

Bogdan Motors

3x y-o-y sales growth in 2011E backed by market revival

Euro-2012 bus order and Hyundai consolidation boosts 2011E sales by threefold

Positive news flow around Bogdan Motors include the December announcements of a USD 130 mln bus order from the Ukrainian government for Euro-2012 and parent Bogdan Corporation's decision to consolidate Hyundai Motors' car sales at Bogdan. The news prompted us to upgrade our estimate of Bogdan's 2011E sales to USD 703 mln, an increase of 3.2x y-o-y.

Market set to return to pre-crisis levels by 2015, spurred by domestic demand

We believe car sales in Ukraine have the potential to make back their fourfold decline from 2009-10 to pre-crisis 2007-08 levels by 2015. Key drivers are rising disposable income (+8% y-o-y in 2010E and +9% in 2011E), marked increases in consumer confidence and local banks' renewal of consumer lending. Bolstered by the rebound on the domestic car market, we estimate Bogdan's auto sales to grow at a 27% CAGR in 2010-15.

Valuation

Our DCF-based 12M target price for Bogdan Motors' shares is set at USD 0.087, which implies 172% upside. The company trades at 11.0x on EV/EBITDA 2011E, a premium to its peers' mean of 8.6x, which we see as moderate given Bogdan's growth story.

Risks

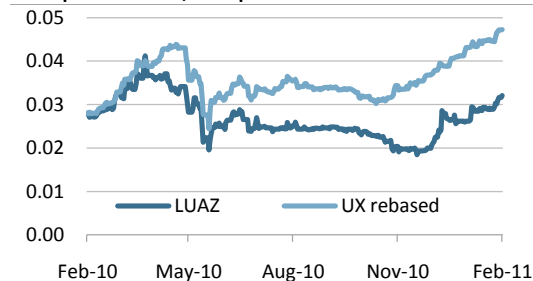
Leverage remains the highest risk for Bogdan Motors (USD 365 mln in outstanding debt as of end 3Q10 (Net Debt/EBITDA'11 of 6.1x)), but its history of servicing its debt in difficult 2009-10 and four-year horizon before principle repayment, by which time we expect the local car market to revive, lead us to believe the risk is tolerable. The stock is relatively illiquid, though its average daily trading volume increased fourfold m-o-m in December to UAH 0.8 mln and remained at UAH 0.5 mln in January.

Report date	10 Feb 2011
Bloomberg	LUAZ UK
Reuters	LUAZ=UA
Recommendation	BUY
Price (08 Feb 11), USD	0.032
12M price target, USD	0.087

No of shares, mln	4,326.891
Market Cap, USD mln	138.5
52-week performance	15.6%
52-week range, USD	0.04/0.02
ADT, 12M, USD mln	0.036
Free float, %	7.7%
Free float, USD mln	10.6

Prices as of Feb 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Sales to grow by 3x y-o-y in 2011

USD 130 mln EURO-2012 bus order to boost sales in 2011-1Q12

Bogdan Motors signed a memorandum in December 2010 with the Cabinet of Ministers to supply 400 tour buses and 100 airport buses by April 2012 for the UEFA European Football Championships, which is to be co-hosted by Ukraine and Poland, in 2012. Bogdan signed partnership agreements with MAN and Vison Bus to fulfill the contract. The latter two producers will supply kit cars, while Bogdan will make the bus bodies and assemble the vehicles at its Lutsk plant.

Based on announced prices, we estimate the value of the Euro-2012 order to be in the USD 130-150 mln range, which comprises 65%-75% of Bogdan Motors' 2010E annual production.

The MAN partnership for tour bus production was signed for seven years; after completion of the Euro-2012 order, we expect Bogdan Motors to start exporting tour buses to other CIS countries, though we conservatively model lower volumes. We expect Russia to be the main destination. Bogdan Motors is the only assembler of MAN buses in the CIS, and its buses will be 25-30% cheaper than MAN vehicles assembled elsewhere. The 2014 Winter Olympics in Sochi (Russia) and 2018 FIFA World Cup in Russia should be additional drivers for demand for Bogdan Motors' tour buses.

Hyundai consolidation to double top line in 2011

In late November 2010, Bogdan Corporation, the parent of Bogdan Motors (assembly), Cherkasy Bus (assembly), Hyundai Motors Ukraine (dealership) and UA Holding (dealership), decided to consolidate all Hyundai car sales at its biggest entity, Bogdan Motors. According to the holding's estimates, this should add USD 178 mln to Bogdan Motors' top line (82% of 2010E) and USD 25 mln to EBIT (vs. USD 15 mln loss in 2010E) in 2011.

