companies

Subsequent to 31 December 2006 the Group made additional acquisitions of agricultural companies as follows:

On 21 March 2007 the Group acquired 99.98% of charted capital of agricultural company LLC «HTZ» (Poltava region, Chutivsky region).

On 28 March 2007 the Group by means of a share purchase acquired control of 71.44% of the share capital of OJSC «Agrocomplex».

The Group acquired 26.93% of the chartered capital of LLC «Agricultural company «Stozhary» followed by additional contribution to the chartered capital of the company. Before the transactions the Group owned 25.40% of the chartered capital of LLC «Agricultural company «Stozhary». After the transactions the Group owns 63.99% of the chartered capital of LLC «Agricultural company «Stozhary».

As a result, as at the date of these consolidated financial statements, the ownership structure of the Group in subsidiaries is as follows:

Name	**Activity**	**31 May 2007** % of ownership	**31 December 2006** % of ownership
Subsidiaries:			
Ancor Investments Ltd	Investment activities	100.00%	100.00%
Astarta-Kyiv	Asset management	99.98%	99.98%
LLC «Agropromtsukor»	Sugar production	99.98%	99.98%
LLC «APO «Tsukrovyk Poltavshchyny»	Sugar production	95.08%	95.08%
LLC «Torgovy dim»	Trade	97.55%	97.55%
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»	Production, services	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	97.98%	97.98%
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 Khmelnitskiy»	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	79.98%	79.98%
LLC «Dobrobut» (Novo-Sanzharskiy region)	Agricultural	97.98%	97.98%
LLC «Zoria» (Novo-Sanzharskiy region)	Agricultural	90.11%	90.11%
LLC «Baliasne»	Agricultural	97.98%	97.98%
LLC «Agro-Maiak»	Agricultural	79.98%	79.98%
LLC «HTZ»	Agricultural	99.98%	—
OJSC «Agrocomplex»	Agricultural	71.44%	—
LLC «Agricultural company «Stozhary»	Agricultural	63.99%	25.40%
Associates:			
LLC «Agricultural company «Pokrovska»	Agricultural	49.99%	49.99%

Board of Directors
of ASTARTA Holding N.V.
V. Ivanchyk
P. Rybin
M.M.L.J. van Campen
V. Korotkov
W.T. Bartoszewski

31 May 2007,
Amsterdam, The Netherlands

Sustainable growth

Company financial statements as at and for the period from 9 June 2006 (inception) to 31 December 2006

Contents

Company balance sheet

Company balance sheet as at 31 December 2006.

(In thousands of Euros)	Note	
Assets		
Non-current assets		
Investments in subsidiary	3	59,087
		59,087
Current assets		
Other accounts receivable and prepayments		6
Cash and cash equivalents		493
		499
Total assets		**59,586**
Equity and Liabilities		
Equity		
Share capital		250
Additional paid in capital		55,778
Retained earnings		3,516
Fair value reserve		(35)
Currency translation adjustment		(447)
Total equity		**59,062**
Current liabilities		
Other liabilities and accounts payable		524
		524
Total equity and liabilities		**59,586**

The company balance sheet is to be read in conjunction with the notes to and forming part of the company financial statements set out on page f82.

Company income statement

Company income statement for the period from 9 June 2006 till 31 December 2006

(In thousands of Euros)	Note	
Net income from subsidiaries and associated companies		4,134
Other net expense		(618)
Net income		**3,516**
Income tax expense		—
Net profit		**3,516**
Weighted average basic and diluted shares outstanding (in thousands of shares)[1]		25,000
Basic and diluted earnings per share attributable to shareholders of the parent		0.14

The company income statement is to be read in conjunction with the notes to and forming part of the company financial statements set out on page f82.

[1] The Company presents an average number of 25,000 thousand shares during the period from 9 June till 31 December 2006 because all shares issued participated fully and equally in the results from inception.

Notes to the financial statements

Notes to the financial statements for the period starting from 9 June 2006 till 31 December 2006

1. General

ASTARTA Holding N.V. is a Dutch public company with limited liability, incorporated in Amsterdam on 9 June 2006. The Company's first financial book year ended 31 December 2006. The Company mainly acts a holding company.

During the year under review, the Company recorded a net profit of EUR 3,516 thousand, which is made up of a loss EUR 618 thousand of the Company and the Company's share in the net income of its subsidiaries and associates of EUR 4,134 thousand.

These financial statements have been 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.

A) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for Financial Reporting.

B) Basis of preparation

The financial statements are presented in thousands of EUR. They are prepared on the historical cost basis. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

C) Foreign currency transactions

All assets and liabilities denominated in currencies other than EUR have been translated at the rates of exchange prevailing on balance sheet date. All transactions in foreign currencies have been 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.

D) Other assets and liabilities

Unless otherwise indicated, assets and liabilities are stated at face value.

3. Participations

The company acquired the shares of Ancor Investments Ltd in a contribution-in-kind transaction in early July 2006:

	Domicile	Ownership	
Ancor Investments	Nicosia, Cyprus	100.00%	59,087
The movements in the valuation of this investment may be summarised as follows:			
Balance as at June 9,		—	
Contribution of shares at equity value		36,583	
Capitalization of subsidiaries following IPO		21,892	
		4,134	
Decrease in reserves of Group companies		(3,522)	
Balance as at 31 December		**59,087**	

4. Capital and Reserves

The Company's 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, 2006, 25,000,000 shares were issued and fully paid up. Share capital as at 31 December is as follows:

(In thousands of Euros)	Amount	%
ASTARTA Holding N.V.		
Ivanchyk V.P.	100	40.00%
Korotkov V.M.	100	40.00%
«East Capital Asset Management AB»	13	5.03%
Other shareholders	37	14.97%
	250	**100.00%**

5. Number of employees and employment costs

Neither during the year under review nor in the previous year did the Company had 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 Company's Board of Directors is as follows:

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.

During the last financial year, there were no changes in the rules governing appointment and dismissal of members of the Board of Directors. Pursuant to the Dutch «Dislosure of Remuneration of Board Members Act», total remuneration and shares held by executive and non-executive Board members are specified below.

During the last financial year the members of the Board of Directors received the following remuneration:

Mr Viktor Ivanchyk received a remuneration for execution of his duties amounting to EUR 55,970.

Mr Petro Rybin received a remuneration for execution of his duties amounting to EUR 46,642.

Mr Marc van Campen received a remuneration for execution of his duties amounting to EUR7,292 and a compensation of expenses for participation in meetings of the Board amounting to EUR 2,000.

Mr Valery Korotkov did not receive any remuneration for the performance of his duties on the Chairman of the Board of Directors.

Mr Wladyslaw Bartoszewski received a remuneration for execution of his duties amounting to EUR 7,000 and a compensation of expenses for participation in the meetings of the Board amounting to EUR 800.

The Board of Directors

Mr V.Ivanchyk
Mr P.Rybin
Mr M.M.L.J. van Campen
Mr V.Korotkov
Mr W.T.Bartoszewski

Amsterdam, 31 May, 2007

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 part of the capital increased with the 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-a-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 3,516 thousand to retained earnings.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Astarta Holding N.V., Amsterdam, the Netherlands as set out on pages f50 to f82. 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 2006, the income statement, statement of changes in equity and cash flow statement for the from inception (9 June 2006) to 31 December 2006 and notes thereon. The company financial statements comprise the company balance sheet as at 31 December 2006, the company profit and loss account for the period from inception to 31 December 2006 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 whether 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 arc 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 2006 and of its result and its cash flow for the period from inception to 31 December 2006 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 2006, and of its result for the period from inception to 31 December 2006 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.

Pro-forma consolidated financial statements

Pro-forma consolidated financial statements for the years 2005 and 2006 have been presented on pages f86 to f121 of this Annual Report. These financial statements have been prepared as if the Company has existed as a legal group throughout this period, even though has only been the case since July 2006.

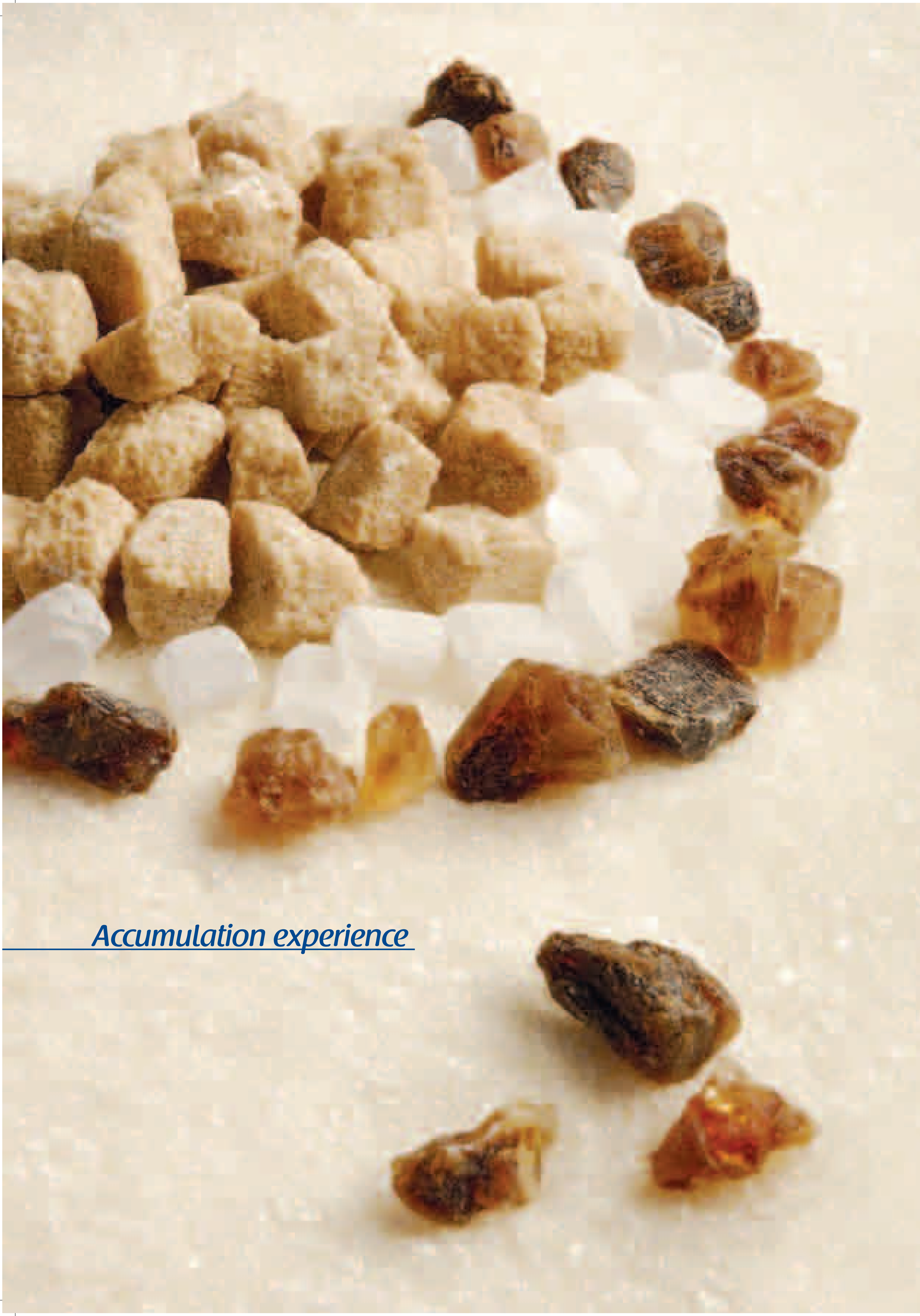
Since the companies forming part of the Group were under common ownership throughout 2006 and 2005 these pro-forma financial statements have been presented for purposes of presenting comparative financial data relating to these reporting years.

