

Sale of 100% stake in Ukrainian agricultural holding



Strictly confidential

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The offering

Country/Sector	Ukraine/Agriculture
Proposed transaction	Sale of a large agricultural holding
Equity Stake Size/Price	80%-100%/TBD
Key facts about business	<ul style="list-style-type: none">▪ Around 40,000 ha of high-quality farmland; the option to expand land bank by up to 20,000 ha▪ In-house grain and oilseed storage capacity of over 60kt▪ Own tractor, harvester and other agricultural machinery fleet▪ High profit margins, availability of further expansion

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Please, communicate your interest in this opportunity to the representatives of Art Capital listed below:

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Investment highlights

**Profitable diversified
agricultural holding
with modern
infrastructure**

- Large land bank divided by compact clusters surrounding storage facilities
- Business diversification – grain growing; seed production; animal breeding
- Modern farming technology and agricultural machinery and equipment
- High profit margins resistant to adverse weather conditions and grain price volatility

**Highly lucrative
business in Ukraine**

- High-quality black soils (called chernozems) and favorable climate – high crop yields with low fertilizer consumption
- Low labor costs and land lease rentals
- Government subsidies and tax incentives

**Rising importance of
Ukrainian agriculture
sector to world food
security**

- Largest European country by arable land, mostly covered with black soils; five-million-hectare reserve for crop cultivation abandoned in the 90s
- Big potential in crop yield increase – still low consumption of fertilizers and crop protection products compared with EU members
- Advantageous geographic position – most important grain growing regions in close proximity to deep-water grain terminals with annual capacity of up to 40mn tonnes of grain and oilseed commodities

Company facts

- ❑ The key operating segment is production of agricultural crops; the company also engages in production of seeds and animal breeding
- ❑ Total land bank under leasehold is 40,000ha; over 30,000ha were planted by grain and oilseed crops in 2012. In 2013 the Company will plant 40,000ha.
- ❑ In-house grain and oilseed storage facilities comprise a 20kt silo, two sheds for 15kt and 13kt, and additional short-term storage space on a total of 10kt of grain
- ❑ Agricultural machinery fleet comprises over 30 John Deere's harvesters and tractors with AutoTrack option, over 100 tractors made in Ukraine, and over 250 specialized units
- ❑ Vehicle fleet comprises 10 imported trucks (Scania, DAF, Man) with Bodex and Wielton's semi-trailers and over 70 trucks made in Ukraine for transportation of grain and other agricultural products
- ❑ Key clients are international commodity traders Cargill, Glencore, Noble and others

Production of key crops, '000 tonnes

	2009	2010	2011	2012
Wheat	30	45	51	37
Sunflower seed	28	17	21	26
Corn		3	4	5

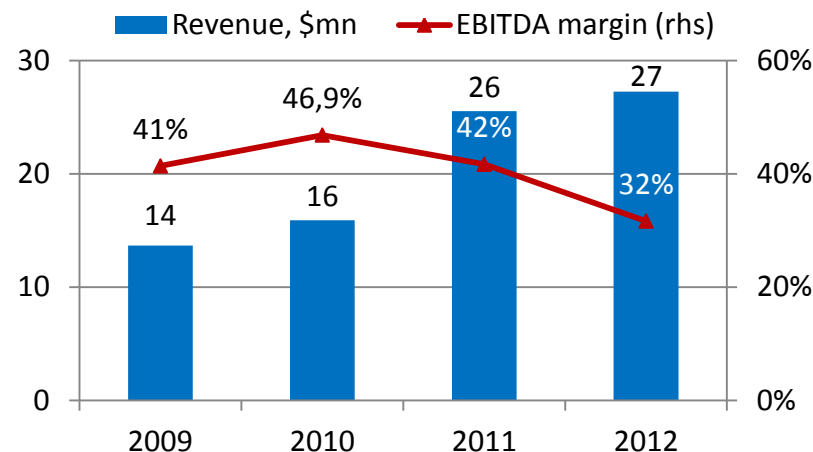
Planted area and yields of key crops in 2012

