

**INITIATING COVERAGE**

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# **Infrastructure. Bridge construction**

**Mostobud &  
Dnipropetrovsk Babushkin**



May 14, 2008

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# INVESTMENT THESIS

## Investment summary

Company	Bloomberg
Mostobud	MTBD UZ
Dnipropetrovsk Babushkin Steelwork Plant (DZMK)*	n/a

\* DZMK is available OTC

	Price USD	12M TP USD	Upside	Rec.
MTBD	351.98	502	43%	BUY
DZMK	0.30	0.79	163%	BUY

	# of sh. mln	MCap USD mln	Free float %	Free float USD mln
MTBD	0.6	204.1	34%	69.6
DZMK	99.6	29.9	10%	3.0

**We estimate spending on bridge construction in Ukraine will total USD 4 bln over 2008-12 (38% CAGR), triggered by preparation for the Euro 2012 Football Championship. We initiate coverage of two companies that will benefit most from this trend:**

- **Mostobud - a near-monopoly bridge construction company**
  - **Dnipropetrovsk Babushkin Steelwork Plant (DZMK) – the largest Ukrainian manufacturer of structured steelwork**
- Our recommendation for both stocks is BUY.**

### Bridge construction in Ukraine is poised for renewal

The Ukrainian government is planning to build ~30 km of new bridges, reconstruct ~10 km of existing bridges, and construct ~200 new overpasses and viaducts as part of a mass road infrastructure program over 2008-2012, in the runup to co-hosting the UEFA Euro 2012 football championship. Currently, about half of Ukraine's 16 ths bridges are out of date and ~400 require immediate overhaul. At the same time, domestic transportation is constantly rising, resulting in increased load on bridges; passenger and cargo transportation have increased by 66% and 32% since 2000.

### USD 10 bln will be spent on road infrastructure by 2012

Overall spending on road and bridge infrastructure development will require USD ~10 bln over 2008-12, according to our estimates. This represents ~2% of GDP, a fairly achievable amount in our view (Portugal spent ~3.5% of its GDP prior to Euro 2004). The Ukrainian government is set to attract private investments to cover two thirds of the necessary amount.

### Mostobud is set to receive USD 3.4 bln worth in orders over 2008-12

With its near-monopoly standing on the local market, bridge builder Mostobud is the only publicly traded Ukrainian company with direct exposure to the infrastructure segment. In our most likely scenario, Mostobud will receive USD 3.4 bln in orders over 2008-12. This implies a 12M target price of USD 502 per share according to our DCF valuation. BUY.

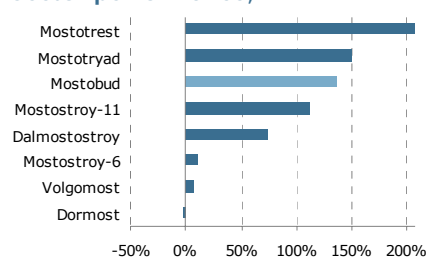
### We expect an upsurge of demand for steelwork over the next 5 yrs

Forthcoming bridge and overpass construction projects will require ~300 mln mt of structured steelwork to complete. This, coupled with logistics and retail sectors' fast development (we expect ~4 mln m<sup>2</sup> to be constructed in 2008-12) and industrial premise renovation, should trigger growth in the structured steelwork market at 30%-40% CAGR until 2012.

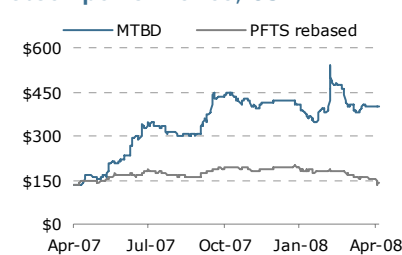
### DZMK sales will grow at 40% CAGR until 2012

We project that Dnipropetrovsk Babushkin Steelwork Plant (DZMK), the largest Ukrainian manufacturer of structured steelwork, will increase sales at ~40% CAGR over the next five years, driven by the boom on the steelwork market. DZMK's parent company, Fercon Holding, is likely to go public in 2009, which we expect to be a stock price catalyst. Currently, DZMK's indicative OTC price is USD 0.30 per share. Our 12M target price of USD 0.79 per share implies 163% upside. BUY.

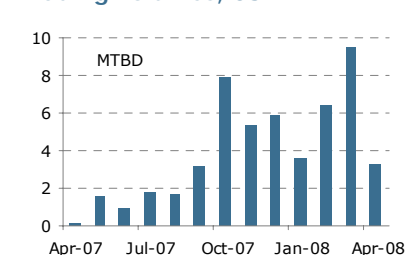
Sector performance, 12M



Stock performance, USD



Trading volumes, USD mln



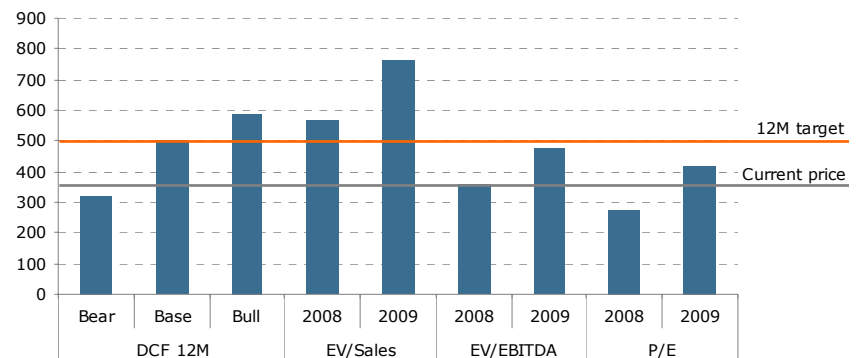
Note: Mostostroy-6 was listed in June 2007, Volgomost was listed in November 2007  
Source: Bloomberg

## Investment cases

### Mostobud

- Controls 85% of Ukrainian bridge construction market
- We estimate that spending on bridge construction in Ukraine will grow at 38% CAGR over 2008-12 based on announced projects
- Preparation for Euro 2012 will generate orders for Mostobud of roughly USD 2.6 bln over the next five years, in our view
- Inked contract with Sun Land Group (US) for USD 7 bln in project financing over 2008-12
- Mostobud launched a residential construction business in 2008, which, we project, will add 2.6 pp to its net margin starting this year

#### Valuation summary, USD/share

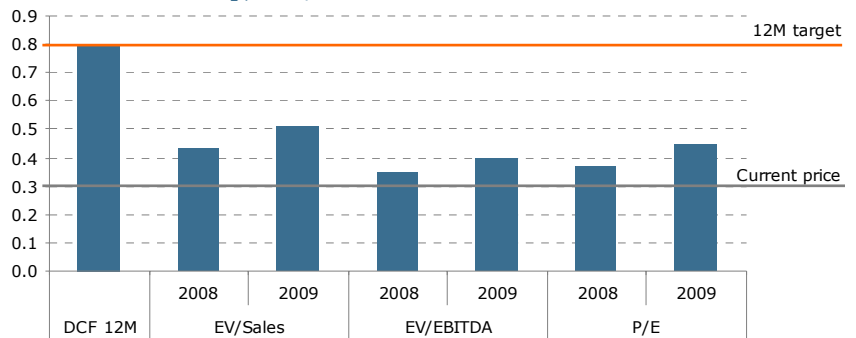


Source: Concorde Capital estimates

### Dnipropetrovsk Babushkin Steelwork Plant (DZMK)

- We forecast the company's top line growth at ~40% CAGR over the mid-term
- Mass road infrastructure development in Ukraine scheduled for 2008-12 should spur the company's sales of bridge steelwork at ~90% CAGR over 2008-12; half of company's revenue in 2012
- We expect sales of steelwork for buildings, DZMK's core segment, will double by 2012 thanks to the construction boom in logistics and retail where saturation remains low (new supply grew respectively at 61% and 35% CAGR over 2003-07)
- Preparation for Sochi 2014 Winter Olympic Games in Russia will trigger additional demand for Ukrainian steelwork given that Russian manufacturers are already fully loaded
- We see the ongoing structuring of DZMK's parent company, Fercon Holding, in view of the holding's forthcoming IPO, as a mid-term price catalyst for DZMK

#### Valuation summary, USD/share



Source: Concorde Capital estimates

# INDUSTRY OVERVIEW

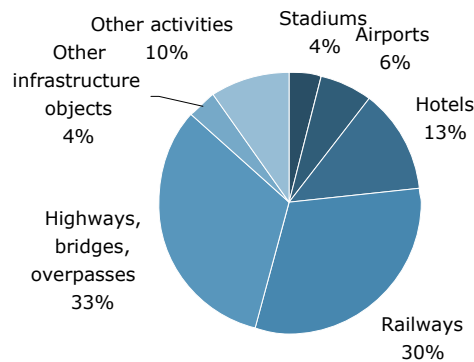
## Infrastructure on the radar

The engineering & construction corner of the market has recently become a hot topic in Ukrainian investment circles. Over the next four years, record investments into the sector post-independence are set to transform a transportation infrastructure network that is in dire need of repair. This large scale renewal will result a new wave of orders to exposed companies such as Mostobud and Dnipropetrovsk Babushkin Steelwork Plant.

