UKRAINE
Chemicals

CONCORDE CAPITAL

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Nitrogen Fertilizer Producers

Pain In The Gas

Companies Covered:

Stirol (HOLD)

Market Price, USD	23.9
12M Target, USD	22.3
Upside/Downside	-6.7%

Dniproazot (HOLD)

Market Price, USD	0.0049
12M Target, USD	0.0045
Upside/Downside	-8.2%

Azot Cherkasy (BUY)

Market Price, USD	2.2
12M Target, USD	3.0
Upside/Downside	26.7%

March 7, 2006

	Stirol	Dniproazot	Azot Cherkasy
Market Information:			
Bloomberg	**STIR UZ**	**DNAZ UZ**	**AZOT UZ**
XETRA	SVX	UZB	n/a
ADR:Ordinary	1:1	1:20	n/a
No of shares, mln	27.1	35,158.4	124.3
Market Price, USD	23.9	0.0049	2.2
MCap, USD mln	**648.3**	**172.3**	**273.4**
Free Float	6%	10%	3%

Ownership:

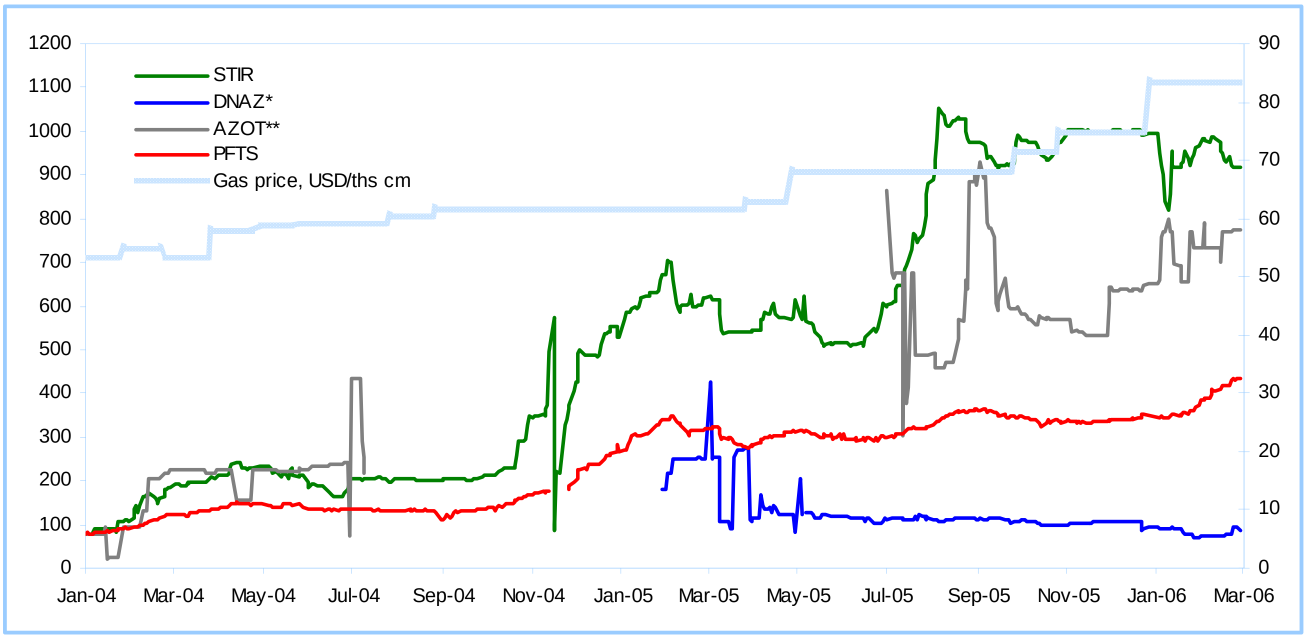
Stirol		Dniproazot		Azot Cherkasy	
Stirolkhiminvest	82.1%	Privat Group	84.4%	Ukrsib Group	97%
Other Stirol-related	11.0%	Others	15.6%	Others	3%
Others	6.9%				

Key Financial Data*, USD mln:

	Stirol 2004	Stirol 2005E	Stirol 2006E	Dniproazot 2004	Dniproazot 2005E	Dniproazot 2006E	Azot Cherkasy 2004	Azot Cherkasy 2005E	Azot Cherkasy 2006E
Sales	352.7	451.4	418.6	155.8	184.2	173.6	281.0	367.2	362.8
EBITDA	108.8	160.1	59.8	40.6	64.9	28.3	66.0	114.7	63.0
Net Income	77.5	110.1	30.2	19.8	39.2	13.1	42.1	77.5	38.7
EV/S	1.8	1.3	1.4	1.3	1.1	1.2	1.1	0.7	0.7
EV/EBITDA	5.9	3.6	10.0	5.0	3.0	7.2	4.6	2.2	3.8
P/E	19.9	6.4	23.4	8.9	4.5	13.5	6.5	3.2	6.4

** for Cherkasy Azot - based on true (adjusted) financials*

Nitrogen Fertilizer Stocks vs PFTS (rebased; January 8, 2004: PFTS=79.5)



** Dniproazot (DNAZ) was listed in February 2005*
*** Azot Cherkasy was not traded during July 2004 – July 2005 due to ownership issues*

Company	PFTS ticker	Liquidity	Spread Current	Spread July 06	Free Float	Price	FF MCap USD mn	Avg Monthly Trading USD mn 3-month	Avg Monthly Trading USD mn 9-month
Stirol	STIR	High	10.4%	13.1%	6%	23.9	38.9	1.48	1.05
Dniproazot	DNAZ	Low	5.3%	4.7%	10%	0.0049	17.2	0.35	0.30
Azot Cherkasy	AZOT	Low	6.3%	14.4%	3%	2.2	8.2	0.93	0.62

Source: PFTS, Concorde Capital estimates

Summary

2006 Forecast Revised: Costs Up, Sales Down. This year's lower profitability and sales will be the major factors pushing the companies' value down. We have downgraded our outlook for the Ukrainian fertilizer industry as a whole and revised our projections and valuation downward for Stirol and Dniproazot.

