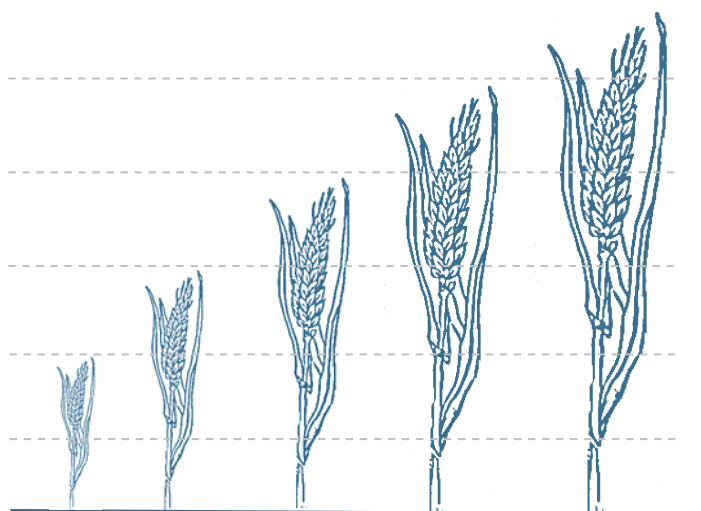


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Land West

On the growth track



CONTENTS

Investment thesis	2
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Executive summary	4
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Valuation	6
Valuation methods	7

The company	10
Company profile	11
Placement results	12
Key milestones	13
Management strategy	14
Land holdings	15
Land cultivation	17
Profitability outlook	22
Legal structure	23
Management team	24
Risks	25

Market overview	26
Global rush for soft commodities	27
Ukraine: Agricultural treasure chest	30

Appendices	34
Appendix 1: Government subsidies	35
Appendix 2: Selected financial information	36
Appendix 3: Summary of projections	37
Appendix 4: Financial statements	39
Appendix 5: Peer comparison	41

INVESTMENT THESIS

Land West

<http://www.landwest.com.ua/eng/>

BUY

INVESTMENT CASE

- **Ukraine's largest public landholder, with 186 ths ha under control, equal to 0.6% of total arable land**
- **Sown area projected to grow 3x to 173 ths ha by 2013**
- **Proceeds from placement were directed to expand land bank by 22 ths ha, purchase new machinery worth USD 15 mln, and finance sowing of 52 ths ha**
- **Land West's shares have made 19% since placement in December 2007 vs. the UA CIU's* negative 42%**
- **Attractively valued, 58% upside, BUY**

Large land bank a booster to equity value

Land West is Ukraine's largest public landholder, with 186 ths ha under control (up sevenfold since 2006), surpassing its closest peer by 55%. In our view, the size of the company's land bank implies significant appreciation potential for Land West's equity. We anticipate the appreciation to materialize after Ukrainian agricultural land becomes tradable (expected in 2009).

Cultivated area set to triple by 2013

Management's strategy currently focuses on expanding cultivated land; we forecast the company will increase its cultivated area to 173 ths ha by 2013, from 52 ths ha this year. This year, Land West almost doubled cultivated area. The company has already (as of August 6) harvested 15.3 ths ha, gathering 55 ths mt of crops. We expect Land West to finish this year's harvest campaign with 137 ths mt of crops and 239 ths mt of sugar beets, which should generate USD ~50 mln in sales.

Equity capital injection fuels mid-term growth

Land West placed a 20% equity stake among institutional investors in early December 2007, attracting USD 43 mln in gross proceeds. In line with Land West's announced plans at placement, proceeds were directed to add 22 ths ha to the company's land bank, finance sowing 52 ths ha, and commit USD 15 mln to purchase new machinery, which secures the company's needs for next year.

19% return since placement

Since listing, the company's share price has risen 19% (bearing in mind low liquidity) amid overall unfavorable sentiment, backed by investor's bullish view of Ukrainian agricultural plays. The Concorde Investable Universe Index, comprised of the 57 most liquid Ukrainian stocks listed on the PFTS, London, Warsaw and Frankfurt stock exchanges is down 42% over the same period.

Appears to be attractively valued

Our DCF-based 12M target price for Land West's shares is set at USD 32.1, which implies a 58% upside to its current price.

* Concorde Investable Universe Index. A free float weighted index including the 57 most liquid Ukrainian stocks listed on the PFTS, London, Warsaw and Frankfurt stock exchanges.

Agriculture / Ukraine

12M target, USD

32.1

Market information

Frankfurt/ XETRA	4K1A GR
Market price, USD	20.34
Chg YTD	7%
Hi/Lo YTD, USD	25.49/18.89
MCap, USD mln	254.3
No of shares, mln	6.25
DR ratio	2:1
Avg Mo Tr Vol YTD, USD mln	0.032
Free float	24%
Free float, USD mln	61.0

Stock ownership

Kremney Public Co. Ltd, Cyprus*	76%
Free float	24%

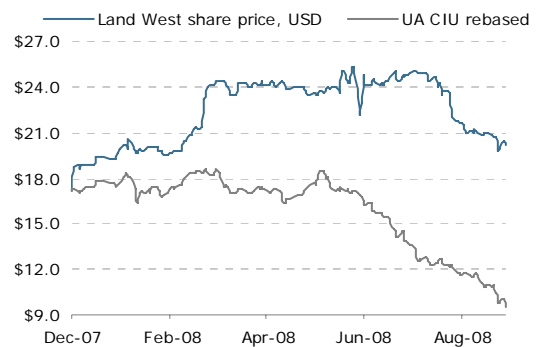
* Owned by Korylkevych family

Key financials, USD mln

	2007	2008F	2009F
Revenue	6	48	60
EBITDA	2	12	19
Net Income	1	10	12
Book Value	43	54	66
Debt/Equity	0.0	0.1	0.4

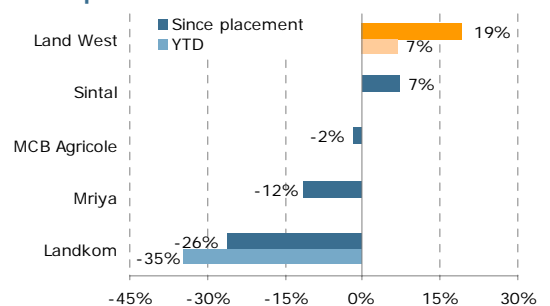
Source: Concorde Capital estimates

Stock performance vs. UA CIU



Source: Bloomberg, PFTS

Sector performance



Source: Bloomberg

EXECUTIVE SUMMARY

Agriculture: Stock market sector emerges

Agriculture, as a sector, only broke into the Ukrainian stock universe in 2007, when domestic producers took to global capital markets to finance growth. Landkom was the first in late November 2007, followed by Land West in the same month, MCB Agricole in March 2008, Mriya Agroholding in June and Sintal Agriculture in August.

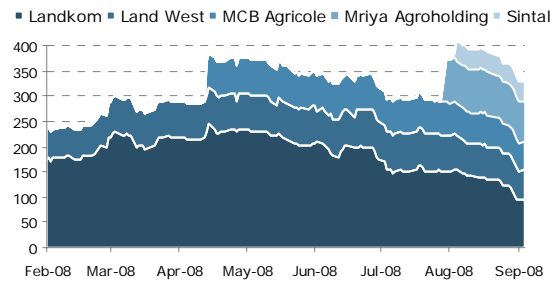
Placement statistics

Company	Date of placement	Stake offered	Equity raised, USD mln	Stock exchange
Landkom	Nov 07	54.9%	111	LSE AIM
Land West	Nov 07	24.0%	52	FSE
MCB Agricole	Mar 08	24.4%	56	FSE
Landkom (SPO)	Mar 08	2.4%	22	LSE AIM
Mriya Agroholding	Jun 08	20.0%	90	FSE
Sintal Agriculture	Aug 08	15.0%	35	FSE
Total			366	

Source: Bloomberg, Thomson, ISI Emerging Markets

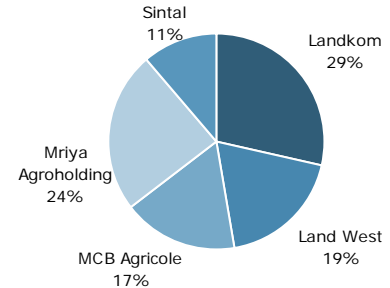
Currently, the combined free float of the five domestic land plays is a meager ~USD 318 mln, offering limited exposure to the sector.

Free float build up, USD mln



Source: Bloomberg, Thomson, ISI Emerging Markets

Current free float breakdown, USD mln



Fundamental drivers support future growth

In our view, Ukrainian agriculture is primed to enter a rapid growth phase, on the back of the following factors:

Driver

Timeline

Ukraine's WTO accession

cancellation of export restrictions on agricultural crops

Done: Apr 2008

Abolishment of moratorium on land sales

establishment of land market

anticipated in 2009

appreciation of land value due to improved productivity as more investments flow into the sector

2008 -2011

High price environment for agro crops

sustainably high earnings for producers of agricultural crops

2007-2015

Source: FAPRI (agro crops price outlook), Concorde Capital estimates

Valuation summary

We set our 12M target price for Land West's shares at USD 32.1, which corresponds to a DCF-based estimate of the company's fair equity value under a more conservative scenario of perpetual land lease. The target implies 58% upside to the stock's current price.

VALUATION

Valuation methods

DCF and relative valuations produce a wide range for Land West's fair equity value, USD 170-600 mln. We tend to rely on DCF-derived values, which suggest Land West's equity in 12 months will be worth USD 401-451 mln, depending on the scenario, implying a price of USD 32.1 – 36.0 per GDR. In our view, DCF better captures the value of future cash flows from the expansion of cultivated area and improved yields from 2009 on.

DCF

When designing our operating model, we developed two alternative scenarios to account for uncertainties related to land tradability in Ukraine:

Scenario 1: Land ownership – 100% of targeted land is bought during 2009-2012

Scenario 2: Perpetual lease model – the company continues leasing 100% of its land into perpetuity

The two scenarios give very close estimates of the company's current equity value: USD 451 mln under Scenario 1 and USD 401 mln under Scenario 2.

Key assumptions

1. Cost of entry to obtain land under control will grow from USD 200 per ha currently to USD 300 by 2012.
2. Lease price will increase from USD 40 per ha currently to USD 60 by 2012.
3. Land price: USD 300 per ha right after the moratorium on land sales is lifted, gradually rising to USD 600 per ha two years later.
4. Taking into account volatile nature of commodity prices, our projections for Land West's selling prices are slightly more conservative than current international and domestic prices as well as FAPRI global price outlook.

Crop price comparison

	2008E prices, USD/mt		Spot Price*, USD/mt	
	FAPRI	Concorde	World	Domestic
Winter wheat	259	230	211	250
Corn	213	210	194	253
Barley	146	210	335	227
Soybeans	451	420	471	639
Buckwheat	-	440	-	433

Source: FAPRI, Company data, Concorde Capital estimate, Bloomberg, analytical agency Agriculture

*Bloomberg and analytical agency Agriculture were used as sources for world and domestic spot prices:

Crop	World	Domestic
Winter wheat	WEATCHEL Index	UKAGMW4\$ Index
Corn	CORNCH2Y Index	www.agriagency.com.ua
Barley	BARLCO2B Index	www.agriagency.com.ua
Soybeans	SOYBCH1Y Index	UKAGSB\$T Index
Buckwheat	n/a	www.agriagency.com.ua

5. Gradual increase in crop yields, as land conditions improve at 6.4% CAGR over 2008-2014. We, conservatively, do not forecast any growth in yields after 2014.
6. Income tax at 0.15% of the cadastre land value (effectively ~4-5% of PBT in 2008-2009), paid by farmers instead of the standard 25% income tax. To be normalized at a 25% rate starting from 2010.
7. In our assumptions, we did not factor in government subsidies currently valid for agricultural companies as there is still no clear guidance regarding them following Ukraine's accession to the WTO (refer to Appendix 1 for detailed data on subsidies).

