



AvtoKrAZ

Going Global

BUY

22 March 2005

USD 0.0396

Target

USD 0.0632

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Market Information

PFTS	KRAZ
Bloomberg	KRAZ UZ
No of Shares, mn	2,262.97
Share Price, USD	0.0396
MCap, USD mn	89.5
Free Float	12%

Stock Ownership

Finance & Credit group	95.8%
Employees	4.2%

Ratios 2004

EBITDA Margin	17.0%
Net Margin	11.2%
Net Debt/Equity	0.16

After nearly doubling sales in 2004, this niche producer of affordable and functional heavy trucks will grow at a CAGR of 37% over the next five years. In addition to further expansion in the CIS and Ukraine, penetration in the Middle East and Africa should significantly add to growth. Localizing production facilities near strategically important target markets will improve distribution efficiency.

AvtoKrAZ Aggressively Enters New Markets Starting In 2004.

While non-CIS regions accounted for only 4% of unit sales in 2003, we expect this number to rise to 60% by 2009. Iraq will significantly add to AvtoKrAZ's 2004-2007 exports by delivering over 4,000 high-payload trucks during the period. KrAZ is moving away from the military truck market, while entering the civilian markets in target regions. Localized production has begun in Vietnam and Russia. Further plans include opening assembly operations in Africa and South America. This strategy eliminates protectionist barriers and is welcomed by the authorities of the target countries. AvtoKrAZ's yoy sales surged 87% in 2004 and we are confident of our five-year CAGR growth target of 37%.

Operating Cash Flows Will Finance CapEx Until 2008. The company plans to spend 10-25% of EBITDA for equipment repair and facility renovation. Once demand surpasses the company's production capacity of 7,000 units, implementation of a USD 20 mn upgrade program will enable AvtoKrAZ to step up capacity by 40% to 10,000 trucks.

Improving Corporate Governance, AvtoKrAZ is increasing its financial reporting transparency by transitioning to IFRS accounting standards and having its 2004 audit prepared by a Big-4 firm. The company is also optimizing its credit financing through restructuring of bank loans. AvtoKrAZ's major shareholders are distinguished from the Ukrainian mainstream by their appreciation of the benefits of equity financing and outside investment. They have agreed to include a minority shareholder representative on the Supervisory Board.

Watch:

- The winner of a tender for the delivery of 2,300 trucks to Iraq and 400 to Afghanistan will be announced in April. AvtoKrAZ estimates a 90% probability of winning this contract.

KEY FINANCIAL DATA, USD mn

	Net Revenues	EBITDA	Net Income
2003	37.6	4.2	0.2
2004	71.2	12.1	8.0
2005E	181.6	32.6	20.0
Spot Exch. Rate		5.3	

KEY RATIOS

	P/S	P/E	EV/EBITDA	P/Book
2003	2.4	428.3	25.6	1.3
2004E	1.3	11.2	9.1	0.7
2005E	0.5	4.5	3.7	0.6

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EXECUTIVE SUMMARY

AvtoKrAZ's competitive advantage is its focus on production of inexpensive, high-performance, heavy-duty, off-road trucks. These trucks have a greater payload capacity than their closest rivals, MAZ and KAMAZ, and are in high demand in developing nations looking for bargain products to meet the needs of their growing infrastructure projects (often funded by the world's largest economies), mining, and construction industries. AvtoKrAZ equips most of its trucks with EURO-0 engines that are acceptable in many developing nations, but not permitted in the EU due to environmental regulations.

While increasing deliveries to traditional markets, such as Ukraine, Russia and CIS, AvtoKrAZ is diversifying its exports to the Middle East, South-Eastern Asia, Africa and Latin America.

AvtoKrAZ's domestic unit sales rose 123% yoy in 2004. Sales in the Ukrainian market are expected to grow, as more infrastructure projects are implemented. Additionally, in 2003 AvtoKrAZ introduced leasing purchase schemes, which are also expected to boost domestic sales.

Russia is showing signs of political bias, giving preference to domestic or Belarusian producers in government and state-owned enterprise tenders. To deal with this problem, AvtoKrAZ has started assembly operations in Tyumen, and plans to open one more assembly plant in Russia this year. Localization of production in Russia will give AvtoKrAZ a status of a Russian producer and allow it to compete with Russian and Belarusian truck-makers.

In the meantime, AvtoKrAZ diversified its 2004 exports through a USD 78 mn contract with a US-Jordanian company to supply 2,000 trucks to Iraq in 2004-06. Also in the pipeline is an Iraqi-Afghani contract for delivery of 2,300 trucks to Iraq and 400 to Afghanistan, a Sudanese order for 1,000 trucks, a tender for 1,000 trucks from Pakistan, and plans to start assembly operations in Sudan, Angola, Argentina and South Africa. The company's management estimates that by 2006, 2/3 of sales will be outside the CIS.

AvtoKrAZ has slated USD 3mn for 2005 capital expenditures to be spent for the repair and maintenance of current equipment, and also for purchase of state-of-the-art laser machining equipment and sophisticated welding equipment. The company's current CapEx can be financed with internal cash flows and do not require significant borrowings. By 2008, the company will reach full-capacity and will need a one-time investment of USD 20mn to increase output by 40% to 10 ths trucks.

A major concern for AvtoKrAZ is the rising cost of employing skilled workers to establish a two-shift operation at its Kremenchuk plant.

AvtoKrAZ's main raw material is steel. In our model for KrAZ operations we assume that international automotive steel prices will rise on average ~10% in 2005, but will then decline ~5-10% in 2006-07.

AvtoKrAZ is streamlining its financial management practices. It has adopted a program to embrace IFRS accounting standards and enlisted a Big 4 company to conduct the audit of its 2004 financials.

The company intends to include a minority shareholder representative on its Supervisory Board at its April 8 AGM. This would allow them to monitor the company's activity, participate in the assessment of AvtoKrAZ's investment, technology and pricing policies.

BUSINESS MODELING

Modeling of AvtoKrAZ's business process has been based on the company's expansion plans and estimated capital expenditures to support them. Expansion to new markets and meeting demand are the major challenges facing the company.

While Russia and Ukraine were the main target markets for AvtoKrAZ during the post-Soviet period, the current strong growth in sales has been fuelled by increasing deliveries to non-CIS countries, including Iraq, Vietnam and Afghanistan.

The company is already having difficulties with meeting existing demand, and needs capital investment to be spent for maintenance and repair of existing equipment. Nevertheless, these expenditures can be financed with internal cash flows, without significant external borrowings.

The capacity, inherited from soviet times is enough to satisfy the demand until 2008. Afterwards AvtoKrAZ will need additional USD 20mn of investment (30% of EBITDA to be spent in 2007) to increase capacity by 40%.

Sales Projections

	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Ukraine	194	433	500	818	900	945	992	1007	1022	1037	1037	1037
Russia	600	664	531	550	825	1238	1268	1300	1333	1340	1340	1340
Other CIS	274	233	419	502	603	663	729	802	883	971	1000	1000
Iraq	0	790	1780	750	750	158	356	300	300	300	300	300
Vietnam	49	210	520	1000	1050	1100	1150	1200	1250	1300	1350	1350
Afghanistan	0	3	200	400	200	150	100	75	50	50	50	50
Sudan	0	0	200	700	1420	1440	1460	1480	1500	1520	1540	1540
SAR	0	0	0	0	200	400	600	615	630	650	660	660
Angola	0	0	0	240	360	468	562	618	649	681	681	715
Argentina	0	0	0	250	350	490	686	686	686	686	686	686
Total	1117	2333	4150	5210	6658	7051	7903	8083	8302	8535	8644	8678

Source: AvtoKrAZ, Concorde Capital estimates

Our sales projections are grounded on AvtoKrAZ's expansion plans, which will go in four main directions, described below. The projections are subject to high political risks, as further contracts depend heavily on AvtoKrAZ's negotiation ability with the governments of countries importing its products. In cases where probability of the contract is impossible to define, our sales estimates are pessimistic.

- Increased presence on existing markets**, including Ukraine, Russia and other CIS countries. Currently, Russia is the second-largest destination for KrAZ trucks. It accounted for 53% of the company's unit sales in 2003, but last year this figure dropped to 28% (while increasing in absolute terms), because of increased domestic sales, large deliveries to Iraq and Vietnam. Exports to Russia will decrease in 2005, as the country introduces a EURO-2 engine requirement. Nevertheless, growth is expected afterward, as AvtoKrAZ opens one more local assembly plant in Russia, in addition to an existing plant in Tyumen. This will allow the company to gain the status of Russian producer, and compete in the tenders, announced by Russian government and state-owned companies. AvtoKrAZ plans to double exports to Russia by 2008. Demand from other CIS markets is expected to grow by 20% in the next few years due to increasing demand from the mining sector.
- Military sector deliveries**. Includes export to Iraq, Afghanistan and Sudan. The share of sales going to non-CIS markets constituted 43% in 2004, and is expected to grow to 64% by 2006 due to large Iraqi contracts (a 2004-05 contract for 2,000 trucks, and a 90% probable 2005-07 contract for 2,300 trucks). The latter contract also includes the delivery of 400 trucks to Afghanistan. The winner will be defined in April. Iraq will account for 38% of AvtoKrAZ unit sales in 2005 and for 14% in 2006. The company also made a contract for the delivery of 1,000 trucks to Sudan. Two-hundred of them will be delivered in 2005. After assembly operations begin in Sudan in 2006 AvtoKrAZ intends to produce annually 1,000 trucks for military purposes, and 400-600 – for civil sector.

