Ukraine / Coal machinery

Yasynuvatsky MB

Rising Demand, Less Competition

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12M Target: 3.1

BUY

Market information

Bloomberg	YAMZ UZ
Frankfurt/Xetra	WPB1
No of Shares, mln	22.8
Reg S GDR to Ord.	1:10
Market price, USD	2.2
52Wk H/L, USD	2.28/1.54
MCap, USD mln	50.7
Free float	24.0%
FF MCap, USD mln	12.2
Concorde Corp Gov Rating	A

Stock ownership

Management	76.5%
Employees	7.2%
Other	16.3%

Ratios, 2006

EBITDA margin	17.1%
Net margin	9.3%
Net Debt/Equity	-0.11

Coal sector modernization and expansion will continue to fuel demand for roadheaders over the next 10 years. Following the departure of the CIS' third largest player, Yasynuvatsky MB is poised to increase its market share and has already tripled its shipments in 1Q07. The management's strong financial forecasts for 2007 as well as solid 1Q07 results reinforce our positive view on the stock. Although the stock's price has grown 12.5% over last ten days, our reiterated target price of USD 3.1 per share still offers a 38% upside.

Demand On The Upswing

Demand for coal roadheaders in the CIS will remain strong until 2015 backed by increasing coal extraction and the sector's modernization. In addition to stable orders of ~100 machines in the CIS annually, we envisage the need for 200 and 60 machines overall in Ukraine and Russia, respectively (~30% of their current fleets).

Two players left in the CIS

Only two companies in the CIS, Yasynuvatsky MB and Kopyiysky MB (Russia), produce roadheaders. Novokramatorsky MB, which held 10-15% of the market halted roadheader production in 2006-2007. Yasynuvastky has an advantage over its Russian competitor as its machines more powerful and of higher quality. Lighter, lower quality Chinese machines and more expensive western producers will find it difficult to enter the CIS market.

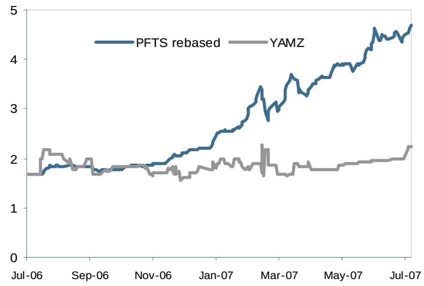
Strong forecasts for 2007

The management projects a 25% yoy jump in sales to USD 31 mln in 2007 driven by growing orders (in 1Q07 sales grew 38% yoy); production is expected to grow to 60 units in 2007 from 53 in 2006. We find these estimates realistic as 13 units were shipped in 1Q07 vs 4 in 1Q06, while usually 60% of orders come in the second half of the year.

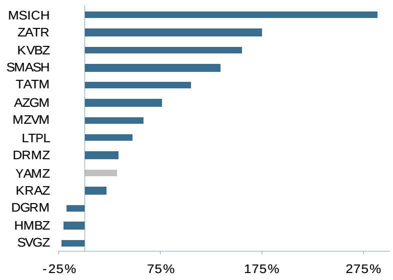
Valuation suggests 38% upside

The stock trades with 19-50% discount to its international peers on sales and profitability ratios '07-08, while comparison to Ukrainian coal machinery and other machine-building peers is mixed. Our DCF model implies a price of USD 3.0 taking into account current positive market momentum we reiterate our 12M target price of 3.1 USD.

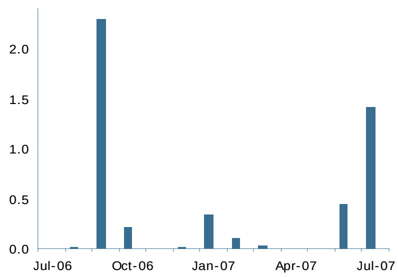
Stock performance vs. PFTS



Sector performance



Trading volumes, USD mln



Source: PFTS, Bloomberg

Key financials & ratios

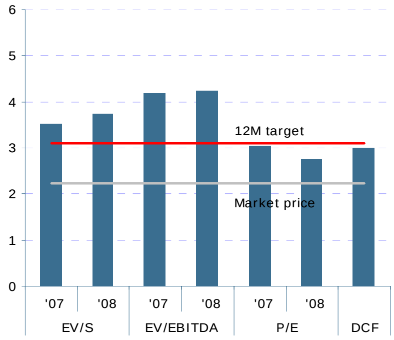
(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006	25.1	17.1%	9.3%	1.86	10.83	21.80
2007E	31.4	21.0%	9.0%	1.58	7.50	18.12
2008E	36.7	20.5%	8.7%	1.25	6.11	15.98