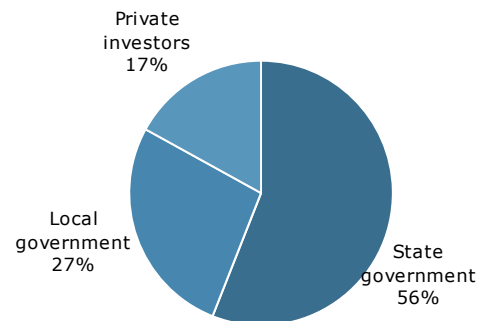
### Massive investment in road infrastructure

Overall spending on road infrastructure development in Ukraine will reach nearly USD 10 bln over 2008-12, based on our estimates of declared projects. Projects related to UEFA Euro 2012 football championship alone will require approximately USD 8.5 bln. The total investment in relative terms will represent ~2% of GDP, quite realistic in our view. Neighboring Belarus has been spending 2% of its GDP on road infrastructure over the last decade. At the same time, Portugal invested ~3.5% of its GDP on road infrastructure over the four years prior to Euro 2004.

#### Euro 2012 preparation budget



#### Sources of financing for bridge and overpass projects



Source: Program on the organization of Euro-2012

The government's official Euro 2012 preparation program calls for the construction of 2.1 ths km of new highways, reconstruction of 1.1 ths km of roads and highways and the repair of 5.0 ths km of roads.

Based on the list of projects announced by the government, Ukraine is set to spend up to USD 4 bln on bridge and overpass infrastructure development by 2012. This implies the construction of ~30 km of new bridges, the reconstruction of ~10 km of existing bridges, and the construction of ~200 new overpasses and viaducts.

The lion's share of investments into bridge and overpass construction will be sourced from the state budget, with approximately 1/4 financed by municipal governments. The government plans to attract private investments to cover the balance.

**Major highway development projects for 2008-12**

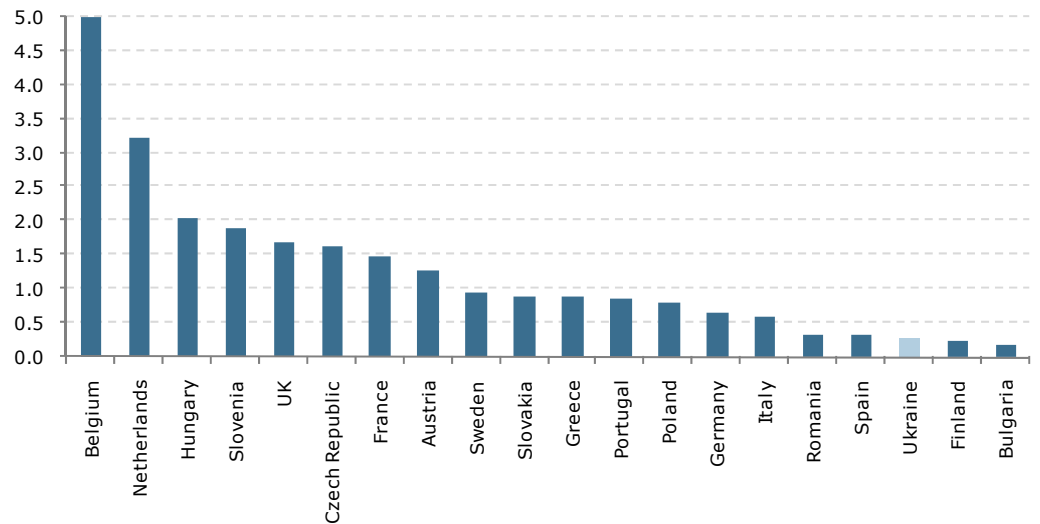


Source: Ministry of Transport, Ukravtodor, Program on the organization of Euro-2012

**Bridges and roads require immediate renovation**

The majority of existing transportation infrastructure in Ukraine has been inherited from the Soviet era. On one hand, it mainly serviced heavy industries that, in particular, resulted in one of the lowest-density motorway networks in Europe (0.3 km of roads/area vs. European average of 0.8).

**Highway network density, km/km<sup>2</sup>**



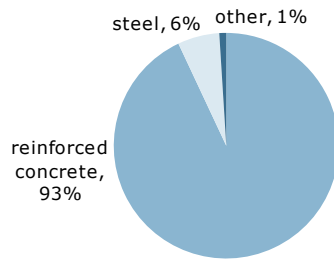
Source: Ukravtodor, World Bank

On the other hand, since independence, Ukraine’s road infrastructure has deteriorated to a large extent. Ukraine has not been spending sufficient funds to support road infrastructure – only half of the necessary amount, according to Ukravtodor, the Ukrainian state-run road-servicing company. As a result, 90% of Ukrainian motorways today require immediate repair, and half require capital overhaul.

More specifically, approximately 63% of all bridges have been in operation for more than 30 years without an overhaul. At the same time, the lifecycle of a concrete bridge is 70-100 years on average, with an overhaul every 30 years.



**Bridges by type of material**



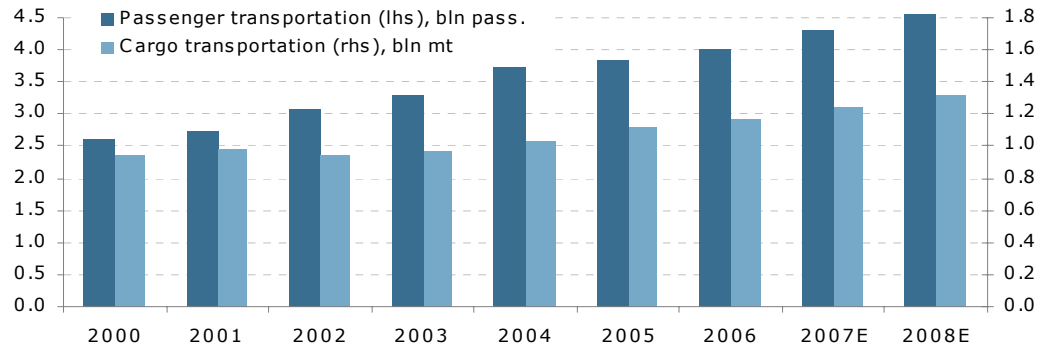
Today ~9,000 of the total ~16,000 bridges in Ukraine are out of date in terms of technical standards and require overhauling. Of that amount, ~400 bridges call for immediate repair.

Source: Ukravtodor

**Load on road infrastructure is increasing**

Backed by the robust development of the Ukrainian economy (7% CAGR over 2000-07), the load on Ukrainian road infrastructure is on the rise. The volume of passenger transportation grew at 7% CAGR over 2000-07; and cargo transportation by 4% during the period. Insufficient capacity resulted in an average speed on Ukrainian highways of 30 km/hour according Ukravtodor - twice as low as in Europe. We think Ukraine will have to double its traffic capacity in the mid-term in order to keep pace with demand.

**Motorway transportation dynamics**



Source: State Statistics Committee

## COMPANY PROFILES

# Mostobud (MTBD UZ)

Engineering &amp; Construction

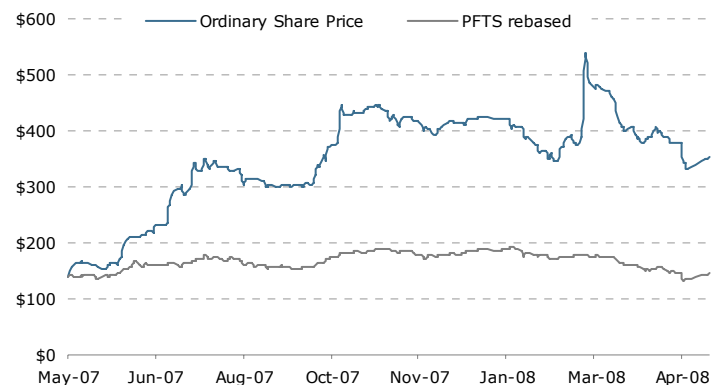
<http://mostobud.com>

 12M target (USD) 502  
 Upside\* 43%

## Investment case

- Controls 85% of Ukrainian bridge construction market
- We estimate that spending on bridge construction in Ukraine will grow at 38% CAGR over 2008-12 based on announced projects
- Preparation for Euro 2012 will generate orders for Mostobud of roughly USD 2.6 bln over the next five years, in our view
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- Mostobud launched a residential construction business in 2008, which, we project, will add 2.6 pp to its net margin starting this year

## Share price performance\*



## Business overview

Largest and near-monopoly bridge and overpass builder in Ukraine. Created in 1993 during the reorganization of state-owned Mostobud. Built ~5 ths industrial objects, ~4 ths road bridges and overpasses, numerous pedestrian bridges, underground passes and road interchanges in Ukraine and abroad. Major customers currently include the Kyiv and Zaporizhya city administrations, Ukrzaliznytsya and state-owned road-servicing companies. Operates branches throughout Ukraine. Obtained an ISO 9001:2001 quality management certificate in 2005.

