



CONCORDE CAPITAL

Ukraine/ Oil & Gas

# Ukrnafta

A New Dividend Record

**BUY**

22 Jun 2005

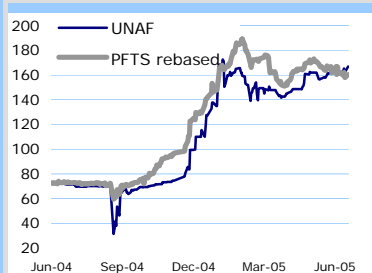
USD 32.1

12m Target

USD 35.7

**Andriy Gostik**  
+380 44 206 8370  
ag@con-cap.com

### UNAF Mid-Market, UAH



### Market Information

Bloomberg UNAF.UZ  
Reuters UNAF.PFT

**No of Shares, mln** 54.2  
Reg S GDR to Ord. 1:6

**Market price, USD** 32.15  
52Wk H/L, USD 5.92/32.60  
**MCap, USD mln** 1,743.2  
**Free Float, %** 8%

### Stock Ownership

State 50%+1  
Privat Group 42%  
Minorities 8%

### Ratios 2004\*

EBITDA Margin 62%  
EBIT Margin 49%  
Net Margin 34%

Net Debt/Equity 0.06

*\*Based on adjusted sales*

Ukrnafta set a new record at its June 20 EGM, when it approved a dividend payment equal to 99.98% of the company's 2004 net income. The USD 266.5 mln dividend payment, or USD 4.9 per share at the current USD/UAH exchange rate, will be the highest ever for a Ukrainian company. Although this decision was not optimal for the company's business, we do not think it will seriously affect Ukrnafta's plans to develop into a vertically integrated company (VIC). We maintain our previous 12-month target price of USD 35.7. **BUY.**

**Potential shareholder conflict avoided.** UNAF's EGM reached a quorum with 90.48% of votes, signaling that Naftogaz and Privat, UNAF's major shareholders, have found common ground regarding dividend payments and changes in the company's management and governance. This outcome provides significant reassurance that Ukrnafta will enjoy smooth operations in the future.

**Highest ever dividend payment in Ukraine.** Shareholders decided to allocate almost all UNAF's 2004 net income as dividends, which will be of greatest benefit to Privat Group. At the previous AGM, Privat supported a 100% dividend payout, but a decision to pay was blocked by Naftogaz. The payment means that Privat Group, which is gradually losing control over Ukrnafta to the state, has secured a payment of USD 111.9 mln for itself. Privat can reinvest this money into Ukrnafta, if appropriate, as the latter develops into a VIC. It might also simply keep the money for other purposes unrelated to Ukrnafta, should it lose control over the company. Naftogaz, on the other hand, will likely use the dividends to finance the 2005 state budget deficit. The ex-dividend date has been set for July 1, 2005, with a payment scheduled from July 1, 2005 to January 1, 2006. The EGM also decided on a planned 40% dividend payout in 2005. Net income in 2005 is projected at USD 302.6 mln.

**Privat to retain a loyal management, this time.** Shareholders elected a new 11 member Supervisory Board. Six of them represent the state, including Chairman Serhiy Pereloma, while the remaining five members are Privat appointees. The company's CEO Igor Palytsia – loyal to Privat – was re-appointed. However, the CFO, also a Privat ally, will be replaced by a Naftogaz-sponsored candidate. The EGM also limited the CEO's powers, which will strengthen Naftogaz's position in making decisions over Ukrnafta's operations. Namely, the board can now dismiss a CEO with 60% of votes, without summoning a shareholder meeting. Regardless, as long as five of the eleven board members represent Privat, it will still control the company.

