

## Management Presentation

# MCB AGRICOLE HOLDING AG

Living off the land

ROADTORECOVERY  
CONCORDE CAPITAL  
SPRING CONFERENCE  
MARCH 4-5 2010 KYIV

March, 2010

Frankfurt Stock Exchange  
ISIN US55276H1032 Symbol 4GW1

[www.uzp-agro.com.ua](http://www.uzp-agro.com.ua)

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## 1 DRIVERS OF GLOBAL AGRICULTURAL MARKET

- Increase in the world's population
- Growing food and feed consumption
- Declining agri commodities stocks
- Global warming and eroding land area
- Economic boom in India and China

## 2 MARKET OF GREAT OPPORTUNITIES

- Ukrainian economy on a way to recovery
- The best in the world black soil
- 1/3 of European crop lands
- One of the lowest land lease and labor costs in the world
- Low level of fertilizer usage - high growth opportunities for increasing crop yields
- Significant land value appreciation potential
  - Significant government support following WTO accession
- Further land bank expansion

### The issue at a glance...

- 10 years of extensive industry expertise
- 96.1 ths ha under control
- Low leverage
- 190 ths tons harvested in 2009
- 54 ths ha of winter crops and 13 ths of spring crops planted in 2008-2009
- Compliance with international quality management system (ISO 9001:2000)

- Diversified agricultural, climatic, political and social risks
- Shareholders and management with strong credentials
- 4 out of 6 Independent directors on the Board
- Focus on high margin crops
- Western agrarian technologies and equipment
- Improvement of operating efficiency
- Full-scale IPO in 2010-2011

## 3 BUSINESS TRACK RECORD

## 4 STRATEGY OF GROWTH

# Industry Overview



# Unique opportunity for agricultural development

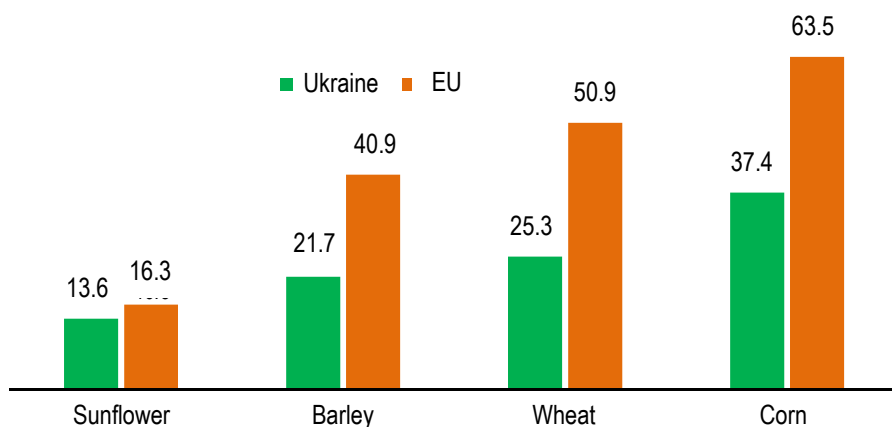
## Ukraine is one of the world's major agricultural players

- The country contains 1/3 of the most fertile soils "black earth" (chernozem) globally
- Approximately 1/3 of European crop lands are located in Ukraine

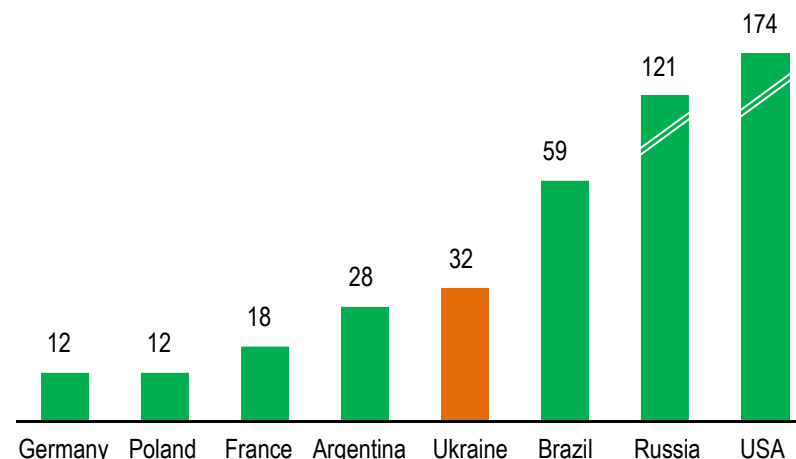
## There is still a significant upside for agricultural crop yield improvements

- Agricultural crop yields are significantly lower than in Western Europe
- Fertilizer usage per hectare is significantly lower than in other European countries
- Majority of local agricultural companies are still poorly equipped

