



CONCORDE CAPITAL

Ukraine / Telecom Ukrtelecom

2006 IFRS financials disclosed

January 23, 2008

Current Price: USD 0.22
12M Target: USD 0.19

HOLD

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Bloomberg UTEL UZ
Xetra UK1
DR : Ord. shares 1 : 50

Market information

No of Shares, mln 18,726
Market Price, USD 0.22
52Wk H/L, USD 0.25/0.19
MCap, USD mln 4,195
Free float 2.5%
Free float, USD 105

Corporate governance rating*

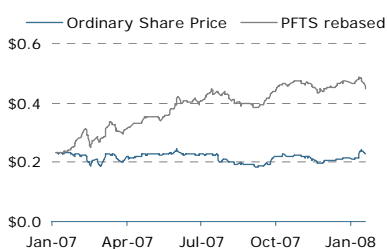
AA

* 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.

Ownership

State 92.86%
Other 7.14%

UTEL market



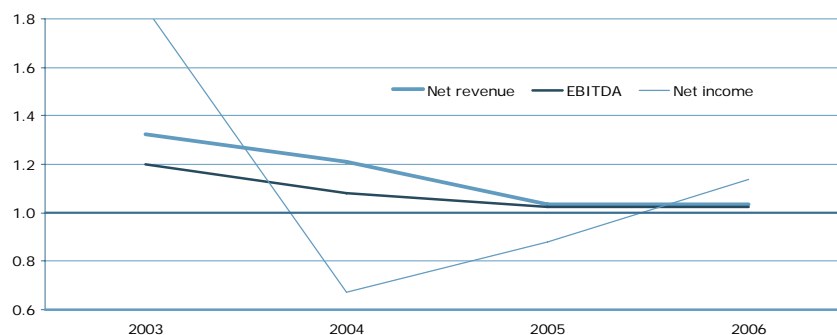
Source: PFTS

WATCH: Privatization in 1H08

Today Ukrtelecom posted an audited 2006 IFRS report on its website. This is the latest disclosure date in recent years, which we relate to uncertainties inside the company on its future.

As we expected, Ukrtelecom's consolidation of subsidiary *Utel* in 2005 made revenues and EBITDA according to IFRS and Ukrainian accounting standards (UAS) comparable. Still, the closer to the bottom line, the larger the difference.

P&L items ratio: IFRS / UAS



Source: Ukrtelecom, Concorde Capital calculations

For modeling purposes, we will continue using financials according to Ukrainian accounting standards, but we will take into account that the P/E multiple may be less relevant for valuation.

No change in our recommendation on the stock.

P&L by Ukrainian accounting standards and IFRS, USD mln

	IFRS		UAS			Difference IFRS/UAS	
	2005	2006	2005	2006	9M07	2005	2006
Net revenue	1,350	1,371	1,308	1,327	1,004	3.2%	3.3%
Revenue, yoy		+1.5%		+1.4%	+2.2%		
Other revenues	5	11	-	-	-		
Employee costs	-425	-477	-425	-468	-359		
Other oper costs	-549	-504	-512	-468	-324		
EBITDA	381	400	371	391	322	2.6%	2.4%
EBITDA margin	28.2%	29.2%	28.4%	29.5%	32.1%	0.2 pp	0.3 pp
D&A	-193	-197	-192	-203	-167		
Financial income/losses	-35	-51	6	-25	-39		
Other income/losses	-	-	-23	-29	-9		
Profit before tax	152	153	162	134	106	-5.9%	13.5%
Income tax and other withdrawals	-62	-47	-59	-42	-52		
Net income	90	105	103	93	54	-11.9%	13.7%
Net margin	6.7%	7.7%	7.9%	7.0%	5.3%	-1.2 pp	0.7 pp

Source: Ukrtelecom, Concorde Capital calculations

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