Ukraine / CE Retail

Ekvin

The Rise of the Margins

CONCORDE CAPITAL

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Current price: USD 105 / UAH 530.3
12M Target: USD 170 / UAH 858.5

BUY

- **Russia's M.video IPO in Nov 2007 implies 50%+ upside for KVIN**
- **Ekvin's 9M07 margins beat our forecasts due to strategy shift**
- **Share of high-yield corporate sales in total doubled to 25%**
- **Retail chain efficiency improved: LfL sales up 14% yoy in 9M07**
- **Laptop boom favors KVIN's core segment: 9M PC sales up 38% yoy**
- **Target upgraded to USD 170/share, upside of 62%. BUY**

Tickers

PFTS	KVIN UZ

Market information

Market price,	UAH	530.3
	USD	105.0
MCap,	UAH mln	430.3
	USD mln	85.2
No of shares, mln		0.8
Free float		20%
Free float,	UAH mln	86.1
	USD mln	17.0

Prices as of Dec. 20, 2007

Shareholders

Management	80%
Institutional investors	20%

Ratios, 2007E

Gross margin	14.5%
EBITDA margin	5.2%
Net margin	1.8%
Net debt/Equity	0.7

Russia's M.video IPO: New valuation benchmark for Ekvin

The IPO of M.video, Russia's #2 consumer electronics (CE) retailer, introduces in our view, the most accurate valuation benchmark for Ekvin. The companies operate on similar high-growth markets and share the same market risks. M.video's x0.6 EV/S'08E yields a 66% upside for KVIN. Earnings-based metrics are more rewarding for Ukraine's stock, given its higher margins. Forward-looking EV/EBITDA and P/E at the placement imply 74% and 125% upside for Ekvin.

Ekvin's margins soared in 9M07

In 9M07 Ekvin's gross profit doubled yoy to USD 16 mln; EBITDA grew by 43 times to USD 5.9 mln and net income turned into a positive USD 2.9 mln vs. losses of USD 1.7 mln in 9M06. Margins, respectively, were 1.7, 2.4 and 2.0 pp higher than our full-year forecasts. The progress is a result of the new strategy: expansion into corporate segment and focus on efficiency.

- **Shift into high-yield corporate segment.** Ekvin moved more aggressively in the high-yield corporate segment, where margins are 6-7 p.p. higher than in retail. Corporate sales soared by 130% yoy to USD 27 mln in 9M07 and accelerated to 150% yoy in 11M to USD 40 mln, doubling the share in total turnover to 25%. The management plans to continue to capitalize on its position as the #5 PC assembler and IT-integrator in Ukraine and sustain growth in the segment at least at 60-70% yoy in 2008-09.

- **Improved chain efficiency.** In 9M07 Ekvin improved its cost efficiency by reducing operating costs per sq. m by 20% yoy to USD 393. The company closed 13 smaller underperforming stores, which improved like-for-like sales over the period: +10% yoy in 1H07 and +14% yoy in 9M07. Continuing its chain expansion, in 11M07, Ekvin added 15 outlets to its network and is targeting for a total of 70 by year end and 95 in 2008.

Laptops are the source of retail sales growth

1/5 of retail sales growth in 9M07 was due to Ekvin's timely reshuffling of its PC product mix in favor of fastest growing CE segment – laptops. This led 9M07 computer sales to accelerate to 38% yoy to USD 22.5 mln. Over 9M07 laptop sales grew by 70% yoy to USD 13.2 mln, increasing their share to 57% of total PC turnover vs. 48% a year ago. We see laptops as an important growth contributor in retail sales in 2008-2009.

Valuation remains attractive

Our valuation based on DCF analysis, comparison to global peers and to M.video yields a range of USD 158-238 per share for Ekvin's stock. Our 12-mo target is USD 170/share, below M.video's valuation at IPO on multiples. Upside 62%, BUY.