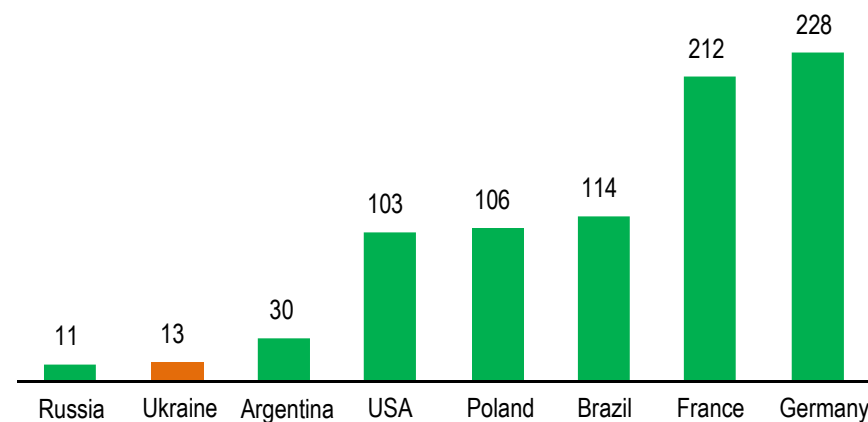
## Yields of selected plants, 100/ha



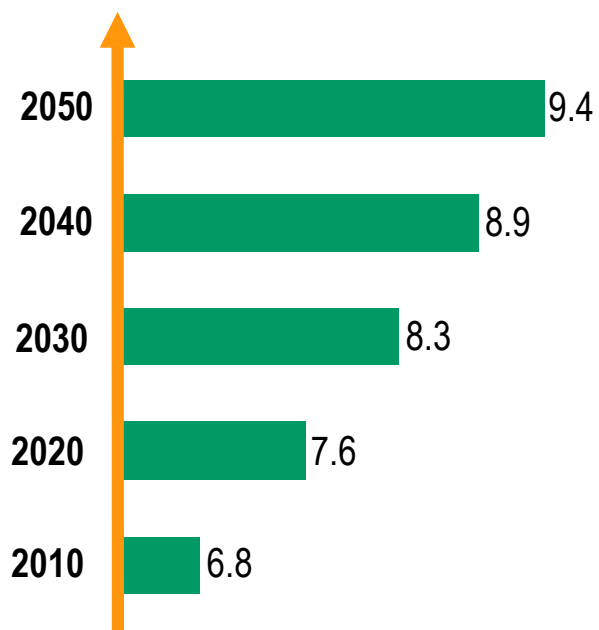
## Arable land, mln ha



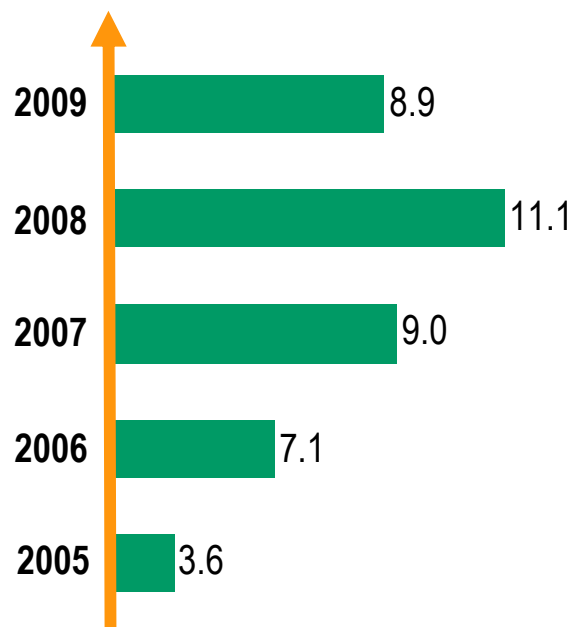
## Fertilizer usage, kg/ha



World population, bln



World biodiesel, mln tons

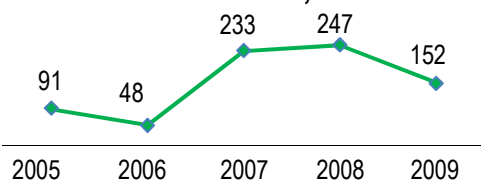


Comments

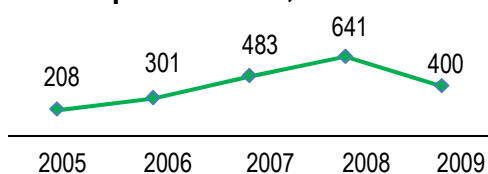
Increasing population, growing food and feed consumption, and boom in biofuels production result in an increase in agricultural commodities' prices

In the short to long term, strengthening demand will push agricultural prices to higher levels

