



CONCORDE CAPITAL

Ukraine / Food Dakor

Drought Bodes Well for Margins

July 4, 2007

12M Target Price Diluted: USD 26.6

BUY

Olha Pankiv

+380 44 207 50 37
op@concorde.com.ua

Anna Dudchenko

+380 44 207 50 30
ad@concorde.com.ua

Bloomberg DAKOR UZ
Xetra WI81

Market data

Market price, USD 122.0

Shares new, mln* 5.7
Shares old, mln* 0.9

MCap, USD mln 109.7
Free float 20.0%
FF MCap, USD mln 21.8

12M target, USD

-diluted 26.6
-undiluted 169.1

Ownership

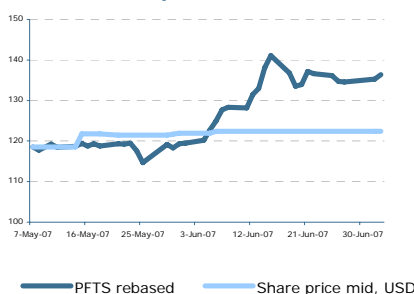
Management 80%
Institutional investors 20%

Ratios 2006

EBITDA margin 25.5%
Net margin 13.2%
Net debt to equity 1.0

* Registration of the charter fund increase with Security and Stock Market State Commission to be finalized by the end of July.

Dakor stock performance



Source: PFTS

This week the Ukr sugar Association reported that sugar beet crops have been spoiled by the drought in Ukraine's south. We expect this to cause a sugar price hike in 2H07 and send Dakor's profitability margins upward, as its in-house supply has not been affected. Dakor's rapid land acquisition in 1H07 will make it self-sufficient in beets, with respective cost savings, one year earlier than our initial projections. We confirm our previous target of USD 26.6 per share until the impact of rising sugar prices is seen, implying an upside of 39%. **BUY.**

Sugar price hike expected due to sugar beet deficit

Earlier this week, the Ukr sugar Association announced the loss of 22 ths ha of sugar beet crops (5% of total sown land) due to a severe drought. We expect that the resulting deficit will lead to lower than expected sugar production in 2007 and send sugar prices to USD 600 per mt in 2H07, (compared to USD 427 per mt at the end of June 2007). The Ukr sugar Association estimates sugar output at 1.3-1.4 mln mt, implying ~200 ths mt deficit of domestically produced sugar in the 2007-2008 marketing year.

Ukraine's wholesale sugar prices, USD/mt, net of VAT



Source: Bloomberg

Dakor's in-house beet supply safe

Dakor's sugar beet crops were hardly affected by the drought due to their location in the western part of Ukraine. Ukr sugar Association confirmed that primarily beet crops in southern regions suffered from the hot weather. We continue to stick to our projection for Dakor's in-house sugar beet crop of 714 ths mt, which would meet 70% of the company's need for this feedstock in the 2007-2008 marketing year at cheaper-than-the-market prices.

Dakor acquiring land ahead of schedule

Dakor's management told us it has expanded arable land under lease by 12.3 ths ha to 90.3 ths ha during the last two months – a level we projected it would only reach in June 2008. The company is rapidly moving toward self-sufficiency in sugar beet supplies and is second by this measure among Ukraine's top five sugar players. We anticipate Dakor will fully satisfy its sugar beet needs with in-house production already in the 2008-2009 season, one year earlier than our previous projections.

Company	Self sufficiency in beet production	Total land under lease, ha
Ukrprominvest	100%	100,000
Dakor	81%	90,300
Astarta	51%	91,000
Ukrros	15%	40,000
Euroservice	6%	33,500

Source: Company data, Ukr sugar Association, Concorde Capital estimates

Peer Valuation

We compared Dakor to its traded global and local peers to check the validity of our previous target price given the high price environment of the world sugar industry and expectations of sugar price growth in Ukraine starting in 2H07. Updated relative metrics indicate that our target MCap of USD 152 mln is close to the lower bound of the valuation range of USD 151.9 mln-USD 200.6 mln based on EV/EBITDA 2008E and implies EV/EBITDA 2008E of 7.1. We maintain our previous target price of USD 26.6 per share (USD 169.1 per share on undiluted basis). Implied upside is 39%. **BUY.**

	Country	Sales		EBITDA margin		Net margin	
		2007E	2008E	2007E	2008E	2007E	2008E
Dakor	Ukraine	74	94	25%	26%	12%	17%
Beet sugar producers							
Agrana Beteiligung Ordinary	Austria	2,554	2,704	11%	12%	4%	5%
Danisco A/S	Denmark	3,579	3,523	16%	17%	6%	7%
Group Razgulyay	Russian Federation	931	1,033	15%	16%	5%	6%
Suedzucker AG	Germany	7,280	7,287	14%	14%	4%	4%
Tate&Lyle	United Kingdom	7,009	6,856	13%	14%	7%	7%
Ebro Puleva SA	Spain	3,584	3,542	13%	14%	6%	6%
Astarta	Ukraine	102	113	17%	20%	4%	5%
Average				14%	15%	5%	6%

	Country	Mcap USD mln	EV/EBITDA		P/E	
			2007E	2008E	2007E	2008E
Dakor	Ukraine	109.7	7.2	5.4	11.8	6.8
Beet sugar producers						
Agrana Beteiligung Ordinary	Austria	1,571	8.0	6.7	15.5	12.7
Danisco A/S	Denmark	3,645	9.4	8.8	16.6	15.5
Group Razgulyay	Russian Federation	380	5.0	4.3	8.9	6.6
Suedzucker AG	Germany	4,199	6.5	6.2	13.2	13.2
Tate&Lyle	United Kingdom	5,572	7.8	7.5	11.7	12.0
Ebro Puleva SA	Spain	3,325	9.9	9.1	16.3	14.5
Average			7.8	7.1	13.7	12.4
Dakor's implied MCap, USD mln			119.2	151.9	127.0	201.2
Astarta	Ukraine	152	11.9	9.1	37.2	24.4
Dakor's implied MCap, USD mln			196.2	200.6	345.2	395.5

Source: Thomson Financial

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel: +380 44 207 5030
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Head of Equity Sales

Lucas Romriell

lr@concorde.com.ua

Strategy

Konstantin Fisun
 Oleksandr Klymchuk

kf@concorde.com.ua
 ok@concorde.com.ua

Equity Sales

Marina Martirosyan
 Anastasiya Nazarenko
 Duff Kovacs, CFA

mm@concorde.com.ua
 an@concorde.com.ua
 dk@concorde.com.ua

Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Retail Group

Andriy Gostik, CFA
 Olha Pankiv
 Alexander Romanov
 Anna Dudchenko

ag@concorde.com.ua
 op@concorde.com.ua
 ar@concorde.com.ua
 ad@concorde.com.ua

Machinery

Olha Pankiv
 Eugene Cherviachenko
 Inna Perepelytsya

op@concorde.com.ua
 ec@concorde.com.ua
 pi@concorde.com.ua

**Financial Services,
 Macroeconomics**

Alexander Viktorov

av@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
 Polina Khomenko

np@concorde.com.ua
 pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital might have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients might have or have had interests or long or short positions in the securities referred to herein, and might, at any time, make purchases and/or sales in them as principal or agent. Concorde Capital might act or have acted as a market-maker in the securities discussed in this report. The research analysts and/or corporate banking associates principally responsible for the preparation of this report receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

The information contained herein is based on sources that we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2007 Concorde Capital