



# Land West Company

Cultivating Value

Management Presentation, April 2008







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	Key Highlights	4
I.	Market Trends	5
II.	Company Overview	13
III.	Company Strategy	21
IV.	Management and Structure	28
V.	Financials	31
VI.	Photos	33



Ukraine is to benefit from the global agriculture boom

- ❑ Rising production of biofuels and increases in the global population are driving steady growth in the global agricultural industry
- ❑ Ukraine, with its 32 mln hectares of high-quality arable land, is the largest agricultural market in Europe
- ❑ Strong macro fundamentals and rising global demand will spur development of this market in Ukraine

Market of great opportunities

- ❑ Many small and inefficient players represent attractive acquisition targets
- ❑ The size of the Ukrainian industry allows for the benefit of unmatched economies of scale
- ❑ Absence of an established land market allows for acquisition of agricultural land at substantial discount to its fair value
- ❑ Ukrainian soil has a great potential for increasing crop yields by utilizing modern agricultural machines and farming techniques

Land West intends to capitalize on the appetite for land

- ❑ We intend to make the most of the M&A opportunities apparent in the sector and rapidly expand our landbank portfolio
- ❑ Our extensive ties in this industry help us pick up the most attractive acquisition targets and bargain for attractive prices
- ❑ We are the first and largest agricultural holding in Western Ukraine and have an advantage over our competitors thanks to economies of scale and outstanding industry expertise

Aimed to become the national leader

- ❑ We have already concluded land lease agreements on over 184 ths Ha of arable land and plan to secure 343 ths ha in the next four years
- ❑ Our strategy is based on the generation of sufficient cash-flows from operating activities, appreciation of land and use of capital market instruments to finance rapid expansion
- ❑ We target the segment of “energy” and organic crops, which provide additional margins and have substantial growth potential

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# Market Trends

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- Biofuels are on the rise as fuel prices rise and energy supplies are used as political weapons

**Biofuels production**

**Global population growth**

- The world population is expected to double from about 6 bln to more than 12 bln in less than 50 years

- Area of arable land is shrinking globally

**Global warming and arable land area erosion**

**Growing well-being of emerging markets**

- Persistent economic growth in developing economies has resulted in a growth in disposable incomes, allowing people to increase their food consumption.

- Absence of a land market allows for agricultural land acquisition at a substantial discount to its fair value once the ban on land sale is lifted

**Arbitrage opportunity**

**Declining global crop stocks**

- Global crop stocks are currently at their lowest in 25 years as the prices for agricultural commodities remain high

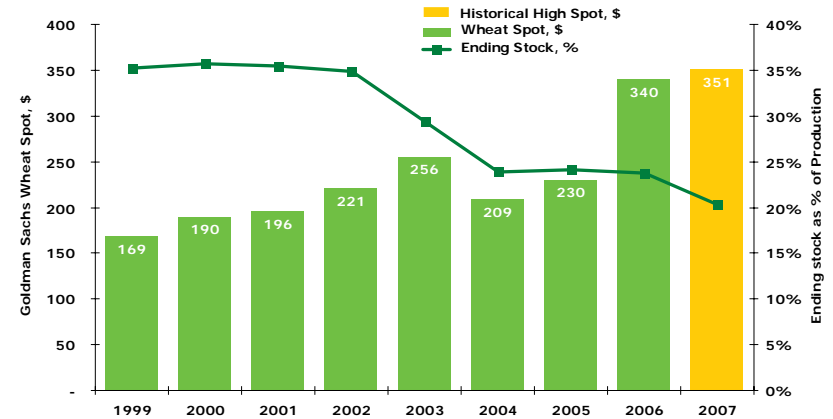




- ❑ After a relatively steady price trend, prices for agricultural commodities have been booming with global crop stocks at their tightest since 2005.
- ❑ Strengthening demand is outstripping supply for global grain stock, causing prices to soar to their highest levels in a decade.
- ❑ Wheat prices climbed 108% over 1999-2007 and are now at a nine-year high.
- ❑ UkrAgroConsult reported a 62% yoy increase in 2007 in the price of barley in Ukraine due to shrinking global stock. Wheat prices grew 65% in the same period.

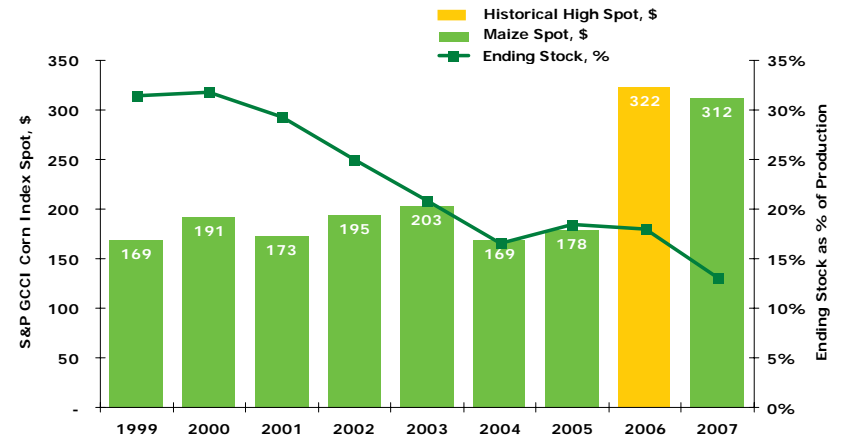
**FIGURE 1. World Wheat. Ending Stock vs Price**

Source: USDA, Bloomberg, Goldman Sachs Commodity Indices Wheat Spot



**FIGURE 2. World Maize. Ending Stock vs Price**

Source: USDA, Bloomberg, S&P GCCI Corn Index Spot

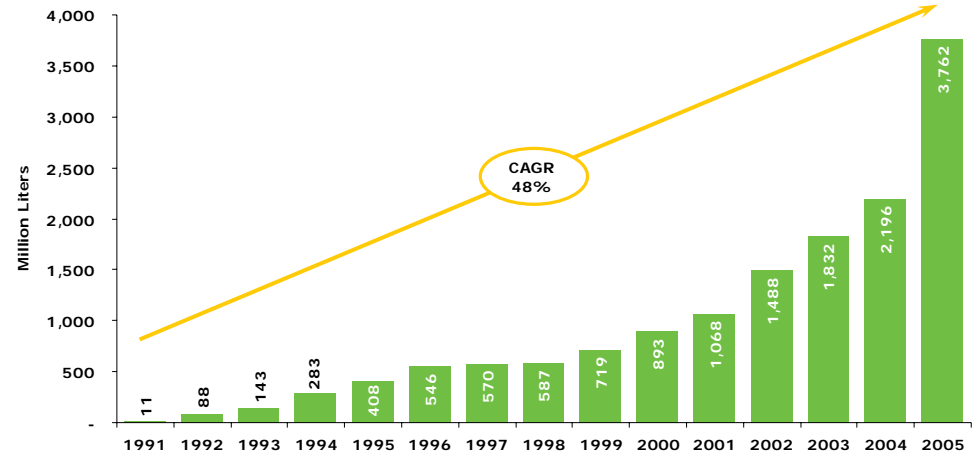




- ❑ More than \$70 billion was invested globally in clean energy and technology markets in 2006, a 43% yoy increase.
- ❑ Overall, investors are backing explorations into new fuels such as biodiesel, biomethane and bioethyl, along with new ways of using biofuel as a power source.
- ❑ The Dow Jones Commodity Index reported a 40% increase in 2006 in the price of maize, a source for biofuel.
- ❑ In the short to medium term, rapeseed will continue to be important with respect to rising global biodiesel production. Ukraine is ranked second in the world in terms of rapeseed exports (486 ths mt in 2006).