Wheat Price, USD

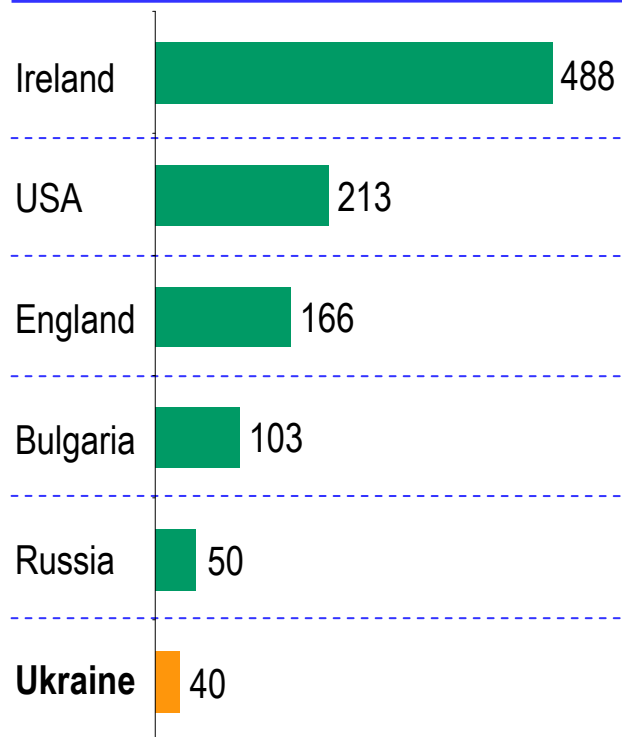


Rapeseed Price, USD

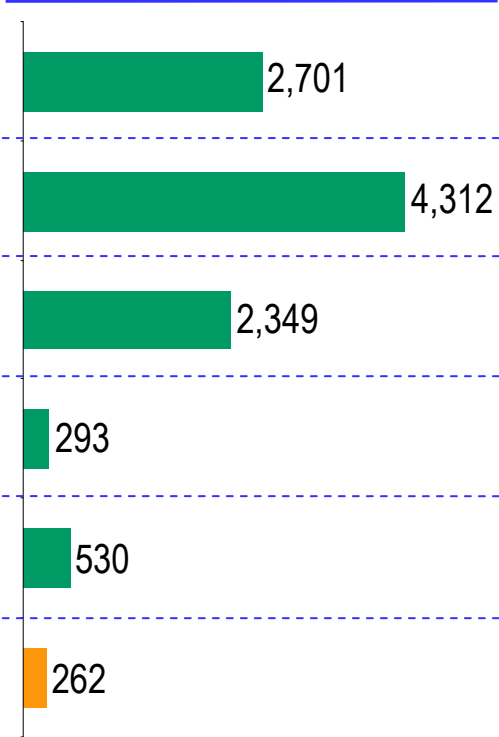


# Labor and lease costs

## Average annual land lease payment per 1 hectare, USD



## Average monthly labor cost, USD

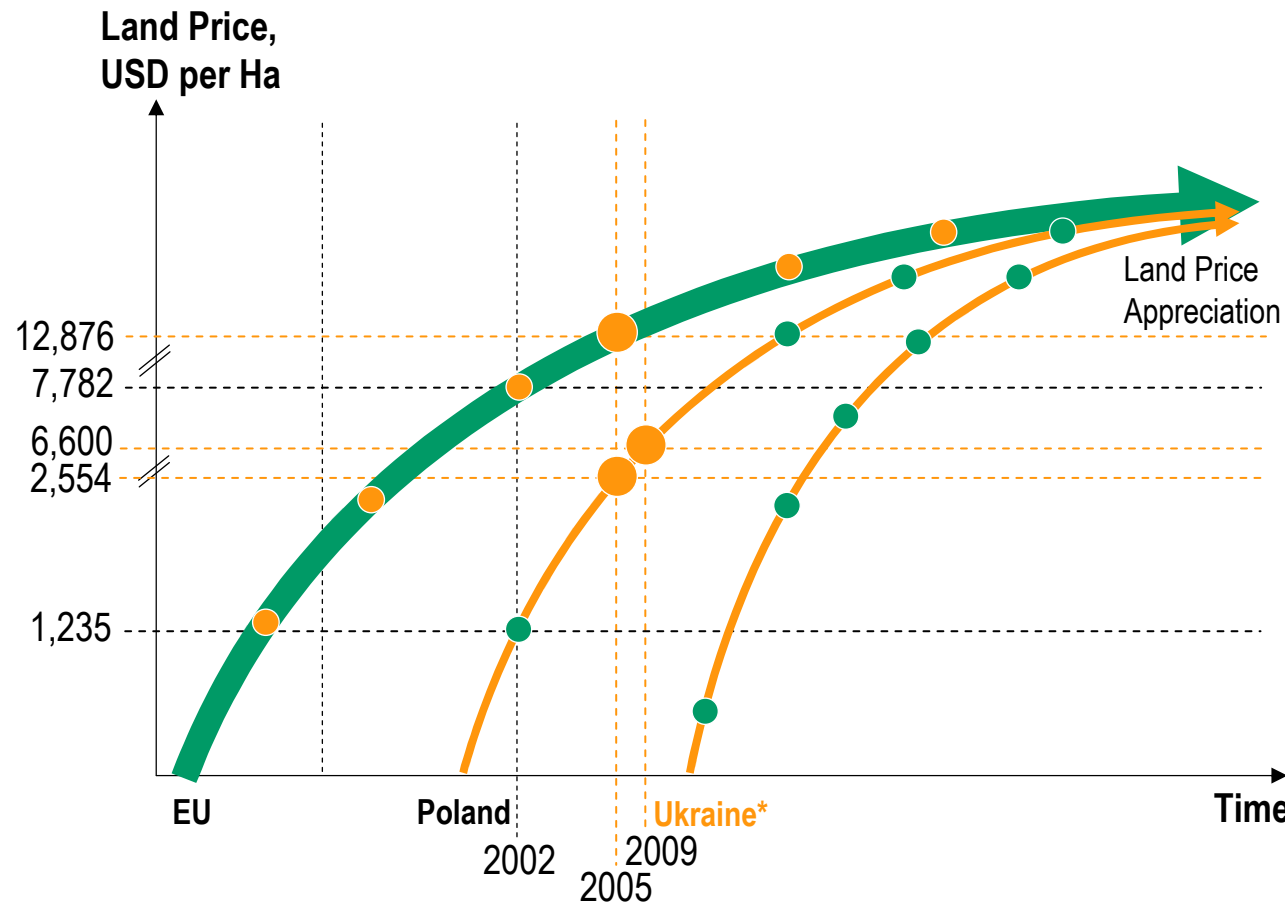


## Comments

Average production cost of wheat in Ukraine is 50% lower than in the EU

Labor and land lease costs in Ukraine are one of the lowest in the world

# Land price



Similar assets should be sold at similar prices

Land prices in Poland increased by 26 times up to \$6,600 per ha over 11 years

\* Moratorium on purchase and sale of agricultural land is in place and could be lifted in near term. President Viktor Yushenko has made ending the moratorium a priority for his administration.