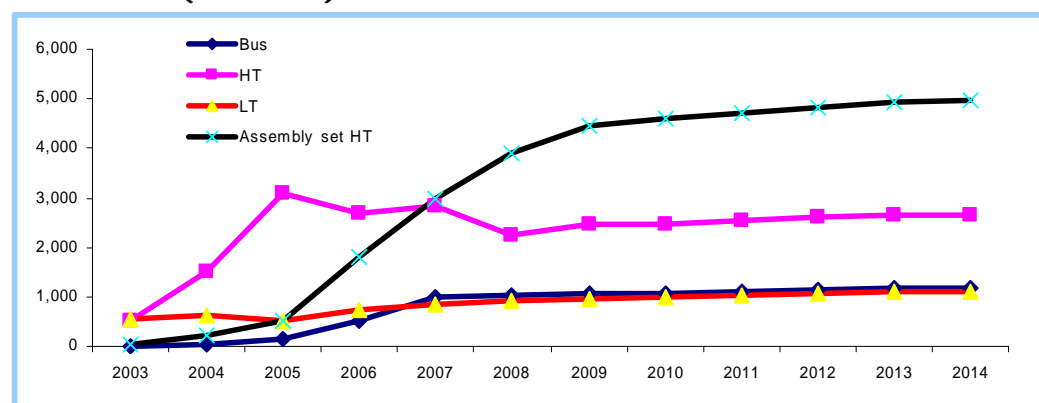
- Civil sector expansion.** After the contract for the Iraqi military sector has been executed, AvtoKrAZ intends to re-orient its dealer to the civil sector, as Iraqi infrastructure undergoes post-war reconstruction. Demand from the Iraqi agricultural and transport ministries is estimated at 2,000 units of heavy trucks per year, while demand from oil miners is expected to be 1,000 units per year. The plan also includes the opening of at least three service centers in Iraq and active exports of spare parts. The possibility of this move is difficult to estimate due to the country's high political instability, so we conservatively assume exports to the Iraqi civil sector will be at a minimum level.
- Foreign local assembly production expansion.** Assembly operations are planned in the countries where protection barriers are set for import of trucks, and in places where the government favors local contribution to the final product. Assembly operations in Vietnam started in 2003. A total of 520 assembly sets are to be shipped to this country in 2005 with an almost two-fold increase in output planned for 2006 due to high internal demand and planned export expansion to the neighboring south-east Asian countries. Vietnam will make up 11% of AvtoKrAZ unit sales in 2005 and 18% in 2006. Vietnam is expected to become a main distribution point to Asian markets.

In the model we assume KrAZ will begin assembly operations in four new markets: Sudan, SAR, Angola and Argentina. We believe that there is the highest probability for them to become major markets for KrAZ as early as in 2006. At the same time, the company is considering the expansion of its assembly operations to other promising markets, including Iran and Libya. We believe that the company will realize its plans at least at four out of the mentioned markets.

For modeling purposes we divided KrAZ trucks into two groups: Heavy trucks with a payload capacity of more than 15 tons and light trucks with a payload capacity of less than 15 tons. The division is justified due to price differences, USD 36 ths on average per heavy truck, and USD 31 ths per light truck, and because the trucks target different markets. While light trucks are in demand in Ukraine, Russia and, to lesser extent the rest of the CIS, other countries import mainly heavy trucks. According to management estimates, heavy trucks will represent 38% of total unit sales in Ukraine starting in 2006. Heavy trucks will represent 89% of total Russian sales and 70% in other CIS states.

From 2005, local production of heavy trucks will begin to decrease, as exports to Iraq fall. But this apparent decrease will be compensated by increased exports of heavy-truck assembly sets, as assembly operations begin in the countries mentioned above. Starting in 2007, exports of assembly sets will represent the largest share of AvtoKrAZ's product mix, amounting to 45% of the total unit output in 2007, and growing to over 50%.

Product Mix (units sold)

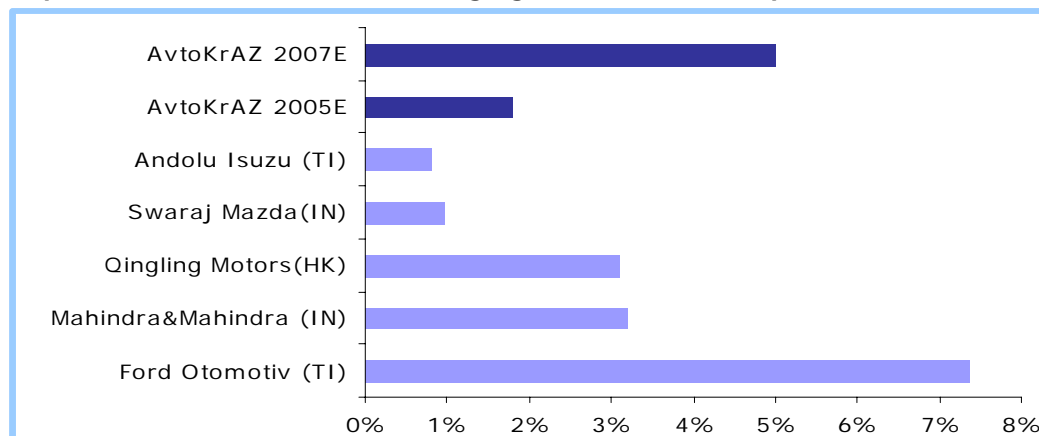


Source: AvtoKrAZ, Concorde Capital projections

CapEx and Labor

AvtoKrAZ's annual capacity in the Soviet period was 30 ths trucks. Now that KrAZ trucks are more technologically advanced and have higher payloads, the holding's facilities are able to produce about 7,000 trucks by 2007, provided the company invests in repairs, and upgrades and improves working conditions to attract skilled employees.

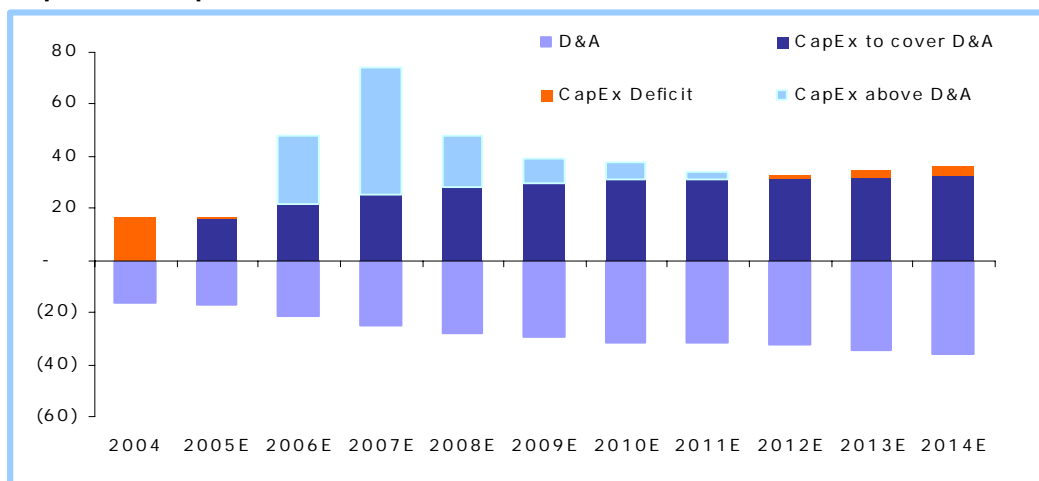
CapEx/Sales of AvtoKrAZ vs Emerging Market Peer Groups*



Source: Bloomberg, Concorde Capital estimates; *Peer group data for 2003, AvtoKrAZ – estimated for 2005 and 2007 (Planned CapEx peaks in 2007)

The company will spend USD 3 mn in CapEx for the maintenance and repair of current equipment and minor purchases of new machinery in 2005. This expenditure will increase to USD 6 mn for the next several years. The closest plans include the purchase of laser machining equipment for cutting metal, welding and painting automobiles.

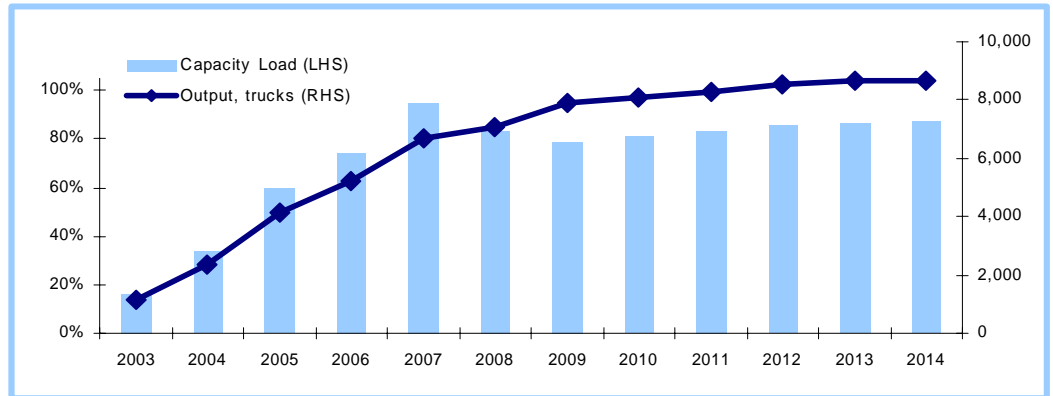
CapEx and Depreciation, UAH mn



Source: AvtoKrAZ, Concorde Capital projections

In total, AvtoKrAZ intends to reach output of around 5 ths trucks in 2006, and 7 ths by 2008. To produce more than 7 ths trucks, the company has to invest about USD 20mn (USD 5mn to be spent for paint workshop, USD 12-17mn – for new conveyor). This investment will enable the production of up to 10,000 trucks annually.