DCF output

1. Eternal land lease scenario

As of September 10

For the purpose of forecasting, local currency is used (UAH mln) unless otherwise noted

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
EBITDA	62	94	147	213	294	453	554	525	525	525
EBIT	51	76	124	187	265	422	520	489	488	486
Tax Rate	5%	3%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	48	73	93	140	198	316	390	367	366	365
Plus D&A	11	18	23	26	29	31	33	35	37	39
Less CapEx	(120)	(150)	(100)	(70)	(60)	(50)	(50)	(45)	(38)	(39)
Less change in OWC	(30)	(29)	(38)	(72)	(108)	(144)	(47)	7	0	2
FCFF	-	(87)	(22)	24	60	154	327	364	365	366
WACC	18%	16%	15%	14%	14%	13%	13%	12%	12%	12%
							Perpetuity growth rate			2%
							WACC to perpetuity			11.2%
Terminal Value										4,057
Disc. terminal value	1,446						Implied exit EBITDA multiple			7.7x
Firm value	2,089									
Portion due to TV	69.2%									
Less Net Debt	(106)									
Equity Value	1,983									
Implied GDR price, USD*	32.1									

*2008 UAH/USD rate forecast: 4.99

Sensitivity analysis

WACC Y1-10	Implied MCap, USD mln					WACC to perpetuity	Implied MCap, USD mln				
	1.0%	Perpetuity Growth Rate			3.0%		1.0%	Perpetuity Growth Rate			3.0%
		1.5%	2.0%	2.5%				1.5%	2.0%	2.5%	
-3.0%	462	480	501	524	549	8.2%	469	498	532	572	619
-2.0%	428	446	465	486	510	9.2%	428	450	476	505	540
-1.0%	398	414	431	451	473	10.2%	395	413	434	457	483
+0.0%	370	384	401	419	440	11.2%	370	384	401	419	440
+1.0%	343	357	372	389	408	12.2%	348	361	374	389	406
+2.0%	319	332	346	362	380	13.2%	331	341	353	366	379
+3.0%	297	309	322	336	353	14.2%	316	325	335	346	358

2. Land purchase scenario

As of September 10

For the purpose of forecasting, local currency is used (UAH mln) unless otherwise noted

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
EBITDA	62	110	178	257	394	565	678	652	652	652
EBIT	51	92	155	231	365	534	644	617	615	614
Tax Rate	5%	4%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	48	88	117	173	274	400	483	463	461	460
Plus D&A	11	18	23	26	29	31	33	35	37	39
Less CapEx	(120)	(295)	(238)	(183)	(214)	(50)	(50)	(45)	(38)	(39)
Less change in OWC	(30)	(29)	(38)	(69)	(104)	(137)	(48)	6	(0)	1
FCFF	-	(218)	(136)	(53)	(15)	244	419	459	460	461
WACC	18%	15%	13%	13%	13%	13%	13%	12%	12%	12%
							Perpetuity growth rate			2%
							WACC to perpetuity			11.2%
Terminal Value										5,112
Disc. terminal value	1,874						Implied exit EBITDA multiple			7.8x
Firm value	2,430									
Portion due to TV	77.1%									
Less Net Debt	(200)									
Equity Value	2,230									
Implied GDR price, USD*	36.0									

*2008 UAH/USD rate forecast: 4.99

Sensitivity analysis

WACC Y1-10	Implied MCap, USD mln					WACC to perpetuity	Implied MCap, USD mln				
	1.0%	Perpetuity Growth Rate			3.0%		1.0%	Perpetuity Growth Rate			3.0%
		1.5%	2.0%	2.5%				1.5%	2.0%	2.5%	
-3.0%	528	552	579	608	642	8.2%	540	578	622	673	734
-2.0%	486	508	533	560	591	9.2%	486	515	549	587	631
-1.0%	446	467	490	515	544	10.2%	444	467	494	523	557
+0.0%	410	429	451	474	501	11.2%	410	429	451	474	501
+1.0%	377	394	414	436	461	12.2%	382	399	416	436	457
+2.0%	346	362	381	401	424	13.2%	359	373	388	404	422
+3.0%	317	332	350	369	390	14.2%	340	352	365	379	394

Relative valuation

Our peer comparison suggests that Land West's equity value lies in a range of USD 91-608 mln. The considerable width of the range is due to a great disparity between the speed of land bank expansion and utilization for Land West and its peers. Land West's plan seems to be modest compared to the peers, which lends more confidence of realization.

Peer valuation summary

		EV/land controlled, USD/ha			EV/harvested, USD/ha	
		Current	2008E	2009E	2008E	2009E
MCB Agricole	Ukraine	3,209	1,415	914	3,605	1,485
Sintal	Ukraine	3,566	2,418	1,425	4,266	1,519
Landkom	Ukraine	797	696	711	5,714	2,133
Mriya	Ukraine	3,349	2,115	n/a	4,728	n/a
Median		3,279	1,765	914	4,497	1,519
Black Earth Farming	Russia	1,491	1,278	1,376	3,256	n/a
Razgulay Group	Russia	4,306	3,381	n/a	n/a	n/a
Trigon Agri	Russia	348	278	1,440	2,655	n/a
Median		1,491	1,278	1,408	2,955	n/a
		Land under lease, ths ha			Harvested area, ths ha	
Land West		186	186	186	52	60
Implied equity value						
USD, mln:						
	@ UA median	608	327	170	235	91
	@ RU median	277	237	261	155	n/a
Implied price per DR,						
USD:						
	@ UA median	48.7	26.2	13.6	18.8	7.3
	@ RU median	22.1	19.0	20.9	12.4	n/a

Detailed peer data

		Land controlled, ths ha			Harvested area, ths ha	
		Current	2008E	2009E	2008E	2009E
MCB Agricole	Ukraine	71	161	281	63	173
Sintal	Ukraine	78	115	196	65	184
Landkom	Ukraine	100	115	225	14	75
Mriya	Ukraine	120	190	n/a	85	n/a
Black Earth Farming	Russia	300	350	400	150	n/a
Razgulay Group	Russia	212	270	n/a	n/a	n/a
Trigon Agri	Russia	120	150	200	60	n/a

Source: Company data, Bloomberg, Thomson Financial, Concorde Capital estimates

THE COMPANY

Company profile

The largest public landholder

- 186 ths ha of land under control, 0.6% of Ukraine's total arable land

52 ths ha planted for harvest in 2008

- 30% of the total land bank, 52 ths ha, was sowed in 2008, 86% more than last year

Well-provisioned machinery fleet

- Machinery fleet secures cultivation of 60 ths ha of land, the planned area to be cultivated in 2009

First public industry player to implement organic farming*

- 12.85 ths ha were sowed with organic crops in 2008, which have 15%-25% lower costs, 20%-35% higher prices than ordinary crops

Experienced management team

- 10-20 years of experience in managing of agricultural companies, connections with local authorities

Current land bank location, ths ha



Source: Company data, B.C.Toms & Co. Law Offices

* Cultivation of crops without the use of chemical fertilizers

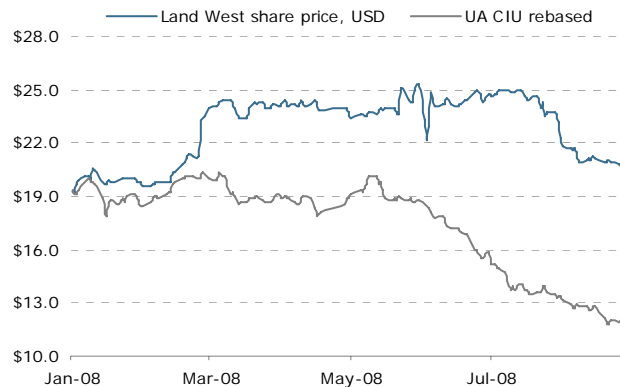
Placement results

19% return since placement

In December 2007, Land West offered 20% of its primary shares to institutional investors, attracting USD 43 mln in gross proceeds.

Strong demand during placement and investors' bullish view on Ukrainian agricultural plays lifted the stock price 19% since placement amid an overall bear market – the Concorde Investable Universe Index was down 56% over the same period.

Land West stock performance vs. UA CIU*



Source: Bloomberg

Proceeds directed to support declared strategy

In line with Land West's announced plans during placement, proceeds were directed at purchasing agricultural machinery & equipment, expanding the company's land bank and financing the 2008 sowing campaign.

Net proceeds allocation

Purpose	Amount, USD mln
Land bank expansion	4.0
Machinery & equipment purchases	5.9
Sowing campaign: winter/spring crops	9.4
Fertilizers for 2008 sowing campaign	2.0
Bank deposit	16.7
Cash on accounts	0.7
Total	38.7

Source: Company data (as of April 2008)

*- Concorde Investable Universe Index. A free float weighted index including the 57 most liquid Ukrainian stocks listed on the PFTS, London, Warsaw and Frankfurt stock exchanges.

Key milestones

Land bank has grown by 22 ths ha since floatation

Land West, since placement in December 2007, increased its land bank by 22 ths ha to 186 ths ha. The average entry cost paid by the company for newly added land remained at USD 200/ha.

B.C. Toms & Co Law Offices completed a legal due diligence report of Land West's land bank, confirming the company had 164 ths ha under control at placement. The company is currently in the process of receiving confirmation of the newly added 22 ths hectares.

Machinery fleet – expanding in line with cultivated area

Land West signed contracts to purchase 163 modern agricultural machinery units for a total cost of USD 15 mln since placement, out of which USD 5.9 mln has already been paid. The remaining USD ~9 mln needed to finance the machinery purchases will come from cash currently available in deposit accounts (USD 16.7 mln) or by debt attracted using this deposit as collateral.

Machinery purchase details

Machinery	Producer	Country	Quantity	Contract value, USD	Avg. price/unit	Paid in fact, USD
Harvester	CLAAS	Germany	5	1,963,198	392,640	39,264
Harvester	CLAAS	Germany	10	2,931,802	293,180	296,289
Tractor	John Deere	USA	2	669,505	334,753	669,505
Tractor	New Holland	Italy	5	830,000	166,000	83,000
Tractor	Case	Italy	20	3,200,000	160,000	1,910,495
Tractor	Belarus	Belorussia	11	400,792	36,436	40,079
Seeder	Dgerardi	Germany	15	883,548	58,903	45,700
Sprayer	Schmotzer	Germany	42	1,654,087	39,383	1,495,128
Land preparator	Lemken	Germany	2	287,287	143,644	28,729
Land preparator	N.O.P.O.Z.M.	Czech Rep.	22	1,006,336	45,743	1,006,336
Truck with trailer	Kamaz	Russia	10	772,618	77,262	77,262
Other machinery			19	339,000	17,842	168,820
Total			163	14,938,173		5,860,606

Source: Company data

52 ths ha planted for 2008 harvest

In line with plans announced at placement, Land West planted 52 ths ha this year with winter and spring crops. The company has already (as of August 6) harvested 15.3 ths ha, gathering 55 ths mt of grain. We expect this year it will harvest 173 ths mt of grain and 239 ths mt of sugar beets, which should generate USD ~50 mln in sales.