Hyundai Motors Ukraine is the exclusive dealer of Hyundai-branded cars in Ukraine. It imported 13.3 ths Hyundai cars in Ukraine and sold 14.6 ths cars through its dealership network in 2010 (out of which 1.3 ths were assembled by Bogdan Motors). In 9M10, Hyundai Motors Ukraine posted revenue of USD 173 mln (vs. Bogdan Motors' 9M10 sales of USD 134 mln) and EBITDA of USD 22 mln (vs. Bogdan Motors' 9M10 EBITDA of USD 9 mln).

The Hyundai brand accounted for 8.6% of new car sales in Ukraine in 2010, ranking third after Lada (produced jointly by Bogdan Motors and ZAZ) and ZAZ (produced exclusively by ZAZ).

Financial statement summary, USD mln, 9M10

Income Statement Summary	LUAZ	Hyundai
Net Revenues	134	173
EBITDA	9	22
<i>EBITDA margin. %</i>	<i>6.8%</i>	<i>12.9%</i>
Net Income	(38.1)	13.4
<i>Net Margin. %</i>	<i>-28.5%</i>	<i>7.8%</i>
<hr/>		
Balance Sheet Summary	9M10	9M10
Current Assets	303	123
Fixed Assets	313	0
Total Assets	616	124
		-
Shareholders' Equity	131	(30)
Current Liabilities	110	71
LT Liabilities	375	82
Total Liabilities & Equity	616	124

Hyundai Motors Ukraine will remain the import entity and retain part of the profit for interest coverage of its USD 81 mln in debt (interest payments accounted for 5.3% of sales), but Bogdan Motors will become the profit center and selling entity for the imported cars, according to the scheme the company outlined to us.

Exports behind 40% growth in 2010, backup option for the long

Faced with declining domestic demand for new cars, Bogdan Corporation started exporting its budget-segment cars to Russia. Thanks to a 5Y special agreement with Russia's AvtoVAZ, Bogdan Motors sold budget-segment cars based on Lada kits, but branded by Bogdan in Russia. Export sales of 11.8 ths cars accounted for 3/5 of 2010 production. According to company plans, exports will increase to 20.0 ths units in 2011. We conservatively model export volumes at 18.0 ths cars per year since 2011, accounting for domestic competition in Russia.

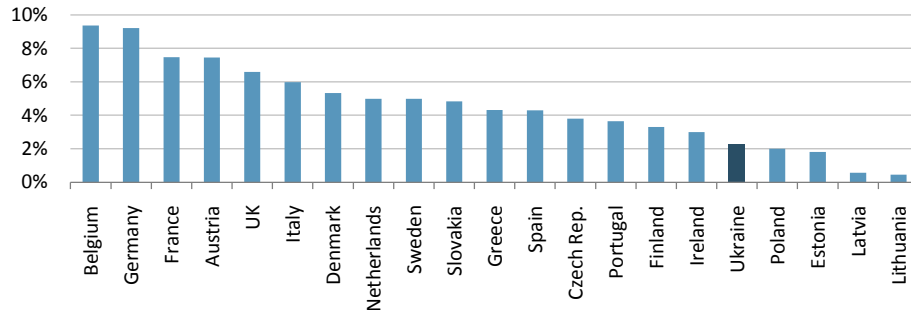
Long-term prospective: 27% CAGR in 2010-15 based on revival in domestic demand

Domestic car market set for 4x growth by 2015

We see the potential for a fourfold growth in new car sales in Ukraine back to pre-crisis 2007-08 levels by 2015. New car sales in Ukraine in 2009-10 were at mere 2% of total car stock vs. 4-9% for mature markets. Given the aging car stock in Ukraine, we estimate annual replacement sales in Ukraine should be at least 7% of the stock or 540 ths cars per year.

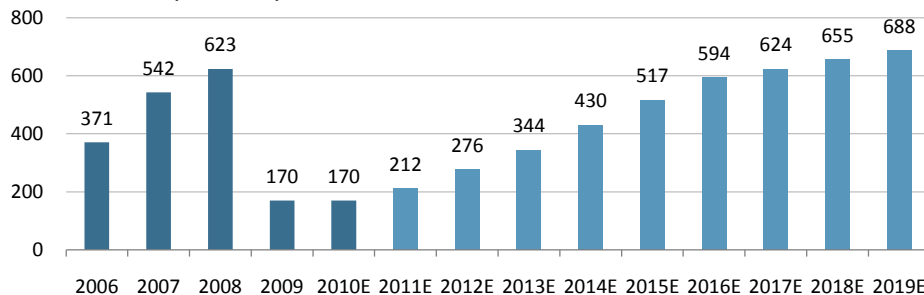
We estimate Bogdan Motors will increase production at a 27% CAGR in 2010-2015 to capture a 9% market share in 2015 from the current 4% (vs. 10-14% in 2004-08). Importantly, the growth requires little CapEx since production facilities were reconstructed in 2008 and are among the most modern in the country.