### KEY FINANCIAL DATA, USD mln

|                | Net Revenue | EBITDA | Net Income | DPS, USD |
|----------------|-------------|--------|------------|----------|
| 2004           | 736.0       | 459.0  | 253.3      | 4.670    |
| 2005E          | 1523.6      | 688.8  | 367.6      | 2.711    |
| 2006E          | 2287.6      | 866.3  | 485.9      | 2.240    |
| Spot Exch Rate |             | 5.05   |            |          |

### KEY RATIOS

|       | P/S  | P/E  | EV/EBITDA | Div Yield |
|-------|------|------|-----------|-----------|
| 2004  | 2.37 | 6.88 | 3.97      | 14.5%     |
| 2005E | 1.14 | 4.74 | 2.93      | 8.4%      |
| 2006E | 0.76 | 3.59 | 2.21      | 7.0%      |

**Transfer pricing crackdown?** The shareholders decided management must now receive board approval for any contract exceeding USD 9.9 mln, ending the previous limit of USD 39.6 mln. This will restrict managerial discretion in acquisitions and counteract the transfer pricing Ukrnafta has been suspected of using in buying gas stations. The company's CEO confirmed that Ukrnafta won several tenders for the acquisition of 204 gas stations, in addition to its existing network of 391, but the purchases have yet to be confirmed by Naftogaz and permitted by the Antimonopoly Committee. Earlier, Naftogaz' CEO Oleksiy Ivchenko questioned the validity of Ukrnafta's recent downstream purchases.

**Valuations.** Due to the unexpectedly high dividend payout, we had to revise our pro forma model of Ukrnafta's operations. Because we use a discounted free cash flow method for valuation instead of dividend discount method, dividend surprises do not have a profound effect on the valuation. Yet there are subtler effects. As a portion of Ukrnafta's 2005 cash flows from operations will be used to finance its 2004 dividends, in order to fulfill the program of retail chain development, the company will have to raise more debt. Thus, we increased our projected debt/equity ratio from 17% to 25%. Also, we adjusted the dividend payout from 7% to 40% in 2005, to reflect the new planned dividend payout.

In addition, we modified a number of underlying assumptions due to changes in the macro and industrial environment. We now assume a lower UAH/USD rate, or a UAH/USD 5.10, instead of UAH/USD 5.25 on average in 2005, and UAH/USD 5.00, instead of UAH/USD 5.20 going forward. Also, we raised our projected average price for oil products in 2005 and subsequent years. We now assume that 2005 oil product prices will rise an average of 35% yoy, as opposed to 26% in the previous report.

Our DCF model in this report is based on the Scenario 1 model first introduced in our April 2005 report. Under Scenario 1, we assumed that the oil and gas extraction royalties raised by the government in 2005 will be lowered back to their 2004 level, starting from 2006. We believe this is the most likely case, as there are signs that the government will pursue a more liberal policy in the oil and gas industry in the near future. The revised DCF yields a 12-month fair value per share of USD 42.24 for UNAF.

However, determining UNAF's fair value is currently obscured by a number of uncertainties, the most important of which are:

- The state's decision on the creation of a Vertically Integrated Oil Company (VIOC), and whether the VIOC will be based on Ukrnafta.
- If Ukrnafta is chosen as the base for the national VIOC formation, will the company have to construct an additional 1,000 gas stations, as suggested by Prime Minister Yulia Tymoshenko.
- Whether the company will be able raise enough debt to accomplish the acquisition of 947 stations by 2008, after paying high dividends.
- Whether Naftogaz will allow Ukrnafta to purchase the 204 gas stations. Ukrnafta won tenders for the stations in 2005, but the prices were deemed to be above-the-market
- Whether UNAF's current oil and gas extraction royalties will remain in the future, or be lowered back to their 2004 levels after 2005.

Given the issues described above, we have refrained from raising our 12-month target price to USD 42.26, and retain our price of USD 35.7 per share. **BUY.**