Land to be harvested in 2008, ha

	Winter crops	Spring crops	Total
Wheat	9,334	1,581	10,915
Rapeseed	3,830	-	3,830
Rye	3,852	-	3,852
Corn	-	5,534	5,534
Barley	-	4,379	4,379
Mustard	-	3,080	3,080
Buckwheat	-	6,307	6,307
Millet	-	4,000	4,000
Oat	-	3,850	3,850
Sugar beet	-	5,560	5,560
Other	-	1,000	1,000
Total	17,016	34,291	52,307

Source: Company data

Management strategy

The company's objective is to become one of the leading Ukrainian producers of agricultural crops via expanding cultivated area and improving productivity. In order to achieve this, the company is pursuing the following targets:

- expansion of its land bank by ~18% to 220 ths ha by 2012
- tripling cultivated area to 172 ths ha by 2012
- achievement of current EU-level yields by 2011
- modernization of machinery & equipment, USD 58 mln is planned to be invested during 2008-2011
- construction of grain silos: 2x50 ths mt each by 2012, USD 32 mln is planned to be invested

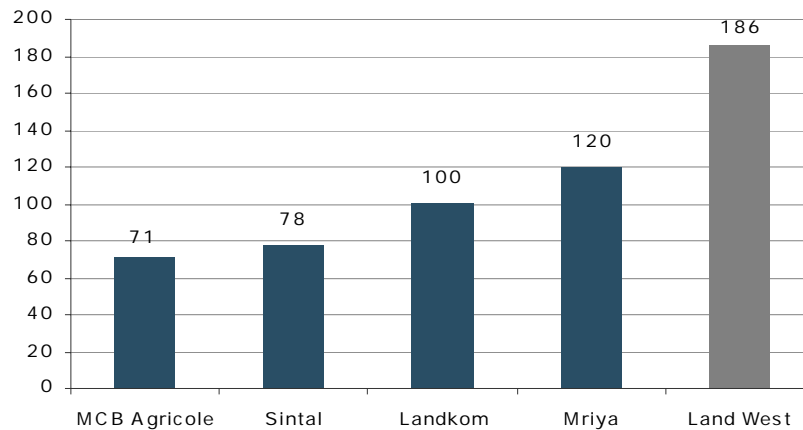
The plans outlined above regarding land bank expansion and cultivated area differ from those announced at placement, reflecting the change in the company's focus to land cultivation, rather than expansion.

Land holdings

Land bank: growth plan 80% completed

Land West is Ukraine's largest public landholder, with 186 ths ha under control, surpassing its closest peer by 55%. The company has already 80% achieved its goal of building its land bank to 220 ths ha by 2012.

Current land bank size, Land West vs. peers, ths ha



Source: Company data, Bloomberg

Key facts about land lease and acquisition

- Duration of leases: 5-15 years
- Current land lease rent: USD 40 per ha per annum
- Land bank expansion - usually through the acquisition of farms with consolidated land plots (~1,000 and more), some basic machinery & infrastructure
- Entry cost (lump sum payment) to get land under lease ~ USD 200 per ha
- According to Ukrainian legislation, land lessees have the preemptive right to buy land under lease upon cancellation of the moratorium on land sales

Time to buy

After the moratorium on the sale of agricultural land is cancelled, Land West's management plans to buy out leased land.

If, as we expect, the moratorium is lifted in 2009, the immediate effect, in our view, will be depressed land prices due to the supply of land outpacing demand. This would create an opportunity for first-movers to buy land for cheap, we estimate, at c. USD 300 per ha. The buyout price will gradually increase, in our view, to USD 600 by 2011 (current average price for ha of agricultural land in Russia is USD 500). The company's management expects to purchase land at USD 300-600 per ha.

We believe that Land West would be able to buy land at relatively low prices for the following reasons:

- Ownership of agricultural land is dispersed (~3 ha per person), which implies low bargaining power for those in possession of it
- Management has years of established personal relations with the heads of village councils
- Agricultural land is in abundance compared to the expected mid-term demand for it. Market participants say that each consolidator is focusing on target regions to prevent severe rises in price

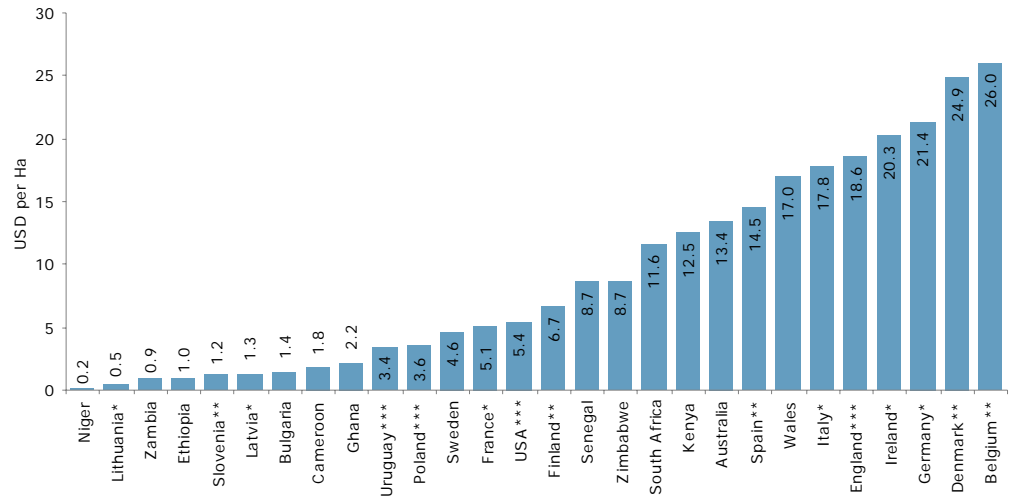
At present, the aforementioned factors enable the company to negotiate relatively low lease rates of USD 40 per year, often paid in kind.

Land appreciation potential

After the market for agricultural land is established, and land ownership becomes concentrated, we expect prices to go up to levels found elsewhere in Eastern Europe (i.e. USD 3.6 ths per ha in neighboring Poland in 2007).

If the moratorium remains in place for longer than we expect, the most plausible outcome, in our view, will be a shift in the timing of Ukrainian agricultural land appreciation. We see no alternative to land becoming tradable, and think its timing is merely a question of political will. It is our opinion that the Polish and other CEE land markets give an idea about how the Ukrainian land market should develop.

Average price for arable land, USD ths/ha in 2006 (unless otherwise stated)



*2004, **2005, ***2007

Source: CEEPA, European Commission, USDA, Knight Frank

Regional footprint

Khmelnytskyi region



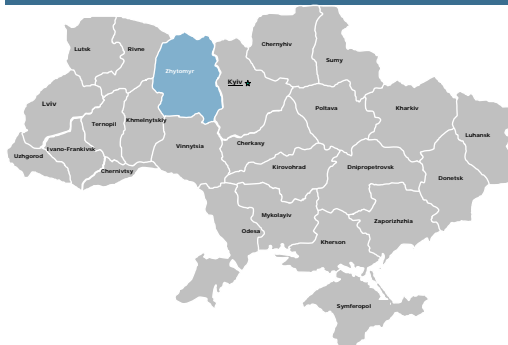
Region description

Population, mln	1.35
Number of land owners, mln	1.04
Agricultural land area, ths ha	1,606
Avg. annual precipitations, mm	600-700
Average temperature in winter	-5- -6 C
Average temperature in summer	18 – 19 C
Share in total land under lease 2008	3%

The company currently controls 5.5 ths ha of land in this region.

Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Zhytomyr region



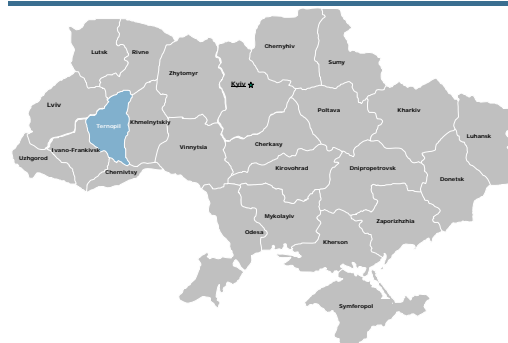
Region description

Population, mln	1.31
Number of land owners, mln	1.02
Agricultural land area, ths ha	1,609
Avg. annual precipitations, mm	700-750
Average temperature in winter, C	-5 - -7 C
Average temperature in summer, C	18 – 20 C
Share in total land under lease 2008	43%

One of the key regions of Land West's land bank location: 79.5 ths ha of land currently under control.

Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Ternopil region



Region description

Population, mln	1.10
Number of land owners, mln	0.91
Agricultural land area, ths ha	1,078
Avg. annual precipitations, mm	550-600
Average temperature in winter	19 – 20 C
Average temperature in summer	-5 - -6 C
Share in total land under lease 2008	7%

The company currently controls 12.7 ths ha of land in this region.

Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Volyn region



Region description

Population, mln	1.04
Number of land owners, mln	0.75
Agricultural land area, ths ha	1,086
Avg. annual precipitations, mm	600-700
Average temperature in winter	-3 - -4 C
Average temperature in summer	17-18 C
Share in total land under lease 2008	1%

Land West entered this region in 2008, currently has 1.4 ths ha of land under control.

Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Lviv region



Region description

Population, mln	2.56
Number of land owners, mln	1.35
Agricultural land area, ths ha	1,297
Avg. annual precipitations, mm	750-850
Average temperature in winter	-5°C
Average temperature in summer	+18°C
Share in total land under lease 2008	7%

The company currently controls 12.6 ths ha of land in this region.

Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Rivne region



Region description

Population, mln	1.15
Number of land owners, mln	0.69
Agricultural land area, ths ha	969
Avg. annual precipitations, mm	600-700
Average temperature in winter	-5°C
Average temperature in summer	+18°C
Share in total land under lease 2008	36%

One of the key regions of Land West's land bank location: 66.4 ths ha of land currently under control.

Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Ivano-Frankivsk region



Region description

Population, mln	1.38
Number of land owners, mln	1.00
Agricultural land area, ths ha	1,392
Avg. annual precipitations, mm	650-780
Average temperature in winter	-5°C
Average temperature in summer	+18°C
Share in total land under lease 2008	3%

The company currently controls 6.2 ths ha of land in this region.

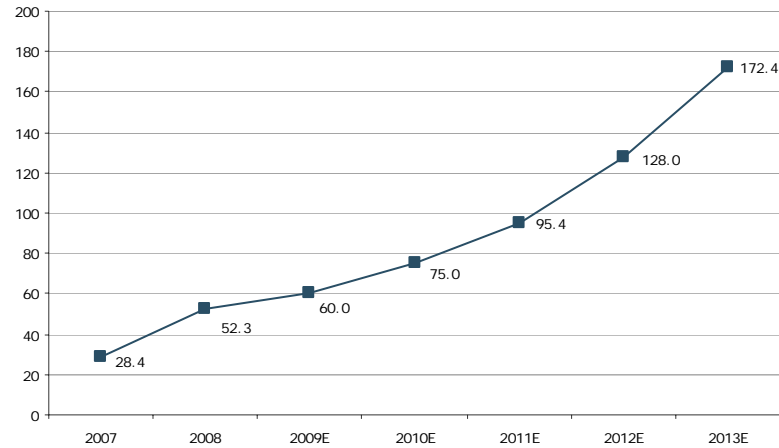
Source: State Statistics Committee, Ministry of Emergency Events, Company Data

Land cultivation

Cultivated area triples by 2013

Land West plans to expand its cultivated area to 173 ths ha by 2013, from 52 ths ha this year. The company increased its cultivated area by 82% this year.