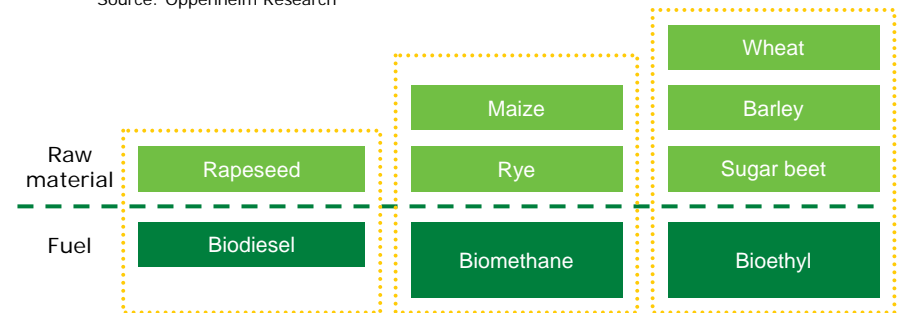
**FIGURE 3. Biodiesel Production**

Source: Earth Policy Institute



**FIGURE 4. Land West's Broad Range of Energy Crops**

Source: Oppenheim Research



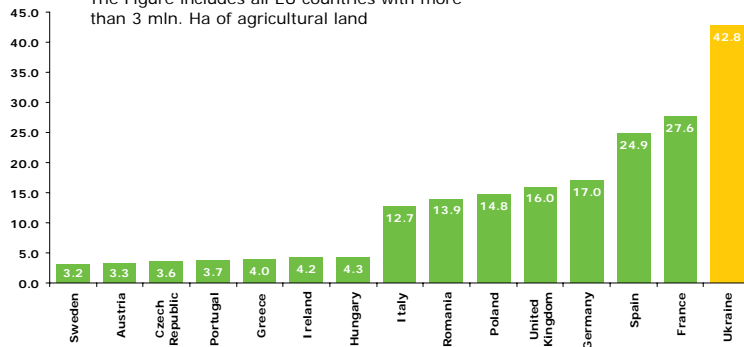




- Ukraine is one of the largest European agricultural countries with 43 million hectares of agricultural land.
- Ukraine, with 32 million hectares of arable land, accounts for 28% of European arable land.
- Agricultural land accounts for 69% of the total area of the country.

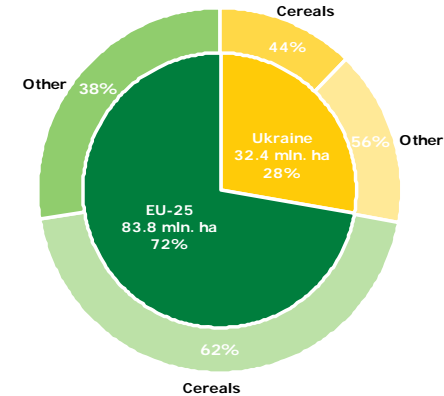
**FIGURE 5. Comparison of Agricultural Land in Ukraine and Selected Countries in EU, 2006\***

Source: Ministry of Agrarian Policy of Ukraine, EUROSTAT  
 \* The Figure includes all EU countries with more than 3 mln. Ha of agricultural land



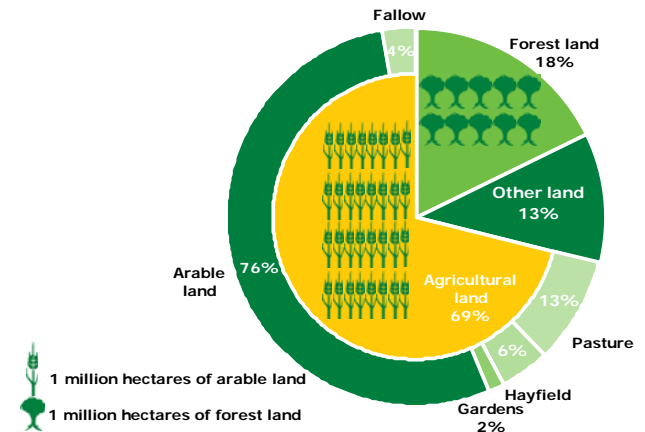
**FIGURE 6. Comparison of Arable Land in Ukraine and the EU-25, 2006**

Source: Ministry of Agrarian Policy of Ukraine, European Fertilizers Manufacturers Association



**FIGURE 7. Distribution of Land in Ukraine, 2006**

Source: UkrStat, Ministry of Agrarian Policy of Ukraine





- ❑ Ukraine's territory accounts for 33% of world reserves of black soil (chernozems).
- ❑ Deep black soil accounts for about 54% of the country's land. It has an enriched humus layer of between 50 and 60 centimeters or more in depth, which is fertile and does not have any limitations for crop cultivation.
- ❑ Ukraine occupies the leading place among neighbouring countries in the proportion of high quality fertile soil.
- ❑ Average annual precipitation is approximately 600 millimeters, including about 350 millimeters during April-October with dry summers favoring grain growing.

## Key Competitive Advantages of Ukrainian Agricultural Land

Photo: Land West



- ❑ Favorable climatic conditions
- ❑ Rich agricultural soils
- ❑ Access to abundant water
- ❑ Access to major foreign markets

