

## **Ukraine prosecutors search Astarta office, production continues**

### **Bus./Industry**

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**Analyst: "From what we see as the prosecutors' background for the investigation, it is hard to find any crime in selling ammonia among Astarta's subsidiaries for about USD 280/t, which more or less corresponds to market prices in the region."**

KYIV, Sep 7, 2017 – The headquarters of Ukrainian farmer and leading sugar producer Astarta (AST PW) was searched at the initiative of the Prosecutor General's Office on Sept. 6, Concorde Capital informed clients, based on a company report the same day. The bank accounts of some of its subsidiaries have been blocked, the statement said, yet production is continuing as usual. The company said it considers the actions of law enforcement bodies are ill-grounded and excessive, expressing its hope that all the restrictions will be eased in a couple of days. "We are confident that this won't prevent us from reaching high production targets during the important period of sugar production," the company stated. A Kyiv local court ruled on Aug. 30 to block the accounts of three Astarta subsidiaries as a part of an investigation of a large-scale case of alleged tax evasion, according to a state register of court rulings. The details of the investigation are not yet clear. All we can understand from the ruling is that prosecutors are examining the sale of ammonia of Astarta's trading subsidiary, to its five farming and processing subsidiaries, in the amount of 85 kt at a gross value of UAH 715 mln in 2016-2017. Concorde analyst Alexander Paraschiy added: "It does not look normal that the searches are being conducted at the most important time of the year for Astarta: when the company is starting its three-month sugar production campaign and is activating all its sugar plants (just a day before, Astarta reported on the commissioning of its first sugar factory for this season). Such timing raises suspicion that prosecutors might be aiming at causing maximum damage to the company's operations. "Meanwhile, we have no other choice but to believe that all these actions won't harm Astarta's operations, as the company claims. From what we see as the prosecutors' background for the investigation, it is hard to find any crime in selling ammonia among Astarta's subsidiaries for about USD 280/t, which more or less corresponds to market prices in the region. Searches by law enforcement is not something extraordinary for Ukraine. Recall, searches were performed in the headquarters of Kernel (KER PW) in May 2016 and offices of JKC Oil & Gas (JKX LN) in June 2016 and again later, with no damage neither to the companies' operation nor their share prices. Therefore, we do not expect negative consequences for Astarta either.

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