Ukraine / Machine Building

Stakhanovsky Wagon Works

From The Outhouse To The Penthouse

03 March 2006

12m Target **USD 80.5**

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Market Information	
PFTS	**SVGZ**
No of Shares, mln	1.15
Free Float, %	**6%**
Target MCap, USD mln	**92.4**

Stock Ownership	
Finance & Credit	77.8%
Other	22.2%

Ratios 2005E	
EBITDA Margin	4.0%
EBIT Margin	0.8%
Net Margin	0.1%

Finance & Credit, the new owner of Stakhanovsky Wagon Works (SVGZ), has ambitious plans for the company. We expect the group's arrival will lead to the company doubling its sales in 2006, fuelled by demand from Russia and Ukraine, as the two countries begin replacing their aging railway fleets. The chief value driver will be the synergies that result from becoming part of KRAZ-INDUSTRIES, a machine-building holding. It will give the company a discount on all metal purchases and more efficient marketing, especially in developing markets, where KRAZ has already carved out a niche. We initiate coverage of Stakhanovsky with a BUY recommendation and target price of USD 80.5 per share.

Free Float To Fuel Market. SVGZ has been illiquid for a long time, with only nominal quotes on the PFTS. A large block of Stakhanovsky will be on the market soon and is expected to draw as much interest as other machine builders, similar to MZVM. The prices for MZVM have tripled since it was placed on the PFTS in April 2005. Mainly due to a strong demand in the sector, and because shares of railway machine-builders are rare.

New Owner, New Know How. In mid-2005, the Alyans group sold a controlling stake in Stakhanovsky to Mega Motors, a member of the Finance & Credit Group. After the purchase, F&C went to work implementing plans to create Ukraine's largest machine building holding which will integrate producers of trucks, ship hulls and rail carriages. A common feature of their products is that all are just *tons of steel that can move,* which allows for substantial economies of scale. The holding is expected to be centered around the truck-maker, AvtoKrAZ.

Reaping The Fruits Of Consolidation. Joint promotion in the CIS, Africa, Middle East, South-East Asia and South America will allow Stakhanovsky to optimize its marketing expenditures. We also expect the company to save on steel purchases (estimated at ~6%), and from being part of a more efficient production process, involving all the companies in the holding.

Colossal Demand. As Russia and Ukraine are planning to invest heavily to renew up to 80% of their ragged freight fleets, we expect the company's sales to double in 2006, and believe Stakhanovsky will enjoy strong demand for at least the next five years. Due to insufficient supply in the CIS, we do not expect Russia will impose restrictions on Stakhanovsky's products. Gondola carriages, one of Stakhanovsky's specialties, will see the highest demand. They are used for the transportation of coal and ore, the two largest cargo transportation segments, jointly accounting for 52% and 32% in Ukraine and Russia, respectively.

KEY FINANCIAL DATA, USD mln

	Net Revenue	EBITDA	Net Income
2004	40.8	-1.8	-2.5
2005E	45.6	1.8	-0.4
2006E	97.9	8.8	4.0
Spot Exchange Rate		5.05	

PROFITABILITY MARGINS

	Gross	EBITDA	Net
2004	4%	neg	neg
2005E	10%	4%	-1%
2006E	15%	9%	4%

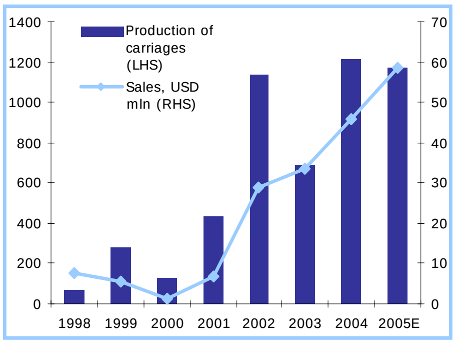
From The Outhouse To The Penthouse

In mid-2005 Finance & Credit group bought a 78% stake in Stakhanovsky Carriage Building, Ukraine's fourth-largest producer of freight railway carriages. This company will become one of the central assets in KrAZ Industries, Ukraine's largest machine-building holding.

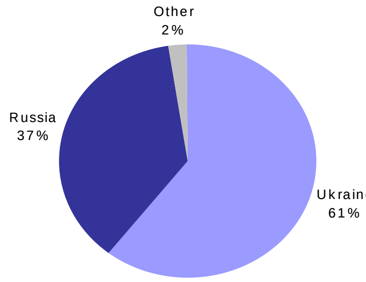
In 2000 Stakhanovsky declared bankruptcy, but a year later Alyans group (Russia) bought a controlling stake in the company, restructured USD 9 mln of its debts, and bankruptcy procedures were stopped. Alyans managed to increase production by more than 10 times in five years, however, in spite of making promises to fully load capacities, in 2005 Stakhanovsky operated at only ~34% of its 3,500 unit per year capacity.

Gondolas & Hoppers

Production and Sales



Sales Destinations 9M05



Source: Company data, Concorde Capital Estimates

Stakhanovsky specializes in the production of hopper carriages for transporting mineral fertilizers, but also produces other types of freight carriages, including the type with the highest demand in Ukraine and Russia, gondola carriages for the transportation of iron ore.