Despite the current gas situation, we have initiated coverage of Azot Cherkasy - a company that we believe was overlooked by the market. It is a good alternative to Stirol and Dniproazot for those who still like Ukrainian fertilizers.

Sales 2006:

	Revised	Previous*	Change
Stirol	418.6	520.8	-19.6%
Dniproazot	173.6	213.0	-18.5%
Azot Cherkasy**	362.8	-	-

Margins 2006:

	EBITDA Margin		**Net Margin**	
	Revised	Previous*	**Revised**	Previous
Stirol	14.3%	35.7%	7.2%	22.7%
Dniproazot	16.3%	33.7%	7.5%	20.2%
Azot Cherkasy**	17.4%	-	10.7%	-

12M target prices:

	Revised	Previous*	Change
Stirol	USD 22.3	USD 35.0	-63.7%
Dniproazot	USD 0.0045	USD 0.0060	-25.0%
Azot Cherkasy	USD 3.0	-	-

** our forecasts according to our report of December 2006*
*** based on true (adjusted) financials*

Higher Gas Costs Put The Squeeze On Profitability. Natural gas, the major input for nitrogen fertilizers has become more expensive – in 2006 the annual average gas price for industrial consumers will grow by at least 53% yoy compared to 2005. That will trigger higher production costs and squeeze margins. On average, higher gas prices will result in the companies EBITDA margins being cut in half, and about three times lower net margins.

Stirol: The Most Sensitive. Our sensitivity analysis suggests that Stirol's financial stance and target price is the most sensitive to gas prices, while Dniproazot and Cherkasy may weather gas price increases relatively better.

Cherkasy Azot Sugars The Pill. Our target for Azot Cherkasy provides a 27% upside to the market. Notwithstanding downgrade of our outlook for Ukrainian nitro-fertilizer industry as a whole, we expect Azot's price to be fueled by greater transparency of the company. We were able to lift the veil from the company's true sales and profitability: our analysis suggests that Azot underreports its sales, while its margins are in fact wider than reported.

Uncertainty Puts 2006 Modernization Plans On Hold. Economic and political uncertainty have caused the companies to suspend modernization plans for 2006. Even if the companies throw their modernization plans into high gear later this year, we do not expect any substantial decreases in gas consumption per ton of ammonia in 2006.

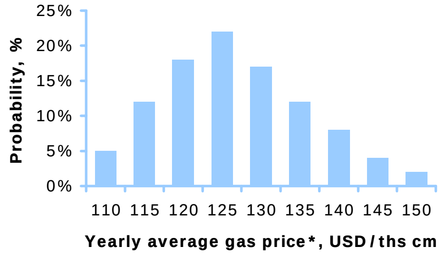
Sales Shackled By Gas Consumption Limit. The government is going to set gas consumption limits, thereby restraining nitrogen fertilizer output, while we expect fertilizer prices to remain virtually flat next year. Therefore, we have slashed our sales forecasts.

Potential Acquisition Targets. Lower returns may cause the owners of nitrogen fertilizer producers to sell out - Dniproazot looks like the most likely target for acquisition.

Gas Prices: What To Expect

There is a great deal of uncertainty with regards to gas pricing in 2006. In order to evaluate the impact of different outcomes, we modeled nine different scenarios with different yearly average gas prices (including transportation costs) for the companies in 2006. We weighted these price scenarios by probability and came up with a weighted average end-point gas price for industrial consumers of USD 126.7 per ths cm in 2006.

Industrial Gas Price Scenarios



Probability weighted price: **USD 126.7**

Probability that the price will be in the range USD 120-USD130: **57%**

** transportation cost included*

Source: Concorde Capital estimates

Major Gas Price Variables In 2006

Incoming gas prices, which in turn depend on the price for:

- Turkmen gas,
- Russian gas,
- changes in Russia and Turkmenistan gas prices in 2006.

The government's willingness to support the industry, which in turn depends on

- incoming gas prices,
- political will,
- the lobbying power of the companies' owners.

Naftogaz's Financial Strength. It is likely that Naftogaz's financial strength will deteriorate this year. To payoff its debts, the company may up the price of gas or/and tariffs for gas transportation and storage.

The Government Stands Down

No Differentiation. The Ukrainian Government is reluctant to differentiate gas prices for different industries - it is quite likely that all the businesses will pay the same price in 2006. The Cabinet and the National Electricity Regulation Commission's (NERC) recent decisions on establishing uniform gas prices for industrial consumers support our expectations. Government officials argue that uniform pricing will minimize corruption and significantly simplify monitoring and control procedures.

Elections To Bring No Relief. We don't think things will improve after the elections, regardless of their results. Political instability and the increasing budget deficit make government subsidization unlikely. Even if the new Cabinet succeeds in nullifying the current gas agreement, the process would take too long to effect this year's average gas price. In addition, Russia is unlikely to lower the price for gas even if a 'blue' coalition is formed in the government.

Recent Developments In Ukraine's Gas Course

January 4.	Naftogaz Ukrayiny, Gazprom and RosUkrEnergo sign a contract under which Ukraine will purchase 34 bln cm of natural gas at USD 95 per ths cm at the Russia-Ukraine border.
February 2.	Naftogaz and RosUkrEnergo create a JV, Ukrhaz-Energo, which is to supply RosUkrEnergo's natural gas to local consumers.
February 9.	The Cabinet sets a ceiling of USD 110 per ths cm on gas prices for industrial enterprises and municipal heating enterprises until the end of 2010.
February 16.	The National Electricity Regulation Commission (NERC) approves the limit on gas prices for industrial consumers at USD 107/ths cm. The new price took effect on February 20.

