UKRAINE / Food

INDUSTRY REPORT

Olha Pankiv
op@concorde.com.ua
+380 44 391 5577

Sugar Land

February 25, 2008

CONTENTS

INVESTMENT THESIS

Investment summary

Company	Bloomberg
Astarta	AST PW
Dakor	DAKOR UZ
Ukrros	UROS UZ

	Price USD	12M TP USD	Upside	Rec.
AST PW	13.1	16.9	30%	BUY
DAKOR UZ	27.3	45.7	67%	BUY
UROS UZ	2.8	3.5	26%	BUY

	Shares mln	MCap USD mln	Free float %	Free float USD mln
AST PW	25.0	326.5	20%	65.3
DAKOR UZ	5.7	156.2	24%	37.5
UROS UZ	106.2	292.1	20%	58.4

Key ratios. 2007E

	EV/S	EV/EBITDA	P/E
AST PW	3.2	12.6	16.0
DAKOR UZ	2.9	11.6	14.3
UROS UZ	2.8	11.2	38.0

Key financials, 2007E, USD mln

	Sales	EBITDA	Net Income
AST PW	124.0	31.1	20.4
DAKOR UZ	77.0	19.3	10.9
UROS UZ	118.8	30.2	7.7

Having acceded to the WTO in February 2008, Ukraine will open its borders to 260 ths mt of raw cane sugar in 2009. We expect this feedstock to be absorbed by the market, while replacing 12% of domestic sugar beets. On the other side, WTO membership will drive up the value of sugar-makers' side crop business, prompting convergence of Ukrainian grain prices with global levels. Our improved outlook on Dakor's agricultural segment leads us to upgrade the target price to USD 45.7 (67% upside, BUY confirmed). We initiate coverage of the Ukrros (target USD 3.5, 26% upside, BUY), and Astarta (target USD 16.9, 30% upside, BUY).

Sugar or land?

Investors increasingly view Ukrainian sugar stocks as plays on agriculture rather than pure sugar thanks to the vast land banks sugar producers lease. It is our view that the value of sugar makers' agricultural operations, elevated recently by surging agricultural commodity prices, sets a floor for the companies' value and provides a hedge against possible adversities in the sugar business.

WTO agreements: Ready for changes

In accordance with WTO agreements, Ukraine will open its borders to 260 ths mt of imported raw cane sugar starting from 2009 (the import duty on which will reduce from 50% currently to 2% of customs value). We expect this feedstock will partially replace sugar beets sold to sugar makers by small-scale farms. We also expect WTO accession to trigger growth in Ukraine's domestic prices for grain, constituting a side business for Ukraine's sugar-makers. We project grain prices to rise and converge with those at international exchanges as Ukraine gradually lifts export quota restrictions in line with WTO requirements.

Consolidation to pick up

We expect inefficient players to continue leaving the business. Unable to secure sufficient feedstock supplies, ten sugar mills did not relaunch in 2007/08 season, and we expect 35 more will either be shut or acquired before next season. We believe that sugar producers with in-house beet supplies are well-positioned to seize a larger market share. Astarta and Dakor already expanded their shares of production last season by 2 pp each to 8% and 6%.

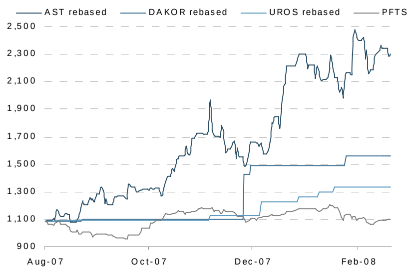
Ukrainian sugar prices on the recovery

Domestically produced sugar currently trades at USD 452/mt (wholesale, excl. VAT), 29% higher than a year ago. We expect 30% yoy growth in the average price of Ukrainian sugar this year, to USD 528/mt. The increase will be triggered by a 28% decline in production this season compared to output in 2006/07, to a level that is 13% lower than domestic demand.

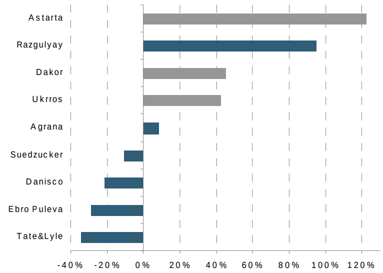
Valuation: upsides for all three

Our DCF-based target prices yield upsides for all the three traded sugar producers. A reality check using peer comparison shows that DCF-implied target prices are inside the range offered by EV/EBITDA and P/E 2009E multiples.

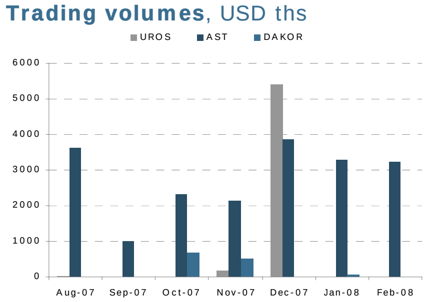
Stock performance



Stock Performance, 12M*



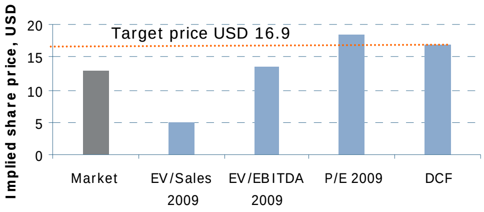
Trading volumes, USD ths



Source: Bloomberg
**Ukrros trades from July 2007, Dakor trades from May 24 2007*

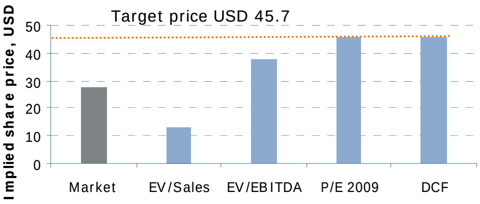
Investment cases

AST PW: BUY



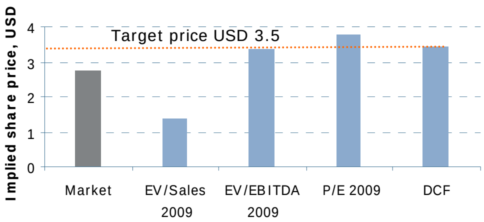
- Share in Ukraine's sugar production rose to 8% in 2007/08 season from 6% last season
- 135 ths ha of land under lease. In-house beets account for 71% of inputs in 2007/08, up from 42% last season
- Cooperating with EBRD: received USD 20 mln loan in Jan. 2008
- Superior corporate governance; audited annual financials, quarterly reports by the board of directors, available to public
- Watch for 2007 financials to be announced on Feb. 27, 2007
- Highest liquidity of Ukraine's traded sugar stocks
- DCF-implied price offers 31% upside
- Watch: Acquisition of two sugar mills to be finalized by August 2008, increasing capacity by 28%

DAKOR UZ: BUY



- Increased sugar production by 3% in 2007/08, amidst an overall industry decline of 27%. Share in Ukrainian sugar output increased to 6% from 4% last season
- 113 ths ha of land under lease. Will reach self-sufficiency in beets in 2008/09 – one year ahead of our previous projections
- Produced 78% of beet inputs in-house in 2007/08 – the highest share of any traded Ukrainian sugar producer
- 2007 financials: sales and EBITDA were 4% above our expectations, net income outpaced our projections by 17%
- Energy-saving program resulted in 23% decrease in gas consumption per mt of sugar produced in 2007/08
- Trades at 39% and 69% discount to world peers by 2009 EV/EBITDA and P/E multiples
- DCF valuation suggests 68% upside

UROS UZ: BUY

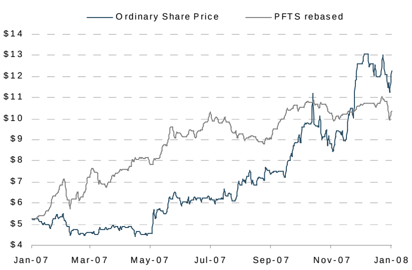


- Gained leadership in domestic sugar production in 2007. Had a 9% share in 2007/08, which it preserved from last season. Targets 20% by 2010
- Management is negotiating the acquisition of additional beet processing capacities
- USD 50 mln to be invested in upgrading existing sugar production capacities in 2008
- Plans to double land under cultivation to 140 ths ha by 2010. ~25% of beets supplied in-house in 2007/08
- Management has announced plans to conduct an IPO by 2010
- Catalyst: audited IFRS financials to be released in April 2008
- Trades at 19% and 33% discount to international peers by 2009 EV/EBITDA and P/E multiples
- DCF results imply 26% upside