Spot exchange rate: 5.05

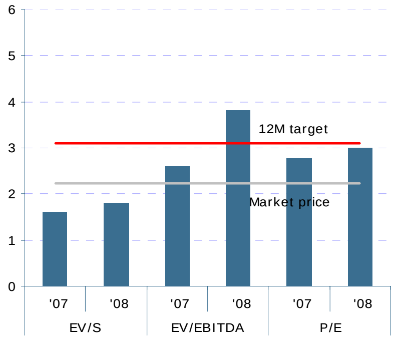
Content

Valuation summary

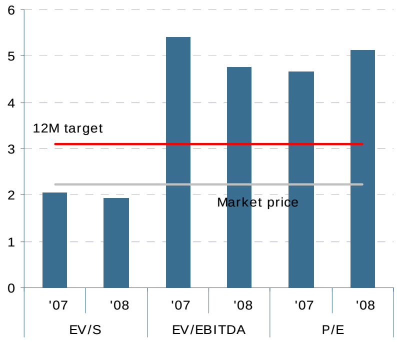
International peers & DCF



Ukrainian coal machinery peers



Ukrainian machine-building peers

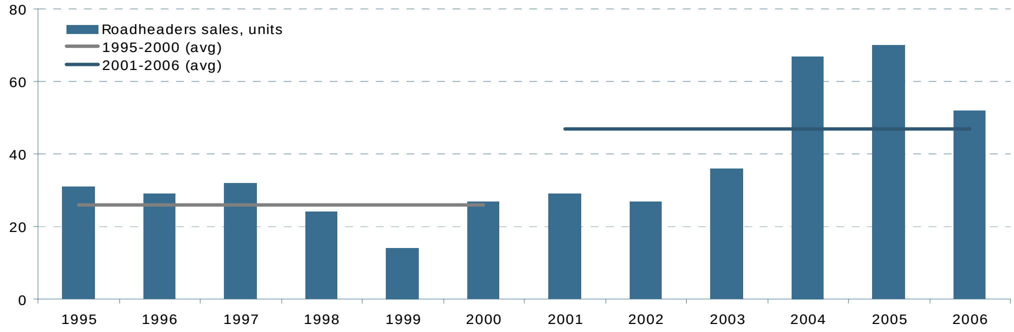


The Return of the Roadheaders

CIS demand for roadheaders on the rise

The growth of roadheader production over the last three years suggests that the industry is on the way to recovery from the lean years in the 1990s. Over 2001-2006 roadheader purchases in the CIS are almost double what they were in 1995-2000. We believe that demand for roadheaders will continue to grow in the long-term as CIS miners replace older models and coal extraction expands.

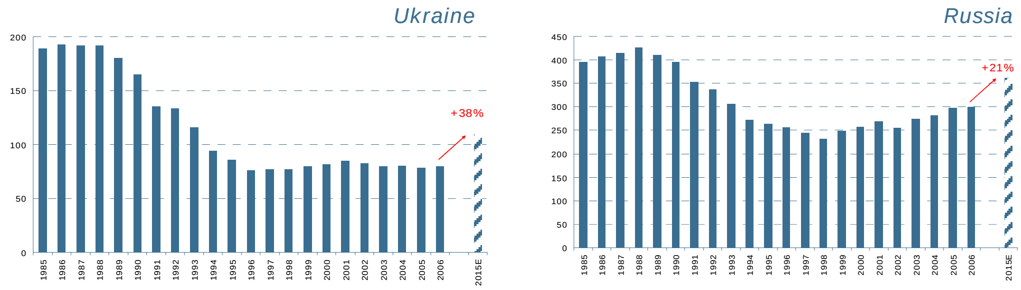
Dynamics of roadheaders purchases in the CIS, *units*



Source: company data
Note: based on Yasynuvatsky MB's data. We consider the company to be the market benchmark as it controls 45-50% of the CIS market at par with Russian producer Kopyisky plant

Following the collapse of the USSR, both the Ukrainian and Russian coal industries scaled down to their sustainable extraction levels (Ukraine mines 80 mln mt of coal per year, Russia extracts 280-300 mln mt anunally). Recently both countries announced plans to increase coal mining (Ukraine to ~115 mln mt annually by 2015; Russia to ~350 mln mt annually by 2015), which will require the introduction of modern coal roadheaders.