Gas Price Outlook

Price At The Ukraine-Russia Border. If prices do not change in 2H06, the average price of gas at the Ukrainian border in 2006 will be about USD 93/ths cm. However, exactly how long this price will be valid for is uncertain, as the agreements allow for revision. There is still a chance that January's agreement will be nullified after the elections.

The Final Price For Industrial Consumers. Provided the NERC's ceiling price of USD 107/ths cm remains unchanged, it would imply a 53% increase from the 2005 average. This price does not include transportation costs, meaning the end-point price for industrial consumers would be about USD 117 per ths cm. However, the price consumers will pay for gas during the year remains to be seen – the NERC still has to decide whether or not to grant Ukrgaz-Energo a license to sell gas at unregulated prices. This license is the government's ace in the hole, and it will most likely use it to gain extra leverage in further negotiations on gas pricing.

Higher Gas Costs To Hurt Profitability

Gas is the major feedstock needed in nitrogen fertilizer production. It accounts for more than 70% of the production costs of ammonia and 40-50% in the plant's COGS.

This year's expected increase of average end-point gas prices to USD 126.7 per ths cm (64.5% yoy) implies that COGS for nitrogen fertilizer producers will increase on average by ~30% yoy. If this happens the share of gas costs in COGS will rise by 10-15 p.p.

In 2006 we expect the average price for nitrogen fertilizers to remain virtually the same as last year.

As increased gas prices will only affect Ukrainian nitrogen fertilizer producers, it is unlikely that they will pass the extra cost on to global customers. Thus, the companies' profit margins will have to absorb the cost.

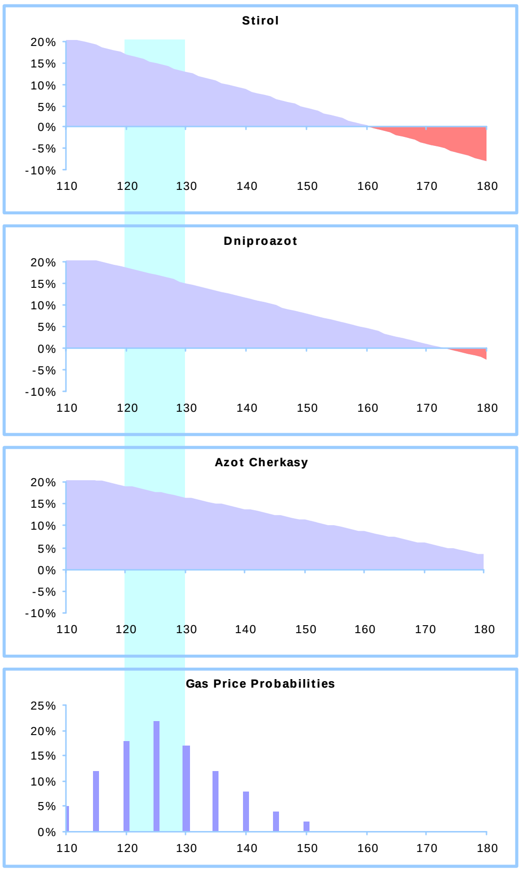
If the price of natural gas for nitrogen fertilizer producers goes above USD 140-150/ths cm, ammonia production may no longer be profitable, given the sector's current rate of gas consumption and forecasted prices for fertilizers.

Margin Sensitivity: Stirol Suffers, Cherkasy Least Affected

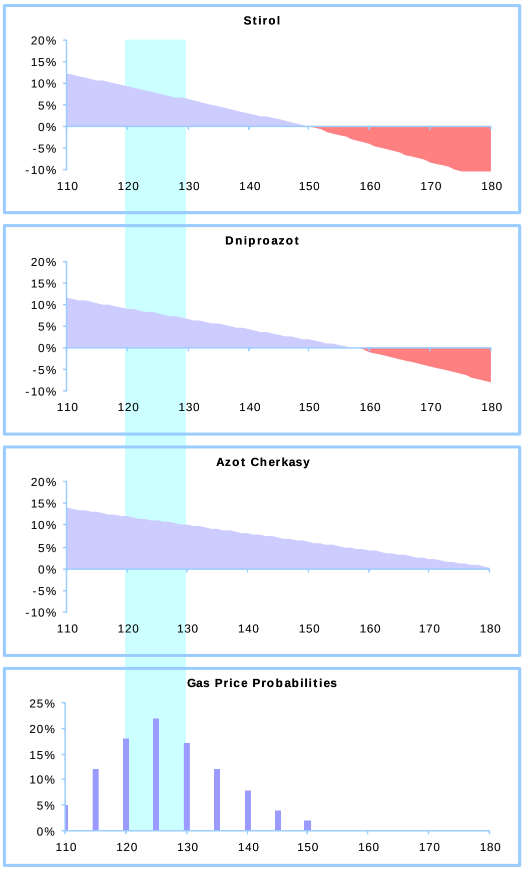
Our sensitivity analysis suggests that a USD 126.7/ths cm gas price would drive EBITDA margins down to about half of 9M05 levels, and net margins would be cut by about two thirds. Yet, all three companies are likely to remain profitable.

Stirol is the most sensitive to gas prices, while Dniproazot and Cherkasy can weather a gas price increase relatively better.

Sensitivity of EBITDA Mgn To Gas Price '06



Sensitivity of Net Mgn To Gas Price '06



*Source: Concorde Capital estimations**
** for Azot Cherkasy – based on true (adjusted) financials*

Stirol. The company is the most sensitive of the three to gas price growth. Relatively high gas consumption per ton of ammonia (~1.30 ths cm) and the large share of nitrogen fertilizers in its product mix (~80%) result in a greater share of gas costs in the companies' COGS (~50%) and make Stirol more dependent on gas prices.