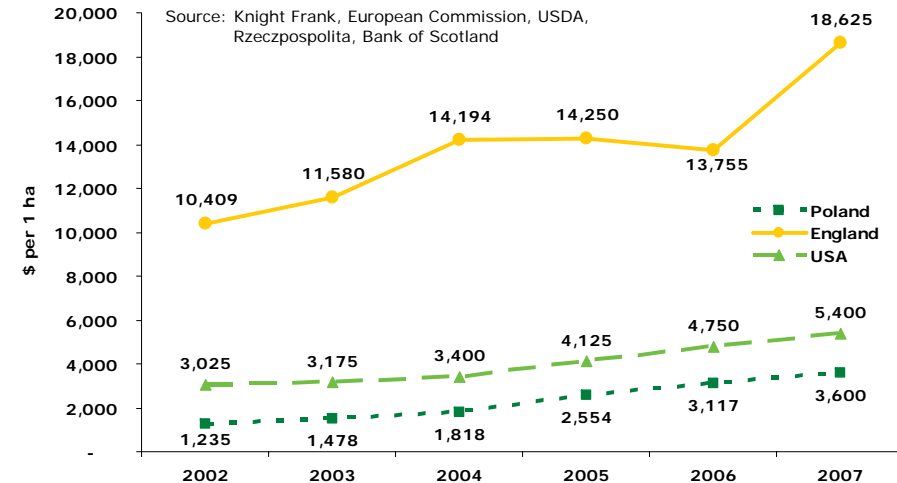
Photo: Land West



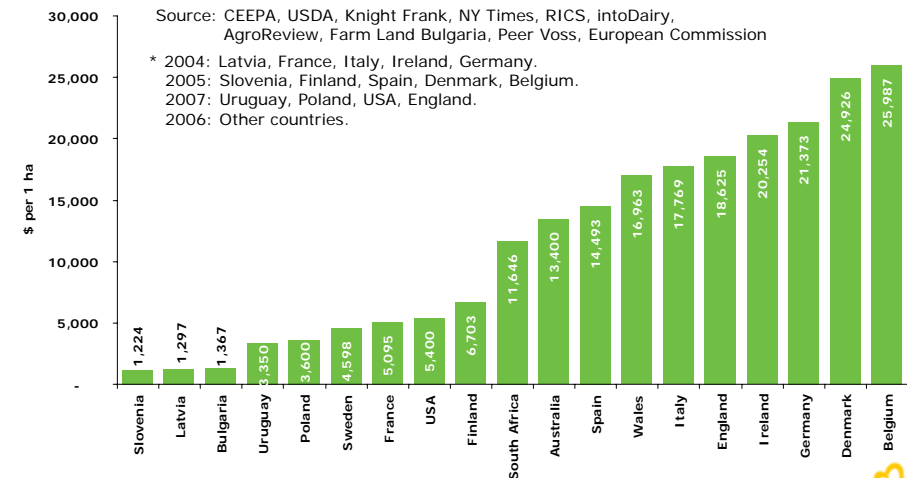


- ❑ Farmland prices are growing all over the world. For example, agricultural land prices in the US are rising faster than those of apartments in Manhattan and London for the first time in 30 years.
- ❑ Poland's experience shows that the price of one hectare increased 14 times from \$250 to \$3,600 over ten years.
- ❑ Based on our experience, currently long-term land leases can be secured through acquisition of agricultural enterprises, implying a price of \$100-400 per hectare.
- ❑ Average annual lease rates vary from \$30 to \$40 per hectare and are mainly paid in-kind.
- ❑ We estimate that the cost of purchasing agricultural land will be \$300-500 per hectare after the moratorium on land sale is lifted.

**FIGURE 8. Land Value Appreciation, 2002-2007**



**FIGURE 9. Agricultural Land Prices**







## Efficiency Growth Opportunities

- ❑ The main constraining factor facing Ukrainian agriculture is the lack of modern agricultural machinery and equipment.
- ❑ Experts estimate that the current level of physical depreciation of agricultural machinery in Ukraine is about 80% compared to 60% in 1999.
- ❑ High quality foreign equipment could have a significant positive effect on agricultural productivity.

## M&A Opportunities

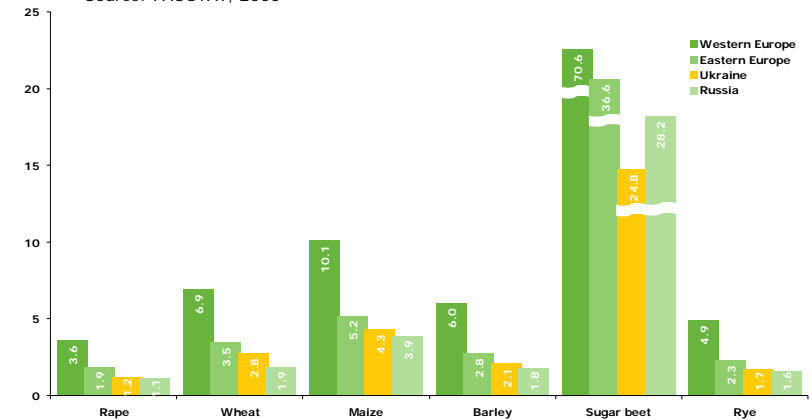
- ❑ Small and medium-sized enterprises dominate the Ukrainian market, implying great opportunities for consolidation.
- ❑ Many industry pioneers are quitting the business after years of unsuccessful performance.
- ❑ Low-efficiency agricultural market players that quit the business provide cheap acquisition opportunities.

## Large Holding Advantage

- ❑ A large-scale agricultural holding benefits from:
  - Attraction of nearby farmers who want to merge with stronger competitors with access to financing;
  - Monopoly positions in local markets will give bargaining power for land purchases at favorable prices;
  - Geographical and crop diversification;
  - Competitive advantage thanks to economies of scale.

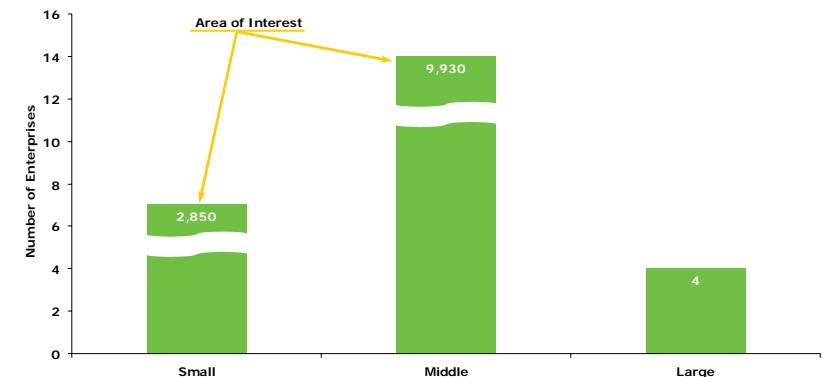
**FIGURE 10. Yield per Ha (t/Ha). Potential for Growth**

Source: FAOSTAT, 2005



**FIGURE 11. Classification of Agricultural Enterprises in Ukraine**

Source: USAID, 2003



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# Company Overview

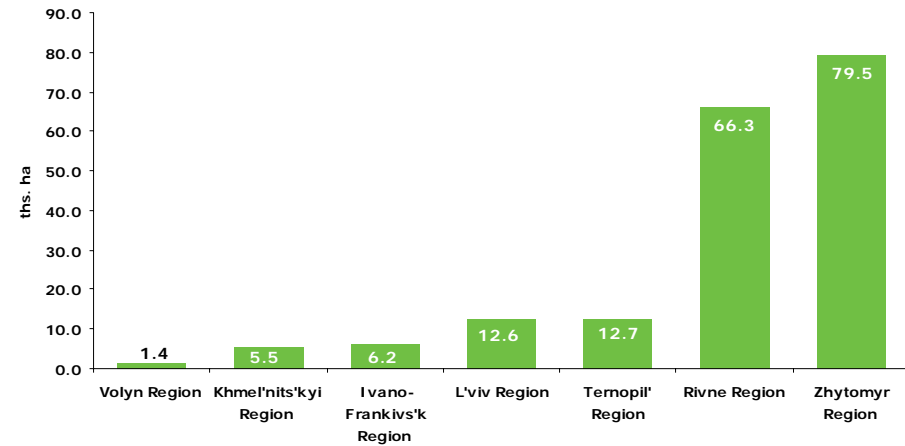
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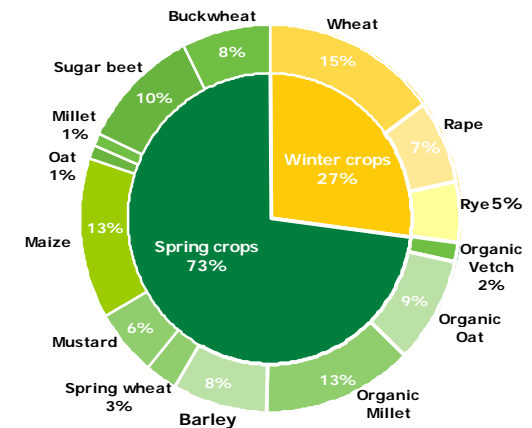


