



CONCORDE CAPITAL

Ukraine / Machinery

Railway Machinery

Ticket on traffic turnaround

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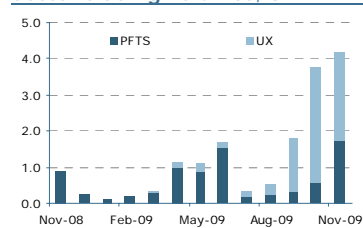
Company	Bloomberg
Kryukiv Wagon	KVBZ UK
Mariupol Heavy Machinery	MZVM UK
Azovzahal mash	AZGM UZ
Stakhaniv Wagon	SVGZ UK
Dniprovahon mash	DNVM UZ

Sector market information*

	MCap, USD mln	FF, % USD mln	FF, % USD mln
KVBZ	250	4.7%	11.8
AZGM	85	3.5%	3.0
DNVM	81	2.0%	1.6
SVGZ	80	12.0%	9.5
MZVM	51	15.7%	8.0

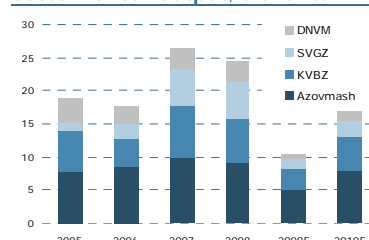
*Includes only covered stocks

Sector trading volumes, UAH mln



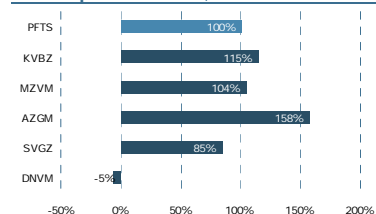
Source: UX, PFTS

Sector railcar output, ths. units



Source: Metal Courier, Concorde Capital est.

Sector performance, YTD



Source: PFTS

Ukrainian railway machinery manufacturers are beginning to see a comeback in orders from private freight operators, a driver we believe will help ramp sector output up from 10.3 ths units in 2009 to 17 ths in 2010. Our target prices, based on 2010E forward-looking multiples imply further upside for two sector plays. We rate Kryukiv Wagon maker a solid BUY (upside 59%) and Mariupol Heavy Machinery a speculative BUY (upside 133%).

Railcar market: Private operators drive revival in demand

Freight rail transportation in the CIS is up 30% YTD from its 2002-2009 low in January, increasing utilization of freight railcars. We are already seeing an uptick in orders by private freight operators and three of the four biggest Ukrainian railway machinery makers have said that their capacity utilization increased to 75% in October-November from 0-25% in early 2009. Thanks to a revival in the private segment, we forecast listed Ukrainian railcar manufacturers will go from producing 10.3 ths units in 2009 (down 58% yoy) to 17 ths in 2010 (up 65% yoy).

Mid-term demand looks solid, backed by Russian IPOs

In 2011-2015, we project Ukrainian wagon output to increase at 18% CAGR, assuming growth in demand in the CIS at 17% CAGR and their CIS market share returning to its pre-crisis level: 35% in 2011 (from 29% in 11M09). We expect IPOs announced by two major Russian freight railcar operators, Second Freight Company and Globaltrans, to boost investments in railway fleets starting in 2011-2012.

Valuation

For valuation purposes, we disregard depressed 2009E financials and base our recommendations on 2010E forward-looking multiples only. We use EV/S metric to value MZVM and AGZM, whose margins we deem artificially understated, and take an average of EV/S, EV/EBITDA and P/E multiples to get target prices for the rest of the pack. We rate KVBZ and MZVM both BUY, but only suggest the latter for risk-loving investors due to its parent company's high debt.

Valuation summary

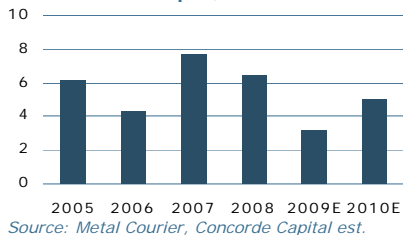
	Price USD	EV/S 2010E	EV/EBITDA 2010E	P/E 2010E	Target USD	Upside	Rec.
Kryukiv Wagon	2.18	0.8	5.8	8.7	3.5	59%	BUY
Mariupol Heavy Mach.	3.3	0.8	15.1	n/m	7.7	133%	Spec. BUY
Azovzahal mash	1.83	0.9	18.8	n/m	1.7	-9%	HOLD
Stakhaniv Wagon	0.33	1.2	9.7	22.2	0.26	-22%	SELL
Dniprovahon mash	4.87	1.6	16.4	n/m	2.2	-55%	SELL
Global peer median		0.92	9.0	18.0			

*Note: Prices as of December 11, 2009

Source: Bloomberg, Concorde Capital

Investment cases

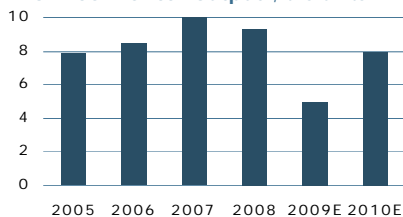
KVBZ railcar output, ths units



KVBZ: BUY

- Entered the subway car market; received its first order for 30 wagons from Kyiv Metro in September, ~15% of 2009E sales. The segment could increase to up to ~25% of sales in two-five years
- Production increased steadily over the last six months: average mom growth of 45%
- Output of freight railcars, which make up ~85% of Kryukiv's total production in 2009E, fell 55% yoy in 11M09 vs. 62% on average for its listed Ukrainian peers
- Only sector player with zero debt
- Only Ukrainian railcar producer with positive margins (7% EBITDA and 3% net margin in 9M09)
- Lack of orders for passenger railcars (comprised ~15% of 2008 sales) due to the liquidity problems in Ukrzaliznytsya, is expected to continue in 2010
- Third highest monthly trading volume on UX among its peers, USD 0.7 mln

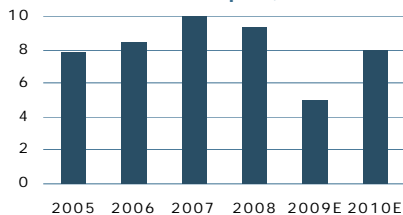
Azovmash railcar output*, ths units



MZVM: Speculative BUY

- Output of parent Azovmash (also includes Azovzahalmash) is down less than sector average in 11M09: 49% vs. 62%, thanks to focus on tank cars, whose output was stable yoy and comprised 92% of 11M09 Azovmash sales
- In-house steel casting plant (part of parent Azovmash), with equipment installed in February 2009, fully covers its needs and saves ~10% on production costs
- Assembly plant launched in Kazakhstan this September, using semi-finished railcars from Mariupol Heavy Machinery, strengthens the company's position on that market, which could account for 10-15% of sales in 2-5 years
- Second most liquid Ukrainian railcar producer: USD 1 mln monthly average trading volume on the UX in last three months
- High credit risk due to ~USD 620 mln debt of parent Azovmash holding

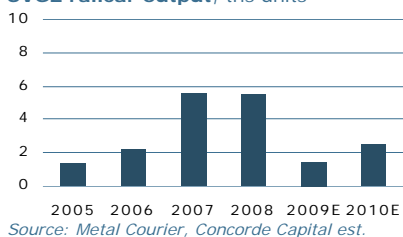
Azovmash railcar output*, ths units



AZGM: HOLD

- Output of parent Azovmash (also includes Mariupol Heavy Machinery) is down less than sector average in 11M09: 49% vs. 62%, thanks to focus on tank cars, whose output was stable yoy and comprised 92% of 11M09 Azovmash sales
- Assembly plant launched in Kazakhstan this September, using semi-finished railcars from Azovzahalmash, strengthens the company's position on that market, which could account for 10-15% of sales in 2-5 years
- Lowest decline in sales in the sector: down 71% yoy in 9M09 vs. the -82% yoy average for listed companies
- In-house steel casting plant (part of parent Azovmash), with equipment installed in February 2009, fully covers its needs and saves ~10% on production costs
- High credit risk due to ~USD 620 mln debt of parent Azovmash holding
- Illiquid: only 14 deals on the PFTS and 8 on the UX in the last 12M

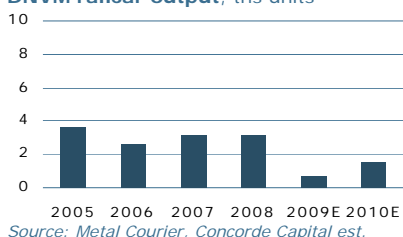
SVGZ railcar output, ths units



SVGZ: SELL

- Increased monthly output to 500 wagons in October vs. monthly average of 70 over 9M09; we forecast output will remain at October level through yearend
- Output grew steadily over last four months: average mom growth of 78%
- Produced 1,094 wagons in 11M09, down 80% yoy; we estimate 2009 output at 1.4 ths units, down 75% yoy vs. sector average of 58%
- Raised its charter fund three times in April-May 2009, attracting ~USD 20 mln for working capital needs
- Most liquid Ukrainian railcar producer: USD 1.6 mln monthly average trading volume on the UX in last three months
- Concentrates on gondola and platform railcars, production of which declined 3x-4x in 11M09 vs. the 56% drop in total railcar output in the CIS

DNVM railcar output, ths units



DNVM: SELL

- Highest decline in output in 11M09: down 82% yoy vs. aggregate decline of 62% yoy for the sector
- Least diversified product mix: concentrates on gondola and platform railcars, the two segments most affected by the downturn
- Switched to 5-day work week in October, after a year of being idle. Plans to produce 200-250 wagons monthly since October, ~2/3 capacity utilization
- Expecting 350 railcar order from Ukrzaliznytsya, ~25% of 2010E sales
- Acquisition target. Major shareholder TAS announced in July it planned to unload its assets ahead of owner Sergiy Tigipko's presidential bid
- Illiquid, only 6 deals on the PFTS in the last 12M

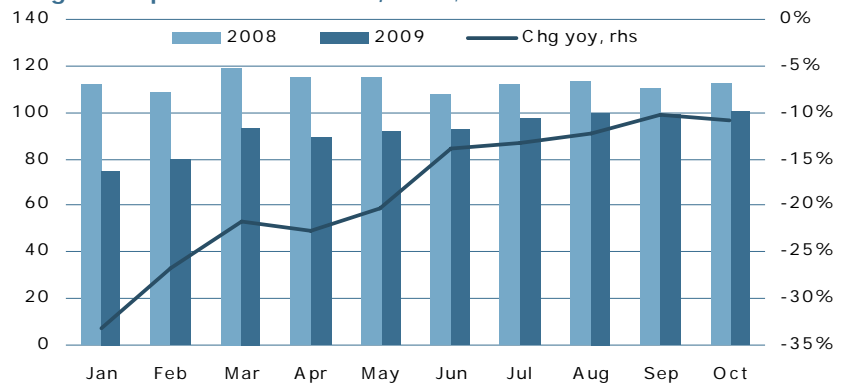
Railcar market: Private operators drive revival in demand

Freight rail transportation in the CIS is up 30% YTD from its 2002-2009 low in January, increasing freight railcar utilization. We are already seeing an uptick in orders by private freight operators - in September & October they announced plans to purchase ~5 ths wagons, twice more than they said they planned to buy in January & February. Thanks to a revival in this segment, we forecast listed Ukrainian railcar makers will go from producing 10.3 ths units in 2009 (down 58% yoy) to 17 ths in 2010 (up 65% yoy).