The company has delivered carriages for the transportation of chemicals to Uralkaliy (Russia), Azot Cherkasy (Ukraine) and several private Russian transportation companies. Stakhanovsky gondola cars are being used by Poltava GOK and Yuzhny GOK for the transportation of iron ore.

New Owner, New Goals

KrAZ Industries

KrAZ Industries machine-building holding, a part of which, Stakhanovsky will become, is expected to be finalized by the end of 1H06. According to our estimates, the future participants in the holding posted sales of USD 208 mln in 2005, 58% growth yoy.

Finance & Credit has announced ambitious plans to increase the sales of KrAZ Industries participants to USD 470 mln in 2006, and reach USD 1 bln by 2009. Growth in 2006 will to a large extend depend on Stakhanivsky Carriage Building, where the new owners plan to triple sales – to USD 150 mln. Our more cautious projections imply 115% increase in net revenues for Stakhanivsky in 2006 to USD 97.9 mln.

Participants In The Future Holding

Company	Major products
AvtoKrAZ	Trucks
Stakhanovsky Carriage Building	Freight carriages
Zaliv Ship Building	Ship hulls
Kyivsky Ship Building and Repair	Ship hulls
Berdychivsky Progres	Filters, drying equipment for chemical, steel and mining
Uzhgorodsky Turbogaz	Equipment for gas power stations, mining, transportation and storage of oil and gas

Source: AvtoKrAZ

The major benefits from being part of the holding are 6% savings on metal purchases for the entire holding and effective marketing for Stakhanovsky carriages in markets, where KrAZ trucks are present.

While almost all of Stakhanivsky's exports in 2005 went to Russia, the company may be able to take advantage of AvtoKrAZ's expertise and connections in terms of working in developing markets. In addition to Russia and Ukraine, KrAZ is actively targeting Georgia, Kazakhstan and Azrerbaijan, has made Vietnam its major distribution hub for South-Western Asia, is participating in tenders for deliveries to Iran, Iraq, Sudan and Afghanistan, and plans to carve out a niche for itself in South America.

Poltava GOK

Poltava GOK (PGOK), one of Stakhanovsky's customers, is one of Finance & Credit's main companies, making the purchase of Stakhanivsky a step towards vertical integration. PGOK is one of the largest producers of iron ore pellets in the country, and exports over 90% of its production.

PGOK used to transport its products using Ukrzaliznytsya carriages, however, Ukrzaliznytsya's lack of cars began to prevent exports from arriving on schedule, so in 2005 Poltava GOK created its own transportation company Ferrotrans, and announced plans to buy 1.5 ths carriages in 2005-07. The purchase is being financed through an additional share issue at Ferrotrans for USD 39 mln that took place in April 2005. Though no direct statement has been made, we believe this will mean additional orders for Stakhanovsky.

Finance & Credit Bank

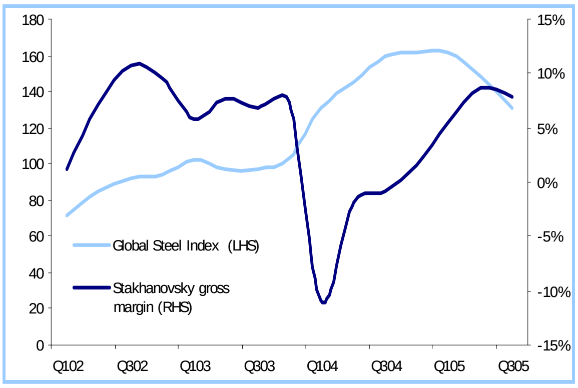
In a move to stimulate purchases of new carriages by private companies in Ukraine, in January 2006 Finance & Credit bank introduced a financing program. The loans will be apportioned for up to three years and secured by the carriages. The program requires a 30% down payment.

Profitable Or Not?

We see a negative relationship between steel prices, the major input for Stakhanivsky products, and its gross profit margins (e.g. in 2004, when world steel prices were peaking, implying high domestic prices, Stakhanovsky gross profits went into the red).

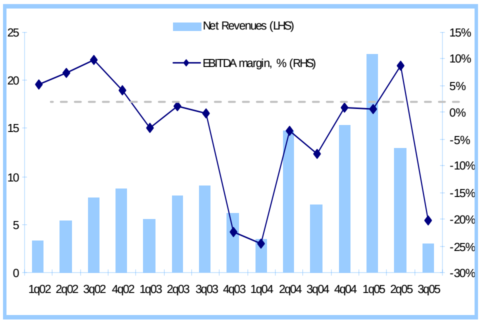
The profitability margins disclosed by Stakhanivsky in 2002-2005, are significantly lower than those either officially reported or admitted as real by Ukrainian companies from the same segment. We believe, Stakhanovsky's low profitability is mostly due to the company's financial recovery process possibly coupled with tax-minimization practices. Nevertheless, we consider the influence of the latter as insignificant. Low production volumes in 1998-2001 signify that the company was really in trouble.