Land West's cultivated area expansion, ths ha

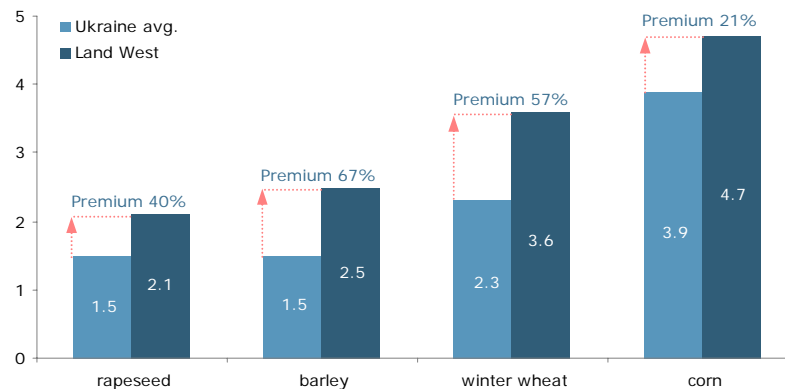


Source: Company data, Concorde Capital estimates

Yields – already superior

Land West has a proven ability to achieve yields higher than the industry average: last year the company's yields were 20%-70% higher than the Ukrainian average.

Land West's yields vs. Ukrainian average in 2007, mt/ha



Source: Ukrstat, Company data

Another 50% yield buildup planned in two years

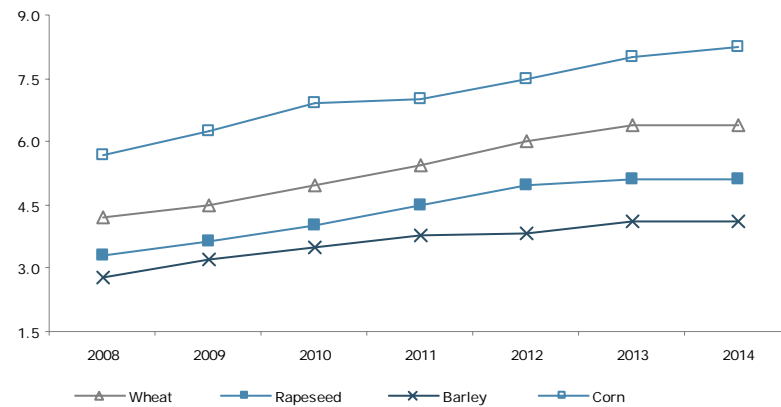
Land West targets bringing its yields close to the current European average by 2011, which means an average increase of 52% from its 2007 level by means of:

Adoption of advanced agricultural practices. Cooperation with leading domestic and Western agronomists for implementation of modern farming technologies, such as no-till farming.

Use of high-quality seeds and fertilizers from leading domestic and foreign producers.

Adequate provision of up-to-date machinery. Expanding its fleet in line with sown area. Machinery by recognized international producers will be acquired: John Deere (USA), CLAAS (Germany), Lemken (Germany), Amazone (Germany), etc.

Yields improvement, *mt/ha*



Organic crops as a competitive edge

Land West is the only Ukrainian public agricultural company involved in organic farming. The benefits of organic farming are: 20%-40% lower production costs and 20%-50% higher selling prices compared to ordinary crops. However, yields are usually 20-70% lower. This year the company planted 12.85 ths ha with organic spring crops.

Land West addresses the growing worldwide demand for organic food and has set aside 24,000 ha of land in Zhytomyr for organic crop certification. The organic certification will be performed in October, upon harvesting results, by Holland's BioCore, which specializes in trading organic products. BioCore agreed to purchase organic crops harvested by Land West.

The organic crop production certification requires the following:

- No prohibited substances or fertilizers can be applied to land for at least 3 years before the harvest of an organic crop;
- The use of genetic engineering and ionizing radiation is prohibited;
- Soil fertility and crop nutrients must be managed through tillage and cultivation practices, crop rotations, and cover crops, supplemented with animal and crop waste materials and allowed synthetic materials;
- Preference must be given to the use of organic seeds;
- In case of pests, weeds, and diseases, only physical, mechanical, and biological controls can be applied as opposed to chemicals.

CapEx program: machinery and grain silos

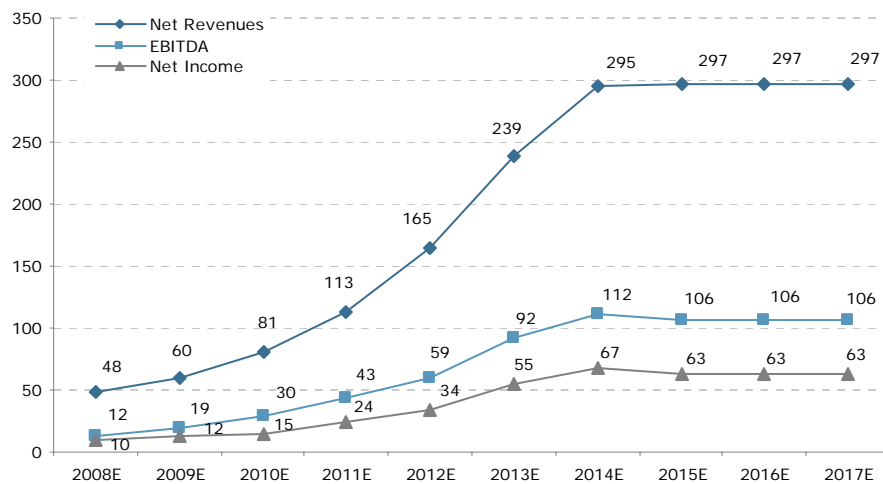
Land West plans to invest USD 90 mln during 2008-2011 to support its declared strategy: USD 32 will be spend on construction of two grain elevators of 50 ths mt storage capacity each, the rest will be invested in machinery and equipment, implying USD 607 per ha in cultivation in 2011.

Profitability outlook

We expect the company's EBITDA and sales to grow at 2008-13 CAGR of 49% and 38%, respectively, on expansion of harvested area and improved yields. We estimate Land West's EBITDA margin to reach a maximum of 38% in 2011-2014 and then slightly decrease to 36% in 2015-2017.

Land West's successful experience in rapid land expansion and achievement of superior yields reveals the company's ability to grow its profitability.

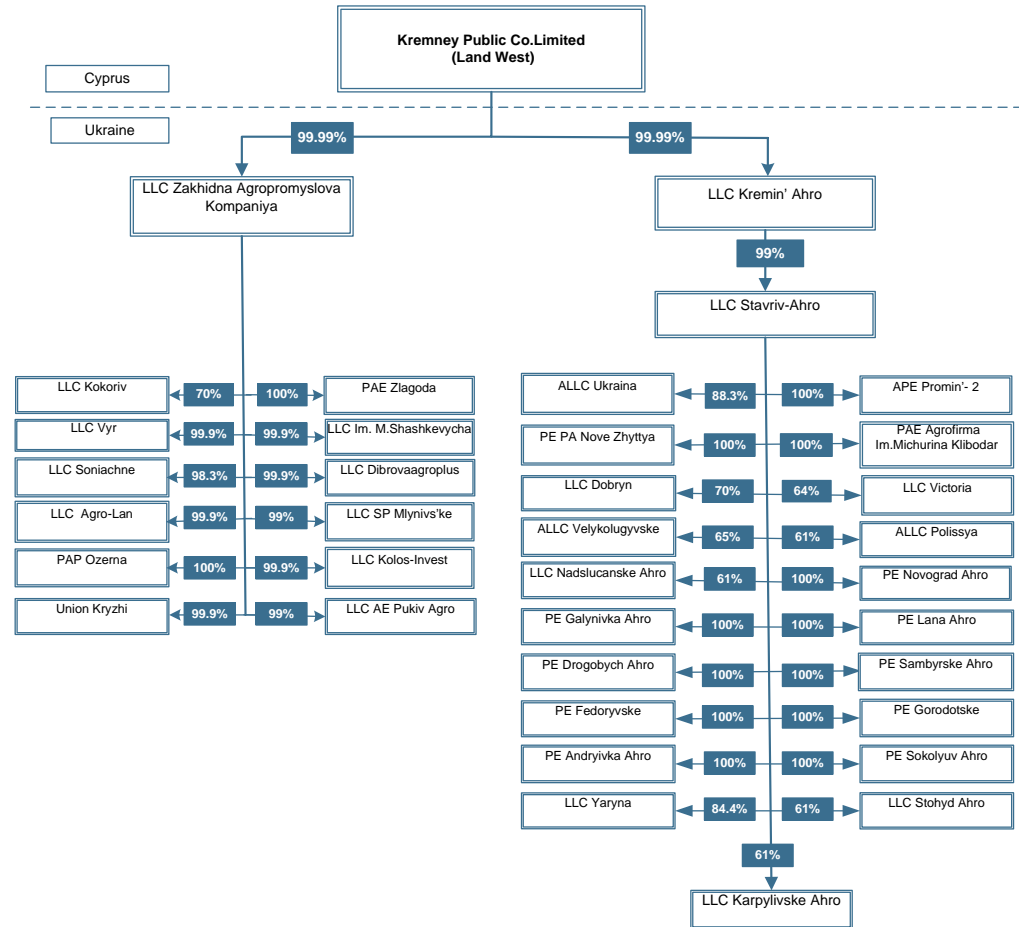
Financial projections summary, USD mln



Source: Concorde Capital estimates (land lease scenario)

Legal structure

Kremney Public Co. Ltd (Land West) is a Cyprus beneficiary of Ukraine-based agricultural companies Kremyn' Ahro LLC and Zakhidna Agropromyslova Kompaniya LLC. Kremney Public is 76% owned by the Kolykhevych family.



Management team



Mykhaylo Kolykhevych, CEO

- ✓ 10 years of managerial experience in leading agricultural companies
- ✓ Solid background in restructuring and corporate development
- ✓ MBA, Institute of International Business Relations, Germany



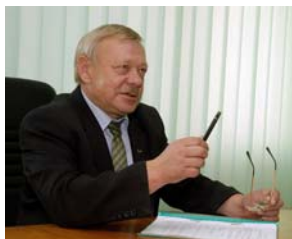
Mykhaylo Nychporuk, Head of Operating Activities

- ✓ 16 years of experience in management of agricultural companies
- ✓ Five years of lecturing at the Myrogoschansky College on Plant Cultivation
- ✓ MSc in Agronomy, Lviv State Agrarian University, Ukraine



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)



Mykola Galyant, Head of Land Accumulation

- ✓ Over 20 years managerial experience at collective farms
- ✓ Extensive industry ties
- ✓ Experience in negotiating farm acquisitions



Olexandr Gladunov, Head of Marketing

- ✓ Member of the Ukrainian Marketing Association
- ✓ Author of two teaching tutorials for university students and more than 20 research publications on Marketing and Management



Myroslav Polio, Head of Investor Relations

- ✓ Broad experience in IR
- ✓ Several years of managerial experience in agricultural companies
- ✓ MSc in Economics, Rivne Institute for Economics and Humanities, Ukraine

Source: Company data

Risks

Adverse weather conditions

Poor and inclement weather conditions are one of the major risks for agricultural companies, implying the threat of crop damage or loss. Land West is hedging the risks of weather-related crop damage or loss through regionally diversifying its land bank. In addition, the deep humus layer of Ukraine's soil increases water absorption to help withstand dry conditions.