	Area, '000 ha	Yield, t/ha
Wheat	13.1	2.79
Sunflower seed	15.0	1.75
Corn	1.4	3.52

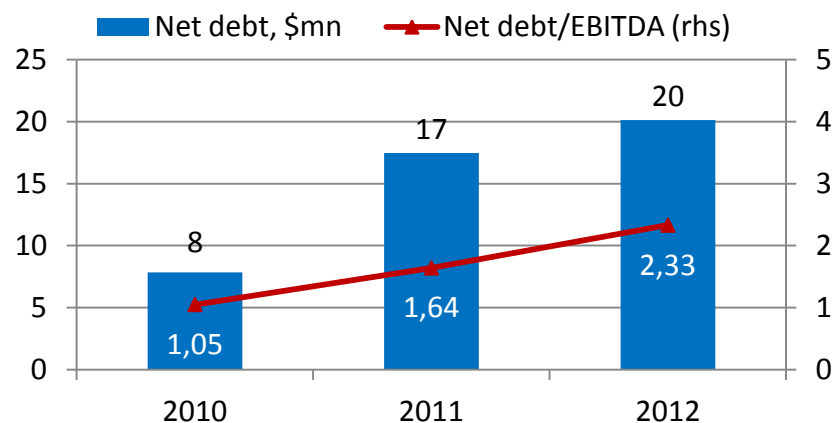
Key financial figures

- ❑ Total revenue jumped 60% year-on-year to \$26mn in 2011 thanks to a bumper harvest in Ukraine and the company's land bank increase. Last-year sales rose by 6% amid a further rise in leasehold farmland area and much lower yields of key crops caused mainly by unfavorable weather conditions in Ukraine in 2012
- ❑ EBITDA margin declined by 10 percentage points to 32% in 2012 due to a 30% increase in the land bank and lower selling prices than in 2011. Nevertheless, it remains higher than Ukrainian average. Even in the worst 2008, EBITDA margin stood at healthy 25%
- ❑ The 'Net debt/EBITDA' ratio was quite low in 2010-2011, surging to 2.33× in 2012 due to company's need to finance a 30% land bank increase and rising working capital needs. Nevertheless, it remains lower than the average of around 3.0× for agricultural holdings with a fast-growing land bank
- ❑ The company's financial statements have been audited by a well-known second-tier auditor

Revenue and EBITDA margin



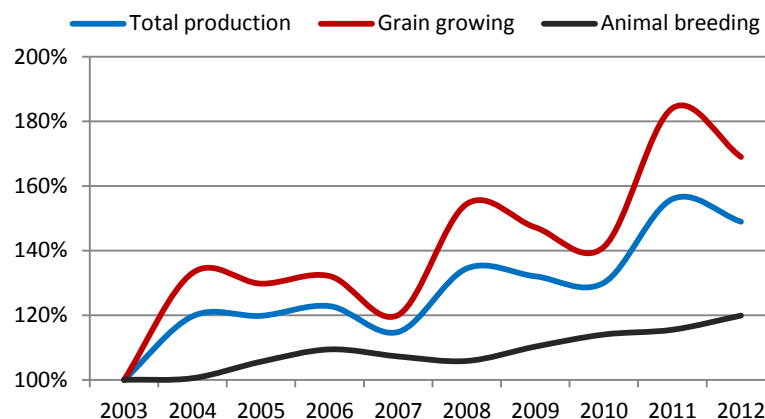
Net debt and 'Net debt/EBITDA' ratio



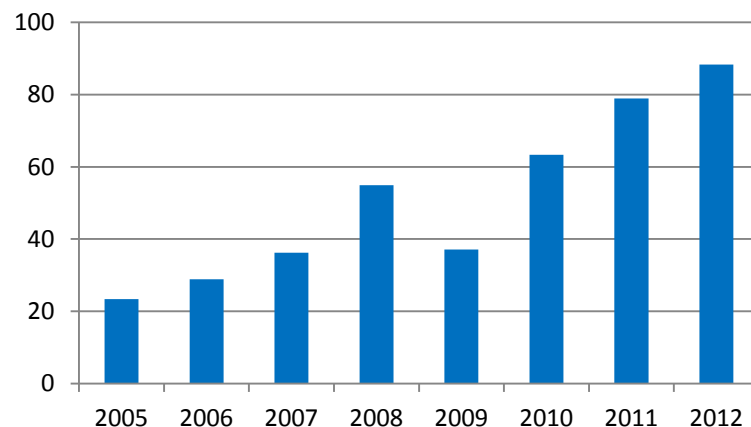
Ukrainian agriculture – most booming sector in a decade