Output (Units) and Capacity Load (%)

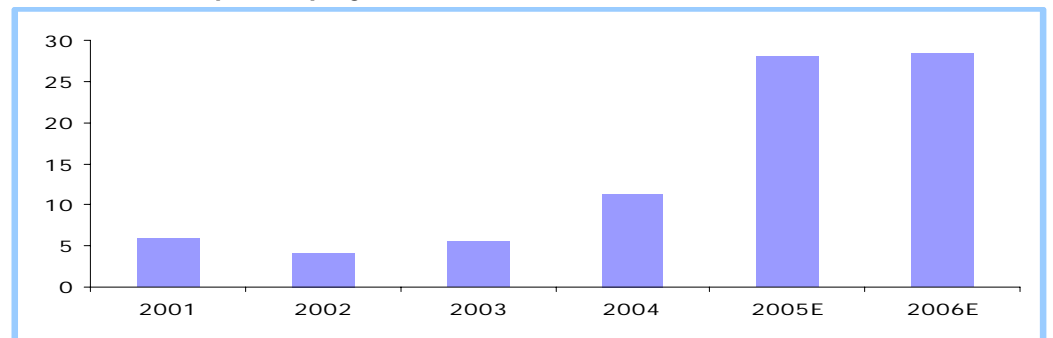


Source: AvtoKrAZ, Concorde Capital projections

Last summer AvtoKrAZ increased its charter capital from USD 49.95 mn to USD 106.34 mn through an additional issuance of 1.2 bn shares with a face value of USD 0.047. Proceeds from the share issuance will be used to buy an additional 40.08% stake in the Tokmatsky die forging plant. This plant has strategic importance for AvtoKrAZ as its main supplier of stamped steel parts.

Labor shortages are a major problem for AvtoKrAZ, as there are several other large machine-building enterprises based in Kremenchuk. Kriukivsky train carriage building plant and the Kremenchuk automobile assembly plant are located nearby. Regardless, AvtoKrAZ is determined to become attractive to skilled workers. The average wage has increased by 167% last year from USD 54.4 in Dec. 2003 to USD 145.0 in Dec. 2004, but it is still below the city's average. To keep pace with production plans, a sizeable increase in workforce is planned for 2006 at 15% yoy. This will grow in parallel with sales, thereby maintaining the amount of sales per employee in 2005 and 2006 at a stable rate.

Sales, ths USD per employee



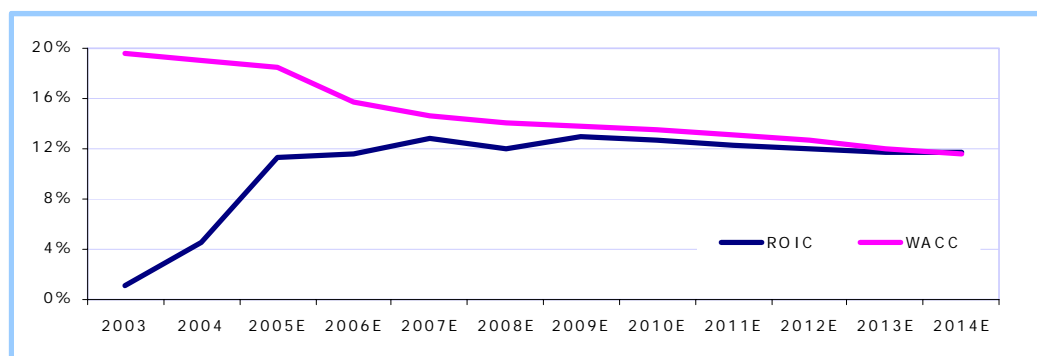
Source: AvtoKrAZ

Financial Remarks

AvtoKRAZ's management has disclosed to us that the majority of its shares and fixed assets were pledged as collateral against the loans it received from Ukrainian banks. The risk that the company will fail to repay the loan is small. AvtoKRAZ's management has decided to optimize its credit financing and repay some expensive loans ahead of schedule. It has planned to restructure its loans by giving up its expensive lending resources in UAH (at a 20% annual interest rate) in favor of USD loans at a target annual interest rate of 12%.

Improved operations, together with financial restructuring, has already resulted in a reduction of economic losses and an even more significant improvement is expected this year. Since 2007, we have forecast that cost of capital and return on capital invested will effectively begin to converge.

ROIC and WACC



Source: Concorde Capital estimates

PRODUCT LINE

The enterprise produces 28 base models and about 150 modifications of dump trucks, stake bed trucks, timber lorries, fifth-wheel tractors, cross-country army automobiles, and assembly sets. KrAZ trucks are used to cargo transportation and mounting industry-specific equipment on chassis in the following sectors:

- Mining
- Machine-building
- Timber transportation
- Construction

AvtoKrAZ trucks are equipped with diesel, 240 h.p., naturally aspirated engines with five-speed gear boxes or 300-330 h.p. and turbocharged engines with eight-speed gear boxes.

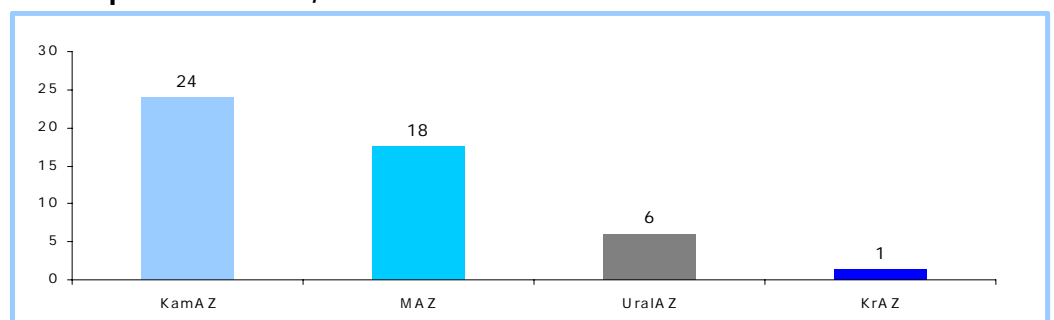
Since 2001, AvtoKrAZ has been equipping some of its trucks with EURO-2 engines that comply with more rigorous environmental standards, unlike the EURO-0 engines. The percentage of trucks with EURO-2 engines is rising, in part due to new Russian legislation that has restricted the import of trucks that do not comply with EURO-1 standards. (Annual emissions for trucks with EURO-0 engines working 8 hours a day come to 5.96 tons; 2.65 tons for EURO-1 engines and 1.83 tons for EURO-2 engines). Replacing a EURO-0 engine with a EURO-2 engine costs USD 4,000, which raises the average cost of KrAZ trucks by 13%.

COMPETITORS

AvtoKrAZ competes directly with Belarusian MAZ (off-road trucks), Russian KamAZ (dump trucks), and UralAZ (stake bed trucks). In the Russian and Ukrainian markets AvtoKrAZ faces strong competition from imports of used trucks of European producers, such as Volvo, Scania, IVECO and MAN.

Russian producers stepped up their output of trucks by 10% yoy in 9M04. Over the same period, KamAZ increased its output by 25.6%.

Jan-Sept 2004 sales, ths units



Source: AvtoKrAZ

TARGET MARKETS

Having established itself in the markets of Ukraine and Russia, AvtoKrAZ is promoting its trucks to other emerging markets, including the Middle East, Africa, Asia and Latin America.

Emerging markets are targeted for several reasons. First, the company specializes in off-road trucks, while developed nations require mainly on-road automobiles. Second, the company's trucks do not comply with environmental safety requirements of the EU and US. In a bid to keep prices low, AvtoKrAZ equips its trucks with E-0 and E-2 engines only, while the EU has introduced a EURO-4 standards beginning in 2005, and will introduce a EURO-6 standard starting from 2006. Finally, demand for AvtoKrAZ heavy trucks is driven by large-scale construction, mining or heavy industry projects that rely on heavy transport vehicles, and high demand from armed forces in developing nations.

To promote expansion into foreign markets, AvtoKrAZ has obtained an ISO 9001:2000 certificate.

Brand recognition in foreign markets will improve, as the company plans to participate in the 2005 Paris-Dakar Rally. A KrAZ-5133 BE with 4x4 wheel drive has been built for this purpose. The truck was road tested in countries with harsh climatic and road conditions and is now being adjusted to the specifics of the route, and traffic laws in the countries through which it will travel.

Ukraine

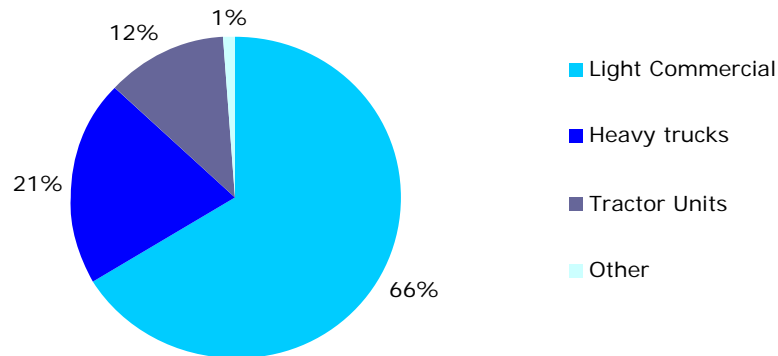
Ukraine is a major market for KrAZ trucks. In 2004, it accounted for 21.4% of the company's unit sales.