These pro-forma consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion whether these pro-forma combined statements have been prepared applying appropriate methods and consistent accounting policies.

In our opinion, the pro-forma consolidated statements have been prepared applying appropriate methods and consistent accounting policies as set out on pages f94 to f101 of this Annual Report.

Amsterdam, 31 May 2007
KPMG ACCOUNTANTS N.V.

M.M.B. Blauwhoff RA Partner



Accumulation experience

Pro-forma consolidated financial statements as at and for the year ended 31 December 2006

Contents

Pro-forma consolidated balance sheet

Pro-forma consolidated balance sheet as at 31 December.

(In thousands of Ukrainian hryvnias)	Note	2006	2005
Assets			
Non-current assets			
Property, plant and equipment	5	209,535	151,967
Intangible assets		691	206
Biological assets	6	16,781	14,730
Long-term receivables held-to-maturity	7	5,625	—
Investments in associates		400	1,331
Deferred tax asset	25	1,324	3,416
		234,356	**171,650**
Current assets			
Inventories	8	305,342	178,356
Biological assets	6	37,223	11,069
Trade accounts receivable	9	120,527	46,979
Other accounts receivable and prepayments	10	55,086	41,312
Promissory notes available-for-sale		1,589	3,082
Cash and cash equivalents		19,894	3,002
		539,661	**283,800**
Total assets		**774,017**	**455,450**
Equity and liabilities			
Equity			
Share capital	11	1,663	358
Additional paid-in capital		180,213	7,845
Retained earnings		214,145	173,432
Fair value reserve		(233)	—
Currency translation adjustment		(2,979)	—
Total equity		**392,809**	**181,635**
Non-current liabilities			
Loans and borrowings	13	55,749	60,230
Deferred tax liabilities	25	6,205	10,323
		61,954	**70,553**
Current liabilities			
Bank loans	14	163,398	67,512
Current portion of loans and borrowings	13	20,911	3,483
Trade accounts payable		96,978	28,335
Promissory notes issued		2,984	2,029
Minority interests	12	13,961	52,129
Other liabilities and accounts payable	15	21,022	49,774
		319,254	**203,262**
Total equity and liabilities		**774,017**	**455,450**

The pro-forma consolidated balance sheet is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Pro-forma consolidated balance sheet as at 31 December.

(In thousands of Euros)	Note	2006	2005
Assets			
Non-current assets			
Property, plant and equipment	5	31,505	25,448
Intangible assets		104	34
Biological assets	6	2,523	2,467
Long-term receivables held-to-maturity	7	846	—
Investments in associates		60	223
Deferred tax asset	25	199	589
		35,237	**28,761**
Current assets			
Inventories	8	45,910	29,867
Biological assets	6	5,597	1,854
Trade accounts receivable	9	18,122	7,867
Other accounts receivable and prepayments	10	8,283	6,901
Promissory notes available-for-sale		239	516
Cash and cash equivalents		2,991	503
		81,142	**47,508**
Total assets		**116,379**	**76,269**
Equity and liabilities			
Equity			
Share capital	11	250	60
Additional paid-in capital		27,380	1,296
Retained earnings		35,758	29,358
Fair value reserve		(35)	—
Currency translation adjustment		(4,291)	(296)
Total equity		**59,062**	**30,418**
Non-current liabilities			
Loans and borrowings	13	8,382	10,086
Deferred tax liabilities	25	933	1,729
		9,315	**11,815**
Current liabilities			
Bank loans	14	24,568	11,305
Current portion of loans and borrowings	13	3,144	583
Trade accounts payable		14,581	4,745
Promissory notes issued		449	340
Minority interests	12	2,099	8,729
Other liabilities and accounts payable	15	3,161	8,334
		48,002	**34,036**
Total equity and liabilities		**116,379**	**76,269**

The pro-forma consolidated balance sheet is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Pro-forma consolidated income statement

Pro-forma consolidated income statement for the year ended 31 December.

(In thousa nds of Ukrainian hryvnias)	Note	2006	2005
Revenues	17	432,922	330,868
Cost of revenues	18	(351,772)	(236,038)
Gains arising from remeasurement of agricultural produce to fair value		8,343	3,441
Gross profit		**89,493**	**98,271**
Other operating income	19	33,220	23,257
General and administrative expense	20	(37,893)	(25,717)
Selling and distribution expense	21	(19,467)	(21,099)
Other operating expense	22	(18,030)	(15,697)
Profit from operations		**47,323**	**59,015**
Net financial expense	23	(35,611)	(15,461)
Other income (expense)	24	482	(3,162)
Gain on acquisition of subsidiaries	4	22,831	18,819
Profit before tax		**35,025**	**59,211**
Income tax benefit	25	1,632	2,469
Net profit		**36,657**	**61,680**
Net profit (loss) attributable to:			
Minority interests	12	(4,056)	9,598
Equity holders of parent company		40,713	52,082
Net profit		**36,657**	**61,680**
Weighted average basic and diluted shares outstanding (in thousands of shares)		25,000	25,000
Basic and diluted earnings per share attributable to shareholders of the parent (in Ukrainian hryvnias)		1.63	2.08

The pro-forma consolidated income statement is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Pro-forma consolidated income statement for the year ended 31 December.

(In thousands of Euros)	Note	2006	2005
Revenues	17	68,051	51,783
Cost of revenues	18	(55,295)	(36,942)
Gains arising from remeasurement of agricultural produce to fair value		1,311	539
Gross profit		**14,067**	**15,380**
Other operating income	19	5,222	3,640
General and administrative expense	20	(5,956)	(4,025)
Selling and distribution expense	21	(3,060)	(3,301)
Other operating expense	22	(2,834)	(2,457)
Profit from operations		**7,439**	**9,237**
Net financial expense	23	(5,597)	(2,420)
Other income (expense)	24	76	(495)
Gain on acquisition of subsidiaries	4	3,589	2,945
Profit before tax		**5,507**	**9,267**
Income tax benefit	25	256	386
Net profit		**5,763**	**9,653**
Net profit (loss) attributable to:			
Minority interests	12	(637)	1,502
Equity holders of parent company		6,400	8,151
Net profit		**5,763**	**9,653**
Weighted average basic and diluted shares outstanding (in thousands of shares)		25,000	25,000
Basic and diluted earnings per share attributable to shareholders of the parent (in thousand Euros)		0.26	0.33

The pro-forma consolidated income statement is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Pro-forma consolidated cash flow statement

Pro-forma consolidated cash flow statement for the year ended 31 December.

(In thousands of Ukrainian hryvnias)	Notes	2006	2005
Operating activities			
Profit before tax		**35,025**	**59,211**
Adjustments for:			
Depreciation and amortization		17,536	20,272
Provision for doubtful debts	16	3,367	3,806
Gain on acquisition of subsidiaries	4	(22,831)	(18,819)
Gain on sales of property, plant and equipment		(226)	(1,794)
Losses from associates		109	6
Change in carrying value of inventories		(4,611)	(361)
Change in fair value of biological assets	6	(27,822)	402
Interest expense	23	22,538	19,126
Increase in inventories		(106,857)	(35,886)
Increase in trade and other receivables		(85,332)	(15,041)
Proceeds from sale of current biological assets	6	8,490	4,168
Purchase of current biological assets	6	(735)	(642)
Proceeds from sale of non-current biological assets	6	107	251
Purchase of non-current biological assets	6	(68)	(9)
(Decrease) increase in trade and other accounts payable		25,811	(1,226)
Income taxes paid		(433)	(338)
Interest paid		(21,593)	(16,523)
Cash flows provided by (used in) operating activities		**(157,525)**	**16,603**
Investing activities			
Purchase of property, plant and equipment		(62,198)	(41,827)
Proceeds from sale of property, plant and equipment		4,765	6,282
Purchase of long-term investments		—	(10,042)
Proceeds from sale of long-term investments		1,308	—
(Increase) decrease in promissory notes received		1,260	(248)
Increase in long-term receivables held-to-maturity		(5,625)	—
Acquisition of subsidiaries net of cash acquired	4	(2,718)	(144)
Cash flows used in investing activities		**(63,208)**	**(45,979)**
Financing activities			
Proceeds from loans and borrowings		**32,227**	**42,221**
Principal payments on loans and borrowings		(19,759)	(16,172)
Proceeds from bank loans		170,345	177,026
Principal payments on bank loans		(78,550)	(174,615)
Increase in promissory notes issued		955	692
Acquisition from minority shareholders	12	(15,573)	—
Net proceeds from share issue		149,183	—
Contributions by equity holders		1,776	2,414
Cash flows provided by financing activities		**240,604**	**31,566**
Net increase in cash and cash equivalents		19,871	2,190
Cash and cash equivalents as at 1 January		3,002	812
Currency translation differences		(2,979)	—
Cash and cash equivalents as at 31 December		**19,894**	**3,002**

The pro-forma consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Pro-forma consolidated cash flow statement for the year ended 31 December.