- ❑ Ukraine's agricultural sector, and the grain growing segment in particular, has been booming for the last ten years
- ❑ Major growth drivers are as follows:
 - Rising global demand for food and a subsequent price increase has sparked interest for agriculture
 - State-run support of the sector and various tax incentives have led to a steadily rising domestic and foreign investments into Ukrainian agriculture
 - Low costs of farmland lease and workforce in rural areas in a combination with high-fertility soils have secured higher-than-average profitability, especially for efficient vertically-integrated agri-holdings
 - Rising share of large and cash-rich landholders has allowed to boost usage of fertilizers, crop protection products and high-quality seeds in order to increase crop yields

Ukraine's agricultural production index (2003=1)



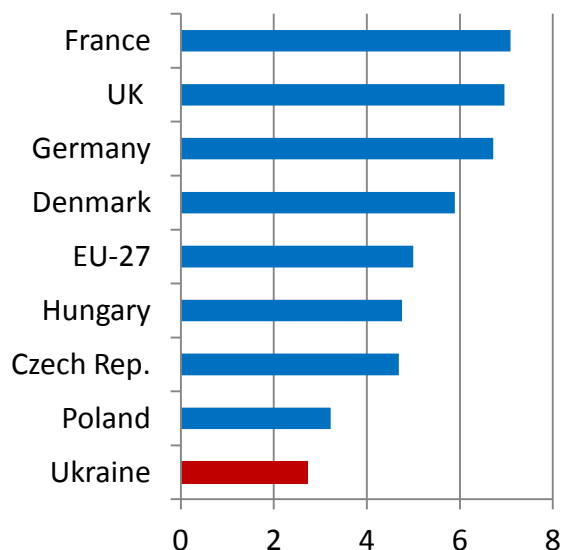
Pesticide imports to Ukraine, kt



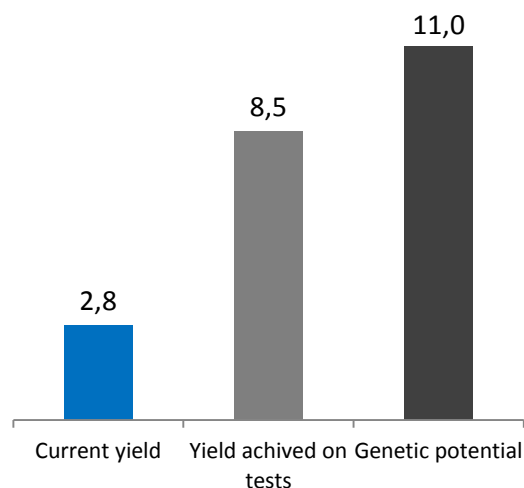
Ukrainian agriculture – still untapped potential

- ❑ Ukrainian yields of major crops are still lagging behind those of Eurozone countries despite similar climate conditions and better soil characteristics
- ❑ Various experimental studies in Ukraine indicate that higher usage of fertilizers, crop protection products, high-quality seeds, agricultural machinery, and modern technologies could largely narrow the gap between potential and actual crop yields

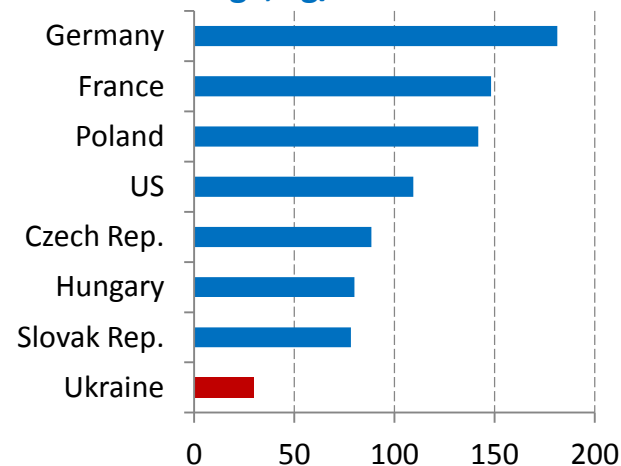
Cereal yields, t/ha (2010)