Rail traffic rebound to spur increased buying

Freight rail transportation in Russia, which buys 80-90% of Ukrainian railcars, has grown 12% over the last six months; the yoy decline was only -11% yoy in October, vs. -33% yoy in January. Russian Railways (RZD) CEO Vladimir Yakunin said in October the recovery in cargo traffic was beating their expectations and that RZD now saw a yoy decline of -15-16% yoy in 2009 vs. -19% yoy before.

Cargo transportation in Russia, 2009, mln mt



Source: Russian Federal State Statistics Service

The rebound in freight rail traffic throughout the CIS (~95% of Ukrainian railcar purchases), up 30% YTD from its 2002-2009 low in January, has led to the increased utilization of freight railcars. We estimate ~230 ths or 18% of all CIS freight railcars were idle in January vs. only ~30 ths or 2% now.

We estimate new railcars will be needed to meet demand in as soon as six months; we view growth in cargo transportation volumes and the need to replace existing units surpassing their service life (~100 ths annually) as the key factors underpinning demand for railcars.

In addition, low railcar prices provide another incentive to buy now: gondolas, whose price is indicative of the market, bottomed at USD 33 ths per unit in July vs. USD 55 ths in January and USD 98 ths in September 2008.

Demand from private operators will fuel resurgence in output

We project listed Ukrainian railcar producers will make 10.3 ths railcars in 2009 (down 58% yoy), before ramping output back up to 17 ths in 2010 (up 65% yoy).

In 11M09, Ukrainian manufacturers market share in the CIS fell to 29% in the period vs. 34% in 2008 and an average of 35% in 2002-2008. We attribute the decline to a dearth of orders from private operators, their core segment (4/5 of Ukrainian purchases in 2008), while the fall in purchases by Russian Railways, which buys only Russian railcars, was not as steep.

The sector's primary driver will be a revival in orders from private freight rail operators: we forecast that in 2010 this segment will order

13 ths railcars from Ukraine. Private operators have historically been the main buyers of CIS railcars, accounting for 3/4 of new wagon purchases in 2000-2008. Activity in this segment is already registering an uptick: in September & October, these companies announced they would buy ~5 ths wagons, twice more than they said they would buy in early 2009, when transportation volumes bottomed.

Across the CIS, based on 11M09 data, we estimate railcar output at close to 35 ths units in 2009 and a rebound to 49 ths units in 2010 (up 40% yoy, but down 33% vs. 2008).

Projected wagon demand and output in 2010, ths railcars

	Total CIS orders	Ukr. orders	Market share
Private sector	23	13	57%
Gov't sector	26	4.0	15%
Russia	20	0	0%
Ukraine	3	2	67%
Kazakhstan	2.5	1.7	68%
Other	0.5	0.3	60%
Total	49	17	32%

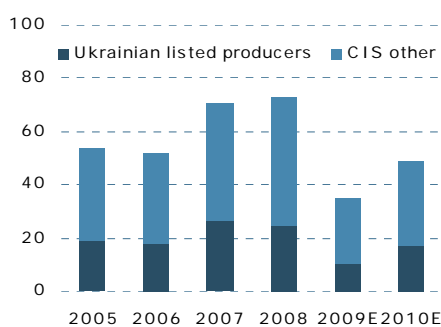
Source: Concorde Capital, Metal Courier, Company data

In the private sector, we estimate ~23 ths railcar purchases in 2010, assuming monthly order flow equal to the 2H09 average; more than half of these orders to Ukraine.

In the government sector, we see demand from CIS government-owned companies at ~26 ths railcars in 2010:

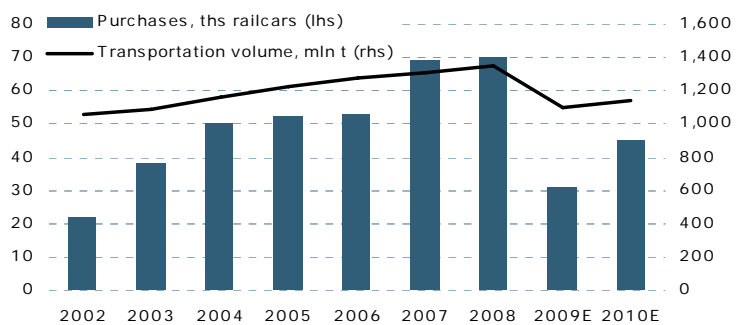
- **Russian Railways** and affiliates at 20 ths (comparable to 2009 level); no purchases of Ukrainian railcars
- **Ukrainian Railways** at 3 ths, ~50% more than in 2009, with 2/3 of orders placed with listed Ukrainian producers
- **Kazakhstan Railways** at 2.5 ths, with ~1.7 ths bought from listed Ukrainian manufacturers, based on their market share in Kazakhstan in 2009.

Cargo railcar output in CIS, ths units



Source: Metal Courier, Concorde Capital estimates

Cargo transportation growth vs. railcar purchases, Russia



Source: Russian Federal State Statistics Service, Infoline, Russian Railways, Concorde Capital estimates

Mid-term demand looks solid, backed by Russian IPOs

In 2011-2015, we project Ukrainian wagon output to grow at 18% CAGR, assuming growth in demand in the CIS of 17% CAGR and increasing market share in the CIS. We believe Ukrainian producers can reclaim 35% of the CIS market in 2011, with their core segment, private freight rail operators, increasing purchases more than government operators, in particular, due to a low base effect.

We estimated the aforementioned 17% CAGR in CIS railcar output in 2011-2015 given 1,400 ths railcars in the CIS in 2009, an average 24-year lifespan for a railcar, and the pause in replacement programs in the 90s, which implied annual replacement needs at no less than ~100 ths railcars in 2011-2015.

The IPOs announced by two major Russian freight railcar operators, in our view, will boost investments into new railway fleets starting in 2011-2012.

Reference 1: Second Freight Company plans IPO in 2011

Russian Railways reform initiative, already underway, envisions transferring its railcar fleet to two independent companies: the First (266 ths railcars) and Second Freight Company (265-283 ths). The latter is expected to start operations in 1Q10, sell a ~25% stake to strategic investors and place a ~20% stake via an IPO in 2011. We anticipate Second Freight Company to use IPO proceeds to purchase rolling stock and increase its fleet by ~10%, which could add another ~30 ths railcar orders for listed Ukrainian producers, equal to 3x of their 2009E output.

Reference 2: Globaltrans conducted SPO raising USD 175 mln

Globaltrans, the largest private freight rail operator in Russia, shareholders voted at an EGM on November 23 to double its share capital with a one-year exclusion of pre-emptive rights. The company raised USD 175 mln in a secondary public offering and paid in shares for a 50% stake in another railcar operator, BaltTransServis. Globaltrans intends to spend all raised capital on new railcar purchases; the sum is enough to buy ~3 ths of railcars at current market prices (30% of Ukrainian producers' 2009E output).

Financials: Top lines projected to grow 50% yoy in 2010

9M09 financials: upset by dropoff in output

Ukrainian railcar makers' 2009 financials suffered badly from the slump in demand. The plunge of 60-90% yoy in output in 9M09 combined with average selling prices being halved to pull the sector's aggregate sales down 80% yoy in the period, with sector profits deep in the red.

Railcar output in 2009, units

	11M08	11M09	yoy chg
Azovmash (AZVM, MZVM)	8,872	4,495	-49%
Kryukiv Wagon	6,080	2,731	-55%
Stakhaniv Wagon	5,503	1,094	-80%
Dniprovahonmash	3,205	561	-82%
CIS total	69,582	30,831	-56%

Source: Metal Courier, Concorde Capital calculations

Azovmash entities posted the lowest declines in sales in 11M09: 71% yoy at Azovzahalmarsh and 81% yoy at Mariupol Heavy Machinery due to relatively more stability in tank car production. Stakhaniv Wagon and Dniprovahonmash decreased sales the most: 93% yoy; both companies virtually stopped production for a year, and restarted work only in October.

During the period, EBITDA was close to zero and bottom lines were negative for all producers except Kryukiv Wagon. The latter posted a 7% EBITDA margin and was able to break even in 9M09 thanks to the absence of interest payments.