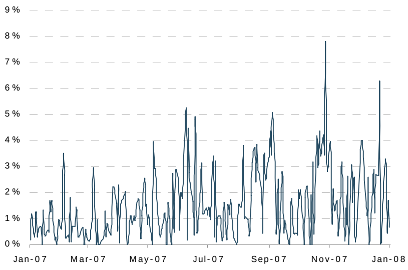
Stock market monitor

Astarta

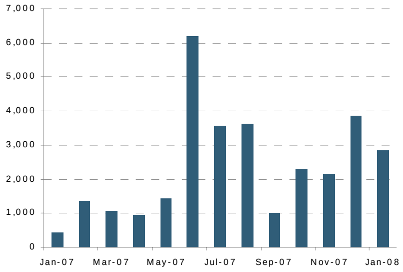
Stock performance



Spread, %

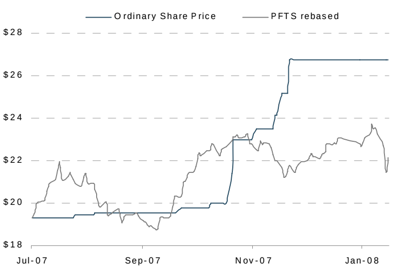


Trading volumes, USD mln

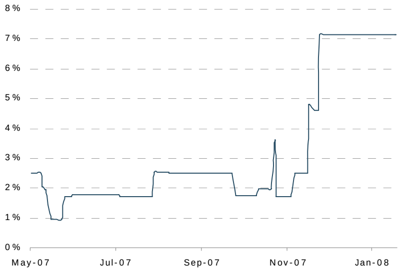


Dakor

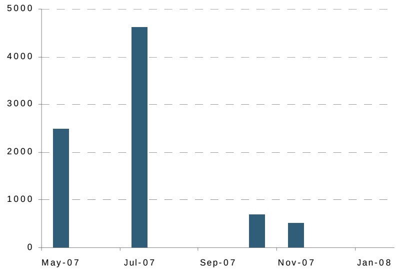
Stock performance



Spread, %

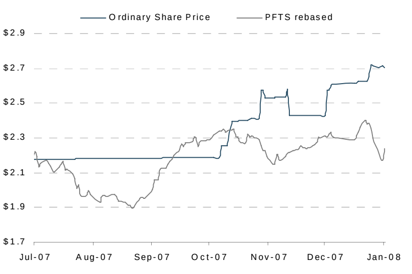


Trading volumes, USD mln



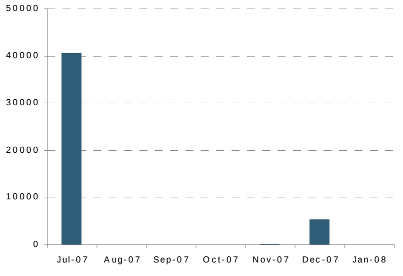
Ukrros

Stock performance



Spread, %

Trading volumes, USD mln



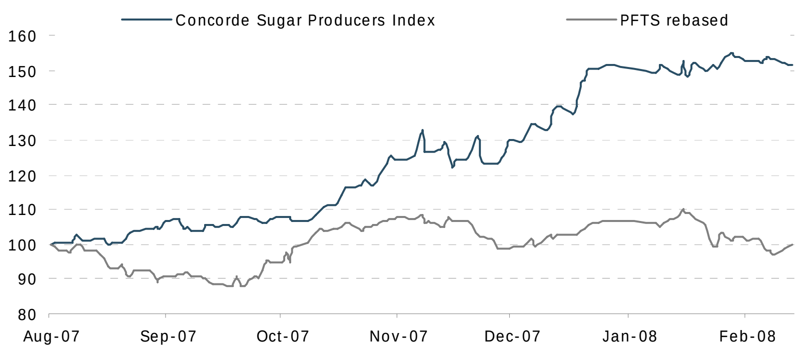
Source: PFTS, Concorde Capital. Note: PFTS mid-market prices

Outpacing the market

Concorde's index of sugar producers has risen 52% over the last seven months, significantly outperforming PFTS, which is currently hovering around its position of last August.

In our opinion, the index growth was driven by sprightly demand for stocks linked to agricultural commodities. We expect interest to continue on the back of favorable crop price trends, and sugar price resurgence on both local and global sugar markets.

Concorde Sugar Producers Index* vs. PFTS



Source: Bloomberg, PFTS, Concorde Capital
**Market Cap weighted, free-float adjusted, includes DAKOR UZ, AST PW, UROS UZ*

Sugar or land: What comes first?

The vast land banks accumulated by Ukrainian sugar makers over the last two years turn them into diversified agricultural businesses with added sugar beet processing capacities. With sentiment about sugar industry being mixed, investors increasingly view Ukrainian sugar stocks as plays on land rather than pure sugar. This perception implies valuation by EV/Land multiples.

We believe that the value of sugar makers' agricultural operations sets a floor for the companies' value. On forward-looking EV/Land-Under-Lease, the market values sugar producers at a premium to pure agricultural counterparts: from 88% for Dakor to over 150% for Astarta and Ukrros. In our view, the premium is justified due to:

- higher value-added of sugar business. Ultimate per hectare profit from land used for cultivation of sugar beets is higher than from other crops, as it includes additional link in value chain: processing beets into sugar;
- longer history of land cultivation by sugar companies, which implies lower operations-related risks.

Sugar makers vs pure crop producers

Company	Land under lease		EV/Land
	2007	**2010E**	**2010E**
Sugar & crop producers			
Astarta	136	164	2,407
Dakor	113	134	1,436
Ukrros	70	140	2,536
Average			**2,126**
Crop producers			
Land West	164	270	1,149
Landkom	31	270	1,089
Average			**1,119**

Source: Company data, Bloomberg, Concorde Capital estimates

CASE STUDY. DAKOR: VALUE-ADDED SUGAR PRODUCING CAPACITIES

The availability of beet processing capacities adds value to Ukrainian sugar companies above that implied by land under cultivation.

In 2006, the year of peaking sugar prices, Dakor earned (in per hectare terms) eight times higher gross profit from selling sugar made from own sugar beets than from selling grains and oilseeds.

When in 2007 sugar prices reached their bottom, and prices for grains and oilseeds were soaring, sugar production still was bringing 88% higher return per ha of land used, compared to that of other crops.

Commodity	Crops		Sugar*	
	2006	**2007**	**2006**	**2007**
Price, USD/mt	135	195	562	483
Production costs, USD/mt	96	103	412	413
Revenues, USD/ha	216	331	1,963	2,050
Costs, USD/ha	154	175	1,440	1,755
Gross profit, USD/ha	**63**	**157**	**522**	**295**
Gross margin, %	29%	47%	27%	14%

** Made from in-house sugar beets*
Source: Company Data, Concorde Capital estimates

Relative valuation

	Price per share, USD	MCap, USD mln	EV/EBITDA 2007E	EV/EBITDA 2008E	EV/EBITDA 2009E	P/E 2007E	P/E 2008E	P/E 2009E
Astarta	13.1	326.5	12.6	9.1	6.6	16.0	16.1	8.6
Dakor	27.3	156.2	11.6	7.4	5.3	14.3	13.1	7.3
Ukrros	2.8	292.1	11.1	8.5	5.7	38.0	19.5	8.9
International peers								
Agrana		1,390.1	7.5	6.3	5.4	14.6	11.6	9.4
Danisco		3,177.0	8.2	7.9	7.3	14.1	12.6	12.0
Razgulyay		958.4	9.6	9.1	7.4	19.2	18.5	12.6
Suedzucker		3,831.4	13.3	7.7	6.2	neg	25.9	16.9
Tate&Lyle		4,423.7	7.5	7.5	6.9	11.1	12.3	11.4
Ebro Puleva		2,652.2	9.3	8.4	7.3	15.9	12.8	10.7
Average			**9.2**	**7.8**	**6.7**	**15.0**	**15.6**	**12.2**
Implied Astarta price			8.9	10.7	13.5	12.2	12.7	18.5
Upside/Downside			-32%	-18%	3%	-6%	-3%	42%
Implied Dakor price			19.4	29.4	37.6	28.5	32.5	45.5
Upside/Downside			-29%	8%	38%	4%	19%	66%
Implied Ukrros price			2.2	2.5	3.3	1.1	2.2	3.8
Upside/Downside			-19%	-9%	22%	-61%	-20%	37%

Source: Bloomberg, Concorde Capital estimates, Company data

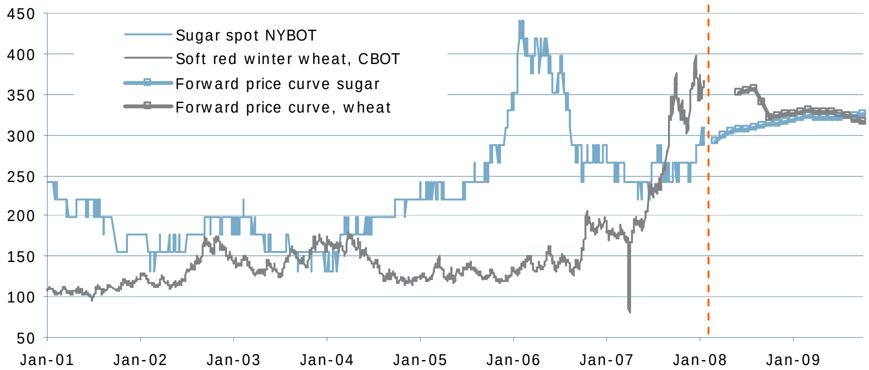
SUGAR MARKETS

Global sugar prices gaining momentum

Sugar prices are heading toward recovery, having posted 23% growth YTD by February 19 to USD 353/mt (NYBOT spot, # 11).

We expect that peaking prices for global grain and oilseed will make farmers reorient away from the production of sugar cane and sugar beets. The resulting decline in sugar supply is likely to place upward pressure on sugar prices, which have historically run counter to global prices for grain.