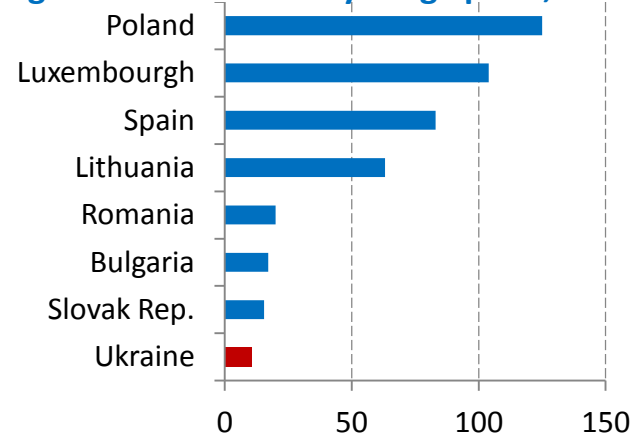
Ukraine's current and potential wheat yield, t/ha



Fertilizer usage, kg/ha



Agricultural machinery usage per 1,000 ha



Ukrainian agriculture – global positioning

- ❑ Ukraine is the largest agricultural country in Europe with 33mn hectares of arable land, 80% of which is covered by high quality black soils called chernozems
- ❑ Having planted an area of 27.5 million hectares in 2012, Ukraine has the potential to boost acreage under crop cultivation by up to 5mn hectares
- ❑ Ukraine boasts high ranks among top producers and exporters of agricultural commodities

Largest European countries by farmland

	Total agricultural area, m ha	Arable agricultural area, m ha	% of arable land
Ukraine	42.9	32.4	76%
France	27.6	18.3	66%
Spain	24.9	11.9	48%
Germany	17.0	11.9	70%
UK	16.0	6.1	38%
Poland	14.8	11.3	76%
Romania	13.9	8.9	64%
Italy	12.7	7.0	55%

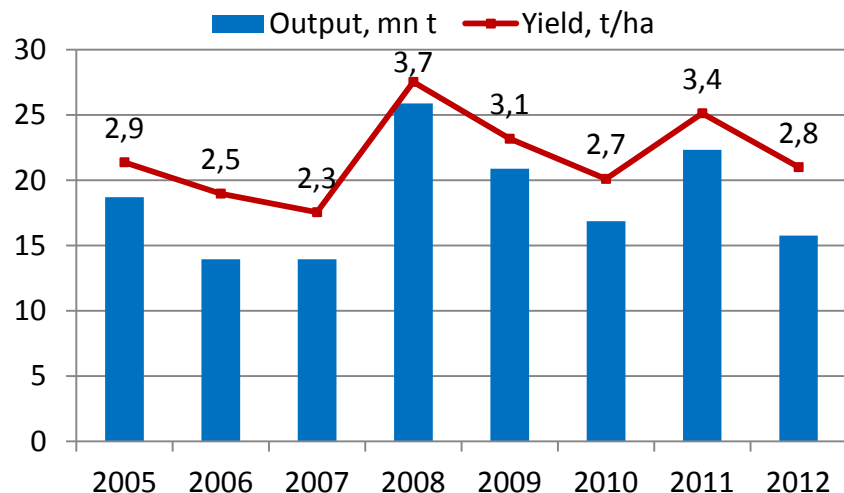
Ukraine's exports, production of key crops and oils and global ranking

	Exports						Production/crush					
	10/11 volume, MMT	10/11 rank	11/12 volume, MMT	11/12 rank	12/13E volume, MMT	12/13E rank	10/11 volume, MMT	10/11 rank	11/12 volume, MMT	11/12 rank	12/13E volume, MMT	12/13E rank
Wheat	4.3	7	5.4	8	6.5	8	16.8	11	22.3	10	15.8	9
Coarse grain	7.5	4	17.3	3	15.5	4	21.4	10	33.3	6	29.3	7
Oilseeds	2.9	6	2.8	7	3.2	6	8.5	7	11.0	8	9.7	8
Vegetable oils	2.7	4	3.3	4	3.5	4	3.4	n/a	4.4	n/a	3.9	n/a