(In thousands of Euros)	Notes	2006	2005
Operating activities			
Profit before tax		**5,507**	**9,267**
Adjustments for:			
Depreciation and amortization		2,757	3,174
Provision for doubtful debts	16	529	596
Gain on acquisition of subsidiaries	4	(3,589)	(2,945)
Gain on sales of property, plant and equipment		(36)	(281)
Losses from associates		17	1
Change in carrying value of inventories		(725)	(56)
Change in fair value of biological assets	6	(4,373)	63
Interest expense	23	3,543	2,993
Increase in inventories		(12,919)	(5,616)
Increase in trade and other receivables		(11,180)	(2,354)
Proceeds from sale of current biological assets	6	1,335	652
Purchase of current biological assets	6	(115)	(101)
Proceeds from sale of non-current biological assets	6	17	39
Purchase of non-current biological assets	6	(11)	(1)
(Decrease) increase in trade and other accounts payable		2,488	(192)
Income taxes paid		(68)	(53)
Interest paid		(3,404)	(2,588)
Cash flows provided by (used in) operating activities		**(20,227)**	**2,598**
Investing activities			
Purchase of property, plant and equipment		(9,777)	(6,546)
Proceeds from sale of property, plant and equipment		750	983
Purchase of long-term investments		—	(1,571)
Proceeds from sale of long-term investments		219	—
(Increase) decrease in promissory notes received		242	(39)
Increase in long-term receivables held-to-maturity		(846)	—
Acquisition of subsidiaries net of cash acquired	4	(423)	(23)
Cash flows used in investing activities		**(9,835)**	**(7,196)**
Financing activities			
Proceeds from loans and borrowings		5,066	6,608
Principal payments on loans and borrowings		(3,106)	(2,534)
Proceeds from bank loans		26,777	27,706
Principal payments on bank loans		(12,347)	(27,329)
Increase in promissory notes issued		109	108
Acquisition from minority shareholders	12	(2,448)	—
Net proceeds from share issue		22,424	—
Contributions by equity holders		279	382
Cash flows provided by financing activities		**36,754**	**4,941**
Net increase in cash and cash equivalents		6,692	343
Cash and cash equivalents as at 1 January		503	112
Currency translation difference		(4,204)	48
Cash and cash equivalents as at 31 December		**2,991**	**503**

The pro-forma consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the pro-forma consolidated statements set out on pages f95 to f121.

Pro-forma consolidated statement of changes in equity

Pro-forma consolidated statement of changes in equity.

(In thousands of Ukrainian hryvnias)	Attributable to equity holders of parent company					Total
	Share capital	Additional paid-in capital	Retained earnings	Fair value re-serve	Cur-rency transla-tion differ-ences	
As at 1 January 2005	**21**	**5,525**	**125,901**	**—**	**—**	**131,447**
Net profit	—	—	52,082	—	—	52,082
Deferred tax arising on change in tax status of subsidiaries	—	—	(6,496)	—	—	(6,496)
Total recognised income and expenses						**45,586**
Distribution of capital	—	(379)	(9,283)	—	—	(9,662)
Gains less losses on transactions with minority interests	—	—	11,228	—	—	11,228
Remeasurement of loans from equity holders to market terms	—	829	—	—	—	829
Deferred tax effect on remeasurement of loans	—	(207)	—	—	—	(207)
Contributions by equity holders	337	2,077	—	—	—	2,414
As at 31 December 2005	**358**	**7,845**	**173,432**		**—**	**181,635**
Net profit	—	—	40,713	—	—	40,713
Currency translation differences	—	—	—	—	(2,979)	(2,979)
Change in fair value of promissory notes available-for-sale	—	—	—	(233)	—	(233)
Total recognised income and expenses						**37,501**
Gains less losses on transactions with minority interest	—	22,714	—	—	—	22,714
Proceeds from share issue	962	—	—	—	—	962
Proceeds from IPO	343	163,300	—	—	—	163,643
Costs of IPO	—	(15,422)	—	—	—	(15,422)
Contributions by equity holders	—	1,776	—	—	—	1,776
As at 31 December 2006	**1,663**	**180,213**	**214,145**	**(233)**	**(2,979)**	**392,809**

The pro-forma consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Pro-forma consolidated statement of changes in equity

(In thousands of Euros)	Attributable to equity holders of parent company: Share capital	Additional paid-in capital	Retained earnings	Fair value reserve	Currency translation difference	Total
As at 1 January 2005	**4**	**941**	**21,920**	**—**	**(4,656)**	**18,209**
Net profit	—	—	8,151	—	—	8,151
Deferred tax arising on change in tax status of subsidiaries	—	—	(1,017)	—	—	(1,017)
Currency translation difference	—	—	—	—	4,360	4,360
Total recognised income and expenses						**11,494**
Distribution of capital	—	(68)	(1,453)	—	—	(1,521)
Gains less losses on transactions with minority interests	—	—	1,757	—	—	1,757
Remeasurement of loans from equity holders to market terms	—	130	—	—	—	130
Deferred tax effect on remeasurement of loans	—	(33)	—		—	(33)
Contributions by equity holders	56	326	—	—	—	382
As at 31 December 2005	**60**	**1,296**	**29,358**	**—**	**(296)**	**30,418**
Net profit	—	—	6,400	—	—	6,400
Currency translation difference	—	50	—	—	(3,995)	(3,945)
Change in fair value of promissory notes available-for-sale	—	—	—	(35)	—	(35)
Total recognised income and expenses						**2,420**
Gains less losses on transactions with minority interest	—	3,571	—	—	—	3,571
Proceeds from share issue	140	—	—	—	—	140
Proceeds from IPO	50	24,503	—	—	—	24,553
Costs of IPO	—	(2,319)	—	—	—	(2,319)
Contributions from equity holders	—	279	—	—	—	279
As at 31 December 2006	**250**	**27,380**	**35,758**	**(35)**	**(4,291)**	**59,062**

The pro-forma consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the pro-forma consolidated financial statements set out on pages f95 to f121.

Notes to the pro-forma consolidated financial statements

1. Background

Organization and operations

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

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

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 are 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.

The pro-forma consolidated financial statements include the Company and its subsidiaries (the Group).

The principal operation of the Group is production of sugar. The Group's sugar plants and croplands are located in the Poltava and Vinnytsia regions 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 that result from the crop rotation necessary for sugar beet cultivation. The sugar production activities, including by-products and crop rotation related products, account for not less than 90% of the revenues of the Group.

A cattle farming operation is an additional, non-core activity.

These pro-forma consolidated financial statements provide financial information as at and for the year ended 31 December 2006. Management presents these pro-forma consolidated financial information as if the Group was formed as a legal entity as at 31 December 2004.

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 pro-forma 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 pro-forma consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

Note 2(c) contains a description of pro-forma adjustments applied to these financial statements.

The Group adopted the amended versions of IFRS that are effective for accounting periods beginning on 1 January 2006. The comparative figures as at 31 December 2005 are adjusted to conform to changes in presentation of the pro-forma consolidated financial statements as at 31 December 2006 as required by the amended IFRSs.

(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 so as to obtain benefits from it activities. The financial statements of subsidiaries are included in the pro-forma 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 pro-forma consolidated financial statements include the Company's share of the total recognized gains and losses of associates 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 discounted except to the extent that the Company has incurred obligations in respect of the associate.

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

Changes in the Group's composition occurring during the year ended 31 December 2006 are as follows:

On 30 April 2006, ASTARTA Holding N.V. acquired 97.98% of the capital of LLC «Agricultural company «Mriya».

On 4 September 2006, ASTARTA Holding N.V. acquired 79.98% of the capital of LLC «Agricultural company «Shevchenko».

On 5 October 2006, ASTARTA Holding N.V. acquired 90.11% of the capital of LLC «Zoria» (Novo-Sanzharskiy region).

On 7 October 2006, ASTARTA Holding N.V. acquired 97.98% of the capital of LLC «Dobrobut» (Novo-Sanzharskiy region).

On 13 October 2006, ASTARTA Holding N.V. acquired 97.98% of the capital of LLC «Baliasne».

On 12 December 2006, ASTARTA Holding N.V. acquired 79.98% of the capital of LLC «Agro-Maiak».

Also for the purpose of increasing of control over subsidiaries the Group acquired additional ownership interests from minority shareholders. The subsidiary companies «Agricultural Company «Sofiyivska» and «Agricultural Company «Semenivska» were established.

Included in these pro-forma consolidated financial statements are the entities listed in the table to the right:

Name	Activity	31 December 2006 % of ownership	31 December 2005 % of ownership
Subsidiaries:			
Ancor Investments Ltd	Investment activities	100.00%	100.00%
Astarta-Kyiv	Asset management	99.98%	99.98%
LLC «Agropromtsukor»	Sugar production	99.98%	99.98%
LLC «APO «Tsukrovyk Poltavshchyny»	Sugar production	95.08%	95.08%
LLC «Torgovy dim»	Trade	97.55%	47.54%
LLC «Agricultural company «Zolota Gora»	Agricultural	97.98%	79.98%
LLC «Agricultural company «Dovzhenko»	Agricultural	96.98%	66.99%
LLC «Agricultural company «Gogolevo»	Agricultural	96.98%	66.99%
LLC «Shyshaki combined forage factory»	Production, services	82.71%	82.71%
LLC «Agricultural company «Shyshatska»	Agricultural	97.98%	74.99%
LLC «Agricultural company «Stepove»	Agricultural	97.98%	74.99%
LLC «Agricultural company «Fydrivske»	Agricultural	97.98%	74.99%
LLC «Agricultural company «Troyitska»	Agricultural	97.98%	74.99%
LLC «Agricultural company «Mriya»	Agricultural	97.98%	—
LLC «Agricultural company «Pustoviytove»	Agricultural	99.78%	77.98%
LLC «Agricultural company «Shevchenko»	Agricultural	97.98%	46.79%
LLC «Agricultural company «Grynky»	Agricultural	97.98%	58.49%
LLC «Agricultural company «Ordanivka»	Agricultural	97.98%	74.99%
SC «Agricultural company «Sofiivka»	Agricultural	99.98%	—
LLC «Agricultural company «Kozatsky stan»	Agricultural	97.98%	74.99%
LLC «Agricultural company «Dobrobut»	Agricultural	97.98%	74.99%
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%	63.99%
LLC «Agricultural company «named after Bohdan Khmelnitskiy»	Agricultural	74.99%	74.99%
Globino canning factory «Globus»	Canning production, trade	99.98%	99.98%
SC «Agricultural company «Semenivska»	Agricultural	99.98%	—
LLC «Agricultural company «named after Shevchenko» (Gadiach region)	Agricultural	79.98%	—
LLC «Dobrobut» (Novo-Sanzharskiy region)	Agricultural	97.98%	—
LLC «Zoria» (Novo-Sanzharskiy region)	Agricultural	90.11%	—
LLC «Baliasne»	Agricultural	97.98%	—
LLC «Agro-Maiak»	Agricultural	79.98%	—
Associates:			
LLC «Agricultural company «Stozhary»	Agricultural	25.40%	—
LLC «Agricultural company «Pokrovska»	Agricultural	49.99%	49.99%

Ancor Investments Ltd is incorporated under Cyprus legislation and all other subsidiaries and associates are incorporated in Ukraine.