Financial statements are reported according to Ukrainian Accounting Standards

**Income Statement Summary, USD mln**

|   | 2003       | 2004       | 2005E          | 2006E        | 2007E        | 2008E        | 2009E        | 2010E        | 2011E        | 2012E        | 2013E        | 2014E        |
|---|------------|------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Revenues*</b>                    | <b>469</b> | <b>736</b> | <b>1,523.6</b> | <b>2,288</b> | <b>2,585</b> | <b>2,685</b> | <b>2,793</b> | <b>2,918</b> | <b>3,048</b> | <b>3,182</b> | <b>3,300</b> | <b>3,424</b> |
| Change y-o-y                            | 22%        | 57%        | 107%           | 50%          | 13%          | 4%           | 4%           | 4%           | 4%           | 4%           | 4%           | 4%           |
| Cost Of Sales*                          | (117)      | (226)      | (756)          | (1,304)      | (1,562)      | (1,676)      | (1,760)      | (1,844)      | (1,936)      | (2,050)      | (2,156)      | (2,256)      |
| Gross Profit*                           | 352        | 510        | 768            | 984          | 1,023        | 1,009        | 1,033        | 1,075        | 1,111        | 1,132        | 1,144        | 1,168        |
| Other Operating<br>Income/Expenses, net | (7)        | (5)        | (3)            | (3)          | (3)          | (3)          | (3)          | (3)          | (3)          | (3)          | (3)          | (3)          |
| SG&A                                    | (26)       | (46)       | (76)           | (114)        | (129)        | (134)        | (140)        | (146)        | (152)        | (159)        | (165)        | (171)        |
| <b>EBITDA*</b>                          | <b>319</b> | <b>459</b> | <b>689</b>     | <b>866</b>   | <b>891</b>   | <b>872</b>   | <b>890</b>   | <b>926</b>   | <b>956</b>   | <b>970</b>   | <b>976</b>   | <b>994</b>   |
| EBITDA margin, %                        | 68.1%      | 62.4%      | 45.2%          | 37.9%        | 34.5%        | 32.5%        | 31.9%        | 31.7%        | 31.4%        | 30.5%        | 29.6%        | 29.0%        |
| Depreciation                            | (82)       | (92)       | (141)          | (151)        | (162)        | (174)        | (187)        | (200)        | (215)        | (230)        | (246)        | (263)        |
| <b>EBIT*</b>                            | <b>238</b> | <b>367</b> | <b>548</b>     | <b>716</b>   | <b>728</b>   | <b>697</b>   | <b>704</b>   | <b>725</b>   | <b>741</b>   | <b>740</b>   | <b>730</b>   | <b>731</b>   |
| EBIT margin, %                          | 50.6%      | 49.9%      | 35.9%          | 31.3%        | 28.2%        | 26.0%        | 25.2%        | 24.9%        | 24.3%        | 23.2%        | 22.1%        | 21.3%        |
| Interest Expense                        | (1)        | (6)        | (24)           | (22)         | (13)         | (9)          | (10)         | (10)         | (11)         | (12)         | (13)         | (12)         |
| Financial Income                        | 11         | 10         | -              | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Other income/(expense)*                 | (15)       | (12)       | -              | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>PBT</b>                              | <b>233</b> | <b>360</b> | <b>524</b>     | <b>694</b>   | <b>716</b>   | <b>688</b>   | <b>694</b>   | <b>715</b>   | <b>730</b>   | <b>727</b>   | <b>717</b>   | <b>719</b>   |
| Tax                                     | (67)       | (107)      | (157)          | (208)        | (215)        | (206)        | (208)        | (215)        | (219)        | (218)        | (215)        | (216)        |
| Effective tax rate                      | 29%        | 30%        | 30%            | 30%          | 30%          | 30%          | 30%          | 30%          | 30%          | 30%          | 30%          | 30%          |
| <b>Net Income</b>                       | <b>167</b> | <b>253</b> | <b>367</b>     | <b>486</b>   | <b>501</b>   | <b>481</b>   | <b>486</b>   | <b>501</b>   | <b>511</b>   | <b>509</b>   | <b>502</b>   | <b>503</b>   |
| Net Margin, %                           | 35.6%      | 34.4%      | 24.1%          | 21.2%        | 19.4%        | 17.9%        | 17.4%        | 17.2%        | 16.8%        | 16.0%        | 15.2%        | 14.7%        |
| <b>Dividend Declared</b>                | <b>19</b>  | <b>253</b> | <b>147</b>     | <b>121</b>   | <b>125</b>   | <b>193</b>   | <b>194</b>   | <b>200</b>   | <b>255</b>   | <b>255</b>   | <b>251</b>   | <b>251</b>   |