- ❑ Land West is one of the largest land-minded agricultural companies in Ukraine and is founded and headed by professionals with an in-depth industry expertise and strong agricultural background.
  
- ❑ The Company controls 184,319 ha of agricultural land in black soil regions of Ukraine and enjoys the right to first refusal on its land plots in anticipation of the lifting of the moratorium on sales of agricultural land.
  
- ❑ The total area planted with winter crops, organic crops and spring crops accounts for approximately 15,016 hectares, 5,000 hectares, and 20,130 hectares, respectively. Additionally, 15,964 hectares are prepared for seeding.
  
- ❑ Current machinery and equipment capacities allow the Company to cultivate about 30,000 hectares, while its infrastructure capacities allow the Company to hold 25,000 tons of crops in stock.

**FIGURE 12. Distribution of Land under Control**



**FIGURE 13. Structure of Crops for Agricultural Year 2007/2008**



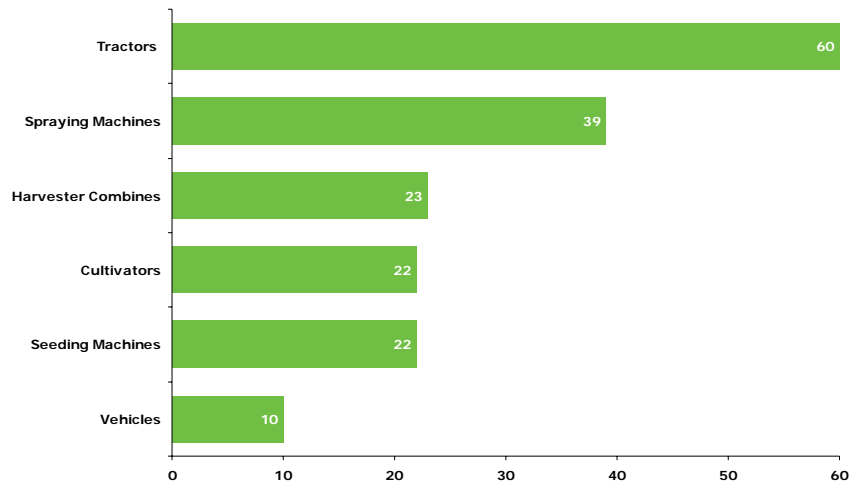




- ❑ Making the most of modern agricultural machinery and equipment is a key priority for Land West.
- ❑ We modernize agricultural machinery and equipment at each farm we own, to obtain higher crop yields than our competitors.
- ❑ Land West operates a fleet of modern agricultural machinery. At the same time, the Company continues to exploit its old machinery with focus on renewing it.



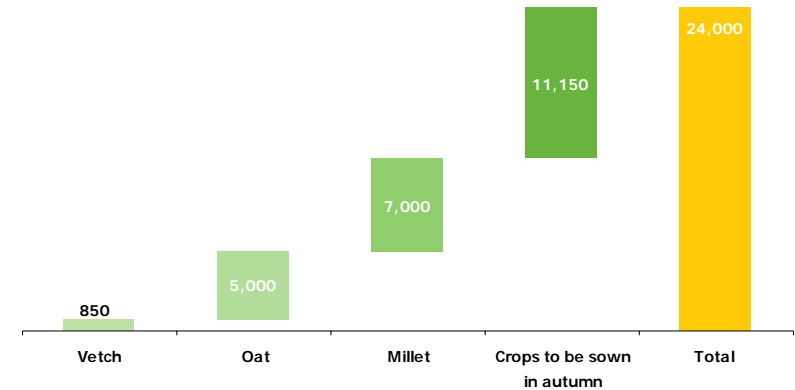
FIGURE 14. Breakdown of Machinery and Equipment, q-ty





- ❑ Land West addressed the growing worldwide demand for organic food and devoted 24,000 ha of agricultural land in Zhytomyr for organic certification.
- ❑ Spring crops of 5,000 hectares of oat, 7,000 hectares of millet, and 850 hectares of vetch are to be sampled in the second half of June in accordance with the certification process developed by BioCore.
- ❑ The certification and sale of organic crops have already been arranged with Holland's BioCore, which specializes in trading organic products under organic certifications.
- ❑ Due to certification, Land West will enjoy a 30-50% premium to crop price, as more and more customers are interested in organic food.

FIGURE 15. Organic Crops Fields 2008, hectares

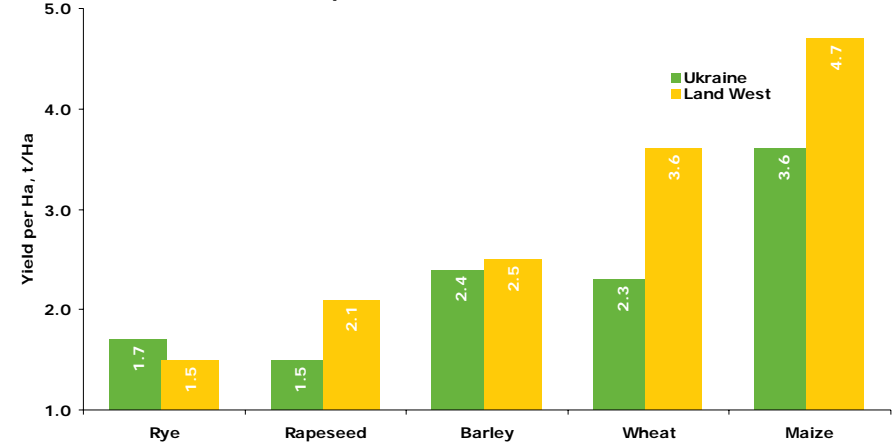






- Land West cultivates its land area in accordance with the best local practices by involving the expertise of leading Ukrainian agricultural and plant breeding universities.
- This cooperation allows us to cultivate high-yield, high-quality, and high-stability crops with average crop yields exceeding the Ukrainian average by 30%.