New cars sold as a percentage of cars stock, 2009



Source: ACEA, Ukrautoprom

New cars sales, Ukraine, ths cars



Source: ACEA, Ukrautoprom

Three drivers of auto demand in 2011

9% increase in disposable income in 2011E

Personal disposable income grew by 8% in 2010E and we expect further 9% growth in 2011E, which should boost households' ability to purchase cars.

Renewal in consumer lending

Ukraine's banking system is now operating under UAH 15-20 bln of excess liquidity. While in 2H10 banks primarily invested into government UAH bonds, we expect excess liquidity to be directed into corporate and retail lending going forward as banks will strive to improve their profitability (under falling sovereign UAH debt yields), while the economic recovery extends. During 2010, 5Y lending rates for new cars declined from 28% to 20% on average, according to Prostobank-Consulting, while the quantity of banks offering auto lending grew from 16% to 56% of the total. We anticipate a further decrease in interest rates for car purchases in 2011 by 4-5pp, driven by increasing the supply of funds for potential car buyers.

Consumer confidence increase

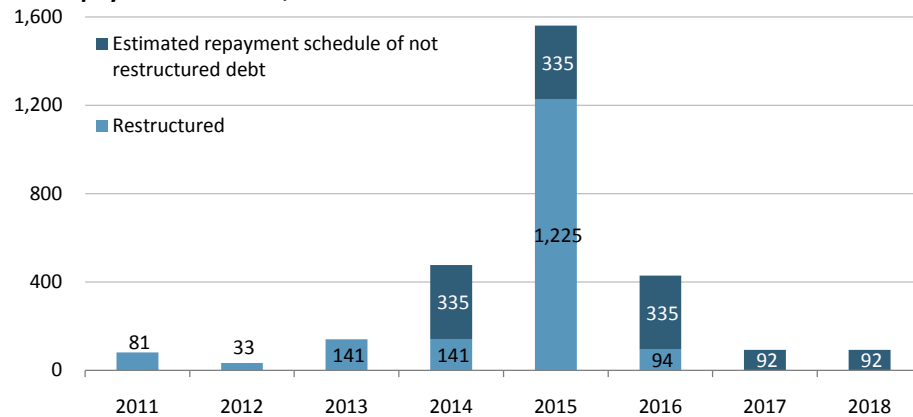
We believe the economic recovery and UAH exchange rate stability set the stage for an improvement in consumer confidence in 2011, which should translate into demand for new cars. We expect real GDP growth of 4.5% in 2010E and +4.7% in 2011F. Exchange rate stability increases consumer's confidence in future cash flows due to the high dollarization of the economy.

Solvency risk falls following Hyundai consolidation and new bus orders

High leverage remains the key risk for Bogdan Motors - Net Debt to Equity was 2.9x as of 3Q10. The company restructured 59% of its outstanding UAH 2.9 bln in debt (USD 365) at end-2010 with at an average interest rate of below 10% and payouts peaking in 2015. We link the appearance of Hyundai import sales and profit consolidation on Bogdan Motors' income statement as attempts to bolster the company's profile in talks to restructure its remaining debt (UAH 1.2 bln).

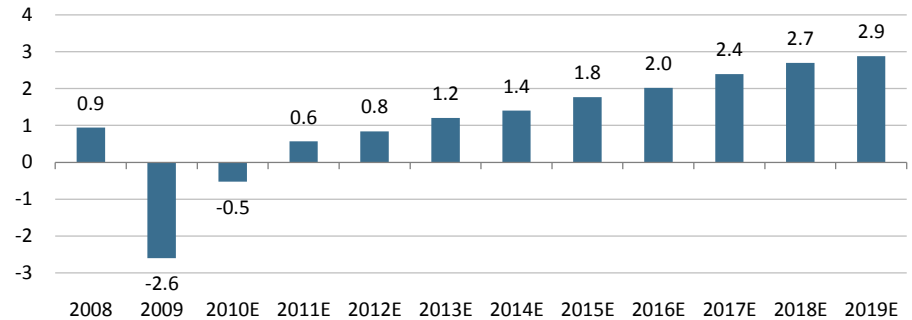
We assume Bogdan Motors will reach more favorable agreements with remaining creditors and we see the company fully capable of servicing its debt in 2014-15.

