

# Myronivsky Hliboproduct

A chick to take home

## Analyst day notes: Growth and diversification

MHP hosted an analyst day last week with CEO Yuriy Kosyuk and CFO Viktoria Kapelyushnaya. The company presented details of its greenfield project in Vinnitsya as well as business diversification plans.

- Management plans to launch the first phase of its greenfield project in Vinnitsya by 2013. The new facility will expand the company's poultry capacity 65% by 2015 to 560,000 mt annually. Following completion of the first phase, a second phase is under consideration for launch in 2017. The second phase would add another 220,000 mt of capacity, raising total annual capacity by 2.3x to 780,000 mt annually.
- MHP plans to expand its land bank by 2.3x to 500,000 ha by 2014 to maintain input self-sufficiency at the current level (100% self-sufficient in corn, 15% in sunflower).
- Management also intends to better exploit poultry export opportunities to bring overall export revenues to USD 500 mln (a 3.3x increase) by 2015.
- The company plans to diversify into fast food and further develop its Crimea-based fruit farming business (200 ha) but this should have little impact on 2010-13E results as both lines of business are in the very early stages of development.

## Equity: 50% potential upside justifies BUY

We maintain our BUY recommendation on MHP based on several factors: (1) aggressive planned expansion supported by USD 580 mln in Eurobond financing (maturing in 2015); (2) vertical integration, which facilitates an average EBITDA margin of 36% over 2010-14; and (3) 17-28% discounts on 2010-11E EV/EBITDA to EM poultry peers, which we believe are not justified. We reiterate our 12-month TP of USD 22.8, implying 50% upside potential.

## Eurobonds: MHP'15 recommended as HOLD

We expect MHP to have no difficulty in servicing its debt going forward and recommend MHP'15 (-/B3/B) as a HOLD. The bond, traded at a 239 bps spread over the sovereign curve (8.9% YTM), is priced in line with analogous BRF – Brazil Foods issues. Moreover, MHP'15 could underperform other Ukrainian corporate issues on the long end of the curve as it now looks relatively expensive by historical standards.

Report date **30 Sept 2010**

### Equity

|                         |            |
|-------------------------|------------|
| Bloomberg               | MHPC LI    |
| Reuters                 | MHPCq.L    |
| <b>Recommendation</b>   | <b>BUY</b> |
| Price (29 Sept 10), USD | 15.2       |
| 12M price target, USD   | 22.8       |

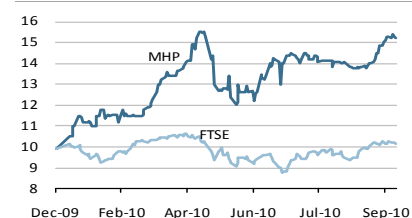
|                     |          |
|---------------------|----------|
| No of DRs, mln      | 108.5    |
| Market Cap, USD mln | 1,652.9  |
| 52-week performance | 45%      |
| 52-week range, USD  | 9.3/15.5 |
| ADT, 6M, USD mln    | 1.5      |
| Free float, %       | 19.3     |
| Free float, USD mln | 319.0    |

*Prices as of Sept. 29, 2010*

### Ownership structure

|            |       |
|------------|-------|
| Management | 80.0% |
| Other      | 20.0% |

### MHPC LI vs. Index performance



Source: Bloomberg

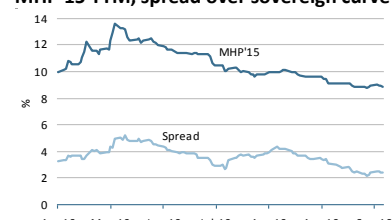
### Eurobonds

|                 |               |
|-----------------|---------------|
| Bloomberg       | MHPSA 10 ¼ 15 |
| ISIN            | USL6366MAB92  |
| Ratings (S/M/F) | -/B3/B        |
| Price           | 105.1         |
| YTM*            | 8.9%, s.a.    |

|                    |              |
|--------------------|--------------|
| Maturity date      | Apr 29, 2015 |
| Type               | Bullet       |
| Amount outstanding | USD 585 mln  |
| Coupon             | 10.25%       |
| Frequency          | s.a.         |