Volatility of soft commodities prices

Prices of agricultural commodities are fundamental factors that impact a farmers' income. They are influenced by a variety of factors that are beyond the company's control, including weather conditions, global supply & demand, government policies, etc. The global trend toward boosting biofuel production and the shrinking stock of crops, on the back of rising global food demand give grounds to assume that crop prices will stay nearly unchanged in the future.

Grain export restrictions

The imposition of restrictions on grain exports raises difficulties for agricultural companies to sell off excess production on the international market. On a positive note, Ukraine, as a member of the WTO, is not allowed to apply non-tariff restrictions on exports: quotas can only be applied if it can be proved that not doing so would be to the country's economic detriment.

MARKET OVERVIEW

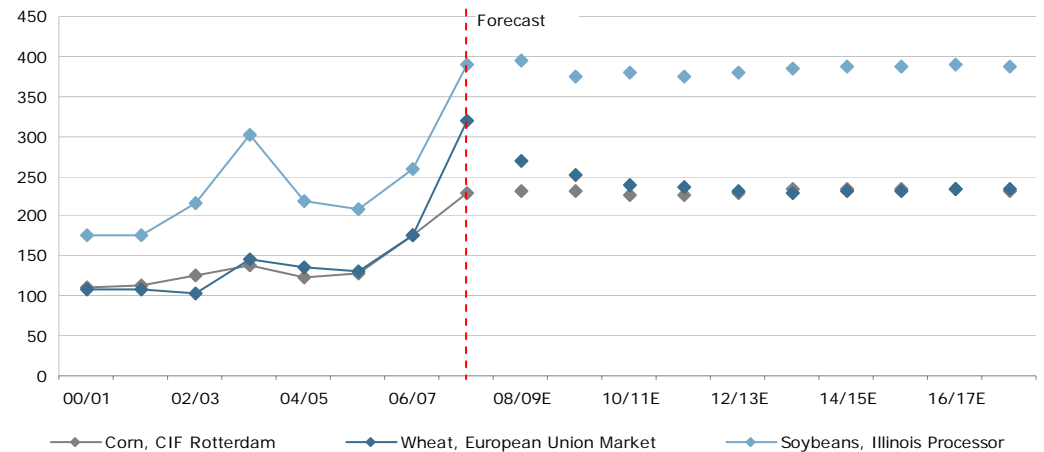
Global rush for soft commodities

Prices will stay firm, high

International prices for agricultural commodities started rising in 2005 and reached a ten-year peak at the beginning of this year.

In the long run, global cereal prices will remain high, according to the most recent *Agricultural Outlook* released by the Food and Agriculture Policy Research Institute (FAPRI). Unprecedented world cereal stock lows, and mounting demand in the food, feed and energy markets are the main forces exerting upward pressure on prices.

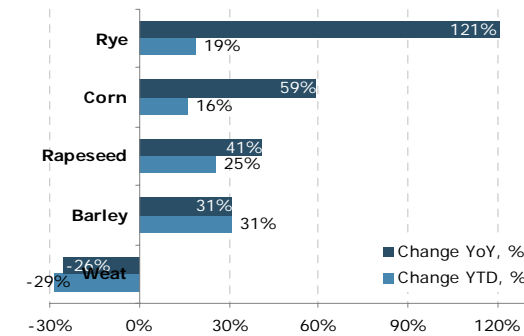
Prices for agricultural crops, USD/mt, year avg



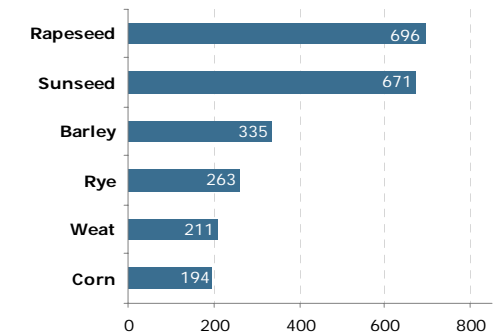
Source: Food and Agricultural Policy Research Institute

We expect that in the middle run, prices for agricultural commodities should hover around historical highs. However, volatility in some crop prices is possible, mainly as a consequence of increased supply to the market.

Price dynamics*, yoy vs YTD change



Current prices*, USD/mt



* Used the following Bloomberg indexes

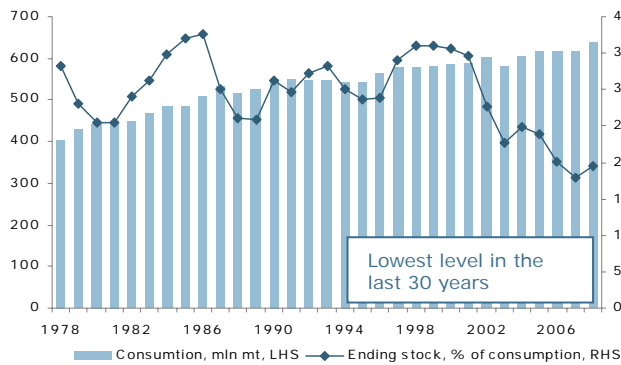
Crop name	Bloomberg index
Rye	CAGNRYE2 Index
Corn	CORNCH2Y Index
Rapeseed	SEAPRPSD Index
Barley	BARLCO2B Index
Wheat	WEATCHEL Index
Sunflower seed	SEAPSNFL Index

In the short run, the market will track in the same direction: in the first half of September 2008, CBOT Dec08 future contracts for wheat and corn were traded at about USD 273 and USD 216 per mt, 8% lower for wheat and 29% higher for corn than spot prices in the corresponding period of 2007. Currently, wheat and corn are respectively traded at 23% and 10% discounts to CBOT Dec08 contracts.

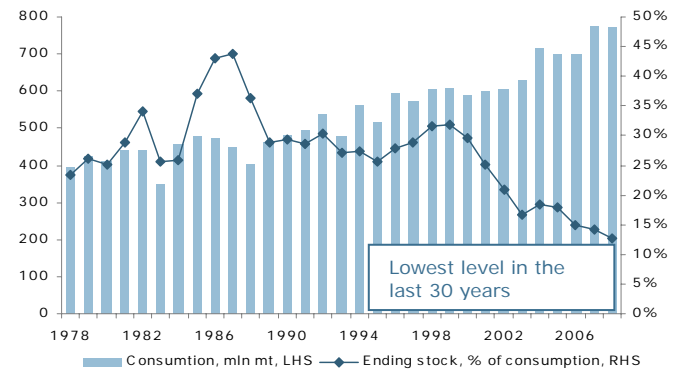
Cereal stocks are falling

According to the Worldwatch Institute, an independent research organization, in 2008 the carryover of grain stock is expected to stay at all-time lows. This year's world grain harvest of 2.2 bln mt (3% yoy growth), forecasted by the United States Department of Agriculture, is unlikely to change the situation as voracious global demand is set to absorb the bigger harvest.

World wheat consumption vs. ending stock



World corn consumption vs. ending stock



Source: USDA, Bloomberg

Demand for food & feed grain is strengthening

We expect global demand for crops, both for food and feed, to expand further. We see the following factors driving demand:

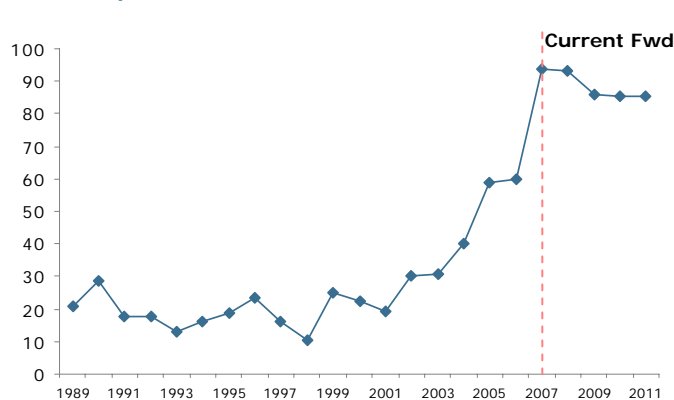
- Global population growth: the Earth's population increased by 11.5% from 1999 to 2007 to 6.67 bln; and according to the U.S. Census Bureau will reach ~7.5 bln by 2020
- Growing food consumption in China and India (36.8% of the world's population, real GDP grew there at 10% and 7% CAGR in 2000-2007, respectively)
- Use of grain for livestock feed: related to increasing meat consumption in emerging markets

Biofuel is heating up demand for crops

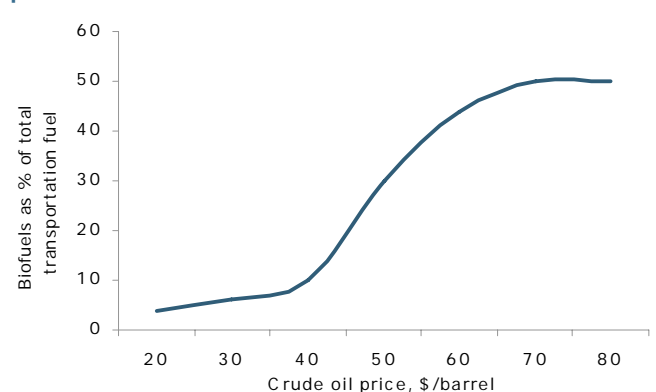
High crude oil prices support future growth in biofuel output

The threat of depleted oil reserves is stimulating oil price hikes and prompting an intensified search for viable sources of renewable energy. We believe near record high oil prices and stable forecasts provide impetus for biofuel production to be ramped up.

Brent oil prices, USD/barrel



Impact of crude oil prices on economic-replacement potential of biofuels



Source: Bloomberg, McKinsey & Company

CASE STUDY: The McKinsey Quarterly "Betting on biofuels", June 2007

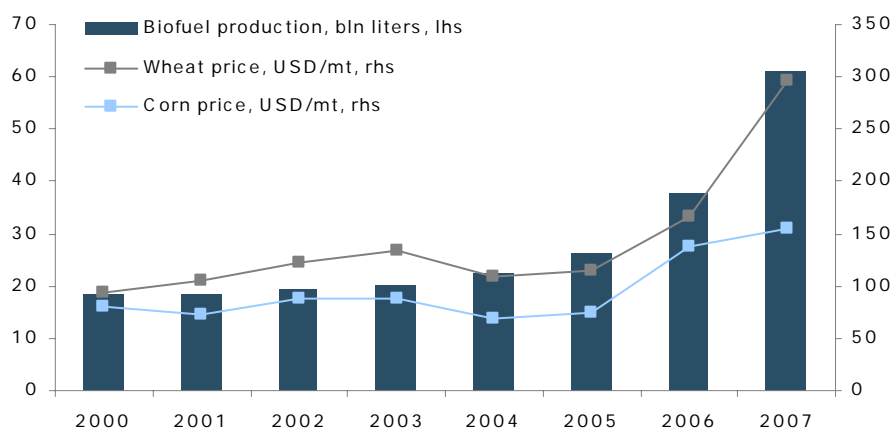
"...The economic viability of bioethanol is highly dependent on its cost effectiveness vis-à-vis gasoline... Crude oil at USD 40/barrel would provide for the economical production of 70 bln gallons of bioethanol a year by 2020 – about seven times current production and 10% of the total demand for transportation fuel."