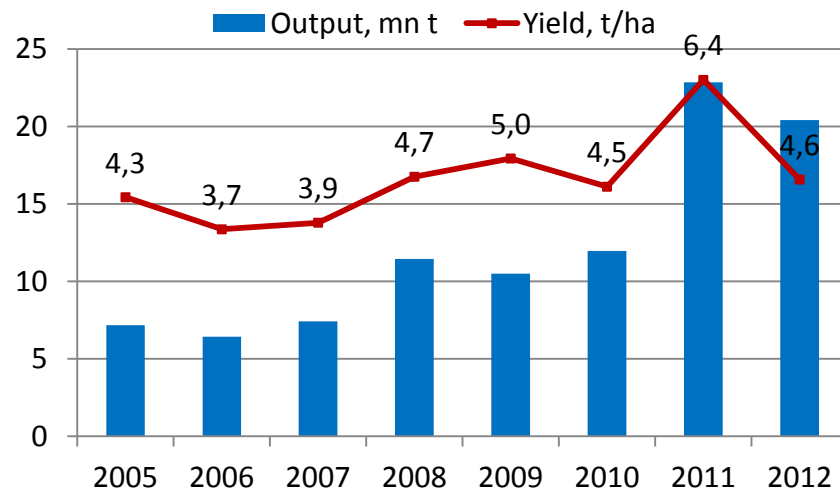
Ukrainian grain market statistics

- ❑ For the last eight years, Ukraine has demonstrated a rise in output and yields of wheat, corn and other coarse grain. A yield increase is attributed to rising investments into technology and crop treatment, including the shift to higher quality hybrids of seeds and crop protection products
- ❑ Corn and sunflower seed secure Ukrainian farmers with one of highest margins across the crop range even in years of adverse weather conditions
- ❑ On the demand side, Ukraine is bound to become a powerful player in the world corn trade as it has been on the sunflower oil market with over 50% share of world exports for the last five years

Ukraine's wheat output and yields



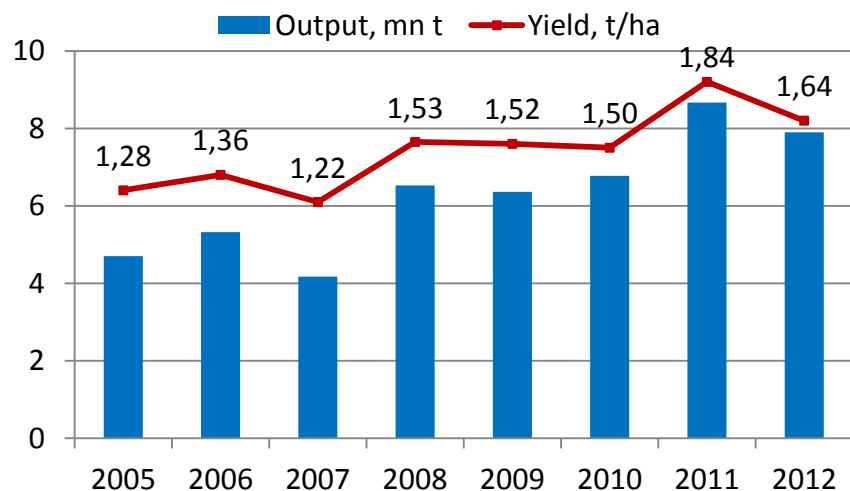
Ukraine's corn output and yields



Ukrainian oilseed and technical crops market statistics

- Historically, Ukraine is one of the largest producers of sunflower seed in the world
- Steadily increasing its modern processing capacities, Ukraine crushes almost all sunflower seed produced domestically and accounts for over a half of world exports of sunflower oil and sunflower meal
- For the last three years, Ukrainian farmers have sharply boosted soybean acreage and production, shifting from more weather-prone and less profitable rapeseed

Ukraine's sunflower seed output and yields



Ukraine's soybean output and yields