\* Price, YTM as of Sept. 29, 2010, mid-price

### MHP'15 YTM, spread over sovereign curve

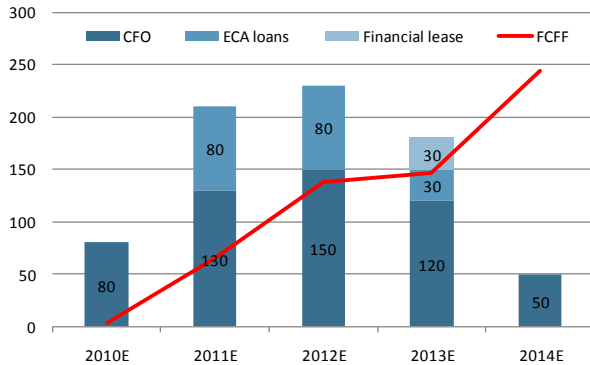


Source: Bloomberg

## Vinnitsa project to boost 2013-17E revenues

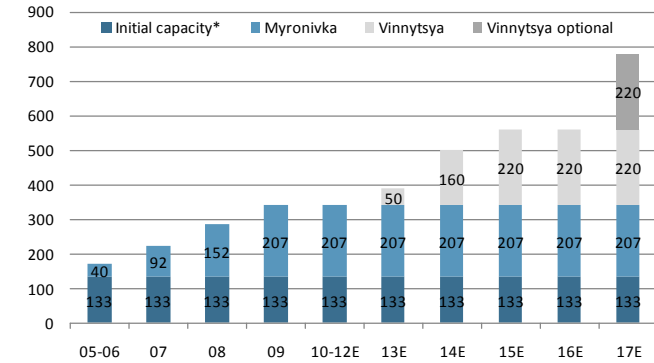
Given strong demand for chicken and poultry products, management plans to launch the first phase of its Vinnytsya greenfield project by 2013 and expand poultry capacity 65% by 2015 to 560,000 mt annually. Following completion of the first phase, a second phase launch proposed for 2017 could add an additional 220,000 mt of capacity annually, increasing total capacity to 780,000 mt. However, the second phase of the project will be predicated on continuing high domestic demand for poultry as well as the company's ability to refinance a USD 585 mln Eurobond issue maturing in 2015.

**Vinnytsya project CapEx (by source) vs. FCF, USD mln**



Source: Company data, Concorde Capital estimates

**Vinnytsya project schedule, 000 mt**



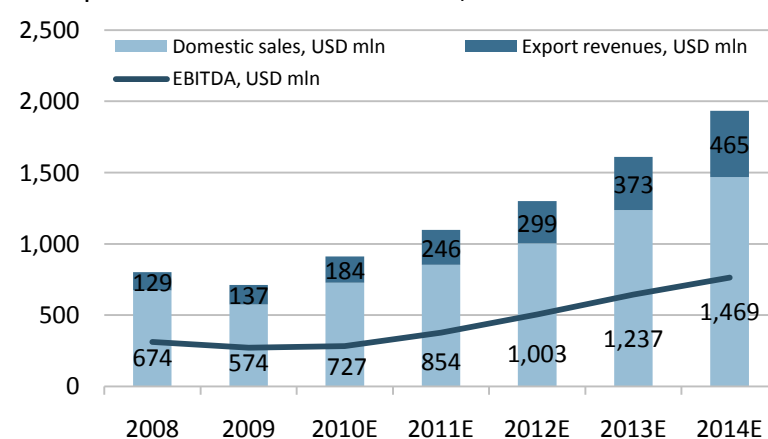
According to management, MHP has already started work on the Vinnytsya facility with monthly CapEx of some USD 15 mln. Total CapEx for phase one is estimated at USD 750 mln, with financing coming largely from operating activities (71%) and ECA loans for equipment (25%) during 2010-14E.