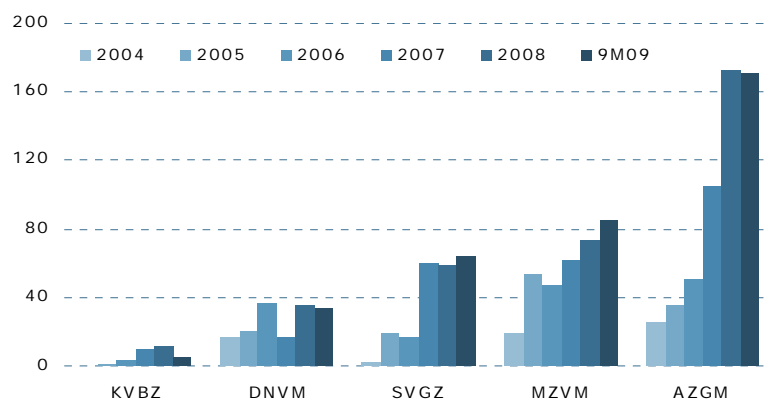
9M09 financial results, USD mln

	Sales	yoy	EBITDA	mgn	NI	mgn	Net Debt	ytd
AZGM	162.5	-71%	-2.0	-1%	-27.7	-17%	171.1	-1%
MZVM	107.6	-81%	-2.1	-2%	-17.6	-16%	84.8	16%
KVBZ	98.5	-82%	7.0	7%	2.9	3%	5.7	-49%
SVGZ	25.1	-93%	-0.3	-1%	-9.8	-39%	63.8	10%
DNVM	14.1	-93%	-10.2	-72%	-14.1	-101%	33.4	-7%
Total	407.8	-82%	-7.5	-2%	-66.4	-16%	358.8	2%

Source: Company data, Concorde Capital

Most railcar manufacturers are having problems servicing debt taken in 2007-2008 on market growth expectations. Kryukiv Wagon is the only unleveraged producer among them.

Total debt outstanding at eop, USD mln



Source: Company data, Concorde Capital

Top line growth of 50% anticipated in 2010

In line with forecasted output growth, we expect the sector to increase sales by half in 2010. We also see a partial recovery in profitability, with margins returning to 5-15%, but ~5pp lower than in

their 2007-2008 highs. We expect Kryukiv Wagon to be the most profitable in 2010, with an EBITDA margin at the 14% level. We project that Mariupol Heavy Machinery and Azovzahalmarsh to report the lowest profitability figures next year (EBITDA '10E of 5% for each), as they traditionally underreport margins by ~12-15pp, according to our estimates (see our report from January 2008).

Key financial projections, USD mln

AZGM	2009E	2010E	MZVM	2009E	2010E
Net revenues	367.4	477.7	Net revenues	284.3	398.0
<i>Change yoy</i>	<i>-45.0%</i>	<i>30.0%</i>	<i>Change yoy</i>	<i>-55.0%</i>	<i>40.0%</i>
EBITDA	7.3	23.9	EBITDA	5.7	19.9
<i>Margin</i>	<i>2.0%</i>	<i>5.0%</i>	<i>Margin</i>	<i>2.0%</i>	<i>5.0%</i>
Net income	(5.5)	7.8	Net income	(13.9)	(3.9)
<i>Net margin</i>	<i>-1.5%</i>	<i>1.6%</i>	<i>Net margin</i>	<i>-4.9%</i>	<i>-1.0%</i>
Net debt	169.8	169.8	Net debt	71.5	71.5

KVBZ	2009E	2010E	SVGZ	2009E	2010E
Net revenues	222.9	312.1	Net revenues	70.7	109.6
<i>Change yoy</i>	<i>-65.0%</i>	<i>40.0%</i>	<i>Change yoy</i>	<i>-80.0%</i>	<i>55.0%</i>
EBITDA	15.6	43.7	EBITDA	3.5	13.2
<i>Margin</i>	<i>7.0%</i>	<i>14.0%</i>	<i>Margin</i>	<i>5.0%</i>	<i>12.0%</i>
Net income	7.3	28.7	Net income	(8.2)	3.6
<i>Net margin</i>	<i>3.3%</i>	<i>9.2%</i>	<i>Net margin</i>	<i>-11.6%</i>	<i>3.3%</i>
Net debt	1.1	3.5	Net debt	61.0	48.4

DNVM	2009E	2010E
Net revenues	33.1	69.5
<i>Change yoy</i>	<i>-84.4%</i>	<i>110.0%</i>
EBITDA	(2.7)	6.9
<i>Margin</i>	<i>-8.2%</i>	<i>10.0%</i>
Net income	(9.2)	2.7
<i>Net margin</i>	<i>-27.7%</i>	<i>3.9%</i>
Net debt	32.5	26.0

Source: Company data, Concorde Capital

Valuation

Peer comparison suggests a wide range of implied prices for Ukrainian wagon producers, with mixed implications for recommendations if taken at face value. We base our recommendations on 2010E forward-looking multiples only. We argue that 2009E multiples should not be taken into account, as this year's financials, badly depressed due to economic downturn, are not representative of the future cash generation potential of the companies.

We rely on EV/S '10E for AZGM and MZVM, as, according to our estimates, these companies understate profits (see our January 2008 report) and we expect them to improve both corporate governance and reporting practices in three-four years. For other stocks, we use an average of prices implied by EV/S '10E, EV/EBITDA '10E, and P/E '10E. Respectively, we rate MZVM a speculative BUY (upside of 133%) - only suitable for investors with a risk appetite, KVBZ a BUY (upside of 59%), SVGZ a SELL (downside of 22%), AZGM a HOLD (downside of 9%), and DNVM a SELL (downside of 55%).

Special case: MZVM, AGZM

In valuing AGZM and MZVM, we take into account that Azovmash holding, which owns the two railcar makers and another three companies, has an estimated cumulative debt of USD 620 mln (USD 564 mln according to the official financials of the five companies). The bulk of the debt burden (USD 211 mln) is on the balance sheet of Azovelectrostal steel casting plant, which was modernized with the help of loans and produces castings for in-house use.

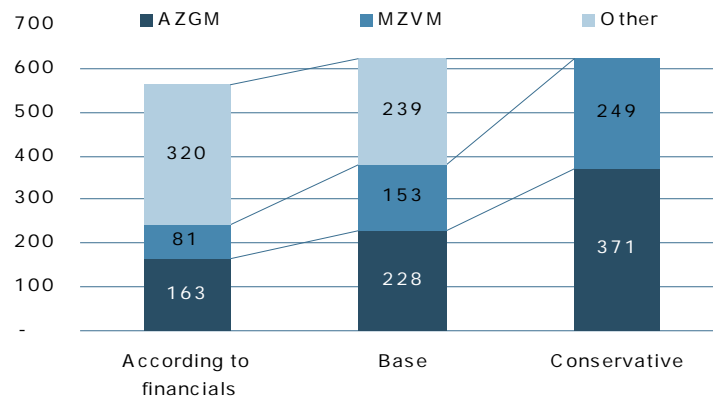
Reference: Azovmash holding

Azovmash holding includes railcar manufacturing plants Azovzahalmash, Mariupol Heavy Machinery, and Poltavkhimmash; steel casting plant Azovelectrostal; trading house Azovmash; Mariupol Thermic Plant; and a research institute.

In our view, most of this debt (currently being restructured) is effectively a burden on the two listed railcar makers, the holding's key productive assets, although it is only partially accounted for in their balance sheets.

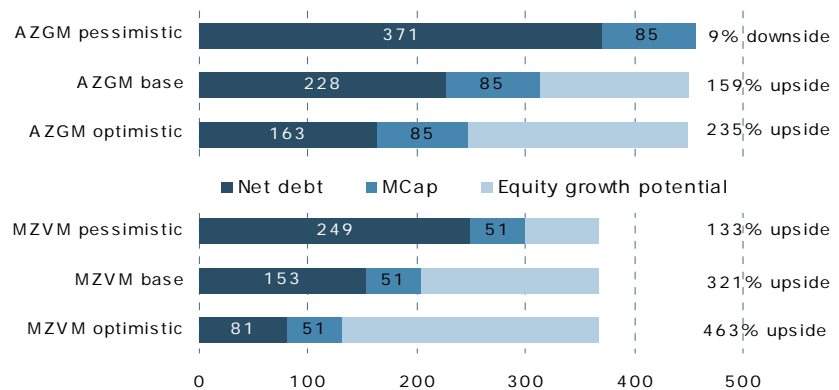
In calculating the EVs for AGZM and MZVM, we consider three cases depending on assumptions for the debt level the companies will ultimately bear following debt restructuring:

- 1) Optimistic. Debt for each of the two companies is estimated based on their officially reported financials only
- 2) Base. The holding's debt is allocated among its companies in proportion to their revenue values
- 3) Pessimistic. All the holding's debt is allocated between Mariupol Heavy machinery and Azovzahalmash in proportion to their revenue

Net debt before and after adjustments, as of 9M09, USD mln


Source: Company data, Concorde Capital estimation

We maintain that MZVM and AGZM, attractive assets from a fundamental standpoint, should be treated as distressed assets for investment purposes due to the heavy debt load of Azovmash and significant bankruptcy risk. While relative valuation of MZVM implies triple-digit upsides even under the most conservative debt level assumption, we only recommend the stock for risk-loving investors who are steeled for heightened bankruptcy risk in pursuit of large returns.

EV implied by relative valuation and its components, USD mln


Source: Bloomberg, Company data, Concorde Capital estimation

KVBZ stands out; SVGZ, DNVM warrant SELL recommendations

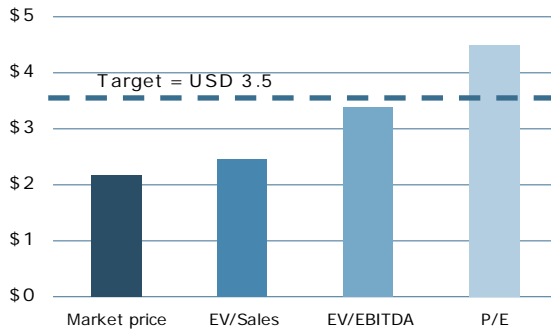
Among other stocks, Kryukiv Wagon looks the most promising. The company is undervalued on EV/EBITDA '10E (56% upside) and P/E '10E (107% upside) multiples. Moreover, Kryukiv Wagon is the only sector play with close to zero debt, and the most diversified producer among its Ukrainian peers. We rate the stock BUY with a target price USD 3.5 per share, as an average of the prices implied by the three multiples, 59% upside.