The Negative Relationship Between Steel Prices & Stakhanovsky's Profitability

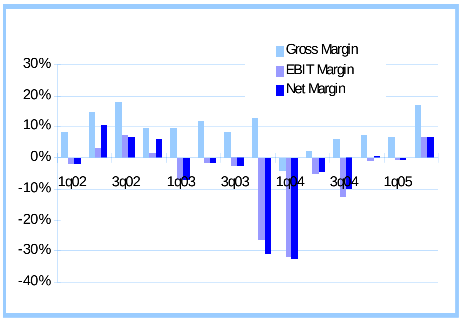


Source: Bloomberg, Company data

Net Revenues vs EBITDA Margin



Profitability Margins



Source: Company data

We expect the company's margins to reach the segment average (20-21% gross margin) gradually, being driven by the following forces:

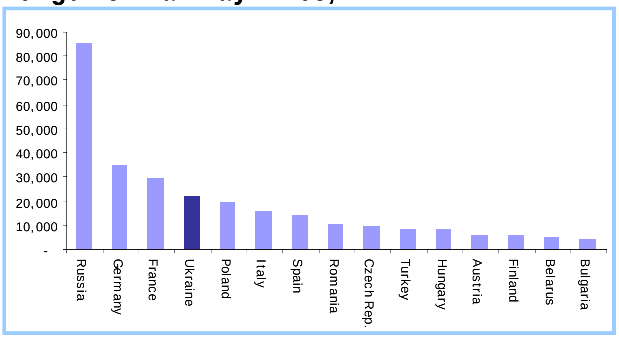
- Savings on metal purchases (estimated at 6% from total steel expenditures per carriage) and on marketing expenditures after the holding is organized
- Possible economy of scales
- Investment in re-equipment
- More transparent financials, as Finance & Credit has announced plans to raise additional capital to hold IPO in foreign markets

Carriages Wanted

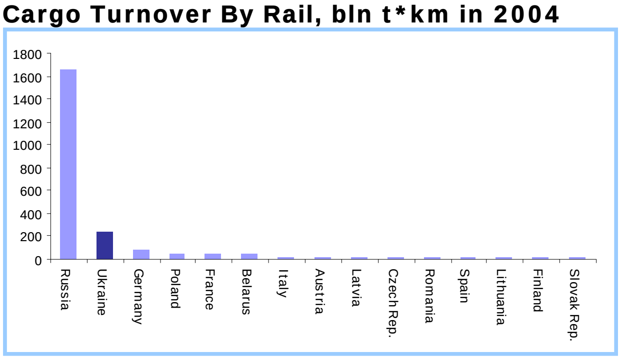
Russia and Ukraine are the two most important markets for Stakhanovsky, and all of Ukraine's other producers of railway equipment for two major reasons: both countries rely heavily on railway as a means of transportation (high share in overall cargo transportation, large area, covered by extensive railway lines, etc) and the countries' decrepit park of railway carriages, which are in dire need of replacement.

Russia and Ukraine possess the first and fourth-longest railway lines in Europe respectively. Moreover their intensive usage of railway transportation gives Russia and Ukraine the highest amount of rail traffic in Europe.

Length Of Railway Lines, km



Cargo Turnover By Rail, bln t*km in 2004



Source: International Union of Railways

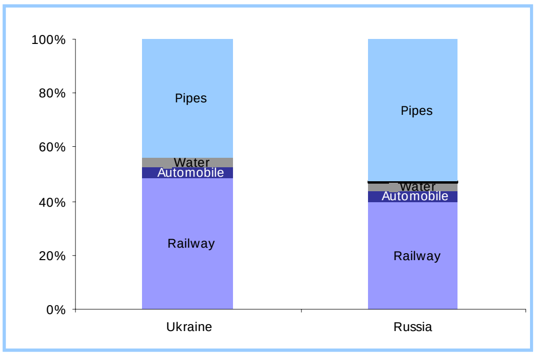
A breakdown of cargo transportation by type is to large extent similar for the two countries. If pipeline transportation is excluded, railway accounted for 86% and 84% of cargo turnover in Ukraine and Russia respectively in 2005.

Carriages: Over The Hill

Ukrzaliznytsya has not bought any new carriages since 1992. Nearly 16 ths of company's carriages have been out of service for the for the last five years. By 2010 Ukrzaliznytsya will have retired 45 ths more carriages.

In Russia over 16% of the country's 787.6 ths carriages are being used well past their expected lifespan. In 2005, the average age of a Russian rail carriage was 20.2 years, while the recommend service life is 28 years.

Cargo Transportation 2005



Source: The State Statistics Committee, Federal Service of State Statistics, Russia

Carriage Performance And Availability In 2005

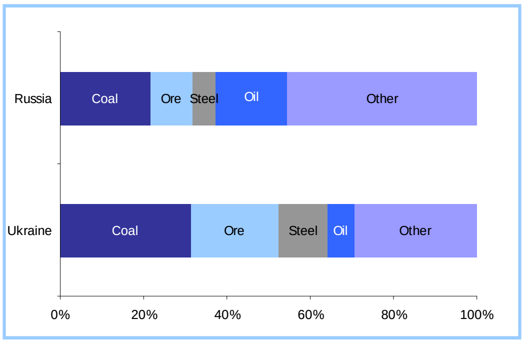
	Carriages total, ths	% private	th mt of cargo/carriage
Ukraine	226.0	22%	2.0
Russia	787.6	30%	1.6

Source: State Statistics Committee of Ukraine, Federal Service of State Statistics, Russia

Gondola Carriages – A Hot Ticket

Coal and ore, account for the largest share of cargo transported in Ukraine and Russia (52% and 32% respectively), and are both transported in gondola-type carriages, one of Stakhanovsky's specialties. Hopper carriages, the other type produced by the company, are used for the transportation of chemical products, making up 3% and 2% of the total cargo transported in Russia and Ukraine, respectively.