"Our model suggests that there is sufficient land to cultivate almost 4 bln mt of feedstock a year – in theory, enough to produce bioethanol providing more than 50% of total transportation fuels by 2020."

Biofuel production is pushing feedstock prices north

Biofuel output tripled from 18.2 bln liters in 2000 to 61 bln liters in 2007. Agricultural commodities are key inputs for biodiesel and bioethanol – the most widely used alternative fuels - and the global boom in biofuel production is pushing crop prices up.

Global biofuel production vs. crop prices



Source: Bloomberg, USDA

Ukraine: Agricultural treasure chest

Several factors make Ukraine uniquely suited for agriculture:

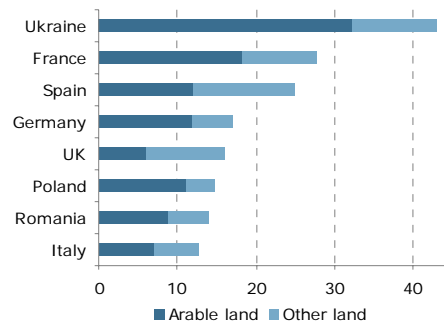
1/3 of the world's fertile black soil (chernozem) belongs to Ukraine

In addition to being home to 1/3 of the world's black soil (chernozem), Ukraine's humus layer is between 40-50 cm or more deep (vs. 5-30 cm in neighboring European states), according to USAID. A deep humus layer makes soil especially productive by providing nutrients essential for plant growth, increasing water absorption to help withstand dry conditions, and improving land workability.

High provision implies economies of scale

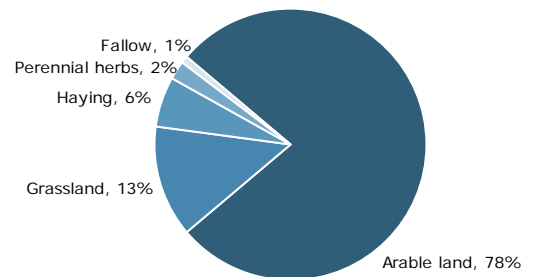
As Ukraine possesses 23% of arable land in Europe, domestic agricultural enterprises are able to capitalize on economies of scale as land acquisition is not limited by low provision as in European countries. The average EU agricultural company's size is 21 ha, compared to 399 ha in Ukraine. Public Ukrainian agricultural firms control 890 ths ha, 2.7% of total domestic arable land. In addition, 5 mln ha of formerly productive agricultural land is currently lying fallow.

Agricultural land, mln ha



Source: State Statistics Committee, Eurostat

Structure of agricultural land in Ukraine

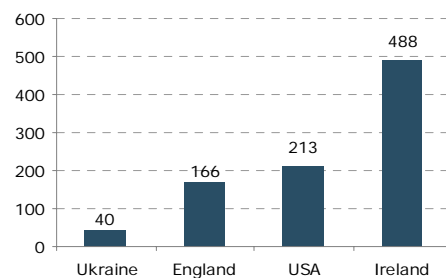


Low production cost advantage

Ukraine's farming has a low cost base compared to the EU as a result of:

- low land leasing costs (USD 30-50/ha per annum on average)
- low agricultural labor costs (USD 196 per month as of Apr. 2008)

Annual agro land lease rates, 2007*



* 2008 for Ukraine

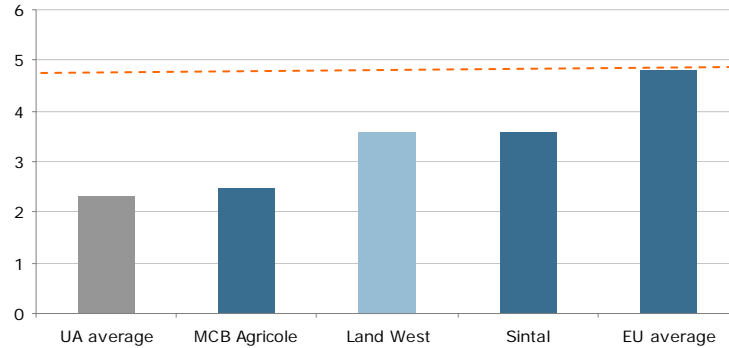
Source: USDA, Knight Frank, State Agency of Land Resources in Ukraine, Salvis Hamilton Osborne King

In our view, domestic agricultural producers have a wide enough safety margin to absorb potential wage increases and more intense use of machinery and fertilizers. Compensating factors include improving labor efficiency and growth in yields.

Considerable potential for productivity improvement

We believe proper fertilization, adequate provision of machinery and adoption of advanced practices will enable domestic agricultural companies to achieve yields close to the EU average in the mid-term. Privately-owned Ukrainian agricultural enterprises have proven that yields can be increased significantly.

Winter wheat yields in 2007, private companies vs. Ukraine's average, mt/ha



Source: State Statistics Committee, Company data

Favorable geographical location

Ukraine's position adjacent to the EU and Russia, as well as ample coastlines, provides convenient overland and seaborne shipping of agricultural commodities.

Benefits for agriculture from Ukraine's WTO entry

On May 16, Ukraine was officially welcomed in as a full member of the WTO.

Just a week later, the Ukrainian government abolished all grain quotas (which as of April 23 stood at 1.2 mln mt for wheat and 0.9 mln mt for barley). According to WTO rules, no member is allowed to apply non-tariff restrictions on exports: quotas can only be applied if it can be proved that not doing so would be to a country's economic detriment.

In 2007 and at the beginning of 2008, government-imposed export controls kept Ukraine's prices for grain significantly lower than global benchmarks. In January-May 2008, Ukrainian wheat was on average USD 60 per mt cheaper and ~ USD 200 per mt at the peak.

Being a member of the WTO gives Ukraine access to the organization's dispute settlement mechanism to battle import quotas in other countries, as well as a voice in future debates on international rules governing agricultural trade.

Land ownership conditions in Ukraine

The President wants land to become tradable this year

On February 14, 2008 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.

March 1 was set 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. The draft bills were presented to Verkhovna Rada and currently are under consideration. While we see debates taking some time, we expect the reform package to be enacted next year.

Lessee has the preemptive right to purchase land

Ukrainian legislation gives the preemptive right to the lessee to purchase land if the owner decides to sell it (after the moratorium is cancelled). Currently, the rural population owns agricultural land either as a land plot with defined borders, or as ownership rights for land that it leases to an agricultural company. Lessees pay rent annually for the use of land. The agreements are usually from three to a maximum period of 49 years.

Foreign ownership

At the moment, Ukrainian legislation prohibits direct foreign ownership of agricultural land. However, foreigners can obtain control over land by entering into mid to long-term lease agreements with local companies.

APPENDICES

Appendix 1: Government subsidies

	Subsidies	Regulation
Winter crops planting		
Wheat	20 USD/ha	Order of the Cabinet of Ministers #256 21.02.2007
Rape	10 USD/ha	
Barley	11 USD/ha	
Rye	20 USD/ha	
Triticale	20 USD/ha	
Spring crops planting		
Wheat	20 USD/ha	Order of the Cabinet of Ministers #256 21.02.2007
Rape	10 USD/ha	
Triticale	20 USD/ha	
Buckwheat	16 USD/ha	
Millet	16 USD/ha	
Soya	16 USD/ha	
Domestic fertilizer purchase		
Ammophos	50 USD/MT	Order of the Cabinet of Ministers #182 09.02.2007
Caustic ammonia	14 USD/MT	
Carbamide	22 USD/MT	
Fertilizer mixes	15 USD/MT	
Nitroammophoska	40 USD/MT	
Ammonia nitrate	20 USD/MT	
Superphosphate	22 USD/MT	
Interest rate compensation	6% yearly compensation for short-term loans (foreign currency); in UAH equaled to NBU refinancing rate (currently 12%)	Order of the Cabinet of Ministers #259 21.02.2007
Machinery purchase	30% of price compensation for domestic machinery purchase	Order of the Cabinet of Ministers #321 09.02.2007

Appendix 2: Selected financial information

Selected P&L data, USD ths*

	2006	2007	Change %, yoy
Sales	6,291	6,472	3%
Cost of goods sold	(5,729)	(4,786)	-17%
Gross profit	562	1,686	200%
<i>Gross margin</i>	<i>8.9%</i>	<i>26.1%</i>	<i>17.1% p.p.</i>
SG&A	(407)	(370)	-9%
Other operating income/(expense)	411	201	-51%
EBITDA	566	1,517	168%
<i>EBITDA margin</i>	<i>9.0%</i>	<i>23.4%</i>	<i>14.4% p.p.</i>
Depreciation	(245)	(522)	113%
Interest expense	(203)	(177)	-13%
Financial income/(expense)	-	90	n/m
Other income/(expense)	128	351	174%
PBT	246	1,259	412%
Income tax expense	(1)	(5)	400%
Net income	245	1,254	412%
<i>Net margin</i>	<i>3.9%</i>	<i>19.4%</i>	<i>15.5% p.p.</i>