Key financials & ratios, USD mln

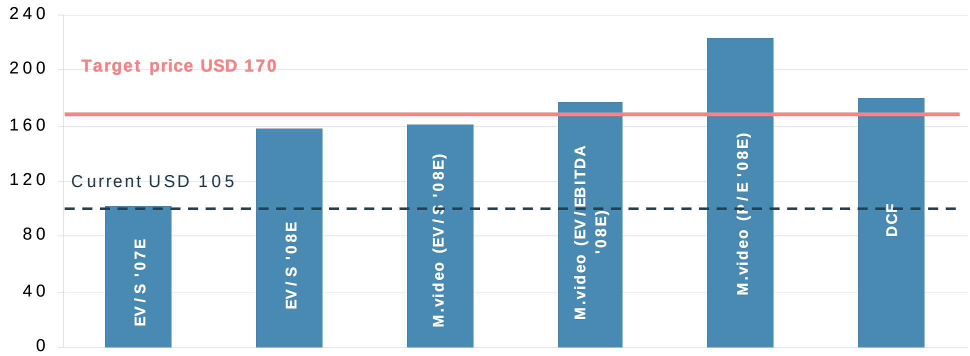
	Net Revenue	Gross profit	EBITDA	Net income	EV/S	EV/EBITDA	P/E
2006	115	14	2.4	(2.3)	0.9	40.6	nm
2007E	170	25	8.8	3.1	0.6	11.5	21.9
2008E	253	38	12.6	4.6	0.4	7.1	18.5

Spot exchange rate: 5.05 UAH/USD

Valuation summary

DCF analysis and comparison with global peers and M.video based on 2008E multiples give a price range of USD 158-238 per Ekvin's share. Valuations suggested by M.video's earnings-based metrics are the highest. We conservatively set our 12-month target at USD 170 per share, an average between the valuations implied by 2008E EV/S metrics and DCF.

KVIN's share price, USD



Source: Concorde Capital estimates

KVIN's relative valuation results

	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2007E	2008E	2007E	2008E	2007E	2008E
Ekvin	85.2	**0.6**	**0.4**	**11.5**	**7.1**	**21.9**	**18.5**
M.video*	1,250	0.8	0.6	19.4	13.4	52.3	31.6
Global peers' average		0.6	0.5	8.2	6.7	15.9	14.3
KVIN price, USD							
Implied by M.video		152.3	160.3	178.1	177.5	233.6	223.3
Upside/(Downside)		*44%*	*51%*	*68%*	*67%*	*120%*	*111%*
Implied global peers avg.		102.0	158.4	69.5	100.1	77.2	81.5
Upside/(Downside)		*-4%*	*49%*	*-34%*	*-6%*	*-27%*	*-23%*

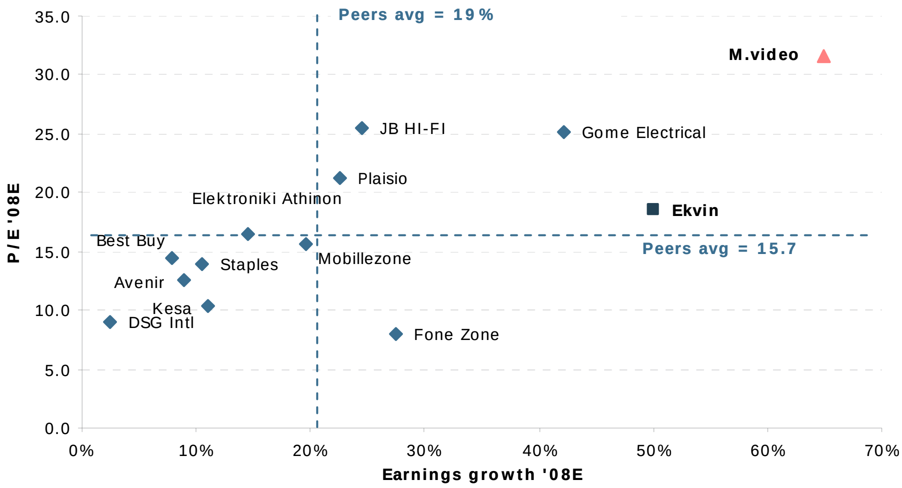
*M.video's MCap and multiples are as of its IPO date
Source: Bloomberg, company data, Concorde Capital estimates

M.video: Right valuation benchmark

Best public proxy to Ekvin emerged
The recent successful IPO of M.video, Russia's second-largest consumer electronics (CE) retailer, provides us with a long awaited yardstick to value Ekvin. Both companies operate in similar high-growth markets and share the same market risks: low margins and exposure to grey import schemes. Despite the industry pitfalls and overall bearish sentiments on the market, with many IPO candidates postponing their placements, M.video's placement was oversubscribed 1.6 times.

Market pays for growth
At the IPO, the market valued M.video at premium to its global peer average: 11% on EV/S'08E, 138% on EV/EBITDA'08E and 229% on P/E'08E. We attribute this to investors' strong interest in the electronic retail market in the CIS due to its high growth potential. The Russian retailer's top-line growth at 42% and an earnings increase at 66% based on 2008 estimates are about three times higher than its global peers' average.