Cargo Carried By Rail In 2005



Source: State Statistics Committee of Ukraine, Federal Service of State Statistics, Russia

Gondola cars represent 35% of Ukraine's total railway park, amounting to 79 ths units. The present deficit of this type of carriage is estimated to be about 16-17 ths carriages.

Though practically all Ukrainian and Russian producers of freight wagons can make gondola-type carriages, two factors will benefit Stakhanovsky. First, the deficit of production capacity in Russia cannot be eliminated over night. Second, Stakhanovsky will benefit from synergies as part of the machine building holding, currently being created, which will include lower steel purchase prices and a strong marketing network in emerging markets.

Filling The Void

Ukrzaliznytsya recently announced plans to buy 5 ths (100% of the new freight carriage purchases the company plans to make this year) gondola carriages from Kryukivsky Carriage Building in 2006. This means Stakhanovsky will have to rely mostly on orders from private carriers, until at least 2007.

We estimate the total number of freight carriages to be purchased in Ukraine in 2006-10 to be about 61-62 ths units. This includes 45 ths to replace older models, and the 16-17 ths gondola carriages, estimated to have been lacking in 2005. We expect Stakhanovsky to get orders for ~13% of this total - relative to its capacity share.

Russian Railways plans spend USD 3.5 bln on development annually until 2010. However, most of this amount will go for infrastructure development and purchases of locomotives. In 2006 Russian Railways plans to buy 5.3 ths freight carriages. The estimated value of this purchase is USD 212 mln (6% of the company's total investment).

In terms of purchasing freight carriages, Russia will rely on private companies. USD 1.5 bln is projected to be spent for this purpose annually until 2010. This implies annual purchases of ~45 th carriages per year by Russian Railways and private companies.

The three largest Russian producers Uralvagonzavod, Altayvagonzavod and Ruzkhimmash combined made ~35 ths carriages last year. Russia's remaining carriage builders are small, we estimate the country's total production volume was about 39 ths carriages in 2005. When you take into account that a certain percentage of this figure was exported (e.g. Ruzkhimmash exported 20.9% of its sales in 2004), it is clear there is significant space left for Ukrainian-made carriages in Russia.

Ukrainian carriages accounted for roughly 5.2 ths of the gondola carriages purchased in Russia in 2005, a 79% increase from 2004. However, Russia's demand and availability of capacities for the production of certain types of carriages changes quickly, for example according to our estimates, Russian demand for Ukraine's hopper carriages for the transportation of chemicals decreased by 38% to 955 units in 2005.

Russia purchases Ukrainian carriages not because they are cheaper or of better quality, but rather due to the country's lack of domestic capacities. Thus, as Russian companies invest to increase their capacities, we expect Ukraine's Russian exports to stabilize in the long-term.

Other Destinations

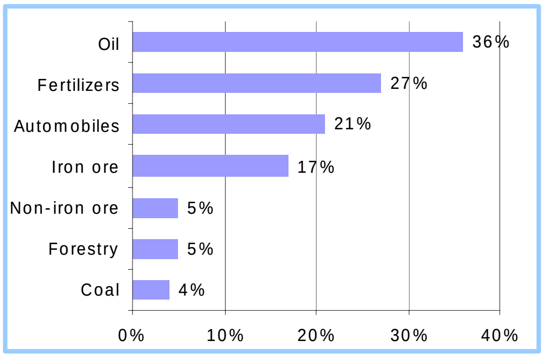
As the Russian market will likely begin to dry up in a few years, some Ukrainian companies have started looking at broadening their export destinations.

Azovmash signed a long-term cooperation program with Iran for deliveries of freight railway carriages until 2010.

Stakhanovsky is reportedly participating in a tender for deliveries of 600 carriages to Pakistan in 2006. We believe that in terms of targeting other developing markets, AvtoKrAZ, which has well developed marketing channels in Central and South Eastern Asia, Noth-Eastern Africa, and is actively targeting South America, will also open doors to these markets for Stakhanovsky.

Private Participants

Independent Railway Transport In Russia



Source: Expert magazine

As both the state-owned railway transportation monopolies Ukrzaliznytsya and Russian Railways direct the majority of their financing towards purchases of locomotives, and infrastructure development, it is likely that private companies will be Stakhanovsky's major customers.

Russia aims to increase the share of privately owned carriages from 30% to 50% by 2010.

There are currently over 100 companies in Russia which are either private transportation companies or have licenses for the transportation of cargo or passengers by rail. The share of private or rented railway transport in Russia is 34%.