* Unaudited combined management accounts
 Source: Company Data

Appendix 3: Summary of projections

	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Scenario 1										
Land leased, ths ha	186	111	56	42	0	0	0	0	0	0
Land owned, ths ha		74	130	168	220	220	220	220	220	220
Scenario 2										
Land leased, ths ha	186	186	186	210	220	220	220	220	220	220
Planted area, ths ha										
Non organic crops										
Winter crops	17	27	32	45	63	88	88	88	88	88
Spring crops	24	31	31	43	61	85	94	94	94	94
Organic crops										
Winter crops	4	6	8	9	10	11	12	12	12	12
Spring crops	11	9	11	12	13	15	16	16	16	16
Total	56	72	82	109	147	199	210	210	210	210
Harvested area, ths ha										
Non organic crops										
Winter crops	15	17	27	32	45	63	88	88	88	88
Winter crops	24	31	31	43	61	85	94	94	94	94
Organic crops										
Winter crops	2	4	6	8	9	10	11	12	12	12
Spring crops	11	9	11	12	13	15	16	16	16	16
Total	52	60	75	95	128	172	208	210	210	210
Yields, mt/ha										
Non organic crops										
<i>Winter crops</i>										
Wheat	4.2	4.5	5.0	5.4	5.99	6.4	6.4	6.4	6.4	6.4
Rapeseed	3.3	3.6	4.0	4.5	4.95	5.1	5.1	5.1	5.1	5.1
Rye	2.7	2.7	2.8	3.0	3.2	3.5	3.5	3.5	3.5	3.5
<i>Spring crops</i>										
Wheat	3.2	3.5	3.8	4.0	4.3	4.5	4.5	4.5	4.5	4.5
Corn	5.7	6.3	6.9	7.0	7.5	8.0	8.3	8.3	8.3	8.3
Mustard	1.6	-	-	-	-	-	-	-	-	-
Barley	2.8	3.2	3.5	3.8	3.84	4.11	4.11	4.11	4.11	4.11
Buckwheat	1.3	1.2	1.3	1.4	1.54	1.69	1.78	1.78	1.8	1.8
Sugar beet	42.9	50.0	54.0	57.0	60.0	63.0	63.0	63.0	63.0	63.0
Oat	0.0	2.5	2.7	2.8	2.9	3.0	3.1	3.2	3.2	3.2
Millet	0.0	2.0	2.2	2.3	2.6	2.8	2.8	2.9	2.9	2.9
Soybean	0.0	2.0	2.2	2.4	2.6	2.9	3.1	3.1	3.1	3.1
Organic crops										
<i>Winter crops</i>										
Wheat	2.5	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Rye	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
<i>Spring crops</i>										
Buckwheat	1.22	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Oat	1.84	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Millet	1.64	0.0	0.0	0.0	-	-	-	-	-	-
Vetch, pea	0.00	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Mustard	0.00	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Other	1.85	-	-	-	-	-	-	-	-	-
Crops harvested, ths mt										
Non organic crops										
<i>Winter crops</i>										
Wheat	35	41	59	71	109	163	229	229	229	229
Rapeseed	13	15	28	45	69	100	140	140	140	140
Rye	8	11	22	27	41	62	86	86	86	86
<i>Spring crops</i>										
Wheat	5	5	6	8	13	18	20	20	20	20
Corn	32	56	62	88	132	198	224	226	226	226
Mustard	5-	-	-	-	-	-	-	-	-	-
Barley	12	13	16	24	34	51	56	56	56	56
Buckwheat	6	4	4	6	9	14	16	16	16	16
Sugar beet	239	240	270	399	588	864	951	951	951	951
Oat	0	10	8	12	17	25	28	29	29	29
Millet	0	5	4	6	10	16	17	18	18	18
Soybean	0	4	7	10	16	24	28	28	28	28
Organic crops										
<i>Winter crops</i>										
Wheat	3	6	8	11	13	14	16	17	17	17
Rye	2	4	7	9	11	12	13	14	14	14
<i>Spring crops</i>										
Buckwheat	2	1	3	4	4	5	5	5	5	5
Oat	7	6	6	6	7	8	8	8	8	8
Millet	7-	-	-	-	-	-	-	-	-	-
Vetch, pea	0	5	6	4	4	5	5	5	5	5
Mustard	0	2	4	5	6	6	7	7	7	7
Other	2-	-	-	-	-	-	-	-	-	-
Total w/o sugar beets	137	186	250	337	494	719	899	905	905	905
Total	376	426	520	736	1082	1584	1850	1856	1856	1856
Prices, USD/mt										
<i>Winter crops</i>										
Wheat	230	230	230	230	230	230	230	230	230	230
Rapeseed	500	500	500	500	500	500	500	500	500	500
Rye	210	210	210	210	210	210	210	210	210	210
<i>Spring crops</i>										
Wheat	230	230	230	230	230	230	230	230	230	230
Corn	210	210	210	210	210	210	210	210	210	210
Mustard	720	0	0	0						
Barley	210	210	210	210	210	210	210	210	210	210
Buckwheat	440	440	440	440	440	440	440	440	440	440

Sugar beet	40	45	45	45	45	45	45	45	45	45
Oat	-	220	220	220	220	220	220	220	220	220
Millet	-	240	240	240	240	240	240	240	240	240
Soybean	-	420	420	420	420	420	420	420	420	420
Organic crops										
<i>Winter crops</i>										
Wheat	270	270	270	270	270	270	270	270	270	270
Rye	220	220	220	220	220	220	220	220	220	220
<i>Spring crops</i>										
Buckwheat	480	480	480	480	480	480	480	480	480	480
Oat	250	250	250	250	250	250	250	250	250	250
Millet	275	0	0	0	0	0	0	0	0	0
Vetch, pea	-	315	315	315	315	315	315	315	315	315
Mustard	-	840	840	840	840	840	840	840	840	840
Other	295	-	-	-	-	-	-	-	-	-
Revenues, mln USD										
Non organic crops										
<i>Winter crops</i>										
Wheat	8.1	9.3	13.7	16.3	25.1	37.6	52.6	52.6	52.6	52.6
Rapeseed	6.3	7.3	14.0	22.5	34.7	50.0	70.0	70.0	70.0	70.0
Rye	1.6	2.3	4.7	5.7	8.6	13.0	18.1	18.1	18.1	18.1
<i>Spring crops</i>										
Wheat	1.2	1.1	1.3	1.9	2.9	4.3	4.7	4.7	4.7	4.7
Corn	6.6	11.9	13.0	18.5	27.7	41.6	47.1	47.6	47.6	47.6
Mustard	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barley	2.6	2.7	3.3	5.0	7.1	10.6	11.7	11.7	11.7	11.7
Buckwheat	2.5	1.6	1.7	2.6	4.0	6.1	7.1	7.1	7.1	7.1
Sugar beet	9.5	10.8	12.2	18.0	26.5	38.9	42.8	42.8	42.8	42.8
Oat	0.0	2.1	1.8	2.6	3.8	5.5	6.2	6.4	6.4	6.4
Millet	0.0	1.2	1.1	1.5	2.4	3.7	4.1	4.2	4.2	4.2
Soybean	0.0	1.7	2.8	4.2	6.5	10.0	11.8	11.8	11.8	11.8
Organic crops										
<i>Winter crops</i>										
Wheat	0.7	1.5	2.3	3.0	3.5	3.8	4.2	4.6	4.6	4.6
Rye	0.5	1.0	1.5	2.0	2.3	2.6	2.8	3.1	3.1	3.1
<i>Spring crops</i>										
Buckwheat	1.2	0.6	1.2	1.9	2.1	2.3	2.5	2.5	2.5	2.5
Oat	1.8	1.5	1.6	1.6	1.7	1.9	2.1	2.1	2.1	2.1
Millet	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vetch, pea	0.0	1.7	1.8	1.2	1.3	1.4	1.6	1.6	1.6	1.6
Mustard	0.0	1.5	3.3	4.4	4.8	5.3	5.8	5.8	5.8	5.8
Other	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total w/o sugar beets	38.8	48.8	69.0	94.9	138.4	199.6	252.4	253.9	253.9	253.9
Total	48.3	59.6	81.2	112.9	164.9	238.5	295.2	296.7	296.7	296.7
Production costs, USD mln										
Non organic crops										
<i>Winter crops</i>										
Wheat	3.9	4.9	7.0	8.1	12.0	17.7	26.0	27.1	27.1	27.1
Rapeseed	2.6	3.2	5.9	9.0	13.4	19.8	29.1	30.4	30.4	30.4
Rye	0.9	1.4	3.0	3.6	5.3	7.8	11.4	12.0	12.0	12.0
<i>Spring crops</i>										
Wheat	0.6	0.6	0.7	1.1	1.6	2.3	2.7	2.8	2.8	2.8
Corn	2.9	5.3	5.7	8.5	12.6	18.6	21.5	22.5	22.5	22.5
Mustard	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barley	1.8	1.9	2.3	3.5	5.1	7.6	8.7	9.1	9.1	9.1
Buckwheat	0.9	0.7	0.7	1.1	1.6	2.4	2.8	2.9	2.9	2.9
Sugar beet	6.4	6.4	7.1	10.6	15.8	23.3	26.9	28.1	28.1	28.1
Oat	0.0	1.5	1.2	1.8	2.7	4.0	4.6	4.8	4.8	4.8
Millet	0.0	0.7	0.6	0.9	1.4	2.0	2.4	2.5	2.5	2.5
Soybean	0.0	0.6	1.0	1.5	2.2	3.2	3.7	3.9	3.9	3.9
Organic crops										
<i>Winter crops</i>										
Wheat	0.3	0.6	1.0	1.5	1.8	2.1	2.4	2.7	2.7	2.7
Rye	0.2	0.5	0.8	1.2	1.5	1.7	2.0	2.2	2.2	2.2
<i>Spring crops</i>										
Buckwheat	0.3	0.2	0.4	0.7	0.8	0.9	1.1	1.1	1.1	1.1
Oat	1.0	0.9	1.0	1.0	1.2	1.4	1.6	1.7	1.7	1.7
Millet	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vetch, pea	0.0	1.1	1.2	0.8	1.0	1.1	1.3	1.4	1.4	1.4
Mustard	0.0	0.3	0.6	0.9	1.0	1.2	1.4	1.5	1.5	1.5
Other	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total, USD mln	23.6	30.9	40.4	55.7	80.8	117.1	149.5	156.7	156.7	156.7
Gross profit, USD mln	24.7	28.8	40.8	57.2	84.1	121.4	145.7	140.0	140.0	140.0

Appendix 4: Financial statements

Land purchase scenario

Income statement summary*, USD mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Revenues	48	60	81	113	165	238	294	296	296	296
<i>Change y-o-y</i>	646.8%	23.4%	36.1%	39.1%	46.1%	44.2%	23.7%	0.5%	0.0%	0.0%
Cost Of Sales	(24)	(31)	(37)	(51)	(74)	(107)	(137)	(143)	(143)	(143)
Gross Profit	25	29	44	62	91	131	157	152	152	152
Other Operating I/C, net	(9)	(2)	(3)	(2)	-	-	-	-	-	-
SG&A	(3)	(4)	(6)	(8)	(12)	(17)	(21)	(21)	(21)	(21)
EBITDA	12	22	36	52	80	114	137	132	132	132
<i>EBITDA margin. %</i>	26%	37%	44%	46%	48%	48%	47%	45%	45%	45%
Depreciation	(2)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(7)	(8)
EBIT	10	19	31	47	74	108	130	125	124	124
<i>EBIT margin. %</i>	21%	31%	39%	41%	45%	45%	44%	42%	42%	42%
Interest Expense	(0.8)	(5)	(10)	(14)	(17)	(16)	(16)	(16)	(14)	(14)
Financial income	1	-	-	-	-	-	-	-	-	-
Other income/(expense)	-	-	-	-	-	-	-	-	-	-
PBT	10	14	21	32	56	92	114	109	110	110
Tax	(1)	(1)	(5)	(8)	(14)	(23)	(29)	(27)	(28)	(27)
<i>Effective tax rate</i>	5%	4%	25%	25%	25%	25%	25%	25%	25%	25%
Net Income	10	13	16	24	42	69	86	82	83	82
<i>Net Margin. %</i>	20%	22%	19%	21%	26%	29%	29%	28%	28%	28%

Balance sheet summary, USD mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Current Assets	15	23	33	51	77	117	233	309	392	475
Cash & Equivalents	0	1	2	2	3	8	108	183	265	348
Trade Receivables	3	4	8	15	25	37	48	49	49	50
Inventories	7	13	17	25	37	53	54	54	54	54
Other current assets	5	5	6	9	13	19	24	24	24	24
Fixed Assets	49	107	149	181	218	222	225	227	228	228
PP&E, net	31	59	75	84	90	94	97	99	99	99
Other Fixed Assets	18	48	74	97	128	128	128	128	128	128
Total Assets	65	130	182	231	296	339	458	536	620	703
Shareholders' Equity	54	68	83	107	149	218	304	385	468	551
Share Capital	41	41	41	41	41	41	41	41	41	41
Reserves and Other	13	26	42	66	108	177	263	344	427	510
Current Liabilities	5	11	19	27	40	58	63	60	61	62
ST Interest Bearing Debt	1	6	12	17	25	36	35	30	30	30
Trade Payables	1	2	3	4	7	10	13	16	16	17
Accrued Wages	-	-	-	-	-	-	-	-	-	-
Accrued Taxes	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	2	3	4	6	8	12	15	15	15	15
LT Liabilities	7	51	80	98	107	63	91	91	91	91
LT Interest Bearing Debt	7	51	80	98	107	63	91	91	91	91
Other LT	0	0	0	0	0	0	0	0	0	0
Total Liabilities & Equity	65	130	182	231	296	339	458	536	620	703