Sugar vs wheat prices, USD / mt



Source: Bloomberg

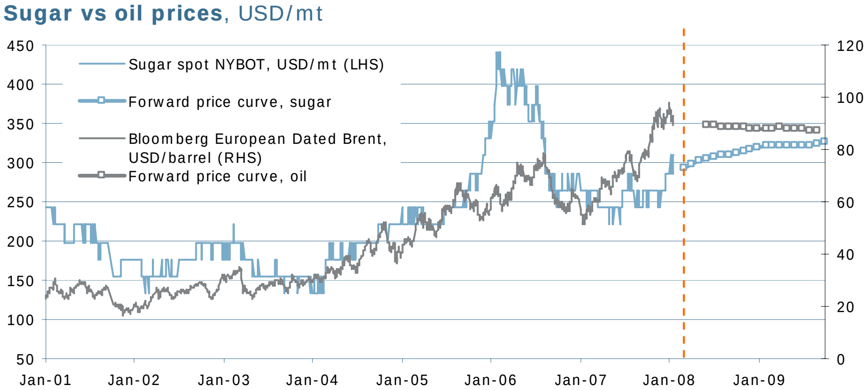
In addition, we expect that growth in sugar prices will be driven by lower than projected supply from India, and growing demand for bioethanol in Brazil.

The Agricultural Ministry in India, the world's second-largest sugar producer, in mid-January decreased its forecast of local production in the 2007/08 season by 12% to 26 mln mt. The decrease was due to decline in sugarcane yields, resulting from lower fertilizer utilization by farmers, who were discouraged by low sugar prices in the preceding season.

Growth in demand for bioethanol in Brazil, the world's largest sugar maker, will exert additional pressure by distracting sugarcane from sugar production. According to Reuters, the South American country's bioethanol consumption accelerated 22% in 2007 after 20 years of stagnation. Datagro consultants, a Brazilian consulting company, projects it will grow 17% yoy in 2008.

The demand is being backed by hikes in international oil prices and growth in car sales (up 28% worldwide in 2007, 18% projected by Datagro in 2008), 86% of which are flex-fuel (i.e. can use gasoline and bioethanol interchangeably).

Sugar vs oil prices, USD/mt



Source: Bloomberg

Ukraine: Beginning of the recovery

Reduced supply to trigger sugar price growth in 2008

Ukraine's sugar market, though practically closed from global influences until 2009, is also on the rebound this 2007/08 season. White sugar currently trades at USD 452/mt (wholesale, excl. VAT), 29% higher than a year ago. We expect average sugar price to grow by 30% yoy in 2008 to USD 528/mt, as Ukraine's market readjusts after oversupply in 2006/07.

In line with our earlier expectations, sugar supply in Ukraine in 2007/08 made up 1.9 mln mt, 13% below demand and 27% lower than last season's output. This will cause a decrease in the stock to use ratio to 0.19 in the current season, compared to 0.32 in the previous one, and put an upward pressure on sugar prices.

Ukrainian sugar balance, **ths mt**

	04/05	05/06	06/07	07/08E	08/09E	09/10E	10/11E
Beginning inventory	332	115	197	671	412	261	181
Beet sugar production	1,789	1,894	2,600	1,894	1,775	1,867	1,945
Imports*	155	338	6	16	252	252	252
Total production**	**1,944**	**2,232**	**2,606**	**1,862**	**2,027**	**2,119**	**2,197**
Consumption	2,096	2,100	2,110	2,131	2,152	2,174	2,196
Exports	65	50	22	6	25	25	25
Ending inventory	115	197	671	412	261	181	157
Avg price, USD/mt (excl. VAT)	468	574	433	488	535	545	556

** Including raw cane sugar processed into white sugar. ** Including beet sugar and processed cane sugar*
Source: Ukrsugar Association, Pro-Consulting, Concorde Capital estimates

WTO effect : cane sugar to meet only 12% of demand

In 2009, WTO-related changes to Ukrainian legislation will open the market to external influences:

- 0.26 mln mt of raw cane sugar will be imported annually, taxed at 2% of its customs value
- Imports of raw cane sugar in excess of the quota will be taxed at 50% of its customs value

Imports taxed at a 2% duty will only be enough to satisfy 12% of Ukraine's domestic consumption. We expect that the rest of demand will be covered by locally produced beet sugar.

Our calculations show that the final cost of sugar imported above the quota would be 15-30% higher than the production cost of beet sugar, which would make importing above the quota inefficient.

Cane vs beet sugar costs
2009E, USD/mt

	Imports tariff	
	50%	**2%**
Raw cane sugar, FOB Caribbean	280	280
CIF	60	60
Import tariff	140	6
Processing	40	40
Cane sugar processing costs	**520**	**386**
Beet sugar processing costs		**400-450**

Source: Concorde Capital estimates

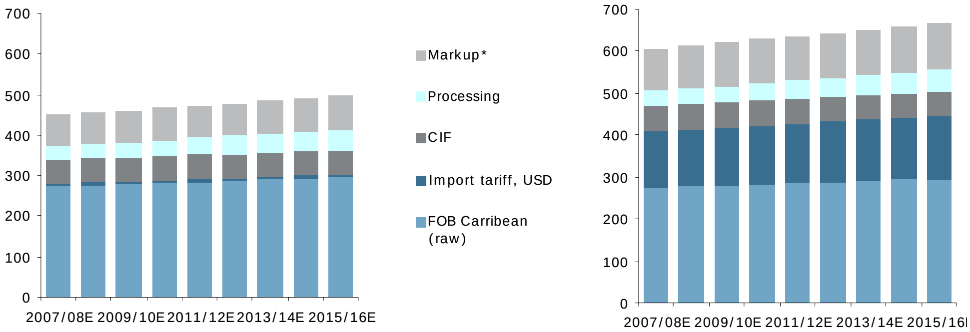
Future of Ukraine's sugar prices

In our view, the theoretical price of white sugar made out of raw cane sugar imported at a 50% tariff will serve as an upper limit for the domestic price of sugar in Ukraine. At the same time, as the amount of raw cane sugar imported to Ukraine under the 2% tariff is limited, we expect average prices in the country to be higher than the theoretical price of white sugar made from raw cane imported at a 2% tariff:

Theoretical price of white sugar made from raw cane sugar imported at 2% tariff	<	**Average price of white sugar in Ukraine**	<	Theoretical price of white sugar made from raw cane sugar imported at 50% tariff

Calculation of price of sugar, imported to Ukraine

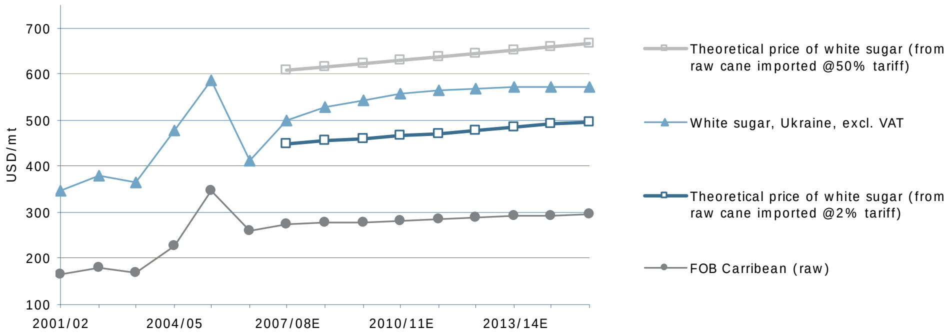
at 2% imports tariff at 50% imports tariff



* Assuming 20% gross margin – the peer group average for 2006
Source: Concorde Capital estimates

We expect Ukrainian sugar prices to rise by 30% in 2008 to USD 528/mt, after a 31% drop due to overproduction in 2007. After 2008, we project moderate growth of 1-2% annually.

Sugar prices: Ukraine and the world



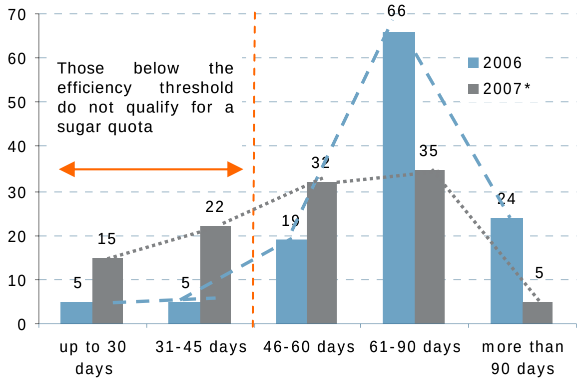
Source: Bloomberg, Concorde Capital estimates

Weak players are out

As we projected, the trend in the number of mills shuttering has become evident this season. Active production facilities during the 2007/08 season decreased to 109 from 119 in 2006/07.

We expect ~35 more mills to close or be acquired by large players in the 2008/09 production season after failing short of government requirements: mills unable to ensure beet supplies for over 45 days of operation during the previous season can be refused a production quota in the next.

Distribution of mills by days in operation



** Preliminary data*
Source: Ukrsugar

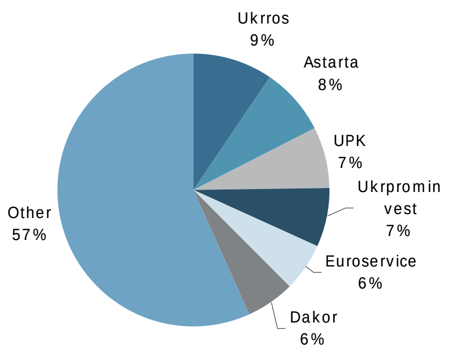
Consolidation is speeding up this year: two major players, Ukrros and Astarta, have announced plans to acquire sugar mills from UPK and Euroservice respectively, as the latter two have been experiencing problems with feedstock.

2007 results prove that not only small players are losing their market share, as we initially expected. UPK, in 2006 Ukraine's largest sugar producer, slipped to third in 2007, unable to ensure sugar beet inputs.