Ukraine's GDP expanded 12% last year. Industrial output grew by 13.4% yoy in Jan-Nov 2004. The main buyers of KrAZ trucks grew significantly. Machine building company purchases increased 30.7%, construction purchases by 20.2%, and mining industry purchases by 4.6%.

Demand for KrAZ trucks in Ukraine is rising because the country's truck fleet, most of it produced in the Soviet era, needs to be renewed. Some 66.4% of the country's trucks (618,000) are 10 years or older. Combined Ukrainian sales of all producers in 1H04 rose 25% yoy to 30,715 trucks. This includes:

- Stake bed trucks (13% of total sales, or 3,897 units, 14% of which were new trucks). KAMAZ accounts for the largest market share (25%), followed by MAZ with 12%, and KrAZ with 5.5%.
- Tractor units (9%, or 2,864 units, 15% of which are new). MAZ accounts for 20% of this segment, followed by KAMAZ with 15%, and KrAZ with 2%.
- Dump trucks (6%, or 1,867 units, 13% of which are new). KAMAZ accounts for 21% of sales and KrAZ for 15%.

Demand For Trucks In Ukraine In 2005



Source: "DerzhavtotransNDIproekt", AvtoKrAZ

Dump trucks constitute the largest percentage of AvtoKrAZ's sales in Ukraine, as their prices and technical properties are competitive in the market. AvtoKrAZ plans an annual increase in unit sales of 15% in 2005. Demand for trucks will be fueled by a growing number of infrastructural projects in Ukraine, as well as the development of leasing/purchase financing. Since Ukraine has postponed deadlines for a shift to EURO-2 engines, AvtoKrAZ is primarily selling trucks equipped with EURO-0 engines.

Since 2004, KrAZ has promoted leasing purchase financing in Ukraine jointly with Finansy i Kredyt Bank and the First Western-Ukrainian Leasing Company (FWULC). Trucks are sold through leasing for 1-3 years at 12-14%, with a down-payment of 30-40%. Last year FWULC bought 60 KrAZ trucks.

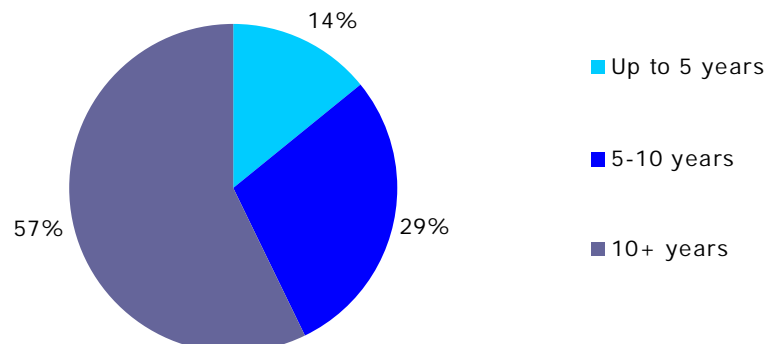
AvtoKrAZ is pushing for state support in the form of orders from state enterprises. Last year these orders made up 22% of total company's unit sales. AvtoKrAZ delivered 30 dump trucks to state-owned Luganskleginvest, which paid for them from the state budget. AvtoKrAZ also won a tender to deliver 15 dump trucks to the Kyivavtdor road building company and another 50 trucks to the state company Automobile Roads of Ukraine.

Russia

Demand for trucks in Russia is rising together with economic growth. Russia's GDP posted 6.8% growth in 2004, while industrial output grew by 6.1%.

Demand for trucks in 2005 will reach 250-260 ths units, an increase of 30-40 ths units from 2003. By 2010, Russia's annual demand for trucks is expected to reach 310-330 ths units.

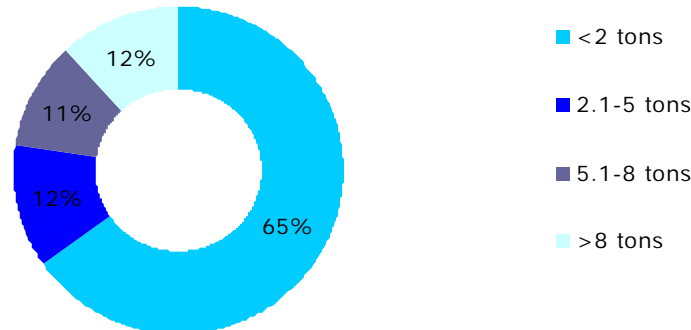
Age Structure of Russia's Truck Fleet



Source: AvtoKrAZ

Another reason for the rising demand in Russia is its ageing heavy truck fleet, more than half of which are a legacy from the Soviet period.

Structure of 2003 Truck Sales in Russia (by payload)



Source: ASM Holding and State Customs Committee of the Russian Federation

With all payloads of its trucks exceeding 8 tons, KrAZ can compete for about 12% of the heavy-duty truck segment of the Russian market. KamAZ is a leading Russian producer of dump trucks (7.7 ths units sold in Jan-Sept. 2004) and chassis (7.4 ths). KrAZ occupies a part of Russia's dump truck niche with 571 units, ahead of Ural. Tractor units constitute the largest percentage of MAZ's sales (6.6 ths), followed by dump trucks (4.5 ths), and chassis (4.5 ths). UralAZ is actively producing stake bed trucks (1.9 ths) and is second only to KamAZ this segment.

Truck imports in Russia grew by 13.6% in 2003 yoy. Light and medium trucks used in Russia are mostly Russian-made, while tractors and tractor units are largely second-hand imports (Scania, Volvo, and IVECO).

Currently, Russia is the second-largest export destination for AvtoKrAZ. Its trucks account for 3.4% of Russia's truck fleet (94 ths units). AvtoKrAZ has faced some difficulties since Russia restricted imports of automobiles with engines below the EURO-1 standard on Jan 1, 2003. This has increased prices of KrAZ trucks exported to Russia by 13% on average, as the plant decided to skip the EURO-1 standard and switch to EURO-2 engines. EURO-2 was introduced in Russia starting 2005.

There is a high likelihood that the Russian and Belarusian governments will raise import duties for used trucks more than one year old (versus the current limit of three years). Local manufacturers have been pressuring the government to raise import duties for used trucks to 50% of their value, but no less than EURO 3 per 1 cu cm of engine volume. The Russian government is currently deliberating this issue. If approved, this measure would favor AvtoKrAZ broadening the market for its trucks at the expense of used imports. Import duties for new trucks and buses are planned at 22%, the current EU level.

The main problem that AvtoKrAZ faces in Russia is political bias, as Russian and Belarusian trucks are given priority in tenders announced by state-owned enterprises. KrAZ plans to deal with this problem through opening assembly operations in Russia, thus gaining the status of local producer.

Last year KrAZ opened an assembly operation in Tyumen, Russia and the company plan to assemble 150 trucks per year. The trucks have been designed especially for oil prospecting and construction projects in areas with a cold climate. More than 20 of companies expressed their interest in purchasing these trucks during a Sept. 2004 exhibition in Tyumen, where a KrAZ-65032 dump truck was displayed. AvtoKrAZ plans to deliver 80 assembly sets to its Tyumen assembly facility in 2005 and another 150 in 2006. Last year, AvtoKrAZ sold 20 chassis to the Russian company Stroyneftemash, which specializes in mounting specialized equipment on trucks.

Of benefit to AvtoKrAZ, many machine-building companies that mount special equipment on chassis can use only a AvtoKrAZ chassis. As a result, supply falls short of demand in some segments of the Russian market. In 2004, the demand of Russian companies for about 150 KrAZ trucks was not satisfied. With a wise pricing policy, KrAZ might strengthen its position in the segment of high payload dump trucks and chassis in Russia.

The practice of leasing purchases is actively developing in Russia. Large Russian and foreign automobile producers open their own leasing departments or enlist the services of individual leasing companies. In 2003, the number of leasing purchases on trucks increased by 86% yoy, while the number of lease purchases of road building equipment tripled. The average term of a lease purchase deal is 1.5-5 years, with the first installment ranging from 15% to 35% of the total amount and an interest rate of 7-12%. Although AvtoKrAZ does not satisfy outstanding demand from Russian companies and continues to sell trucks via a distributor with 100% prepayment, the company already entered into preliminary agreements with several Russian banks in regards to future lease sales.

Other CIS countries

In other CIS nations, AvtoKrAZ is primarily targeting consumers in the mining industry. Industrial output in these countries rose by 6.1% on average in 2004.

AvtoKrAZ is viewing Azerbaijan as a potentially large market for its trucks and plans to set up a joint venture in Azerbaijan. Azerbaijani and Georgian companies that are building the Baku-Tbilisi-Ceihan oil pipeline have expressed their interest in AvtoKrAZ trucks. The Azerbaijan Transport Ministry has recommended that local companies buy KrAZ trucks. Under the agreement to expand trade relations signed last July, Azerbaijan agreed to buy 50 heavy KrAZ trucks in 2004. Thirty trucks were exported to Georgia in 2004.

Uzbek oil and gas mining companies are interested in pipe trucks based on KrAZ-6322 chassis. AvtoKrAZ manufactures pipe trucks jointly with Lviv Research and Experimental Plant. Uzbekistan bought 140 trucks in 2004.