We believe the market will easily absorb the expansion as Ukraine's per capita meat consumption (48 kg) is 49% below the 2009 EU-27 average. Moreover, in 2009 Ukraine imported nearly 200,000 mt of poultry, or about 20% of the chicken consumed for the year. The first phase of the Vinnytsya project should expand output by a similar amount, suggesting import substitution will be an attractive strategy for the company in future.

## Land bank growth backs feed sufficiency as output rises

To maintain input sufficiency at the current level (100% self sufficient in corn, 15% in sunflower), MHP plans to expand its land bank by 2.3x to 500,000 ha by 2014. We estimate total investment in land could amount to USD 220-250 mln. Besides keeping sufficient in fodder, land bank expansion should increase MHP's proceeds from wheat exports, which according to our estimates should reach USD 150-200 mln (3-4x growth vs. 2009) in revenues by 2015E, hedging the company's foreign exchange risk.

**MHP exports vs. domestic revenues in 2008-14E, USD mln**



Source: Company data, Concorde Capital estimates

### Export growth should diversify sales and reduce forex risks

At the analyst day, management discussed plans to better exploit poultry export opportunities. In August, the company began shipping frozen chicken to Russia, and anticipates permission to enter the EU market in 2011. According to the company, the European Commission was fully satisfied with its facilities and the Ukrainian government is expected to align Ukrainian legislation with that of the EU shortly. The company also plans to start exporting poultry to the US in 2-3 years in partnership with Perdue. The Middle East was also mentioned as a potential export market.

As a result, management forecasts that approximately 40% of poultry produced at Vinnitsya will be exported, translating into 10-15% of total poultry output in 2013-15. In the meantime, the company expects total export revenues to reach USD 500-550 mln, with sunflower oil exports delivering up to 70% of this amount or USD 350 mln (up 3.5x vs. 2009) in 2015E.

### Further business diversification being explored

Management also elaborated on its plans to diversify its business. Firstly, MHP is considering the launch of a fast food chain. We see obvious synergies in extending MHP's vertical integration by adding fast food outlets to its delivery chain, benefiting from its cost-effective in-house poultry production.

On top of that, management sees potential in further developing its Crimea-based fruit farming business (200 ha). Currently, fruit crops consist of 50% apples, 25% pears and 25% other fruits. This said we expect the aforementioned initiatives to have only a minor impact on 2010-13E financials as both lines of business are in the very early stages of development.

## Stock rated BUY with potential 50% upside

We maintain our BUY recommendation for LSE-listed MHP on the back of (1) aggressive output expansion plans, supported by USD 580 mln in Eurobond financing (maturing in 2015); (2) vertical integration, which facilitates an average EBITDA margin of 36% over 2010-14; and (3) 17-28% discounts to EM poultry peers on 2010-11E EV/EBITDA – discounts that we believe are not justified. We reiterate our 12-month TP of USD 22.8 for the stock, implying 50% upside potential.

### Poultry prices to gain 7.5% on rising grain prices in 2H10

Ukraine's wheat and coarse grain prices, a major cost component in poultry production, have risen 30% since May on reduced harvest expectations for 2010/11. This should favor a 7.5% y-o-y increase in local poultry prices to UAH 13.8/kg (ex-VAT) in 2010. As MHP produces (est.) 80% of its fodder needs from in-house grown crops, we expect the company not only to enjoy a favorable pricing environment in 2010, but to maintain an EBITDA margin of 31% vs. the 13% median for EM peers in 2010.

### Vinnitsya plant to spur 22% CAGR sales growth in 2010-14

The launch of the Vinnitsya project (phase one) in 2013 should increase MHP's poultry output capacity at a 10% CAGR over 2010-14F, which coupled with 6.9% CAGR in domestic chicken prices, implies an increase at a 22% CAGR in the company's top line in 2010-14E. In our view, growth at a 3.8% CAGR in Ukraine's per capita meat intake over the next five years on the back of improved income, as well as import substitution, should ensure absorption of MHP's poultry output in 2010-14.