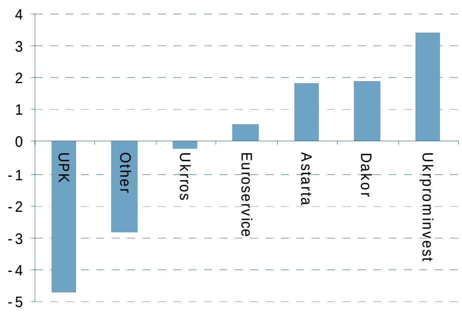
At the same time, Ukrprominvest, which feeds on ~100% in-house beets, jumped from sixth place in 2006/07 to fourth in 2007/08.

Increased concentration is already becoming evident; the share of the six largest sugar producers increased from a combined 41% in 2006/07 to 43% in 2007/08 season.

Sugar production breakdown, 2007/08 season



Change in market shares, pp, 2007/08 vs 2006/07 seasons



Source: Ukrsugar

LAND BET

Soaring prices for crops add value for sugar-makers

We expect prices for grains and oilseeds to stay high all over the world in the mid to long-term, as the Earth's growing population (forecasted to increase 12% to 7.5 mln by 2020 from 2007, according to the US Census Bureau) invokes higher demand for food.

On the other hand, we see alternative usage of grains and oilseeds for production of biofuels as an additional driver of demand for crops. The production of biofuels tripled over the last seven years to 61 bln L in 2007, and has potential to sustain the incremental growth.

We believe that WTO membership will lead to high prices for grain in Ukraine. They were up to 30% lower in 2007 than CBOT spot rates due to export restrictions imposed by the Ukrainian government. As we expect softened agricultural export quotas, in line with WTO requirements, domestic prices for agricultural commodities are likely to gradually unwind.

Depending on the chosen strategy for land acquisition, the non-sugar businesses of the companies covered will generate 29-45% of the companies' revenues in the mid-term.

		Astarta	**Dakor**	**Ukrros**
Strategy		To develop non-sugar agricultural business on a par with sugar	Agricultural business' goal is to ensure 100% internal beets supply	To reach 65% in-house beet supplies in the midterm
Land, ths ha	2007	135	113	70
	2011E	180	145	140
Share of non-sugar revenues	2007E	37%	37%	16%
	2011E	45%	42%	29%

Source: Company data, Concorde capital estimates

Getting land ownership

The management of all three traded companies say they intend to be land purchasers after the moratorium on the sale of agricultural land in Ukraine is lifted. According to Ukrainian legislation, lessees have pre-emptive rights to buy out land if the owner decides to sell it.

We expect the ban to be cancelled in 2008-09, in line with the ruling coalition's program and statements of the president. This will take place automatically after legislation on the land market and land cadastre are adopted.

Given the current, relatively low leasing cost of USD 30-50 per ha in Ukraine, and dispersed ownership, we believe land prices after the moratorium is terminated to be USD 300-500 per ha. Management at Astarta and Dakor have stated similar expectations.

After the market for land is established, we expect land value to appreciate to the levels found elsewhere in Eastern Europe (e.g. USD 3.6 ths per ha in neighboring Poland in 2007).

COMPANY PROFILES

Astarta (AST PW)

BUY

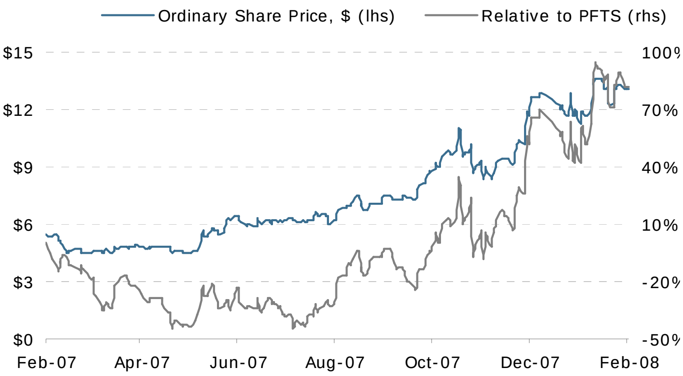
http://www.astartaholding.com

12M target (USD)	16.9
Upside*	30%

INVESTMENT CASE

- Share in Ukraine's sugar production rose to 8% in 2007/08 season from 6% last season
- 135 ths ha of land under lease. In-house beets account for 71% of inputs in 2007/08, up from 42% last season
- Cooperating with EBRD: received USD 20 mln loan in Jan. 2008
- Good corporate governance (audited annual financials, quarterly reports by the board of directors)
- Watch for 2007 financials to be announced on Feb. 27, 2007
- Highest liquidity of Ukraine's traded sugar stocks
- DCF-implied price offers 31% upside
- Watch: Acquisition of two mills to be finalized by August 2008, increasing capacity by 28%

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Ukraine's second largest sugar maker with 8% share in production. Targets share of 15% by 2011.
First-mover in terms of land acquisition. Last year increased land under lease by 48% to 135 ths ha, which allowed the company to increase its share of in-house sugar beets in production to 71% in 2007 from 42% in 2006.
Owns five sugar mills in Central Ukraine with total beet processing capacity of 17.6 mt per day. The company has a preliminary agreement to purchase two mills with a total daily processing capacity of 5.0 ths mt of beets from Euroservice, Ukraine's fifth-largest sugar producer last year. By 2011 Astarta plans to increase capacities by 64% through acquisitions and expanding existing facilities.
Plans to spend USD 25 mln by 2010 to upgrade production facilities. Another USD 35 mln will be spent to expand land under lease and improve its quality. For this, Astarta received a USD 20 mln loan from the EBRD this February and is planning to tap the Polish bond market.
In 2006, the company floated a 20% stake on the Warsaw Stock Exchange.

MARKET INFORMATION

Market Price*, USD	13.1
Price impact**	2
52 Wk H/L USD	13.85/4.46
Chg 3m/6m/52w	49%/111%/158%
Chg 2006	55%/104%/99%
Chg YTD	n/a
Avg M Tr Vol 6M, USD ths	2004.0
MCap, USD mln	326.5
Free float	19.9%
FF Mcap, USD mln	64.8
No of shares, mln	25.0
Par Value, USD	0.01
XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

V. Ivanchyk	40.0%
V. Korotkov	40.0%
Other	20.0%

CORPORATE GOVERNANCE

Concorde Rating***	Q

MARKET MULTIPLES

	2007E	2008E
EV/Sales	3.2	2.5
EV/EBITDA	12.6	9.1
P/E	16.0	16.1
P/B	3.3	2.7
P/CF	12.7	12.9

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	15%	25%	27%
Net Margin	8%	17%	12%
ROE	13%	23%	19%
Net Debt/Equity	0.56	0.65	0.62

*Market information as of Feb 22, 2008, based on WSE Last prices
**** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:**
1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
3: All other stocks (quoted)

*** 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.

Key forecasts

	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Sugar sales, ths mt	120	172	195	219	243	268	293	319	345	349
Change, %	*31%*	*43%*	*14%*	*12%*	*11%*	*10%*	*9%*	*9%*	*8%*	*1%*
Share in sugar sales, %	5.6%	8.0%	9.0%	10.0%	11%	12%	13%	14%	15%	15%
Crop sales, ths mt	171	233	342	406	437	506	578	596	614	614
Change, %	*53%*	*36%*	*46%*	*19%*	*8%*	*16%*	*14%*	*3%*	*3%*	*0%*
Revenues, USD mln	124	163	206	241	272	306	339	361	383	386
Change, %	*45%*	*32%*	*26%*	*17%*	*13%*	*12%*	*11%*	*6%*	*6%*	*1%*
Sugar & by products, USD mln	77	97	115	131	148	164	180	196	211	213
Change, %	17%	*26%*	*18%*	*14%*	*13%*	*11%*	*10%*	*9%*	*8%*	*1%*
Other USD mln	47	66	91	110	124	142	159	166	172	173
Change, %	141%	*41%*	*42%*	*21%*	*12%*	*14%*	*12%*	*4%*	*4%*	*1%*

DCF model

As of February 22

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

	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
EBITDA	**157**	**219**	**300**	**353**	**378**	**425**	**465**	**464**	**467**	**455**
EBIT	132	190	268	319	342	387	426	424	426	413
Tax Rate	*3%*	*3%*	*3%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Taxed EBIT	128	184	260	239	257	290	320	318	320	310
Plus D&A	25	29	32	34	36	38	39	40	41	42
Less CapEx	(162)	(123)	(92)	(84)	(68)	(64)	(58)	(52)	(48)	(42)
Less change in OWC	(66)	(48)	(92)	(20)	(54)	(22)	(26)	(11)	(17)	(10)
FCFF			**108**	**169**	**171**	**242**	**275**	**295**	**296**	**299**
WACC	15.7%	15.6%	14.6%	13.0%	11.9%	11.3%	11.3 %	10.8%	10.7%	10.8%

		Perpetuity growth rate	2.0%
		WACC to perpetuity	11.0%
Terminal Value	1,414		3,387
		Implied exit EBITDA multiple	7.4 x
Firm value	**2,484**		
Portion due to TV	56.9%		
Less Net Debt	(367)		
Equity Value	**2,118**		
Implied 12M price, USD	**16.9**		