Dniproazot. It is the most gas-efficient of the three companies, consuming about 1.14 ths cm of gas per ton of ammonia produced. Gas makes up ~40% of the company's COGS (10 p.p. lower than for Stirol), which makes its margins less sensitive to gas prices.

Azot Cherkasy. Due to its well diversified product mix, the company can continue to be profitable even if the gas price goes above USD 160/ths cm. Caprolactam accounts for about 1/3 of Azot's revenues, while gas makes up only an insignificant share of the cost of caprolactam production (~2%). Azot Cherkasy consumes more gas per ton of ammonia than Dniproazot (~1.19 ths cm), however, the company's higher gas consumption is offset by a lower share of fertilizers in its revenues. The share of gas in Azot's COGS is the same as for Dniproazot (~40%). An expected 12% increase in caprolactam revenues this year will support Azot's profitability and make it the least sensitive to gas price increases.

In the 'Valuation' section we provide sensitivity analysis of the targets implied by peer multiples to the price of gas. We found that Azot Cherkasy's target is the least sensitive, which is not surprising given the relatively low sensitivity of its margins to gas prices. On the contrary, Stirol's target is very sensitive to gas prices and would decrease substantially if the latter grows beyond the expected level.

Modernization? - Not So Fast

Ukrainian nitrogen fertilizer producers have suspended their modernization plans, until the economic and political situation in Ukraine becomes clearer. Given the current risks, this makes sense.

As we have already said, the companies covered in this report differ in their cost efficiency. Stirol consumes about 1300 cm of gas per ton of ammonia, while Dniproazot - only 1140. In order to decrease gas consumption to the world average (850-950 cm per ton of ammonia) the companies will need to make significant investments. The amount of capital investments required varies from USD 15 mln to USD 30 mln per one ammonia production facility, the pay-off period being about 2-3 years.

	Average gas consumption per ton of ammonia as of 9m05, cm	Investments required, per 1 ammonia facility
Stirol	1300	USD 25-30 mln
Dniproazot	1140	USD 15-20 mln
Azot Cherkasy	1185	USD 15-20 mln

Source: Concorde Capital estimates

Even if the companies restart their modernization projects, the effect would be felt until next year at best. If the companies start at the beginning of 2H06, they are not likely to finish before the end of 1H07.

Output & Sales Forecasts Drop

The government intends to skim 10% off the country's overall gas consumption in 2006, by setting limits on gas usage for businesses. That would in turn cap nitrogen fertilizer output. According to the government, in January 2006 the country's gas consumption decreased by 10%. While, January's ammonia production fell by 2.4% yoy, in spite of the fact that ammonia prices were more than 50% higher than in January 2005.

As outputs are likely to fall while fertilizer prices remain at last year's level, we have revised our sales forecasts downward for Stirol and Dniproazot.

We now believe fertilizer production will decrease by 10%, not grow by 3-5% as we assumed in our previous reports. In addition, based on last year's actual production figures, we have fine tuned the companies' sales estimates for 2005, which changes the base for our growth rate assumptions.

Our new sales forecasts imply different year-on-year dynamics. Stirol and Dniproazot's sales are expected to decrease 6-7% yoy in 2006, while previous projections suggested 12-15% yoy growth. For Azot Cherkasy, the expected 12% increase in caprolactam revenues this year will mitigate the negative impact of an estimated 10% yoy decrease in fertilizer sales.

Sales Forecast '06

	Revised	Previous*	Change
Stirol	418.6	520.8	-19.6%
Dniproazot	173.6	213.0	-18.5%
Azot Cherkasy**	362.8	-	-

Sales YoY Growth Forecast '06

	Revised	Previous*	Change
Stirol	-5.8%	15.1%	-20.9 p.p.
Dniproazot	-7.3%	12.1%	-19.4 p.p.
Azot Cherkasy**	-1.2%	-	-

** our forecast from our report of December 2006*
*** based on true (adjusted) financials*

Digging In Or Selling Out?

The ability of Ukrainian producers to find ways to survive under the new market conditions will indicate whether their owners stay or start seeking to sell their businesses. For instance, by buying into Ukrainian market, Russian fertilizer producers may decrease their transportation costs and possibly benefit from lower gas costs, provided they succeed in contracting cheaper gas from Gazprom.

Sustainability Analysis Of Local Nitrogen Fertilizer Producers

	Stirol	Dnipro Azot	Azot Cherkasy	Odessa Portside	Azot Severo-donetsk	Rivne Azot
Government purchases	+		++		+	+
Proximity to the pipeline	++	+		+++	+	
Diversification	++	+	++			
Availability of direct gas purchase	(+)				+	(+)
Modernization	+	+		++	+	++
Score	**6.5**	**3**	**4**	**5**	**4**	**3.5**

+++: 'good' (3 points); ++: 'average' (2 pts); +: 'below average' (1 pts); (+): 'uncertain' (0.5 pts)
Source: Concorde Capital estimations

Stirol. Our analysis suggests that in terms of business sustainability, Stirol is strong enough to adjust to the new market conditions. Even though the company is the most sensitive to gas prices, Stirol has significant advantages over the other Ukrainian nitrogen fertilizer producers. First, the company enjoys lower transportation costs due to its direct access to the Toliatti-Gorlovka-Odessa ammonia pipeline. Second, Stirol has a large amount of cash on hand and can immediately start modernization of production facilities or invest into the further diversification of its business.

The Odessa Portside Plant. Odessa Portside is 100% state-owned and its privatization looks unlikely in the near future.