Debt repayment schedule, UAH mln



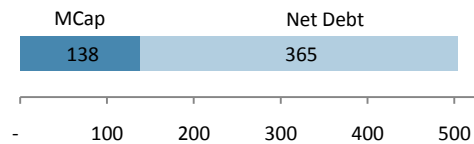
Source: Company data

EBIT/Interest coverage



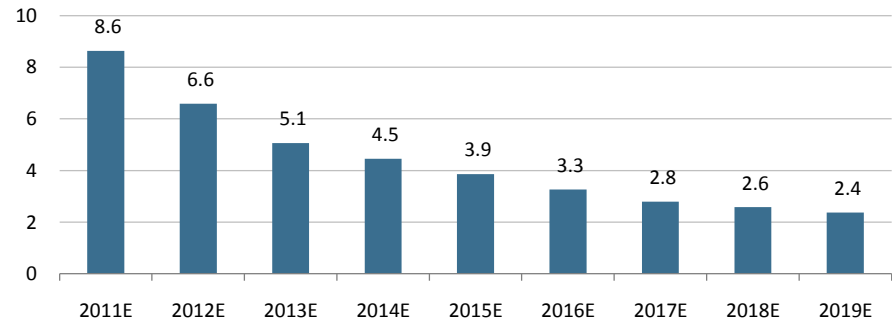
Source: Concorde Capital

EV decomposition, USD mln



Source: Company data, Concorde Capital forecast

Net Debt to EBITDA



Source: Concorde Capital

Valuation

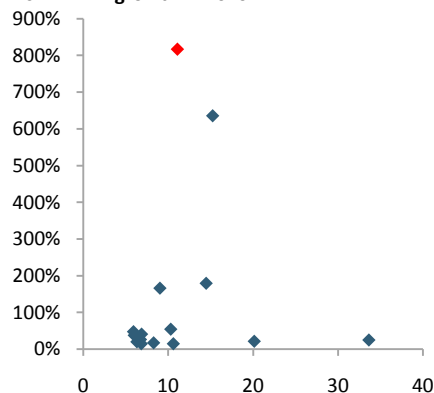
Target of USD 0.087 per share based on DCF analysis

We base our target price for Bogdan Motors of USD 0.087 per share (172% upside) on DCF analysis, which we deem the only justified method for a growth story like Bogdan Motors. The company's expected revenue growth at a 49% CAGR in 2010-15 is hardly comparable to most of its automotive peers: while other countries provided support to their automotive producers in 2009-10, which kept up their output, Bogdan Motors' production fell sixfold and now has ample room for growth.

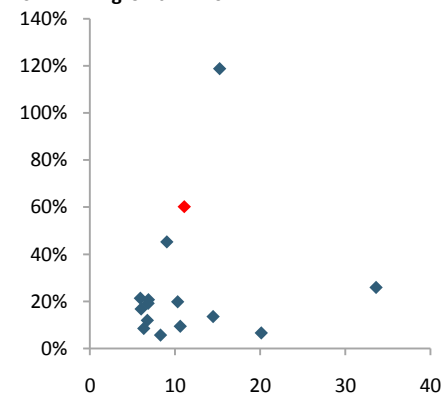
Comparative valuation

On a comparative basis, Bogdan Motors trades at 10.9x on EV/EBITDA 2011E, a premium to its peers' mean of 8.6x. We view this premium as small given Bogdan's growth potential (EBITDA growth at 32% CAGR in 2011-15).