FIGURE 16. Yield per Ha (t/Ha), 2007



## Rapeseed Production Cycle



July-November



December-February



February-March



April-May



June-July

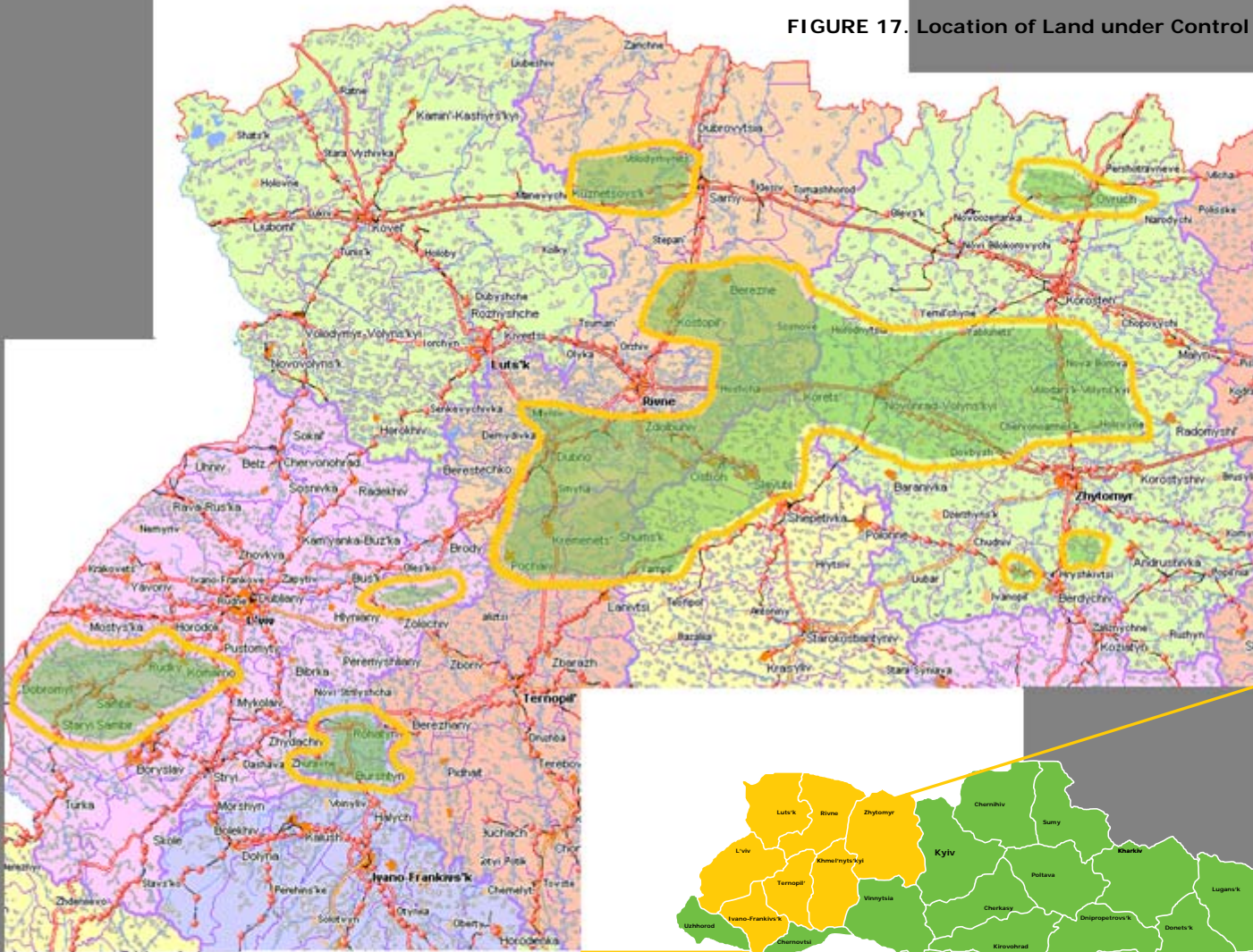


Storage





FIGURE 17. Location of Land under Control



**Land by Region:**

- Zhytomyr region – 79,491 ha
- Rivne region - 66,365 ha
- Ternopil region -12,742 ha
- Lviv region - 12,600 ha
- Ivano-Frankivsk region - 6,231 ha
- Khmelnitsk region - 5,470 ha
- Volyn region – 1,420 ha
- Total Area – 184,319 ha**

# Use of December 2007 Proceeds



**CLAAS**



USD 4.9 mln

**CASE IH**  
AGRICULTURE



USD 3.2 mln



42 sprayers, USD 1.7 mln



22 ploughs, USD 1.0 mln



5 tractors, USD 0.8 mln

**KAMAZ**

10 trucks, USD 0.8 mln



2 tractors, USD 0.7 mln



11 tractors, USD 0.4 mln



2 ploughs, USD 0.3 mln

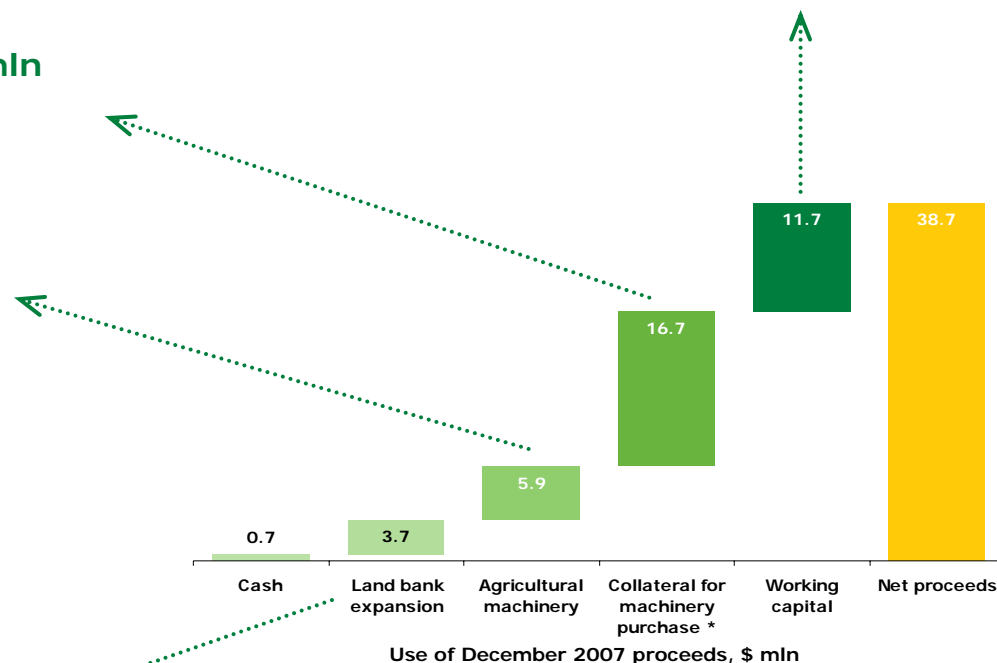
+ 20,149 hectares  
over Jan – Mar, 2008



15,016 hectares with winter crops

24,390 hectares with spring crops

15,964 hectares prepared for seeding



\* USD 16.7 million is being held with the bank as collateral for loans to create a positive credit image of the Company

- Land West achieved and, as a result, increased its original plan and aims to get 26,320 hectares more by the end 2008 than originally anticipated in 2007.

