



Ukrnafta

EGM -- Dividend Announced

BUY

5 Nov 2004

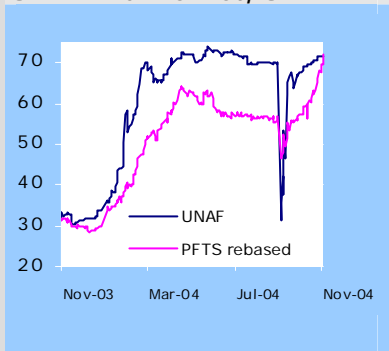
USD 14.50

12m Target

Pending

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UNAF Mid-Market, UAH



Market Information

Bloomberg	UNAF UZ
Reuters	UNAF.PFT
No of Shares, mn	54.2
Reg S GDR to Ord.	1:6
Market price, USD	14.50
52Wk H/L, USD	5.67/14.50
MCap, USD mn	786.3
Free Float, %	8%

Stock Ownership

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

Ratios

EBITDA Margin, 1H04	55%
Net Debt/Equity, 1H04	0.015

Spot Exch Rate 5.3064

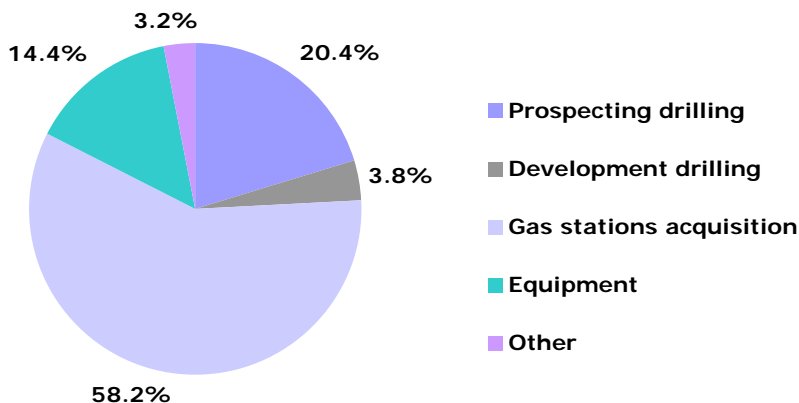
At Ukrnafta's EGM on Nov 05, shareholders voted to pay dividends of USD 0.35 per share (a 11.3% payout rate). Despite the company's outstanding 2003 results, the decision came as a surprise given Ukrnafta's considerable investment needs to expand its retail network. Positive. BUY

On November 5, 2004 Ukrnafta held its scheduled EGM. After three consecutive failures to hold an EGM, Ukrnafta's shareholders managed to form a quorum of 90.18%. The timing of the EGM fell perfectly on the hiatus between the first and the second rounds of Presidential elections in Ukraine, which indicates that Ukrnafta's key shareholders, state-owned gas monopoly Naftogaz and heavyweight business group Privat, suspended their dividend payout decision to incorporate the outcome of the first round of the elections.

The EGM approved record high dividends of USD 18.9 mn. This decision was supported by 99.97% of the votes present. Thus, 11.3% of Ukrnafta's 2003 net income will be paid out to shareholders between Dec 1, 2004 and May 1, 2005. The ex-div date is set for Dec 1, 2004. DPS of USD 0.35 implies a current dividend yield of 2.4%.

Ukrnafta's dividend payout could have been much higher, but for substantial CapEx for gas stations in 2003. At the EGM, Ukrnafta's management revealed the company's CapEx structure in 2003, with the expenses for acquisition of gas stations accounting for over 58% of a total CapEx of USD 292 mn (up 75% yoy):

CapEx Structure, 2003



KEY FINANCIAL DATA, USD mn

	Net Revenue	EBITDA	Net Income	DPS, USD
2003	554.0	320.7	166.9	0.349
2004E	721.4	368.6	195.1	0.270
2005E	948.7	470.8	248.3	0.458

KEY RATIOS

	P/S	P/E	EV/EBITDA	Div Yield
2003	1.42	4.71	2.44	2.4%
2004E	1.09	4.03	2.53	1.9%
2005E	0.83	3.17	2.14	3.2%

Financial statements are reported according to Ukrainian Accounting Standards

Income Statement Summary, USD mn

	2002	2003	2004E
Net Revenues	384	554	721
<i>Change y-o-y</i>	-21%	44%	30%
Cost Of Sales	(125)	(201)	(310)
Gross Profit	260	353	412
Other Operating Income/Expenses, net	(7)	(7)	(7)
SG&A	(29)	(26)	(36)
EBITDA	224	321	369
<i>EBITDA margin, %</i>	58.3%	57.9%	51.1%
Depreciation	(60)	(82)	(86)
EBIT	164	239	283
<i>EBIT margin, %</i>	42.6%	43.1%	39.2%
Interest Expense	(2)	(1)	(8)
Financial Income	9	11	-
Other income/(expense)	(28)	(16)	-
PBT	142	233	275
Tax	(59)	(67)	(80)
<i>Effective tax rate</i>	41%	29%	29%
Net Income	84	167	195
<i>Net Margin, %</i>	21.8%	30.1%	27.0%
Dividend Declared*	-	19	15

Balance Sheet Summary, USD mn

	2002	2003	2004E
Current Assets	197	238	310
Cash & Equivalents	8	4	7
Trade Receivables	79	81	115
Inventories	58	62	86
Other current assets	52	91	101
Fixed Assets	737	938	1,255
PP&E, net	562	563	664
Other Fixed Assets	175	375	591
Total Assets	935	1,175	1,565
Shareholders' Equity*	826	975	1,185
Share Capital	3	3	3
Reserves and Other*	824	972	1,183
Current Liabilities	105	180	296
ST Interest Bearing Debt	18	-	72
Trade Payables	36	77	104
Accrued Wages	3	3	4
Accrued Taxes	9	22	25
Other Current Liabilities*	39	98	90
LT Liabilities	3	1	84
LT Interest Bearing Debt	0	-	80
Other LT	3	1	4
Total Liabilities & Equity	935	1,175	1,565

UAH/USD Exchange Rates

	2002	2003	2004E
Average	5.33	5.33	5.34
Year-end	5.33	5.33	5.35

* These accounts for 2003 were adjusted to account for USD 19 mn of dividends declared Nov 5, 2004

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