Azot Severodonetsk. Re-privatization disputes surrounding the company flared-up after the Presidential elections in 2004. In its attempt to achieve a compromise with the authorities, IBE Trade offered to transfer 1/3 of its 60% stake to the State, but it plans to retain the remaining 40%. According to the most recent news, some industrial groups (IUD, F&C) have expressed interest in the state-owned CJSC Azot, the predecessor of Severodonetsk Azot. Most likely these investors have been attracted by the possibility of the company's re-privatization and the subsequent transfer of its production assets back to CJSC Azot.

Dniproazot, Azot Cherkasy, Rivneazot. These companies are potential take-over targets. Though of the three, Dniproazot looks like the most likely candidate.

In our valuation section we will apply discounts to multiples-implied targets based on this sustainability analysis: 0% for Stirol and 25% for both Dniproazot and Cherkasy Azot.

Valuation

Methodology

We believe that at this point DCF modeling is not appropriate as most of these companies are adjusting to the new business conditions, making the basic parameters for the model too uncertain. Instead we decided to put our multiples valuation under the microscope.

We first estimated multiples-implied prices based on different gas price scenarios (see p.4) to account for the current uncertainty about future margins, and second applied company-specific discounts, where necessary, according to our sustainability matrix (see p.9).

Valuation Summary

Company	Multiples-implied prices	Discount	Target Price
Stirol	USD 22.3	0%	**USD 22.3**
Dniproazot	USD 0.0060	25%	**USD 0.0045**
Azot Cherkasy	USD 4.0	25%	**USD 3.0**

Source: Concorde Capital estimates

Stirol. The price implied by peer multiples is USD 22.3 per share. Analysis of Stirol's business sustainability indicates that it is one of the strongest Ukrainian nitrogen fertilizer producers. Therefore, we do not apply any discount.

Dniproazot. Peer group multiples bring us to a price of $0.006 per share. Based on our sustainability analysis, we apply a 25% discount and come up with a target price of $0.0045.

Azot Cherkasy. The company used to employ 'creative accounting' practices and does not reveal its true sales and profitability. As it prepares for an IPO and to issue Eurobonds, we expect Azot to become more transparent, therefore, we considered two cases in our scenario modeling: one based on adjusted accounting data and the other - based on reported data. The former gives us a target price of USD 5.7 and the latter – USD 3.3. We assign a 70% weight to the transparency case and get weighted average price of USD 4.0. Further, our sustainability analysis suggests applying a discount of 25%. The resulting target price is USD 3.0 per share.

We do not rely on Russian peers due to a lack of reliable data. Russian companies used to employ tolling schemes, affecting sales figures, and do not report true margins. For reference, we compare Russian peers to Ukrainian plants based on nominal sales, *i.e.* sales calculated at common market prices for fertilizers (see p.14). The comparison suggests that Stirol is relatively overvalued, while Dniproazot's and Cherkasy Azot's prices implied by Russian peers indicate 20-45% upside. These conclusions support the valuation results we obtained on the basis of global and Asian peer groups.

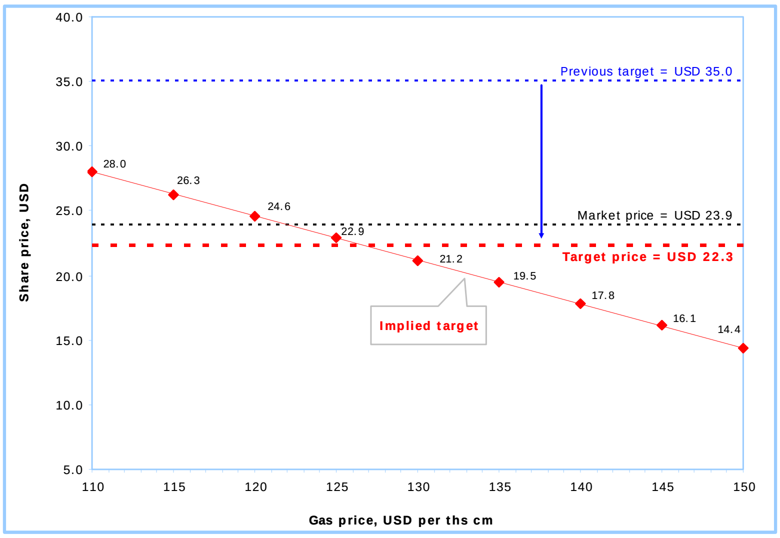
Short-Term Sensitivity Of Target Prices To Gas Prices

We performed a sensitivity analysis to see how the target prices implied by the multiples change under different gas price scenarios.

Note that the factors explaining the sensitivity of the companies' margins provided on page 7 of this report generally have the same impact on the sensitivity of their implied targets. Please refer to our discussion above to see why these sensitivities differ across the companies.

Stirol

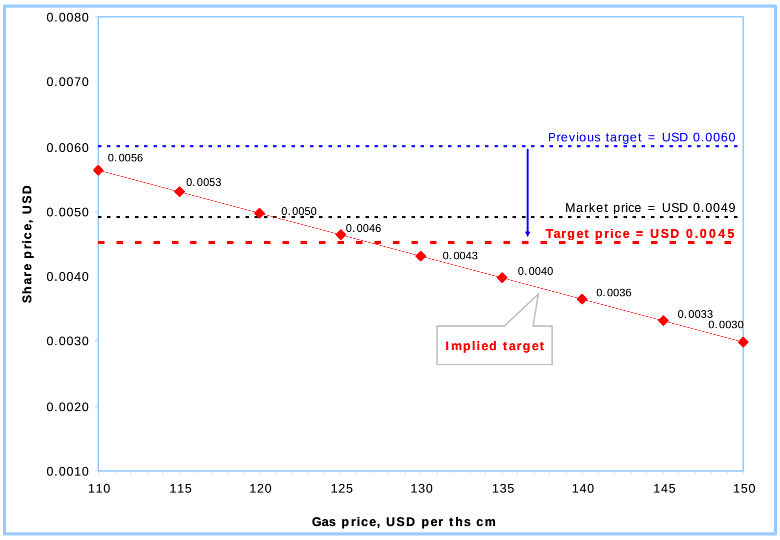
Our sensitivity analysis suggests that Stirol's target is quite sensitive to the price of gas. If the average annual gas price reaches USD 150, Stirol's target will decrease by 35.4%, to about USD 14.4, which is 39.7% lower than the current market price.