P/E vs. Earnings growth, 2008E



Source: Bloomberg, Concorde Capital estimates

Ekvin: Higher margins dictate premium valuation
KVIN trades at discount to M.video on all multiples, which we consider unwarranted, as both companies post comparable growth rates and Ekvin's profitability margins are higher.

Ekvin vs. M.video

	Revenue growth			EBITDA margin			Net margin		
	2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E
Ekvin	26.7%	48.1%	49.0%	2.1%	5.2%	5.0%	neg	1.8%	1.8%
M.video	n/a	44.3%	42.3%	4.0%	4.2%	4.3%	1.1%	1.2%	1.4%

Source: Bloomberg, company data, Concorde Capital estimates

Where margins come from

In 2007 Ekvin redefined its strategy, now focusing more on margin expansion through improving retail network efficiency and shifting into the high-yield corporate segment. The company's new strategic focus resulted in 9M07 margins beating our full-year forecasts: gross margin was 14.7% vs. 13.0%, EBITDA was 5.4% vs. 3.0% net margin reached 2.7% against an earlier 0.4% forecast.

Strategic focus on high-yield corporate sales

Corporate sales more than doubled
In 2007 Ekvin accelerated its expansion into the high-yield corporate segment (System Integration), which earns margins that are 6-7 p.p. higher than retail operations. The corporate sales in 9M07 soared by 130% yoy to USD 27 mln and accelerated further in 11M by 150% yoy to reach USD 40 mln, increasing its share in Ekvin's total turnover to 25% vs. 13% a year ago.

The headway came as a result of the company improving its operations in two directions: client base and product offering. On the client side, Ekvin concluded new and extended old agreements with more than 50 companies and secured a USD 9 mln contract with the Ministry of Education for the computerization of 2000 schools in rural areas. On the product side, the company launched a new service – an integrated administration of IT infrastructure development in banking branches, which allowed Ekvin to expand its order book and develop IT networks for 210 banking outlets.

Sustainable growth in Corporate Segment feasible
During our latest interview in early December, Ekvin's management revealed to us that they considered System Integration among the company's key priorities and planned to sustain annual growth in the segment above 50% in 2008-2009. The corporate share in total sales is going to reach 30-35% by 2010.

We think the following factors will enable Ekvin to sustain corporate sales growth:

- **Competitive edge.** Ekvin is one of the top-5 PC assemblers and IT-integrators in Ukraine. The company has a network of 50 service centers and IT building teams that allows the company to execute large-scale projects in all regions of Ukraine. Ekvin's new IT product - integrated administration of IT infrastructure development for retail banking – met strong demand in the market.

- **Focus on the right sector.** More than half of Ekvin's clients are banks and insurance companies, Ukraine's most rapidly growing sector. Local banks and insurers have a demand for IT products and services to equip their expanding branch networks (in 2008 the top-30 banks plan to launch 600-800 outlets). Foreigners actively targeting domestic banks create an additional demand for the IT sector: local banks that were acquired require an upgrade of existing IT facilities.

- **Strong group of core clients.** The company has long-term relationships with a sizeable group of 'big names' in different sectors that form the core of its corporate clientele. This group generates more than half of Ekvin's corporate segment sales. The size of orders from these companies has been steadily growing, as their IT requirements become more complicated and they demand regular technical assistance. These companies are the most stable source of revenues, as switching costs in the IT business are rather high.