Stakhaniv Wagon is expensive under all multiples: 34% downside under EV/Sales '10E, 13% downside under EV/EBITDA '10E and 19% downside by P/E '10E. We rate the stock SELL, with a USD 0.26 target price as an average of the prices implied by the three multiples (22% downside).

Dniprovahonmash, most affected by the downturn, also trades with a premium under all multiples. We rate the stock SELL, setting its target price at USD 2.2 per share, as an average implied by the three multiples (downside 55%).

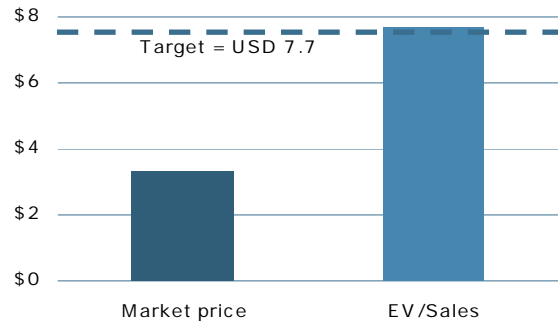
Valuation summary

KVBZ valuation



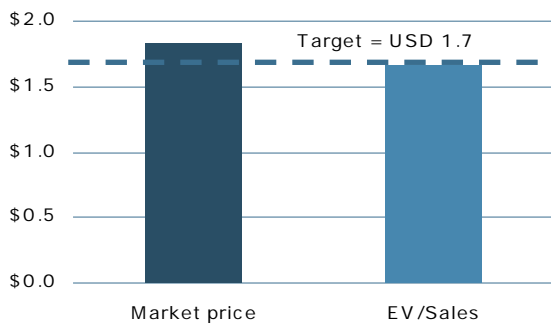
Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

MZVM valuation



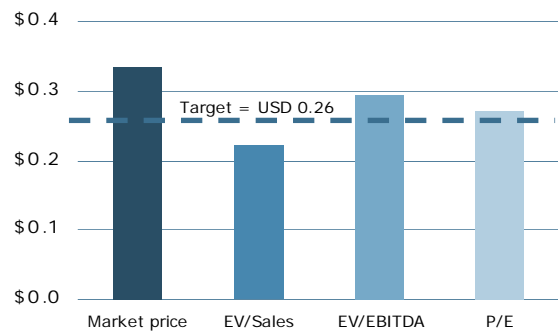
Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

AZGM valuation



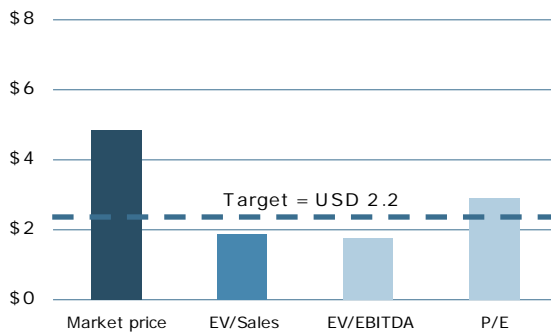
Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

SVGZ valuation



Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

DNVM valuation



Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

Railcar producers peer valuation

	Price	MCap	EV/Sales		EV/EBITDA		P/E	
	USD	USD mln	2009E	2010E	2009E	2010E	2009E	2010E
Kryukiv Wagon	2.18	250	1.48	0.97	21.1	6.9	55.9	10.6
Mariupol Heavy Machinery	3.30	51	1.05	0.75	52.7	15.1	n/m	n/m
Azovzahalmash	1.83	85	1.22	0.94	n/m	18.8	n/m	n/m
Stakhaniv Wagon	0.33	80	1.99	1.17	39.7	9.7	n/m	22.2
Dniprovahonmash	4.87	81	3.43	1.64	n/m	16.4	n/m	n/m
Average			1.83	1.09	37.9	13.4	55.9	16.4
Global peers			2009E	2010E	2009E	2010E	2009E	2010E
American Railcar Industries		222	0.37	0.54	3.8	5.6	48.6	n/m
Freightcar America		229	0.30	0.46	3.9	15.3	21.2	424.4
Greenbrier Companies		196	0.19	0.21	1.9	1.9	n/m	16.2
Trinity Industries		1,445	1.03	1.22	5.8	9.0	11.7	41.3
Const Y Auxiliar De Ferr		1,812	n/m	n/m	n/m	n/m	12.1	11.9
Kinki Sharyo Company Ltd		487	0.72	0.66	n/a	n/a	11.4	10.6
United Group		2,006	0.53	0.49	8.9	7.9	15.2	13.5
Nippon Sharyo Ltd		834	0.93	0.92	n/a	n/a	30.9	26.0
China Motor Corp		1,030	1.11	0.99	21.6	17.4	100.9	38.5
Jinxi Axle Company Ltd		479	1.98	1.66	23.3	16.6	40.5	29.9
Ioche Maxion		674	1.36	0.94	12.9	7.2	29.7	12.3
Taiyuan Heavy Industry		1,816	1.45	1.28	14.2	12.5	21.0	18.0
Peer median			0.93	0.92	8.9	9.0	21.2	18.0
KVBZ price, USD per share								
Implied by Global peer median			1.79	2.48	1.20	3.40	1.34	4.50
Upside/Downside to Developed avg			-18%	14%	-45%	56%	-38%	107%
MZVM price, USD per share								
Implied by Global peer median			0.95	7.68	-12.90	-4.55	-19.17	-4.50
Upside/Downside to Developed avg			-71%	133%	n/m	n/m	n/m	n/m
AZGM price, USD per share								
Implied by Global peer median			-0.52	1.67	-7.98	-3.28	-8.07	-0.07
Upside/Downside to Developed avg			n/m	-9%	n/m	n/m	n/m	n/m
SVGZ price, USD per share								
Implied by Global peer median			0.02	0.22	-0.12	0.29	-0.73	0.27
Upside/Downside to Developed avg			-94%	-34%	n/m	-13%	n/m	-19%
DNVM price, USD per share								
Implied by Global peer median			-0.12	1.89	-3.42	1.79	-11.67	2.91
Upside/Downside to Developed avg			n/m	-61%	n/m	-63%	n/m	-40%

Source: Company data, Bloomberg, Concorde Capital

Kryukiv Wagon (KVBZ UZ)

BUY

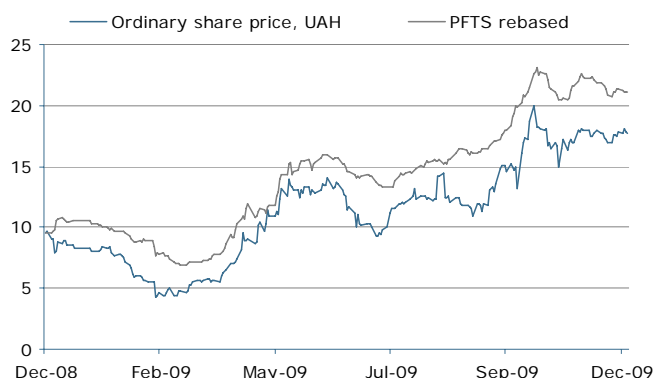
<http://www.kvsz.com>

12M target (USD) 3.5
Upside 59%

INVESTMENT CASE

- Entered the subway car market; received its first order for 30 wagons from Kyiv Metro in September, ~15% of 2009E sales. The segment could increase to up to ~25% of sales in two-five years
- Production increased steadily over the last six months: average mom growth of 45%
- Output of freight railcars, which make up ~85% of Kryukiv's total production in 2009E, fell 55% yoy in 11M09 vs. 62% on average for its listed Ukrainian peers
- Only sector play with zero debt
- Only Ukrainian railcar producer with positive margins (7% EBITDA and 3% net margin in 9M09)
- Lack of orders for passenger railcars (comprised ~15% of 2008 sales) due to the liquidity problems in Ukrzaliznytsya, is expected to continue in 2010
- Third highest monthly trading volume on UX among its peers, USD 0.7 mln

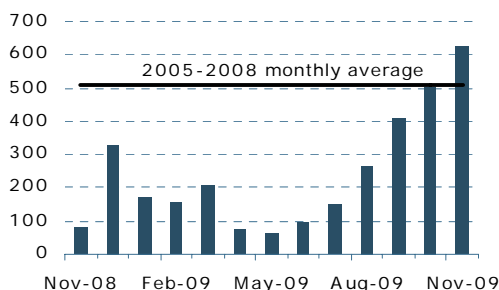
SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Only manufacturer in Ukraine that makes both passenger and freight wagons and recently started serial subway car production. Production capacity: 200 passenger and 8 ths freight wagons p.a. Exports ~ 70% of its output to the CIS and Iran. Pursuing strategy of diversifying its product line (into cargo wagons, passenger wagons, subway cars, escalators). In 9M09 net revenues decreased by 82% yoy to USD 99 mln.