Notes to the pro-forma consolidated financial statements
continued

(c) Pro-forma adjustments

Certain pro-forma adjustments are made to the financial statements as at and for the year ended 31 December 2006 and 2005. The pro-forma adjustments include:

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 of the Company are not consolidated and accounted for under the equity method in these pro-forma consolidated financial statements because they do not relate to the Group's primary agricultural production and processing business and were disposed during 2006.

These subsidiaries and associates were sold to related parties and are accounted for as if the sale occurred prior to 1 January. Additional investments into these entities after 31 December 2004 are recorded as a distribution of capital.

(d) Acquisition and disposal of minority interests

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

(e) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised gains arising from intercompany transactions, are eliminated in preparing the pro-forma consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised 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 as if the acquisition occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose comparative figures are restated. The assets and liabilities acquired are recognised 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 recognising 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 pro-forma consolidated financial statements are prepared on the fair value basis for 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. All other assets and liabilities are carried at historical cost.

(h) Functional and presentation currency

The Euro (EUR) is the functional and presentation currency of Astarta Holding N.V. The operating subsidiaries and associates 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 pro-forma consolidated financial statements in two currencies, Euro and UAH.

For the purposes of presenting pro-forma 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.

(i) Critical accounting estimates and judgments in applying accounting policies

The preparation of condensed 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 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.

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.

(j) Seasonality of Productionand Markets

The Group's primarily activity is agricultural production. As a consequence, the Group's production activities are subject to seasonality. Significant expenditures for harvesting crops, processing of sugar beet, and preparation of arable lands for the upcoming season of production are required in the fourth quarter.

The principal product of the Group is also subject to seasonal price fluctuations. The season for sugar beet processing lasts from September to December. During this period the supply of sugar increases causing a decrease in market prices of sugar. Sugar prices peak at the end of the second and third quarters due to the decrease in sugar stocks on the domestic market and the increase in demand for products with sugar content.

3. Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the pro-forma consolidated financial statements.

(a) Changes in accounting policies

Certain new and amended IFRSs and IASs became effective on 1 January 2006. Listed below are these new or amended standards that are or in the future could be relevant to operations. The changes in accounting policies are applied retroactively unless otherwise stated.

International Financial Reporting Standard IAS 36 Impairment of Assets (revised 2005) requires impairment tests of intangible assets not yet available for use and intangible assets with an indefinite useful life to be performed at least annually. The revised International Financial Reporting Standard IAS 36 is applied in accordance with transitional provisions to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2005 and to all other assets prospectively from 1 January 2006.

Amendment to International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement — The Fair Value Option is effective for annual periods beginning on or after 1 January 2006. The amendment restricts the designation of financial instruments as «at fair value through profit or loss».

Amendment to International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement and International Financial Reporting Standard 4 Insurance Contracts — Financial Guarantee Contracts introduce the financial guarantee contracts concept, and are effective for annual periods beginning on or after 1 January 2006. These amendments require guarantees that are not insurance contracts to be measured at fair value upon initial recognition. Management treats its guarantee contracts as insurance arrangements.

International Financial Reporting Standard IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies for annual periods beginning on or after 1 January 2006 and specifiesand specifies the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.

International Financial Reporting Interpretation Committee IFRIC 4 Determining Whether an Arrangement Contains a Lease is effective for annual periods beginning on or after 1 January 2006. The interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.

There was no impact on opening retained earnings arising from the adoption of any of the above-mentioned standards or amendments.

In addition, in 2006 the Group changed the way it accounts for certain biological assets. Prior to 2006, certain types of crops such as winter wheat and barley were classified as inventories and carried at cost until the time they were harvested. These crops were not carried at fair value less estimated point-of-sale costs in accordance with International Financial Reporting Standard IAS 41 Agriculture because of the lack of market determined prices or alternative valuation techniques.

Because of the developing market in Ukraine in 2006, management determined that market determined prices could be obtained for these crops and, accordingly, in the 2006 financial statements these crops are shown as biological assets and are carried at fair value less estimated point-of-sale costs.

This change in accounting policy had the following impact on the pro-forma consolidated financial statements as at and for the year ended 31 December 2006.

	Increase (decrease)	
	In thousands of Ukrainian hryvnias	In thousands of Euros
Biological assets	21,908	3,294
Change in fair value of biological assets	9,561	1,503
Basic and diluted earnings per share	0.38	0.06

It is not practicable to determine the effects of this change in accounting on the pro-forma consolidated financial statements as at and for the year ended 31 December 2005.

(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 condensed consolidated financial statements are as follows:

Currency	2006	2005
USD	5.0500	5.0500
EUR	6.6508	5.9720

As at the date of these pro-forma consolidated financial statements the exchange rate is UAH 5.0500 to USD 1.00 and UAH 6.7771 to EUR 1.00.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment acquired before 1 January 2003 are stated at deemed cost less accumulated depreciation and impairment losses. Deemed cost is based on the fair values of property, plant and equipment as at 1 January 2003 based on an independent appraisal. Items of property, plant and equipment 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 labour and an appropriate proportion of production overheads.

Notes to the pro-forma consolidated financial statements
continued

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.

(ii) 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.

(iii) Subsequent expenditure

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

(iv) Depreciation

Depreciation 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.

The estimated useful lives are as follows:

Buildings	20—50 years
Production equipment	10—20 years
Furniture and office equipment	3—5 years
Vehicles	5—10 years

(d) Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, consist mainly computer software and are stated at cost less accumulated amortisation and impairment losses.

(e) Biological assets

The Group classifies cattle 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.

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.

(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 sale 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.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's 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 as 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, attributable transaction costs 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 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, labour 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

(i) 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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred profit or loss.

(ii) Reversal of impairment

An impairment loss is reserved if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(iii) Non-financial assets

The carrying amounts of the Group's 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 recognised 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.

An impairment loss is 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 been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(l) Share capital and earnings per share

Earnings per share is 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) Other accounts payable

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

(p) Income tax

Companies within the Group that are involved in agricultural business are exempt from income taxes in Ukraine until 31 December 2009. These companies are subject to a flat agricultural tax calculated as 0.15% in 2006 of the cadastre value of land used (2005: 0.15%). To qualify for the agricultural tax, the exempt entities must be involved in agricultural production activities and sales of agricultural production must not be less than 75 percent of the total sales for the entity. The agricultural tax is included in cost of revenue.

For other 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 recognised for companies within the Group 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.

(q) Government subsidies

The certain companies in the Group are entitled to receive government subsidies.

Value Added Tax (VAT) that the Group would otherwise be required to remit to the government can be retained and used for certain qualifying expenditures. 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

Notes to the pro-forma consolidated financial statements
continued

maintained in restricted bank accounts. Once qualifying expenditures are made from the restricted bank accounts, the subsidy is recognized in other operating income.

Companies in the Group that are subject to the flat agricultural tax 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. The Group also receives amounts ranging from UAH 55 to UAH 100 per hectare for production of certain winter and spring crops. The amounts of reimbursement are based on a variety of factors. The Group recognises these subsidies when received due to the uncertainty in amount and timing of receipt.

(r) 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.

(s) Non-monetary transactions

The Group has a significant level of 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 5% of revenues and purchases in 2006 are received and paid for in the form of non-cash transactions (2005: 11%). 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.

(t) Expenses

Expenses are accounted for on an accrual basis.

(u) 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.

(v) Net financial expense

Net financial expense comprise interest expense on borrowings, interest income on funds invested and dividend income, if any.

All interest 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.

(w) 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 pro-forma consolidated financial statements.

(x) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the pro-forma 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.

(y) 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:

IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for any entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect Group's financial instruments and share capital.

IFRS 8 Operating Segments is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the «management approach» to segment reporting.

IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the group's 2007 financial statements, with retrospective application required.

IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e. 1 January 2004).

Management plans to adopt these new standards and amendments in its annual financial statements when they become effective. Management has not yet analyzed the likely impact of these standards and interpretations on the financial or performance.

4. Acquisition of subsidiaries

During 2006 the Group acquired the following companies:

Name	Country of incorporation	Activity	Date of acquisition	% of ownership as at 31 December 2006
LLC «Agricultural Company «Mriya»	Ukraine	Agricultural	30/04/2006	97.98%
LLC «Agricultural Company «named after Shevchenko» (Gadiach region)	Ukraine	Agricultural	4/09/2006	79.98%
LLC «Dobrobut» (Novo-Sanzharskiy region)	Ukraine	Agricultural	7/10/2006	97.98%
LLC «Zoria» (Novo-Sanzharskiy region)	Ukraine	Agricultural	5/10/2006	90.11%
LLC «Baliasne»	Ukraine	Agricultural	13/10/2006	97.98%
LLC «Agro-Maiak»	Ukraine	Agricultural	12/12/2006	79.98%

The acquisition of these companies had the following effect on assets and liabilities as at the date they were acquired:

	Recognised fair value at acquisition	
	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Non-current assets		
Property, plant and equipment	17,930	2,818
Biological assets	2,496	386
Financial investments	487	73
Current assets		
Inventories	15,519	2,400
Biological assets	5,681	883
Trade accounts receivable	4,129	652
Other accounts receivable and prepayments	1,227	193
Cash and cash equivalents	462	72
Non-current liabilities		
Long-term loans and borrowings	(479)	(74)
Current liabilities		
Bank loans	(4,091)	(639)
Trade accounts payable	(9,372)	(1,456)
Other liabilities and accounts payable	(3,803)	(587)
Minority interest acquired	(4,175)	(640)
Net identifiable assets, liabilities and contingent liabilities	26,011	4,081
Excess of net assets acquired over consideration paid	22,831	3,589
Currency translation difference	—	(3)
Consideration paid	3,180	495
Cash acquired	462	72
Net cash outflow	2,718	423