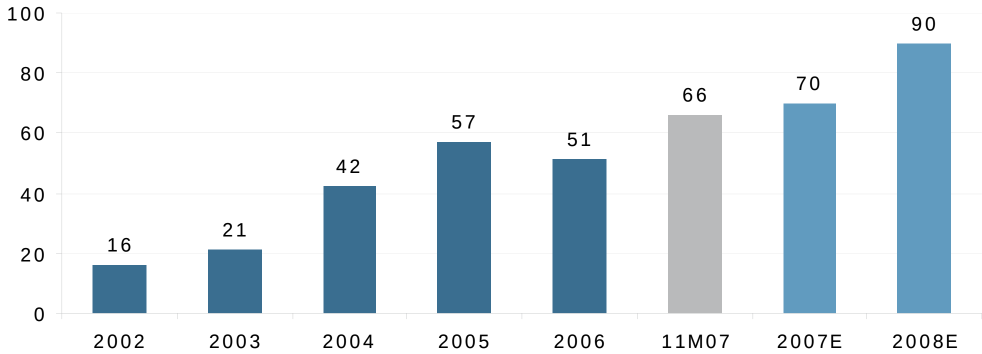
Ekvin's core client group	
Banking	
BNP Paribas (Ukrsibbank)	Ukraine's #3 largest bank
Unicredit Group (Ukrsotsbank)	#4 bank in Ukraine by assets
Swedbank (TAS Bank)	#20 bank in the country
SEB Group (Faktorial Bank)	#54 bank in Ukraine
Utilities	
Dneproblenergo	#1 energy distribution company in Ukraine
Ukrenergo	Ukraine's electricity transmission monopoly
Steel	
Arcelor Mittal Steel, Kryviy Rih	Ukraine's largest steel maker
Machinery	
Turboatom	one of the world's largest turbine producer
Food	
Philip Morris – Ukraine	the biggest tobacco maker in Ukraine

Improving retail chain efficiency

In early 2007 Ekvin adopted a more prudent approach to its network expansion strategy. The efficiency of its trade space utilization and location selectivity are now in the company's focus rather than a massive chain rollout. In 2007 Ekvin cleaned up its network by closing 13 inefficient smaller stores that were underperforming the network's average sales/sq. m of ~ USD 5,300 by more than 50%. This allowed like-for-like sales growth to improve: +10% yoy in 1H and +14% yoy in 9M07. The company plans to end 2007 with 70 stores, +37% yoy vs. 96 planned previously, and then add another 20-25 outlets in 2008.

The company is moving ahead to improve its retail chain efficiency: operating costs per sq. m declined by 20% yoy to USD 393 in 9M07.

Ekvin's retail network rollout



Source: Company data

Laptops drive PC sales

In 2007 Ekvin rearranged its PC product mix in favor of more in-demand laptops. This led the company's computer sales to accelerate to 38.3% yoy in 9M07 to USD 22.5 mln. Laptop sales grew by 69.9% yoy to USD 13.2 mln, increasing their share in Ekvin's total turnover to 58% against 47% in 9M06. Additionally, in the fall of this year the company launched the assembly of its own brand of laptops and plans to increase the share of MKS-brand laptops to 1-2% of its total sales in 2008.

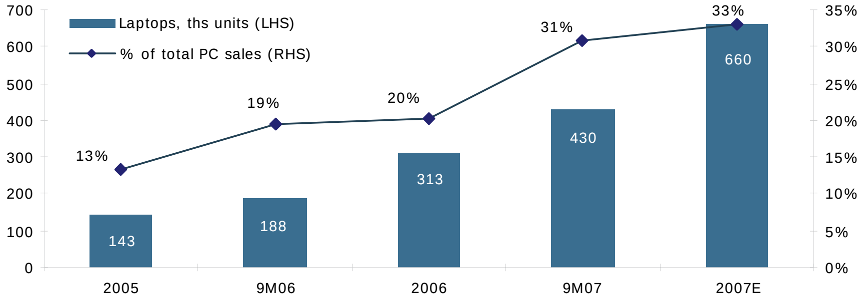
Ekvin's retail product mix in 9M07, *USD mln*

	9M07			9M06	
	Revenues	*% of total*	*Growth, yoy*	Revenues	*% of total*
Computers	22.5	25.9%	*38.3%*	16.3	*23.8%*
desktops	*9.3*	*10.7%*	*9.3%*	*8.5*	*12.4%*
laptops	*13.2*	*15.2%*	*69.9%*	*7.8*	*11.4%*
Peripheral	18.4	21.2%	*13.5%*	16.2	*23.7%*
Audio-video	26.1	30.1%	*32.1%*	19.8	*28.9%*
Household appliances	16.2	18.7%	*22.3%*	13.3	*19.4%*
Mobile phones	3.6	4.2%	*24.8%*	2.9	*4.2%*
Total	**86.9**	**100.0%**	***27.0%***	**68.5**	***100.0%***

Source: Company data, Concorde Capital estimates

Case study: Laptop boom in Ukraine
During 9M07 PC market performance was equally strong with PC sales having increased by 44.3% yoy and having reached USD 1.0 bln. Soaring demand for laptops continued to be the major driving force for the market. In January-September 2007 laptop sales grew by 129% yoy, increasing their share in total computer turnover to 30% vs. 19% a year ago.