Monthly freight railcar output, units



Source: Metal Courier, Concorde Capital calculations

MARKET INFORMATION

Market Price*, USD	2.18
52 Wk H/L USD	2.39/0.49
Chg 3m/6m/52w	57%/34%/85%
Chg YTD	115%
Avg M Tr Vol 6M, USD ths	770

MCap, USD mln	250
Free float	4.7%
FF Mcap, USD mln	11.8

No of shares, mln	114.7
Par Value, UAH	0.75

STOCK OWNERSHIP

AS Skinest Finants	25.2%
TAS Group	25.0%
Transbuilding Service Ltd	24.9%
Individuals	14.5%
Other	10.5%

MARKET MULTIPLES

	2009E	2010E
EV/Sales	1.1	0.8
EV/EBITDA	16.1	5.8
P/E	34.3	8.7

KEY RATIOS

	2008	2009E	2010E
EBITDA margin	18.8%	7.0%	14.0%
Net Margin	13.0%	3.3%	9.2%
ROE	60%	5%	18%
Net Debt/Equity	-0.1	0.0	0.0

*Market information as of Dec 11, 2009, based on PFTS Mid prices

Income statement summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Net revenues	249.8	272.2	225.4	408.9	637.0	222.9	312.1
<i>Change yoy</i>	51.3%	9.0%	-17.2%	81.4%	55.8%	-65.0%	40.0%
EBITDA	31.1	40.7	29.6	60.0	119.8	15.6	43.7
<i>margin</i>	12.5%	15.0%	13.1%	14.7%	18.8%	7.0%	14.0%
Depreciation	(1.4)	(1.5)	(2.1)	(3.1)	(5.8)	(3.7)	(3.3)
EBIT	29.7	39.2	27.5	56.9	114.0	12.0	40.4
<i>margin</i>	11.9%	14.4%	12.2%	13.9%	17.9%	5.4%	12.9%
Financial expense, net	(0.3)	(0.1)	(0.5)	(0.4)	(1.3)	(0.8)	(0.8)
Other income/(expense)	(1.9)	(0.4)	(1.2)	(3.4)	(2.2)	(1.4)	(1.3)
PBT	27.6	38.8	25.8	53.0	110.4	9.7	38.3
Tax	(10.5)	(9.7)	-	(13.4)	(30.5)	(2.4)	(9.6)
<i>Effective tax rate</i>	38.2%	25.1%	0.0%	25.3%	27.6%	25.0%	25.0%
Net income	17.0	28.9	18.3	39.6	82.9	7.3	28.7
<i>Net margin</i>	6.8%	10.6%	8.1%	9.7%	13.0%	3.3%	9.2%

Balance sheet summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Current assets	80.2	98.1	118.0	145.4	109.1	134.8	140.2
Cash & Equivalents	7.1	11.2	3.8	9.1	10.4	5.0	5.0
Trade receivables	9.8	17.9	25.0	8.4	4.0	34.0	34.0
Inventories	40.6	50.3	62.7	74.9	58.8	63.1	75.8
Other	22.6	18.7	26.5	53.0	35.8	32.7	25.4
Fixed assets	24.5	31.5	44.2	51.1	35.1	51.2	51.4
PP&E, net	19.7	26.5	34.3	45.1	29.5	39.7	39.8
Other	4.8	5.0	9.9	6.0	5.5	11.5	11.5
Total assets	104.7	129.6	162.2	196.5	144.1	186.0	191.5
Shareholders' equity	69.7	100.6	119.1	158.4	115.8	155.9	158.4
Share capital	0.3	17.0	17.0	17.0	11.2	11.3	10.3
Retained earnings	14.1	42.2	55.3	57.7	49.8	64.5	68.0
Other	55.3	41.4	46.8	83.7	54.9	80.1	80.1
Current liabilities	35.0	29.0	43.1	38.1	28.3	30.2	33.2
ST interest bearing debt	-	1.3	3.2	9.9	2.7	6.0	8.4
Trade payables	5.7	8.4	11.3	6.2	4.2	11.5	12.1
Other	29.3	19.3	28.6	22.0	21.4	12.6	12.6
LT liabilities	-	-	-	-	-	-	-
LT interest bearing debt	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total liabilities & equity	104.7	129.6	162.2	196.5	144.1	186.0	191.5

Mariupol Heavy Machinery (MZVM UZ) Speculative BUY

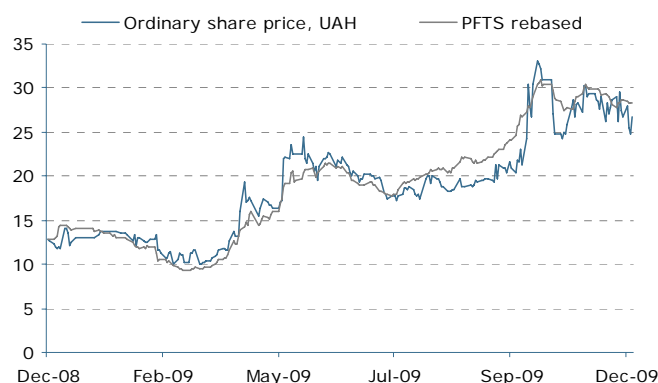
<http://www.azovmash.com.ua>

12M target (USD) 7.7
Upside 133%

INVESTMENT CASE

- Output of parent Azovmash (also includes Azovzahalmash) is down less than sector average in 11M09: 49% vs. 62%, thanks to focus on tank cars, whose output was stable yoy and comprised 92% of 11M09 Azovmash sales
- In-house steel casting plant (part of parent Azovmash), with equipment installed in February 2009, fully covers its needs and saves ~10% on production costs
- Assembly plant launched in Kazakhstan this September, using semi-finished railcars from Mariupol Heavy Machinery, strengthens the company's position on that market, which could account for 10-15% of sales in 2-5 years
- Second most liquid Ukrainian railcar producer: USD 1 mln monthly average trading volume on the UX in last three months
- High credit risk due to ~USD 620 mln debt of parent Azovmash holding

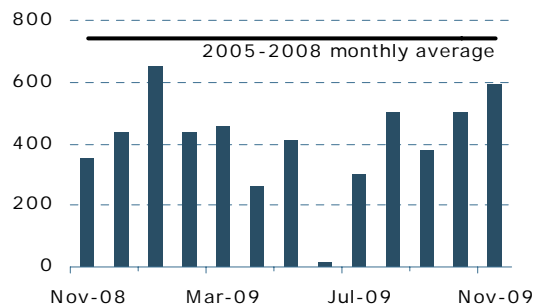
SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Member of the Azovmash group that also includes Azovzahalmash (AZGM). Makes tank cars, gondola cars, boxcars and equipment. Sells products to the SCM-controlled Armavir Wagon Plant (Russia), and to Kazakhstan, Belarus, and Slovenia. Diversified into converters and blast-furnaces. In 9M09, sales decreased by 81% yoy to USD 108 mln.

Monthly railcar output of Azovmash, units



Source: Metal Courier, Concorde Capital calculations

MARKET INFORMATION

Market Price* , USD	3.30
52 WK H/L USD	3.95/1.19
Chg 3m/6m/52w	36%/22%/107%
Chg YTD	104%
Avg M Tr Vol 6M, USD ths	425
MCap , USD mln	51
Free float	15.7%
FF Mcap, USD mln	8.0
No of shares , mln	15.4
Par Value, UAH	0.25
XETRA	M9X
DR Ratio	1:1
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Azovmash	50.0%
UPTK	19.4%
State	11.0%
Other	19.6%

MARKET MULTIPLES

	2009E	2010E
EV/Sales	1.1	0.8
EV/EBITDA	52.7	15.1
P/E	n/m	n/m

KEY RATIOS

	2008	2009E	2010E
EBITDA margin	4.2%	2.0%	5.0%
Net Margin	-0.2%	-4.9%	-1.0%
ROE	-3%	-49%	-20%
Net Debt/Equity	2.1	3.3	4.0

*Market information as of Dec 11, 2009, based on PFTS Mid prices

Income statement summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Net revenues	344.3	436.3	501.9	511.7	631.8	284.3	398.0
<i>Change yoy</i>	40.2%	26.7%	15.0%	2.0%	23.5%	-55.0%	40.0%
EBITDA	3.4	13.8	10.4	8.7	26.2	5.7	19.9
<i>margin</i>	1.0%	3.2%	2.1%	1.7%	4.2%	2.0%	5.0%
Depreciation	(2.1)	(3.0)	(3.5)	(3.4)	(3.9)	(2.5)	(2.2)
EBIT	1.3	10.8	6.9	5.3	22.4	3.2	17.7
<i>margin</i>	0.4%	2.5%	1.4%	1.0%	3.5%	1.1%	4.4%
Financial expense, net	(1.6)	(4.5)	(7.9)	(4.5)	(19.2)	(21.1)	(22.2)
Other income/(expense)	0.9	(1.3)	3.0	2.4	(1.0)	(0.7)	(0.6)
PBT	0.6	4.9	2	3.2	2.1	(18.6)	(5.1)
Tax	(0.5)	(2.6)	-	(20.1)	(6.7)	4.6	1.3
<i>Effective tax rate</i>	88.8%	52.5%	0.0%	25.0%	315%	25.0%	25.0%
Net income	0.1	2.3	0.1	0.3	(1.6)	(13.9)	(3.9)
<i>Net margin</i>	0.0%	0.5%	0.0%	0.1%	-0.2%	-4.9%	-1.0%

Balance Sheet Summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Current assets	137.5	158.1	181.5	165.5	175.7	171.9	180.9
Cash & Equivalents	0.3	0.6	0.4	0.5	0.1	1.5	1.5
Trade receivables	26.2	56.5	79.7	68.1	44.1	41.1	49.4
Inventories	58.6	63.1	65	43.4	30.8	24.7	34.6
Other	52.5	38	36.5	53.6	100.6	104.5	95.4
Fixed assets	69.4	71	65.5	66.6	48.1	48.7	46.5
PP&E, net	52.3	57.1	54	50.4	33.6	34.0	31.8
Other	17	13.9	11.5	16.2	14.5	14.7	14.7
Total assets	206.9	229.2	247	232.1	223.7	220.6	227.4
Shareholders' equity	66	70.4	65.5	63.6	35.4	21.7	17.8
Share capital	0.7	0.8	0.8	0.8	0.5	0.5	0.5
Retained earnings	24	26.6	28.7	27.0	11.5	(2.5)	(6.3)
Other	41.3	43	36	35.9	23.4	23.6	23.6
Current liabilities	139.1	156.8	146.7	146.1	161.3	167.4	169.7
ST interest bearing debt	19.2	53.2	13.8	41.0	47.0	47.2	47.2
Trade payables	34.4	49.6	83.8	62.6	28.9	46.2	48.5
Other	85.5	54.1	49.2	42.5	85.4	74.0	74.0
LT liabilities	1.7	2	34.8	22.4	27.1	27.0	39.9
LT interest bearing debt	-	-	32.9	20.7	26.0	25.8	38.7
Other	1.7	2	1.9	1.7	1.1	1.1	1.1
Total liabilities & equity	206.9	229.2	247	232.1	223.7	220.6	227.4

Azovzahalmash (AZGM UZ)