### EBITDA margin to improve in 2011-12E

Given 100% sufficiency in corn and 17% sufficiency in sunflower seeds, we expect the company to increase its EBITDA margin from 31.2% in 2010E to 34.4% in 2011E on less volatile grain prices, curbing cost growth. Moreover, increased wheat and sunoil exports, stemming from the Vinnitsya project and MHP's land bank expansion plans in 2013 and onward should additionally contribute to an increased EBITDA margin over the long-term.

### Valuation: 50% upside potential

At the current market price of USD 15.2 per GDR, the stock trades at 17-28% discounts on 2010-11E EV/EBITDA and 34-54% discounts on 2010-11F P/E to emerging market poultry and meat peer medians. We see these discounts as unjustified given the stock's high liquidity (6M daily turnover: USD 1.5 mln), stronger profitability vs. peers and transparent management practices. We maintain our BUY recommendation for the stock with a 12-month target price of USD 22.8 per GDR. Upside: 50%.

#### Myronivsky Hliboproduct peer multiples

| Ticker<br>Bloomberg                      | Current Price<br>USD | Mcap<br>USD mln | Country  | EV/Sales    |            |            | EV/EBITDA  |             |            | P/E        |             |             |             |
|--|----------------------|-----------------|----------|-------------|------------|------------|------------|-------------|------------|------------|-------------|-------------|-------------|
|  |                      |                 |          | 09          | 10F        | 11E        | 09         | 10F         | 11E        | 09         | 10F         | 11E         |             |
| <b>Poultry and meat EM</b>               |                      |                 |          |             |            |            |            |             |            |            |             |             |             |
| BRF - BRASIL FOODS SA                    | BRFS3 BZ Equity      | 14.5            | 12,694.0 | Brazil      | 1.4        | 1.2        | 1.0        | 24.6        | 11.8       | 9.0        | 90.1        | 35.2        | 20.2        |
| CHINA YURUN FOOD GROUP LTD               | 1068 HK Equity       | 3.8             | 6,617.0  | China       | 3.7        | 2.5        | 1.9        | 29.2        | 18.2       | 14.9       | 34.9        | 22.6        | 19.0        |
| CHAROEN POKPHAND FOODS PUB               | CPF TB Equity        | 0.8             | 6,150.3  | China       | 1.5        | 1.2        | 1.1        | 14.7        | 10.7       | 9.9        | 20.9        | 14.2        | 13.4        |
| UNIVERSAL ROBINIA CORP                   | URC PM Equity        | 1.0             | 1,983.1  | Philippines | 2.0        | 1.6        | 1.4        | 13.9        | 8.1        | 7.6        | 30.0        | 14.2        | 13.6        |
| CHERKIZOVO GROUP-GDR REG S               | CHE LI Equity        | 18.2            | 1,175.8  | Russia      | 1.7        | 1.3        | 1.1        | 9.9         | 7.9        | 6.4        | 11.7        | 9.2         | 7.6         |
| RAINBOW CHICKEN LTD                      | RBW SJ Equity        | 2.3             | 785.5    | Durban      | n/a        | 0.6        | 0.5        | n/a         | 5.2        | 4.5        | 13.5        | 10.8        | 9.7         |
| <b>Median</b>                            |                      |                 |          |             | <b>1.7</b> | <b>1.3</b> | <b>1.1</b> | <b>14.7</b> | <b>9.4</b> | <b>8.3</b> | <b>25.5</b> | <b>14.2</b> | <b>13.5</b> |
| <b>Agriculture EM</b>                    |                      |                 |          |             |            |            |            |             |            |            |             |             |             |
| WILMAR INTERNATIONAL LTD                 | WIL SP EQUITY        | 4.6             | 29,409.6 | Indonesia   | 1.3        | 1.1        | 1.0        | 13.0        | 13.1       | 11.2       | 18.2        | 16.4        | 14.4        |
| ASTRA AGRO LESTARI TBK PT                | AALI IJ EQUITY       | 2.5             | 3,934.2  | Indonesia   | 4.8        | 4.3        | 3.8        | 12.0        | 11.3       | 9.5        | 19.8        | 18.7        | 15.7        |
| ILLOVO SUGAR LTD                         | ILV SJ EQUITY        | 3.5             | 1,629.3  | South       | 1.5        | 1.5        | 1.3        | 7.3         | 7.0        | 5.9        | 15.6        | 19.3        | 13.7        |
| PP LONDON SUMATRA INDONES PT             | LSIP IJ EQUITY       | 1.1             | 1,533.0  | Indonesia   | 4.4        | 3.5        | 3.1        | 12.9        | 8.9        | 7.8        | 21.6        | 14.3        | 12.8        |
| SAO MARTINHO SA                          | SMT03 BZ             | 10.7            | 1,209.6  | Brazil      | 2.6        | 2.2        | 2.0        | 8.0         | 6.4        | 6.1        | 26.4        | 26.6        | 33.3        |
| PGG WRIGHTSON LTD                        | PGW NZ EQUITY        | 0.4             | 318.0    | New         | 0.5        | 0.5        | 0.5        | 8.5         | 8.0        | 7.2        | 18.9        | 13.2        | 11.0        |
| <b>Median</b>                            |                      |                 |          |             | <b>2.1</b> | <b>1.8</b> | <b>1.7</b> | <b>10.2</b> | <b>8.4</b> | <b>7.5</b> | <b>19.4</b> | <b>17.5</b> | <b>14.1</b> |
| MHP SA - GDR REG S                       | MHPC LI Equity       | 15.2            | 1,652.9  | Ukraine     | <b>3.0</b> | <b>2.4</b> | <b>2.0</b> | <b>7.9</b>  | <b>7.8</b> | <b>5.9</b> | <b>10.3</b> | <b>9.4</b>  | <b>6.2</b>  |
| MHP (Discount)/Premium to Poultry EM     |                      |                 |          |             | 79%        | 93%        | 90%        | (46%)       | (17%)      | (28%)      | (59%)       | (34%)       | (54%)       |
| MHP (Discount)/Premium to Agriculture EM |                      |                 |          |             | 46%        | 31%        | 21%        | (23%)       | (8%)       | (21%)      | (47%)       | (47%)       | (56%)       |