Laptop sales in Ukraine



Source: ICD, Concorde Capital estimates

Despite the progress achieved, laptops' share in PC sales in Ukraine remains one of the lowest in the CEE region. Over the next two years, we expect the laptop segment to expand at 70% on average to bring its share in total PC sales to 50% - the current CEE average.

Market consolidation starts

Growing competition on the local market and the threat of the arrival of large foreign players has stimulated national consumer electronics (CE) retailers to start consolidating their businesses in 2007:

- In July two regional CE players, Donetsk-based **Byttekhnika** and Donetsk-based **Comfy** merged their networks to create Ukraine's #3 retailer by sales (USD 160 mln in 2006) and #4 by number of stores (55 as of the end of 1H07). The merged company will be operated under a single brand and plans to gain a 10% market share by the end of 2007.

- In November Ukraine's leading CE retailer, **Foxtrot**, entered a strategic alliance with Russia's third-largest chain, Tekhnosila. On the first stage, the companies will establish a single purchasing division to increase their bargaining power over suppliers and achieve additional 2-3% discounts on the incoming product price. The retailers also agreed to distribute their branded products through each other's networks. We expect closer consolidation between the two companies to follow over the next 12-18 months.

We believe M&A activity will only intensify over the next few years, as Ukraine's CE retail market remains highly-fragmented with only one player controlling more than 7% of the market – the merged Comfy/Byttekhnika. We think that in the near term domestic retailers will be key players in the M&A arena in an effort to increase their market value and become a more attractive acquisition target for foreign players eying the Ukrainian market.

We expect M&A soon initiatives from Russian retailers, such as Eldorado, that are currently seeking for ways to accelerate their expansion in Ukraine through both takeovers and strategic alliances with Ukrainian chains. We think that Western CE retail chains will start stepping into Ukraine in two-three years, when the domestic market reaches a certain level of maturity and size.

Relative valuation

Company	Country	MCap, USD mln	EV/Sales		EV/EBITDA		P/E	
			2007E	2008E	2007E	2008E	2007E	2008E
Ekvin	**Ukraine**	**85.2**	**0.6**	**0.4**	**11.5**	**7.1**	**21.9**	**18.5**
Gome Electrical Appliances	Hong Kong	6,629	1.1	0.9	23.4	17.0	38.4	25.2
Fone Zone Group	Australia	93	0.4	0.4	5.4	4.4	11.7	8.0
JB HI-FI	Australia	1,484	1.1	0.9	19.4	14.9	33.9	25.4
Avenir Telecom	France	287	0.3	0.3	7.5	5.9	15.3	12.6
Best Buy	US	21,131	0.5	0.5	7.4	6.8	15.3	14.4
DSG International	Thailand	4,200	0.2	0.2	4.3	4.1	9.8	9.1
Elektroniki Athinon	Greece	198	0.7	0.6	9.9	6.2	19.0	16.5
Kesa Electricals	UK	2,721	0.3	0.3	5.6	5.0	11.6	10.3
Mobilezone Holding	Switzerlan	244	0.8	0.8	8.9	7.4	17.7	15.6
Rex Stores	US	164	0.6	0.6	6.3	4.5	5.0	12.4
Radioshack	US	2,450	0.5	0.5	4.6	4.5	11.1	11.3
Plaisio Computers	Greece	261	0.5	0.5	10.9	9.5	24.9	21.2
Staples	US	16,107	0.8	0.7	7.9	7.1	15.7	14.0
Average			**0.6**	**0.5**	**8.2**	**6.7**	**15.9**	**14.3**
Median			**0.5**	**0.5**	**7.5**	**6.2**	**15.3**	**14.0**
Ekvin share price								
Implied price by average, USD			102.0	158.4	69.5	100.1	77.2	81.5
Implied by median, USD			94.2	159.2	62.5	91.6	74.4	80.0
Upside/Downside average			*-4%*	*49%*	*-34%*	*-6%*	*-27%*	*-23%*
Upside/Downside by median			*-11%*	*50%*	*-41%*	*-14%*	*-30%*	*-25%*

DCF valuation

Forecast revision

The shift in Ekvin's strategy of aiming for more efficiency, which has already materialized in 9M07 financial results, prompted us to revise our basic assumptions and forecasts for the company's key financials:

Forecast revision summary

	2007E			2008E		
	old	new	*new/old*	old	new	*chg., %*
New outlets added	46	19	*-59%*	23	20	*-13%*
Trade space added, sq. m	24,575	12,690	*-48%*	11,425	10,300	*-10%*
Growth, % yoy	*113.7%*	*58.7%*	*-55 pp*	*24.7%*	*30.0%*	*+5.3 pp*
Revenue	185.4	169.7	*-8%*	366.9	252.8	*-31%*
Growth, % yoy	*61.7%*	*48.0%*	*-13.7 pp*	*97.9%*	*49.0%*	*-48.9 pp*
Gross profit	24.1	24.6	*+2%*	51.4	37.9	*-26%*
Gross margin	*13.0%*	*14.5%*	*+1.5 pp*	*14.0%*	*15.0%*	*+1.1pp*
EBITDA	5.6	8.8	*+57%*	11.0	11.6	*+5%*
EBITDA margin	*3.0%*	*5.2%*	*+2.2pp*	*3.0%*	*5.0%*	*+2.5pp*
Net income	0.8	3.1	*+286%*	5.0	6.2	*+24%*
Net margin	*0.4%*	*1.8%*	*+1.4pp*	*1.4%*	*1.8%*	*+0.4pp*

Key model assumptions

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Retail formats										
Hypermarkets										
New outlets added	5	4	3	2	2	1	1	1	1	0
# outlets, eop	11	15	18	20	22	23	24	25	26	26
Trade space added, ‘000 sq m	7,381	5,400	4,050	2,700	2,700	1,350	1,350	1,350	1,350	0
Trade space, ‘000 sq m, eop	16,285	21,685	25,735	28,435	31,135	32,485	33,835	35,185	36,535	36,535
Electronics supermarkets										
New outlets added	9	0	3	2	2	1	1	1	1	0
# outlets, eop	15	15	18	20	22	23	24	25	26	26
Trade space added, sq m	4,425	0	2,025	1,350	1,350	675	675	675	675	0
Trade space sq m, eop	9,365	9,365	11,390	12,740	14,090	14,765	15,440	16,115	16,790	16,790
Computer supermarket										
New outlets added	5	7	5	4	3	2	1	1	1	0
# outlets, eop	11	18	23	27	30	32	33	34	35	35
Trade space added, sq m	292	3,325	2,375	1,900	1,425	950	475	475	475	0
Trade space sq m, eop	3,155	6,480	8,855	10,755	12,180	13,130	13,605	14,080	14,555	14,555
Computer store										
New outlets added	13	9	7	6	5	4	3	2	1	0
# outlets, eop	33	42	49	55	60	64	67	69	70	70
Trade space added, sq m	592	1,575	1,225	1,050	875	700	525	350	175	0
Trade space sq m, eop	5,507	7,082	8,307	9,357	10,232	10,932	11,457	11,807	11,982	11,982
Number of outlets, eop	**70**	**90**	**108**	**122**	**134**	**142**	**148**	**153**	**157**	**157**
Growth, %	*37%*	*29%*	*20%*	*13%*	*10%*	*6%*	*4%*	*3%*	*3%*	*0%*
Revenue breakdown, USD mln										
Hypermarkets	64	106	146	177	202	222	239	254	264	271
Electronics supermarkets	30	45	60	68	81	91	99	106	110	114
PC Supermarket	16	22	46	66	83	95	105	111	115	118
PC Store	42	56	78	98	116	131	144	155	160	162
Total	**152**	**228**	**330**	**409**	**481**	**540**	**587**	**625**	**648**	**665**
Gross Profit Margin	14.5%	15.0%	16.0%	17.0%	18.0%	19.0%	19.5%	19.8%	20.0%	20.0%
EBITDA Margin, %	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Margin, %	1.8%	1.8%	2.1%	2.3%	2.5%	2.7%	3.0%	3.3%	3.6%	3.9%

DCF output

Valuation as of Dec. 10

UAH mln

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	63.2	85.9	106.6	125.3	140.6	152.7	162.7	168.9	173.3
EBIT	59.4	81.8	102.2	120.7	135.9	148.0	157.9	164.0	170.6
Tax Rate	20%	20%	20%	20%	20%	20%	20%	20%	20%
Taxed EBIT	47.5	65.4	81.8	96.6	108.7	118.4	126.3	131.2	136.5
Plus D&A	3.8	4.1	4.4	4.6	4.7	4.8	4.8	4.9	2.7
Less CapEx	(27.1)	(25.1)	(18.1)	(16.4)	(9.5)	(7.7)	(7.3)	(6.9)	(2.7)
Less change in OWC	(22.0)	(39.2)	(43.6)	(36.6)	(33.9)	(34.2)	(29.5)	(24.2)	(21.9)
FCFF	2.2	5.3	24.4	48.2	70.1	81.2	94.3	105.0	114.5
WACC	16.0%	14.8%	14.2%	13.1%	12.1%	11.8%	11.6%	11.5%	11.5%
Sum of discounted CFs	272					WACC to Perpetuity			11.0%
PV of Terminal Value	557					Terminal Value			1,475
Firm Value	830					Perpetuity Growth Rate			3.0%
Portion due to TV	*67.2%*					Implied Exit EBITDA Multiple			8.5x
Less Net Debt	(101)								
Equity Value	728								
Share price, USD	**181**								