Notes to the pro-forma consolidated financial statements
continued

During 2005 the Group acquired the following companies involved in agricultural activities:

Name	Country of incorporation	Activity	Date of acquisition	% of ownership as at 31 December 2005
LLC «Agricultural Company «Dovzhenko»	Ukraine	Agricultural	10/01/2005	67.00%
LLC «Agricultural Company «Musievske»	Ukraine	Agricultural	19/09/2005	75.00%
LLC «Zorya»	Ukraine	Agricultural	14/10/2005	75.00%
LLC «Bohdan Khmelnitskiy»	Ukraine	Agricultural	7/10/2005	75.00%
LLC «Nadiya»	Ukraine	Agricultural	21/10/2005	75.00%

The acquisition of these companies had the following effect on assets and liabilities as at the date they were acquired:

	Recognised fair value at acquisition	
	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Non-current assets		
Property, plant and equipment	12,634	1,978
Biological assets	6,454	1,010
Current assets		
Inventories	8,530	1,335
Biological assets	4,248	665
Trade accounts receivable	234	37
Other accounts receivable and prepayments	8,025	1,257
Cash and cash equivalents	127	19
Non-current liabilities		
Long-term loans and borrowings	(1,314)	(206)
Current liabilities		
Bank loans	(810)	(127)
Current portion of long-term loans and borrowings	(25)	(4)
Trade accounts payable	(1,390)	(218)
Other liabilities and accounts payable	(9,995)	(1,565)
Minority interest acquired	(7,628)	(1,194)
Net identifiable assets, liabilities and contingent liabilities	**19,090**	**2,987**
Excess of net assets acquired over consideration paid	18,819	2,945
Consideration paid	271	42
Cash acquired	127	19
Net cash outflow	**144**	**23**

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 2006 had the acquisitions occurred on 1 January 2006.

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.

5. Property, plant and equipment

Management commissioned an independent appraiser to appraise property, plant and equipment as at 1 January 2003 in order to determine its deemed cost for the purpose of the Group's first IFRS financial statements. The fair value was determined primarily by reference to depreciated replacement cost.

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

(In thousands of Ukrainian hryvnias)	Buildings and construction	Machines and equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost						
1 January 2006	**94,415**	**76,516**	**22,056**	**392**	**2,458**	**195,837**
Additions	—	—	—	—	69,251	69,251
Additions from acquisition of subsidiaries	12,560	3,082	2,288	—	—	17,930
Disposals	(3,535)	(1,826)	(1,063)	—	(390)	(6,814)
Transfers	5,655	39,311	12,682	1,190	(58,838)	—
31 December 2006	**109,095**	**117,083**	**35,963**	**1,582**	**12,481**	**276,204**
Accumulated depreciation						
1 January 2006	**7,876**	**27,240**	**8,697**	**57**	**—**	**43,870**
Depreciation charge	3,557	16,858	3,965	107	—	24,487
Disposals	(222)	(987)	(479)	—	—	(1,688)
31 December 2006	**11,211**	**43,111**	**12,183**	**164**	**—**	**66,669**
Net book value 31 December 2006	**97,884**	**73,972**	**23,780**	**1,418**	**12,481**	**209,535**

As at 31 December 2006 property and equipment with a carrying amount of UAH 144,864 thousand is pledged to secure bank loans (notes 13 and 14).

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

(In thousands of Euros)	Buildings and construction	Machines and equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost						
1 January 2006	**15,813**	**12,811**	**3,692**	**66**	**413**	**32,795**
Additions	—	—	—	—	10,886	10,886
Additions from acquisition of subsidiaries	1,974	484	360	—	—	2,818
Disposals	(556)	(287)	(167)	—	(61)	(1,071)
Transfers	889	6,179	1,994	187	(9,249)	—
Currency translation difference	(1,717)	(1,583)	(472)	(15)	(112)	(3,899)
31 December 2006	**16,403**	**17,604**	**5,407**	**238**	**1,877**	**41,529**
Accumulated depreciation						
1 January 2006	**1,319**	**4,562**	**1,456**	**10**	**—**	**7,347**
Depreciation charge	559	2,650	623	17	—	3,849
Disposals	(35)	(155)	(75)	—	—	(265)
Currency translation difference	(158)	(575)	(172)	(2)	—	(907)
31 December 2006	**1,685**	**6,482**	**1,832**	**25**	**—**	**10,024**
Net book value 31 December 2006	**14,718**	**11,122**	**3,575**	**213**	**1,877**	**31,505**

As at 31 December 2006, property and equipment with a carrying value of Euro 21,787 thousand is pledged to secure bank loans (notes 13 and 14).

Notes to the pro-forma consolidated financial statements
continued

A summary of activity in property, plant equipment for the year ended 31 December 2005 is as follows:

(In thousands of Ukrainian hryvnias)	Buildings and construction	Machines and equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost						
1 January 2005	**76,841**	**49,632**	**16,942**	**6**	**440**	**143,861**
Additions	—	—	—	—	41,909	41,909
Additions from acquisition of subsidiaries	9,614	2,039	921	24	36	12,634
Disposals	(907)	(1,053)	(593)	(14)	—	(2,567)
Transfers	8,867	25,898	4,786	376	(39,927)	—
31 December 2005	**94,415**	**76,516**	**22,056**	**392**	**2,458**	**195,837**
Accumulated depreciation						
1 January 2005	**4,928**	**13,943**	**5,600**	**5**	**—**	**24,476**
Depreciation charge	2,956	13,736	3,525	55	—	20,272
Disposals	(8)	(439)	(428)	(3)	—	(878)
31 December 2005	**7,876**	**27,240**	**8,697**	**57**	**—**	**43,870**
Net book value 31 December 2005	**86,539**	**49,276**	**13,359**	**335**	**2,458**	**151,967**

As at 31 December 2005 property and equipment with a carrying amount of UAH 58,289 thousand is pledged to secure bank loans (notes 13 and 14).

A summary of activity in property, plant equipment for the year ended 31 December 2005 is as follows:

(in thousands of Euros)	Buildings and construction	Machines and equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost						
1 January 2005	**10,649**	**6,875**	**2,346**	**1**	**61**	**19,932**
Additions	—	—	—	—	6,559	6,559
Additions from acquisition of subsidiaries	1,505	319	144	4	6	1,978
Disposals	(142)	(165)	(93)	(2)	—	(402)
Transfers	1,388	4,053	749	59	(6,249)	—
Currency translation difference	2,413	1,729	546	4	36	4,728
31 December 2005	**15,813**	**12,811**	**3,692**	**66**	**413**	**32,795**
Accumulated depreciation						
1 January 2005	**683**	**1,934**	**774**	**—**	**—**	**3,391**
Depreciation charge	463	2,150	552	9	—	3,174
Disposals	(1)	(69)	(67)	—	—	(137)
Currency translation difference	174	547	197	1	—	919
31 December 2005	**1,319**	**4,562**	**1,456**	**10**	**—**	**7,347**
Net book value 31 December 2005	**14,494**	**8,249**	**2,236**	**56**	**413**	**25,448**

As at 31 December 2005, property and equipment with a carrying value of Euro 9,761 thousand is pledged to secure bank loans (notes 13 and 14).

6. Biological assets

As at 31 December biological assets comprise the following groups:

(In thousands of Ukrainian hryvanias)	2006		2005	
	Units	Amount	Units	Amount
Non-current biological assets:				
Cattle	4,772	16,422	3,807	14,496
Other	356	359	193	234
		16,781		**14,730**
Current biological assets:				
Cattle	10,155	13,513	7,179	10,692
Other	5,058	1,802	3,120	377
Plants (hectares)	16,358	21,908	—	—
		37,223		**11,069**
		54,004		**25,799**

(In thousands of Euros)	2006		2005	
	Units	Amount	Units	Amount
Non-current biological assets:				
Cattle	4,772	2,469	3,807	2,427
Other	356	54	193	40
		2,523		**2,467**
Current biological assets:				
Cattle	10,155	2,032	7,179	1,790
Other	5,058	271	3,120	64
Plants (hectares)	16,358	3,294	—	—
		5,597		**1,854**
		8,120		**4,321**

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.

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

(In thousands of Ukrainian hryvnias)	Non-current biological assets	Current biological assets	Total
As at 1 January 2005	**12,294**	**6,973**	**19,267**
Purchases	9	642	651
Additions from acquisition of subsidiaries	6,454	4,248	10,702
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	(3,776)	3,374	(402)
Sales	(251)	(4,168)	(4,419)
As at 31 December 2005	**14,730**	**11,069**	**25,799**
Purchases	68	735	803
Additions from acquisition of subsidiaries	2,496	5,681	8,177
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	(1,986)	29,808	27,822
Transfers	1,580	(1,580)	—
Sales	(107)	(8,490)	(8,597)
As at 31 December 2006	**16,781**	**37,223**	**54,004**

(In thousands of Euros)	Non-current biological assets	Current biological assets	Total
As at 1 January 2005	**1,703**	**966**	**2,669**
Purchases	1	101	102
Additions from acquisition of subsidiaries	1,010	665	1,675
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	(591)	528	(63)
Sales	(39)	(652)	(691)
Currency translation difference	383	246	629
As at 31 December 2005	**2,467**	**1,854**	**4,321**
Purchases	11	115	126
Additions from acquisition of subsidiaries	386	883	1,269
Gain (loss) arising from changes in fair value attributable to physical changes and to changes in market prices	(313)	4,686	4,373
Transfers	248	(248)	—
Sales	(17)	(1,335)	(1,352)
Currency translation difference	(259)	(358)	(617)
As at 31 December 2006	**2,523**	**5,597**	**8,120**

7. Long-term receivables held-to-maturity

Long-term receivables classified as held-to-maturity as at 31 December 2006 are as follows:

	Interest rate	Due date	(In thousands of Ukrainian hryvnias)	(In thousands of Euros)
Bonds receivable from related party	18%	21 June 2009	4,951	744
Investment held-to-maturity	—	21 July 2030	674	101
			5,625	**846**

As at 31 December 2005 the Group did not have any long-term receivables.

