



Harvest progress in Ukraine

Highest yields since 1990

July 24, 2008

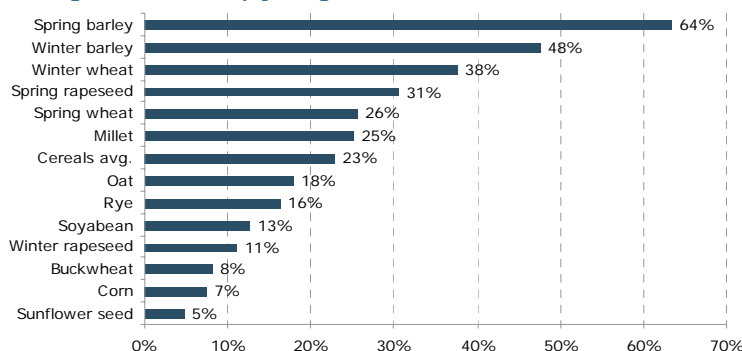
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Yesterday, the Ukrainian Agrarian Ministry released information on the progress of this year's harvesting campaign: domestic agro companies harvested 16.6 mln mt of grain as of July 23 and showed an average yield on cereals* of 3.26 mt/ha vs. 2.12 mt/ha in 2007. Ukraine will have its highest yields since 1990 if the harvest stays on course. We believe that domestic agro companies will exceed their previous sales plans based on interim yield data.

Yield forecast revised upward for seven months in a row

Leading Ukrainian analytical agency Agriculture upgraded its 2008 crop yield forecast in each of the last seven months, a reflection of incoming data on crops and climatic conditions. Its recent (*July 10, 2008*) update suggests the average increase in yields of the six major crops: wheat, barley, corn, sunflower seed, rapeseed and soybean will be 27% vs. 2007 (*see Appendix A*). Barley and wheat are to post the highest growth, 56% and 32%.

Average Ukrainian crop yield growth, 2008E vs. 2007

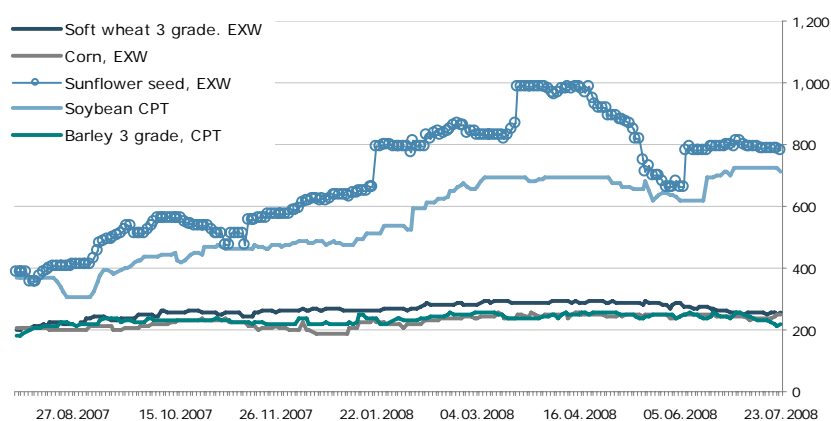


Source: Analytical agency Agriculture

Domestic high prices are stable

Ukrainian prices for soft commodities are hovering around historical highs, driven by high price environment globally and the abolishment of grain export quotas due to Ukraine's WTO accession.

Ukraine's prices for key agricultural crops, USD/mt



Source: Analytical agency Agriculture

Sufficient storage capacities provide competitive edge

The consensus forecast of the grain harvest in Ukraine this year is 40-43 mln mt, vs. 29 mln mt last year. There is ~30 mln mt of storage in Ukraine, according to the management of agricultural companies (as official statistics are not available). We assume that companies that do not have their own silos and failed to rent any, maybe forced to sell their crops immediately after the harvest, hence, at lower prices than in 2-3 months later (*as it usually works*).

* - including grain crops: wheat, barley, corn, oat, etc.

Appendix A: Yield forecast dynamics

| Crop | 2007 factual | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Jul-08 vs. 2007, % |
|-----------------|-----------------|--------|--------|--------|--------|--------|--------|--------|-----------------------|
| Winter wheat | 2.28 | 2.79 | 2.78 | 2.80 | 2.84 | 2.84 | 3.01 | 3.13 | 38% |
| Spring wheat | 1.79 | 2.14 | 2.12 | 2.12 | 2.15 | 2.16 | 2.17 | 2.25 | 26% |
| Winter barley | 1.80 | 2.33 | 2.38 | 2.37 | 2.37 | 2.39 | 2.46 | 2.65 | 48% |
| Spring barley | 1.46 | 2.07 | 2.06 | 2.10 | 2.10 | 2.11 | 2.25 | 2.39 | 64% |
| Corn | 3.68 | 3.75 | 3.86 | 3.87 | 3.95 | 3.95 | 3.95 | 3.95 | 7% |
| Rye | 1.68 | 1.90 | 1.84 | 1.87 | 1.86 | 1.90 | 1.99 | 1.95 | 16% |
| Oat | 1.62 | 1.77 | 1.72 | 1.73 | 1.73 | 1.76 | 1.90 | 1.91 | 18% |
| Buckwheat | 0.80 | 0.94 | 0.90 | 0.83 | 0.79 | 0.79 | 0.88 | 0.87 | 8% |
| Millet | 0.99 | 1.20 | 1.15 | 1.15 | 1.14 | 1.14 | 1.21 | 1.25 | 25% |
| Sunflower seed | 1.31 | 1.26 | 1.28 | 1.31 | 1.33 | 1.34 | 1.37 | 1.37 | 5% |
| Winter rapeseed | 1.37 | 1.50 | 1.44 | 1.44 | 1.44 | 1.45 | 1.52 | 1.52 | 11% |
| Spring rapeseed | 0.99 | 1.14 | 1.12 | 1.15 | 1.16 | 1.20 | 1.29 | 1.30 | 31% |

Source: Analytical agency Agriculture

Investment Ratings

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| | | |
|--------------|----------|-------------|
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| Sell | 0 | 0% |
| Under Review | 0 | 0% |
| Total | 7 | 100% |

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