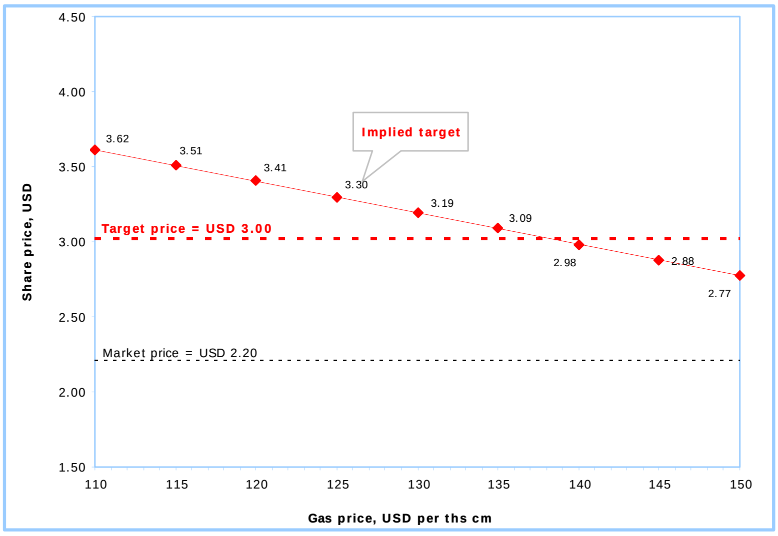


Dniproazot

Sensitivity of Dniproazot's target to gas prices is similar to that of Stirol. If the annual average gas price increases to USD 150 per ths cm, the target will decrease by 33.3%, to USD 0.003, which implies 38.8% downside to the current market price of the stock.

We have already discussed above that Dniproazot's margins are less sensitive than Stirol's. However, compared to Stirol, Dniproazot's EV/S multiple (which does not change when gas price changes) has lower impact on its implied targets – and makes those more sensitive. As a result, these two effects offset each other.





Azot Cherkasy

Our target for Cherkasy Azot has a large safety margin against increases in gas prices. Even with an annual average gas price of USD 150 per ths cm the target would only correct by 7.7%, to USD 2.77, leaving a 25.9% upside to the market.

Scenario Modeling

Stirol

Current price	23.9
# of shares	27.1
Market Cap	648.3
Net Debt	-109.1
EV	539.2

Target	MCap	EV
22.3	605.1	496.0

Discount: 0%

EV / SALES

Sales 2006E	Implied price
418.6	33.9

EV / EBITDA

Gas price	EBITDA Margin	Implied price	Prob-weighted price
110	21.3%	28.6	
115	19.2%	26.2	
120	17.1%	23.8	
125	15.0%	21.3	
130	12.9%	18.9	20.5
135	10.8%	16.5	
140	8.7%	14.1	
145	6.6%	11.7	
150	4.5%	9.2	

P / E

Net Margin	Implied price	Prob-weighted price
12%	21.4	
11%	18.7	
9%	16.1	
8%	13.4	
6%	10.7	12.5
5%	8.0	
3%	5.4	
2%	2.7	
0%	0.0	

Dniproazot

Current price	0.0049
# of shares	35158.4
Market Cap	172.3
Net Debt	29.0
EV	201.3

Target	MCap	EV
0.0045	159.1	188.1

Discount: 25%

EV / SALES

Sales 2006E	Implied price
173.6	0.0087

EV / EBITDA

Gas price	EBITDA Marg	Implied price	Prob-weighted price
110	22%	0.0074	
115	20%	0.0067	
120	19%	0.0061	
125	17%	0.0054	
130	15%	0.0048	0.0052
135	13%	0.0041	
140	12%	0.0035	
145	10%	0.0028	
150	8%	0.0022	

P / E

Net Margin	Implied price	Prob-weighted price
12%	0.0064	
10%	0.0057	
9%	0.0051	
8%	0.0044	
7%	0.0037	0.0042
6%	0.0030	
4%	0.0024	
3%	0.0017	
2%	0.0010	

Azot Cherkasy*

CASE 1: Based on true financials (Probability=70%)

Current price	2.20
# of shares	124.3
Market Cap	273.4
Net Debt	-6.9
EV	266.6

Target	MCap	EV
3.0	375.2	368.3

Discount: 25%

EV/SALES

Sales 2006E	Implied price
362.8	5.7

EV/EBITDA

Gas price	EBITDA Marg	Implied price	Prob-weighted price
110	22%	4.8	
115	20%	4.5	
120	19%	4.2	
125	18%	3.9	
130	17%	3.7	3.9
135	15%	3.4	
140	14%	3.1	
145	13%	2.8	
150	11%	2.5	

P/E

Net Margin	Implied price	Prob-weighted price
14%	4.6	
13%	4.2	
12%	3.9	
11%	3.6	
10%	3.3	3.5
9%	3.0	
8%	2.7	
7%	2.3	
6%	2.0	

CASE 2: Based on reported financials (Probability=30%)