Sensitivity analysis

	Implied share price, USD				
WACC Y1-10	**Perpetuity Growth Rate**				
	1.0%	***1.5%***	***2.0%***	***2.5%***	***3.0%***
-3.0%	19.2	20.0	20.8	21.7	22.7
-2.0%	18.0	18.6	19.4	20.2	21.2
-1.0%	16.8	17.4	18.1	18.9	19.8
+0.0%	15.7	16.3	**16.9**	17.7	18.5
+1.0%	14.7	15.2	15.8	16.5	17.3
+2.0%	13.7	14.3	14.8	15.4	16.2
+3.0%	12.9	13.3	13.9	14.5	15.1

	Implied share price, USD				
WACC to perpetuity	**Perpetuity Growth Rate**				
	1.0%	***1.5%***	***2.0%***	***2.5%***	***3.0%***
8.0%	20.0	21.1	22.5	24.1	26.1
9.0%	18.2	19.1	20.1	21.3	22.7
10.0%	16.8	17.5	18.3	19.2	20.3
11.0%	15.7	16.3	**16.9**	17.7	18.5
12.0%	14.8	15.3	15.8	16.4	17.1
13.0%	14.1	14.5	14.9	15.4	16.0
14.0%	13.4	13.8	14.2	14.6	15.0

Income Statement Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Net Revenues	**85.7**	**124**	**163**	**206**	**241**	**272**	**306**	**339**	**361**	**383**	**386**
Change y-o-y	*32.8%*	*44.7%*	*31.8%*	*25.8%*	*17.4%*	*12.7%*	*12.5%*	*10.9%*	*6.4%*	*6.1%*	*0.8%*
Gross Profit	21	35	65	85	100	108	122	134	136	139	137
EBITDA	**13**	**31**	**44**	**60**	**71**	**76**	**85**	**93**	**93**	**93**	**91**
EBITDA margin. %	*15.0%*	*25.1%*	*26.8%*	*29.2%*	*29.3%*	*27.8%*	*27.8%*	*27.4%*	*25.7%*	*4.49%*	*23.6%*
Depreciation	(3)	(5)	(6)	(6)	(7)	(7)	(7)	(8)	(8)	(8)	(8)
EBIT	**9**	**26**	**38**	**54**	**64**	**68**	**77**	**85**	**85**	**85**	**83**
EBIT margin. %	*10.9%*	*21.0%*	*23.3%*	*26.1%*	*26.4%*	*25.2%*	*25.3%*	*25.1%*	*23.5%*	*22.2%*	*21.4%*
Interest Expense	(7)	(10)	(12)	(11)	(11)	(11)	(12)	(12)	(11)	(11)	(11)
Other income/(expense)	5	5	(5)	(3)	(2)	(3)	(3)	(2)	(2)	(2)	-
PBT	**7**	**21**	**21**	**39**	**50**	**54**	**63**	**72**	**72**	**73**	**72**
Tax	0	(1)	(1)	(1)	(12)	(14)	(16)	(18)	(18)	(18)	(18)
Effective tax rate	*-5%*	*3%*	*3%*	*3%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Net Income	**7**	**20**	**20**	**38**	**37**	**41**	**47**	**54**	**54**	**55**	**54**
Net Margin. %	*8.5%*	*16.5%*	*12.4%*	*18.5%*	*15.5%*	*15.0%*	*15.5%*	*15.8%*	*15.0%*	*14.3%*	*13.9%*

Balance Sheet Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Current Assets	**107**	**119**	**135**	**159**	**177**	**187**	**199**	**215**	**236**	**257**	**275**
Cash & Equivalents	4	1	2	3	4	4	6	10	24	37	51
Trade Receivables	24	27	33	39	43	49	52	58	61	61	62
Inventories	68	75	79	91	92	98	101	103	103	111	113
Other current assets	11	16	21	27	31	35	40	44	47	48	48
Fixed Assets	**46**	**75**	**96**	**110**	**121**	**129**	**136**	**141**	**144**	**147**	**147**
PP&E, net	41	68	88	100	110	116	122	125	128	129	129
Other Fixed Assets	5	7	8	10	12	13	14	16	17	18	18
Total Assets	**153**	**194**	**231**	**269**	**292**	**316**	**335**	**356**	**380**	**404**	**422**
Shareholders' Equity	**78**	**99**	**120**	**158**	**173**	**189**	**208**	**224**	**241**	**257**	**273**
Share Capital	74	74	75	75	75	75	75	75	75	75	75
Reserves and Other	4	25	45	83	98	115	134	150	166	182	199
Current Liabilities	**63**	**55**	**67**	**69**	**81**	**90**	**96**	**101**	**109**	**116**	**118**
ST Interest Bearing Debt	36	28	34	31	36	41	40	39	42	44	44
Trade Payables	20	19	20	22	26	28	31	35	38	41	42
Other Current Liabilities	7	10	13	16	19	22	24	27	29	31	31
LT Liabilities	**12**	**40**	**44**	**42**	**38**	**36**	**31**	**30**	**31**	**31**	**31**
LT Interest Bearing Debt	11	39	42	40	36	33	28	27	27	27	27
Other LT	1	1	2	2	2	3	3	3	4	4	4
Total Liabilities & Equity	**153**	**194**	**231**	**269**	**292**	**316**	**335**	**356**	**380**	**404**	**422**

Dakor (DAKOR UZ)

BUY

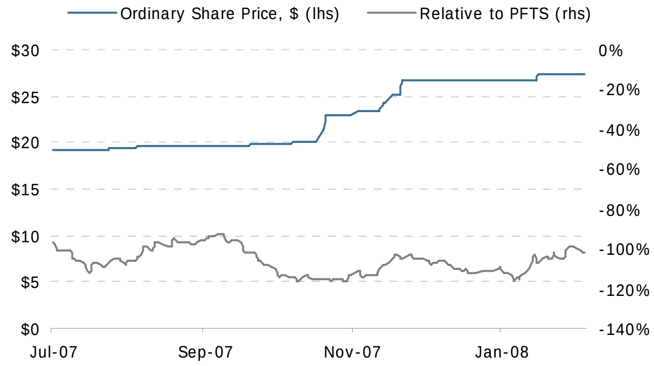
http://www.dakorwest.com

12M target (USD)	45.7
Upside*	67%

INVESTMENT CASE

- Increased sugar production by 3% in 2007/08, amidst an overall industry decline of 27%. Share in Ukrainian sugar output increased to 6% from 4% last season
- 113 ths ha of land under lease. Will reach self-sufficiency in beets in 2008/09 – one year ahead of our previous projections
- Produced 78% of beet inputs in-house in 2007/08 – the highest share of any traded Ukrainian sugar producer
- 2007 financials: sales and EBITDA were 4% above our expectations, net income outpaced them by 17%
- Energy-saving program resulted in 23% decrease in gas consumption per mt of sugar produced in 2007/08
- Trades at 39% and 69% discount to world peers by 2009 EV/EBITDA and P/E multiples
- DCF valuation suggests 68% upside

SHARE PRICE PERFORMANCE*



Listed on PFTS since 07.05.2007

BUSINESS OVERVIEW

Sixth-largest sugar producer in Ukraine. Operates four sugar mills. Last year increased processing capacity by 13% to 16 ths mt of beets per day.

Dakor leases 113 ha of agricultural land in Western Ukraine, all of which are located within a 50 km distance from production sites. Cultivates sugar beets for internal consumption and grain and rapeseed for sale. Last year revenues from its agricultural business made up 16% of total revenues.

Half of Dakor's sugar output is sold to traders, less than 1% is packed and retailed, rest is delivered directly to industrial customers, out of which the largest is Konti – Ukraine's second-biggest confectionary.

In 2007, Dakor placed 24% equity stake with institutional investors to finance capacity upgrades.

MARKET INFORMATION

Market Price*, USD	27.3
Price impact**	3
52 Wk H/L USD	122.40/19.30
Chg 3m/6m/52w	16%/40%/-77%
Chg vs PFTS 3m/6m/52w	22%/32%/-101%
Chg YTD	2%
Avg M Tr Vol 6M, USD ths	215.1
MCap, USD mln	156.2
Free float	24%
FF Mcap, USD mln	37.5
No of shares, mln	5.7
Par Value, UAH	0.25
XETRA	WI81
DR Ratio	1:1
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Management	76.0%
Institutional investors	24.0%

CORPORATE GOVERNANCE

Concorde Rating***	n/a

MARKET MULTIPLES

	2007E	2008E
EV/Sales	2.9	2.0
EV/EBITDA	11.6	7.4
P/E	14.3	13.1
P/B	2.2	2.3
P/CF	10.7	8.8

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	25%	25%	27%
Net Margin	13%	14%	11%
ROE	33%	19%	17%
Net Debt/Equity	1.01	0.96	0.99

*Market information as of Feb 22, 2008, based on PFTS Mid prices
**** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:**
1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
3: All other stocks (quoted)

*** 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.

Revision of projections

Dakor's 2007 sales and EBITDA outpaced our expectations by 4%, while net income was 17% higher. Faced with lower sugar prices than we projected, the company compensated lower profits from its sugar business line with those from its agricultural business.

We confirm our earlier forecasts on Dakor's sugar sales and prices in 2008, and improve our outlook on Dakor's agricultural business starting from 2008. Increase in projected debt in 2008 will drive interest expenses up and will lower net income compared to our previous estimate.