HOLD

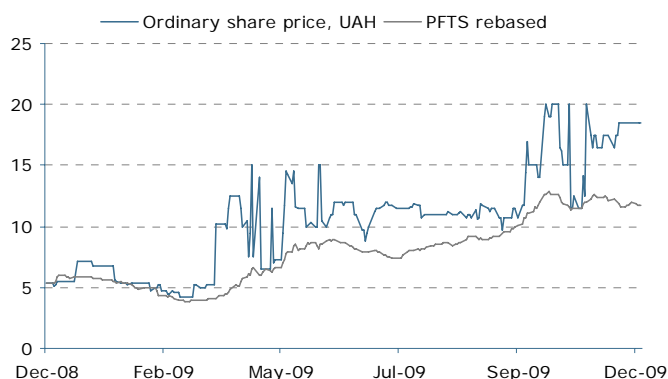
<http://www.azovmash.com.ua>

12M target (USD) 1.7
Upside -9%

INVESTMENT CASE

- Output of parent Azovmash (also includes Mariupol Heavy Machinery) is down less than sector average in 11M09: 49% vs. 62%, thanks to focus on tank cars, whose output was stable yoy and comprised 92% of 11M09 Azovmash sales
- Assembly plant launched in Kazakhstan this September, using semi-finished railcars from Azovzahalmash, strengthens the company's position on that market, which could account for 10-15% of sales in 2-5 years
- Lowest decline in sales in the sector: down 71% yoy in 9M09 vs. the -82% yoy average for listed companies
- In-house steel casting plant (part of parent Azovmash), with equipment installed in February 2009, fully covers its needs and saves ~10% on production costs
- High credit risk due to ~USD 620 mln debt of parent Azovmash holding
- Illiquid: only 14 deals on the PFTS and 8 on the UX in the last 12M

SHARE PRICE PERFORMANCE*

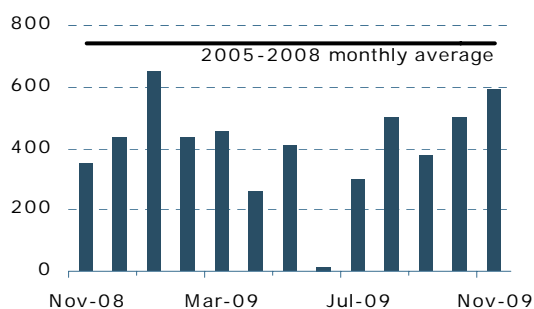


BUSINESS OVERVIEW

Part of the Azovmash Group, jointly with Mariupol Heavy Machinery (MZVM). Produces gondola cars, tank cars, tank containers and hoppers. Diversified into aviation refueling tanks and harbor cranes. Exports to Russia and other CIS countries account for over 70% of sales.

In 9M09, sales fell by 71% yoy to USD 163 mln.

Monthly railcar output of Azovmash, units



Source: Metal Courier, Concorde Capital calculations

MARKET INFORMATION

Market Price*, USD 1.83
52 Wk H/L USD 2.46/0.51
Chg 3m/6m/52w 61%/54%/246%
Chg YTD 158%
Avg M Tr Vol 6M, USD ths 11
Spread, 3M avg 57%

MCap, USD mln 85
Free float 3.5%
FF Mcap, USD mln 3.0

No of shares, mln 46.5
Par Value, UAH 0.25

STOCK OWNERSHIP

Azovmash 26.2%
UPTK 50.6%
Management 19.7%
Other 3.5%

MARKET MULTIPLES

	2009E	2010E
EV/Sales	1.2	0.9
EV/EBITDA	n/m	18.8
P/E	n/m	n/m

KEY RATIOS

	2008	2009E	2010E
EBITDA margin	-2.1%	0.0%	5.0%
Net Margin	-5.8%	-4.7%	0.0%
ROE	n/m	n/m	n/m
Net Debt/Equity	n/m	n/m	n/m

*Market information as of Dec 11, 2009, based on PFTS Mid prices

**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.

Income statement summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Net revenues	258.2	238.1	324.9	485.0	680.2	374.1	486.3
<i>Change yoy</i>	-	-7.8%	36.5%	49.3%	40.2%	-45.0%	30.0%
EBITDA	4.6	8.9	9.7	13.5	(14.5)	-	24.3
<i>margin</i>	1.8%	3.7%	3.0%	2.8%	-2.1%	0.0%	5.0%
Depreciation	(1.4)	(1.5)	(1.7)	(2.6)	(2.9)	(1.8)	(1.7)
EBIT	3.2	7.3	8.0	10.9	(17.3)	(1.8)	22.6
<i>margin</i>	1.2%	3.1%	2.5%	2.3%	-2.5%	-0.5%	4.7%
Financial expense, net	(1.3)	(3.0)	(6.0)	(5.7)	(19.7)	(21.7)	(22.8)
Other income/(expense)	0.0	0.0	0.1	0.1	(0.2)	(0.1)	(0.1)
PBT	2.0	4.4	2.1	5.3	(37.2)	(23.6)	(0.2)
Tax	(1.9)	(3.3)	-	(5.1)	(5.5)	5.9	0.1
<i>Effective tax rate</i>	1.0	0.7	0.0	0.3	-14.7%	25.0%	25.0%
Net income	0.0	1.1	0.2	10.4	(39.7)	(17.7)	(0.2)
<i>Net margin</i>	0.0%	0.5%	0.1%	2.1%	-5.8%	-4.7%	0.0%

Balance sheet summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Current assets	64.5	87.8	115.2	232.4	243.2	202.4	254.8
Cash & Equivalents	0.3	8.8	0.8	17.0	3.0	0.3	0.3
Trade receivables	22.1	23.2	52.3	45.6	33.2	39.0	50.7
Inventories	15.9	28.8	42.6	69.3	29.2	32.1	41.8
Other	26.2	27	19.5	100.4	177.8	131.0	162.0
Fixed assets	22.5	27.3	34	38.3	47.2	99.9	98.2
PP&E, net	17.8	22.5	28.6	28.8	20.0	19.9	18.2
Other	4.7	4.8	5.4	9.5	27.1	80.0	80.0
Total assets	87	115.1	149.2	270.6	290.3	302.3	353.0
Shareholders' equity	24	26.4	26.6	26.8	(16.9)	(30.1)	(30.3)
Share capital	2.2	2.3	2.3	2.3	1.5	1.5	1.5
Retained earnings	13.6	15.5	15.6	15.8	5.7	(12.1)	(12.2)
Other	8.2	8.6	8.6	8.6	(24.1)	(19.6)	(19.6)
Current liabilities	63	88.7	122.6	243.8	307.3	332.5	383.3
ST interest bearing debt	24.7	35.9	49.7	104.6	172.8	162.9	180.0
Trade payables	8.9	25	43.2	66.6	44.9	68.4	88.9
Other	29.3	27.8	29.7	64.7	89.5	101.2	114.4
LT liabilities	-	-	-	8.3	-	-	-
LT interest bearing debt	-	-	-	8.3	-	-	-
Other	-	-	-	-	-	-	-
Total liabilities & equity	87	115.1	149.2	270.6	290.3	302.3	353.0

Stakhaniv Wagon (SVGZ UZ)

SELL

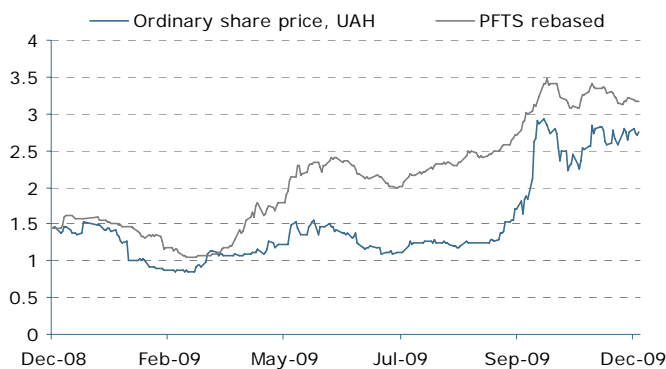
<http://stakhanovvz.com>

12M target (USD) 0.26
Upside -22%

INVESTMENT CASE

- Increased monthly output to 500 wagons in October vs. monthly average of 70 over 9M09; we forecast output will remain at October level through yearend
- Output grew steadily over last four months: average mom growth of 78%
- Produced 1,094 wagons in 11M09, down 80% yoy; we estimate 2009 output at 1.4 ths units, down 75% yoy vs. sector average of 58%
- Raised its charter fund three times in April-May 2009, attracting ~USD 20 mln for working capital needs
- Most liquid Ukrainian railcar producer: USD 1.6 mln monthly average trading volume on the UX in last three months
- Concentrates on gondola and platform railcars, production of which declined 3x-4x in 11M09 vs. the 56% drop in total railcar output in the CIS

SHARE PRICE PERFORMANCE*

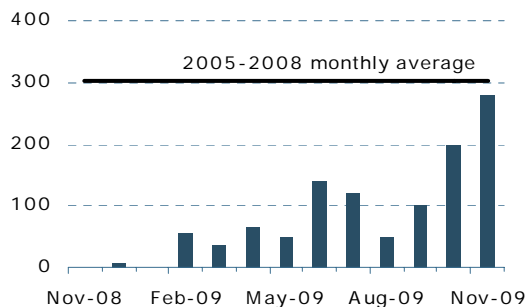


BUSINESS OVERVIEW

Specializes in the production of hopper cars for transporting mineral fertilizers. Also produces other types of freight cars, including grain hoppers, gondola cars, platforms and dumpcars. Delivers cars for chemicals transportation to Uralkaliy (Russia), Azot Cherkasy (Ukraine) and several private Russian transportation companies.

In 9M09, net revenues decreased by 93% yoy to USD 25 mln.