**Balance Sheet Summary, USD mln**

|                                       | 2003         | 2004         | 2005E        | 2006E        | 2007E        | 2008E        | 2009E        | 2010E        | 2011E        | 2012E        | 2013E        | 2014E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Current Assets</b>                 | <b>238</b>   | <b>422</b>   | <b>684</b>   | <b>1,018</b> | <b>1,137</b> | <b>1,208</b> | <b>1,285</b> | <b>1,372</b> | <b>1,432</b> | <b>1,495</b> | <b>1,551</b> | <b>1,609</b> |
| Cash & Equivalents                    | 4            | 24           | 31           | 46           | 52           | 54           | 56           | 58           | 61           | 64           | 66           | 68           |
| Trade Receivables                     | 81           | 137          | 218          | 343          | 388          | 430          | 475          | 525          | 549          | 573          | 594          | 616          |
| Inventories                           | 62           | 196          | 357          | 549          | 620          | 644          | 670          | 700          | 731          | 764          | 792          | 822          |
| Other current assets                  | 91           | 65           | 78           | 80           | 78           | 81           | 84           | 88           | 91           | 95           | 99           | 103          |
| <b>Non-Current Assets</b>             | <b>938</b>   | <b>1,123</b> | <b>1,676</b> | <b>1,807</b> | <b>2,054</b> | <b>2,280</b> | <b>2,498</b> | <b>2,721</b> | <b>2,950</b> | <b>3,182</b> | <b>3,409</b> | <b>3,631</b> |
| PP&E, net                             | 563          | 849          | 1,214        | 1,359        | 1,583        | 1,806        | 2,020        | 2,238        | 2,461        | 2,687        | 2,910        | 3,127        |
| Other Non-Current Assets              | 375          | 274          | 462          | 448          | 471          | 474          | 477          | 483          | 489          | 495          | 499          | 504          |
| <b>Total Assets</b>                   | <b>1,175</b> | <b>1,545</b> | <b>2,360</b> | <b>2,825</b> | <b>3,191</b> | <b>3,488</b> | <b>3,783</b> | <b>4,093</b> | <b>4,382</b> | <b>4,677</b> | <b>4,960</b> | <b>5,240</b> |
| <b>Shareholders' Equity**</b>         | <b>975</b>   | <b>962</b>   | <b>1,246</b> | <b>1,610</b> | <b>1,985</b> | <b>2,343</b> | <b>2,680</b> | <b>3,028</b> | <b>3,309</b> | <b>3,539</b> | <b>3,765</b> | <b>3,991</b> |
| Share Capital                         | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            |
| Reserves and Other**                  | 973          | 959          | 1,243        | 1,607        | 1,982        | 2,341        | 2,677        | 3,025        | 3,306        | 3,536        | 3,762        | 3,989        |
| <b>Current Liabilities*</b>           | <b>199</b>   | <b>481</b>   | <b>838</b>   | <b>996</b>   | <b>1,066</b> | <b>941</b>   | <b>899</b>   | <b>895</b>   | <b>956</b>   | <b>1,019</b> | <b>1,049</b> | <b>1,083</b> |
| ST Interest Bearing Debt              | -            | -            | 43           | 25           | 28           | 27           | 28           | 29           | 30           | 32           | 33           | 34           |
| Trade Payables                        | 77           | 111          | 280          | 412          | 465          | 456          | 447          | 438          | 457          | 477          | 495          | 514          |
| Accrued Wages                         | 3            | 4            | 9            | 14           | 16           | 16           | 17           | 18           | 18           | 19           | 20           | 21           |
| Accrued Taxes                         | 22           | 22           | 47           | 69           | 78           | 81           | 84           | 88           | 91           | 95           | 99           | 103          |
| Other Current Liabilities**           | 98           | 343          | 459          | 477          | 479          | 361          | 323          | 323          | 359          | 395          | 402          | 412          |
| <b>LT Liabilities</b>                 | <b>1</b>     | <b>102</b>   | <b>276</b>   | <b>218</b>   | <b>140</b>   | <b>204</b>   | <b>204</b>   | <b>170</b>   | <b>117</b>   | <b>120</b>   | <b>146</b>   | <b>166</b>   |
| LT Interest Bearing Debt              | -            | 101          | 265          | 196          | 114          | 177          | 176          | 141          | 87           | 88           | 113          | 131          |
| Other LT                              | 1            | 1            | 11           | 23           | 26           | 27           | 28           | 29           | 30           | 32           | 33           | 34           |
| <b>Total Liabilities &amp; Equity</b> | <b>1,175</b> | <b>1,545</b> | <b>2,360</b> | <b>2,825</b> | <b>3,191</b> | <b>3,488</b> | <b>3,783</b> | <b>4,093</b> | <b>4,382</b> | <b>4,677</b> | <b>4,960</b> | <b>5,240</b> |