Revision of forecasts

	2007		2008		Change, %	
					2007	2008E
	actual	expected	new	old	actual/expected	new/old
Sugar sales, ths mt	94.0	87.0	120.0	120.0	8%	0%
Market share in sugar, %	4%	4%	6%	6%	0%	0%
Sugar price, USD per mt	482.6	544.0	527.7	527.7	-11%	0%
Change, yoy, %	-14%	-3%	9%	-3%		
Revenues from sugar & byproducts, USD mln	51.4	54.4	68.5	68.5	6%	0%
Other revenues, USD mln	25.6	19.9	41.6	25.8	29%	51%
Net revenues, USD mln	77.0	74.3	112.2	94.3	4%	19%
Change, yoy, %	22%	18%	46%	27%		
EBITDA, USD mln	19.3	18.5	30.4	24.8	4%	23%
EBITDA margin, %	25%	25%	27%	26%		
Net Income, USD mln	10.9	9.3	11.9	16.3	17%	-27%
Net margin, %	14%	13%	11%	17%		

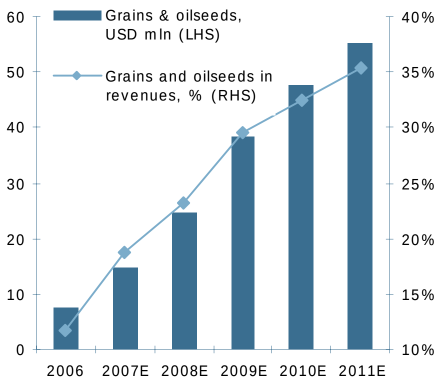
Source: Company Data, Concorde Capital estimates

Revenues: Crops to reveal potential

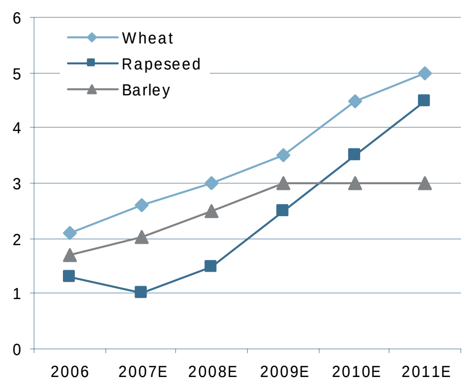
We revise upward our projections for Dakor's revenue from grain and oilseed to 35% of the company's revenues in the mid-term from 20% in our previous forecast.

In spite of poor weather conditions, the company's harvesting season last year resulted in an increase in yields for all major crops except rapeseed. We expect that good land quality will allow for further improvement of yields to approach those found in EU countries by 2011.

Dakor's agricultural business



Dakor's crops' yields, mt / ha



Source: Company data, Concorde Capital projections

Cost trends: Efficiency increase evident

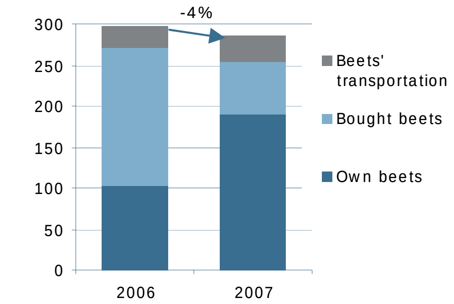
As we expected, Dakor management's efforts to raise efficiency resulted in sugar production costs in 2007/08 season staying at last season's level, in spite of increased costs for major inputs: gas, salaries, mineral fertilizers.

Firstly, the company increased its share of internally grown beets from 42% last season to 78%. As this season its internally-sourced beets were 13% cheaper than those bought from third-parties, Dakor managed to negate the effect of rising beet production costs, and decrease the average cost of beets used in sugar production by 7% to USD 33.8 per mt of beets.

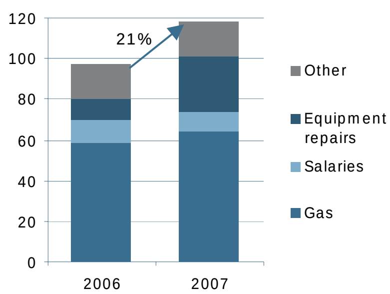
Secondly, modernization of equipment at Dakor's sugar production sites resulted in a 23% decrease in gas consumption, which mitigated part of the 35% growth in the effective gas price for the company during the current production season.

On the other side, modernization of equipment resulted in a significant hike in repair expenditures assigned to production costs. In the 2007/08 season they grew by 148% to USD 2.9 mln. According to management, this increment was a one-time event related to a significant modernization program, and this component of production costs will be normalized in subsequent periods.

Beet cultivation & transportation, USD/mt of sugar*

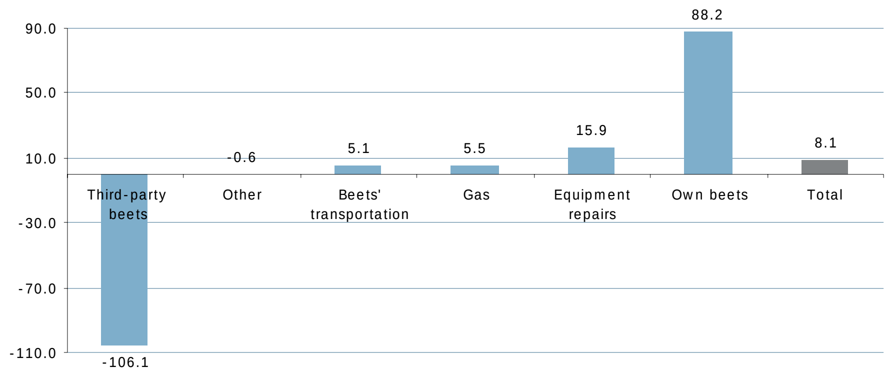


Beets processing, USD/mt of sugar*



** Including beets processed on commission and production costs of byproducts (molasses and feed)*
Source: Company data

Change in production cost components, 2007/08 to 2006/07, USD/mt



Source: Company data, Concorde Capital estimates

Key forecasts

	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Sugar sales, ths mt	90	120	145	165	185	200	210	220	225	230	230
Change, %	*45%*	*33%*	*21%*	*14%*	*12%*	*8%*	*5%*	*5%*	*2%*	*2%*	*0%*
Share in sugar sales, %	*4.2%*	*5.6%*	*6.7%*	*7.5%*	*8%*	*9%*	*9%*	*10%*	*10%*	*10%*	*10%*
Crop sales, ths mt	76	139	223	259	318	359	374	385	390	390	390
Change, %	40%	83%	61%	16%	23%	13%	4%	3%	1%	0%	0%
Revenues, USD mln	77	112	143	165	191	211	222	233	238	243	244
Change, %	*22%*	*43%*	*30%*	*15%*	*16%*	*10%*	*6%*	*5%*	*2%*	*2%*	*1%*
Sugar & by products, USD mln	49	68	83	96	110	120	127	133	137	140	140
Change, %	4%	39%	21%	16%	14%	9%	6%	5%	2%	2%	0%
Other USD mln	29	44	60	69	81	91	95	99	101	103	104
Change, %	84%	43%	44%	15%	18%	11%	5%	4%	2%	1%	1%

DCF model

As of February 22

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

	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
EBITDA	**152**	**204**	**231**	**271**	**296**	**307**	**298**	**298**	**298**	**293**
EBIT	119	170	196	235	260	270	261	261	261	255
Tax Rate	*3%*	*3%*	*3%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Taxed EBIT	116	165	190	176.5	195.1	202.8	195.9	195.6	195.7	191.6
Plus D&A	33	34	35	36	36	36	37	37	37	38
Less CapEx	(95)	(57)	(58)	(41)	(40)	(40)	(38)	(38)	(38)	(38)
Less change in OWC	92	(40)	(24)	(23)	(28)	(11)	(8)	4	4	9
FCFF	**-**	**101**	**144**	**148**	**163**	**188**	**186**	**198**	**199**	**200**
WACC	15.6%	15.5%	14.8%	13.4%	12.2%	11.4%	11.4%	11.2%	10.7%	10.7%

		Perpetuity growth rate	2.0%
		WACC to perpetuity	11.0%
Terminal Value	812		2,272
		Implied exit EBITDA multiple	7.8 x
Firm value	**1,642**		
Portion due to TV	49.5%		
Less Net Debt	(335)		
Equity Value	**1,306**		
Implied 12M price, USD	**45.7**		

Sensitivity analysis

	Implied share price, USD				
WACC Y1-10	**Perpetuity Growth Rate**				
	1.0%	***1.5%***	***2.0%***	***2.5%***	***3.0%***
-3.0%	53.4	55.3	57.3	59.7	62.3
-2.0%	49.5	51.2	53.1	55.3	57.7
-1.0%	45.9	47.5	49.3	51.3	53.5
+0.0%	42.6	44.1	**45.7**	47.5	49.6
+1.0%	39.6	40.9	42.4	44.1	46.0
+2.0%	36.7	38.0	39.4	40.9	42.7
+3.0%	34.1	35.3	36.5	38.0	39.6

	Implied share price, USD				
WACC	**Perpetuity Growth Rate**				
to perpetuity	***1.0%***	***1.5%***	***2.0%***	***2.5%***	***3.0%***
8.0%	53.2	56.2	59.7	63.8	68.7
9.0%	48.8	51.1	53.7	56.7	60.2
10.0%	45.4	47.2	49.2	51.5	54.1
11.0%	42.6	44.1	**45.7**	47.5	49.6
12.0%	40.4	41.6	42.9	44.4	46.1
13.0%	38.5	39.5	40.7	41.9	43.3
14.0%	36.9	37.8	38.8	39.8	41.0