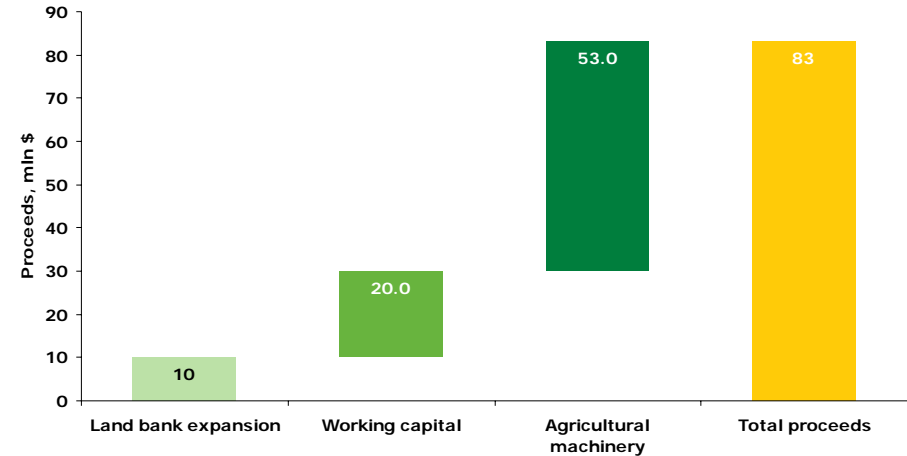






- ❑ The current unavailability of bank financing creates development constraints as the Company's business model relies heavily on bank loans.
- ❑ To increase the share of land under cultivation, continue expansion, support 2007-2008 crop campaign, Land West is undertaking Secondary Issue.
- ❑ The Management strongly believes that the moratorium on the sale of agricultural land will be lifted this summer. Most significant players have started to prepare for this and are accumulating land area under lease.

**FIGURE 19. Land Moratorium Scenario**



**FIGURE 20. Land Buy-out Scenario**





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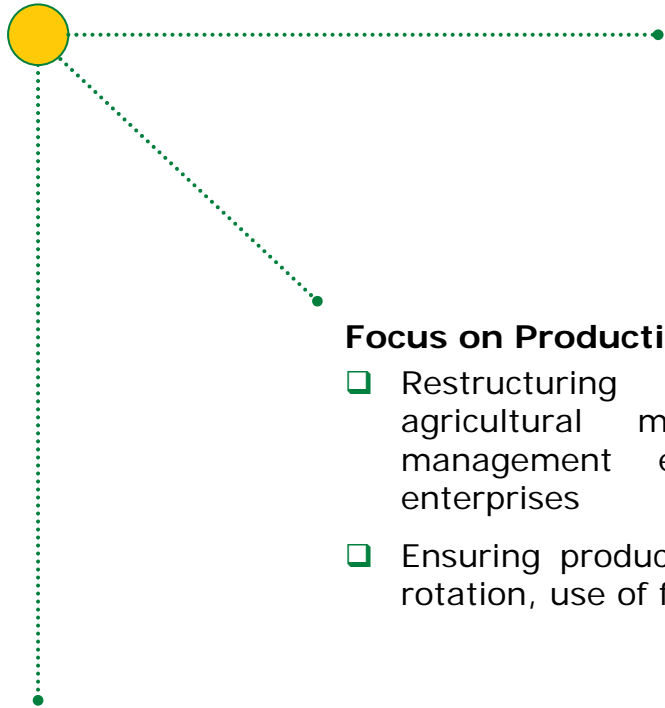


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# Company Strategy

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## Land Accumulation

- ❑ Land West focuses on acquiring agricultural land in fertile regions of Ukraine
- ❑ The Company plans to double its existing land bank to 343,000 hectares by 2011 and will buy out the land under its control once the moratorium on land sale is lifted

## Focus on Productivity

- ❑ Restructuring and introduction of modern agricultural machinery and equipment and management experience to newly purchased enterprises
- ❑ Ensuring productivity increase through proper crop rotation, use of fertilizers and modern technologies

## Diversification of Agricultural Risks

- ❑ Utilization of an optimal crop rotation process designed by leading foreign and Ukrainian agricultural universities and companies
- ❑ Distribution of land between winter (30%) and spring (70%) crops





FIGURE 21. Land accumulation, 2008-2010



□ Land lease acquisition plans:

- 2008:
  - ✓ Rivne region – 15,000 ha;
  - ✓ Volyn region – 10,000 ha;
  - ✓ Zhytomyr region – 1,320 ha;
- 2009:
  - ✓ Rivne region – 2,000 ha;
  - ✓ Volyn region – 8,000 ha;
  - ✓ Zhytomyr region – 10,000 ha;
- 2010:
  - ✓ Rivne region – 13,000 ha;
  - ✓ Volyn region – 13,000 ha;
  - ✓ Zhytomyr region – 14,000 ha;
- 2011:
  - ✓ Rivne region – 25,560 ha;
  - ✓ Volyn region – 26,240 ha;
  - ✓ Zhytomyr region – 20,560 ha.





## Modernization of the Acquired Farm

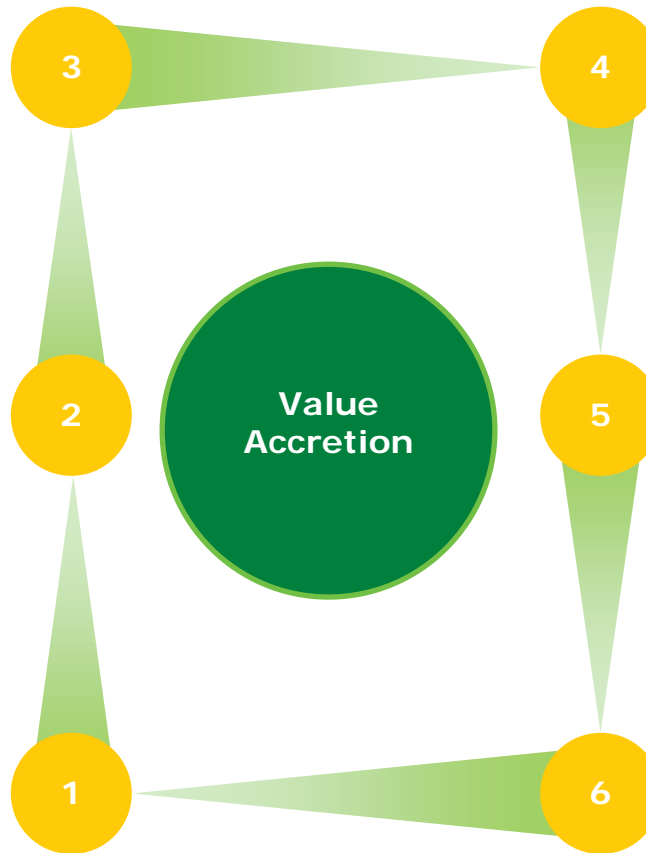
- ❑ Disposal of underperforming and non-core assets
- ❑ Acquisition of modern machinery and equipment
- ❑ Modernization and development of existing facilities

## Organisational Restructuring

- ❑ Management set-up
- ❑ Audit and legal due-diligence
- ❑ Business process and organizational structure optimization
- ❑ Resolution of all legal issues

## Acquisition of Small or Medium Sized Farm

- ❑ Acquisition of underpriced companies with attractive land



## Increasing Crop Yields and Cash-flows

- ❑ Focus on high-margin products
- ❑ Efficient crop rotation
- ❑ Balanced and efficient fertilization and crop protection

## Farm Integration and Utilization of Economies of Scale

- ❑ Logistic cost savings
- ❑ Bargaining power
- ❑ Facilities maneuvering

## Land Accumulation by Acquisition of Neighboring Farms

- ❑ Gradual land expansion through takeover of neighboring territories of farms and individuals



## LAND VALUE APPRECIATION

Agricultural land in Ukraine is currently several times cheaper than in other countries of the world.