EV/EBITDA 11E
vs. EBITDA growth in 2010E-12E



EV/EBITDA 11E
vs. EBITDA growth in 2011E-12E



Source: Bloomberg, Concorde Capital

Peer comparison

	Country	MCap USD mln	EV/Sales		EV/EBITDA		P/E		
			2010E	2011E	2010E	2011E	2010E	2011E	
Bogdan Motors	Ukraine	138	2.5	0.9	n/m	10.9	n/m	n/m	
Auto Developing									
Beiqi Foton Motor Company	China	3,398	0.4	0.3	8.0	6.9	11.2	10.1	
Jiangling Motors	China	3,107	1.2	1.0	7.1	6.0	11.6	10.1	
Qingling Motors Company Lim.	China	720					14.9	13.0	
Brilliance China Autom. Hold.	China	3,749	2.4	2.1	23.2	20.1	22.6	17.2	
Mahindra & Mahindra Limited	India	9,271	1.9	1.6	12.3	10.3	16.7	14.7	
Maruti Udyog Limited	India	7,885	0.9	0.7	8.5	6.8	15.4	13.0	
Tata Motors Limited	India	14,879	1.8	1.6	17.5	14.5	36.1	27.6	
Avtovaz	Russia	1,603	0.8	0.8	51.2	15.2	n/m	n/m	
Gaz Auto Plant	Russia	875	0.6	0.5	17.5	5.9	n/m	n/m	
Severstal Auto	Russia	805	1.0	0.9	14.4	9.0	n/m	26.6	
China Motor Corp.	Taiwan	1,314	1.1	1.0	11.1	10.6	17.8	17.4	
Yulon Motor Company	Taiwan	3,301	2.9	2.6	33.1	33.6	25.7	25.4	
Ford Otomotive S AS	Turkey	2,916	0.7	0.6	6.7	6.3	10.3	9.4	
Tofas AS	China	2,705	0.8	0.7	7.9	6.7	11.8	10.4	
Tianjin Faw Xiali Auto Co Ltd	China	1,924	1.3	1.2	n/m	n/m	23.3	18.3	
Chongqing Changan automobi	China	4,232	0.7	0.6	7.2	5.9	11.4	9.4	
Kia Motors Corporation	Korea	19,435	1.0	0.9	9.7	8.3	10.0	8.4	
Raba Automotive Holding	Hungary	57	0.7	0.6	n/m	n/m	n/m	14.2	
Harmonic mean			0.9	0.8	11.1	8.6	14.8	13.3	

Source: Bloomberg, Concorde Capital

DCF valuation

We base our model on the assumption of a gradual return in domestic demand for new cars to the 2007-08 average levels by 2016. Our forecast envisages Bogdan Motors capacity utilization reaching up to 60% in 2017 which still implies further room for growth if it finds additional demand abroad.

We also incorporate the consolidation of Hyundai Motors Ukraine into Bogdan Motors' top line, that business was similar in size to Bogdan's sales in 2010. We project sales from this segment to account for 34-44% of total revenues, and to develop in line with the overall new car market in Ukraine.

In Bogdan's bus segment, we see strong sales of MAN buses in 2011, accounting for 17% of the company's total annual sales. Thereafter, we conservatively model a decrease in the segment's share to 3-4% of total revenues in the long-term. The assembly of mid-size Bogdan buses continues at Cherkasy Bus, part of Bogdan Corporation, but not at Bogdan Motors.

High leverage priced in high equity premium

To account for leverage risk associated with the high outstanding debt, we assign an exceptional 20% company-specific premium to Bogdan Motors until 2015, when most of the current debt matures. Thereafter, we decrease the premium to 5% in 2015 and by 1% each subsequent year afterward, as the debt-to-equity ratio decreases. This gives us a cost of equity of 33%-34% in 2011-2015 and 14-18% thereafter, but WACC remains 12-17% throughout the entire forecast horizon.

WACC decomposition

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Debt-to-Equity	5.87	4.99	3.56	2.49	1.69	1.17	0.74	0.54	0.40
Avg. Interest Rate	12.8%	13.7%	13.8%	13.3%	13.4%	12.4%	12.4%	11.8%	12.0%
Ukr Eurobonds YTM	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Equity premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Comp.-specif.									
Prem/Disc	20.0%	20.0%	20.0%	20.0%	20.0%	5.0%	4.0%	3.0%	2.0%
Cost Of Equity	31.0%	31.0%	32.0%	32.0%	32.0%	17.0%	16.0%	15.0%	14.0%
WACC	16.2%	15.5%	15.2%	15.0%	15.6%	13.1%	13.2%	12.1%	11.5%

DCF output

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
EBITDA	1	482	700	958	1,135	1,319	1,493	1,580	1,673	1,772
EBIT	(204)	290	520	788	974	1,163	1,340	1,431	1,527	1,629
Tax Rate	0%	0%	0%	0%	0%	0%	0%	10%	16%	16%
Taxed EBIT	(204)	290	520	788	974	1,163	1,340	1,288	1,282	1,369
Plus D&A	204	191	181	169	160	156	153	150	146	143
Less CapEx	(10)	(50)	(50)	(50)	(100)	(150)	(150)	(150)	(150)	(150)
Less Δ in OWC	(3)	(832)	(456)	(432)	(463)	(412)	(302)	(121)	(287)	(307)
FCFF	-	-	194	476	572	757	1,040	1,167	992	1,055
WACC	16%	16%	15%	15%	16%	13%	13%	12%	11%	11%
Sum of DCF's										
Terminal Value										10,762
Discounted TV										
Firm Value		7,217								55.4%
Less Net Debt										
Equity Value		3,008								6.1x
Perpetuity Growth Rate						2.0%				