8. Inventories

Inventories as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Finished goods:		
sugar production	195,106	89,561
agricultural production	24,385	34,571
Raw materials and consumables for:		
sugar production	15,929	12,251
agricultural production	38,400	14,052
Investments into future crops	31,522	27,921
Total	**305,342**	**178,356**

(In thousands of Euros)	2006	2005
Finished goods:		
sugar production	29,336	14,998
agricultural production	3,666	5,789
Raw materials and consumables for:		
sugar production	2,395	2,051
agricultural production	5,774	2,353
Investments into future crops	4,739	4,676
Total	**45,910**	**29,867**

As at 31 December 2006, inventory with a carrying amount of UAH 101,697 thousand is pledged to secure bank loans (2005: UAH 5,183 thousand) (notes 13 and 14).

As at 31 December 2006, inventories with a carrying amount of EUR 15,218 thousand are pledged to secure bank loans (2005: EUR 868 thousand) (notes 13 and 14).

9. Trade accounts receivable

Trade accounts receivable as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Trade accounts receivable	124,883	52,119
Less provision for impairment (note 16)	(4,356)	(5,140)
	120,527	**46,979**

(In thousands of Euros)	2006	2005
Trade accounts receivable	18,777	8,728
Less provision for impairment (note 16)	(655)	(861)
	18,122	**7,867**

10. Other accounts receivable and prepayments

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

(In thousands of Ukrainian hryvnias)	2006	2005
Other accounts receivable	5,884	11,429
Advances to suppliers	12,806	9,474
Receivable from government	12,367	9,423
Miscellaneous	27,028	14,866
Less provision for impairment (note 16)	(2,999)	(3,880)
	55,086	**41,312**

(In thousands of Euros)	2006	2005
Other accounts receivable	885	1,914
Advances to suppliers	1,925	1,587
Receivable from government	1,860	1,578
Miscellaneous	4,064	2,472
Less provision for impairment (note 16)	(451)	(650)
	8,283	**6,901**

Miscellaneous accounts receivable mainly consist of receivables from sales of biological assets and other inventories.

Notes to the pro-forma consolidated financial statements
continued

11. Share capital

Share capital as at 31 December is as follows:

(In thousands of Ukrainian hryvnias)	2006		2005	
	Amount	**%**	**Amount**	**%**
ASTARTA Holding N.V.				
Ivanchyk V.P.	665	40.00%	179	50.00%
Korotkov V.M.	665	40.00%	179	50.00%
«East Capital Asset Management AB»	84	5.03%	—	—
Other shareholders	249	14.97%	—	—
	1,663	**100.00%**	**358**	**100.00%**

During 2006 equity holders made payments of UAH 1,776 thousand for certain expenses for services incurred by the Group (2005: UAH 2,077 thousand). Such contributions are presented as additional paid-in capital.

(In thousands of Ukrainian hryvnias)	2006		2005	
	Amount	**%**	**Amount**	**%**
ASTARTA Holding N.V.				
Ivanchyk V.P.	100	40.00%	30	50.00%
Korotkov V.M.	100	40.00%	30	50.00%
«East Capital Asset Management AB»	13	5.03%	—	—
Other shareholders	37	14.97%	—	—
	250	**100.00%**	**60**	**100.00%**

During 2005 equity holders made payments of EUR 279 thousand for certain expenses for services incurred by the Group (2005: UAH 326 thousand). Such contributions are presented as additional paid-in capital.

On 17 August 2006, 5,000,000 shares were sold in an initial public offering on the Warsaw Stock exchange, for net proceeds of EUR 22,234 thousand.

Dividend policy

The dividend policy is to pay dividends at a level consistent with the Company'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 and until the 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 Company's Articles of Association. All shares carry equal dividend rights.

12. Minority interests

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

(In thousands of Ukrainian hryvnias)	2006	2005
Balance as at 1 January	**52,129**	**43,126**
Share in profit	(4,056)	9,598
Contributions by minority interests	—	3,339
Gains less losses on transactions with minority interests	(22,714)	(11,228)
Deferred tax arising on change in tax status of certain companies	—	(334)
Acquisition from minority shareholders	(15,573)	—
Minority interests acquired with new subsidiaries (note 4)	4,175	7,628
Balance as at 31 December	**13,961**	**52,129**

(In thousands of Euros)	2006	2005
Balance as at 1 January	**8,729**	**5,975**
Share in profit	(637)	1,502
Contributions by minority interests	—	523
Gains less losses on transactions with minority interests	(3,571)	(1,757)
Deferred tax arising on change in tax status of certain companies	—	(52)
Acquisition from minority shareholders	(2,448)	—
Minority interests acquired with new subsidiaries (note 4)	640	1,194
Currency translation difference	(613)	1,344
Balance as at 31 December	**2,099**	**8,729**

13. Loans and borrowings

This note provides information about the contractual terms of loans and borrowings. Refer to note 26 for more information about the Group's exposure to interest rate and foreign currency risk.

Loans and borrowings as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Non-current portion:		
Borrowings from related parties	3,553	16,950
Bank loans	24,271	28,280
Bonds payable	27,925	15,000
	55,749	**60,230**
Current portion		
Bank loans	20,911	3,483
	76,660	**63,713**

(In thousands of Euros)	2006	2005
Non-current portion:		
Borrowings from related parties	534	2,838
Bank loans	3,649	4,736
Bonds payable	4,199	2,512
	8,382	**10,086**
Current portion		
Bank loans	3,144	583
	11,526	**10,669**

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 167) and as at 31 December 2006 UAH 14,580 thousand (EUR 2,193 thousand) are outstanding (2005: UAH 15,000 (EUR2,505). The bonds pay fixed interest at 17% and are subject to redemption and further placement semi-annually beginning November 2005 until July 2008.

On 16 June 2006 Astarta-Kyiv issued Series A bonds totaling UAH 15,000 thousand (EUR 2,254 thousand) and as at 31 December 2006 UAH 13,345 thousand (EUR 2,006 thousand) are outstanding. The bonds mature on 16 June 2009 and bear initial interest at 18% per annum.

On 26 June 2006 LLC «APO «Tsukrovyk Poltavschyny» issued Series B bonds totaling UAH 15,000 thousand (EUR 2,254 thousand). No bonds are outstanding as at 31 December 2006. The bonds mature on 24 June 2009 and bear initial interest at 18% per annum, payable quarterly.

Notes to the pro-forma consolidated financial statements
continued

Terms schedule

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

(In thousands of Ukrainian hryvnias)	Interest type	Effective interest rate	Nominal interest rate	2006	2005
Loans from local banks received in UAH	Fixed	15.0%	15.0%	1,547	—
Loans from local banks received in UAH	Fixed	16.0%	16.0%	6,343	—
Loans from local banks received in UAH	Fixed	17.0%	17.0%	20,512	16,967
Loans from local banks received in UAH	Fixed	18.0%	18.0%	13,945	13,832
Loans from local banks received in UAH	Fixed	20.0%	20.0%	805	964
Loans from local banks received in UAH	Fixed	24.0%	24.0%	21	—
Loans from local banks received in Euro	Fixed	7.0%	7.0%	2,009	—
Other long-term borrowings received from non-resident non-financial institutions in USD (related party)	Fixed	14.0%	0.5%	—	7,051
Other long-term borrowings received from non-resident non-financial institutions in USD (related party)	Fixed	14.0%	10.0%	2,151	8,711
Other long-term borrowings received from a local non-financial institution in UAH (related party)	Fixed	18.0%	0.0%	1,402	1,188
Bonds payable	Fixed	18.0%	17.0%	27,925	15,000
				76,660	**63,713**

(In thousands of Euros)	Interest type	Effective interest rate	Nominal interest rate	2006	2005
Loans from local banks received in UAH	Fixed	15.0%	15.0%	232	—
Loans from local banks received in UAH	Fixed	16.0%	16.0%	954	—
Loans from local banks received in UAH	Fixed	17.0%	17.0%	3,084	2,841
Loans from local banks received in UAH	Fixed	18.0%	18.0%	2,097	2,316
Loans from local banks received in UAH	Fixed	20.0%	20.0%	121	161
Loans from local banks received in UAH	Fixed	24.0%	24.0%	3	—
Loans from local banks received in Euro	Fixed	7.0%	7.0%	302	—
Other long-term borrowings received from non-resident non-financial institutions in USD (related party)	Fixed	14.0%	0.5%	—	1,181
Other long-term borrowings received from non-resident non-financial institutions in USD (related party)	Fixed	14.0%	10.0%	323	1,459
Other long-term borrowings received from a local non-financial institution in UAH (related party)	Fixed	18.0%	0%	211	199
Bonds payable	Fixed	18.0%	17.0%	4,199	2,512
				11,526	**10,669**

Bank loans are secured by inventories, biological assets and property and equipment.

Repayment schedule

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

(In thousands of Ukrainian hryvnias)	2006	2005
Less than one year	20,911	3,483
From one to five years	55,749	60,230
	76,660	**63,713**

(In thousands of Euros)	2006	2005
Less than one year	3,144	583
From one to five years	8,382	10,086
	11,526	**10,669**

14. Bank loans

Bank loans as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	Interest type	Interest rates	2006	2005
Loans from local banks received in UAH	Fixed	16.0%	160,135	—
Loans from local banks received in UAH	Fixed	17.0%	2,550	—
Loans from local banks received in UAH	Fixed	18.0%	413	—
Loans from local banks received in UAH	Fixed	19.0%	300	—
Loans from local banks received in UAH	Fixed	17.0%—21.0%	—	67,413
Bank overdraft in UAH	Fixed	Up to 21.0%	—	99
			163,398	**67,512**

(In thousands of Euros)	Interest type	Interest rates	2006	2005
Loans from local banks received in UAH	Fixed	16.0%	24,078	—
Loans from local banks received in UAH	Fixed	17.0%	383	—
Loans from local banks received in UAH	Fixed	18.0%	62	—
Loans from local banks received in UAH	Fixed	19.0%	45	—
Loans from local banks received in UAH	Fixed	17.0%—21.0%	—	11,289
Bank overdraft in UAH	Fixed	Up to 21.0%	—	16
			24,568	**11,305**

All bank loans are due within 12 months and are secured by inventories, biological assets and property and equipment.