Cash flow statement summary, USD mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Income	10	13	16	24	42	69	86	82	83	82
D&A	2	4	5	5	6	6	7	7	7	8
Non-oper. & non-cash items	(46)	(29)	(28)	(23)	(31)	0	0	(0)	(0)	(0)
Changes in working capital	(6)	(6)	(8)	(14)	(21)	(28)	(10)	1	(0)	0
Operating Cash Flow	(40)	(18)	(15)	(7)	(4)	48	83	90	90	91
Capital Expenditures, net	(24)	(30)	(20)	(14)	(12)	(10)	(10)	(9)	(8)	(8)
Other Investments, net	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	(24)	(30)	(20)	(14)	(12)	(10)	(10)	(9)	(8)	(8)
Net Borrowings/(repayments)	6	49	36	22	17	(33)	27	(6)	-	-
Dividends Paid	-	-	-	-	-	-	-	-	-	-
Equity Financing & Other	45	-	-	-	-	-	-	-	-	-
Financing Cash Flow	51	49	36	22	17	(33)	27	(6)	-	-
Beginning Cash Balance	13	0	1	2	2	3	8	108	183	265
Ending Cash Balance	0	1	2	2	3	8	108	183	265	348
Net Cash Inflows/Outflows	(13)	1	1	1	1	5	100	75	82	83

UAH/USD Exchange rates

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Average exchange rate	4.99	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Year-end exchange rate	4.95	4.90	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95

Eternal land lease scenario

Income statement summary*, USD mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Revenues	48	60	81	113	165	239	295	297	297	297
<i>Change y-o-y</i>	646.8%	23.4%	36.1%	39.1%	46.1%	44.7%	23.8%	0.5%	0.0%	0.0%
Cost Of Sales	(24)	(31)	(40)	(56)	(81)	(117)	(150)	(157)	(157)	(157)
Gross Profit	25	29	41	57	84	121	146	140	140	140
Other Operating I/C, net	(11)	(8)	(9)	(12)	(13)	(13)	(13)	(13)	(13)	(13)
SG&A	(3)	(4)	(6)	(8)	(12)	(17)	(21)	(21)	(21)	(21)
EBITDA	10	16	26	38	59	92	112	106	106	106
<i>EBITDA margin. %</i>	21%	27%	32%	33%	36%	38%	38%	36%	36%	36%
Depreciation	(2)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(7)	(8)
EBIT	8	13	21	32	53	85	105	99	99	98
<i>EBIT margin. %</i>	17%	21%	26%	29%	32%	36%	36%	33%	33%	33%
Interest Expense	(0.8)	(3)	(5)	(6)	(9)	(12)	(15)	(15)	(14)	(14)
Financial income	1	-	-	-	-	-	-	-	-	-
Other income/(expense)	-	-	-	-	-	-	-	-	-	-
PBT	8	10	16	26	45	74	90	84	85	84
Tax	(1)	(0)	(4)	(7)	(11)	(18)	(22)	(21)	(21)	(21)
<i>Effective tax rate</i>	7%	3%	25%	25%	25%	25%	25%	25%	25%	25%
Net Income	8	9	12	20	34	55	67	63	63	63
<i>Net Margin. %</i>	16%	16%	15%	17%	20%	23%	23%	21%	21%	21%

Balance sheet summary, USD mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Current Assets	15	23	33	51	101	185	283	347	411	476
Cash & Equivalents	0	1	1	2	25	71	154	217	280	345
Trade Receivables	3	4	8	15	25	37	48	49	50	50
Inventories	7	13	17	26	39	57	58	58	58	58
Other current assets	5	5	6	9	13	19	24	24	24	24
Fixed Assets	49	77	92	107	111	112	115	117	118	116
PP&E, net	31	59	75	84	90	94	97	99	99	99
Other Fixed Assets	18	18	17	23	21	18	18	18	18	17
Total Assets	65	101	125	158	212	296	399	464	528	592
Shareholders' Equity	52	61	73	93	126	181	249	311	375	438
Share Capital	41	41	41	41	41	41	41	41	41	41
Reserves and Other	10	20	32	52	85	140	208	270	334	397
Current Liabilities	5	6	15	22	35	52	59	62	62	63
ST Interest Bearing Debt	1	1	8	11	20	29	30	30	30	30
Trade Payables	1	2	3	5	7	11	15	17	18	19
Accrued Wages	-	-	-	-	-	-	-	-	-	-
Accrued Taxes	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	2	3	4	6	8	12	15	15	15	15
LT Liabilities	9	33	37	44	50	63	91	91	91	91
LT Interest Bearing Debt	7	28	29	33	50	63	91	91	91	91
Other LT	0	0	0	0	0	0	0	0	0	0
Bridge Financing	2	5	8	12	-	-	-	-	-	-
Total Liabilities & Equity	65	101	125	158	212	296	399	464	528	592

Cash flow statement summary, USD mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Income	8	9	12	20	34	55	67	63	63	63
D&A	2	4	5	5	6	6	7	7	7	8
Non-oper. & non-cash items	(44)	2	3	4	(12)	(0)	(0)	(0)	(0)	1
Changes in working capital	(6)	(6)	(8)	(15)	(22)	(29)	(9)	1	0	0
Operating Cash Flow	(40)	9	12	14	6	32	64	71	71	73
Capital Expenditures, net	(24)	(30)	(20)	(14)	(12)	(10)	(10)	(9)	(8)	(8)
Other Investments, net	-	-	-	(6)	3	3	-	-	-	-
Investing Cash Flow	(24)	(30)	(20)	(20)	(9)	(7)	(10)	(9)	(8)	(8)
Net Borrowings/(repayments)	6	22	9	7	26	22	29	0	-	-
Dividends Paid	-	-	-	-	-	-	-	-	-	-
Equity Financing & Other	45	-	-	-	-	-	-	-	-	-
Financing Cash Flow	51	22	9	7	26	22	29	0	-	-
Beginning Cash Balance	13	0	1	1	2	25	71	154	217	280
Ending Cash Balance	0	1	1	2	25	71	154	217	280	345
Net Cash Inflows/Outflows	(13)	1	0	0	23	47	83	62	63	65

UAH/USD Exchange rates

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Average exchange rate	4.99	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Year-end exchange rate	4.95	4.90	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95

Appendix 5: Peer comparison

Company	Ticker	Description
Agria Corporation	GRO US	The Group's principal activities are to produce and market upstream agricultural products. These include high margin products such as corn seeds, sheep breeding products and seedlings. With strong R&D capabilities, it has developed a diversified portfolio of commercially successful and proprietary products that are suited to a different climate zones.
Agricola Nacional SA	SLCE3 BZ	The Group's principal activities are producing and distributing all types of materials or products intended for the agricultural, fishing, forestry, agroindustrial, environmental sanitation, gardens and lawn sectors. It has 4 main divisions: seeds, animal nutrition, agro-chemicals, and pest control, lawn and garden, and pet care.
Bisi International	BISI IJ	The Group's principal activity are cultivating of seeds and markets vegetable seeds as well as different grains, corn and rice. The production facility located at Desa Sumber Agung Kecamatan Ploso Klaten Kabupaten Kediri, Jawa timur. The Group operates in Indonesia.
Black Earth Farming Ltd	BEFSDB SS	The Group's principal activities are to acquire, develop and cultivate agricultural land. It has four main activities: agricultural operations, land acquisition, dairy farming and meat production and sales and customer management. The Group's headquarter is in Jersey, the Channel Islands, the United Kingdom.
Cresud SA	CRESY US	The Group's principal activities are raising crops, raising and fattening cattle, producing milk and operating forestry businesses. It is also into developing and selling property. The Agriculture division is based on the production of wheat, corn, soybean, sunflower and oilseeds. The Group has 17 owned farms and 25 leased farms. Its operations are located in Argentina and Brazil.
Heilongjiang Agriculture Ltd	600598 CH	The Group's principal activities are producing and selling agricultural products such as rice, wheat, beans and corn and sub contractual production. Other activities include manufacturing and selling chemical fertilizers, developing information and servicing systems and providing consultant services
Seed Company Of Zimbabwe Ltd	COTTCO ZH	The Group's principal activity is developing, producing, treating and distributing certified crop seeds. The Group sells mainly hybrid maize seed, but there are also significant sales of wheat, soya bean, barley, sorghum, and groundnuts. The Group has geographic operations in Zimbabwe, Botswana, East Africa, Malawi, Mozambique, South Africa and Zambia. During 2007, the Group acquired the entire share capital of Quton Seed Company Pvt Ltd.
Shandong Denghai Seeds	002041 CH	The Group's principal activities are the production and sale of corn seeds, vegetable seeds, cropper, flowers, plants and other agricultural products.
Yangling Qinfeng Science	600248 CH	The Group's principal activities are manufacturing, processing and marketing chemical fertilizers and breeding, cultivating, producing, processing and selling of crop seeds, agricultural production materials and farm products. Other activities include acting as a seed coating agent; provision of hotel and restaurant services; manufacturing, processing and marketing of nursery stock and manufacturing of packaging materials, farm machines, production tools and chemicals, machinery equipment, agricultural film, paper boxes and plastic products.
Yuanlongping Agricultural	000998 CZ	The Group's principal activities are processing and selling agricultural by-products and cultivating, reproducing, popularizing and marketing of seeds and seedlings of hybrid rice, corn, fruits and vegetables, dry pepper and other crops. It is also engaged in real estate business. Other activities include research, manufacture and sale of farm chemicals, fertilizers and agricultural hormones; provision of agriculture technology advisory and training services; distribution and export of seeds, food, feeds, additives, seasonings, perfumes, native livestock products, handicrafts, biological preparations, microorganism living fungi and tea.
China Green Ltd	904 HK	The Group's principal activity is the growing and selling of agricultural products. Other activities include vegetable and fruit grower and processor in Fujian Province, producing and supplying fresh and processed vegetables and fruits primarily for Japanese customers. Products are often produced according to the specific needs of their customers in Japan and these products are categorised into fresh produce, processed products, pickled products, rice products, beverage products and rice flour products.
Xinjiang Talimu Agriculture	600359 CH	The Group's principal activity is agriculture planting. Other activities include property development, breeding livestock and fish and manufacturing, processing and selling agriculture and livestock products. It also manufactures and sells seeds and vaccination for seeds, manufactures and repairs agriculture machinery, sells plastic and leather products and car transportation, agents and dealers for exporting and importing of all kinds of merchandises and technologies.
Kuala Lumpur Kepong Berhad	KLK MK	Kuala Lumpur Kepong Berhad. The Group's principal activities are Planting, cultivating, processing palm and rubber products and refining palm products. Other activities include manufacturing oleochemicals, soap noodles, industrial amide, cocoa products, rubber gloves and parquet flooring products, nutraceutical, cosmetochemical, pharmaceutical products and storing and distributing bulk liquid. The Group is also involved in retailing and distributing toiletries, developing residential and commercial properties, investment holding, cereal and ship farming, management services and money lending.
Razgulay Group	GRAZ RU	The Group's principal activities are the production and trading of grain as well as the processing of raw-sugar, sugar beet, milk and realizing of white sugar and condensed milk. In 2005 the Group operated 13 sugar plants located in Krasnodar area, Belgorod, Kursk, Oryol areas, Bashkortostan, Tatarstan and Karachaevo-Circassian Republic. The Group controls 24 enterprises involved in flour production, groats production, fodder production and one-time grain storage.

Source: Bloomberg, Thomson

Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution

Buy	94	76%
Hold	19	15%
Sell	7	6%
Under Review	4	3%
Total	124	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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