Sensitivity tables

WACC	Perpetuity Growth Rate					WACC	Exit Multiple (EBITDA)				
	1.0%	1.5%	2.0%	2.5%	3.0%		4.1 x	5.1 x	6.1 x	7.1 x	8.1 x
-3.0%	0.113	0.119	0.127	0.135	0.144	-3.0%	0.080	0.103	0.127	0.150	0.174
-2.0%	0.099	0.106	0.113	0.120	0.129	-2.0%	0.069	0.091	0.113	0.134	0.156
-1.0%	0.087	0.093	0.099	0.106	0.114	-1.0%	0.058	0.079	0.099	0.120	0.140
+0.0%	0.075	0.081	0.087	0.094	0.101	+0.0%	0.049	0.068	0.087	0.106	0.125
+1.0%	0.065	0.070	0.075	0.082	0.089	+1.0%	0.040	0.058	0.075	0.093	0.111
+2.0%	0.055	0.059	0.065	0.070	0.077	+2.0%	0.031	0.048	0.065	0.081	0.098
+3.0%	0.045	0.050	0.055	0.060	0.066	+3.0%	0.024	0.039	0.055	0.070	0.086

Key operating assumptions

	2007	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	CAGR 2010-15	CAGR 2010-19
TOTAL REVENUE, USD mln	818	1,305	158	218	703	896	1,142	1,376	1,619	1,850	1,963	2,085	2,215	49%	29%
<i>y-o-y</i>	94%	60%	-88%	38%	223%	27%	28%	20%	18%	14%	6%	6%	6%		
CARS, USD mln	802	1,266	151	211	330	474	635	750	870	983	1,040	1,101	1,166	33%	21%
<i>y-o-y</i>		58%	-88%	40%	56%	43%	34%	18%	16%	13%	6%	6%	6%		
New cars sold, units	54,215	87,328	14,387	19,190	28,596	37,285	48,994	56,743	64,491	71,465	74,138	76,945	79,892	27%	17%
<i>y-o-y</i>		35%	61%	-84%	33%	49%	30%	31%	16%	14%	11%	4%	4%	4%	
<i>Domestic sales, units</i>	54,215	87,328	14,387	7,308	10,596	19,285	30,994	38,743	46,491	53,465	56,138	58,945	61,892		
<i>Bogdan`s share among new cars sold</i>		10%	14%	8%	4%	5%	7%	9%	9%	9%	9%	9%	9%		
<i>Export, units</i>	0	0	0	11,883	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000		
Avg. price, USD ths	14.80	14.50	10.5	11.0	11.6	12.7	13.0	13.2	13.5	13.8	14.0	14.3	14.6	4%	3%
<i>y-o-y</i>				5%	5%	10%	2%	2%	2%	2%	2%	2%	2%		
Ukraine: new cars sold, units	542,322	623,252	170,085	169,540	211,925	275,503	344,378	430,473	516,567	594,052	623,755	654,943	687,690	25%	17%
<i>y-o-y</i>		46%	15%	-73%	0%	25%	30%	25%	25%	20%	15%	5%	5%		
BUSES, USD mln	15	41	6	6	119	67	59	59	60	61	61	62	63	56%	29%
<i>y-o-y</i>		172%	-85%	6%	1748%	-44%	-11%	1%	1%	1%	1%	1%	1%		
Bogdans produced at LUAZ, units	530	1,080	169	169	169	170	200	206	216	227	238	250	263	5%	5%
price per bus, USD ths	28.5	38.0	36.0	38.0	40.0	40.8	41.6	42.4	43.3	44.2	45.0	45.9	46.9		
MAN touristic buses, units					300	200	200	200	200	200	200	200	200		
price per bus, USD ths					254	254	254	254	254	254	254	254	254		
Neoplan					80	20	0	0	0	0	0	0	0		
price per bus, USD ths					449	449	449	449	449	449	449	449	449		
Hyundai Import, USD mln					236	338	431	549	672	789	844	904	969	29%	20%
					25%	43%	28%	28%	22%	17%	7%	7%	7%		
Hyundai import, units				13,500	16,875	21,938	27,422	34,277	41,133	47,303	49,668	52,151	54,759		
<i>y-o-y</i>					25%	30%	25%	25%	20%	15%	5%	5%	5%		
Avg price, USD ths				14.0	14.0	15.4	15.7	16.0	16.3	16.7	17.0	17.3	17.7	3%	3%

Risks

High leverage

High leverage remains the key risk for Bogdan Motors (net debt was USD 380 mln as of end-3Q10, Net Debt to Equity of 2.9x). The company's history of servicing its debt during low demand in 2009-10 and four-year horizon before principle repayment is scheduled to begin, by which time we expect the local car market to revive, lead us to believe the risk is tolerable.