Coal extraction, *mln mt*



Source: BP Statistical Review, Concorde Capital estimates, Energy strategies of Ukraine and Russia

Next surge in demand expected in 2009-2010

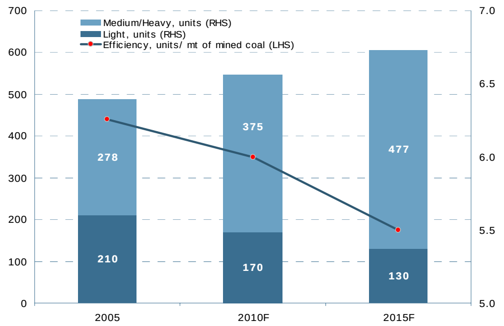
We forecast the next wave in demand for the industry in 2009-2010 when most of the machines purchased in 2004-2005 (more than 200 units) will have reached their lifespans. An average roadheader's lifespan in the CIS is up to five years, and they rarely can be used longer.

Ukraine: Demand driven by growth and modernization

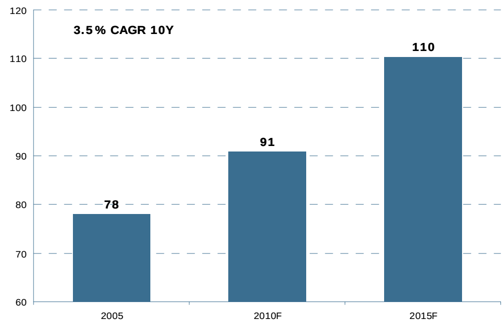
According to our estimates Ukraine will require an extra 200-210 modern medium/heavy class heading machines by 2015 (almost half the existing fleet) to support the 41% increase in coal extraction planned by the Ukrainian government.

Heavy roadheaders (70 mt) make up 35% of the global fleet. In Ukraine this figure is only around 9%. Less efficient light class machines (20 mt) designed in the 1960s account for 43% and mid-sized machines make up the remaining 47%.

Roadheader fleet and efficiency rate



Coal extraction in Ukraine, *mln mt*



Source: company data, Concorde Capital estimates, Ukrainian Energy Strategy by 2030

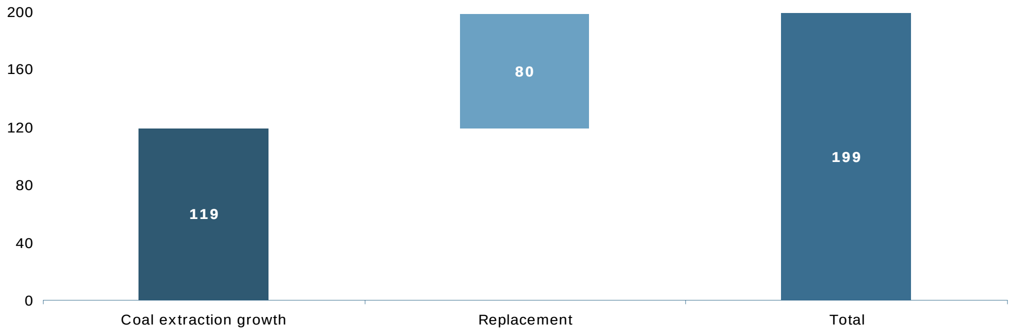
MODERNIZATION/REPLACEMNET

The planned privatization of state-owned coal mines (expected in 2007-2008), growing budget and increased spending by private mines should quicken the sector's modernization. We conservatively forecast this to translate into an increase in the portion of medium and heavy machines to 79% of the total fleet by 2015 from 58% in 2005 (80-90 units will be replaced).

COAL MINING GROWTH

We estimate the number of machines involved in mining process will be 5.5 units per mt of coal annually taking into account their efficiency increase (from the current 6.5 units per mt of coal annually), which multiplied by 110 mln mt of coal extraction forecasted in 2015 (the base scenario of the Energy Strategy program by 2030) will require additional 100-120 roadheaders on top of the current fleet of 488 machines.