**UAH/USD Exchange Rates**

|          | 2003 | 2004 | 2005E | 2006E | 2007E | 2008E | 2009E | 2010E | 2011E | 2012E | 2013E | 2014E |
|----------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Average  | 5.33 | 5.32 | 5.10  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  |
| Year-end | 5.33 | 5.31 | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  |

\*Lines for 2003 and 2004 were adjusted to exclude non-recurring items from sales and COGS. The net effect is included in Other Income / (expense) and reported above the line.

\*\*Lines for 2003 and 2004 were adjusted to record USD 19 mln in dividends declared on Nov 5, 2004 and USD 266.5 mln in dividends declared on Jun 20, 2005.

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**Cash Flow Statement Summary, USD mln**

|                                  | 2003         | 2004         | 2005E        | 2006E        | 2007E        | 2008E        | 2009E        | 2010E        | 2011E        | 2012E        | 2013E        | 2014E        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Income                       | 167          | 253          | 368          | 486          | 500          | 478          | 481          | 497          | 511          | 511          | 503          | 503          |
| Depreciation                     | 82           | 92           | 141          | 151          | 162          | 174          | 187          | 200          | 215          | 230          | 246          | 263          |
| Non-operating and non-cash items | 0            | 14           | (20)         | 30           | 19           | 125          | 45           | (5)          | (43)         | (28)         | (0)          | (2)          |
| Less Changes in working capital  | 60           | (187)        | 54           | (143)        | (48)         | (192)        | (118)        | (90)         | 2            | 1            | (24)         | (23)         |
| <b>Operating Cash Flow</b>       | <b>309</b>   | <b>172</b>   | <b>542</b>   | <b>524</b>   | <b>633</b>   | <b>585</b>   | <b>595</b>   | <b>603</b>   | <b>684</b>   | <b>714</b>   | <b>725</b>   | <b>740</b>   |
| Capital Expenditures, net        | (291)        | (261)        | (610)        | (260)        | (400)        | (398)        | (401)        | (420)        | (439)        | (458)        | (470)        | (481)        |
| Other Investments, net           | (4)          | (2)          | 2            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Investing Cash Flow</b>       | <b>(295)</b> | <b>(263)</b> | <b>(609)</b> | <b>(260)</b> | <b>(400)</b> | <b>(398)</b> | <b>(401)</b> | <b>(420)</b> | <b>(439)</b> | <b>(458)</b> | <b>(470)</b> | <b>(481)</b> |
| Net Borrowings/(repayments)      | (18)         | 101          | 197          | (88)         | (77)         | 61           | 0            | (33)         | (53)         | 3            | 26           | 20           |
| Dividends Paid                   | -            | -            | (125)        | (162)        | (150)        | (246)        | (192)        | (147)        | (189)        | (255)        | (279)        | (277)        |
| Other                            | -            | 10           |              |              |              |              |              |              |              |              |              |              |
| <b>Financing Cash Flow</b>       | <b>(18)</b>  | <b>110</b>   | <b>72</b>    | <b>(249)</b> | <b>(227)</b> | <b>(186)</b> | <b>(192)</b> | <b>(180)</b> | <b>(243)</b> | <b>(252)</b> | <b>(253)</b> | <b>(257)</b> |
| Beginning Cash Balance           | 8            | 4            | 25           | 31           | 46           | 52           | 54           | 56           | 58           | 61           | 64           | 66           |
| Ending Cash Balance              | 4            | 24           | 30           | 46           | 52           | 54           | 56           | 58           | 61           | 64           | 66           | 68           |
| <b>Net Cash Inflows/Outflows</b> | <b>(4)</b>   | <b>20</b>    | <b>6</b>     | <b>15</b>    | <b>6</b>     | <b>2</b>     | <b>2</b>     | <b>3</b>     | <b>3</b>     | <b>3</b>     | <b>2</b>     | <b>2</b>     |