Other markets

Iraq

Under the contract with ANHAM, a US-Jordanian company, AvtoKrAZ exports 2,000 high payload trucks to Iraq in 2004-2006. The delivery will consist of KrAZ-6322 trucks, fuel servicing trucks, service and evacuation trucks. There is 90% possibility for AvtoKrAZ to win tender for delivery of 2,300 trucks in April. The probability of winning is high, particularly due to political reasons. Ukraine, as a member of the coalition will most likely be preferred over Russian companies.

All trucks are adapted to the harsh climatic conditions in the country. Aside from higher sales, this contract will bring recognition of the KrAZ brand in foreign markets.

Vietnam

Last year, Vietnam posted GDP growth of 7.7%, the highest rate in the past five years, and is poised to reach 8.5% in 2005. Economic growth is followed by the development of the country's infrastructure, which fuels demand for trucks. AvtoKrAZ plans to export 520 assembly sets to the Vietnamese company VINAKOAL this year. Assembly operations started in Vietnam in late 2003. KrAZ-6510 and KrAZ-65055 dump trucks and KrAZ-65101 chassis (to be outfitted with cranes) are being manufactured presently. These trucks are used in the coal industry and in construction projects. This year AvtoKrAZ plans to open an office in Vietnam that will serve as a launch pad for exports to the Asian market.

South Africa

South Africa posted 2.6% GDP growth in 2004 and is poised to reach 3.3% in 2005, according to the World Bank. The country is a promising market for AvtoKrAZ, where demand for trucks stems from a highly developed mining industry. South Africa is the world's largest producer of aluminum, diamonds, iron ore, manganese, coal, titanium, and zirconium. It is interested in opening operations to assemble KrAZ trucks. Ashraf Sentso, South Africa's ambassador to Ukraine, visited AvtoKrAZ last December and noted that the technical properties of the company's trucks make them suitable for use under the harsh conditions of the African continent. South African companies need trucks of the KrAZ class, as the country is actively developing its infrastructure. Assembly operations in South Africa would give AvtoKrAZ access to the country's large market and could become a launching pad for exports to neighboring African countries.

Sudan

According to World Bank estimates, Sudan's GDP grew 6.6% in 2004 and will grow 7.6% in 2005. This year AvtoKrAZ starts deliveries of trucks under the contract for 1,000 units. Start of assembly operations in Sudan is planned for 2006. AvtoKrAZ plans to produce 1,000 trucks for military purposes and 400-600 for a residential, pipeline and road construction projects. KrAZ-6510, KrAZ-65055, KrAZ-6130C4, KrAZ-7133C4 dump trucks and KrAZ-6443 fifth-wheel tractors will be assembled in Sudan.

Afghanistan

This year AvtoKrAZ plans to export 120 dump trucks, 40 stake bed trucks, and 40 fifth-wheel tractors to Afghanistan. Negotiations are taking place on delivery of 400 trucks to the country's Defense Ministry.

CORPORATE GOVERNANCE

AvtoKRAZ's key shareholder, Finance & Credit, will increasingly rely on minority shareholders through their participation in the company's Supervisory Board. The decision will be taken at the AGM planned for April 8.

According to AvtoKRAZ's Corporate Charter, Supervisory Board is a body that represents the interests of shareholders between the AGMs. The Board includes seven members and is elected by the AGM for a three-year period. It meets once every quarter and makes decisions by a simple majority vote of members in attendance.

The Board, according to the AvtoKRAZ Charter, elects AvtoKRAZ's President and Vice Presidents. It is entitled to assess the CEO's performance, investment, technology, and pricing policies of the company, and may fire the CEO. The Board may demand audits of company's activities and it must approve all significant business and financing transactions of AvtoKRAZ (including contracts and loans over 1% of the company's net assets).

Participation in the Board will allow new shareholders to monitor the company's activity, including early notices of risks and opportunities. The influence on the company's operations is limited by the minority representation of portfolio investors in the Board (one seat proposed by AvtoKRAZ) versus a key stakeholder Finance & Credit.

VALUATION. DCF Approach

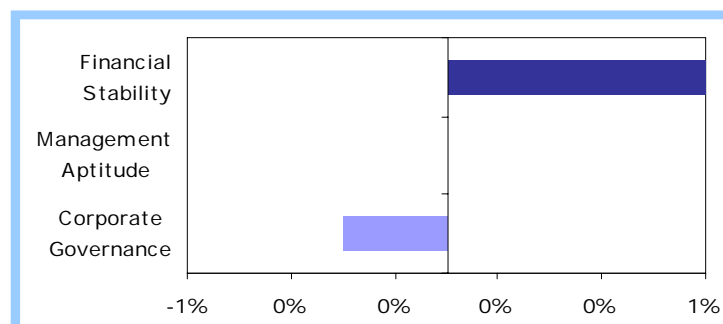
The calculations are based on our operational model for a ten year period and adjusted AvtoKrAZ's financial statements. Our interviews with the company's management served as the basis for adjusting current financial statements and for future projections.

DCF analysis suggests that KRAZ's fair stock price is USD 0.046 and should increase to USD 0.063 within 12 months.

WACC calculation for 2005:

Debt/Equity eop	0.24
Weight of debt	0.147
Weight of Equity	0.804
Average Interest rate	17.0%
Ukr Eurobonds YTM	6.0%
Corp. bond premium	8.5%
Equity premium	5.5%
Company-specific Prem/Discount	0.3%
Cost of Equity	20.3%
WACC	18.8%

Company-Specific Risk Breakdown



Discounted Cash Flow Valuation

Valuation date March 10 2005

For the purposes of forecasting local currency is used (UAH mn)

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
EBITDA	155	191	248	239	264	267	261	261	265	269
EBIT	138	170	223	211	234	236	230	228	230	233
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	104	127	167	158	175	177	172	171	172	175
Plus D&A	17	21	25	28	30	31	31	33	35	36
Less CapEx	(16)	(48)	(74)	(48)	(40)	(37)	(34)	(31)	(32)	(32)
Less change in OWC	(234)	(150)	(136)	(1)	(18)	(31)	(3)	(23)	(39)	(27)
FCFF	(129)	(49)	(18)	138	147	140	167	150	136	151
WACC	18.4%	15.8%	14.6%	14.1%	13.9%	13.5%	13.1%	12.7%	12.0%	11.6%
WACC to Perpetuity		12%								484
Firm Value		742								65.2%
Less Net Debt		(193)								3.0%
Equity Value		549								6.4 X
Fair Value per Share		USD 0.046								12-mo Fair Value per Share
										USD 0.0632

Sensitivity Analysis: Implied 12-Month Share Price, UAH

WACC to perpetuity	Perpetuity Growth Rate				
	1.0%	2.0%	3.0%	4.0%	5.0%
-1.5%	0.32	0.35	0.38	0.43	0.50
-1.0%	0.30	0.33	0.37	0.41	0.47
-0.5%	0.29	0.32	0.35	0.39	0.44
+0.0%	0.28	0.31	0.33	0.37	0.41
+0.5%	0.28	0.30	0.32	0.35	0.39
+1.0%	0.27	0.29	0.31	0.34	0.37
+1.5%	0.26	0.28	0.30	0.32	0.36

VALUATION. Peer Comparison

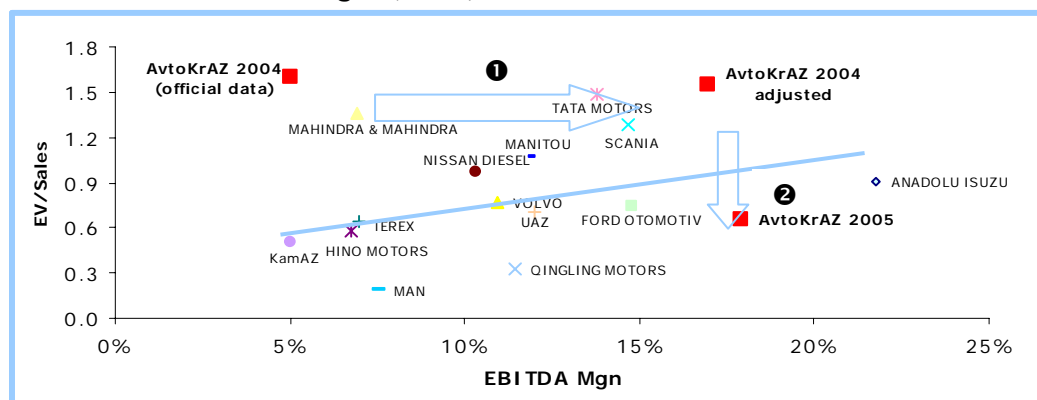
For comparison we have chosen three groups of international peers: Producers from developed countries (EU, Japan, USA), emerging markets, and Russian automobile-makers.

Belarusian MAZ, though a good peer for comparison as it operates in the same segment of off-road trucks, cannot be included as a peer as it is not traded. The groups from developed and developing countries were chosen to include only companies with compatible products (i.e. heavy trucks). The group of Russian companies is small because of poor data availability and does not replicate KrAZ's profile exactly. GAZ is well diversified into the car and light-truck segment and UAZ is not a truck producer. We included these companies for reference purposes, due to similar social, cultural and market conditions.