In 2007, it posted net revenues of USD 175.6 mln (up 23.9% yoy), EBITDA of USD 7.3 mln (down 26.7% yoy), an EBITDA margin of 4.2% (down 40.9% yoy) and a net margin of -1.6% (down -3.4 pp yoy).

## Market information

<b>Market Price*</b> , USD	351.98
Price impact**	3
52 Wk H/L USD	537.72/154.85
Chg 3m/6m/52w	-8%/-12%/233%
Chg vs PFTS 3m/6m/52w	13%/7%/215%
Chg YTD	-11%
Avg M Tr Vol 6M, USD ths	5630.8

<b>MCap</b> , USD mln	204.1
Free float	34.1%
FF MCap, USD mln	69.6

<b>No of shares</b> , mln	0.6
Par Value, USD	10

## Stock ownership

Management	68.0%
Other	32.0%

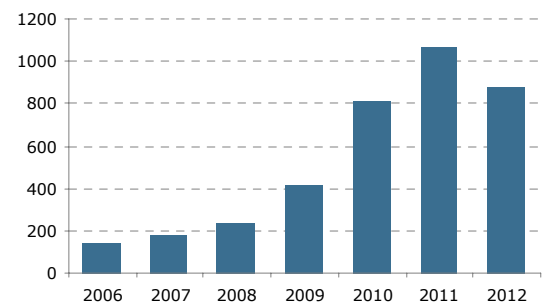
## Corporate governance

Concorde Rating***	A
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## Key financials, USD mln

	2006	2007	2008E
Revenue	142	176	234
EBITDA	10	7	24
Net Income	3	(3)	10
Book Value	36	33	43
Net Debt/Equity	0.29	0.44	1.08

## Net sales, USD mln



\*Market information as of May 8, 2008, based on PFTS Last prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
 3: All other stocks (quoted)

\*\*\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

### Impressive stock performance over 2007

Mostobud's shares were among the best performers on the PFTS last year, soaring on news that Ukraine would co-host Euro 2012, rising from USD 77.9 per share in January to USD 423.3 in December (544% increase). In our view, this reflects strong investor interest in infrastructure in Ukraine. We expect attention to remain high over the next two years.

### Monopoly on the Ukrainian bridge construction market

Mostobud has near-monopoly status in Ukraine, with a market share of ~85% according to management. Prior to 2004 when two new companies, Planeta Most (Ukraine) and Dogus (Turkey), arrived on the market, Mostobud was the contractor for all domestic bridge construction projects. The two new entrants are currently participating in only one project - construction of the Darnytsya road-railway bridge in Kyiv.

### Mostobud's completed projects

*Moskovsky bridge, Kyiv*



*Pivdenny bridge, Kyiv*



*Overpass in Port of Odesa*



Source: Company data

We expect Mostobud to retain its near-monopoly status thanks to its considerable track record of completed projects and established relations with government authorities.

### Strong order pipeline backed by new financing sources

We expect Mostobud to receive up to 200 orders for the construction and reconstruction of bridges, viaducts and overpasses over the next five years. This will result in USD ~3.4 bln in revenue over 2008-12.

The size of Mostobud's order book largely depends on financing attracted by the Ukrainian government for road and bridge infrastructure projects. Ukraine co-hosting Euro 2012 should induce both budget spending and private investments into the country's transportation infrastructure projects, in our view.

We think that the involvement of private investors from developed countries will promote transparency in Ukraine's infrastructure construction industry and prompt Ukrainian construction companies to raise their corporate governance standards, currently a concern for institutional investors. As a starting point, in February 2008, Mostobud a contract with Sun Land Group, a US based company specializing in public infrastructure project financing. According to the agreement, Sun Land Group will provide financial assistance and project management for a USD 7 bln bridge construction effort throughout Ukraine.

Apart from financing, the agreement with Sun Land Group will reportedly enable Mostobud to work on two new international projects: construction of a coal port in Columbia and a dock in the Dominican Republic.

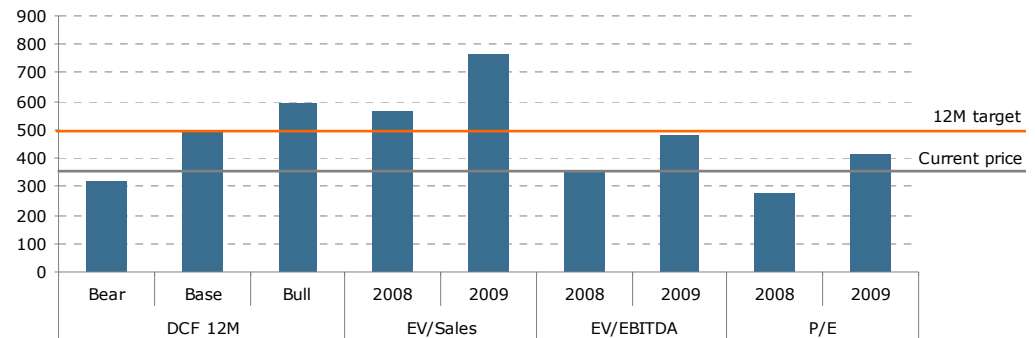
### Residential construction - margin sweetener

In line with its previously announced strategy, Mostobud is diversifying into high-margin residential construction in Kyiv (net margin of ~35% vs. ~5% for bridge construction) this year. Prices for residential property remain high in Kyiv at a current average of USD ~3000 per m<sup>2</sup> versus the construction cost of USD ~1000 per m<sup>2</sup>. We expect the company will be able to complete ~50 ths m<sup>2</sup> over next five years, resulting in USD 56 mln in additional net income.

### Valuation

We applied DCF and peer comparison approaches to value Mostobud. We set our target price based on DCF modeling as it accounts for the income stream from the company’s extensive project pipeline beyond 2009. Our 12M target price is USD 501.6 per share.

#### Valuation summary, USD/share



Source: Concorde Capital estimates

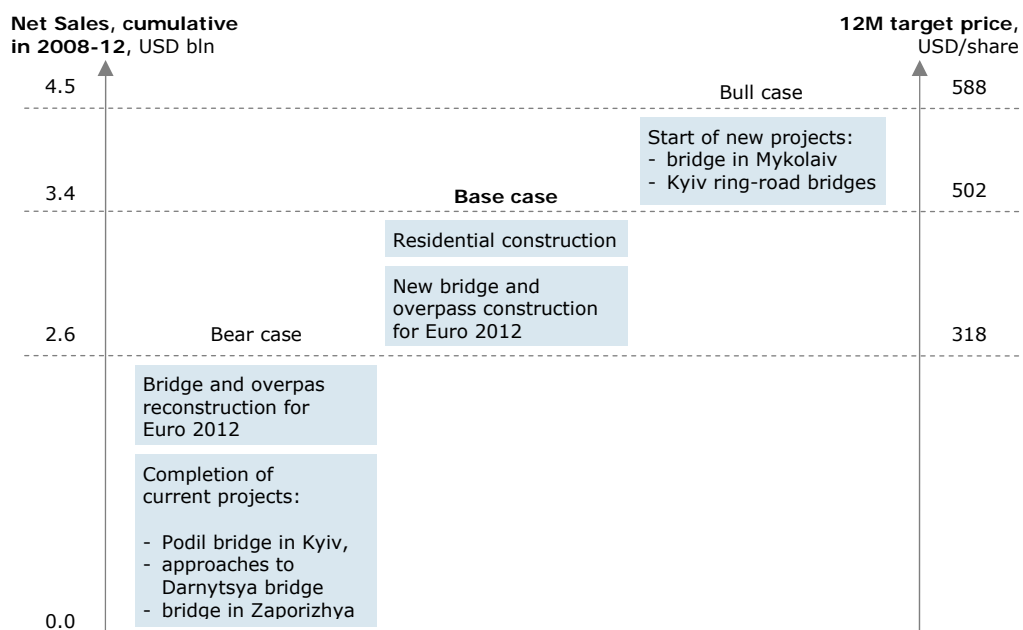
#### DCF Valuation

Mostobud’s operations and financials for a particular year largely depend on its order book. As its project execution schedule cannot be determined with certainty at the moment, we have run three different scenarios to model Mostobud’s operations and have done valuation for each case.

**Bear case.** We assumed that Mostobud will be able to complete its current large projects: Podil Bridge in Kyiv and a bridge over the Dnipro river in Zaporizhya. Additionally, we considered that Mostobud will be involved in the reconstruction of roads within the Euro 2012 preparation program, while new road construction is delayed indefinitely.

**Base case.** In this case, we additionally project the construction of new routes connecting cities hosting Euro 2012 contests, with Mostobud’s participation. We also assumed Mostobud will successfully develop its residential construction business.

**Bull case.** Under this scenario, we envisage that the preparation program for Euro 2012 will be accomplished in full and Mostobud will receive more orders compared to the base scenario. Moreover, the company will receive additional large orders, including the bridge over the Pivdenny Buh River in Mykolaiv and bridges over the Dnipro for the new Kyiv ring road.