The Ukrainian government encourages purchases of private carriages by granting 15-30% discounts on transportation tariffs (depending on cargo type) to those, using their own carriages. However, independent carriers complain that if carriages are bought with borrowed money, the payback period is too long. Nevertheless, in many cases they buy carriages to ensure that their cargo arrives on time. Due to a lack of carriages Ukrzaliznytsya often fails to fulfill orders in a timely manner.

Competition

Stakhanovsky's main advantage over its competitors its relationship to AvtoKrAZ, and the marketing channels in the latter has in the developing world.

Stakhanovsky does not have the capacity to fill big orders faster than Russian producers, so it misses out on orders from some Russian companies. It also lacks unique products and the ability to quickly switch its production capacity to different types of carriages when demand changes. As the company increases its capacity and new products are designed, this gap will be filled.

Competition In Ukraine And Russia

	Freight carriages produced in 2004	Sales, mln USD 9M05	Net margin 9M05	Notes
Ukraine				
MZVM	2647	321	1.2%	Closely connected. The CIS leaders in the production of cisterns. Can produce practically any type of freight carriage
Azovzahalmash	6527	171.1	1.8%	
Dniprovagonmash	3157	91.6	-2.9%	Except for production of freight carriages, delivers carriage platforms for Ukraine's and Russian producers of railway cisterns. CIS monopolist in platforms for large-scale flat steel, covered carriages-platforms for rolled steel, etc.
Kryukivsky	6821	201.3	11.7%	The only company in CIS which makes freight and passenger carriages.
Stakhanovsky	1214	38.6	-1.5%	Hopper carriages for mineral fertilizers, gondola carriages
Russia				
Uralvagonzavod	21505	528.5	0.9	100% state-owned, covered carriages, platforms, cisterns
Altayvagon	6377	122.8 (6M05)	5.7% (6M05)	Specializes in cisterns, freight platforms and gondola carriages
Ruzkhimmash	6020	199.2	1.30%	Specializes in cisterns and gondola carriages

Source: Company data

Rolling Stock Flying Off The Shelf

The owners of Stakhanovsky expect the company to make 4,000 carriages in 2006, 14% more than the company's reported capacity, however we consider this is overly optimistic, and expect 2,185 carriages (an 86% yoy increase) to be sold in 2006.

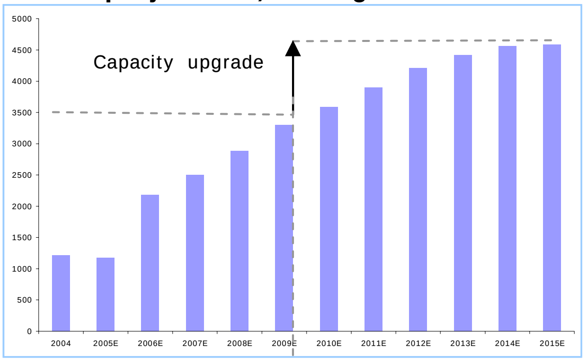
We base projected sales for 2006-15, on the following assumptions:

1. Ukraine will buy at least 61-62 ths freight carriages by 2010. This includes 45 ths that are worn out, and the 16-17 ths gondola carriages estimated to have been lacking in 2005. Orders will be placed with Ukraine's producers in proportion to their capacities.

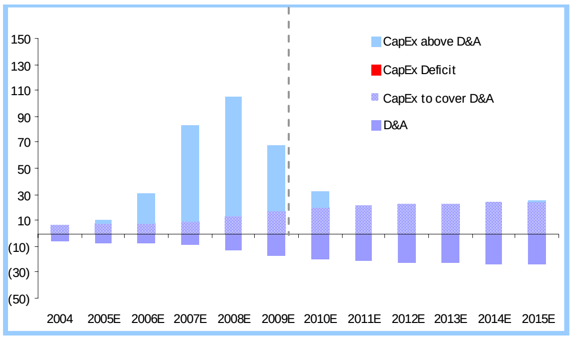
2. Demand for carriages in Russia will outpace any increases in capacity the country is able to achieve. Stakhanovsky deliveries will grow by 3-5% annually.

3. According to our projections, starting from 2010 Stakhanovsky will produce more than its announced capacity. In preparation for this, CapEx of USD 50 mln will take place in 2005-09. The company's previous owners announced that they were going to invest this amount in capacity development, however, the present owners told us the plan was never carried out.

