



CONCORDE CAPITAL

Ukraine / Agriculture

# Sintal Agriculture

Operations update

December 17, 2008

Current price: EUR 5.80/USD 8.01  
12M Target: N/R

N/R

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## Tickers

Bloomberg SNPS GR

## Market information

Market price, EUR	5.80
USD	8.01
MCap, EUR mln	191.1
USD mln	263.9
1y Chg	n/a
1y Hi/Lo YTD, EUR	6.01/5.26
USD	8.62/7.02
DRs per common share	700:1
No of shares, ths	47.1
Free float	15.0%
Free float, EUR mln	28.7
USD mln	39.6

Prices as of Dec.16, 2008

## Corporate Governance

Concorde Rating\* n/a

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

## Shareholders

Mykola Tolmachev	53%
Vadim Mogyla	8%
Management	2%
Institutional and other investors	36%

In a conversation with us today, Sintal's management updated on the company's operations:

- 7.5 ths mt of wheat and 8.2 ths mt has been already sold for UAH 15.4 mln (USD 2.8 mln)
- Remaining grain crop inventory of 257 ths mt is expected to be sold for USD 51 mln in 1Q09 in a better price environment
- Sintal's gross margins per ton of sold wheat and barley were 45% and 68%, respectively
- 56 ths ha of winter crops have been planted for the 2009 harvest, 3.3 higher than last year
- Sold 6.6 ths mt of sugar for UAH 27.8 mln (USD 5 mln); plans to earn UAH 68.3 (USD 12.4 mln) from sale of another 16.3 ths mt

We contacted Sintal's management today for an update on the company's operations. Below is a summary of our notes from the discussion:

- Sintal harvested 273 ths mt of crops and 127 ths mt of sugar beets in 2008, which is 2.7 and 2.4 times higher than last year, respectively.

Crop	Area harvested, ths ha	Yield, mt/ha	Harvested, ths mt
Winter wheat	14.6	4.8	70.2
Corn	10.2	8.5	86.5
Barley	23.3	3.5	81.0
Pea	1.4	2.7	3.7
Buckwheat	0.5	2.1	1.0
Sunflower seed	7.2	2.7	19.6
Soybean	5.2	2.1	11.0
Sugar beets	2.8	44.8	126.7
<b>Total</b>	<b>65.2</b>		<b>399.7</b>

Source: Company data

- The company has already sold 7.5 ths mt of wheat and 8.2 ths mt of barley for total of UAH 15.4 mln. Sintal's gross margins per ton of sold wheat and barley were 45% and 68%, respectively. The company has 257 ths mt of grain crops and 127 ths mt of sugar beets in inventory. Sintal does not sell much at the moment as it has sufficient storage capacities enabling to wait for better price environment (expected by management in 1Q09).
- The management plans to earn USD 51 mln by converting grain crop inventory into cash. At more conservative valuation based on current prices, the value of Sintal's grain crops inventory is USD 38 mln.

Crop	Quantity, ths mt	Price, USD/mt		Revenue, USD ths	
		current*	mngt case	at current	mngt case
Winter wheat	62.8	140	180	8.8	11.3
Corn	86.5	120	180	11.2	15.6
Barley	72.8	130	200	9.5	14.6
Pea	3.7	245	370	0.9	1.4
Buckwheat	1.0	240	300	0.2	0.3
Sunflower seed	19.6	217	250	4.2	4.9
Soybean	11.0	254	300	2.8	3.3
<b>Total</b>	<b>257.4</b>			<b>37.7</b>	<b>51.4</b>

Source: Company data, Bloomberg, Analytical Agency Agriculture, Agrodigest, APK Inform

\* - prices as of 16.12.08

- The company has planted 56 ths ha (out of total leased ~100 ths ha) with winter crops (winter wheat) for the 2009 harvest, 3.3 times higher than last year
- The company has produced 22.9 ths mt of sugar and sold already 6.6 ths mt, generating UAH 27.8 mln/USD 5 mln of sales. Management plans to earn UAH 68.3/USD12.4 mln from the sale of the remaining 16.3 ths mt of sugar.

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## 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	56	47%
Hold	47	39%
Sell	11	9%
Under Review	6	5%
<b>Total</b>	<b>120</b>	<b>100%</b>

### Investment banking clients\*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
<b>Total</b>	<b>7</b>	<b>100%</b>

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

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