**Scenario analysis for Mostobud**


Source: Concorde Capital estimates

**Key assumptions**

	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
<i>Bear case</i>										
Bridge construction										
- market size, USD mln	201	362	723	954	776	902	947	995	1 045	1050
- Mostobud share, %	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
- Sales, USD mln	171	307	615	811	659	767	805	846	888	892
- EBITDA margin, %	7.0%	7.1%	7.2%	7.3%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
No residential construction										
<i>Base case</i>										
Bridge construction market										
- market size, USD mln	258	464	927	1 223	994	902	947	995	1 045	1050
- Mostobud share, %	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
- Net revenue, USD mln	219	394	788	1 039	845	767	805	846	888	892
- EBITDA margin, %	7.0%	7.1%	7.2%	7.3%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Residential construction										
- Net revenue, USD mln	15	25	27	27	29	31	33	34	36	37
- EBITDA margin, %	56%	54%	52%	47%	41%	40%	40%	40%	40%	40%
Total										
- Net revenue, USD mln	234	419	815	1 066	874	798	838	880	924	929
- EBITDA margin, %	10.1%	9.9%	8.7%	8.3%	8.5%	8.7%	8.7%	8.7%	8.7%	8.7%
<i>Bull case</i>										
Bridge construction market										
- market size, USD mln	343	618	1 235	1 629	1 324	902	947	995	1 045	1050
- Mostobud share, %	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
- Net revenue, USD mln	292	525	1 050	1 384	1 126	767	805	846	888	892
- EBITDA margin, %	7.0%	7.1%	7.2%	7.3%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Residential construction										
- Net revenue, USD mln	20	33	36	36	39	41	43	45	47	49
- EBITDA margin, %	56%	54%	52%	47%	41%	40%	40%	40%	40%	40%
Total										
- Net revenue, USD mln	312	558	1 086	1 420	1 164	808	848	890	935	942
- EBITDA margin, %	10.1%	9.9%	8.7%	8.3%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%

Source: Concorde Capital estimates

**DCF output (Base case), as of May 1, UAH mln**

	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
<b>EBITDA</b>	<b>118</b>	<b>204</b>	<b>346</b>	<b>434</b>	<b>365</b>	<b>338</b>	<b>355</b>	<b>372</b>	<b>391</b>	<b>396</b>
EBIT	90	173	314	401	333	306	322	340	359	363
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	67	130	236	300.9	249.8	229.2	241.9	255.1	268.9	272.5
Plus D&A	29	31	32	32	32	32	32	32	32	33
Less CapEx	(58)	(41)	(40)	(26)	(30)	(29)	(31)	(32)	(34)	(34)
Less change in OWC	(185)	(277)	(534)	(91)	151	84	(44)	83	(255)	(7)
<b>FCFF</b>		<b>(157)</b>	<b>(306)</b>	<b>216</b>	<b>403</b>	<b>317</b>	<b>199</b>	<b>338</b>	<b>13</b>	<b>264</b>
WACC		13.3%	12.8%	12.3%	11.8%	11.4%	11.4%	11.4%	11.4%	11.4%
Discounted CF		(145)	(249)	157	262	185	104	159	5	100
Sum of disct'd CF		578								
								Perpetuity growth rate		2.5%
								WACC to perpetuity		11.5%
Terminal Value		1139								3 008
								Implied exit EBITDA multiple		7.6 x
<b>Firm value</b>		<b>1717</b>								
Portion due to TV		66%								
Less Net Debt		(287)								
<b>Equity Value</b>		<b>1430</b>								
<b>Implied 12M price, USD</b>		<b>502</b>								

**Sensitivity Analysis**
*Implied share price, USD*

WACC	Perpetuity Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
-3.0%	597	623	652	685	721
-2.0%	547	571	598	628	661
-1.0%	501	523	548	575	606
+0.0%	458	479	<b>502</b>	527	556
+1.0%	419	438	459	483	509
+2.0%	382	400	419	441	466
+3.0%	348	365	383	403	426

*Implied share price, USD*

WACC to perpetuity	Perpetuity Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
8.5%	604	646	694	751	820
9.5%	543	575	612	653	702
10.5%	496	521	550	582	619
11.5%	458	479	<b>502</b>	527	556
12.5%	427	444	463	484	507
13.5%	402	416	432	449	468
14.5%	380	393	406	421	437

Source: Concorde capital estimates

### Comparative valuation

Our peer comparison implies Mostobud's fair price lies within a range of USD 418-764 per share. In our relative valuation, we rely the most on 2009 multiples as they better capture the potential of Mostobud's future project pipeline in our view.

#### Peer valuation

Company	Country	Current MCap, USD mln	EV/Sales		EV/EBITDA		P/E	
			2008	2009	2008	2009	2008	2009
Gammon India Limited	India	1 090	1.6	1.4	16.2	13.4	31.6	25.0
Elleniece Technodomiki SA	Greece	1 968	1.1	1.0	8.6	7.8	12.3	10.8
Naim Cendera Holding Berhad	Malaysia	285	0.8	0.6	5.4	4.3	7.8	6.2
Taeyoung Engineering & Const	South Korea	794	1.1	0.9	11.5	n/a	11.9	n/a
Sterling Construction Company Inc	USA	240	n/a	n/a	n/a	n/a	11.7	10.0
Polnord SA	Poland	678	2.7	1.4	9.1	5.3	9.9	5.6
Mota Engil Sgpps SA	Portugal	1 429	1.7	1.5	10.0	9.2	26.8	18.7
Enka Insaat AS	Turkey	12 861	2.3	2.0	13.9	11.8	20.4	16.8
<b>Average</b>			<b>1.4</b>	<b>1.1</b>	<b>9.7</b>	<b>7.7</b>	<b>15.4</b>	<b>12.3</b>
<b>Mostobud implied price, USD</b>			<b>564</b>	<b>764</b>	<b>357</b>	<b>477</b>	<b>274</b>	<b>418</b>

Source: Thomson Financials, Bloomberg, Concorde Capital estimates



**Mostobud Income Statement Summary, USD mln**

	2006	2007	2008F	2009F	2010F	2011F	2012F
<b>Net Revenues</b>	<b>142</b>	<b>176</b>	<b>234</b>	<b>419</b>	<b>815</b>	<b>1 066</b>	<b>874</b>
Cost of Sales	(128)	(161)	(202)	(367)	(732)	(967)	(791)
Gross Profit	13	15	32	52	83	99	83
Other Operating Income/Costs, net	3	0	1	2	4	5	4
SG&A	(6)	(8)	(9)	(13)	(16)	(16)	(13)
<b>EBITDA</b>	<b>10</b>	<b>7</b>	<b>24</b>	<b>41</b>	<b>71</b>	<b>88</b>	<b>75</b>
<i>EBITDA margin, %</i>	<i>7.1%</i>	<i>4.2%</i>	<i>10.1%</i>	<i>9.9%</i>	<i>8.7%</i>	<i>8.3%</i>	<i>8.5%</i>
Depreciation	(5)	(6)	(6)	(6)	(7)	(7)	(7)
<b>EBIT</b>	<b>5</b>	<b>1</b>	<b>18</b>	<b>35</b>	<b>64</b>	<b>82</b>	<b>68</b>
<i>EBIT margin, %</i>	<i>3.5%</i>	<i>0.7%</i>	<i>7.7%</i>	<i>8.4%</i>	<i>7.9%</i>	<i>7.7%</i>	<i>7.8%</i>
Interest Expense	(2)	(3)	(5)	(11)	(19)	(23)	(14)
Financial Income	0	0	-	-	-	-	-
Other Income/(Expense)	0	0	0	0	0	0	0
<b>PBT</b>	<b>3</b>	<b>(2)</b>	<b>13</b>	<b>24</b>	<b>45</b>	<b>59</b>	<b>54</b>
Tax	(1)	(1)	(3)	(6)	(11)	(15)	(13)
<b>Net Income</b>	<b>3</b>	<b>(3)</b>	<b>10</b>	<b>18</b>	<b>34</b>	<b>44</b>	<b>40</b>
<i>Net Margin, %</i>	<i>1.8%</i>	<i>-1.6%</i>	<i>4.1%</i>	<i>4.3%</i>	<i>4.2%</i>	<i>4.1%</i>	<i>4.6%</i>