Sales projections, carriages



CapEx and Depreciation, UAH



Source: Concorde Capital estimates

Valuation

Projections

	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
GDP growth	12.0%	2.4%	4.0%	5.0%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Industrial production growth	12.5%	3.1%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Carriages to Ukraine	175	441	1,114	1,337	1,604	1,893	2,082	2,290	2,519	2,696	2,831	2,845
Carriages to Russia	1,039	734	771	809	850	892	937	984	1,033	1,043	1,048	1,054
Carriages to other		0	300	360	432	518	570	627	659	678	682	685
Carriages total	**1,214**	**1,175**	**2,185**	**2,506**	**2,886**	**3,303**	**3,589**	**3,901**	**4,211**	**4,417**	**4,561**	**4,584**
Spare parts, USD mln	2	2	2	2	3	3	3	4	4	4	5	5
Price per carriage, USD ths	32	36	41	44	47	50	52	55	58	60	64	67
Revenues	**41**	**46**	**98**	**120**	**148**	**180**	**206**	**235**	**266**	**293**	**317**	**335**
Revenue Growth	*42%*	*12%*	*115%*	*23%*	*23%*	*22%*	*14%*	*14%*	*13%*	*10%*	*8%*	*6%*
Gross profit, USD mln	2	5	15	24	31	38	43	47	51	54	57	60
Gross margin	*4%*	*10%*	*15%*	*20%*	*21%*	*21%*	*21%*	*20%*	*19%*	*19%*	*18%*	*18%*
EBITDA, USD mln	**(2)**	**2**	**9**	**17**	**22**	**27**	**31**	**31**	**31**	**32**	**33**	**35**
EBITDA Margin	-4%	4%	9%	14%	15%	15%	15%	13%	12%	11%	11%	11%
Net Income, USD mln	**(2)**	**(0)**	**4**	**9**	**12**	**15**	**18**	**17**	**17**	**18**	**19**	**21**
Net Margin	*-6%*	*-1%*	*4%*	*8%*	*8%*	*8%*	*9%*	*7%*	*7%*	*6%*	*6%*	*6%*

Source: Company data, Concorde Capital estimates

Discounting projected cash flows, we arrive at a 12-month target for Stakhanovsky of USD 80.5 per share, with a respective market cap of USD 92.4 mln.

DCF Valuation

Valuation Date **Feb 25 2006**

For the purposes of forecasting local currency is used (UAH mln)

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EBITDA	**9**	**44**	**84**	**111**	**135**	**154**	**153**	**153**	**161**	**167**	**176**
EBIT	2	37	75	98	118	134	131	130	137	142	150
Tax Rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Taxed EBIT	1	27	56	74	89	100	98	98	103	106	113
Plus D&A	7	8	9	12	17	21	22	23	24	25	25
Less CapEx	(11)	(35)	(76)	(100)	(81)	(39)	(24)	(24)	(26)	(27)	(28)
Less change in OV	(16)	(29)	(14)	(1)	(8)	(52)	(49)	(59)	(20)	(42)	(15)
FCFF	**-**	**-**	**(24)**	**(15)**	**17**	**30**	**47**	**37**	**81**	**62**	**95**
WACC	**-**	**-**	13.2%	13.1%	13.1%	13.1%	13.1%	13.0%	12.7%	12.4%	12.6%

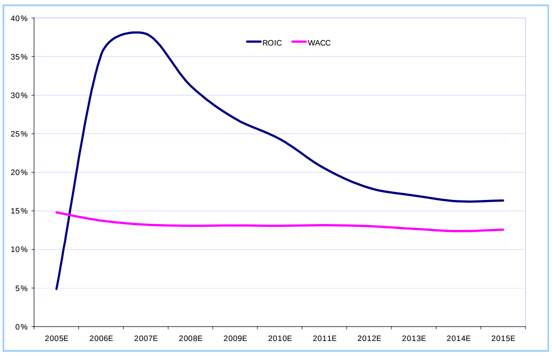
WACC to Perpetuity	11%	Disc. Terminal Value	420
Firm Value	552	Portion due to TV	76.1%
Less Net debt	-90	Perpetuity Growth Rate	3%
Equity Value	462	Implied Exit EBITDA Multiple	7.0x

Current Fair Value per Share	USD 81.2
12 Mo Fair Value per Share	**USD 80.5**

Return On Investment

After peaking at 38% in 2007, ROIC gradually declines. Firstly, due to the investment of more capital to increase existing capacity by 500 carriages. Secondly, profitability margins start lowering after 2010, when major replacements orders for the ageing railway parks in Ukraine and Russia stop, and competition increases.