Sensitivity of 12M share price, *USD*

WACC	Perpetuity Growth Rate				
	3.0%	*3.5%*	*4.0%*	*4.5%*	*5.0%*
-3.0%	205.8	215.5	226.5	239.0	253.2
-2.0%	191.0	200.1	210.3	221.8	235.0
-1.0%	177.4	185.8	195.3	206.0	218.3
+0.0%	164.8	172.6	**181.4**	191.4	202.8
+1.0%	153.1	160.4	168.6	177.8	188.5
+2.0%	142.3	149.0	156.7	165.3	175.2
+3.0%	132.2	138.5	145.6	153.7	162.9

WACC to perpetuity	Perpetuity Growth Rate				
	2.0%	*2.5%*	*3.0%*	*3.5%*	*4.0%*
8.0%	220.5	237.8	258.5	283.9	315.5
9.0%	196.5	209.2	224.1	241.7	262.7
10.0%	178.6	188.4	199.6	212.6	227.7
11.0%	164.8	172.6	**181.4**	191.4	202.8
12.0%	153.8	160.2	167.3	175.3	184.2
13.0%	144.9	150.3	156.2	162.7	169.9
14.0%	137.6	142.2	147.1	152.6	158.6

Source: Concorde Capital estimates

Financial Statements, UAS

Income Statement Summary, *USD mln*

	2005	2006	9M07	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Net Revenues	**90**	**115**	**109**	**170**	**253**	**344**	**427**	**501**	**562**	**611**	**651**	**676**	**693**
Change y-o-y	*na*	*27%*	*55%*	*48.0%*	*49.0%*	*35.9%*	*24.1%*	*17.5%*	*12.2%*	*8.6%*	*6.5%*	*3.8%*	*2.6%*
Cost Of Sales	(81)	(101)	(93)	(145)	(215)	(289)	(354)	(411)	(456)	(492)	(522)	(540)	(555)
Gross Profit	10	14	16	25	38	55	73	90	107	119	129	135	139
Gross margin %	*10.7%*	*12.2%*	*14.7%*	*14.5%*	*15.0%*	*16.0%*	*17.0%*	*18.0%*	*19.0%*	*19.5%*	*19.8%*	*20.0%*	*20.0%*
Other Op. Income/ Costs. net	0.3	(0)	-	-	-	-	-	-	-	-	-	-	-
SG&A	(8)	(11)	(10)	(16)	(25)	(38)	(51)	(65)	(79)	(89)	(96)	(101)	(104)
EBITDA	**2**	**3**	**6**	**9**	**13**	**17**	**21**	**25**	**28**	**31**	**33**	**34**	**35**
EBITDA margin. %	*2.4%*	*2.2%*	*5.4%*	*5.2%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	**1**	**2**	**5**	**8**	**12**	**16**	**20**	**24**	**27**	**30**	**32**	**33**	**34**
EBIT margin. %	*1.6%*	*1.3%*	*4.4%*	*4.8%*	*4.7%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.9%*	*4.9%*	*4.9%*
Interest Expense	(1)	(4)	(2)	(5)	(6)	(7)	(8)	(9)	(8)	(6)	(4)	(2)	(1)
Financial income	-	-	0	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	-	-	-	-	-	-	-	-	-	-	-	-	-
PBT	**0.1**	**(2)**	**3**	**4**	**6**	**9**	**12**	**16**	**19**	**23**	**27**	**31**	**33**
Tax	(0.0)	0.1	(0.1)	(1)	(1)	(2)	(2)	(3)	(4)	(5)	(5)	(6)	(7)
Net Income	**0.1**	**(2)**	**3**	**3**	**5**	**7**	**10**	**12**	**15**	**18**	**22**	**25**	**27**
Net Margin. %	*0.1%*	*-2.0%*	*2.7%*	*1.8%*	*1.8%*	*2.1%*	*2.3%*	*2.5%*	*2.7%*	*3.0%*	*3.3%*	*3.6%*	*3.9%*