## LAND ACQUISITION FINANCED BY IPO AND DEBT FINANCING

Initial public offering combined with internal resources and debt financing will fund the privatization of agricultural land under lease. The company has first refusal right on these land plots in anticipation of the moratorium on sales being lifted, which was put in place to stop landgrabs by wealthy individuals.

## CASH FLOW FROM AGRICULTURAL PRODUCTION

Additional cost advantage from the benefit of scale and cultivation of high-margin crops. Focus on energy plants and organic crops, which generate steady cash-flows.

## PRIVATE PLACEMENT

Acquisition of agricultural enterprises with long-term land leases, modernization of agricultural machinery and equipment, and implementation of sophisticated farming technologies concerning land fertilizing to take advantage of economies of scale.



- Being on the conservative side in our business-plan assumptions, we used-lower-than average crop prices and the harvested crop yields below the level in Western Europe.
- EBITDA margin is expected to average 31-50% over the next four years.

		2008	2009	2010	2011
<b>Harvested Area</b>	Ha	<b>55,370</b>	<b>150,000</b>	<b>210,000</b>	<b>306,000</b>
<b>Sales</b>	\$ ths	<b>55,102</b>	<b>112,761</b>	<b>185,685</b>	<b>308,629</b>
<b>Major Crops</b>					
Rape	t/Ha	3.5	3.5	3.5	4.0
Wheat	t/Ha	4.0	4.0	4.0	4.5
Maize	t/Ha	7.5	7.5	7.5	7.5
Barley	t/Ha	3.2	3.2	3.2	3.2
Rye	t/Ha	2.5	2.5	2.5	3.5
<b>Crop Prices</b>					
Rape	\$/t	540	540	540	540
Wheat	\$/t	243	243	243	243
Maize	\$/t	218	218	218	218
Barley	\$/t	173	173	173	173
Rye	\$/t	198	198	198	198
<b>Cost of Goods</b>	\$ ths	<b>(44,349)</b>	<b>(83,543)</b>	<b>(115,088)</b>	<b>(137,177)</b>
<b>Gross Profit</b>	\$ ths	<b>10,753</b>	<b>29,218</b>	<b>70,597</b>	<b>171,452</b>
Gross Profit Margin	%	20%	26%	38%	56%
<b>EBITDA</b>	\$ ths	<b>939</b>	<b>19,862</b>	<b>57,977</b>	<b>155,002</b>
EBITDA margin	%	<b>2%</b>	<b>18%</b>	<b>31%</b>	<b>50%</b>
<b>Expected Prices</b>					
Rape	\$/t	600			
Wheat	\$/t	300			
Maize	\$/t	230			
Barley	\$/t	230			
Rye	\$/t	250			





## Barley

Yield 3.2 t/Ha	Cost/Ha, \$
Land labor	20.6
Inputs	367.5
Land lease	40.0
Other expenses	67.0
<b>Total</b>	<b>495.1</b>

## Maize

Yield 7.5 t/Ha	Cost/Ha, \$
Land labor	18.5
Inputs	604.5
Land lease	40.0
Other expenses	362.0
<b>Total</b>	<b>1,025.0</b>

## Rye

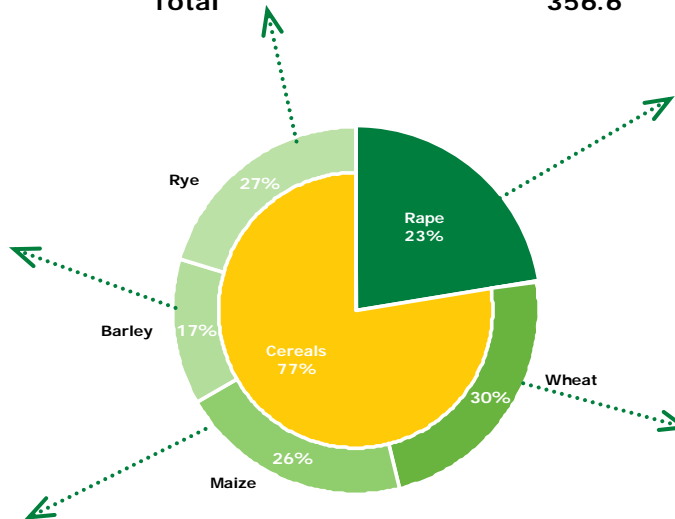
Yield 2.5 t/Ha	Cost/Ha, \$
Land labor	20.6
Inputs	229.0
Land lease	40.0
Other expenses	67.0
<b>Total</b>	<b>356.6</b>

## Rape

Yield 3.5 t/Ha	Cost/Ha, \$
Land labor	24.2
Inputs	724.0
Land lease	40.0
Other expenses	87.0
<b>Total</b>	<b>875.2</b>

## Wheat

Yield 4.0 t/Ha	Cost/Ha, \$
Land labor	22.8
Inputs	430.5
Land lease	40.0
Other expenses	87.0
<b>Total</b>	<b>580.3</b>



**FIGURE 22. Production plan, 2008 -2012**

Source: Harvest share in 2007 year prices  
 \* Sugar beet is not included as it is harvested only in 2008 and thus accounts for 1%

1 Inputs include the following: seeds, herbicides, fertilizers, microelements  
 2 Other expenses include: management, insurance, storing, drying and other

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# Management and Structure

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**Myhaylo Korylkevych, MBA**  
*CEO*

- ✓ 10 years of sound managerial experience in agricultural companies and in organizing a large-scale agricultural business
- ✓ solid experience in restructuring and corporate development
- ✓ MBA degree (Institute of International Business Relations)



**Myhaylo Nychporuk**  
*Head of Operating Activities*

- ✓ 16 years of experience in managing of agricultural companies
- ✓ 5 years of lecturing practice in Myroshansky College on Plant Cultivation
- ✓ MSc in Agronomy, Lviv State Agrarian University, Ukraine



**Mykola Galyant**  
*Head of Land Accumulation*

- ✓ 20 years of managerial experience at various collective farms
- ✓ extensive industry ties
- ✓ graduated from Myrohoscha State Farm Technical School