While it seems overvalued based on 2003 and 2004 multiples, AvtoKrAZ will undergo major changes in its market valuation after the market sees two surprises from AvtoKrAZ. Firstly, profitability margins, as gauged from formal financial reports, were purposely reduced by the management in an effort to optimize commercial operations with Russia. This caused the EBITDA margin gauged from official financial statements to be 5% in 2004, instead of an actual 17%. Based on our interviews with the company's management, we restated its financial reports to make a real picture visible to investors. AvtoKrAZ will make realistic financial reporting available to investors later this year, after an audit by a Big-4 company. We believe that AvtoKrAZ has the ability to sustain above average margins in the mid-term. This factor pushes the stock into the valuation zone in line with its peer companies (❶ in the chart below).

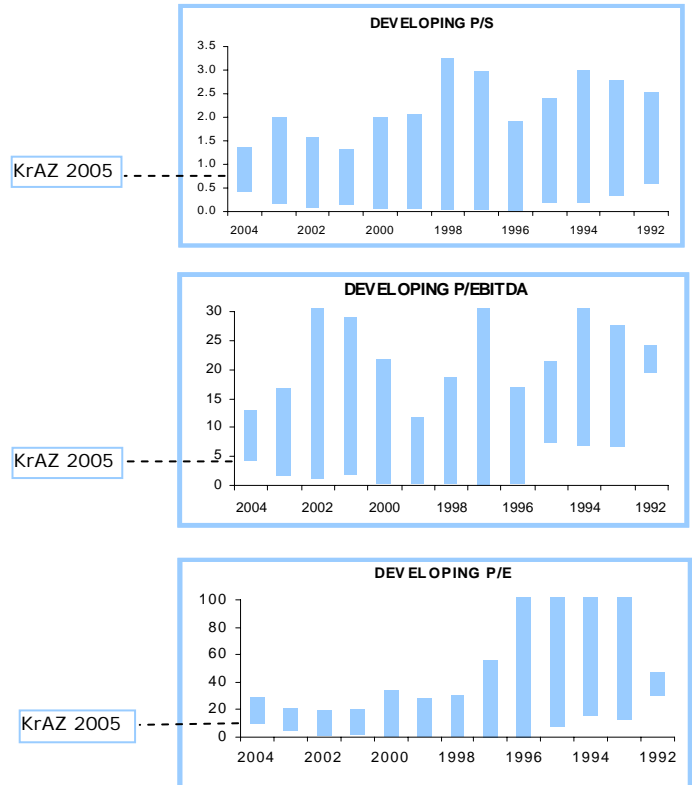
The second surprise will materialize as the company's revenues rapidly recover. The company will show 87% top-line growth in 2004 to be followed with a 110% increase in 2005, bringing the stock into the undervalued zone (❷ in the chart below).

EV/Sales vs EBITDA Margin (2004)



Source: AvtoKrAZ, Bloomberg, ConCap calculations

We believe our valuation is quite resistant to negative surprises. We plotted 2005 multiples at a 12 month target price for AvtoKrAZ, against historical market multiples for the peer group of developing markets. The average for annual maximums and minimums was plotted to exclude the influence of extreme values. KrAZ's 2005 target multiples fit well in historical ranges of P/S, P/E and P/EBITDA peer group stocks traded during 1989-2004. All target multiples have enough safety margin should operating results be lower than forecast, as shown by the charts on page 18. For example, KrAZ's actual net income in 2005 may be as much as 29% below the forecast for P/E-2005. At this rate, it will barely reach the bottom of last year's P/E valuation range for Emerging Markets peer stocks.



Source: Bloomberg, ConCap calculations. Data capped at 100 in P/E charts data, at 30 in P/EBITDA charts

Developed Markets

Profitability of Truck Makers

Company	Country	Net Revenues			EBITDA Margin			Net Margin		
		2003	2004E	2005E	2003	2004E	2005E	2003	2004E	2005E
AvtoKrAZ	Ukraine	37.6	71.2	181.6	11%	17%	18%	1%	11%	11%
Volvo AB	Sweden	22,690	30,356	32,801	8%	11%	11%	6%	4%	5%
Scania AB	Sweden	6,262	8,538	9,256	14%	15%	15%	6%	7%	8%
Hino Motors	Japan	6,973	10,841	11,323	6%	7%	8%	1%	2%	3%
Nissan Diesel Motor	Japan	3,127	4,458	4,793	8%	10%	10%	-1%	7%	6%
Terex	USA	3,897	4,719	5,142	5%	7%	8%	-1%	3%	3%
Manitou BF	France	771	1,068	1,186	12%	12%	12%	7%	7%	7%
MAN	Germany	15,310	19,552	20,447	7%	8%	8%	2%	2%	3%
Peer avg					9%	10%	10%	3%	4%	5%
Peer median					8%	10%	10%	2%	4%	5%

Sources: Bloomberg, AvtoKrAZ

Valuation

Company	MCap	EV/Sales			EV/EBITDA			P/E			P/Book	
		2003	2004E	2005E	2003	2004E	2005E	2003	2004E	2005E	2003*	2004E
AvtoKrAZ	89.5	2.8	1.6	0.7	25.6	9.1	3.7	428.3	11.2	4.5	1.3	0.7
Volvo AB	20,402	1.0	0.8	0.7	12.6	7.1	6.3	12.2	13.2	10.6	1.9	2.0
Scania AB	9,155	1.8	1.3	1.2	12.5	8.8	7.8	20.3	13.1	10.9	3.4	3.0
Hino Motors	3,708	0.9	0.6	0.6	15.0	8.5	7.3	106.0	20.9	14.0	1.6	1.5
Nissan Diesel Motor	1,214	1.4	1.0	0.9	18.3	9.3	8.6	-54.4	5.0	5.5	10.6	1.6
Terex	2,352	0.8	0.6	0.6	15.6	9.3	7.6	-84.6	17.2	12.3	2.6	n/a
Manitou BF	1,379	1.5	1.1	1.0	12.7	9.1	7.8	25.2	17.8	15.3	2.8	n/a
MAN	7,036	0.2	0.2	0.2	3.4	2.5	2.2	12.4	7.8	6.1	1.9	n/a
Peer avg		1.1	0.8	0.7	12.9	7.8	6.8	5.3	13.6	10.7	2.4	2.0
Peer median		1.0	0.8	0.7	12.7	8.8	7.6	12.4	13.2	10.9	2.6	1.8
Prem/discount to avg		162%	97%	-10%	99%	17%	-46%	162%	-27%	-63%	-43%	-66%
Prem/discount to median		174%	101%	-8%	101%	4%	-51%	174%	-35%	-66%	-49%	-62%
Implied target price at mean, cents		1.05	1.55	4.52	1.62	3.25	8.48	1.05	5.4	10.7	7.0	11.7
Implied target price at median, cents		0.97	1.51	4.42	1.59	3.77	9.55	0.97	6.1	11.6	7.8	10.4

Sources: Bloomberg, AvtoKrAZ

* Peer average calculated without outlier – Nissan Diesel Motor

Developing Markets, Non-CIS

Profitability of Truck Makers

Company	Country	Net Revenues			EBITDA Margin			Net Margin		
		2003	2004E	2005E	2003	2004E	2005E	2003	2004E	2005E
AvtoKrAZ	Ukraine	37.6	71.2	181.6	11%	17%	18%	1%	11%	11%
Anadolu Isuzu	Turkey	123	123	267	11%	22%	14%	8%	6%	7%
Ford Otomotiv	Turkey	1,958	3,613	3,822	14%	15%	14%	10%	8%	8%
Mahindra&Mahindra	India	1,095	1,349	835	13%	7%	13%	3%	4%	8%
Swaraj Mazda	India	78	125	80	7%	n/a	n/a	4%	3%	5%
Qingling Motors	China	432	453	457	11%	11%	14%	4%	4%	5%
Tata Motors	India	1,979	3,003	n/a	13%	14%	n/a	3%	7%	n/a
Peer avg					11%	14%	14%	6%	5%	7%
Peer median					11%	13%	14%	4%	4%	7%

Sources: Bloomberg, AvtoKrAZ

Valuation

Company	MCap	EV/Sales			EV/EBITDA			P/E			P/Book	
		2003	2004E	2005E	2003	2004E	2005E	2003	2004E	2005E	2003	2004E
AvtoKrAZ	89.5	2.8	1.6	0.7	25.6	9.1	3.7	428.3	11.2	4.5	1.3	0.7
Anadolu Isuzu	171.9	0.9	0.9	0.4	8.0	4.2	3.0	13.9	20.5	7.5	1.5	n/a
Ford Otomotiv	2575.8	1.4	0.7	0.7	9.6	5.0	4.8	12.4	8.0	7.6	2.7	n/a
Mahindra&Mahindra	1420.8	1.7	1.4	2.2	13.0	19.6	17.1	45.8	23.1	19.3	3.1	2.7
Swaraj Mazda	84.4	1.2	0.7	1.2	17.0	n/a	n/a	29.2	24.7	20.4	13.1	9.0
Qingling Motors	423.3	0.3	0.3	0.3	3.1	2.8	2.3	19.2	18.0	15.3	0.5	n/a
Tata Motors	3875.5	2.3	1.5	n/a	17.8	10.8	n/a	63.3	19.5	n/a	7.4	4.5
Peer avg		1.3	0.9	1.0	11.4	8.5	6.8	30.7	19.0	14.0	4.7	5.4
Peer median		1.3	0.8	0.7	11.3	5.0	3.9	24.2	20.0	15.3	2.9	4.5
Prem/discount to avg		119%	67%	-31%	124%	8%	-46%	1235%	-45%	-70%	-71%	-87%
Prem/discount to median		120%	87%	-5%	127%	83%	-6%	1607%	-50%	-75%	-53%	-85%
Implied target price at mean, cents		1.4	2.0	6.4	1.3	3.6	8.5	0.3	7.2	13.3	13.8	31.3
Implied target price at median, cents		1.4	1.7	4.3	1.3	1.7	4.3	0.2	7.8	15.7	8.4	26.0