**Mostobud Balance Sheet Summary, USD mln**

	2006	2007	2008F	2009F	2010F	2011F	2012F
<b>Current Assets</b>	<b>66</b>	<b>126</b>	<b>117</b>	<b>221</b>	<b>337</b>	<b>418</b>	<b>300</b>
Cash & Equivalents	1	2	3	16	6	44	11
Trade Receivables	11	10	24	42	57	75	44
Inventories	31	45	49	89	176	193	158
Other Current Assets	23	69	41	74	98	107	87
<b>Fixed Assets</b>	<b>44</b>	<b>47</b>	<b>53</b>	<b>56</b>	<b>58</b>	<b>57</b>	<b>56</b>
PP&E, net	42	45	42	49	51	52	51
Investment Property & Other Fixed Assets	2	2	11	7	7	5	5
<b>Total Assets</b>	<b>110</b>	<b>173</b>	<b>170</b>	<b>277</b>	<b>395</b>	<b>475</b>	<b>357</b>
<b>Shareholders' Equity</b>	<b>36</b>	<b>33</b>	<b>43</b>	<b>62</b>	<b>96</b>	<b>140</b>	<b>180</b>
Share Capital	1	1	1	1	1	1	1
Reserves and Other	34	32	42	61	95	139	179
<b>Current Liabilities</b>	<b>60</b>	<b>121</b>	<b>76</b>	<b>113</b>	<b>138</b>	<b>158</b>	<b>102</b>
ST Interest Bearing Debt	1	2	5	8	16	11	9
Trade Payables	13	16	11	20	39	39	40
Accrued Wages	2	1	-	-	-	-	-
Accrued Taxes	1	1	1	1	2	2	1
Other Current Liabilities	43	101	59	84	82	107	52
<b>LT Liabilities</b>	<b>15</b>	<b>19</b>	<b>51</b>	<b>102</b>	<b>161</b>	<b>177</b>	<b>75</b>
LT Interest Bearing Debt	11	14	45	90	138	148	50
Other LT	4	5	7	12	23	30	24
<b>Total Liabilities &amp; Equity</b>	<b>110</b>	<b>173</b>	<b>170</b>	<b>277</b>	<b>395</b>	<b>475</b>	<b>357</b>

**Mostobud Cash Flow Statement Summary, USD mln**

	2006	2007	2008F	2009F	2010F	2011F	2012F
Net Income	3	(3)	10	18	34	44	40
D&A	5	6	6	6	7	7	7
Non-operating and Non-cash Items	0	29	2	5	11	7	(5)
Changes in Working Capital	(5)	(29)	(37)	(56)	(109)	(19)	31
<b>Operating Cash Flow</b>	<b>2</b>	<b>4</b>	<b>(20)</b>	<b>(27)</b>	<b>(58)</b>	<b>39</b>	<b>73</b>
Capital Expenditures, net	(9)	(9)	(12)	(8)	(8)	(5)	(6)
Other Investments, net	(0)	-	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(10)</b>	<b>(9)</b>	<b>(12)</b>	<b>(8)</b>	<b>(8)</b>	<b>(5)</b>	<b>(6)</b>
Net Borrowings/(Repayments)	8	5	32	48	56	4	(99)
Dividends Paid	(0)	(0)	-	-	-	-	-
Equity Financing & Other	0	0	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>8</b>	<b>5</b>	<b>32</b>	<b>48</b>	<b>56</b>	<b>4</b>	<b>(99)</b>
Beginning Cash Balance	1	1	2	3	16	6	44
Ending Cash Balance	1	2	3	16	6	44	11
<b>Net Cash Inflows/Outflows</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>13</b>	<b>(10)</b>	<b>37</b>	<b>(33)</b>

**UAH/USD Exchange Rates**

	2006	2007	2008F	2009F	2010F	2011F	2012F
Average	5.05	5.05	4.99	4.93	4.90	4.90	4.90
Year-end	5.05	5.05	4.95	4.90	4.90	4.90	4.90

Source: Company data, Concorde Capital estimates

# Dnipropetrovsk Babushkin Steelwork Plant

 Engineering &  
Construction

<http://dzmk.com.ua>

 12M target (USD)  
Upside\*

 0.79  
163%

## Investment case

- We forecast the company's top line growth at ~40% CAGR over the mid-term
- Mass road infrastructure development in Ukraine scheduled for 2008-12 should spur the company's sales of bridge steelwork at ~90% CAGR over 2008-12; half of company's revenue in 2012
- We expect sales of steelwork for buildings, DZMK's core segment, will double by 2012 thanks to the construction boom in logistics and retail where saturation remains low (new supply grew respectively at 61% and 35% CAGR over 2003-07)
- Preparation for Sochi 2014 Winter Olympic Games in Russia will trigger additional demand for Ukrainian steelwork given that Russian manufacturers are already fully loaded
- We see the ongoing structuring of DZMK's parent company, Fercon Holding, in view of the holding's forthcoming IPO, as a mid-term price catalyst for DZMK

## Business overview

Largest Ukrainian manufacturer of structured steelwork for industrial and commercial uses as well as for bridge construction. Created during reorganization of government assets in 1995, acquired by Industrial Union of Donbas, one of the top-4 Ukrainian business groups, in 2004. Today, the company is a part of the group's Fercon Holding, which also owns four other major Ukrainian steelwork manufacturers.

Key customers are heavy industry companies, including the metallurgical, chemical, and mining sectors. Current capacity is 90 ths mt of steelwork per year. It is currently in the process of obtaining an ISO 9001 quality management certificate.

In 2007, the company posted net revenues of USD 38.0 mln (up 87% yoy), EBITDA of USD 2.5 mln (down 13% yoy), an EBITDA margin of 7.3% (down 5 pp) and a net margin of 5.3% (down 6 pp).

## Market information

**Market Price\***, USD 0.30  
Price impact\*\* 3

**MCap**, USD mln 29.9  
Free float 10%  
FF MCap, USD mln 3.0

**No of shares**, mln 99.6  
Par Value, USD 0.05

## Stock ownership

Fercon Holding 81.6%  
Other 18.4%

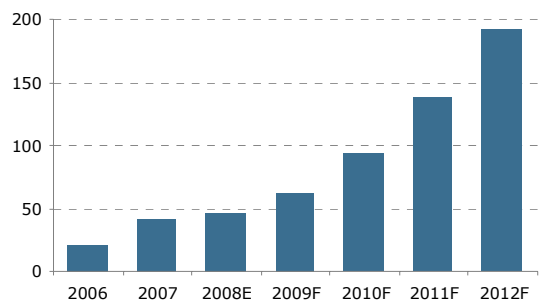
## Corporate governance

Concorde Rating\*\*\* n/a

## Key financials, USD mln

	2006	2007E	2008E
Revenue	20	41	45
EBITDA	2	3	5
Net Income	2	2	3
Book Value	11	15	18
Net Debt/Equity	0.10	0.00	0.04

## Net sales, USD mln



\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

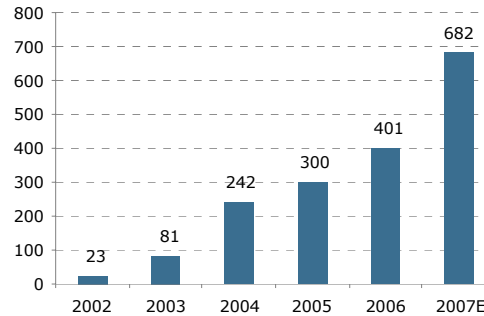
1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

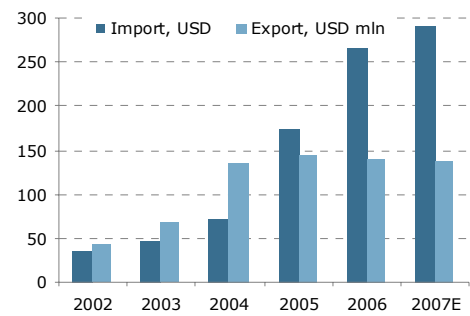
## Steelwork in high demand

The outlook for the steelwork market is positive in the mid-term. A revival in the Ukrainian construction industry (growth at 33% CAGR in monetary terms) over the last decade served as impetus for the development of related industries. In particular, the construction steelwork market grew at 47% CAGR for 2002-07. We expect the steelwork market to develop at the same pace over the next five years on the back of unsaturated demand.

**Ukrainian construction steelwork market, USD mln**



**Import/export of construction steelwork, USD mln**



Source: State Statistical Committee, Concorde Capital estimates

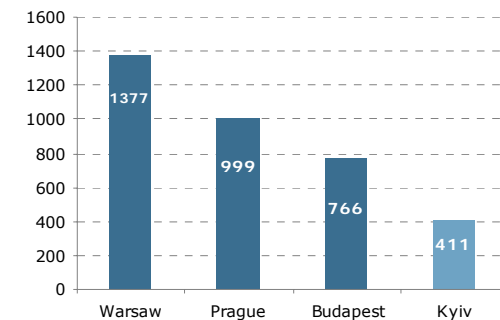
## Demand drivers

### Logistics and retail development

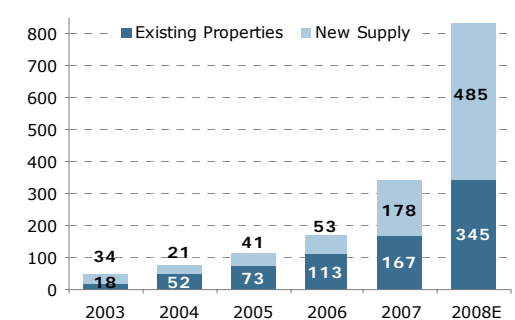
We expect the mass development of logistics and retail projects in Ukraine to be a key driver of structured steelwork consumption over the next 3-5 years. There is a noticeable construction boom underway in the warehousing and retail segments, which grew at 61% and 35% CAGR, respectively, over 2003-07.