Contributors to extra demand for roadheaders in Ukraine until 2015



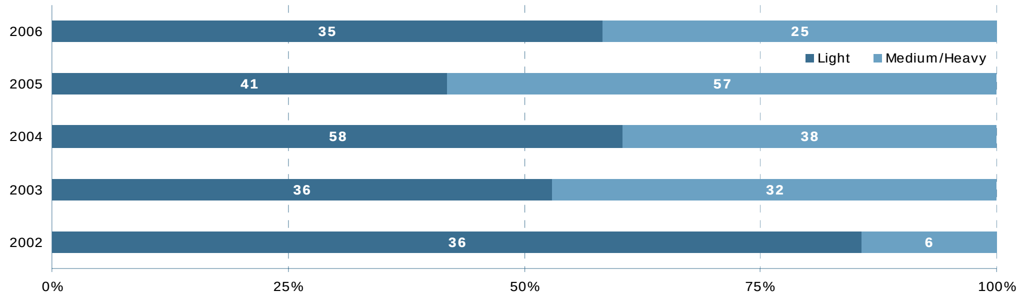
Source: Concorde Capital estimates

Russia: Shopping For New Roadheaders

We believe Russian coal producers will continue to modernize their roadheader fleet, which will translate into additional demand for the replacement of light machines until 2015. Although we forecast only moderate underground coal extraction growth in Russia until 2015 (est. 1% a year), we believe that 17% of the country's current light (20 mt) fleet will be replaced with heavier machines over the same period.

Most of these machines are likely to be bought in Ukraine. Ukrainian heading machine manufacturers launched serial production of medium/heavy machines in 2001-2002, and as Russia has no producer of heavy roadheaders, Russian coal mines will have to order from Ukraine.

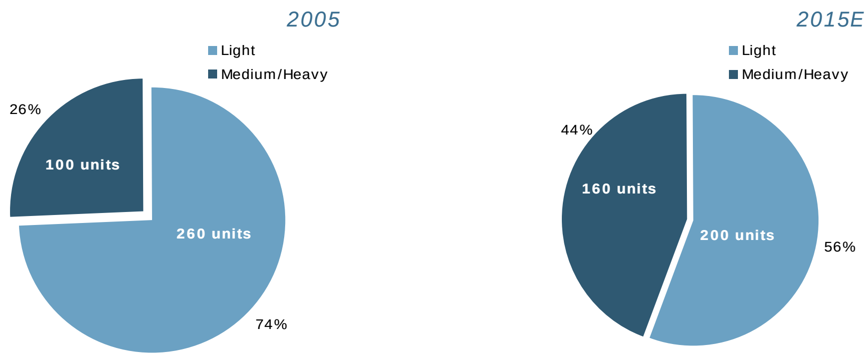
Breakdown of roadheader purchases by Russian mines, *units*



Source: company data, Concorde Capital estimates

Since 2002 demand for medium and heavy machines in Russia has notably increased. We think this is partially due to a shift in underground mining conditions in Russia. Mines there are younger than in Ukraine, thus, until recently, they required less powerful roadheaders.

Transformation of the roadheader fleet in Russia, *units*



Source: Concorde Capital estimates

Competition: And Then There Were Two

According to Yasynuvatsky MB's management Novokramatorsky MB, the third largest roadheader producer in the CIS, stopped production in 2006, for the following reasons:

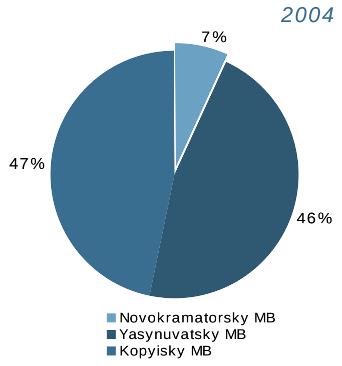
> Novokramatorsky MB's main products are military and steel-making equipment. The company had been leasing drafts for roadheaders from Dongiprouglemash (a Ukrainian coal machinery research institute) since 1995, which allowed it to produce medium/heavy machines. Those machines were updated prototypes of older machines produced by Yasynuvatsky MB untill 1960 (Yasynuvatsky's models are 10-15% new cheaper).

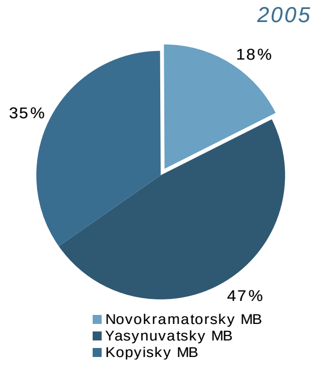
We assume Novokramatorsky MB has shelved roadheader manufacturing for two to three years at least, as it has shifted its focus to boosting orders if steel-making equipment from CIS steel smelters, which are presently modernizing their outdated equipment.

Yasynuvatsky MB vs Kopyisky MB

After Novokramatorksy MB, which held nearly 10% of the CIS market in 2004-2005, left the field for uncertain period, key competition will be between Yasynuvatsky MB and Kopyisky MB (Russia).