Sources: Bloomberg, AvtoKrAZ

Russia

Profitability of Truck Makers

Company	Country	Sales			EBITDA Margin			NI Margin		
		2003	2004E	2005E	2003	2004E	2005E	2003	2004E	2005E
AvtoKrAZ	Ukraine	37.6	71.0	152.0	11%	17%	15%	neg	11%	8%
KamAZ	Russia	1101	1454	1752	5%	5%	7%	neg	1%	2%
GAZ	Russia	515	n/a	n/a	12%	n/a	n/a	1%	n/a	n/a
UAZ	Russia	356	458	511	11%	12%	12%	2%	4%	5%
Peer avg					9%	9%	9%	2%	2%	3%
Peer median					11%	9%	9%	2%	2%	3%

Source: AvtoKrAZ, NIKoil

Valuation

Company	Market Cap	EV/Sales			EV/EBITDA			P/E		
		2003	2004E	2005E	2003	2004E	2005E	2003	2004E	2005E
AvtoKrAZ	89.5	2.8	1.6	0.7	25.6	9.1	3.7	428.3	11.2	4.5
KamAZ	459.5	0.6	0.5	0.4	13.0	8.3	5.6	neg	35.3	12.8
GAZ	190.3	0.9	n/a	n/a	7.7	n/a	n/a	36.6	n/a	n/a
UAZ	220.0	0.9	0.7	0.6	1.0	6.0	5.1	26.2	12.4	9.3
Peer avg		0.8	0.6	0.5	7.3	7.2	5.3	31.4	23.9	11.0
Peer median		0.9	0.6	0.5	7.7	7.2	5.3	31.4	23.9	11.0
Prem/discnt to avg		255%	175%	34%	252%	27%	-31%	1264%	-53%	-59%
Prem/discnt to median		227%	175%	34%	231%	27%	-31%	1264%	-53%	-59%
Implied target price at mean, cents		0.6	0.8	2.6	0.6	2.9	6.3	0.3	8.4	9.8
Implied target price at median, cents		0.7	0.8	2.6	0.7	2.9	6.3	0.3	8.4	9.8

Sources: AvtoKrAZ, Nikoil

Financial statements are reported according to Ukrainian Accounting Standards

Income Statement Summary, USD mn

	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Net Revenues*	38	71	162	209	282	300	343	361	381	403	420	434
<i>Change y-o-y</i>	<i>N/M</i>	<i>90%</i>	<i>127%</i>	<i>29%</i>	<i>35%</i>	<i>6%</i>	<i>14%</i>	<i>5%</i>	<i>6%</i>	<i>6%</i>	<i>4%</i>	<i>3%</i>
Cost Of Sales	(27)	(55)	(121)	(156)	(211)	(225)	(257)	(270)	(288)	(304)	(319)	(330)
Gross Profit*	11	16	40	52	70	75	86	90	93	99	101	104
Other Operating Income/Expenses, net	1	2	2	2	2	2	2	2	2	2	2	2
SG&A	(8)	(5)	(13)	(18)	(25)	(31)	(38)	(41)	(46)	(51)	(53)	(55)
EBITDA*	4.2	12.1	29.2	36.1	46.8	45.2	49.7	50.4	49.3	49.2	49.9	50.8
<i>EBITDA margin, %</i>	<i>11.1%</i>	<i>17.0%</i>	<i>18.0%</i>	<i>17.3%</i>	<i>16.6%</i>	<i>15.1%</i>	<i>14.5%</i>	<i>14.0%</i>	<i>12.9%</i>	<i>12.2%</i>	<i>11.9%</i>	<i>11.7%</i>
Depreciation	(3)	(3)	(3)	(4)	(5)	(5)	(6)	(6)	(6)	(6)	(7)	(7)
EBIT*	1	9	26	32	42	40	44	44	43	43	43	44
<i>EBIT margin, %</i>	<i>3.6%</i>	<i>12.8%</i>	<i>16.1%</i>	<i>15.4%</i>	<i>14.9%</i>	<i>13.3%</i>	<i>12.9%</i>	<i>12.3%</i>	<i>11.4%</i>	<i>10.7%</i>	<i>10.3%</i>	<i>10.1%</i>
Interest Expense	(3)	(3.1)	(4)	(5)	(6)	(7)	(7)	(6)	(6)	(6)	(6)	(6)
Financial Income	0	0	-	-	-	-	-	-	-	-	-	-
Other income/(expense)*	2	4	2	2	2	2	2	2	2	2	2	2
PBT	1	10	24	29	38	34	39	40	39	39	39	40
Tax	(1)	(2)	(6)	(7)	(9)	(9)	(10)	(10)	(10)	(10)	(10)	(10)
<i>Effective tax rate</i>	<i>75%</i>	<i>20%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>
Net Income	0.2	8	18	21	28	26	29	30	29	29	30	30
<i>Net Margin, %</i>	<i>1%</i>	<i>11.2%</i>	<i>11.0%</i>	<i>10.3%</i>	<i>10.0%</i>	<i>8.6%</i>	<i>8.5%</i>	<i>8.3%</i>	<i>7.7%</i>	<i>7.2%</i>	<i>7.0%</i>	<i>6.9%</i>
Dividend Declared	-	-	-	-	14.1	14.2	17.6	19.5	20.5	20.4	22.2	22.5

Balance Sheet Summary, USD Mn

	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Current Assets	137	163	213	244	318	321	345	362	376	394	407	421
Cash & Equivalents	0	0	1	2	2	2	3	3	3	4	4	4
Trade Receivables	18	33	71	88	107	112	113	119	122	129	134	139
Inventories	14	22	45	60	79	81	89	96	99	105	105	109
Other current assets	104	108	95	94	130	126	140	144	152	157	164	169
Fixed Assets	46	100	100	105	117	121	123	125	125	125	126	125
PP&E, net	36	33	33	45	54	60	62	63	61	61	63	62
Other Fixed Assets	11	67	67	60	63	61	61	61	65	65	63	63
Total Assets	184	263	313	349	435	442	468	486	502	520	533	546
Shareholders' Equity	66	131	138	162	187	188	202	209	212	218	228	231
Share Capital	50	106	106	106	106	106	106	106	106	106	106	106
Reserves and Other	30	30	20	23	34	23	25	22	16	13	16	12
Retained Earnings	(14)	(6)	12	33	48	59	71	81	90	99	106	114
Current Liabilities	116	129	171	181	242	248	260	266	279	290	293	303
ST Interest Bearing Debt	18	21	36	44	56	60	51	48	46	44	42	43
Trade Payables	11	10	49	42	56	54	57	59	57	60	59	61
Accrued Wages	1	1	2	3	4	4	5	5	6	6	6	7
Accrued Taxes	0	0	0	0	1	1	1	1	1	1	1	1
Other Current Liabilities	87	97	84	92	124	129	146	154	169	178	185	191
LT Liabilities	1	4	4	6	6	6	6	11	11	11	11	11
LT Interest Bearing Debt	-	-	-	3	3	3	3	8	8	8	8	8
Other LT	1	4	4	4	4	4	4	4	4	4	4	4
Total Liabilities & Equity	183	263	313	349	435	442	468	486	502	520	532	545

UAH/USD Exchange Rates

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Average	5.33	5.33	5.32	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Year-end	5.33	5.33	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30

*These lines were adjusted for years 2003 and 2004 to recur operational income, purposefully reduced by the company to optimize exports procedures to Russia. This resulted in an EBITDA margin increase of 17%, compared to 5%, reflected in the company's official financial statements

Financial statements are reported according to Ukrainian Accounting Standards

Cash Flow Statement Summary, USD mn

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Net Income	0	8	18	21	28	26	29	30	29	29	30	30
Depreciation	3	3	3	4	5	5	6	6	6	6	7	7
Non-operating and non-cash items	(16)	(11)	13	1	9	(11)	2	(4)	(6)	(3)	2	(4)
Less Changes in working capital	25	(6)	(44)	(28)	(26)	(0)	(3)	(6)	(0)	(4)	(7)	(5)
Operating Cash Flow	11	(6)	(10)	(1)	16	20	34	26	29	28	31	27
Capital Expenditures, net	(0)	(0)	(3)	(9)	(14)	(9)	(7)	(7)	(6)	(6)	(6)	(6)
Other Investments, net	(20)	(56)										
Investing Cash Flow	(20)	(56)	(3)	(9)	(14)	(9)	(7)	(7)	(6)	(6)	(6)	(6)
Net Borrowings/(repayments)	2	3	15	11	13	4	(9)	1	(2)	(1)	(2)	1
Dividends Paid	-	-	-	-	(14)	(14)	(18)	(19)	(20)	(20)	(22)	(23)
Other	7	58	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	9	62	15	11	(1)	(11)	(26)	(19)	(22)	(22)	(24)	(21)
Beginning Cash Balance	N/A	0	0	1	2	2	2	3	3	3	4	4
Ending Cash Balance	0	0	1	2	2	2	3	3	3	4	4	4
Net Cash Inflows/Outflows	0	(0)	1	0	1	0	0	0	0	1	0	0