### Logistics market

Modern warehousing stock in Kyiv and other CEE capitals, m<sup>2</sup>/1000 inhabitants

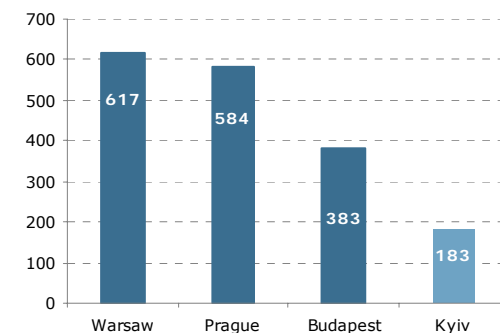


Supply of warehousing premises, ths m<sup>2</sup>

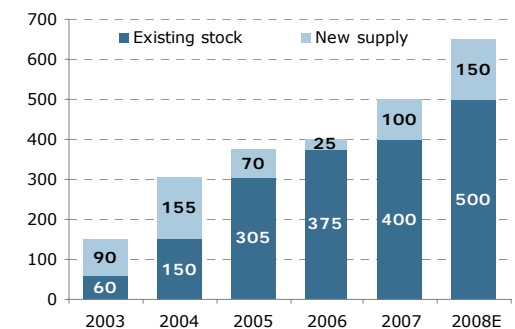


### Retail market

Modern retail stock in Kyiv and other CEE capitals, m<sup>2</sup>/1000 inhabitants



Supply of retail premises, ths m<sup>2</sup>



Source: DTZ, Colliers, Concorde Capital estimates

Low saturation in the logistics and retail segments in Ukraine (up to 3 times less in terms of space per capita versus CEE peers) suggests we will continue to see double-digit growth in the mid-term. In particular, the supply of warehousing space is expected to double this year, according to DTZ.

At the same time, the average size of constructed objects is increasing (from 15-25 ths m<sup>2</sup> in 2006 to 60-80 ths m<sup>2</sup> in 2007), presumably necessitating larger steelwork. In our view, this will provide an additional competitive advantage to DZMK as it specializes in this segment.

#### Surface transportation infrastructure development

We expect sales of steelwork for bridges and overpasses to comprise up to 50% of the company's sales by 2012. Currently, the company is involved in producing steelwork for bridges over the Dnipro River in Kyiv and Zaporizhyya.

According to the government program for road infrastructure development, last updated in 2007, ~2500 km of roads should be reconstructed and ~1900 km of new roads should be constructed by 2016. The plan also envisages the construction of ~80 new bridges and ~160 overpasses.

#### Steelwork assembly for bridge in Zaporizhyya, 2006



Source: Company data

#### Additional orders from heavy industry

The key customers of DZMK have traditionally been heavy industry companies, which account for up to 70% of the company's sales. Recent projects include shipments of steelwork for reconstruction to Alchevsk Iron & Steel, Azovstal, Arcelor Mittal Kryviy Rih, and Alchevsk Coke.

#### Alchevsk Iron & Steel reconstruction project, 2006



Source: Company data

Ukrainian heavy industry companies are targeting reconstruction and expanding capacity, implying an appetite for steelwork. In 2008 alone, the Ukrainian steel industry will spend USD 2.6 bln on modernization, a 28% yoy increase, according to announced plans.

**Export potential.** We see Russia as a major destination for the company's exports in the mid-term. Today, the Russian construction market is booming, as in Ukraine, with double digit growth of retail and warehousing construction against the background of low saturation in commercial property. At the same time, Russian steelwork manufacturers are already fully loaded with orders.

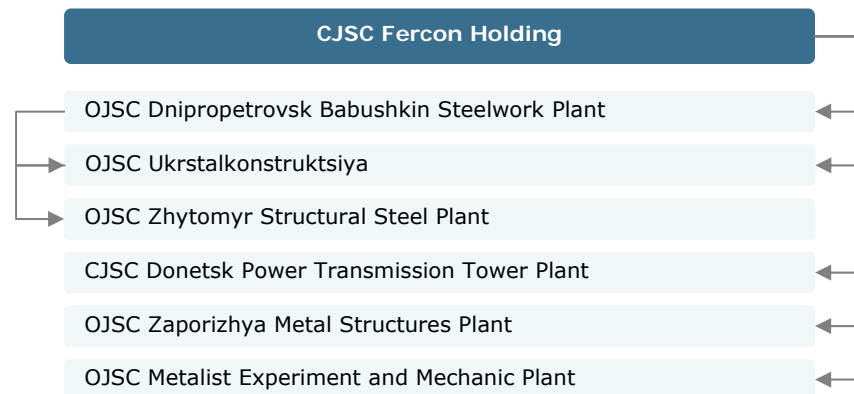
Apart from shipping steelwork for logistics and retail premise construction, infrastructure development related to the Sochi 2014 Winter Olympic Games will trigger demand for steelwork products over 2009-2014, in our view.

#### Competition is limited

Dnipropetrovsk Babushkin Steelwork Plant is the largest of ~20 Ukrainian steelwork manufacturers, possessing an annual capacity of 90 ths tons. At the same time, DZMK is part of Industrial Union of Donbas-controlled Fercon Holding, which owns 4 other large steelwork manufacturers. Together, Fercon controlled-steelwork assets control about 50% of the large-scale structural market – a key segment for DZMK.

Competition among producers within the holding has been eliminated. Ukrstalkonstruksiya, Fercon’s general contractor, manages all orders and decides on their allocation to manufacturers in the holding.

#### Fercon Holding ownership structure



Source: Company data

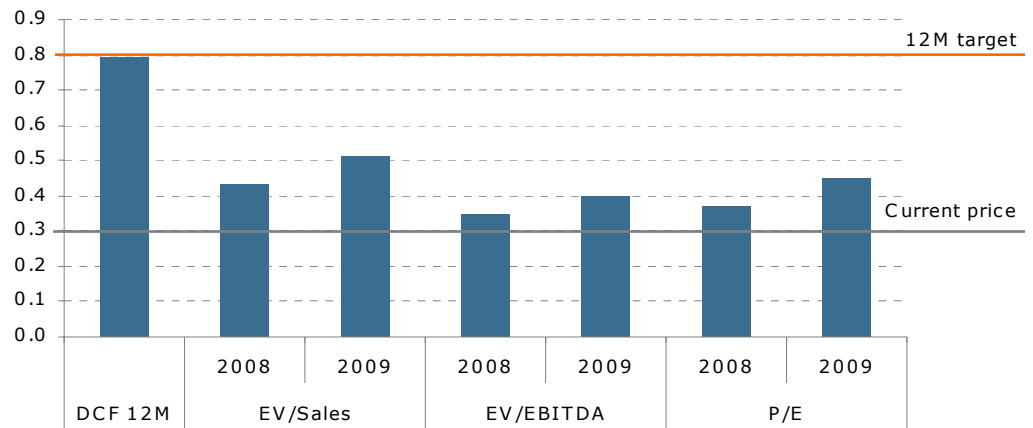
#### IPO of parent company to trigger stock price

We expect DZMK’s parent company, Fercon Holding, to go public in late 2008 or in 2009. The restructuring of the group’s steelwork assets into one holding last year suggests that Fercon Holding will seek to raise equity financing through a private or public placement. The company needs to modernize and increase capacity in order to meet double-digit growth that we project for domestic steelwork for the next five years.

### Valuation

We applied two valuation methods: DCF analysis and peer comparison. Our 12M target price for DZMK based on DCF is USD 0.79 per share. We deem peer valuation based on 2008F and 2009F multiples to be not indicative; the relative method fails to take into account DZMK’s rapid sales growth after 2009 (DZMK doubled sales in 2007 and we project sales to grow at 46% CAGR in 2009-12).

#### Valuation summary, USD/share



Source: Concorde Capital estimates

#### DCF valuation

Assumptions applied in DZMK’s model are based on our understanding of the structured steelwork market outlook. We conservatively assume that DZMK’s sales will grow in line with the market. We project that the company will be able to increase production at 19% CAGR during 2008-12 and selling prices will rise at 21% CAGR during the period.

Additionally, we assume that the company’s margins will converge with the current global industry average of 7.5%, backed by strong demand for structured steelwork that we expect in the mid-term.