Source: Company data, Bloomberg, Concorde Capital estimates

## MHP'15 recommended as a HOLD

We expect MHP to have no difficulties in servicing its debt going forward and recommend MHP'15 as a HOLD. The bond, traded now at a spread of 239 bps over the sovereign curve (YTM of 8.9%), is priced in line with peer BRF – Brazil Foods. Moreover, MHP'15 could underperform other Ukraine's corporate issues on the long end of the curve as it now looks relatively expensive by historical standards.

### Net debt / EBITDA 2010E at a manageable 2x

MHP's total debt grew by 41% to USD 736 mln over 1H10. Given our 2010 EBITDA forecast of USD 284 mln, total debt/EBITDA 2010E is stands at 2.6x, while Net Debt/EBITDA 2010E is 2x (vs. the Eurobond covenant of 2.5x).

Though it has increased its aggregate debt, MHP has improved the structure: the share of long-term debt rose to approximately 94% at end-1H10 from 72% as of end-2009. The company attracted USD 330 mln in fresh debt in April through a 5Y Eurobond placement, using USD 100 mln of the proceeds to repay short-term debt. It also extended until 2015 the maturity of USD 250 mln in previously issued Eurobonds (originally maturing in 2011).

### EBIT coverage at 4.6x, forex risk low

We see 2010E EBIT interest coverage at 4.6x and, hence, the company should not have problems servicing outstanding debt. Moreover, higher projected forex revenues in 2010 (USD 180-190 mln) are three times the Eurobond coupon payments coming due (USD 61 mln in 2010), insulating the company from forex risk. As the company projects increasing its forex revenues to USD 500 mln by 2015, up 3.3x from 2009, this should also decrease forex risks by the time the bonds mature.