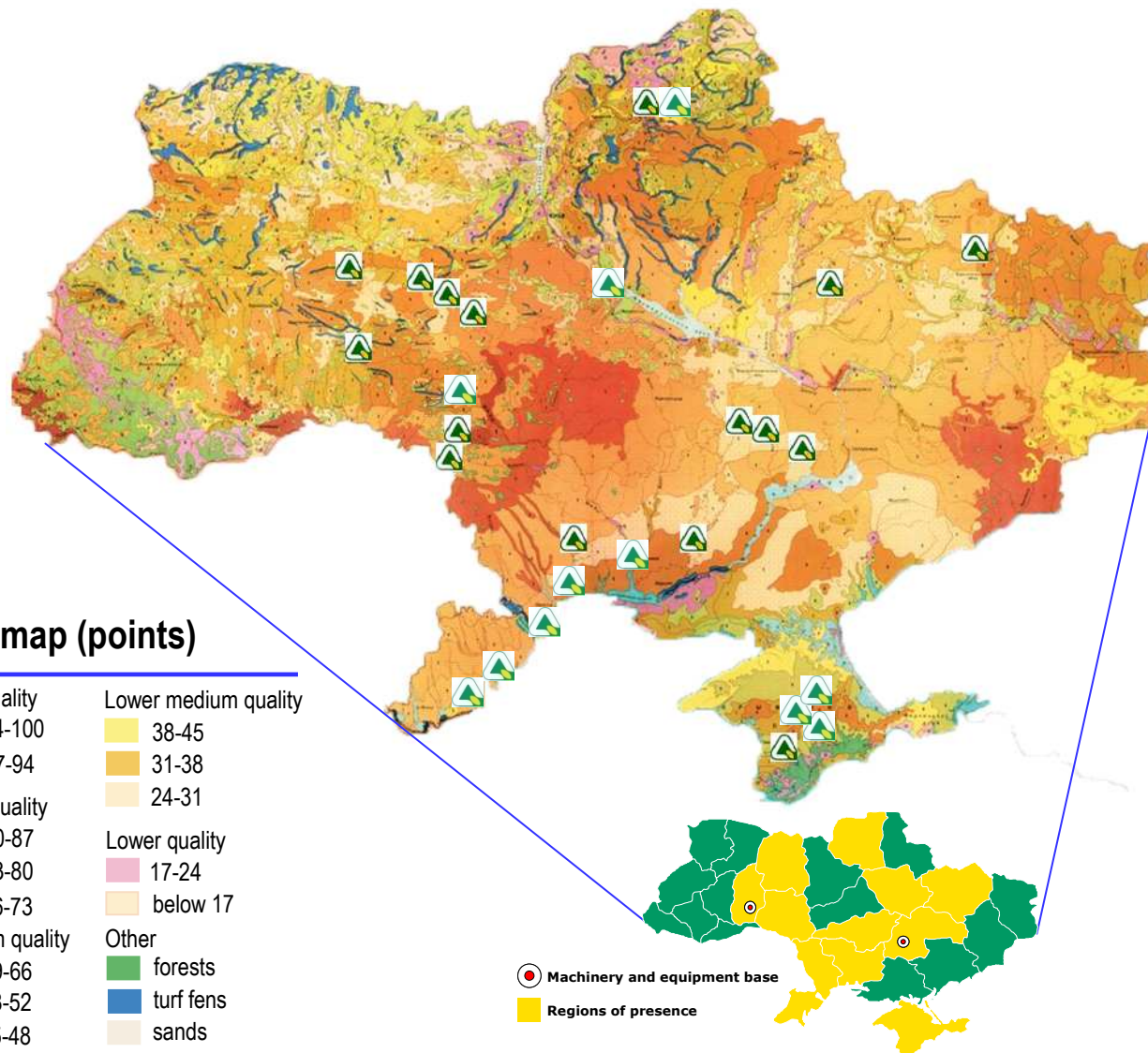
# Company Overview



## Competitive Strengths

<b>1 Industry Expertise</b>	<ul style="list-style-type: none"><li>▪ In agriculture since 1999</li><li>▪ 20%-30% premium to average agricultural yields in Ukraine</li><li>▪ Highly-professional management team working together for more than 10 years</li><li>▪ Extensive network of contacts at local and government levels</li><li>▪ Low leverage</li></ul>	<b>3 Diversified Risks</b>	<ul style="list-style-type: none"><li>▪ Land portfolio is geographically diversified over 12 regions to minimize exposure to climatic, political and social risks</li><li>▪ Strategic distribution of land between winter (56%) and spring (44%) crops</li><li>▪ Focus on high margin crops</li></ul>
<b>2 96 ths hectares under control</b>	<ul style="list-style-type: none"><li>▪ Favorably positioned fertile land</li><li>▪ 240 ths tons harvested in 2008 (including 200 ths tons of early grain-crops)</li><li>▪ 190.1 ths tons harvested in 2009</li><li>▪ Own machinery and equipment fleet enabling cultivation of 70,000 hectares</li></ul>	<b>4 Western Standards of Corporate Governance</b>	<ul style="list-style-type: none"><li>▪ 4 out of 6 members are independent directors of the Supervisory Board</li><li>▪ The shares are listed on the Frankfurt Stock Exchange since March 2008</li><li>▪ Audited IFRS financial statements</li><li>▪ International standards of quality management (ISO 9001:2000)</li></ul>

# Favorably positioned black soils



## Soil quality

The land bank is diversified across the most fertile regions of Ukraine with 88% share of chernozems (black soil)

### Land by region, hectares

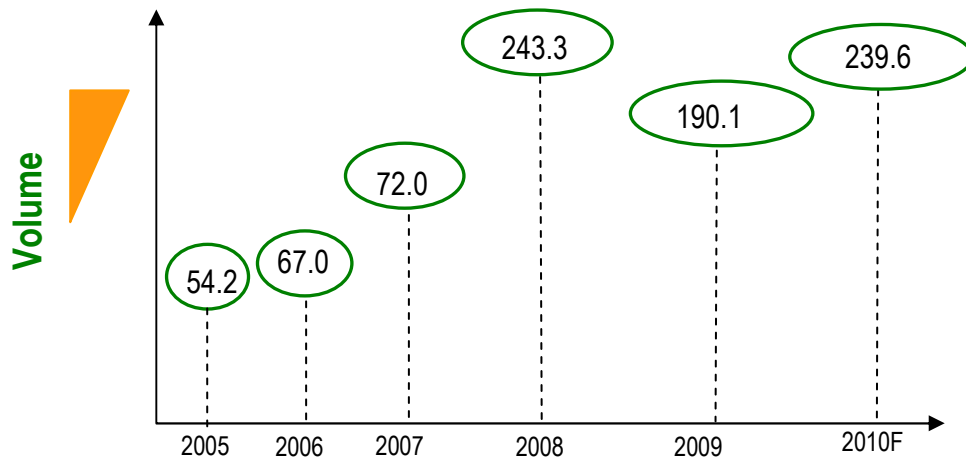
Odesa	14.9
Vinnitsya	13.4
Khmelnytsk	13.1
Crimea	12.3
Dnipropetrovsk	10.9
Zhytomyr	7.6
Chernigiv	6.4
Kharkiv	4.7
Mykolaiv	4.6
Poltava	4.3
Kiyv	2.7
Kirovograd	1.2
<b>Total</b>	<b>96.1</b>

Additional 20,000 ha currently in the process of concluding agreements










# Existing machinery enables operating 70,000 ha

Equipment	Number of Units	Description	Comments
Tractors	341	> Including: 32 John Deere, 2 CLAAS Challenger	<p>Centrally managed machinery and equipment fleet accounts for 1,254 units</p> <p>Market value of machinery and equipment is over USD 15 mln</p> <p>Supply of new machinery for amount of EUR 1.5 mln is already prepaid</p>
Combines	72	> Including: 28 Deutz Fahr, 27 CLAAS Lexion	
Ploughs	82	> Including: 5 Lemken, 5 Kuhn	
Seeders	126	> Including: 12 Amazone	
Cultivators	83	> Including: 10 Lemken	
Spreaders	45	> Including: 36 Amazone	
Sprayers	26	> Including: 10 Amazone	
Trucks	84	> Including: 9 MAN, 2 Volkswagen	