#### Key assumptions

	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Production, ths mt	29.3	30.0	37.3	47.7	58.0	59.4	60.9	62.4	64.0	65.6
Price, USD/mt	1545	2050	2520	2892	3316	3399	3484	3571	3660	3752
Sales, USD mln	45.3	61.5	94.0	137.9	192.2	201.9	212.2	222.9	234.2	246.0
Net margin, % of sales	6.7%	6.8%	7.0%	7.2%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%

Source: Concorde Capital estimates

**DCF output, as of May 1, UAH mln**

	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
<b>EBITDA</b>	<b>24</b>	<b>32</b>	<b>48</b>	<b>71</b>	<b>99</b>	<b>104</b>	<b>109</b>	<b>115</b>	<b>120</b>	<b>127</b>
EBIT	20	27	43	65	92	97	102	107	113	118
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	15	20	32	49	69	73	76	80	84	89
Plus D&A	4	5	5	6	6	7	7	8	8	8
Less CapEx	(14)	(15)	(21)	(20)	(19)	(10)	(10)	(11)	(11)	(12)
Less change in OWC	(21)	(9)	(16)	(71)	(87)	(11)	(11)	21	(64)	(14)
<b>FCFF</b>	<b>1</b>	<b>1</b>	<b>(37)</b>	<b>(30)</b>	<b>59</b>	<b>62</b>	<b>98</b>	<b>16</b>	<b>71</b>	<b>71</b>
WACC		16.4%	15.1%	13.4%	12.4%	11.4%	11.4%	11.4%	11.4%	11.4%
Discounted CF		1	1	(26)	(18)	33	31	44	7	26
Sum of disct'd CF		98								
								Perpetuity growth rate		2.5%
								WACC to perpetuity		11.5%
Terminal Value		294								818
								Implied exit EBITDA multiple		6.5 x
<b>Firm value</b>		<b>392</b>								
Portion due to TV		75%								
Less Net Debt		(4)								
<b>Equity Value</b>		<b>388</b>								
<b>Implied 12M price, USD</b>		<b>0.79</b>								

**Sensitivity Analysis**
*Implied share price, USD*

WACC	Perpetuity Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
-3.0%	0.91	0.95	1.00	1.05	1.10
-2.0%	0.85	0.88	0.92	0.97	1.02
-1.0%	0.78	0.82	0.86	0.90	0.94
+0.0%	0.73	0.76	<b>0.79</b>	0.83	0.88
+1.0%	0.67	0.70	0.73	0.77	0.81
+2.0%	0.63	0.65	0.68	0.72	0.75
+3.0%	0.58	0.61	0.63	0.66	0.70

*Implied share price, USD*

WACC to perpetuity	Perpetuity Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
8.5%	0.95	1.01	1.09	1.18	1.28
9.5%	0.86	0.91	0.96	1.02	1.10
10.5%	0.78	0.82	0.87	0.91	0.97
11.5%	0.73	0.76	<b>0.79</b>	0.83	0.88
12.5%	0.68	0.71	0.73	0.77	0.80
13.5%	0.64	0.66	0.69	0.71	0.74
14.5%	0.61	0.63	0.65	0.67	0.69

*Source: Concorde capital estimates*

### Comparative valuation

Peer method significantly underestimates DZMK's stock value, putting it at USD 0.34-0.54 per share, a 47% discount on average to the DCF-derived 12 month value. The relative method's main shortcoming in valuing fast-growing companies like DZMK is its inability to adequately capture the value of future growth opportunities. We provide the peer comparison table below for reference only.

#### Peer valuation

Company	Country	Current MCap USD mln	EV/Sales		EV/EBITDA		P/E	
			2008	2009	2008	2009	2008	2009
Austin Engineering	Australia	107.3	1.0	0.8	5.8	4.4	8.9	7.3
Canam Group	Canada	543.2	n/a	n/a	n/a	n/a	8.7	7.7
Maruichi Steel Tube	Japan	3 151.7	2.1	2.0	12.2	11.3	25.2	23.3
Sumitomo Metal Industries	Japan	18 382.0	1.4	1.2	6.4	5.8	9.5	9.1
Polimex Mostostal	Poland	1 562.9	0.9	0.7	13.3	10.7	24.4	18.4
Yongnam Holdings	Singapore	189.0	0.9	0.8	5.7	4.4	8.6	7.2
Tata Steel Public	Thailand	577.8	0.7	0.7	6.7	5.7	8.0	6.8
Bangsaphan Barmill	Thailand	53.9	0.5	0.3	4.0	3.3	7.4	7.8
Severfield-Rowen	UK	574.2	0.8	0.8	5.1	4.6	8.3	7.9
Hill & Smith Holdings	UK	487.0	0.8	0.7	6.6	6.0	10.4	9.2
Average			1.0	0.9	7.3	6.2	11.9	10.5
<b>DZMK implied price per share, USD</b>			0.45	0.54	0.34	0.40	0.36	0.44

Source: Thomson Financials, Bloomberg, Concorde Capital estimates



**DZMK Income Statement Summary, USD mln**

	2006	2007	2008F	2009F	2010F	2011F	2012F
<b>Net Revenues</b>	<b>20</b>	<b>41</b>	<b>45</b>	<b>61</b>	<b>94</b>	<b>138</b>	<b>192</b>
Cost of Sales	(15)	(36)	(37)	(50)	(77)	(113)	(158)
Gross Profit	5	5	8	11	17	25	35
Other Operating Income/Costs, net	(1)	(0)	(0)	(0)	(0)	(1)	(1)
SG&A	(2)	(2)	(3)	(4)	(7)	(10)	(13)
<b>EBITDA</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>10</b>	<b>14</b>	<b>20</b>
<i>EBITDA margin, %</i>	<i>12.2%</i>	<i>6.8%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)	(1)
<b>EBIT</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>9</b>	<b>13</b>	<b>19</b>
<i>EBIT margin, %</i>	<i>9.1%</i>	<i>4.9%</i>	<i>8.7%</i>	<i>9.0%</i>	<i>9.4%</i>	<i>9.6%</i>	<i>9.8%</i>
Interest Expense	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Financial Income	0	-	-	-	-	-	-
Other Income/(Expense)	2	0	0	0	0	0	0
<b>PBT</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>9</b>	<b>13</b>	<b>19</b>
Tax	(1)	-	(1)	(1)	(2)	(3)	(5)
<b>Net Income</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>14</b>
<i>Net Margin, %</i>	<i>11.2%</i>	<i>4.8%</i>	<i>6.7%</i>	<i>6.8%</i>	<i>7.0%</i>	<i>7.2%</i>	<i>7.3%</i>

**DZMK Balance Sheet Summary, USD mln**

	2006	2007	2008F	2009F	2010F	2011F	2012F
<b>Current Assets</b>	<b>14</b>	<b>17</b>	<b>24</b>	<b>29</b>	<b>36</b>	<b>50</b>	<b>70</b>
Cash & Equivalents	0	0	0	0	0	0	0
Trade Receivables	2	2	5	6	9	14	19
Inventories	8	6	9	12	15	23	32
Other Current Assets	4	9	10	11	11	14	19
<b>Fixed Assets</b>	<b>15</b>	<b>14</b>	<b>16</b>	<b>18</b>	<b>22</b>	<b>24</b>	<b>27</b>
PP&E, net	10	11	12	14	17	20	23
Investment Property & Other Fixed Assets	4	4	4	4	4	4	4
<b>Total Assets</b>	<b>28</b>	<b>31</b>	<b>40</b>	<b>47</b>	<b>58</b>	<b>75</b>	<b>97</b>
<b>Shareholders' Equity</b>	<b>11</b>	<b>15</b>	<b>18</b>	<b>23</b>	<b>29</b>	<b>39</b>	<b>53</b>
Share Capital	4	5	5	5	5	5	5
Reserves and Other	8	10	13	18	24	34	48
<b>Current Liabilities</b>	<b>16</b>	<b>16</b>	<b>19</b>	<b>23</b>	<b>27</b>	<b>27</b>	<b>30</b>
ST Interest Bearing Debt	1	0	1	1	1	2	3
Trade Payables	10	7	9	9	12	11	16
Accrued Taxes	0	0	0	0	0	0	0
Other Current Liabilities	5	9	9	12	14	14	12
<b>LT Liabilities</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>13</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-
Other LT	1	0	1	1	1	1	1
<b>Total Liabilities &amp; Equity</b>	<b>28</b>	<b>31</b>	<b>40</b>	<b>47</b>	<b>58</b>	<b>75</b>	<b>97</b>

**DZMK Cash Flow Statement Summary, USD mln**

	2006	2007	2008F	2009F	2010F	2011F	2012F
Net Income	2	2	3	4	7	10	14
D&A	1	1	1	1	1	1	1
Non-operating and Non-cash Items	(1)	(1)	2	(1)	(0)	7	5
Changes in Working Capital	3	(2)	(4)	(2)	(3)	(15)	(18)
<b>Operating Cash Flow</b>	<b>5</b>	<b>(0)</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>
Capital Expenditures, net	(6)	(2)	(3)	(3)	(4)	(4)	(4)
Other Investments, net	2	5	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(3)</b>	<b>3</b>	<b>(3)</b>	<b>(3)</b>	<b>(4)</b>	<b>(4)</b>	<b>(4)</b>
Net Borrowings/(Repayments)	(2)	(1)	1	0	0	1	1
Dividends Paid	-	-	-	-	-	-	-
Equity Financing & Other	0	(2)	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>(1)</b>	<b>(3)</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
Beginning Cash Balance	-	0	0	0	0	0	0
Ending Cash Balance	0	0	0	0	0	0	0
<b>Net Cash Inflows/Outflows</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>

**UAH/USD Exchange Rates**

	2006	2007	2008F	2009F	2010F	2011F	2012F
Average	5.05	5.05	4.99	4.93	4.90	4.90	4.90
Year-end	5.05	5.05	4.95	4.90	4.90	4.90	4.90

Source: Company data, Concorde Capital estimate

## APPENDICES

**Appendix A: Road and bridge reconstruction projects for 2008-12**
**Budget of major bridge and overpass construction projects, USD mln**

