



Agricultural Land Reform

Yushchenko pushes for progress in 2008

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- **President Yushchenko is pushing for cancellation of the land moratorium; recent political momentum increases our belief that the ban will be lifted in 2008**
- **Formation of the land market should put Ukrainian land holders on par with Russian peers, implying ~100% upside on EV/ha**

The President wants land to become tradable this year

Yesterday President Viktor Yushchenko signed a decree that put into effect a January National Security and Defense Council resolution urging the Cabinet to move on agricultural land reforms. The NSDC document set March 1 as the date when draft bills on the agricultural land market and land cadastre should be handed to the Verkhovna Rada, approval of which would automatically lift the ban on land sales.

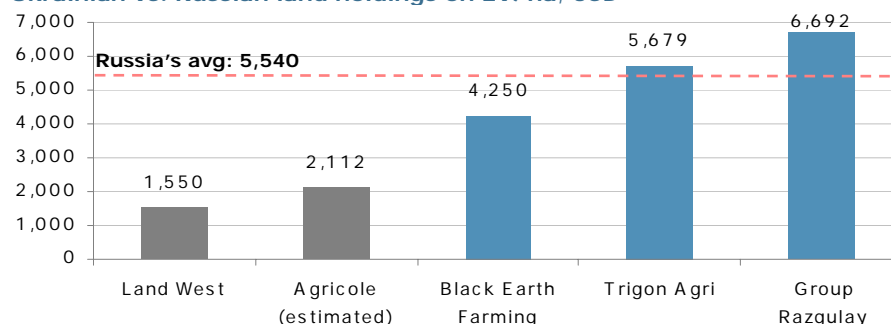
Verkhovna Rada should support Yushchenko

We see political momentum shifting behind Yushchenko's on the issue. On December 28, 2007, the Verkhovna Rada passed legislation making it possible to terminate the moratorium on land sales upon passage of the two bills, instead of prolonging it for another year as had done the last six years in a row. Two weeks later, all the country's major political parties took a united stance in a vote against a Communist Party proposal to extend the moratorium until 2011. While we see debates in the Rada taking some time, we expect the reform package to be enacted this year.

Domestic land holders could double in value

The key difference between the Ukrainian and Russian agricultural sectors will be eliminated with the abolishment of the moratorium, lifting Ukrainian land holders up on an even keel with Russians. Hence, we believe opening the land market will be a catalyst to Ukrainian agricultural companies, enabling them to make up ground on the EV/ha multiples of Russian peers.

Ukrainian vs. Russian land holdings on EV/ha, USD



Source: Company Data, Bloomberg, Thomson, Concorde Capital estimates

WATCH LIST

Only two Ukrainian land holdings have officially declared plans to purchase land after moratorium cancellation: Land West (4K1A GR) and MCB Agricole, which is currently in the process of placing a 25% stake.

Company	Current land under lease	Target land under control
Land West	181 ths ha	343 ths ha by 2012
MCB Agricole	71 ths ha	400 ths ha by 2010

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