ROIC and WACC



Source: Concorde Capital Estimations

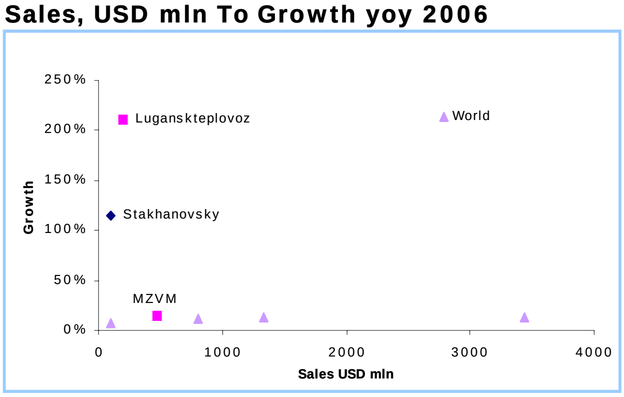
Peer Comparison*

		Mcap	Sales			EBITDA Margin			Net Margin			EV/Sales			EV/EBITDA			P/E		
			2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Stakhanovsky			**40.8**	**45.6**	**97.9**	**-4%**	**4%**	**9%**	**-6%**	**-1%**	**4%**									
Ukraine																				
Mariupol Heavy Mach. (MZVM)		187.0	343.5	412.2	474.0	1%	4%	6%	0%	1%	2%	0.6	0.6	0.5	60.6	15.8	8.1	2,367.1	74.8	29.9
Luganskteplovoz (LTPL)		52.6	77.2	65.0	202.0	8%	5%	10%	0%	-1%	5%	0.8	1.0	0.5	9.5	21.1	4.6	1,315.2	neg	7.6
World																				
Const Y Auxiliar De Ferr	Spain	407.9	785.6	726.7	807.1	6%	7%	6%	2%	3%	3%	0.5	0.5	0.5	7.7	7.6	7.5	21.3	18.1	18.0
Downer EDI	Australia	1,576.3	2,168.1	3,057.4	3,441.5	8%	8%	8%	3%	3%	3%	0.8	0.6	0.5	10.0	7.4	7.0	28.3	14.9	13.8
Vossloh	Germany	749.9	1,253.4	1,182.9	1,338.1	14%	13%	12%	6%	5%	5%	0.8	0.9	0.8	5.4	6.4	6.3	9.6	12.0	11.9
Kinki Sharyo	Japan	317.9	469.4	n/a	n/a	9%	n/a	n/a	5%	n/a	n/a	0.7	n/a	n/a	8.1	n/a	n/a	13.1	n/a	n/a
Portec Rail Products	USA	132.7	69.4	89.9	97.0	11%	7%	n/a	6%	n/a	7%	2.1	1.6	1.5	18.1	n/a	n/a	32.6	22.1	19.0
Bharat Earth Movers	India	1,055.1	384.8	n/a	n/a	n/a	n/a	n/a	1%	n/a	n/a	2.6	n/a	n/a	n/a	n/a	n/a	191.6	n/a	n/a
Average World						10%	9%	9%	4%	4%	5%	1.2	0.9	0.8	9.8	7.2	7.0	49.4	16.8	15.7
Median World						9%	8%	8%	4%	3%	4%	0.8	0.7	0.6	8.1	7.4	7.0	24.8	16.5	15.9
Target Mcap																				
by average world												48.5	31.8	**63.8**	neg	4.0	**45.6**	neg	neg	**62.0**
by median world												31.3	24.1	**47.3**	neg	4.5	**46.2**	neg	neg	**63.0**

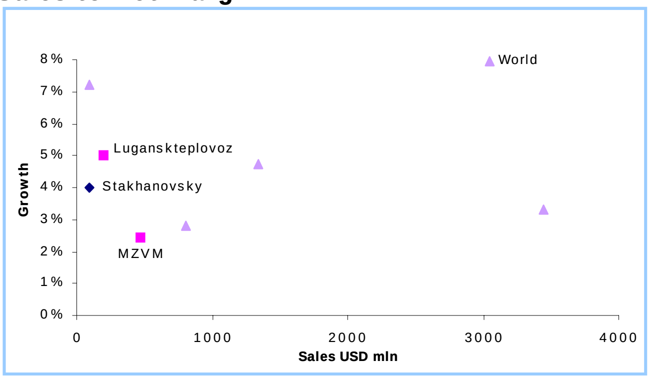
Source: Bloomberg, Concorde Capital estimates
** Data for MZVM is reported based on what was or we expect to be officially reported by the company in a given year*

A multiples comparison implies a price 50% lower than that obtained by DCF modeling. We tend to stick to the latter, taking into account that Stakhanovsky is still in a financial recovery transition period, and until it reaches relatively stable level of production and profitability margins, we will continue to see growth at faster pace than its peers for several years.

Sales, USD mln To Growth yoy 2006



Sales to Net Margin



Source: Company data, Thomson One Banker, Concorde Capital Estimates

All financial statements according to Ukrainian Accounting Standards

Income Statement Summary, USD mln

	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	**41**	**46**	**98**	**120**	**148**	**180**	**206**	**235**	**266**	**293**	**317**	**335**
Change y-o-y	*42%*	*12%*	*115%*	*23%*	*23%*	*22%*	*14%*	*14%*	*13%*	*10%*	*8%*	*6%*
Cost Of Sales	(39)	(41)	(83)	(96)	(117)	(143)	(163)	(188)	(215)	(239)	(260)	(274)
Gross Profit	2	5	15	24	31	38	43	47	51	54	57	
Other Oper. Income/Costs, net	(1)	-	-	-	-	-	-	-	-	-	-	-
SG&A	(3)	(3)	(6)	(7)	(9)	(11)	(12)	(16)	(20)	(22)	(24)	(25)
EBITDA	**(2)**	**2**	**9**	**17**	**22**	**27**	**31**	**31**	**31**	**32**	**33**	**35**
EBITDA margin, %	*-4%*	*4%*	*9%*	*14%*	*15%*	*15%*	*15%*	*13%*	*12%*	*11%*	*11%*	*11%*
Depreciation	(1)	(1)	(2)	(2)	(2)	(3)	(4)	(4)	(5)	(5)	(5)	(5)
EBIT	**(3)**	**0**	**7**	**15**	**20**	**24**	**27**	**26**	**26**	**27**	**28**	**30**
EBIT margin, %	*-7%*	*1%*	*7%*	*13%*	*13%*	*13%*	*13%*	*11%*	*10%*	*9%*	*9%*	*9%*
Interest Expense	(0)	(1)	(2)	(3)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(2)
Financial income/(expense)	-	-	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	1	0	0	0	0	0	0	0	0	-	-	-
PBT	**(2)**	**(0)**	**5**	**12**	**16**	**20**	**23**	**23**	**23**	**25**	**26**	**28**
Tax	-	-	(1)	(3)	(4)	(5)	(6)	(6)	(6)	(6)	(6)	(7)
Net Income	**(2)**	**(0)**	**4**	**9**	**12**	**15**	**18**	**17**	**17**	**18**	**19**	**21**
Net Margin, %	*-6%*	*-1%*	*4%*	*8%*	*8%*	*8%*	*9%*	*7%*	*7%*	*6%*	*6%*	*6%*
Dividend Declared	-	-	-	-	-	-	-	3.5	3.5	3.7	9.7	12.5