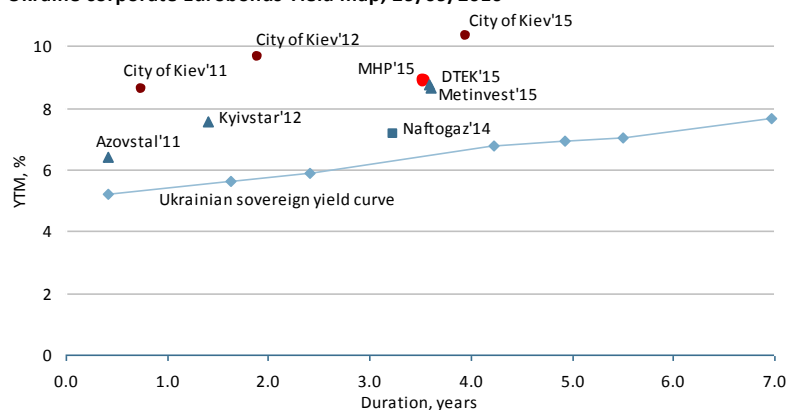
### Aggressive CapEx increases susceptibility to market

According to company projections, approximately 60%-100% of its CFO is to be used for Vinnitsa project CapEx during 2010-2013. Also, an additional USD 190 mln in ECA loans will be used to finance equipment purchases. Given such an aggressive CapEx program, the company might need to attract further debt in 2014-2015 and, hence, become more susceptible to debt capital market conditions by MHP'15's maturity.

### MHP'15 fairly priced

As MHP should not have any difficulties in servicing its debt going forward, we recommend MHP'15 (-/B3/B) as a Hold. We see MHP'15, now traded at a 239 bps spread over the sovereign curve (YTM of 8.9%), as priced in line with peer BRF – Brazil Foods bonds (BB+/Ba1/BB+), now traded at 240-250 bps over the Brazilian sovereign curve (BRF has the same Net Debt/EBITDA 2010E of 2x). Furthermore, MHP'15 could underperform Ukraine's other corporate issues on the long end of the curve as it now looks relatively expensive by historical standards. Historically, spreads over the sovereign curve for MHP'11 were approximately 100-150 bps wider than those for Azovstal'11 (part of Metinvest), while currently MHP'15, Metinvest'15 and DTEK'15 all have similar yields of 8.7%-8.9%.