**Ratio Analysis and Per Share Data**

|                                       | 2003   | 2004   | 2005E  | 2006E  | 2007E  | 2008E  | 2009E  | 2010E  | 2011E  | 2012E  | 2013E  | 2014E  |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Liquidity Ratios</b>               |        |        |        |        |        |        |        |        |        |        |        |        |
| Current Ratio                         | 1.19   | 0.88   | 0.82   | 1.02   | 1.07   | 1.28   | 1.43   | 1.53   | 1.50   | 1.47   | 1.48   | 1.49   |
| Receivables Collection DOH (est.)     | 63     | 54     | 43     | 45     | 52     | 56     | 59     | 63     | 64     | 64     | 65     | 65     |
| Inventories Processing DOH (est.)     | 113    | 147    | 113    | 114    | 124    | 125    | 123    | 122    | 121    | 120    | 118    | 117    |
| Payment Period (est.)                 | 239    | 152    | 94     | 97     | 102    | 100    | 94     | 88     | 84     | 83     | 82     | 82     |
| Cash Conversion Cycle                 | (63)   | 50     | 61     | 62     | 73     | 80     | 89     | 97     | 101    | 101    | 100    | 100    |
| <b>Operating Efficiency Ratios</b>    |        |        |        |        |        |        |        |        |        |        |        |        |
| Total Asset Turnover                  | 0.40   | 0.54   | 0.78   | 0.88   | 0.86   | 0.80   | 0.77   | 0.74   | 0.72   | 0.70   | 0.68   | 0.67   |
| Fixed Asset Turnover                  | 0.50   | 0.71   | 1.09   | 1.31   | 1.34   | 1.24   | 1.17   | 1.12   | 1.07   | 1.04   | 1.00   | 0.97   |
| <b>Operating Profitability Ratios</b> |        |        |        |        |        |        |        |        |        |        |        |        |
| Operating Profit Margin               | 51%    | 50%    | 36%    | 31%    | 28%    | 26%    | 25%    | 25%    | 24%    | 23%    | 22%    | 21%    |
| Net Margin                            | 36%    | 34%    | 24%    | 21%    | 19%    | 18%    | 17%    | 17%    | 17%    | 16%    | 15%    | 15%    |
| ROE                                   | 17%    | 26%    | 33%    | 34%    | 28%    | 22%    | 19%    | 17%    | 16%    | 15%    | 14%    | 13%    |
| <b>Financial Risk Ratios</b>          |        |        |        |        |        |        |        |        |        |        |        |        |
| Debt-to-Equity Ratio                  | 0.00   | 0.10   | 0.25   | 0.14   | 0.07   | 0.09   | 0.08   | 0.06   | 0.04   | 0.03   | 0.04   | 0.04   |
| Total Debt-to-Assets Ratio            | 0.17   | 0.38   | 0.47   | 0.43   | 0.38   | 0.33   | 0.29   | 0.26   | 0.24   | 0.24   | 0.24   | 0.24   |
| Interest Coverage                     | 328.3  | 63.3   | 24.5   | 33.3   | 49.3   | 49.3   | 42.5   | 47.6   | 62.9   | 75.5   | 66.6   | 57.2   |
| <b>Du Pont Analysis</b>               |        |        |        |        |        |        |        |        |        |        |        |        |
| Net Margin                            | 35.6%  | 34.4%  | 24.1%  | 21.2%  | 19.3%  | 17.8%  | 17.2%  | 17.0%  | 16.8%  | 16.1%  | 15.2%  | 14.7%  |
| Total Asset Turnover                  | 0.40   | 0.54   | 0.78   | 0.88   | 0.86   | 0.80   | 0.77   | 0.74   | 0.72   | 0.70   | 0.68   | 0.67   |
| Fin Leverage Multiplier               |        |        |        |        |        |        |        |        |        |        |        |        |
| ROE = NM x TAT x FLM                  | 1.20   | 1.40   | 1.77   | 1.82   | 1.67   | 1.54   | 1.45   | 1.38   | 1.34   | 1.32   | 1.32   | 1.32   |
| <b>Per Share Data, USD</b>            |        |        |        |        |        |        |        |        |        |        |        |        |
| EPS                                   | 3.078  | 4.670  | 6.779  | 8.960  | 9.212  | 8.817  | 8.868  | 9.167  | 9.417  | 9.420  | 9.279  | 9.271  |
| DPS                                   | 0.347  | 4.670  | 2.711  | 2.240  | 2.303  | 2.204  | 2.660  | 2.750  | 4.238  | 5.181  | 5.103  | 5.099  |
| BPS                                   | 17.983 | 17.740 | 22.972 | 29.692 | 36.601 | 43.214 | 49.421 | 55.838 | 61.017 | 65.256 | 69.432 | 73.604 |