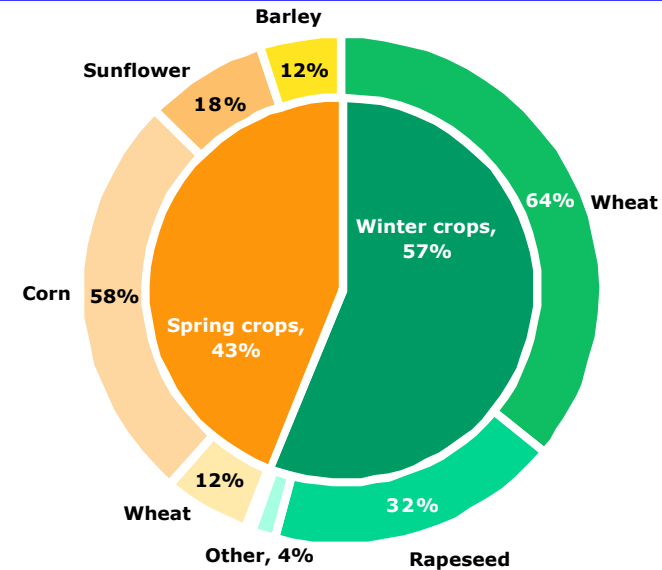
## Agricultural production volumes, ths tons



## Agricultural production volumes: breakdown by crops

ths tons	2005	2006	2007	2008	2009	2010F
Wheat 	34.8	40.2	31.1	121.6	109.1	115.6
Rapeseeds 	-	3.5	11.2	33.5	29.1	44.1
Sunflower seeds 	4.3	6.0	4.8	12.6	11.6	34.6
Barley 	7.0	11.1	8.2	25.9	24.6	26.2
Corn 	3.4	2.8	12.1	40.6	5.3	1.9
Rye 	4.7	3.4	4.6	9.1	9.0	8.2
Pea 	-	-	-	-	1.4	4.6
Mustard 	-	-	-	-	-	4.4
<b>Total</b> 	<b>54.2</b>	<b>67.0</b>	<b>72.0</b>	<b>243.3</b>	<b>190.1</b>	<b>239.6</b>

## Effective crop-rotation



## Sophisticated approach to operational management

- Applying of selected seeding material, recommended by leading agricultural institutions
- Implementing of modern tilling, cultivating, harvesting technologies through acquisition of modern machinery and technologies from leading producers
- Ensuring of high-quality fertilizers and plant protectors
- Continuous operational staff's development
- Strict internal control and audit

# Yield drop in 2008/2009: Reasons

Crop	Planted area	Yield F.	Yield A.	Deviation
Winter wheat	33 456	3.8	3.3	-13%
Winter rapeseed	17 485	2.2	1.7	-23%
Winter barley	2 794	3.5	3.2	-9%
Winter rye	3 373	3	2.7	-10%
Spring barley	5 694	3.9	2.7	-31%
Corn	998	8	5.3	-33%
Sunflower	6 570	2.5	1.8	-28%
Pea	428	3	3.3	10%
	Ha	Tons/ha	Tons/ha	%

## Weather conditions :

- Spring frosts (-11 C on the field in April 09)
- Dry weather (75% of required humidity)

## Field management:

- 30 000 ha attracted in 2008 (average yield discount varies from 10% up to 40%)
- Land fallow absence in previous year (technological requirement)

## New farms:

- Required term to integrate new farm in line with MCB's standards is at least of 2 years
- Technological input discipline breach

## Lack of financing:

- Significant drop in prices made an impact on the MCB's revenues, thus cash in disposal was critically lower than forecasted.
- Credit crunch caused impossibility to attract working capital

## Case study: pro-forma yield formula

$$YLD_j = (1 - W) \times (1 - LM) \times (1 - FM) \times \left( \sum_{i=1}^n \ln(F_j(x_i^F)) \right) + \sum_{k=1}^m \ln(F_j(x_k^{PP})) + BY_j$$

Where:

$YLD_j$  - Yield on  $j$  -crop

$W$  - Weather impact in %

$LM$  - Land (field) management impact in %

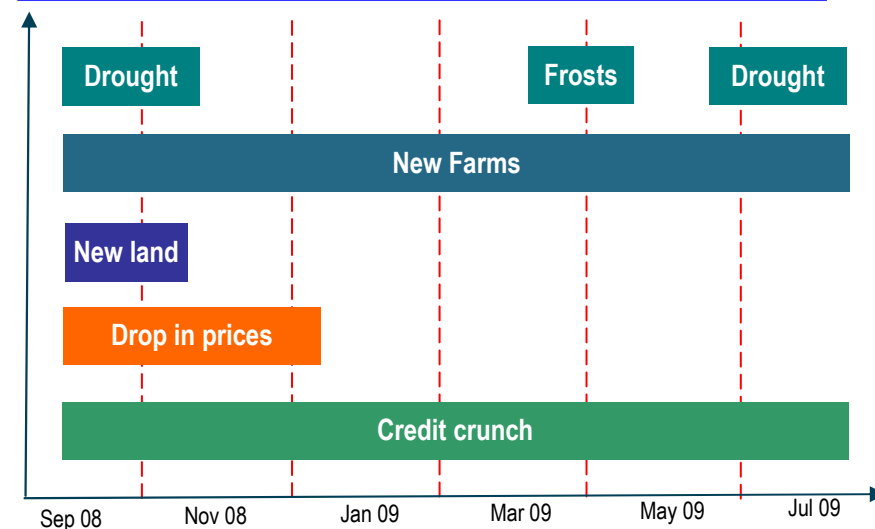
$FM$  - Farm management impact in %

$\ln(F_j(x_i^F))$  - Yield increase from  $i$ -type fertilizer ( $F$ ),  $x$  - volume

$\ln(F_j(x_k^{PP}))$  - Yield increase from  $k$ -type plant protector ( $PP$ ),  $x$  - volume

$BY_j$  - Basic yield on  $j$  -crop

## Yield decrease factors time table



# Yield drop in 2008/2009: Conclusions



## 1 Operational conclusions

- In 2009/2010 stubble field decreased from 44% to 14% under oil rapeseeds and winter wheat, which will cause higher yields.
- Balanced crop structure (71 ths ha of winter and spring crops in 2009/2010) to be planned.
- New land (30 ths ha in 2008) has been prepared to become in line with company's requirements.