Income Statement Summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Revenues	**63**	**77.0**	**112.2**	**143**	**165**	**191**	**211**	**222**	**233**	**238**	**243**	**244**
Change y-o-y	*N/M*	*22.1%*	*45.8%*	*27.5%*	*15.4%*	*15.9%*	*10.1%*	*5.5%*	*4.6%*	*2.3%*	*1.9%*	*0.6%*
Gross Profit	19	20	38	53	62	74	82	85	85	86	86	85
EBITDA	**16**	**19.3**	**30.4**	**40.8**	**46**	**54**	**59**	**61**	**60**	**60**	**60**	**59**
EBITDA margin. %	*25.5%*	*25.1%*	*27.1%*	*28.5%*	*28.0%*	*28.3%*	*28.1%*	*27.6%*	*25.6%*	*25.0%*	*24.6%*	*24.0%*
Depreciation	(4)	(4)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(8)
EBIT	**12**	**16**	**24**	**34**	**39**	**47**	**52**	**54**	**52**	**52**	**52**	**51**
EBIT margin. %	*18.5%*	*20.2%*	*21.3%*	*23.7%*	*23.7%*	*24.6%*	*24.7%*	*24.3%*	*22.4%*	*21.9%*	*21.5%*	*20.9%*
Interest Expense	(5)	(7.3)	(10.8)	(10)	(7)	(6)	(6)	(6)	(7)	(7)	(6)	(7)
Other income/(expense)	1	3	(1)	(1)	(1)	(2)	(1)	(0)	(1)	(0)	(0)	-
PBT	**9**	**11**	**12**	**22**	**31**	**39**	**45**	**48**	**45**	**45**	**46**	**44**
Tax	(0)	(0)	(0)	(1)	(1)	(10)	(11)	(12)	(11)	(11)	(11)	(11)
Effective tax rate	*3%*	*2%*	*3%*	*3%*	*3%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Net Income	**8**	**10.9**	**11.9**	**21.3**	**30**	**29**	**34**	**36**	**33**	**34**	**34**	**33**
Net Margin. %	*13.2%*	*14.1%*	*10.6%*	*14.9%*	*18.1%*	*15.4%*	*16.1%*	*16.1%*	*14.4%*	*14.3%*	*14.1%*	*13.6%*

Balance Sheet Summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Current Assets	**47**	**112**	**78**	**91**	**100**	**108**	**126**	**145**	**159**	**174**	**188**	**202**
Cash & Equivalents	0	1	1	2	3	4	13	28	39	52	65	79
Trade Receivables	3	27	7	10	17	25	32	34	38	39	41	41
Inventories	39	54	60	68	67	64	64	65	64	64	62	62
Other current assets	5	30	11	11	13	15	17	18	19	19	19	20
Fixed Assets	**45**	**57**	**70**	**75**	**79**	**80**	**81**	**82**	**82**	**83**	**83**	**83**
PP&E, net	43	55	69	74	79	80	81	81	82	82	82	82
Other Fixed Assets	2	2	1	1	1	1	1	1	1	1	1	1
Total Assets	**92**	**169**	**148**	**166**	**180**	**189**	**207**	**227**	**241**	**257**	**271**	**284**
Shareholders' Equity	**43**	**70.0**	**69.1**	**90**	**120**	**132**	**146**	**160**	**170**	**180**	**190**	**200**
Share Capital	5	21	21	21	21	21	21	21	21	21	21	21
Reserves and Other	38	49	48	69	99	111	125	139	149	159	169	179
Current Liabilities	**39**	**77**	**48**	**42**	**33**	**39**	**43**	**46**	**49**	**52**	**54**	**56**
ST Interest Bearing Debt	34	51	38	28	17	19	21	22	23	24	24	24
Trade Payables	2	22	4	6	8	10	12	13	14	17	18	19
Other Current Liabilities	4	4	6	7	8	10	11	11	12	12	12	12
LT Liabilities	**10**	**22**	**32**	**34**	**26**	**18**	**18**	**20**	**22**	**24**	**26**	**28**
LT Interest Bearing Debt	10	17	31	34	26	18	18	20	22	24	26	28
Other LT	0	5	0	0	0	0	0	0	0	0	0	0
Total Liabilities & Equity	**92**	**169**	**148**	**166**	**180**	**189**	**207**	**227**	**241**	**257**	**271**	**284**

Ukrros (UROS UZ)

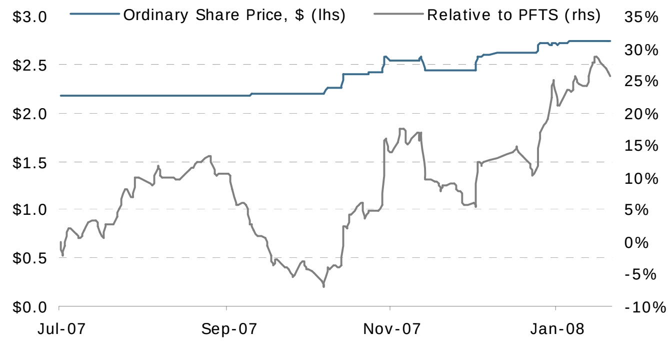
BUY

12M target (USD)	3.5
Upside*	26%

INVESTMENT CASE

- Gained leadership in domestic sugar production in 2007. Had a 9% share in 2007/08, which it preserved from last season. Targets 20% by 2010
- Management is negotiating the acquisition of additional beet processing capacities
- USD 50 mln to be invested in upgrading existing sugar production capacities in 2008
- Plans to double land under cultivation to 140 ths ha by 2010. ~25% of beets supplied in-house in 2007/08, the smallest amount of the three traded sugar companies
- Management has announced plans to conduct an IPO by 2010
- Catalyst: audited IFRS financials to be released in April 2008
- Trades at 19% and 33% discount to international peers by 2009 EV/EBITDA and P/E multiples
- DCF results imply 26% upside

SHARE PRICE PERFORMANCE



Listed on PFTS since 23.07.2007

BUSINESS OVERVIEW

Second largest sugar producer in Ukraine with a 9% market share in 2007/08.
Owns six sugar mills located in eastern, central and western Ukraine, and 70 ths ha of land. Geographic diversity minimizes weather-related risks.
About ~40% of beet supplies in 2007/08 production season were internally sourced. Management plans to double land holding by 2010, which implies 65% self-sufficiency in beets.
Plans to increase capacity 14% by autumn 2008 to 33 ths mt of beets daily and improve production efficiency investing USD 10 mln.
In July 2007, Ukrros floated 20% stake on PFTS.

MARKET INFORMATION

Market Price*, USD	2.8
Price impact**	3
52 Wk H/L USD	2.74/2.10
Chg 3m/6m/52w	14%/25%/n/a
Chg vs PFTS 3m/6m/52w	19%/17%/n/a
Chg YTD	5%
Avg M Tr Vol 6M, USD ths	935.9
MCap, USD mln	292.1
Free float	20%
FF Mcap, USD mln	58.4
No of shares, mln	106.2
Par Value, UAH	1
XETRA	36U1
DR Ratio	10:1
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Management	80.0%
Other	20.0%

CORPORATE GOVERNANCE

Concorde Rating***	n/a

MARKET MULTIPLES

	2007E	2008E
EV/Sales	2.8	2.3
EV/EBITDA	11.1	8.5
P/E	38.0	19.5
P/B	2.0	1.8
P/CF	15.4	11.7

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	37%	25%	27%
Net Margin	24%	7%	10%
ROE	39%	6%	10%
Net Debt/Equity	0.92	0.29	0.33

*Market information as of Feb 22, 2008, based on PFTS Mid prices

**** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:**
1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
3: All other stocks (quoted)

*** 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.

Key forecasts

	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Sugar sales, ths mt	176	200	250	300	350	400	420	450	450	450
Change, %		*14%*	*25%*	*20%*	*17%*	*14%*	*5%*	*7%*	*0%*	*0%*
Share in sugar sales, %	8.2%	9.3%	11.5%	13.7%	16%	18%	19%	20%	20%	20%
Crop sales, ths mt	91	194	330	404	474	498	523	549	549	549
Change, %		*114%*	*70%*	*22%*	*17%*	*5%*	*5%*	*5%*	*0%*	*0%*
Revenues, USD mln	119	152	205	249	294	331	349	372	372	373
Change, %		*28.7%*	*35.4%*	*21.6%*	*18.2%*	*12.3%*	*5.6%*	*6.5%*	*0.1%*	*0.9%*
Sugar & by products, USD mln	99	113	143	174	207	238	251	269	269	269
Change, %		14%	27%	22%	19%	15%	5%	7%	0%	0%
Other USD mln	20	39	62	75	87	93	98	103	103	103
Change, %		105%	59%	21%	17%	5%	7%	4%	1%	0%

DCF model

As of February 22

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

	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
EBITDA	**153**	**204**	**301**	**370**	**417**	**424**	**447**	**428**	**415**	**408**
EBIT	95	145	241	310	357	364	387	368	356	349
Tax Rate	*3%*	*3%*	*3%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Taxed EBIT	92	141	234	232.2	268.0	273.1	290.3	276.3	266.9	261.8
Plus D&A	58	59	60	60	60	60	60	60	59	59
Less CapEx	(87)	(103)	(87)	(81)	(74)	(74)	(68)	(65)	(61)	(60)
Less change in OWC	35	(72)	(100)	(106)	(130)	(75)	(16)	(45)	(4)	(0)
FCFF	-	-	106	106	125	184	267	226	261	261
WACC	16.3%	15.9%	15.0%	13.2%	11.9%	11.2%	11.2%	11.1%	10.7%	10.8%