15. Other liabilities and accounts payable

Other accounts payable as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
VAT payable	904	15,913
Advances received from customers	1,852	11,533
Settlements with land and fixed asset lessors	6,202	4,631
Accounts payable to government	2,906	3,275
Salaries payable	6,950	3,445
Social insurance	2,033	723
Deferred government subsidy	175	2,973
Other	—	7,281
	21,022	**49,774**

(In thousands of Euros)	2006	2005
VAT payable	136	2,665
Advances received from customers	278	1,931
Settlements with land and fixed asset lessors	933	776
Accounts payable to government	437	548
Salaries payable	1,045	577
Social insurance	306	121
Deferred government subsidy	26	498
Other	—	1,218
	3,161	**8,334**

16. 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:

(In thousands of Ukrainian hryvnias)	2006	2005
Trade accounts receivable (note 9)	4,356	5,140
Other accounts receivable (note 10)	2,999	3,880
	7,355	**9,020**

(In thousands of Euros)	2006	2005
Trade accounts receivable (note 9)	655	861
Other accounts receivable (note 10)	451	650
	1,106	**1,511**

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

(In thousands of Ukrainian hryvnias)	2006	2005
Balance at 1 January	**9,020**	**7,362**
Charge in income statement (note 21)	3,367	3,806
Amounts written off	(5,032)	(2,148)
Balance as at 31 December	**7,355**	**9,020**

(In thousands of Euros)	2006	2005
Balance at 1 January	**1,511**	**1,020**
Charge in income statement (note 21)	529	596
Amounts written off	(791)	(336)
Currency translation difference	(143)	231
Balance as at 31 December	**1,106**	**1,511**

Notes to the pro-forma consolidated financial statements
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17. Revenues

Revenues for the year ended 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Sugar and related business:		
Sugar	250,150	173,012
Molasses	14,603	11,994
Pulp	6,699	5,574
Crops	72,287	51,278
Services rendered under barter terms	22,018	35,838
Other sugar related business	41,591	26,011
Total sugar and related business	**407,348**	**303,707**
Cattle farming	**25,574**	**27,161**
Total	**432,922**	**330,868**

For the year ended 31 December 2006 sales totalling UAH 22,018 thousand were settled through barter transactions, which does not result in a net cash inflow from operations (2005: UAH 35,838 thousand).

(In thousands of Euros)	2006	2005
Sugar and related business:		
Sugar	39,321	27,077
Molasses	2,295	1,877
Pulp	1,053	872
Crops	11,363	8,025
Services rendered under barter terms	3,461	5,609
Other sugar related business	6,538	4,072
Total sugar and related business	**64,031**	**47,532**
Cattle farming	**4,020**	**4,251**
Total	**68,051**	**51,783**

For the year ended 31 December 2006, sales totalling Euro 3,461 thousand were settled through barter transactions, which does not result in a net cash inflow from year operations (2005: Euro 5,069 thousand).

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

18. Cost of revenues

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

(In thousand of Ukrainian hryvnias)	2006	2005
Sugar and related business:		
Sugar	191,907	124,414
Molasses	9,065	5,406
Pulp	6,753	2,237
Crops	65,712	37,623
Services rendered under barter terms	14,514	33,261
Other sugar related business	36,191	13,603
Total sugar and related business	**324,142**	**216,544**
Cattle farming	**27,630**	**19,494**
Total	**351,772**	**236,038**

(In thousand of Euros)	2006	2005
Sugar and related business:		
Sugar	30,166	19,472
Molasses	1,425	846
Pulp	1,062	350
Crops	10,329	5,888
Services rendered under barter terms	2,281	5,206
Other sugar related business	5,689	2,129
Total sugar and related business	**50,952**	**33,891**
Cattle farming	**4,343**	**3,051**
Total	**55,295**	**36,942**

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

(In thousand of Ukrainian hryvnias)	2006	2005
Raw materials	119,954	55,140
Fuel and electricity	54,775	38,110
Fertilizers	37,580	36,623
Transportation	34,880	30,335
Other materials	30,128	23,205
Payroll and related charges	32,859	19,027
Depreciation	15,223	15,224
Change in carrying value of inventories	3,732	3,953
Maintenance	5,051	2,090
Other	17,590	12,331
Total	**351,772**	**236,038**

(In thousand of Euros)	2006	2005
Raw materials	18,855	8,630
Fuel and electricity	8,610	5,964
Fertilizers	5,907	5,732
Transportation	5,483	4,748
Other materials	4,736	3,632
Payroll and related charges	5,165	2,978
Depreciation	2,393	2,383
Change in carrying value of inventories	587	619
Maintenance	794	327
Other	2,765	1,929
Total	**55,295**	**36,942**

19. Other operating income

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

(In thousands of Ukrainian hryvnias)	2006	2005
Government subsidies relating to VAT	5,290	10,500
Government subsidies relating to interest and financing costs	3,906	4,382
Government subsidies relating to agriculture	9,494	—
Changes in fair value of biological assets	9,561	6,487
Penalties	37	—
Other	4,932	1,888
	33,220	**23,257**

(In thousands of Euros)	2006	2005
Government subsidies relating to VAT	832	1,643
Government subsidies relating to interest and financing costs	614	686
Government subsidies relating to agriculture	1,492	—
Changes in fair value of biological assets	1,503	1,015
Penalties	6	—
Other	775	296
	5,222	**3,640**

20. General and administrative expense

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

(In thousands of Ukrainian hryvnias)	2006	2005
Salary and related charges	16,994	9,056
Depreciation	2,313	5,048
Professional services	4,327	2,990
Materials	1,971	1,734
Transportation	3,139	931
Communication	1,508	958
Maintenance	2,936	892
Other	4,705	4,108
	37,893	**25,717**

(In thousands of Euros)	2006	2005
Salary and related charges	2,671	1,417
Depreciation	364	790
Professional services	680	468
Materials	310	271
Communication	237	150
Transportation	493	146
Maintenance	461	140
Other	740	643
	5,956	**4,025**

Other general and administrative expense mainly includes rental fees, canteen costs and other miscellaneous expenses.

21. Selling and distribution expense

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

(In thousands of Ukrainian hryvnias)	2006	2005
Transportation	6,847	13,007
Impairment provision on trade and other accounts receivable (note 16)	3,367	3,806
Salary and related charges	3,586	1,454
Advertising	355	936
Commissions	695	821
Professional services	428	121
Other	4,189	954
	19,467	**21,099**

(In thousands of Euros)	2006	2005
Transportation	1,076	2,036
Impairment provision on trade and other accounts receivable (note 16)	529	596
Salary and related charges	564	228
Advertising	56	146
Commissions	109	128
Professional services	67	19
Other	659	148
	3,060	**3,301**

22. Other operating expense

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

(In thousands of Ukrainian hryvnias)	2006	2005
Changes in fair value of biological assets	7,735	6,889
Charity	1,191	848
Other	9,104	7,960
	18,030	**15,697**

(In thousands of Euros)	2006	2005
Changes in fair value of biological assets	1,216	1,078
Charity	187	133
Other	1,431	1,246
	2,834	**2,457**

Notes to the pro-forma consolidated financial statements
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23. Net financial expense

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

(In thousands of Ukrainian hryvnias)	2006	2005
Interest expense	22,538	19,126
Financial expense (income)	13,073	(3,665)
	35,611	**15,461**

(In thousands of Euros)	2006	2005
Interest expense	3,543	2,993
Financial expense (income)	2,054	(573)
	5,597	**2,420**

24. Other income (expense)

Other income (expense) for the years ended 31 December 2006 and 2005, consists mainly of gain (loss) on disposal of fixed assets and non-recurring income and expenses.

25. 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:

(In thousands of Ukrainian hryvnias)	2006	2005
Current	394	457
Deferred	(2,026)	(2,926)
Total income tax benefit	**(1,632)**	**(2,469)**

(In thousands of Euros)	2006	2005
Current	63	72
Deferred	(319)	(458)
Total income tax benefit	**(256)**	**(386)**

The corporate income tax rate is 25% in 2006 and 2005.

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:

(In thousands of Ukrainian hryvnias)	Companies subject to income tax	Companies not subject to income tax	Total
Year ended 31 December 2006			
Profit before tax	**7,905**	**27,120**	**35,025**
Income tax benefit at statutory rate	1,976	—	1,976
Non-taxable items	(3,608)	—	(3,608)
Income tax benefit	(1,632)	—	(1,632)
Year ended 31 December 2005			
Profit (loss) before tax	**(8,282)**	**67,493**	**59,211**
Income tax benefit at statutory rate	(2,071)	—	(2,071)
Change in the tax status of certain companies	(911)	—	(911)
Non-deductible/non-taxable items	513	—	513
Income tax benefit	**(2,469)**	**—**	**(2,469)**

(In thousands of Euros)	Companies subject to income tax	Companies not subject to income tax	Total
Year ended 31 December 2006			
Profit before tax	**1,244**	**4,263**	**5,507**
Income tax benefit at statutory rate	311	—	311
Non-taxable items	(567)	—	(567)
Income tax benefit	**(256)**	**—**	**(256)**
Year ended 31 December 2005			
Profit (loss) before tax	**(1,296)**	**10,563**	**9,267**
Income tax benefit at statutory rate	(324)	—	(324)
Change in the tax status of certain companies	(143)	—	(143)
Non-deductible/non-taxable items	81	—	81
Income tax benefit	**(386)**	**—**	**(386)**

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

(In thousands of Ukrainian hryvnias)	1 January 2006	Recognized in income statement	31 December 2006
Property, plant and equipment	(8,768)	4,484	(4,284)
Investments in subsidiaries and associates	—	1,081	1,081
Inventories	2,606	(13,043)	(10,437)
Trade accounts receivable	66	738	804
Advances made	(126)	(575)	(701)
Other accounts receivable	(42)	557	515
Long-term loans and borrowings	(1,191)	1,399	208
Bank loans	(203)	203	—
Trade accounts payable	486	(472)	14
Promissory notes issued	(2,227)	16	(2,211)
Other accounts payable	2,492	7,638	10,130
Net deferred tax liability	**(6,907)**	**2,026**	**(4,881)**

(In thousands of Ukrainian hryvnias)	1 January 2005	Recognized in income statement	Recognized in equity	Recognised in minority interest	31 December 2005
Property, plant and equipment	(1,354)	(265)	(6,799)	(350)	(8,768)
Inventories	(29)	1,274	1,294	67	2,606
Trade accounts receivable	355	1,036	(1,260)	(65)	66
Advances made	—	(337)	201	10	(126)
Other accounts receivable	267	(309)	—	—	(42)
Long-term loans and borrowings	(775)	(209)	(207)	—	(1,191)
Bank loans	—	(203)	—	—	(203)
Trade accounts payable	435	(21)	68	4	486
Promissory notes issued	(2,197)	(30)	—	—	(2,227)
Other accounts payable	502	1,990	—	—	2,492
Net deferred tax liability	**(2,796)**	**2,926**	**(6,703)**	**(334)**	**(6,907)**