CIS roadheaders market breakdown by producer, *units*





Source: company data

Russian Kopyisky MB focuses on the production of salt-mining combines for one of its controlling shareholders, Uralkali (Russia), and is a producer of light types of coal roadheaders. Although neither has a price advantage in terms selling machines of a similar class, Yasynuvatsky has a broader profile and produces more powerful combines, which are more stable and reliable than the light ones produced by its Russian peer. Additionally, Yasynuvatsky MB has the only in-house coal machinery R&D department in the CIS, which allows it to modify its serial machines to meet its clients' individual needs.

Other producers not a threat

We think that international roadheader producers will have a difficult time strengthening their presence in the CIS. Western equipment is more expensive, although the quality is only marginally higher, while China is busy trying to meet its own demand and focuses on production of light (20 mt) machines . Over the past ten years only a couple of international roadheaders have been imported into the CIS (based on official statistics).

Another Ukrainian producer of roadheaders Gorlivksy Machinobudivnik has drafts of roadheaders. Nevertheless it focuses on the production of other coal mining equipment (coal cutters) and has never serially produced roadheaders.

Yasynuvatsky MB: Strong & Growing

Robust growth in financials and production expected

During our last meeting with the company in early July the management disclosed their financial and production forecasts. Sales are expected to grow to USD 31.4 mln in 2007 (up 25.4% yoy) and to USD 36.7 mln in 2008 (up 16.7% yoy) driven by orders from coal mines and the expansion the company's other businesses.

Key financials forecast, *USD mln*

	2006	2007E	2008E	1Q06	1Q07
Total sales	25.1	31.4	36.7	3.9	5.3
growth, yoy		*25.4%*	*16.7%*		*38.0%*
Coal equipment	19.7	25.0	29.3	n/a	n/a
growth, yoy		*26.5%*	*17.3%*		
Other	5.3	6.4	7.4	n/a	n/a
growth, yoy		*21.4%*	*14.4%*		
EBITDA	4.3	6.6	7.5	0.2	0.6
EBITDA margin, %	*17.1%*	*21.0%*	*20.5%*	*6.4%*	*10.4%*
Net income	2.3	2.8	3.2	0.12	0.01
Net margin, %	*9.3%*	*9.0%*	*8.7%*	*3.1%*	*0.3%*

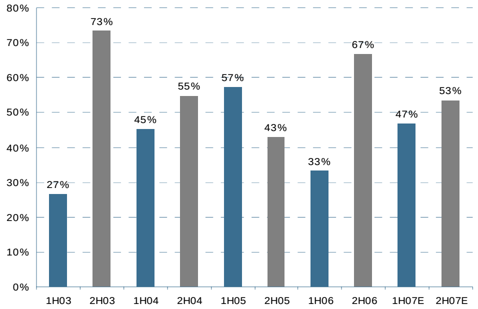
Source: company data, Concorde Capital estimates

In 1Q07 the company's sales grew 38% yoy to USD 5.3 mln, and the EBITDA margin recovered to 10.4% from 6.4% in 1Q06. The decline in reported net margins to 0.3% from 3.1% in 1Q06, which probably stems from tax optimization schemes practised by the company, is the only fly in the ointment. However, by the end of 2007 the management envisages a net income margin of 9.0% - close to the FY06 level, thanks to a traditionally robust second half of the year.

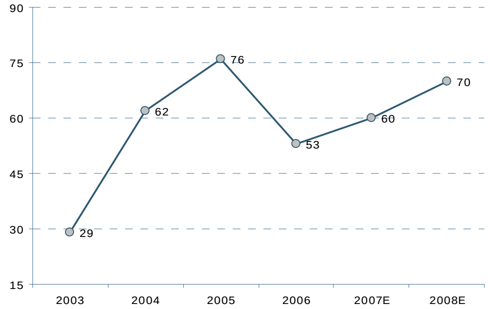
In 1Q07 the company shipped 13 machines compared to 4 units in 1Q06. Given the fact that most orders come in the second half of the year the management expects the total number of units sold to be 60 machines in 2007.

Roadheaders sales analysis

Semi-annual distribution, %



Annual, units



Source: company data, Concorde Capital estimates
Note: sales from coal equipment manufacturing only

Debt financing to be attracted

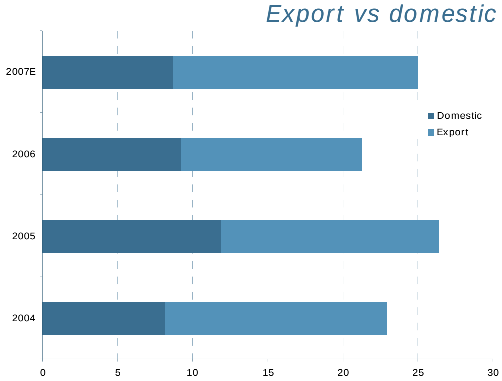
The management plans to attract USD 5 mln through a bond issue in late August – mid September this year. Proceeds from the placement will be used to fund a USD 5-10 mln investment program by 2010 and to increase working capital.