Monthly railcar output, units



Source: Metal Courier, Concorde Capital calculations

MARKET INFORMATION

Market Price*, USD 0.33
52 Wk H/L USD 0.35/0.09
Chg 3m/6m/52w 116%/100%/91%
Chg YTD 85%
Avg M Tr Vol 6M, USD ths 788

MCap, USD mln 80
Free float 12%
FF Mcap, USD mln 9.5

No of shares, mln 237.7
Par Value, UAH 1.05

STOCK OWNERSHIP

Finance & Credit 88.0%
Other 12.0%

MARKET MULTIPLES

	2009E	2010E
EV/Sales	2.0	1.2
EV/EBITDA	39.7	9.7
P/E	-9.7	22.2

KEY RATIOS

	2008	2009E	2010E
EBITDA margin	9.2%	5.0%	12.0%
Net Margin	6.4%	-11.6%	3.3%
ROE	65%	-19%	8%
Net Debt/Equity	1.5	1.3	1.0

*Market information as of Dec 11, 2009, based on PFTS Mid prices

Income statement summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Net revenues	40.6	49.8	90.5	235.3	353.6	70.7	109.6
<i>Change yoy</i>	41.5%	22.7%	81.7%	160.0%	50.3%	-80.0%	55.0%
EBITDA	(1.8)	2.9	6.8	15.5	32.5	3.5	13.2
<i>margin</i>	-4.43%	5.82%	7.51%	6.57%	9.2%	5.0%	12.0%
Depreciation	(1.1)	(1.2)	(1.3)	(2.3)	(3.3)	(2.1)	(1.9)
EBIT	(2.9)	1.7	5.5	13.1	29.2	1.5	11.3
<i>margin</i>	-7.14%	3.41%	6.08%	5.57%	7.7%	2.1%	10.3%
Financial expense, net	(0.2)	(1.7)	(2.9)	(2.9)	(8.9)	(9.7)	(7.7)
Other income/(expense)	0.6	0.5	(0.4)	(0.3)	2.3	-	-
PBT	(2.5)	0.5	2.2	9.9	22.6	(8.2)	3.6
Tax	-	-	-	-	-	-	-
<i>Effective tax rate</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	(2.4)	0.5	2.2	9.9	22.6	(8.2)	3.6
<i>Net margin</i>	-5.91%	1.00%	2.43%	4.19%	6.4%	-11.6%	3.3%

Balance sheet summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Current assets	6.1	28.3	53.4	143.3	114.4	131.6	122.3
Cash & Equivalents	0	18.7	10	1.1	1.8	1.8	1.8
Trade receivables	1	0.9	1.9	7.2	5.4	8.1	12.6
Inventories	2.8	3.3	10	12.8	20.4	15.3	23.8
Other	2.3	5.4	31.4	122.2	86.7	106.3	84.1
Fixed assets	13.5	14	26.3	31.6	30.5	26.3	24.4
PP&E, net	13.2	13.7	25.8	30.8	27.5	25.5	23.6
Other	0.3	0.3	0.5	0.8	0.8	0.8	0.8
Total assets	19.6	42.3	79.6	174.9	144.9	157.9	146.7
Shareholders' equity	0.1	0.2	14.6	32.1	37.1	47.3	48.3
Share capital	0.2	0.2	0.2	2.6	10.3	28.6	26.1
Retained earnings	(19.6)	(20.1)	(17.9)	(8.0)	7.1	(1.1)	2.5
Other	19.5	20.1	32.3	37.5	19.7	19.7	19.7
Current liabilities	12.9	39.1	63.3	142.8	107.8	110.6	98.3
ST interest bearing debt	2	18.5	17	60.1	58.1	62.8	50.2
Trade payables	7.2	5.1	4.1	12.4	7.3	5.5	5.8
Other	3.7	15.4	42.2	70.2	42.3	42.3	42.3
LT liabilities	6.6	3	1.7	-	-	-	-
LT interest bearing debt	-	-	-	-	-	-	-
Other	6.6	3	1.7	-	-	-	-
Total liabilities & equity	19.6	42.3	79.6	174.9	144.9	157.9	146.7

Dniprovhonmash (DNVM UZ)

SELL

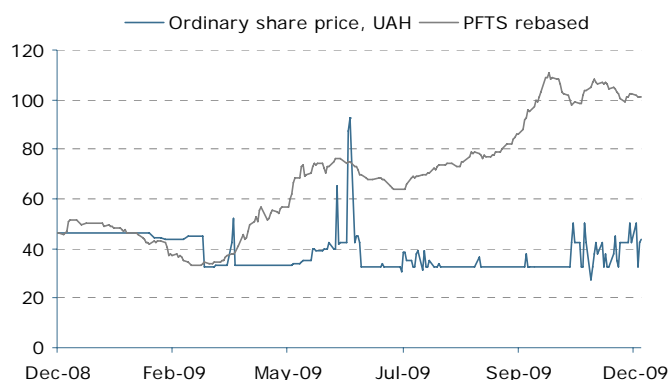
<http://www.dvmash.com>

12M target (USD) 2.2
Upside -55%

INVESTMENT CASE

- Highest decline in output in 11M09: down 82% yoy vs. aggregate decline of 62% yoy for the sector
- Least diversified product mix: concentrates on gondola and platform railcars, the two segments most affected by the downturn
- Switched to 5-day work week in October, after a year of being idle. Plans to produce 200-250 wagons monthly since October, ~2/3 capacity utilization
- Expecting 350 railcar order from Ukrzaliznytsya, ~25% of 2010E sales
- Acquisition target. Major shareholder TAS announced in July it planned to unload its assets ahead of owner Sergiy Tigipko's presidential bid
- Illiquid, only 6 deals on the PFTS in the last 12M

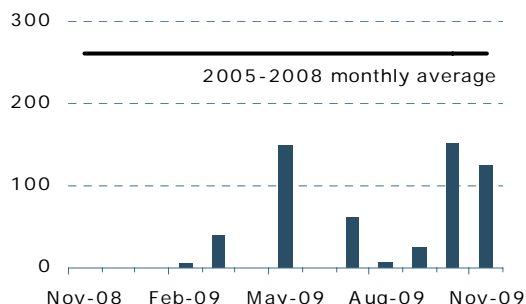
SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Smallest among listed freight car producers in Ukraine. Product portfolio in recent two years concentrated on gondola and platform cars, but allowed to produce also dump cars and hoppers. Target markets are CIS countries, China, India, Pakistan, Iran, and Baltic states. Exports make up over 80% of the company's total output, including 65% to Russia. In 9M09, net revenue decreased by 93% to USD 14 mln.

Monthly freight railcar output, units



Source: Metal Courier, Concorde Capital calculations

MARKET INFORMATION

Market Price*, USD 4.87
52 Wk H/L USD 12.14/3.37
Chg 3m/6m/52w 34%/-50%/-5%
Chg YTD -5%
Avg M Tr Vol 6M, USD ths 58

MCap, USD mln 81
Free float 2%
FF Mcap, USD mln 1.6

No of shares, mln 16.6
Par Value, UAH 0.5

STOCK OWNERSHIP

TSL Finance Limited 98.0%
Other 2.0%

MARKET MULTIPLES

	2009E	2010E
EV/Sales	3.43	1.64
EV/EBITDA	n/m	16.4
P/E	n/m	n/m

KEY RATIOS

	2008	2009E	2010E
EBITDA margin	20.8%	-0.8%	10.0%
Net Margin	18.7%	-20.3%	3.9%
ROE	102%	-24%	11%
Net Debt/Equity	1.1	1.3	1.2

*Market information as of Dec 11, 2009, based on PFTS Mid prices

Income statement summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Net revenues	86.6	122.4	96.0	151.2	212.4	33.1	69.5
<i>Change yoy</i>	113.7%	41.3%	-21.6%	57.5%	40.5%	-84.4%	110.0%
EBITDA	(0.8)	6.2	7.1	27.2	41.4	(0.3)	6.9
<i>margin</i>	-0.9%	5.0%	7.4%	18.0%	19.5%	-0.8%	10.0%
Depreciation	(0.7)	(1.0)	(1.0)	(1.1)	(1.0)	(0.6)	(0.6)
EBIT	(1.5)	5.2	6.1	26.1	40.4	(0.9)	6.4
<i>margin</i>	-1.7%	4.3%	6.4%	17.2%	19.0%	-2.6%	9.1%
Financial expense, net	(0.9)	(3.5)	(3.2)	(3.2)	(4.9)	(5.9)	(5.9)
Other income/(expense)	1.0	(0.2)	1.0	3.1	8.9	1.0	3.1
PBT	(1.4)	1.5	3.9	26.0	44.4	(6.7)	3.6
Tax	(0.1)	(1.4)	-	(5.8)	(10.2)	-	(0.9)
<i>Effective tax rate</i>	-9.8%	93.5%	0.0%	22.3%	23.0%	n/m	25.0%
Net income	(1.5)	0.1	2.7	20.2	37.2	(6.7)	2.7
<i>Net margin</i>	-1.8%	0.1%	2.8%	13.4%	17.5%	-20.3%	3.9%

Balance sheet summary, USD mln

	2004	2005	2006	2007	2008	2009E	2010E
Current Assets	45.0	39.8	54.8	51.8	40.6	53.7	49.7
Cash & Equivalents	1.0	3.6	4.0	0.4	0.1	0.1	0.1
Trade Receivables	7.5	4.6	4.7	5.7	5.4	8.1	17.1
Inventories	18.7	19.6	20.0	25.2	19.0	14.3	22.1
Other	17.9	12.0	26.1	20.4	16.0	31.2	10.4
Fixed Assets	8.3	10.0	9.7	11.9	7.6	7.6	7.7
PP&E, net	6.2	7.4	7.1	6.5	4.2	4.2	4.2
Other	2.2	2.7	2.5	5.4	3.5	3.5	3.5
Total Assets	53.4	49.8	64.4	63.7	48.2	61.3	57.4
Shareholders' Equity	19.5	20.5	22.4	42.2	31.0	24.3	26.9
Share Capital	1.7	1.8	1.8	1.8	1.2	1.2	1.1
Retained Earnings	(0.5)	(0.5)	2.1	21.5	17.5	10.7	13.4
Other	18.3	19.2	18.6	18.9	12.4	12.4	12.4
Current Liabilities	32.9	29.3	42.1	21.5	17.2	37.0	30.5
ST Interest Bearing Debt	16.5	20.2	36.5	16.3	12.5	32.6	26.1
Trade Payables	7.0	5.7	3.0	1.5	1.1	0.8	0.9
Other	9.5	3.4	2.5	3.7	3.6	3.6	3.6
LT Liabilities	1.0	-	-	-	-	-	-
LT Interest Bearing Debt	-	-	-	-	-	-	-
Other	1.0	-	-	-	-	-	-
Total Liabilities & Equity	53.4	49.8	64.4	63.7	48.2	61.3	57.4