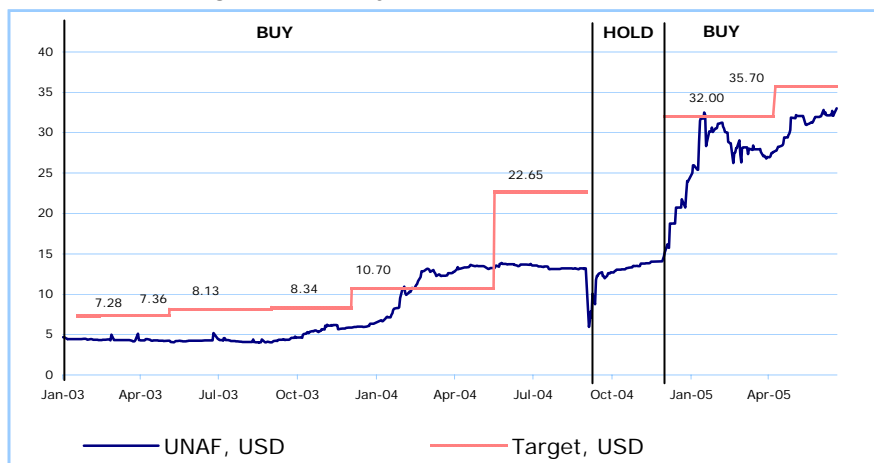
**Exchange Rates, UAH/USD**

|                        | 2003 | 2004 | 2005E | 2006E | 2007E | 2008E | 2009E | 2010E | 2011E | 2012E | 2013E | 2014E |
|------------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Average exchange rate  | 5.33 | 5.32 | 5.10  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  |
| Year-end exchange rate | 5.33 | 5.31 | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  | 5.00  |

### Analyst Certification

I, Andriy Gostik, 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.

Stock Price And Target Price History, USD



### Andriy Gostik

| Date      | Target Price, USD | Closing Price, USD |
|-----------|-------------------|--------------------|
| 20-Jan-03 | 7.28              | 4.43               |
| 17-Feb-03 | 7.36              | 4.32               |
| 07-May-03 | 8.13              | 4.23               |
| 03-Sep-03 | 8.34              | 4.05               |
| 05-Dec-03 | 10.70             | 5.87               |
| 19-May-04 | 22.65             | 13.23              |
| 06-Sep-04 | Pending           | 5.93               |
| 03-Dec-04 | 32.00             | 15.17              |
| 11-Apr-05 | 35.70             | 27.75              |

**Concorde Capital**  
**72 Chervonoarmijska St.**  
**2nd entry, 6th floor**  
**Kiev 03150, UKRAINE**

Tel +380 44 206 8370  
Fax: +380 44 206 8366  
www.concorde.com.ua  
office@con-cap.com

**General Director**

Igor Mazepa

im@con-cap.com

**Managing Director**

John David Suggitt

js@con-cap.com

**Chief Investment Officer**

Steven Cheshire, CFA

steven.cheshire@con-cap.com

**Corporate Finance**

Maxim Bougriy

mb@con-cap.com

**Equity Sales**

Marina Martyrosyan

Lucas Romriell

mm@con-cap.com

lr@con-cap.com

**Head of Research, Strategy**

Konstantin Fisun, CFA

kf@con-cap.com

**Utilities (Telecommunications, Energy)**

Alexander Paraschiy

ap@con-cap.com

**Oil & Gas, Pipes, Non-Ferrous Metals**

Andriy Gostik

ag@con-cap.com

**Ferrous Metals**

Viktor Koval

vk@con-cap.com

**Machine Building, Chemicals**

Olga Pankiv

op@con-cap.com

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