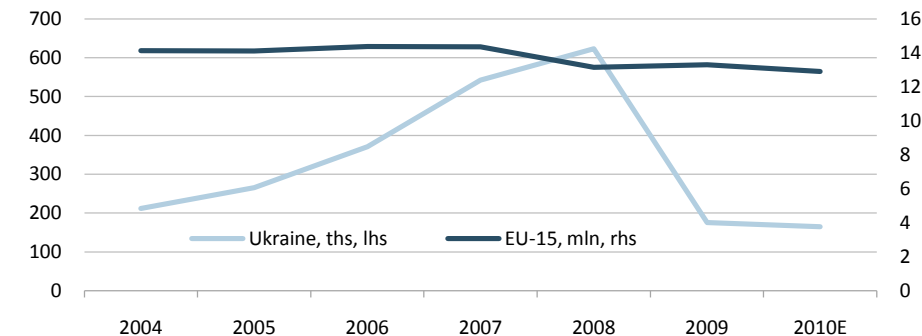
Liquidity

Bogdan Motors is a second-tier Ukrainian stock; its daily trading volume averaged UAH 0.3 mln in 2010. However, we note that in December 2010 turnover increased fourfold m-o-m to UAH 0.8 mln on positive news flow of orders and remained above the 2010 average at UAH 0.5 mln in January 2011. We expect further growth in liquidity due to our optimistic view of the domestic auto market in 2011.

Global turmoil

The Ukrainian automotive market is highly sensitive to the domestic economic situation; new car sales declined fourfold in 2008-2009. In the event of a W-shaped recovery, the local auto market will remain at 2009-10 lows. Notably, the Ukrainian government, contrary to nations elsewhere in the world, failed to implement any large-scale bailouts or rescues of the cyclical automotive industry in the downturn.

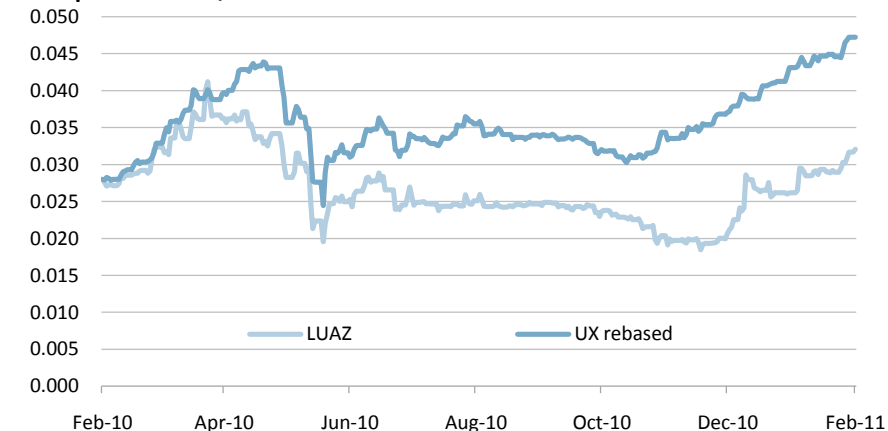
Ukraine automotive sales in units vs. EU