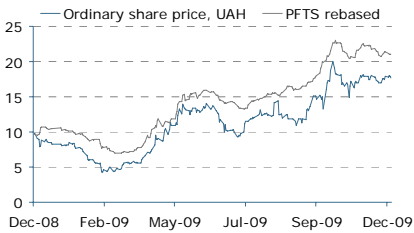
Appendix: Stock market monitor

Stock performance

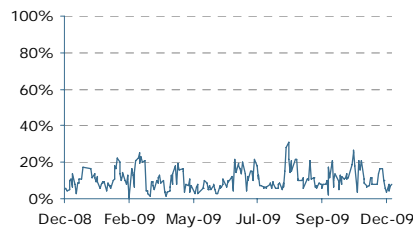
Spread, %

Monthly trading volumes, USD mln

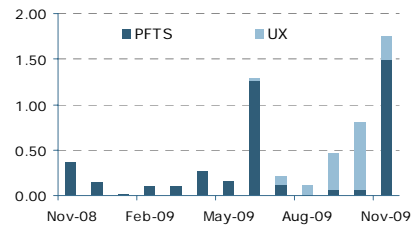
Kryukiv Wagon (KVBZ)



Source: PFTS

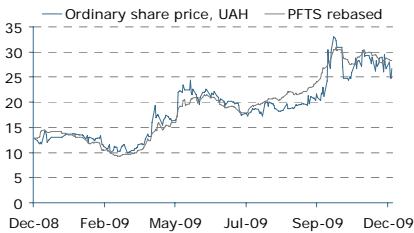


Source: PFTS

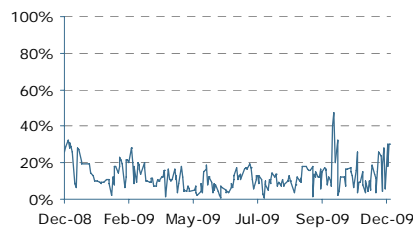


Source: PFTS, UX

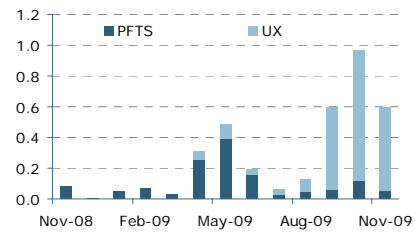
Mariupol Heavy Machinery (MZVM)



Source: PFTS

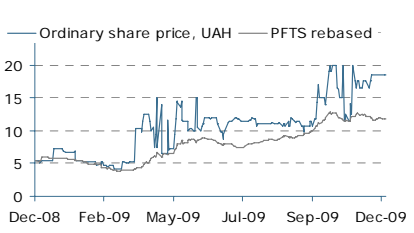


Source: PFTS

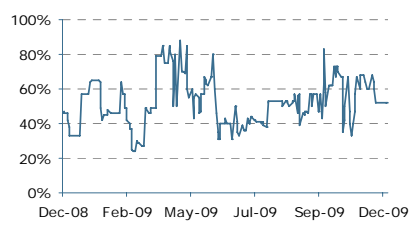


Source: PFTS, UX

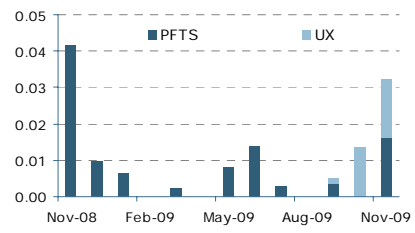
Azovzahalmash (AZGM)



Source: PFTS

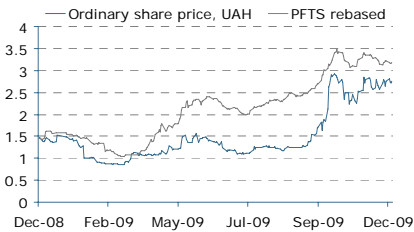


Source: PFTS

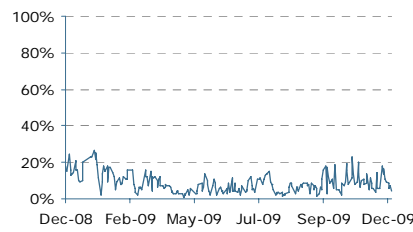


Source: PFTS, UX

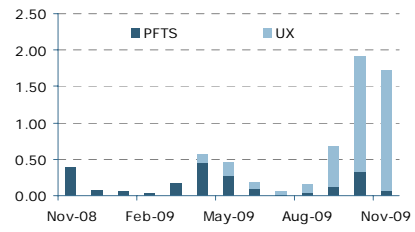
Stakhaniv Wagon (SVGZ)



Source: PFTS

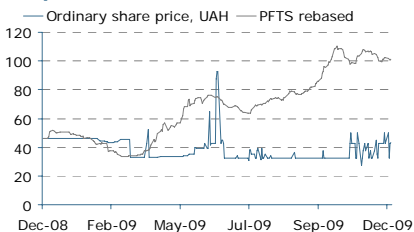


Source: PFTS

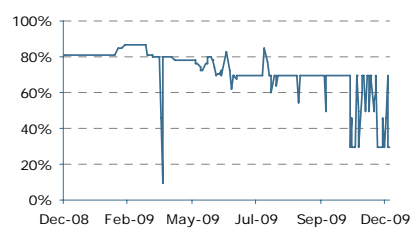


Source: PFTS, UX

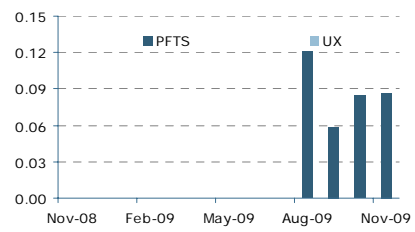
Dniprovahonmash (DNVM)



Source: PFTS



Source: PFTS



Source: PFTS, UX

Analyst certification

I, Yegor Samusenko, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities and issuers. I also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Kryukiv Wagon rating history

Date	Target, USD	Market, USD	Rec	Action
28-Jan-08	7.5	6.9	HOLD	Initiating
28-Jul-08	8.0	4.1	BUY	Upgrade
24-Nov-08	5.4	1.5	BUY	Maintain
15-Dec-09	3.5	2.2	BUY	Maintain

Previously the company was covered by Inna Perepelytsya. In July 2009, Yegor Samusenko assumed coverage of this company



Mariupol Heavy Machinery rating history

Date	Target, USD	Market, USD	Rec	Action
21-Sep-05	20.7	10.0	BUY	Initiating
6-Dec-06	12.1	8.9	BUY	Maintain
17-Jul-07	20.3	15.7	BUY	Maintain
28-Jan-08	40.0	27.1	BUY	Maintain
25-Aug-08	40.0	10.8	BUY	Maintain
24-Nov-08	28.2	2.2	BUY	Maintain
15-Dec-09	7.7	3.3	BUY	Maintain

Previously the company was covered by Olha Pankiv and Inna Perepelytsya. In July 2009, Yegor Samusenko assumed coverage of this company



Azovzahalmarsh rating history

Date	Target, USD	Market, USD	Rec	Action
21-Sep-05	5.4	3.3	BUY	Initiating
6-Dec-06	2.1	2.5	HOLD	Downgrade
17-Jul-07	6.1	4.3	BUY	Upgrade
28-Jan-08	13.0	10.5	BUY	Maintain
25-Aug-08	13.0	5.0	BUY	Maintain
24-Nov-08	9.3	1.1	BUY	Maintain
15-Dec-09	1.7	1.83	HOLD	Downgrade

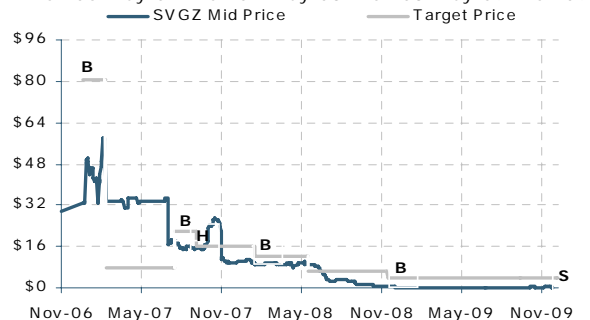
Previously the company was covered by Olha Pankiv and Inna Perepelytsya. In July 2009, Yegor Samusenko assumed coverage of this company



Stakhaniv Wagon rating history

Date	Target, USD	Market, USD	Rec	Action
3-Mar-06	80.5	35.6	BUY	Initiating
12-May-06	80.5	61.4	BUY	Maintain
23-Nov-06	80.5	25.3	BUY	Maintain
28-Feb-07**	8.0	5.6	BUY	Maintain
2-Aug-07	22.0	17.8	BUY	Maintain
20-Sep-07**	15.8	15.3	HOLD	Downgrade
28-Jan-08	12.5	10.0	BUY	Upgrade
28-May-08**	6.4	4.7	BUY	Maintain
24-Nov-08	4.1	0.4	BUY	Maintain
15-Dec-09**	0.3	0.3	SELL	Downgrade

Previously the company was covered by Olha Pankiv and Inna Perepelytsya. In July 2009, Yegor Samusenko assumed coverage of this company **Note: SVGZ conducted two additional share issues in 2007, one in 2008 and one in 2009



Dniprovahonmarsh rating history

Date	Target, USD	Market, USD	Rec	Action
28-Jan-08	20.0	4.8	BUY	Initiating
15-Dec-09	2.2	4.9	SELL	Downgrade

Previously the company was covered by Inna Perepelytsya. In July 2009, Yegor Samusenko assumed coverage of this company



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