Current price	2.20
# of shares	124.3
Market Cap	273.4
Net Debt	24.5
EV	298.0

EV/SALES

Sales 2006E	Implied price
205.8	3.3

Peer Multiples

Global

	Sales			MCap	Price	EBITDA Mgn			Net Mgn		
	2004	2005E	2006E			2004	2005E	2006E	2004	2005E	2006E
Agrium	3668.9	3351.0	3995.9	2986.6	23.6	18%	19%	13%	9%	9%	5%
Potash	3750.9	3586.1	3872.5	9303.9	88.4	21%	29%	29%	10%	15%	15%
Yara	7110.5	6797.7	7003.2	4812.3	14.9	15%	13%	11%	9%	7%	7%
Mean						18%	20%	18%	9%	10%	9%
Median						18%	19%	13%	9%	9%	7%

EV/S			EV/EBITDA			P/E		
2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2006E
0.9	1.0	0.8	4.8	5.1	6.1	8.7	9.9	14.5
2.8	2.9	2.7	13.3	9.8	9.1	24.1	17.4	15.8
0.8	0.8	0.8	5.2	6.4	7.2	7.7	9.6	10.2
1.5	1.6	**1.4**	7.8	7.1	**7.5**	13.5	12.3	**13.5**
0.9	1.0	0.8	5.2	6.4	7.2	8.7	9.9	14.5

Asia

	Sales			MCap	Price	EBITDA Mgn			Net Mgn		
	2004	2005E	2006E			2004	2005E	2006E	2004	2005E	2006E
Hebei Cangzhou Dahua Company	150.7	n/a	n/a	147.3	n/a	21%	n/a	n/a	7%	n/a	n/a
Yunnan Yuntianhua	224.1	311.5	376.6	595.3	1.1	44%	n/a	n/a	26%	25%	22%
Sichuan Meifeng Chem	112.3	149.6	197.1	244.0	1.0	35%	n/a	n/a	20%	22%	21%
Liaoning Huajin Tongda	199.8	n/a	n/a	299.4	n/a	23%	n/a	n/a	8%	n/a	n/a
Hubei Yihua Chemical	197.0	280.5	331.0	194.2	0.7	24%	n/a	n/a	7%	5%	5%
Abou KIR Fertilizers	202.5	295.2	372.7	1160.3	25.3	40%	51%	49%	25%	29%	29%
Shandong Hualu Hengsheng	120.0	165.9	210.4	224.3	0.9	22%	n/a	n/a	13%	12%	11%
Chambal Fertilisers & Chemicals Limited	581.2	n/a	n/a	372.8	n/a	18%	n/a	n/a	3%	n/a	n/a
Mean						28%	51%	49%	14%	19%	18%
Median						23%	51%	49%	10%	22%	21%

EV/S			EV/EBITDA			P/E		
2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2006E
1.2	n/a	n/a	6.0	n/a	n/a	14.3	n/a	n/a
2.8	2.0	1.7	6.2	n/a	n/a	10.3	7.5	7.0
2.3	5.7	3.8	6.6	n/a	n/a	11.0	7.3	6.0
2.2	n/a	n/a	9.4	n/a	n/a	18.2	n/a	n/a
1.4	1.0	0.8	5.8	n/a	n/a	13.9	13.2	11.5
5.2	6.0	4.5	13.2	11.9	9.2	23.4	13.5	10.7
2.7	1.9	1.5	12.1	n/a	n/a	14.7	11.2	9.5
1.2	n/a	n/a	6.7	n/a	n/a	20.7	n/a	n/a
2.4	3.3	**2.5**	8.3	11.9	9.2	15.8	10.6	**8.9**
2.2	2.0	1.7	6.7	11.9	9.2	14.5	11.2	9.5

	EV/S	EV/EBITDA	P/E
Average	**1.9**	**7.5**	**11.2**

Ukrainian

	Sales			MCap	Price	EBITDA Mgn			Net Mgn		
	2004	2005E	2006E			2004	2005E	2006E	2004	2005E	2006E
Stirol	352.7	451.4	418.6	648.3	23.9	31%	35%	14%	10%	24%	7%
Dniproazot	155.8	184.2	173.6	172.3	0.0049	26%	35%	16%	13%	21%	8%
Cherkasy Azot*	281.0	367.2	362.8	273.4	2.20	23%	31%	17%	15%	21%	11%

EV/S			EV/EBITDA			P/E		
2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2006E
1.6	1.2	1.3	5.3	3.3	9.0	18.3	5.9	21.5
1.3	1.0	1.2	4.9	3.0	7.1	8.7	4.4	13.2
1.1	0.8	0.7	4.6	2.4	4.2	6.5	3.5	7.1

** based on true (adjusted) financials*

Russian

	Nominal output*, USD mln	MCap, USD mln	MCap/ Nominal output
Akron	934.2	1288	1.4
Azot Cherepovets	298.0	200	0.7
Azot Nevinnomysk	783.7	893	1.1
Azot Novomoskovsk	684.4	591	0.9
		Average:	**1.0**
Stirol	479.5	705	1.5
Dniproazot	203.6	176	0.9
Cherkasy Azot	388.1	249	0.6