Growing presence on other markets

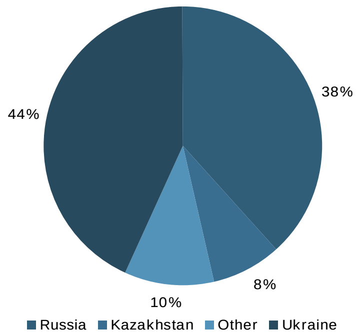
The company is working to strengthen its presence on the other markets and diversify orders. Yasynuvatsky has representative offices, which include maintenance and service centers, in Kazakhstan, Russia, Eastern Europe and America. In 2006 the company's key markets were Russia, Ukraine and Kazakhstan, while revenues from shipments to other countries, mainly Cuba and Hungary, totalled around 8%.

Sales breakdown, *USD mln*

Export vs domestic



by country (2006)



Source: company data, Concorde Capital estimates
Note: sales from coal equipment manufacturing only

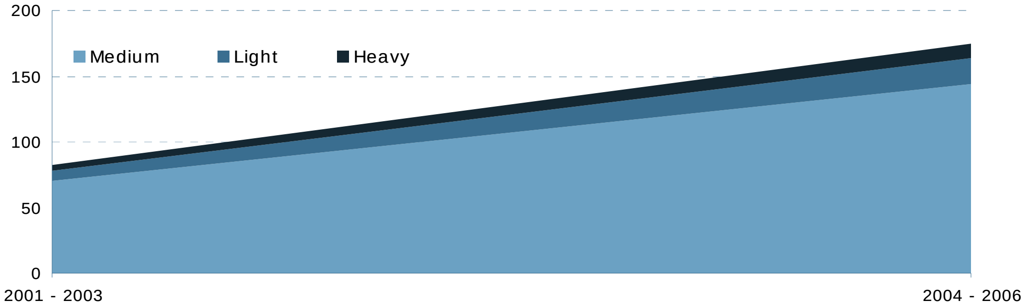
Starting from 2007 the management plans to enter the Polish, German and English market (in 3Q07 the company will make pilot deliveries to this countries). In addition, the company is close to completing a deal with Mittal Steel Temirtau (the largest coking coal mining company in Kazakhstan) to be its exclusive supplier of roadheaders.

We see the company's exports growing to 65% in 2007 from 56% in 2006.

More heavy machines in the product mix

Since 2003, when the company launched production of up-to-date heavy units (KSP-42) their share in total product mix has grown to around 5-10%. In 2006 the company's R&D department introduced a new version of the KSP-42 (KSP-43 is equipped with remote control). We expect the portion of heavy combines in Yasynuvatsky's product mix to grow to 12% by 2009 substituting light units, while the portion of medium class machines is expected to stay steady at 82-83%.