## 2 Management conclusions

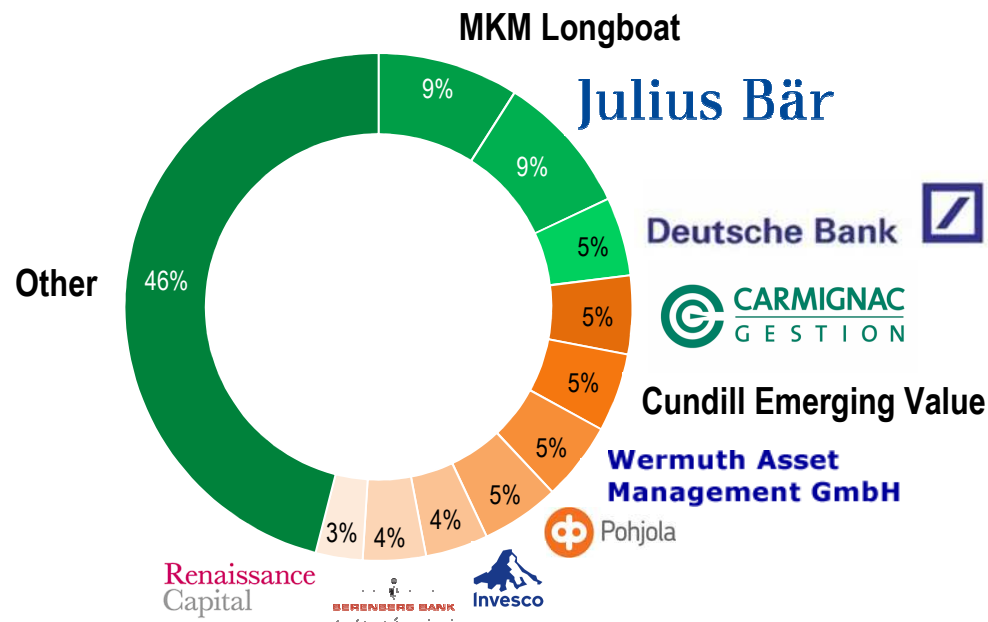
- 5 farm managers were replaced to improve operational and managerial efficiency on farms.
- MCB's internal control and audit departments were reinforced.
- 4 farm CSO (Chief Security Officer) were fired for breach of control process.
- CSO of Ukrzernoprom-Agro LLC (management company) became a member of management board.
- Control for technological input discipline was significantly toughened.

## 3 Financial conclusions

- Practice to sell commodities on forward contracts was established in 2009 (Rapeseeds supply to Toepfer). Negotiations with other customers for 2009/2010 market year are in process.
- Preliminary negotiations with financial institutions to finance part of 2009/2010 crop are in progress.
- Tender system of raw materials purchase was improved.

# Company's institutional shareholders

10 largest investors make 13.2 % of MCB Agricole's total volume of shares



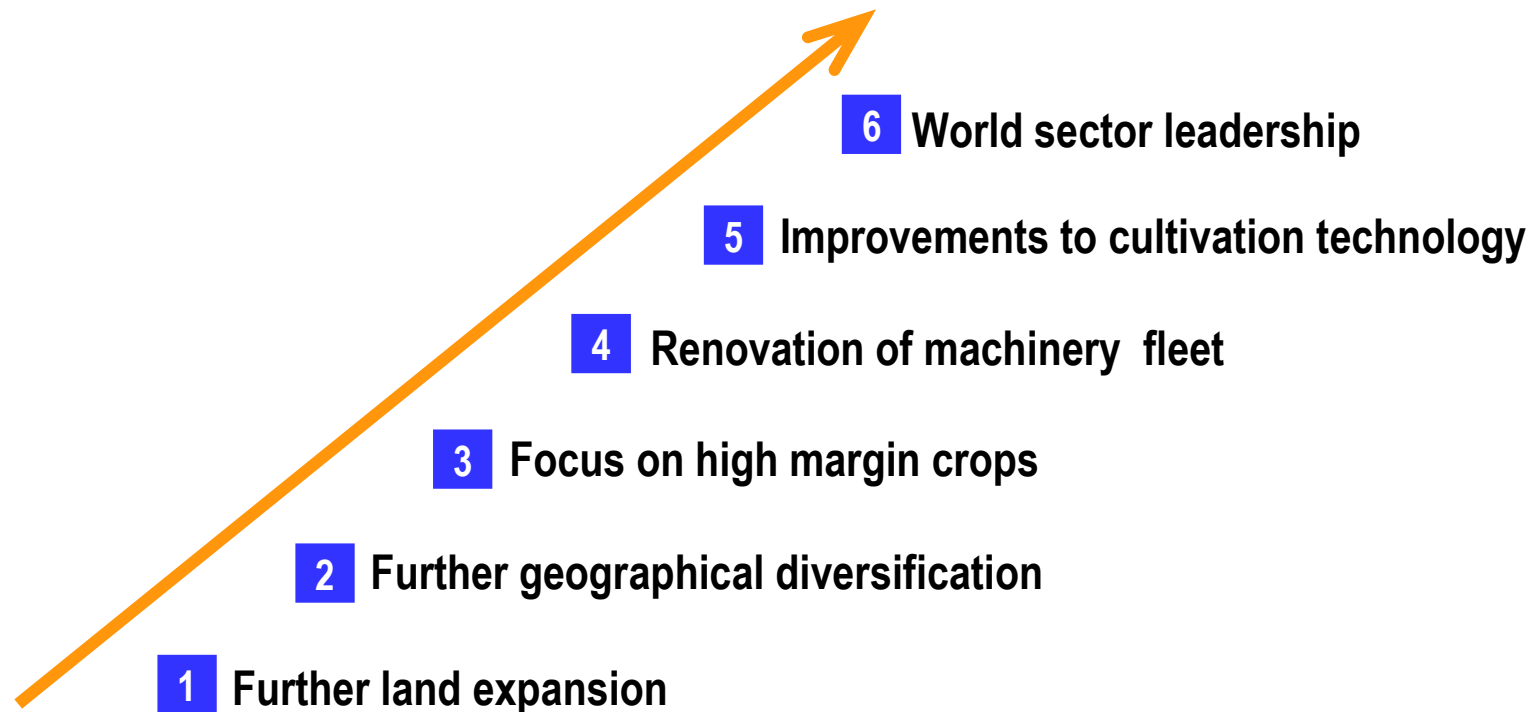
International investment funds and financial institutions, including Julius Baer and Deutsche Bank, are among MCB Agricole's shareholders