		Perpetuity growth rate	2.0%
		WACC to perpetuity	11.0%
Terminal Value	1,227		2,955
		Implied exit EBITDA multiple	7.2 x
Firm value	**2,101**		
Portion due to TV	58.4%		
Less Net Debt	(264)		
Equity Value	**1,836**		
Implied 12M price, USD	**3.5**		

Sensitivity analysis

	Implied share price, USD				
WACC Y1-10	**Perpetuity Growth Rate**				
	1.0%	***1.5%***	***2.0%***	***2.5%***	***3.0%***
-3.0%	3.9	4.1	4.2	4.4	4.6
-2.0%	3.7	3.8	4.0	4.1	4.3
-1.0%	3.4	3.6	3.7	3.9	4.0
+0.0%	3.2	3.3	**3.5**	3.6	3.8
+1.0%	3.0	3.1	3.2	3.4	3.5
+2.0%	2.8	2.9	3.0	3.2	3.3
+3.0%	2.6	2.7	2.8	3.0	3.1

	Implied share price, USD				
WACC to perpetuity	**Perpetuity Growth Rate**				
	1.0%	***1.5%***	***2.0%***	***2.5%***	***3.0%***
8.0%	4.1	4.3	4.6	4.9	5.3
9.0%	3.7	3.9	4.1	4.3	4.6
10.0%	3.4	3.6	3.7	3.9	4.1
11.0%	3.2	3.3	**3.5**	3.6	3.8
12.0%	3.0	3.1	3.2	3.4	3.5
13.0%	2.9	3.0	3.0	3.1	3.3
14.0%	2.7	2.8	2.9	3.0	3.1

Income Statement Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Net Revenues	**155**	**119**	**152**	**205**	**249**	**294**	**331**	**349**	**372**	**372**	**373**
Change y-o-y	*n/a*	*-23.1%*	*28.0%*	*34.7%*	*21.6%*	*18.2%*	*12.2%*	*5.6%*	*6.5%*	*0.1%*	*0.1%*
Gross Profit	59	31	51	79	96	113	118	124	123	120	119
EBITDA	**57.7**	**30.2**	**40.8**	**60**	**74**	**83**	**85**	**89**	**86**	**83**	**82**
EBITDA margin. %	*n/a*	*25.4%*	*26.9%*	*29.4%*	*29.7%*	*28.4%*	*25.7%*	*25.6%*	*23.0%*	*22.3%*	*21.9%*
Depreciation	(7)	(11)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
EBIT	**51**	**19**	**29**	**48**	**62**	**71**	**73**	**77**	**74**	**71**	**70**
EBIT margin. %	*33.1%*	*15.8%*	*19.1%*	*23.5%*	*24.9%*	*24.3%*	*22.0%*	*22.2%*	*19.8%*	*19.1%*	*18.7%*
Interest Expense	(7.8)	(10.8)	(8)	(8)	(9)	(11)	(12)	(12)	(11)	(11)	(10)
Other income/(expense)	(3)	-	(5)	(6)	(4)	(3)	(1)	(2)	(2)	(0)	-
PBT	**40**	**8**	**15**	**34**	**49**	**58**	**60**	**63**	**61**	**60**	**60**
Tax	(3)	(0)	(0)	(1)	(12)	(15)	(15)	(16)	(15)	(15)	(15)
Effective tax rate	*8%*	*3%*	*3%*	*3%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Net Income	**37.2**	**7.7**	**15.0**	**33**	**37**	**44**	**45**	**48**	**46**	**45**	**45**
Net Margin. %	*24.1%*	*6.5%*	*9.9%*	*16.0%*	*14.7%*	*14.8%*	*13.5%*	*13.6%*	*12.3%*	*12.2%*	*12.0%*

Balance Sheet Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Current Assets	**96**	**81**	**99**	**127**	**154**	**188**	**212**	**226**	**241**	**248**	**261**
Cash & Equivalents	0	1	2	3	4	4	7	15	15	21	34
Trade Receivables	9	7	11	20	30	44	51	57	60	60	60
Inventories	61	54	61	69	79	91	100	98	105	106	106
Other current assets	25	19	25	34	41	48	54	57	61	61	61
Fixed Assets	**129**	**132**	**145**	**153**	**161**	**166**	**171**	**174**	**177**	**177**	**177**
PP&E, net	119	125	135	140	144	147	150	151	152	153	153
Other Fixed Assets	10	8	10	13	16	19	21	23	24	24	24
Total Assets	**225**	**214**	**243**	**280**	**314**	**354**	**383**	**400**	**418**	**425**	**438**
Shareholders' Equity	**96**	**145**	**162**	**194**	**209**	**227**	**244**	**259**	**272**	**286**	**299**
Share Capital	59	101	102	102	102	102	102	102	102	102	102
Reserves and Other	37	44	60	93	107	125	143	157	171	184	198
Current Liabilities	**88**	**48**	**49**	**58**	**68**	**81**	**92**	**91**	**98**	**99**	**99**
ST Interest Bearing Debt	55	23	23	25	30	35	40	35	37	37	37
Trade Payables	25	19	18	23	26	31	36	38	42	43	43
Other Current Liabilities	8	6	8	10	12	15	17	17	19	19	19
LT Liabilities	**42**	**21**	**32**	**28**	**37**	**46**	**46**	**51**	**47**	**40**	**40**
LT Interest Bearing Debt	34	21	32	28	37	46	46	51	47	40	40
Other LT	8	-	-	-	-	-	-	-	-	-	-
Total Liabilities & Equity	**225**	**214**	**243**	**280**	**314**	**354**	**383**	**400**	**418**	**425**	**438**

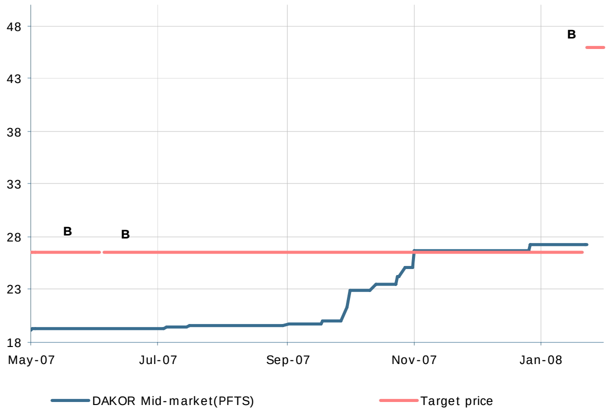
Analyst Certification

I, Olha Pankiv, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Dakor

Date	Target price *USD*	Market Price *USD*	Recommendation	Action
30-May-07	26.6	19.2*	BUY	Initiating
04-Jul-07	26.6	19.3	BUY	Maintain
22-Feb-08	45.7	27.3	BUY	Maintain

* adjusted for additional share issues

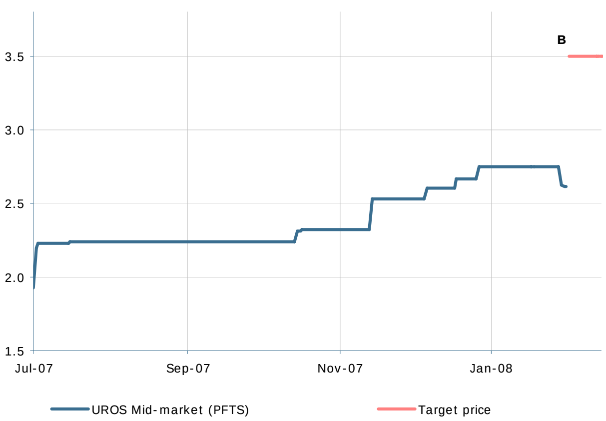


Astarta

Date	Target price *USD*	Market Price *USD*	Recommendation	Action
22-Feb-08	16.9	13.1	BUY	Initiating

Ukrros

Date	Target price *USD*	Market Price *USD*	Recommendation	Action
22-Feb-08	3.5	2.8	BUY	Initiating



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	46	44%
Hold	28	27%
Sell	13	12%
Under Review	18	17%
Total	105	100%

Investment banking clients*

Buy	9	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	9	100%

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

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa	im@concorde.com.ua

Equity Trading

Jathan Tucker	jt@concorde.com.ua

Equity Sales

Anastasiya Nazarenko	an@concorde.com.ua
Zack Watson	zw@concorde.com.ua
Duff Kovacs, CFA	dk@concorde.com.ua
Marina Martirosyan	mm@concorde.com.ua
Andriy Supranonok	sap@concorde.com.ua

Director of Research

Konstantin Fisun, CFA	kf@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Strategy

Konstantin Fisun	kf@concorde.com.ua
Oleksandr Klymchuk	ok@concorde.com.ua

Metals & Mining

Eugene Cherviachenko	ec@concorde.com.ua
Andriy Gerus	ga@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy	ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko	vn@concorde.com.ua

Consumer/Real Estate Group

Andriy Gostik, CFA	ag@concorde.com.ua
Olha Pankiv	op@concorde.com.ua
Alexander Romanov	ar@concorde.com.ua
Anna Dudchenko	ad@concorde.com.ua

Machinery

Eugene Cherviachenko	ec@concorde.com.ua
Inna Perepelytsya	pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov	av@concorde.com.ua

Macroeconomics

Polina Khomenko	pk@concorde.com.ua

Fixed Income

Oleksandr Klymchuk	ok@concorde.com.ua

Corporate Governance

Nick Piazza	np@concorde.com.ua

News/Production

Nick Piazza	np@concorde.com.ua
Polina Khomenko	pk@concorde.com.ua

Editor

Brad Wells	bw@concorde.com.ua