Project name	Total budget	2008F	2009F	2010F	2011F	2012F
<i>Bridge construction projects</i>						
Podil bridge, Kyiv	644	168	218	159	99	
Approaches to Podil bridge, Kyiv	70			10	59	
Darnytsya Railway-motorway bridge, Kyiv	1 140	420	210	170	170	170
<i>Overpass reconstruction projects, Kyiv</i>						
Leninhradka square	74	17	19	19	19	
Poshtova square	59	15	15	15	15	
Moskovska square	40	24	16			
Zhylyanska	20	6	6	8		
Orikhovatsky	20	4	8	8		
Brovarsky avenue	15	1	4	10		
Dniprovska Naberezhna	9	4	5			
<b>Total</b>	<b>2 090</b>	<b>660</b>	<b>501</b>	<b>398</b>	<b>362</b>	<b>170</b>

Source: Program on the organization of Euro-2012

**Budget of major road construction and reconstruction projects, USD mln**

	Total budget	2008F	2009F	2010F	2011F	2012F
<i>Road construction projects</i>						
Lviv - Krakovets	590	57	63	90	117	263
Lviv - Brody	546	16	46	63	71	350
Brody - Rivne	202	5	42	68	87	
Ring road around Kyiv	3 287	222	223	309	508	2 024
Odesa – Reni (Odesa - Monashi)	1 132			24	47	1 062
Kyiv – Irpin	20	10	10			
Slovyansk – Donetsk – Mariupol	140	20	60	40	20	
Scherbakivka –Kharkiv	216	12	56	72	76	
Vinnysya - Kyiv	69		10	28	31	
Lviv – Ternopil – Vinnysya – Uman – Znamyanka – Dnipropetrovsk	430		100	150	180	
Novomoskovsk – Zaporizhzhya – Melitopol – Dzhankoy - Simferopol	170			50	120	
<i>Road reconstruction projects</i>						
Kyiv – Kharkiv Dovzhanskyi	423	90	103	149	80	
Znamyanka – Luhansk - Izvaryne	468	16	154	138	160	
Kuyiv - Odesa	323	106	90	77	50	
Kyiv - Chop	567	270	234	41	22	
Kyiv – Kovel - Yahodyn	231	62	80	69	20	
Odesa – Melitopol – Novoazovsk	67	67	0	0	0	
Krasnoperekopsk – Simferopol	74	26	16	16	16	
Kharkiv – Simferopol – Alushta – Yalta	0	0	0	0	0	
Kharkiv – Krasnograd - Pereschepyne	83	83	0	0	0	
Dnipropetrovsk – Tsarychanka – Kobelyaky - Reshetylivka	237	70	61	54	52	
<b>Total</b>	<b>6 590</b>	<b>1 132</b>	<b>1 349</b>	<b>1 438</b>	<b>1 657</b>	<b>3 698</b>

Source: Program on the organization of Euro-2012

### Appendix B: Major transit motorways



Source: Ukravtodor

### Appendix C: Mostobud current projects

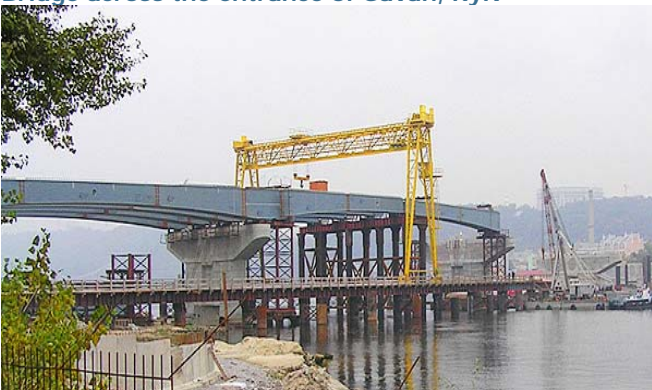
Podil bridge, Kyiv



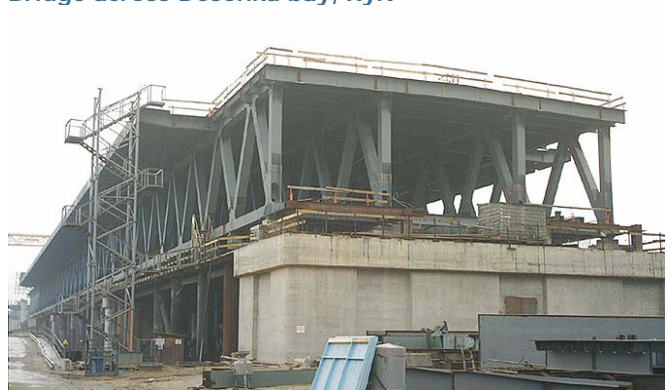
Overpass on Trukhaniv island, Kyiv



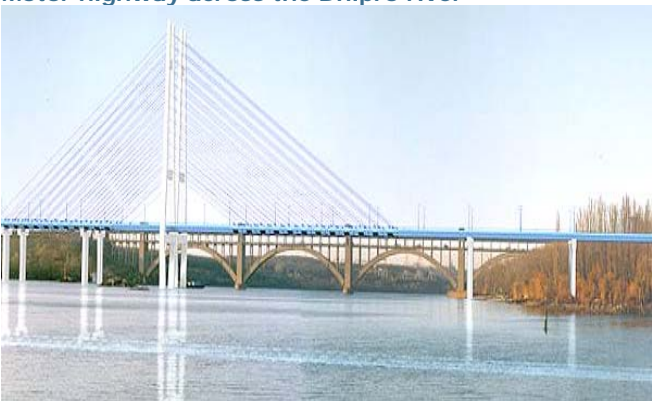
Bridge across the entrance of Gavan, Kyiv



Bridge across Desenka bay, Kyiv



Motor highway across the Dnipro river



Source: Company data

**Appendix D: DZMK completed projects**

Country	Object
<b>Europe</b>	
Croatia	Platforms for oil refining factory
Bulgaria	Steel-pouring Ladles
	Metallurgical plant Stebniki
	Skeleton of boiler
former Yugoslavia	TPS "Negotino"
	Mine Omarska
	Metallurgical plant Smederevo
	Nickel factory of Kosovo (melting shop)
Finland	Metallurgical plant Kremikovtsy
	Metallurgical plant (steel shop)
Italy	Designs of table of cooling
Switzerland	Steelwork for oil-extracting plant
Russia	Taganrog Metallurgical plant (shop TSTS-3)
	The high-way bridge in Vyborg
Cyprus	Offshore platform steelwork
<b>America</b>	
	Nickel factory Nikaro
	Nickel factory Punta
Cuba	CMP plant in the Ale-Kano
	Skeleton of boiler for TPS Havana
	Machine works Panya-mechanics
	Chose Marty metallurgical plant (networks gas line)
USA	Designs for South Machine-Building Plant platform
<b>Africa</b>	
	Metallurgical plant Anaba (convertor shop)
Algeria	Frame of boiler for TPS Zhizhel
	Steelwork for set of ammonia synthesis shelves
Nigeria	Metallurgical plant Adjaokuta
	Asuan Dam
Egypt	Metallurgical plant APE
	Metallurgical plant in Heluane
Angola	the Tower "The Monument to Revolution", Luanda
Libya	Undercrane beams, fastening
<b>Asia</b>	
	Thermal Power Station, Neivilly
	Industrial complex Bhilai (martin shop)
	Metallurgical plant Bakaro
India	Metallurgical plant Visakhapanam
	Machine-building factory of Ranchi Towers
	Skeleton of boiler for TPS Vindjachal
	Skeleton of boiler for TPS Tishrin
Indonesia	Covered Stadium "Jakarato"
	TPC Nanking
	TPC Yingkow
	TPC "Suyjun"
	Gas factory Shanghai
	The crane overfloer
China	Skeleton of boiler for TPS Pyongyang
	Skeleton of boiler for TPS Tszan Tsze (station 1 and 2)
	Skeleton of boiler for TPS Nanking (station 1 and 2)
	Skeleton of boiler for TPS Huandau
	Skeleton of boiler for TPS Mudandzjan
	Skeleton of boiler for TPS Shuan Jashan
	Steelwork for floating structures of bridges "Bayindir", "Karatash"
Turkey	Oilrefinary (tanks)
	Metallurgical plant Iskanderun
	Skeleton of boiler for TPS "Ramin"
Iran	Metallurgical plant Aria-Mekhr
	Metallurgical plant Isfagane ( exhaust station, convertot shop)
Syria	Skeleton of boiler for TPS Tishrin
Iraq	Skeleton of boiler for TPS Jusifija
Bangladesh	Skeleton of boiler for TPS Gorozan
	CMP producing shop Ulan Bator
Mongolia	Sports center Ulan Bator
	Mining-and-processing integrated works Erdenet
Vietnam	Bridge over the river of Barrels

Source: Company data

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Buy	52	45%
Hold	24	21%
Sell	20	17%
Under Review	19	17%
<b>Total</b>	<b>115</b>	<b>100%</b>

### Investment banking clients\*

Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
<b>Total</b>	<b>6</b>	<b>100%</b>

*\* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.*

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