Yasynuvatsky's roadheaders production breakdown, *units*



Source: company data

Valuation

Peer comparison

	MCap, *USD mln*	**EV/S**		**EV/EBITDA**		**P/E**	
		2007E	*2008E*	*2007E*	*2008E*	*2007E*	*2008E*
Yasynuvatsky MB	51.0	1.58	1.25	7.50	6.11	18.12	15.98
International							
Bucyrus International Inc	2 513.7	1.90	1.42	13.12	9.35	22.76	14.99
JOY Global Inc	6 953.6	2.70	2.31	13.08	11.02	21.35	17.59
United Tractors	2 706.3	1.62	1.42	8.77	7.43	18.37	15.37
Anhui Heli Company	1 330.6	2.88	2.25	19.29	15.52	30.79	24.59
Sandvik AB	27 274.5	2.47	2.23	11.70	10.34	19.99	17.76
Shantui Construction Machinery	1 974.4	3.49	3.49	19.56	19.56	35.30	27.43
Average		**2.51**	**2.19**	**14.25**	**12.20**	**24.76**	**19.62**
Ukrainian coal machinery							
Donetskgirmash	13.1	0.79	0.63	n/m	n/m	n/m	14.50
Druzhkivsky MB	73.2	0.91	0.80	10.28	9.97	31.49	36.76
Svitlo shakhtarya	79.4	1.63	1.51	7.26	6.83	13.50	12.97
Average		**1.11**	**0.98**	**8.77**	**10.89**	**22.50**	**21.41**
Other Ukrainian machine-builders							
Azovzagalmash	277.1	0.79	0.71	24.57	21.66	n/m	n/m
Mariupol Heavy Machinery	254.7	0.55	0.53	30.39	29.51	n/m	n/m
Stakhaniv Wagon Works	166.9	1.11	0.92	10.87	7.87	75.85	18.54
Kryukiv Wagon	493.3	1.46	1.27	10.99	9.42	26.96	17.70
Luhanskteplovoz	175.8	1.19	0.88	12.51	8.81	neg	21.35
Sumy Frunze	634.2	2.73	n/a	34.12	n/a	82.36	51.35
Motor Sich	476.5	1.86	1.63	9.69	8.30	63.53	27.04
AvtoKraz	299.1	1.84	1.48	14.16	10.80	26.17	17.22
Average		**1.44**	**1.06**	**18.41**	**13.77**	**54.98**	**25.53**
International peers							
Implied price by Avg, USD		3.53	3.74	4.20	4.25	3.06	2.75
Upside/Downside		*58%*	*67%*	*87%*	*90%*	*37%*	*23%*
Ukrainian coal machinery							
Implied price by Avg, USD		1.60	1.81	2.61	3.82	2.78	3.00
Upside/Downside		*-28%*	*-19%*	*16%*	*70%*	*24%*	*34%*
Ukrainian machie-building							
Implied price by Avg, USD		2.1	1.9	5.4	4.8	9.6	5.1
Upside/Downside		*-8%*	*-14%*	*141%*	*113%*	*330%*	*129%*

Source: Thomson Financial, Bloomberg, Concorde Capital estimates

Key peers financials

	Sales, *USD mln*		**EBITDA mgn,** *%*		**Net mgn,** *%*	
	2007E	*2008E*	*2007E*	*2008E*	*2007E*	*2008E*
Yasynuvatsky MB	31.4	36.7	21.0%	20.5%	9.0%	8.7%
International peers						
Bucyrus International Inc	1 644.7	2 197.2	14.5%	15.2%	6.7%	7.6%
JOY Global Inc	2 708.1	3 157.0	20.6%	21.0%	12.0%	12.5%
United Tractors	1 847.6	2 087.3	18.5%	19.1%	8.0%	8.4%
Anhui Heli Company	439.8	556.5	14.9%	14.5%	9.8%	9.7%
Sandvik AB	12 155.6	13 258.6	21.1%	21.6%	11.2%	11.6%
Shantui Construction Machinery	571.8	747.2	17.8%	17.1%	9.8%	9.6%
Average			17.9%	18.1%	9.6%	9.9%
Ukrainian peers						
Donetskgirmash	45.0	51.8	4%	4%	2%	3%
Druzhkivsky MB	95.4	105.9	8%	8%	2%	2%
Svitlo shakhtarya	40.8	44.7	22%	21%	15%	15%
Average			11%	11%	6%	7%
Other Ukrainian machine-builders						
Azovzagalmash	428.8	471.7	3%	3%	0.2%	0.2%
Mariupol Heavy Mashinery	520.5	536.1	2%	2%	0.02%	0.02%
Stakhaniv Wagon Works	156.7	187.1	10%	12%	5.7%	7.1%
Kryukiv Wagon	340.0	391.0	13%	14%	8.2%	8.4%
Luhanskteplovoz	164.7	222.3	10%	10%	5.0%	5.5%
Sumy Frunze	247.0	n/a	8%	n/a	5.0%	n/a
Motor Sich	283.5	323.4	19%	20%	6.2%	7.6%
AvtoKraz	178.7	223.3	13%	14%	9.7%	10.7%
Average			**10%**	**11%**	**5.0%**	**5.6%**