Ukraine corporate Eurobonds Yield map, 29/09/2010



Source: Bloomberg

## Financial statements, IFRS

### Income statement summary, USD mln

|                                   | 2008         | 2009         | 2010E        | 2011F        | 2012F        | 2013F        | 2014F        |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Revenues</b>               | <b>803</b>   | <b>711</b>   | <b>911</b>   | <b>1,099</b> | <b>1,302</b> | <b>1,610</b> | <b>1,934</b> |
| Cost Of Sales                     | (515)        | (447)        | (631)        | (746)        | (825)        | (985)        | (1,175)      |
| IAS 41 gains                      | 6            | 35           | 31           | 41           | 48           | 60           | 72           |
| Gross Profit                      | 294          | 299          | 311          | 394          | 524          | 685          | 831          |
| Other Operating Income/Costs, net | 98           | 53           | 73           | 99           | 117          | 129          | 135          |
| SG&A                              | (80)         | (81)         | (100)        | (115)        | (137)        | (169)        | (203)        |
| <b>EBITDA</b>                     | <b>312</b>   | <b>271</b>   | <b>284</b>   | <b>378</b>   | <b>505</b>   | <b>644</b>   | <b>763</b>   |
| <i>EBITDA margin. %</i>           | <i>38.9%</i> | <i>38.1%</i> | <i>31.2%</i> | <i>34.4%</i> | <i>38.8%</i> | <i>40.0%</i> | <i>39.5%</i> |
| Depreciation                      | (57)         | (52)         | (53)         | (59)         | (67)         | (75)         | (83)         |
| <b>EBIT</b>                       | <b>255</b>   | <b>219</b>   | <b>230</b>   | <b>319</b>   | <b>438</b>   | <b>569</b>   | <b>680</b>   |
| <i>EBIT margin. %</i>             | <i>31.8%</i> | <i>30.8%</i> | <i>25.3%</i> | <i>29.0%</i> | <i>33.6%</i> | <i>35.4%</i> | <i>35.2%</i> |
| Interest Expense                  | (52)         | (51)         | (50)         | (59)         | (49)         | (47)         | (45)         |
| Financial income                  | 11           | 9            | 11           | 13           | 15           | 17           | 19           |
| Other income/(expense)            | (199)        | (24)         | (12)         | 6            | 7            | 7            | 8            |
| <b>PBT</b>                        | <b>16</b>    | <b>154</b>   | <b>180</b>   | <b>279</b>   | <b>410</b>   | <b>547</b>   | <b>662</b>   |
| Tax                               | (1)          | 6            | (4)          | (14)         | (25)         | (44)         | (53)         |
| Extraordinary Income/(loss)       | (10)         | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Net Income</b>                 | <b>5</b>     | <b>160</b>   | <b>176.0</b> | <b>265.2</b> | <b>386</b>   | <b>503</b>   | <b>609</b>   |
| <i>Net Margin. %</i>              | <i>0.6%</i>  | <i>22.5%</i> | <i>19.3%</i> | <i>24.1%</i> | <i>29.6%</i> | <i>31.3%</i> | <i>31.5%</i> |
| <b>Dividend Declared</b>          | -            | -            | -            | -            | -            | -            | <b>54</b>    |

### Balance sheet summary, USD mln

|                                       | 2008       | 2009         | 2010E        | 2011F        | 2012F        | 2013F        | 2014F        |
|---------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Current Assets</b>                 | <b>338</b> | <b>427</b>   | <b>752</b>   | <b>820</b>   | <b>938</b>   | <b>1,183</b> | <b>1,517</b> |
| Cash & Equivalents                    | 54         | 22           | 174          | 133          | 164          | 251          | 403          |
| Trade Receivables                     | 32         | 43           | 55           | 66           | 78           | 97           | 116          |
| Inventories                           | 165        | 271          | 432          | 511          | 565          | 675          | 805          |
| Other current assets                  | 87         | 90           | 91           | 110          | 130          | 161          | 193          |
| <b>Fixed Assets</b>                   | <b>587</b> | <b>711</b>   | <b>782</b>   | <b>931</b>   | <b>1,134</b> | <b>1,333</b> | <b>1,511</b> |
| PP&E. net                             | 518        | 628          | 703          | 825          | 992          | 1,172        | 1,328        |
| Other Fixed Assets                    | 69         | 83           | 79           | 106          | 142          | 161          | 183          |
| <b>Total Assets</b>                   | <b>925</b> | <b>1,138</b> | <b>1,534</b> | <b>1,752</b> | <b>2,072</b> | <b>2,516</b> | <b>3,028</b> |
| <b>Shareholders' Equity</b>           | <b>346</b> | <b>494</b>   | <b>639.4</b> | <b>873.8</b> | <b>1,215</b> | <b>1,663</b> | <b>2,152</b> |
| Share Capital                         | 254        | 254          | 254          | 254          | 254          | 254          | 254          |
| Reserves and Other                    | 92         | 241          | 386          | 620          | 961          | 1,409        | 1,898        |
| <b>Current Liabilities</b>            | <b>219</b> | <b>286</b>   | <b>197</b>   | <b>188</b>   | <b>205</b>   | <b>222</b>   | <b>256</b>   |
| ST Interest Bearing Debt              | 152        | 164          | 48           | 47           | 44           | 43           | 42           |
| Trade Payables                        | 22         | 72           | 95           | 75           | 83           | 98           | 117          |
| Accrued Taxes                         | 1          | -            | -            | -            | -            | -            | -            |
| Other Current Liabilities             | 45         | 49           | 55           | 66           | 78           | 81           | 97           |
| <b>LT Liabilities</b>                 | <b>359</b> | <b>358</b>   | <b>698</b>   | <b>690</b>   | <b>653</b>   | <b>632</b>   | <b>620</b>   |
| LT Interest Bearing Debt              | 352        | 349          | 686          | 676          | 636          | 611          | 595          |
| Other LT                              | 7          | 9            | 12           | 14           | 17           | 21           | 25           |
| <b>Total Liabilities &amp; Equity</b> | <b>925</b> | <b>1,138</b> | <b>1,534</b> | <b>1,752</b> | <b>2,072</b> | <b>2,516</b> | <b>3,028</b> |