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(In thousands of Euros)	1 January 2006	Recognized in income statement	Currency translation difference	31 December 2006
Property, plant and equipment	(1,468)	705	119	(644)
Investments in subsidiaries and associates		170	(8)	162
Inventories	436	(2,050)	45	(1,569)
Trade accounts receivable	28	116	(23)	121
Advances made	(21)	(90)	6	(105)
Other accounts receivable	(7)	87	(3)	77
Long-term loans and borrowings	(199)	220	10	31
Bank loans	(34)	32	2	—
Trade accounts payable	81	(74)	(5)	2
Promissory notes issued	(373)	2	39	(332)
Other accounts payable	417	1,201	(95)	1,523
Net deferred tax liability	**(1,140)**	**319**	**87**	**(734)**

(In thousands of Euros)	1 January 2005	Recognized in income st	Recognized in equity	Recognized in minority interests	Currency translation difference	31 December 2005
Property, plant and equipment	(188)	(42)	(1,064)	(55)	(119)	(1,468)
Inventories	(4)	199	203	10	28	436
Trade accounts receivable	49	164	(197)	(10)	22	28
Advances made	—	(53)	31	2	(1)	(21)
Other accounts receivable	37	(48)	—	—	4	(7)
Long-term loans and borrowings	(107)	(32)	(33)	—	(27)	(199)
Bank loans	—	(32)	—	—	(2)	(34)
Trade accounts payable	60	(4)	10	1	14	81
Promissory notes issued	(304)	(5)	—	—	(64)	(373)
Other accounts payable	70	311	—	—	36	417
Net deferred tax liability	**(387)**	**458**	**(1,050)**	**(52)**	**(109)**	**(1,140)**

26. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

As at 31 December 2006 and 2005, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) 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. Such loans account for over 90% of the Group's total borrowings. The fixed rate levels are determined based on the market environment at the time of borrowing.

(c) Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the measurement currencies of the entities. The currency giving rise to this risk is primarily the USD. Management does not hedge exposure to foreign currency risk.

During the period 2005 to 2006, the Ukrainian hryvnia remained stable against the US dollar. The exchange rate is UAH 5.050 to USD 1.00.

(d) Fair values

Estimated fair values of the financial assets and liabilities have been 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 pro-forma 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.

For all financial assets and liabilities, the carrying value is estimated to approximate the fair value as at 31 December 2006 and 2005.

27. 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 acres of industrial land under non-cancellable lease agreements in its normal course of business.

Non-agricultural activities are located on plots of industrial land, totalling 6,525 hectares as at 31 December 2006 (2005: 1,651 hectares). Sugar plants, other plants (LLC «Shyshaki combined forage factory», Globino canning factory «Globus»), administrative buildings and other non-agricultural buildings and facilities are located on industrial land. Plough-land is leased from local authorities, individuals and legal entities. The total size of leased plough-land as at 31 December 2006 is 90,457 hectares (2005: 66,911 hectares).

The maturity dates for lease agreements concluded with local authorities and individuals as at 31 December 2006 range from 2007 to 2015.

(In thousands of Ukrainian hryvnias)	2006	2005
Industrial land		
Less than one year	1,046	384
From one to five years	2,722	804
More than five years	–	–
	3,768	**1,188**
Plough-land		
Less than one year	12,028	10,779
From one to five years	31,301	26,491
More than five years	4,309	3,746
	47,638	**41,016**
	51,406	**42,204**

(In thousands of Euros)	2006	2005
Industrial land		
Less than one year	157	64
From one to five years	409	134
More than five years	–	–
	566	**198**
Plough-land		
Less than one year	1,809	1,805
From one to five years	4,706	4,436
More than five years	648	627
	7,163	**6,868**
	7,729	**7,066**

28. 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.

Notes to the pro-forma consolidated financial statements
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(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.

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 have been made in these pro-forma consolidated financial statements.

29. 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 of the Group and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined 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 for the year ended 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Revenues	8,382	8,128

(In thousands of Euros)	2006	2005
Revenues	1,318	1,272

(b) Purchases

Purchases of goods and services from related parties for the year ended 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Purchases of goods and services	301,788	4,126

(In thousands of Euros)	2006	2005
Purchases of goods and services	47,438	646

(c) Financial income

Financial income from related parties for the year ended 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Financial income	222	—

(In thousands of Euros)	2006	2005
Financial income	35	—

(d) Receivables

Receivables from related parties as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Accounts receivable — Trade	8,742	13,324
Advances made	—	1,969
Long-term receivables	4,951	—
Other receivables	—	2,026
Other	—	104
	13,693	**17,423**

(In thousands of Euros)	2006	2005
Accounts receivable — Trade	1,314	2,231
Advances made	—	330
Long-term receivables	744	—
Other receivables	—	339
Other	—	18
	2,058	**2,918**

(e) Payables

Payables from related parties as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Accounts payable — Trade	8,133	10,311
Advances received	1	822
Other payables	—	1,215
Other	3,842	—
	11,976	**12,348**

(In thousands of Euros)	2006	2005
Accounts payable — Trade	1,223	1,727
Advances received	—	138
Other payables	—	203
Other	578	—
	1,801	**2,068**

(f) Loans and borrowings

Loans and borrowings from related parties as at 31 December are as follows:

(In thousands of Ukrainian hryvnias)	2006	2005
Non-resident	2,151	15,911
Local	1,402	1,188
	3,553	**17,099**

(In thousands of Euros)	2006	2005
Non-resident	323	2,664
Local	211	199
	534	**2,863**

See note 13 for interest rates and maturity rates for loans and borrowings from related parties.

(g) 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.

(In thousands of Ukrainian hryvnias)	2006	2005
Salary and short term benefits	1,132	577

(In thousands of Euros)	2006	2005
Salary and short term benefits	178	90

30. Events subsequent to the balance sheet date

The following subsequent events as at the date of these pro-forma consolidated financial statements:

Increase of credit limit

In March 2007, Raiffasein Bank Aval Ukraine increased the credit line limit for Astarta-Kyiv from UAH 200 million (EUR 31.2 million) to UAH 240 million (EUR 36.0 million). The credit line limit was increased to secure sugar delivery contracts with FE «Coca-Cola Beverages Ukraine Limited» with a bank guarantee.

Conclusion of contracts

On 31 January 2007 LLC «APO «Tsukrovyk Poltavschyny» (which is structured into a holding company) signed two contracts to purchase agricultural equipment from Amity Technology LLC (USA). Under the terms of the contracts Amity Technology LLC will supply 14 WIC Planters and 10 Wil-Rich Row Crop Cultivators.

The total value of the contracts is USD 1,353 thousand and USD 423 thousand respectively, or equivalent to EUR 1,046 thousand and EUR 327 thousand respectively.

In January 2007 Astarta-Kyiv and FE «Coca-Cola Beverages Ukraine Limited» signed a contract for sugar sales in 2007. Under the terms of the contract LLC Firm «Astarta-Kyiv» will supply FE «Coca-Cola Beverages Ukraine Limited» with sugar according to a monthly schedule. The contract contains standard provisions typical for contracts of such kind.

The acquisition of new agricultural companies

Subsequent to 31 December 2006 the Group made additional acquisitions of agricultural companies as follows:

On 21 March 2007 the Group acquired 99.98% of charted capital of agricultural company LLC «HTZ» (Poltava region, Chutivsky region).

On 28 March 2007 the Group by means of a share purchase acquired control of 71.44% of the share capital of OJSC «Agrocomplex».

On 24 May 2007 the Group acquired 26.93% of the chartered capital of LLC «Agricultural company «Stozhary» followed by additional contribution to the chartered capital of the company. Before the transactions the group owned 25.40% of the chartered capital of LLC «Agricultural company «Stozhary». After the transactions the Group owns 63.99% of the chartered capital of LLC «Agricultural company «Stozhary».

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As a result, as at the date of these pro-forma consolidated financial statements, the ownership structure of the Group in subsidiaries is a follows:

Name	Activity	31 May 2007 % of ownership	31 December 2006 % of ownership
Subsidiaries:			
Ancor Investments Ltd	Investment activities	100.00%	100.00%
Astarta-Kyiv	Asset management	99.98%	99.98%
LLC «Agropromtsukor»	Sugar production	99.98%	99.98%
LLC «APO «Tsukrovyk Poltavshchyny»	Sugar production	95.08%	95.08%
LLC «Torgovy dim»	Trade	97.55%	97.55%
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»	Production, services	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	97.98%	97.98%
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 Khmelnitskiy»	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	79.98%	79.98%
LLC «Dobrobut» (Novo-Sanzharskiy region)	Agricultural	97.98%	97.98%
LLC «Zoria» (Novo-Sanzharskiy region)	Agricultural	90.11%	90.11%
LLC «Baliasne»	Agricultural	97.98%	97.98%
LLC «Agro-Maiak»	Agricultural	79.98%	79.98%
LLC «HTZ»	Agricultural	99.98%	—
OJSC «Agrocomplex»	Agricultural	71.44%	—
LLC «Agricultural company «Stozhary»	Agricultural	63.99%	25.40%
Associates:			
LLC «Agricultural company «Pokrovska»	Agricultural	49.99%	49.99%

The Board of Directors
Mr V.Ivanchyk
Mr P.Rybin
Mr M.M.L.J. van Campen
Mr V.Korotkov
Mr W.T.Bartoszewski

31 May 2007,
Amsterdam, The Netherlands

Fertile ground for investments

The results of the listing of Company's shares in 2006

General information to investors

Table 1. ASTARTA Holding N.V. stock quotation information in 2006

Stock information for the year 2006	2006
Open price (PLN)	19.00
Highest trading price (PLN)	21.50
Lowest trading price (PLN)	16.00
Close price (PLN)	17.09
Year price change	–10.05%
As of 29 December 2006	
EPS	0.24
Price/earnings (P/E)	18.41
Market Capitalization (PLN)	427,250,000.0
Market Capitalization (EUR)	111,518,584.26
Share trading turnover (PLN)	91,941,000.0
Share trading turnover (EUR)	23,997,964.08

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