Ratio Analysis and Per Share Data

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Liquidity Ratios												
Current Ratio	1.18	1.27	1.25	1.35	1.32	1.30	1.33	1.36	1.35	1.36	1.39	1.39
Receivables Collection DOH (est.)		130	117	139	126	133	120	118	115	114	114	115
Inventories Processing DOH (est.)		115	99	121	118	127	118	122	121	120	118	116
Payment Period (est.)		69	88	106	85	90	78	78	74	71	68	66
Cash Conversion Cycle		176	129	154	159	170	159	162	163	163	164	164
Operating Efficiency Ratios												
Total Asset Turnover	0.20	0.32	0.56	0.63	0.72	0.68	0.75	0.76	0.77	0.79	0.80	0.81
Fixed Asset Turnover	0.81	0.97	1.62	2.03	2.53	2.52	2.82	2.92	3.05	3.22	3.35	3.46
Operating Profitability Ratios												
Operating Profit Margin	3.6%	12.8%	16.1%	15.4%	14.9%	13.3%	12.9%	12.3%	11.4%	10.7%	10.3%	10.1%
Net Margin	0.6%	11.2%	11.0%	10.3%	10.0%	8.6%	8.5%	8.3%	7.7%	7.2%	7.0%	6.9%
ROE	0.3%	8.1%	13.2%	14.3%	16.1%	13.8%	15.1%	14.6%	13.9%	13.6%	13.3%	13.1%
	0.1%	3.6%	6.2%	6.5%	7.2%	5.9%	6.4%	6.3%	5.9%	5.7%	5.6%	5.6%
Financial Risk Ratios												
Debt-to-Equity Ratio	0.26	0.16	0.26	0.29	0.32	0.33	0.27	0.26	0.25	0.24	0.22	0.22
Total Debt-to-Assets Ratio	0.10	0.09	0.13	0.14	0.14	0.15	0.12	0.12	0.11	0.11	0.10	0.10
Interest Coverage	0.5	2.9	6.1	6.0	6.6	5.4	6.4	6.9	6.9	7.1	7.4	7.6
Du Pont Analysis												
Net Margin	0.6%	11.2%	11.0%	10.3%	10.0%	8.6%	8.5%	8.3%	7.7%	7.2%	7.0%	6.9%
Total Asset Turnover	0.20	0.32	0.56	0.63	0.72	0.68	0.75	0.76	0.77	0.79	0.80	0.81
Fin Leverage Multiplier	2.76	2.26	2.15	2.21	2.25	2.34	2.34	2.32	2.35	2.38	2.36	2.35
ROE = NM x TAT x FLM	0.3%	8.1%	13.2%	14.3%	16.1%	13.8%	15.1%	14.6%	13.9%	13.6%	13.3%	13.1%
Per Share Data, USD												
EPS*	0.000	0.004	0.008	0.009	0.012	0.011	0.013	0.013	0.013	0.013	0.013	0.013
DPS	-	-	-	-	0.006	0.006	0.008	0.009	0.009	0.009	0.010	0.010
BPS*	0.063	0.063	0.061	0.071	0.083	0.083	0.089	0.092	0.094	0.096	0.101	0.102

Exchange Rates, UAH/USD

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Average exchange rate	5.33	5.33	5.32	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Year-end exchange rate	5.33	5.33	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30

* Average number of shares in 2003 – 1.063bn, 2004 – 2.063bn, 2005 and further years– 2.263bn

Appendix. Most Popular Models

Dump Trucks

KRAZ-6510



KRAZ-6510 is designed to carry solid and bulk construction materials, on hard-surface roads for trucks with a single axle load of up to 100 kN (10,000 kgf).

Drives	6x4
Engine	YAMZ-238M2, E-0
Length, mm	8,300
Wheel-base, mm	4,080+1,400
Payload, kg/* - constructively permissible	13,500
Full mass, kg	24,900
Fuel cons., l/100 km (at 60 km/h)	33
Max speed, km/h	80

KRAZ-65055



KRAZ-65055 is a dump truck used for transporting solid and bulk construction materials on hard-surface roads designed for trucks with a dual axle load of up to 220 kN (22,000 kgf).

Drives	6x4
Engine	YAMZ-238B, YAMZ-238D, E-0, E-2
Length, mm	8,300
Wheel-base, mm	4,080+1,400
Payload, kg/* - constructively permissible	16,000/18,000*
Full mass, kg	28,400
Fuel cons., l/100 km (at 60 km/h)	33
Max speed, km/h	90

KRAZ-7133C4



Last year AvtoKrAZ entered the market of 8x6 high payload trucks with a **KRAZ-7140H6** chassis and **KRAZ-7133C4** dump trucks. Previously, the enterprise manufactured six-wheelers with 6X6 or 6X4 drives. The new models have been designed to meet demand for high payload trucks and to meet new CIS regulations that require lesser loads per axle for trucks used on public roads. The fourth axle has made it possible to increase payload of chassis from 18.8 to 25.3 tons and the truck payload from 17 to 21 tons, while loads per axle remained unchanged from those of a six-wheeler. The first experimental KRAZ-7133C4 dump trucks have been equipped with 20-cubic-meter dump buckets. The KRAZ-7133H4 chassis can be used as a platform for mounting different specialized equipment, such as cranes, concrete mixers and oil industry-specific equipment, which makes it more versatile and suitable for diverse industries.

Stake Bed Trucks

KRAZ-6322



KrAZ-6322 is a cross-country truck equipped with a stake bed and used to carry loads and people over off-road terrain and all types of roads.

Drives	6x6
Engine	YAMZ-238D, E-0, E-2
Length, mm	8,980
Wheel-base, mm	4,600+1,400
Payload, kg/* - constructively permissible	10,100/12,000*
Full mass, kg	23,000
Fuel cons., l/100 km (at 60 km/h)	33.4
Max speed, km/h	85

KRAZ-65101-40



KrAZ-6510 is equipped with a 5,770x2,320x823 mm stake bed and is designed to carry different loads and specialized equipment on paved roads designed for trucks with a dual axle load of up to 220 kN (22,000 kgf).

Drives	6x6
Engine	YAMZ-238D, E-0
Length, mm	8,980
Wheel-base, mm	4,600+1,400
Payload, kg/* - constructively permissible	10,100/12,000*
Full mass, kg	23,000
Fuel cons., l/100 km (at 60 km/h)	33.4
Max speed, km/h	85

KRAZ-65053-40



KrAZ-65053 is equipped with a 5,770x2,320x825 mm stake bed and is designed to carry loads and special equipment on paved roads designed for trucks with a dual axle load of up to 220 kN (22,000 kgf).

Drives	6x6
Engine	YAMZ-238D, E-0, E-2
Length, mm	8,980
Wheel-base, mm	4,600+1,400
Payload, kg/* - constructively permissible	16,825
Full mass, kg	28,000
Fuel cons., l/100 km (at 60 km/h)	33
Max speed, km/h	90

Chassis

KRAZ-6322



KRAZ-6322 is a cross-country truck-chassis designed as a mounting platform for specialized and industrial equipment and can be used on all kinds of roads and off-road terrain.

Drives	6x6
Engine	YAMZ-238D, E-0, E-2
Length, mm	8,900
Wheel-base, mm	4,600+1,400
Payload, kg/* - constructively permissible	11,200
Full mass, kg	23,000
Fuel cons., l/100 km (at 60 km/h)	33.4
Max speed, km/h	80

KRAZ-65101



KRAZ-65101 chassis is designed as a mounting platform for specialized industrial equipment and can be used on paved roads designed for trucks with a dual axle load of up to 200 kN (20,000 kgf).

Drives	6x4
Engine	YAMZ-238M2, E-0
Length, mm	9,600
Wheel-base, mm	4,880+1400
Payload, kg/* - constructively permissible	16,000/18,000*
Full mass, kg	26,000
Fuel cons., l/100 km (at 60 km/h)	36
Max speed, km/h	80

KRAZ-65053



KRAZ-65053 chassis is designed for carrying specialized industrial equipment and can be used on paved roads designed for trucks with a dual axle load of up to 220 kN (22,000 kgf).

Drives	6x4
Engine	YAMZ-238B, YAMZ-238D, E-0, E-2
Length, mm	9,580
Wheel-base, mm	4,880+1400
Payload, kg/* - constructively permissible	18,300/20,000*
Full mass, kg	28,000
Fuel cons., l/100 km (at 60 km/h)	33
Max speed, km/h	90

Fifth-wheel tractors

KRAZ-6443



KrAZ-6443 is a fifth-wheel tractor used for towing heavy semi-trailers on roads designed for trucks with a dual axle load of up to 22,000 kg.

Drives	6x6
Engine	YAMZ-238D, E-2
Length, mm	7,700
Wheel-base, mm	4,080+1400
Payload, kg/* - constructively permissible	17,000
Full mass, kg	28,000
Fuel cons., l/100 km (at 60 km/h)	60
Max speed, km/h	60

KARSAN



This year AvtoKrAZ plans to assemble 1,000 minibuses from assembly sets as part of a USD 15 mn contract. The first batch of Karsan J9 buses (4x2 wheel drive, 11 passenger seats, Peugeot 2.5l, 73 h.p. engine) was assembled and certified in 2004. Production of a new 22-seat model and ambulance will be launched this year. The percentage of locally produced parts used in these minibuses will rise from the initial 10% to 40% by 2006.

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