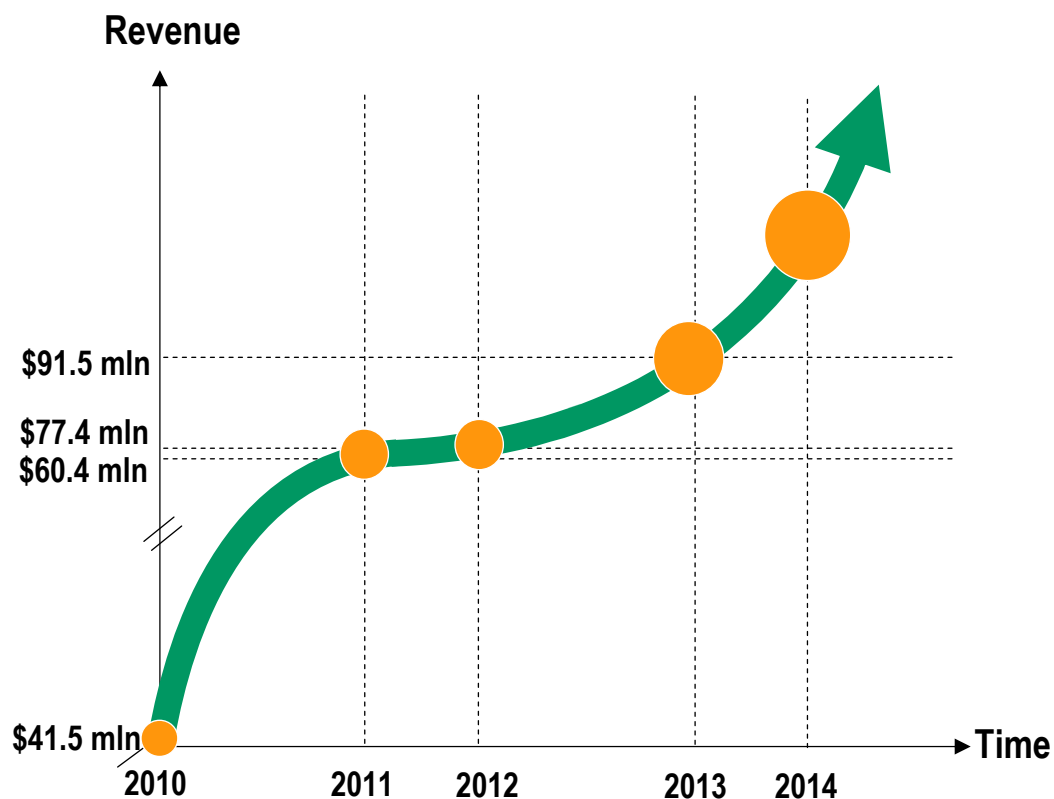


# Strategy



The strategic goal is to become one of the leading agricultural companies in the world





<i>mln USD</i>	2010	2011	2012	2013
<b>Revenue</b>	<b>41.5</b>	<b>60.4</b>	<b>77.4</b>	<b>91.5</b>
COS	(21.8)	(30.0)	(39.7)	(48.3)
<b>Gross profit</b>	<b>19.7</b>	<b>30.4</b>	<b>37.7</b>	<b>43.2</b>
Operational expenses	(4.5)	(6.2)	(7.2)	(8.4)
SG&A	(4.9)	(5.3)	(6.0)	(6.3)
<b>EBITDA</b>	<b>10.3</b>	<b>18.9</b>	<b>24.6</b>	<b>28.5</b>
<i>EBITDA margin</i>	25%	31%	32%	31%
<b>EBIT</b>	<b>9.1</b>	<b>17.7</b>	<b>23.2</b>	<b>27.1</b>
<i>EBIT margin</i>	22%	29%	30%	30%
<b>Net income</b>	<b>8.4</b>	<b>16.6</b>	<b>22.8</b>	<b>27.1</b>
<i>Net margin</i>	20%	28%	29%	30%

# Management and Legal Structure



The Company ensures its transparency through corporate governance principles based on:

- protection of the rights and interests of the Company Shareholders
- disclosure of timely, accurate and full information on all major issues relating to the Company's business
- organization of external audit to ensure the accuracy of financial information
- presence of 4 Independent members in the Supervisory Board
- use of all possible means of disclosing and communicating information including in-house IR service, Web site etc.
- compliance with international standards of quality management (ISO 9001:2000)

## 2007 IFRS financial statements audited by Deloitte 2008 IFRS financial statements audited by Baker Tilly

- Control of the Company's financial activity through the independent external audit service



Investor Relations of MCB Agricole integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between Company and financial community



## In-house IR Service since February, 2008





**Anton Shyshkin**

*Chairman of the Supervisory Board*

- One of the founders of Ukrzernoprom Group
- Awarded with the State Honor of Ukraine of III and II Grade for contribution to Ukrainian agricultural industry
- Master's Degree in Physics (Lomonosov Moscow State University, Russia)



**Kirill Sintsov**

*Chairman of the Management Board*

- One of the founders of Ukrzernoprom Group
- 1996-98: CEO for Ukrpetroleum Group
- 1990-96: USSR Academy of Sciences
- Master's Degree in Physics (Lomonosov Moscow State University, Russia)



**Vladimir Bernstein, MBA**

*Independent member of the Supervisory Board*

- 2008: Icon Private Equity Managing Director
- 2003-07: Partner, Russian Technologies Venture Fund
- 2001-03: Director of Strategic Investment and Planning of Alfa Group
- 4 years and 12 strategy-consulting projects at Bain (Boston)
- MBA (Stanford University, USA); BS (Wharton Business School, USA)