** output @ common market prices (FOB Yuzhny)*

Source: companies' data, Concorde Capital estimates

	Multiples-implied price, USD
Stirol	17.9
Dniproazot	0.0059
Cherkasy Azot	3.2

Financial Statements According To UAS*

Income Statement Summary, USD mln	Stirol			Dniproazot			Azot Cherkasy		
	2003	2004	9M05	2003	2004	9M05	2003	2004	9M05
Net Revenues	**245.3**	**352.7**	**324.9**	**126.6**	**155.8**	**130.8**	**232.8**	**233.7**	**171.0**
Change y-o-y	*N/M*	*44%*	*30%*	*N/M*	*23%*	*18%*	*N/M*	*0%*	*-6%*
Cost Of Sales	(149.7)	(203.8)	(187.2)	(76.7)	(82.0)	(67.5)	(206.8)	(177.4)	(134.2)
Gross Profit	95.7	148.9	137.7	50.0	73.8	63.2	25.9	56.4	36.8
% of Net Revenues	*39%*	*42%*	*42%*	*39%*	*47%*	*48%*	*11%*	*24%*	*22%*
Other Operating Income/Costs, net	(2.2)	(2.1)	(4.9)	(2.3)	(5.3)	(5.6)	(1.5)	(17.1)	(2.7)
% of Net Revenues	*-1%*	*-1%*	*-1%*	*-2%*	*-3%*	*-4%*	*-1%*	*-7%*	*-2%*
SG&A	(30.9)	(37.9)	(41.0)	(15.8)	(28.0)	(19.6)	(13.9)	(24.0)	(23.5)
% of Net Revenues	*13%*	*11%*	*13%*	*12%*	*18%*	*15%*	*6%*	*10%*	*14%*
EBITDA	**62.6**	**108.8**	**91.9**	**31.9**	**40.6**	**38.1**	**10.5**	**15.2**	**10.6**
EBITDA margin, %	25.5%	30.9%	28.3%	*25%*	*26%*	*29%*	*5%*	*7%*	*6.2%*
Depreciation	(11.6)	(11.2)	(10.0)	(5.7)	(5.4)	(4.4)	(5.9)	(6.4)	(9.5)
EBIT	**51**	**98**	**82**	**26.2**	**35.2**	**33.7**	**4.6**	**8.9**	**1.1**
EBIT margin, %	20.8%	27.7%	25.2%	20.7%	22.6%	25.8%	2.0%	3.8%	0.6%
Interest Expense	(1.0)	(1.6)	(2.1)	(1.4)	(4.8)	(1.4)	(3.4)	(3.6)	(2.7)
Financial income/(expense)	1.7	5.8	12.1	-	-	0.1	(0.0)	0.0	0.0
Other income/(expense)	(1.0)	1.5	0.5	(0.1)	(1.6)	(1.0)	(0.9)	0.2	1.7
PBT	**50.6**	**103.3**	**92.2**	**24.8**	**28.7**	**31.5**	**0.3**	**5.5**	**0.0**
Tax	(15.2)	(25.8)	(19.8)	(8.2)	(8.9)	(4.3)	(0.1)	(4.3)	(2.8)
Effective tax rate	*30%*	*25%*	*21%*	*33%*	*31%*	*14%*	*45%*	*78%*	*6193%*
Extraordinary Income/(loss)	-	-	-	-	-	-	-	-	-
Net Income	**35.4**	**77.5**	**72.4**	**16.6**	**19.8**	**27.1**	**0.2**	**1.2**	**(2.8)**
Net Margin, %	*14%*	*22.0%*	*22.3%*	*13%*	*13%*	*21%*	*0%*	*1%*	*-1.6%*
Dividend Declared	**-**	**18.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Balance Sheet Summary, USD mln	2003	2004	9M05	2003	2004	9M05	2003	2004	9M05
Current Assets	**91.5**	**165.2**	**375.7**	**107.4**	**150.2**	**188.7**	**148.2**	**175.9**	**135.5**
Cash & Equivalents	43.7	85.3	259.0	1.0	1.0	1.6	0.4	1.9	0.2
Trade Receivables	7.4	8.9	19.7	6.5	27.3	32.3	31.4	63.5	41.3
Inventories	23.0	33.7	45.1	11.9	12.2	16.3	28.7	40.8	53.2
Other current assets	17.3	37.4	51.8	87.9	109.7	138.4	87.5	69.7	40.9
Fixed Assets	**124.2**	**139.4**	**161.4**	**134.3**	**121.7**	**128.8**	**93.0**	**133.5**	**172.3**
PP&E, net	105.7	107.3	112.8	109.0	106.4	112.0	87.0	113.8	135.1
Other Fixed Assets	18.6	32.1	48.6	25.3	15.3	16.8	6.0	19.6	37.2
Total Assets	**215.7**	**304.6**	**537.1**	**241.6**	**271.9**	**317.5**	**241.1**	**309.3**	**307.8**
Shareholders' Equity	**177.1**	**223.5**	**320.9**	**134.4**	**207.3**	**248.5**	**43.1**	**83.1**	**127.5**
Share Capital	59.6	52.0	61.1	0.3	0.3	66.0	80.2	119.6	161.0
Reserves and Other	82.0	112.4	185.9	106.6	157.8	101.9	19.9	19.5	25.9
Retained Earnings	35.4	59.2	73.9	27.5	49.2	80.6	(56.9)	(55.9)	(59.4)
Current Liabilities	**34.4**	**75.8**	**86.3**	**71.0**	**20.9**	**28.5**	**160.6**	**181.2**	**168.6**
ST Interest Bearing Debt	4.2	14.2	22.8	1.1	0.0	0.0	14.9	22.4	19.5
Trade Payables	4.8	23.7	11.7	33.0	3.0	10.0	120.5	136.6	131.5
Accrued Wages	0.3	0.3	0.4	0.5	0.9	1.2	0.6	0.7	1.0
Accrued Taxes	0.2	5.0	0.1	0.4	0.4	1.9	0.4	0.4	1.0
Other Current Liabilities	24.9	50.8	51.3	36.0	16.6	15.5	24.2	21.1	15.7
LT Liabilities	**4.2**	**5.3**	**129.9**	**36.2**	**43.7**	**40.4**	**37.4**	**44.9**	**11.7**
LT Interest Bearing Debt	3.5	2.7	127.1	28.2	27.0	22.7	5.6	9.3	6.3
Other LT	0.8	2.6	2.8	8.0	16.7	17.8	31.8	35.7	5.4
Total Liabilities & Equity	**215.7**	**304.6**	**537.1**	**241.6**	**271.9**	**317.5**	**241.1**	**309.3**	**307.8**

** officially reported, not adjusted*

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