Balance Sheet Summary*, *USD mln*

	2005	2006	9M07	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Current Assets	**28**	**34**	**51**	**53**	**75**	**99**	**122**	**143**	**159**	**170**	**181**	**189**	**214**
Cash & Equivalents	4	3	8	10	12	14	17	20	22	24	26	28	50
Trade Receivables	3	7	10	8	13	17	21	25	28	29	31	32	33
Inventories	17	20	27	30	44	60	73	85	94	102	108	112	115
Other current assets	3	4	6	4	6	9	11	13	14	15	16	17	17
Fixed Assets	**7**	**22**	**22**	**30**	**35**	**40**	**43**	**46**	**47**	**48**	**48**	**49**	**49**
PP&E, net	5	21	21	27	34	38	41	44	44	45	46	46	46
Other Fixed Assets	2	1	1	3	2	2	2	2	2	2	3	3	3
Total Assets	**35**	**56**	**61**	**83**	**110**	**139**	**165**	**188**	**206**	**218**	**229**	**238**	**263**
Shareholders' Equity	**1**	**11**	**23**	**23**	**28**	**35**	**45**	**57**	**73**	**91**	**113**	**138**	**164**
Share Capital	0	0	9	9	9	9	9	9	9	9	9	9	9
Reserves and Other	1	11	14	14	19	26	36	48	63	82	104	128	155
Current Liabilities	**28**	**25**	**29**	**56**	**76**	**97**	**114**	**124**	**126**	**123**	**115**	**100**	**98**
ST Interest Bearing Debt	8	0	0	22	26	33	39	39	34	28	17	1	-
Trade Payables	18	23	27	32	47	61	71	80	87	91	94	95	94
Accrued Wages	0	0	0	-	-	-	-	-	-	-	-	-	-
Accrued Taxes	0	0	0	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	1	2	2	2	3	3	4	5	6	4	4	4	4
LT Liabilities	**6**	**19**	**21**	**4**	**7**	**7**	**7**	**7**	**7**	**4**	**1**	**0**	**0**
LT Interest Bearing Debt	6	19	21	4	7	7	7	7	7	4	1	0	0
Other LT	0	0	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities & Equity	**35**	**56**	**61**	**83**	**110**	**139**	**165**	**188**	**206**	**218**	**229**	**238**	**263**

PP&E and Shareholder Equity accounts in 2006 restated to include revaluation in the amount of USD 12 mln

UAH / USD Exchange Rates

	2005	2006	9M07	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F
Average	5.12	5.05	5.05	5.05	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Year-end	5.05	5.05	5.05	5.05	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Appendix - Disclosures

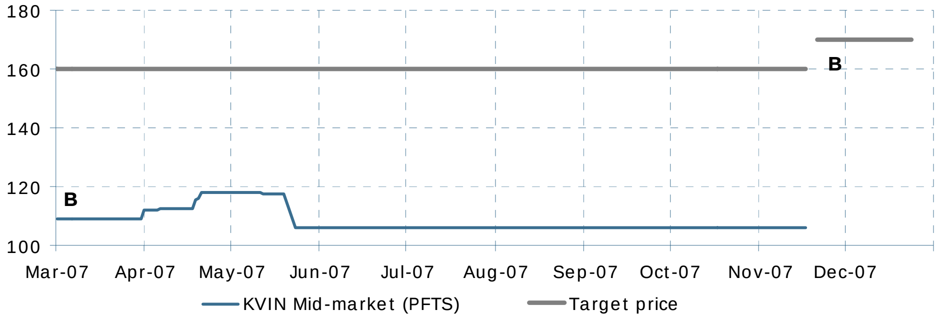
Analyst certification

I, Alexander Viktorov, 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.

Ekvin

Date	**12M target price**, USD	**Market price**, USD	**Rating**	**Action**
07-Mar-07	160	105	BUY	Initiating
11-Dec-07	170	105	BUY	Maintain

Ekvin, USD per share



Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution		
Buy	37	38%
Hold	29	30%
Sell	12	12%
Under Review	19	20%
Total	97	100%

Investment banking clients*		
Buy	8	80%
Hold	2	20%
Sell	0	0%
Under Review	0	0%
Total	10	100%

Concorde Capital provided investment banking services to the company within the past 12 months.

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