**Olexander Derkach, PhD**

*Independent member of the Supervisory Board*

- Chairman of the Board of Directors of Prestige Group
- 2002-05: Chairman of Aval Bank, 2<sup>nd</sup> largest Ukrainian bank
- 2002: Best top-manager in Ukrainian banking sector
- PhD in Management, Marketing and Entrepreneurship (Taras Shevchenko University, Ukraine)



**Andrey Visnjevsky, PhD**

*Independent member of the Supervisory Board*

- Current: Member of the Supervisory Board of Metinvest B.V.
- Since 1997: Partner of Sergey Kozyakov & Partners law firm
- PhD in Private International Law (Taras Shevchenko National University, Ukraine)



**Nicholas Petronko**

*Independent member of the Supervisory Board*

- Since 2009 at GLG Partners
- Goldman Sachs & Co (1998-2000), Salomon Smith Barney (2001-2002), managerial posts at UBS (2002-2005), Peloton Partners (2005-2006), MKM Longboat (2007-2008)
- Degree in Economics and Finance (1999)(Boston College)



**Eugene Leng**  
*CEO*

- One of the founders of Ukrzernoprom Group
- Extensive international employment experience
- 9 years of managerial experience in agricultural companies
- MSc in International Finance and Business (Columbia University in NY, NY, USA)



**Mikhail Golubitsky**  
*CFO*

- One of the founders of Ukrzernoprom Group
- 9 years of managerial experience in agricultural companies
- 1998-01: Commercial Director of Ukrpetroleum Group
- Master's in Engineering (Moscow State Institute of Transport Engineers, Russia)



**Fyodor Vlad**  
*COO*

- The former first Deputy of the Minister of Internal Affairs of Ukraine
- 15 years of managerial experience in agricultural industry
- Master's Degree in Agronomy (1985) (Odessa State Agricultural Institute) and Master's Degree in Public Administration (2003) (Odessa Regional School of the Ukrainian Academy of Public Administration)



**Victor Esypenko**  
*Chief Agronomist*

- 10 years of experience as a chief agronomist
- 2002: joined Ukrzernoprom as a chief agronomist
- Degree in Agrarian Chemistry and Soils (Kharkiv State Agrarian University)



**Viktor Pogromskii**  
*Security Director*

- 2007-2008: Adviser to the Minister of Internal Affairs of Ukraine
- 1998-2006: State Tax Administration of Ukraine. Deputy Chief of Division for Struggling against Tax Authorities' Corruption
- 1995-1998: Ministry of Internal Affairs. Deputy Chief of Criminal Intelligence of Central Department of Organized Crime

# Financial Results





# Key financials



## Income Statement

USD ths.	2007 <sup>1</sup>	2008 <sup>2</sup>	2009 <sup>3</sup>
Revenue from sales	20,481	31,209	32,328
Cost of sales	(15,033)	(22,924)	(22,497)
Gross profit	5,448	8,285	9,831
<i>Gross margin</i>	26%	27%	30%
Sales & distribution expenses	(1,402)	(1,902)	(1,508)
General & Administrative	(1,244)	(3,650)	(1,284)
Other operating income	1,716	2,619	-
Other operating expenses	(1,160)	(1,371)	(3,927)
EBITDA	3,358	3,912	3,112
<i>EBITDA margin</i>	16%	13%	10%
Depreciation & Amortization	(1,344)	(1,722)	(1,498)
Finance income/costs	(1,453)	(1,067)	(40)
Other finance costs	-	(1,263)	-
FOREX gain (losses)	-	(5,185)	-
Income tax	28	37	(102)
Net income	589	(5,220)	1,472
<i>Net margin</i>	3%	neg.	5%

## Explanatory comments to audited financials 08

- Financial result of 2 farms was not included into audit report as corporate rights had been registered in the government institutions
- USD 5.1 mln losses from exchange rate fluctuations were mainly caused by revaluation of EUR 6 mln intra-group loan (USD 9,135 ths. in LT Liabilities) from parent company (MCB Agricole) to Ukrainian subsidiary "Ukrzernoprom-Agro" after private placement in 2008
- Change in Ukrainian tax legislation led to one-off payment to the state of USD 1,263 ths.
- Dramatic drop in prices on commodities in 2008 provoked biological assets and finished goods inventories revaluation on unreasonably low prices
- Increase in PP&E doesn't show real increase in number of machinery due to exchange rate UAH/USD drop from 5.05 at the beginning of 2008 to 7.70 at the end of 2008. All purchased machinery was accounted on UAH value in the mid of 2008 under rate of 5.05 UAH per 1 USD.

## Balance Sheet

USD ths.	2007 <sup>1</sup>	2008 <sup>2</sup>
<b>Current Assets</b>	<b>17,860</b>	<b>29,691</b>
Cash & Equivalents	238	2,776
Trade Receivables	4,294	1,799
Inventories	10,466	18,640
Other current assets	2,862	6,475
<b>Fixed Assets</b>	<b>7,281</b>	<b>11,836</b>
PP&E, net	7,164	11,135
Other non-current assets	117	701
<b>Total Assets</b>	<b>25,141</b>	<b>41,527</b>
<b>Shareholders' Equity</b>	<b>8,504</b>	<b>28,076</b>
<b>Current Liabilities</b>	<b>13,691</b>	<b>3,949</b>
ST Interest Bearing Debt	11,941	861
Trade Payables	879	1,705
Other Current Liabilities	871	1,383
<b>LT Liabilities</b>	<b>2,946</b>	<b>9,502</b>
LT Interest Bearing Debt	2,946	9,135
Other LT Liabilities	-	367
<b>Total Liabilities &amp; Equity</b>	<b>25,141</b>	<b>41,527</b>

<sup>1</sup> Audited Financials by Deloitte & Touché

<sup>2</sup> Audited Financials by Baker Tilly

<sup>3</sup> Company forecast

# Photos



# Machinery and equipment (I)



# Machinery and equipment (II)



# Machinery and equipment (III)



# Machinery and equipment (IV)



# Fields (I)



# Fields (II)

