



CONCORDE CAPITAL

Ukraine / Automotive

Bogdan Automobile Plant

Merger by additional share issue

August 29, 2008

Current price: USD 0.09
 12M Target: USD 0.30
 fully diluted: USD 0.24 ... USD 0.30

BUY

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Tickers

Bloomberg LUAZ UZ

Market information

Market price, USD	0.9
MCap, USD mln	309.4
52 Wk H/L, USD	0.30/0.93
No of shares, bln	3.3
Free float	10%
Free float, USD mln	30.9

Corporate Governance

Concorde Rating* Q

* 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.

Shareholders

SV Motors Ltd*	56.7%
UA Automobile Holding*	11.9%
JSC Ukrprominvest*	8.5%
Hyundai Motors Ukraine*	5.5%
Bogdan LLC*	4.5%
Mega Motors*	2.8%
Other	10.1%

* Bogdan Corporation associates

- At their EGM today, Bogdan Automobile Plant shareholders approved issuing 1.1 bln new shares, which will be exchanged for ~100% stakes in five associated companies and cash
- Minority shareholders have the right to subscribe on a pro rata basis from Oct. 27 to Nov. 10 (note: ex-rights date is October 24); the subscription price will be announced by Oct. 12 (pre-announced range is USD 0.05...USD 0.30 per share)
- The preliminary subscription price range implies a 12M target on a fully diluted basis of USD 0.24...USD 0.30 (158%...227% upside)

More details on equity injection

At their EGM today, Bogdan Automobile Plant shareholders voted to increase the company's charter fund by 33% by issuing an additional 1.1 bln shares. Subscription will be held in two stages: (1) on a pro rata basis from October 27 to November 10 and (2) November 11 to November 24, 2008. The ex-rights date is August 29.

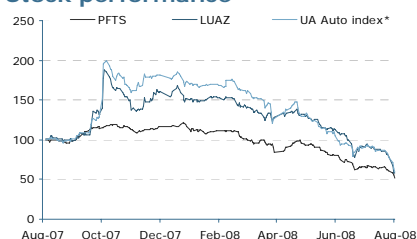
	Shares	Charter fund	
		UAH mln	USD mln
Current	3,327,998,160	832.0	171.5
Additional issue	+1,100,000,000	+275.0	+56.7
After issue	4,427,998,160	1,107.0	228.2

Source: Company

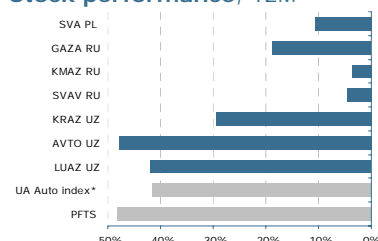
Subscription process

The Bogdan Corporation plans to contribute ~100% of five companies it controls (Cherkasy Bus, Bogdan Bus Plant, Bogdan Spezavtomatika, Bogdan Logistics, Tekhnomash-Krim) and cash in exchange for the new shares; minority shareholders pay for new shares in cash (refer to our automotive industry report of April 11 for more details on the consolidation scheme). Shareholders approved a subscription price within the range of UAH 0.25 per share (USD 0.05, nominal price) to UAH 1.50 (USD 0.3, which coincides with our 12M target price). The exact price will be announced before October 12 by the company's supervisory board.

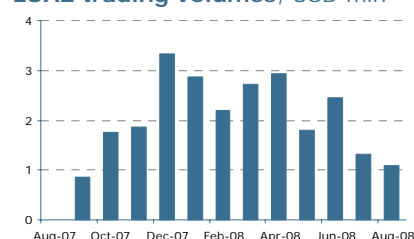
Stock performance



Stock performance, 12M



LUAZ trading volumes, USD mln



Note: Concorde Capital's Ukrainian Automotive Index is market capitalization weighted, free float adjusted; it includes AVTO UZ, KRAZ UZ, LUAZ UZ.
 Source: PFTS, Bloomberg, Concorde Capital

Key financials & ratios

	Sales, USD mln	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2007	812.3	11.6%	7.2%	0.5	4.1	4.2
2008E	1259.4	12.8%	7.4%	0.5	5.5	5.2
2009E	1653.0	10.0%	4.7%	0.4	4.6	4.0

Spot exchange rate: 4.85 UAH/USD

SHARE ISSUE ALERT

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Appendix

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	93	76%
Hold	19	15%
Sell	7	6%
Under Review	4	3%
Total	123	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

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

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