Balance Sheet Summary, USD mln

	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	**6**	**7**	**19**	**23**	**30**	**46**	**64**	**80**	**98**	**111**	**127**	**134**
Cash & Equivalents	0	0	1	1	1	5	6	7	8	9	10	10
Trade Receivables	1	1	4	5	7	13	21	31	35	41	48	50
Inventories	3	3	10	12	15	20	25	28	40	44	51	54
Other current assets	2	2	4	5	7	8	12	14	16	18	19	20
Fixed Assets	**14**	**15**	**21**	**34**	**51**	**64**	**68**	**68**	**69**	**74**	**74**	**75**
PP&E, net	13	15	21	34	51	64	68	68	69	69	69	70
Other Fixed Assets	0	0	0	0	0	0	0	0	0	5	5	5
Total Assets	**20**	**22**	**40**	**57**	**82**	**110**	**132**	**148**	**167**	**185**	**201**	**209**
Shareholders' Equity	**0**	**(0)**	**4**	**13**	**25**	**40**	**58**	**72**	**86**	**100**	**110**	**118**
Share Capital	0	0	0	0	0	0	0	0	0	0	0	0
Reserves and Other	19	21	21	21	21	21	21	21	21	21	21	21
Retained Earnings	(20)	(21)	(17)	(8)	4	19	37	51	65	80	89	98
Current Liabilities	**13**	**18**	**25**	**33**	**41**	**54**	**58**	**62**	**69**	**76**	**82**	**81**
ST Interest Bearing Debt	2	10	11	17	19	22	19	18	19	18	18	13
Trade Payables	7	1	3	6	10	18	25	28	32	38	43	45
Accrued Wages	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Taxes	0	0	1	1	1	1	1	2	2	2	2	2
Other Current Liabilities	3	7	10	8	10	13	12	14	16	18	19	20
LT Liabilities	**7**	**4**	**11**	**12**	**15**	**16**	**16**	**14**	**12**	**9**	**9**	**10**
LT Interest Bearing Debt	-	-	7	8	12	13	13	11	11	8	8	9
Other LT	7	4	4	4	3	3	3	3	1	1	1	1
Total Liabilities & Equity	**20**	**22**	**40**	**57**	**82**	**110**	**132**	**148**	**167**	**185**	**201**	**209**

Cash Flow Statement Summary, USD mln

	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Income	(2)	(0)	4	9	12	15	18	17	17	18	19	21
Depreciation	1	1	2	2	2	3	4	4	5	5	5	5
Non-operating and non-cash item	(1)	(3)	(0)	0	(1)	(0)	0	(0)	(2)	(5)	0	(0)
Changes in working capital	(4)	(3)	(6)	(3)	(0)	(2)	(10)	(10)	(12)	(4)	(8)	(3)
Operating Cash Flow	**(5)**	**(5)**	**(0)**	**8**	**14**	**17**	**11**	**12**	**8**	**14**	**16**	**23**
Capital Expenditures, net	(1)	(1)	(2)	(7)	(15)	(20)	(16)	(8)	(5)	(5)	(5)	(5)
Other Investments, net	-	-	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	**(1)**	**(2)**	**(7)**	**(15)**	**(20)**	**(16)**	**(8)**	**(5)**	**(5)**	**(5)**	**(5)**	**(6)**
Net Borrowings/(repayments)	0	8	8	7	7	3	(3)	(3)	1	(4)	(0)	(4)
Dividends Paid	-	-	-	-	-	-	-	(3)	(3)	(4)	(10)	(12)
Other	6	-	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	**7**	**8**	**8**	**7**	**7**	**3**	**(3)**	**(6)**	**(2)**	**(8)**	**(10)**	**(17)**
Beginning Cash Balance	0	0	0	1	1	1	5	6	7	8	9	10
Ending Cash Balance	0	0	1	1	1	5	6	7	8	9	10	10
Net Cash Inflows/Outflows	**0**	**0**	**1**	**0**	**0**	**4**	**1**	**1**	**1**	**1**	**1**	**1**

UAH/USD Exchange Rates

	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Average	5.30	5.10	5.05	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Year-end	5.30	5.05	5.05	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

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