### Cash flow statement summary, USD mln

|                                  | 2008         | 2009         | 2010E        | 2011F        | 2012F        | 2013F        | 2014F        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Income                       | 5            | 160          | 176          | 265          | 386          | 503          | 609          |
| Depreciation                     | 57           | 52           | 53           | 59           | 67           | 75           | 83           |
| Non-operating and non-cash items | 201          | (11)         | (24)         | (51)         | (59)         | (75)         | (81)         |
| Changes in working capital       | (141)        | (78)         | (146)        | (112)        | (67)         | (140)        | (147)        |
| <b>Operating Cash Flow</b>       | <b>123</b>   | <b>123</b>   | <b>60</b>    | <b>161</b>   | <b>327</b>   | <b>363</b>   | <b>464</b>   |
| Capital Expenditures. Net        | (178)        | (137)        | (130)        | (184)        | (253)        | (249)        | (235)        |
| Other Investments. Net           | (36)         | 11           | -            | -            | -            | -            | -            |
| <b>Investing Cash Flow</b>       | <b>(213)</b> | <b>(126)</b> | <b>(130)</b> | <b>(184)</b> | <b>(253)</b> | <b>(249)</b> | <b>(235)</b> |
| Net Borrowings/(repayments)      | (24)         | 27           | 222          | (20)         | (43)         | (27)         | (17)         |
| Dividends Paid                   | -            | -            | -            | -            | -            | -            | (61)         |
| Other                            | 166          | (56)         | -            | -            | -            | -            | -            |
| <b>Financing Cash Flow</b>       | <b>142</b>   | <b>(28)</b>  | <b>222</b>   | <b>(20)</b>  | <b>(43)</b>  | <b>(27)</b>  | <b>(77)</b>  |
| Beginning Cash Balance           | N/A          | 53           | 22           | 176          | 133          | 164          | 251          |
| Ending Cash Balance              | 79           | 23           | 174          | 133          | 164          | 251          | 403          |
| <b>Net Cash Inflows/Outflows</b> | <b>51</b>    | <b>(31)</b>  | <b>152</b>   | <b>(43)</b>  | <b>31</b>    | <b>87</b>    | <b>152</b>   |

### UAH/USD exchange rates

|          | 2008 | 2009 | 2010E | 2011F | 2012F | 2013F | 2014F |
|----------|------|------|-------|-------|-------|-------|-------|
| Average  | 5.3  | 7.8  | 8.0   | 7.9   | 7.9   | 7.9   | 7.9   |
| Year-end | 7.7  | 8.0  | 8.0   | 7.9   | 7.9   | 7.9   | 7.9   |

### Selected ratios

|                   | 2008 | 2009 | 2010E | 2011F | 2012F | 2013F | 2014F |
|-------------------|------|------|-------|-------|-------|-------|-------|
| Net debt/EBITDA   | 1.44 | 1.81 | 1.97  | 1.56  | 1.02  | 0.62  | 0.31  |
| Net debt/Equity   | 1.30 | 0.99 | 0.88  | 0.67  | 0.42  | 0.24  | 0.11  |
| Total debt/Assets | 0.63 | 0.57 | 0.58  | 0.50  | 0.41  | 0.34  | 0.29  |
| ROA               | 1%   | 14%  | 13%   | 16%   | 20%   | 22%   | 22%   |
| ROE               | 1%   | 32%  | 31%   | 35%   | 37%   | 35%   | 32%   |

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