Source: AECA, Ukrautoprom

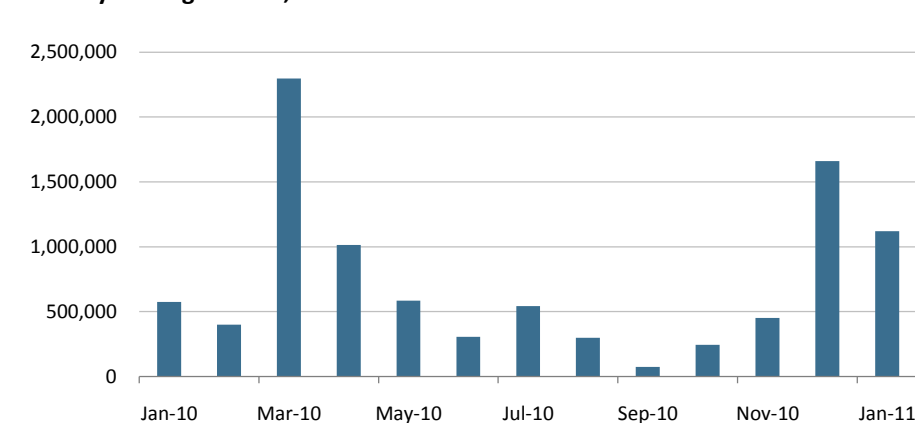
Stock market

Price performance, USD



Source: Bloomberg

Monthly trading volume, USD



Source: UX

Financial statements

Income statement summary, USD mln

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	1,305	158	703	896	1,142	1,376	1,619	703
Change y-o-y	N/M	-87.9%	223.3%	27.5%	27.5%	20.5%	17.7%	223.3%
Cost Of Sales	(1,129)	(162)	(585)	(747)	(953)	(1,151)	(1,357)	(585)
Gross Profit	176	(4)	118	148	189	225	262	118
Other Operating Income/Costs. net	15	(16)	-	-	-	-	-	-
SG&A	(64)	(18)	(58)	(61)	(69)	(83)	(98)	(58)
EBITDA	127	(37)	60	88	120	142	165	60
EBITDA margin. %	9.7%	-23.5%	8.6%	9.8%	10.5%	10.3%	10.2%	8.6%
Depreciation	(104)	(23)	(24)	(23)	(21)	(20)	(19)	(24)
EBIT	23	(60)	36	65	99	122	145	36
EBIT margin. %	1.8%	-37.9%	5.2%	7.3%	8.6%	8.8%	9.0%	5.2%
Interest Expense	(24)	(23)	(64)	(77)	(82)	(87)	(82)	(64)
Financial income	1	15	-	-	-	-	-	-
Other income/(expense)	(70)	(12)	-	-	-	-	-	-
PBT	(71)	(80)	(27)	(12)	17	35	63	(27)
Tax	-	(0)	-	-	-	-	-	-
Effective tax rate	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(70.8)	(80.2)	(27.4)	(12.2)	16.5	34.8	63.0	(27.4)
Net Margin. %	-5.4%	-50.7%	-3.9%	-1.4%	1.4%	2.5%	3.9%	-3.9%

Balance sheet summary, USD mln

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	418	307	332	498	590	695	797	890
Cash & Equivalents	35	2	13	18	22	29	34	40
Trade Receivables	143	49	69	70	90	114	138	162
Inventories	68	45	53	129	164	210	253	299
Other current assets	172	211	197	281	313	343	372	389
Fixed Assets	345	315	292	281	268	257	254	257
PP&E, net	41	153	176	156	140	125	116	113
Other Fixed Assets	304	162	116	126	128	132	138	144
Total Assets	763	621	625	779	858	953	1,051	1,147
Shareholders' Equity	255	168	94	66	54	67	95	145
Share Capital	218	218	218	218	218	218	218	218
Reserves and Other	37	(50)	(124)	(152)	(165)	(151)	(123)	(73)
Current Liabilities	301	214	157	263	354	436	506	626
ST Interest Bearing Debt	78	111	39	88	149	185	217	302
Trade Payables	155	54	53	88	112	143	173	204
Accrued Wages	1	0	1	2	2	3	4	4
Accrued Taxes	0	0	0	1	1	2	2	3
Other Current Liabilities	67	49	63	84	90	103	110	113
LT Liabilities	207	239	374	450	450	450	450	375
LT Interest Bearing Debt	207	239	374	450	450	450	450	375
Other LT	-	-	-	-	-	-	-	-
Total Liabilities & Equity	763	621	625	779	858	953	1,051	1,147

Cash flow statement summary, USD mln

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Net Income	(71)	(80)	(75)	(27)	(12)	17	35	63
D&A	104	23	26	24	23	21	20	19
Non-operating and non-cash items	(35)	(4)	(1)	(8)	(3)	(4)	(4)	(4)
Changes in working capital	(20)	(34)	(0)	(104)	(57)	(54)	(58)	(51)
Operating Cash Flow	(22)	(95)	(50)	(116)	(50)	(20)	(7)	27
Capital Expenditures, net	(114)	(1)	(1)	(6)	(6)	(6)	(13)	(19)
Other Investments, net	(20)	(13)	-	-	-	-	-	-
Investing Cash Flow	(135)	(14)	(1)	(6)	(6)	(6)	(13)	(19)
Net Borrowings/(repayments)	143	77	63	126	61	36	32	10
Dividends Paid	-	-	-	-	-	(3)	(7)	(13)
Equity Financing & Other	0	0	-	-	-	-	-	-
Financing Cash Flow	143	77	63	126	61	33	25	(2)
Beginning Cash Balance	N/A	34	2	13	18	22	29	34
Ending Cash Balance	51	2	13	18	22	29	34	40
Net Cash Inflows/Outflows	(14)	(32)	11	4	5	6	6	6

UAH/USD exchange rates

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Average	5.27	7.80	7.93	8.00	8.00	8.00	8.00	8.00
Year-end	7.70	7.99	7.96	8.00	8.00	8.00	8.00	8.00

Appendices

Analyst certification

I, Yegor Samusenko, 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.

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