**Olexandr Gladunov**  
*Head of Marketing*

- ✓ member of the Ukrainian Marketing Association
- ✓ author of 2 teaching tutorials for university students and more than 20 research publications on Marketing and Management



**Petro Pilishyuk**  
*Chief Agronomist*

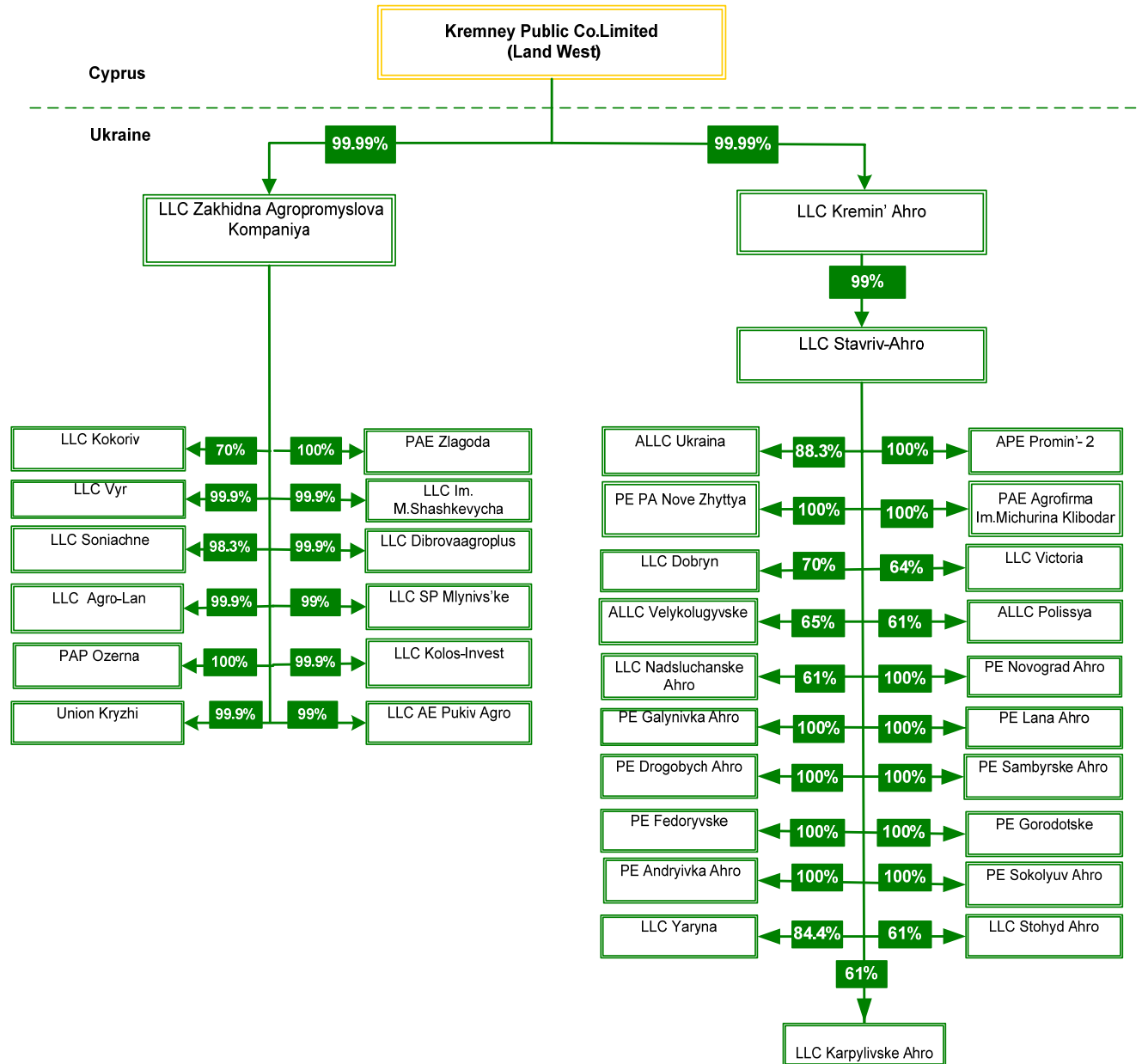
- ✓ more than 20 years experience in the position of chief agronomist at collective farms
- ✓ 10 years experience in heading collective farms
- ✓ Master's degree in Agriculture (Ukrainian Agricultural Academy)



**Myroslav Polio**  
*Head of Investor Relations*

- ✓ broad experience in Investor Relations combined with strong interpersonal, presentation and leadership skills
- ✓ several years of managerial experience in agricultural companies
- ✓ MSc in Economics, Rivne Institute for Economics and Humanities, Ukraine





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# Financials

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**FIGURE 23. Combined Income Statement (unaudited), USD ths**

Source: Company's statutory accounts

	2006	2007
<b>Net Revenues</b>	<b>6,291</b>	<b>6,472</b>
Cost Of Sales	(5,729)	(4,786)
<b>Gross Profit</b>	<b>562</b>	<b>1,686</b>
<i>Gross margin, %</i>	9%	26%
SG&A	(407)	(370)
Other Operating Income	411	201
<b>EBITDA</b>	<b>566</b>	<b>1,517</b>
<i>EBITDA margin, %</i>	9%	23%
Depreciation and Amortization	(245)	(522)
<b>EBIT</b>	<b>321</b>	<b>995</b>
<i>EBIT margin, %</i>	5%	15%
Interest Expense	(203)	(177)
Other Income	129	441
Tax	(1)	(5)
<b>Net Income</b>	<b>245</b>	<b>1,254</b>
<i>Net Margin, %</i>	4%	19%

**FIGURE 24. Combined Balance Sheet (unaudited), USD ths**

Source: Company's statutory accounts

	2006	2007
<b>Non-Current Assets</b>	<b>8,310</b>	<b>26,885</b>
PP&E, net	8,127	10,396
Bank Deposits	-	16,350
Other Non-current Assets	183	139
<b>Current Assets</b>	<b>8,281</b>	<b>20,628</b>
Inventories and Biological Assets	7,181	5,898
Trade Receivables	510	76
Cash and Cash Equivalents	66	12,992
Other Current Assets	524	1,662
<b>Total Assets</b>	<b>16,591</b>	<b>47,513</b>
<b>Equity</b>	<b>10,036</b>	<b>42,785</b>
Share Capital	9,096	40,591
Retained Earnings and Other	940	2,194
<b>Non-Current Liabilities</b>	<b>2,172</b>	<b>1,568</b>
LT Interest Bearing Debt	566	392
Other LT	1,606	1,176
<b>Current Liabilities</b>	<b>4,383</b>	<b>3,160</b>
Trade Payables	1,844	2,012
ST Interest Bearing Debt	1,526	527
Other Current Liabilities	1,013	621
<b>Total Equity and Liabilities</b>	<b>16,591</b>	<b>47,513</b>



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# Land West Photos

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Photo: Land West



Photo: Land West



Photo: Land West



Photo: Land West



Photo: Land West



Photo: Land West











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**Thank you for your attention!**

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