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

DCF

Basic assumptions

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Roadheaders production											
Light, units	9	6	5	4	4	4	4	4	3	3	3
average price, USD ths	*167.1*	*213.5*	*219.9*	*226.5*	*233.3*	*240.3*	*247.5*	*252.5*	*257.5*	*262.7*	*267.9*
Medium, units	41	48	58	71	57	53	66	77	63	60	60
average price, USD ths	*296.1*	*307.0*	*320.3*	*315.8*	*329.5*	*337.7*	*352.2*	*348.7*	*361.8*	*367.0*	*374.4*
Heavy, units	3	6	7	14	8	8	10	17	14	13	13
average price, USD ths	*564.6*	*610.4*	*634.9*	*648.3*	*668.3*	*688.4*	*703.8*	*726.1*	*741.6*	*752.8*	*767.8*
Total, units	**53**	**60**	**70**	**89**	**69**	**65**	**80**	**98**	**80**	**76**	**76**
Revenues, USD mln											
Coal equipment sales	19.7	25.0	29.3	38.5	31.5	31.1	38.3	48.1	42.1	41.0	42.0
change, yoy		*27%*	*17%*	*31%*	*-18%*	*-1%*	*23%*	*25%*	*-12%*	*-3%*	*2%*
Other sales	5.3	6.4	7.4	8.5	9.3	10.3	11.1	11.9	12.5	13.1	13.7
change, yoy		*21%*	*14%*	*15%*	*10%*	*10%*	*8%*	*7%*	*5%*	*5%*	*5%*
Total	**25.1**	**31.4**	**36.7**	**47.0**	**40.8**	**41.4**	**49.4**	**59.9**	**54.5**	**54.1**	**55.7**
change, yoy		*25%*	*17%*	*28%*	*-13%*	*1%*	*19%*	*21%*	*-9%*	*-1%*	*3%*

Discounted cash flow

As of July 24, 2007

For the purpose of forecasting, local currency is used (UAH mln) unless otherwise noted

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	**33**	**38**	**49**	**43**	**43**	**51**	**63**	**57**	**57**	**58**
EBIT	29	34	44	37	37	45	57	51	50	52
Tax Rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Taxed EBIT	22	25	33	27.9	27.8	33.8	42.5	38.2	37.7	38.8
Plus D&A	4	5	5	5	6	6	6	6	6	6
Less CapEx	(6)	(8)	(11)	(8)	(8)	(6)	(6)	(6)	(6)	(6)
Less Change in OWC	(28)	(2)	(10)	10	(1)	(8)	(7)	4	1	(2)
FCFF	**(8)**	**20**	**17**	**35**	**24**	**26**	**36**	**42**	**39**	**36**
WACC	*14.0%*	*13.7%*	*13.1%*	*12.7%*	*12.5%*	*11.5%*	*11.5%*	*11.5%*	*11.5%*	*11.5%*
WACC to Perpetuity										11.0%
Perpetuity Growth Rate										3.0%
Impl. Exit EBITDA Multiple										x8.0
Terminal Value										468
Disc. Terminal Value										179
Firm Value	289	338								
Portion Due To TV	54.4%	52.9%								
Less Net Debt	14	10								
Equity Value, UAH mln	302	348								
Implied Share Price, USD	2.6	3.0								

Sensitivity analysis: Implied share price, USD

	Perpetuity Growth Rate				
WACC to perpetuity	*2.0%*	*2.5%*	*3.0%*	*3.5%*	*4.0%*
8.5%	3.0	3.1	3.2	3.3	3.5
9.5%	2.9	3.0	3.1	3.2	3.4
10.5%	2.8	2.9	**3.0**	3.1	3.2
11.5%	2.7	2.8	2.9	3.0	3.1
12.5%	2.7	2.8	2.8	2.9	3.0

Financial statements

All financial statements according to Ukrainian Accounting Standards

Income Statement Summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Net Revenues	**29**	**25**	**31**	**37**	**47**	**41**	**41**	**49**	**60**	**55**	**54**	**56**
Change y-o-y		*-15.0%*	*25.4%*	*16.7%*	*28.0%*	*-13.1%*	*1.3%*	*19.4%*	*21.3%*	*-9.0%*	*-0.8%*	*3.0%*
Cost Of Sales	(17)	(15)	(19)	(22)	(28)	(25)	(25)	(30)	(37)	(33)	(33)	(34)
Gross Profit	12	10	13	15	19	16	16	19	23	21	21	22
Other Operating Income/Costs, net	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
SG&A	(4.2)	(4.0)	(4.7)	(5.5)	(7.0)	(6.1)	(6.2)	(7.4)	(9.0)	(8.2)	(8.1)	(8.4)
EBITDA	**7**	**4**	**7**	**8**	**10**	**8**	**8**	**10**	**12**	**11**	**11**	**11**
EBITDA margin, %		-35%	53.6%	14%	27%	-12%	0%	19%	23%	-9%	-1%	3%
Depreciation	*22.5%*	*17.1%*	*21.0%*	*20.5%*	*20.3%*	*20.5%*	*20.3%*	*20.2%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*
EBIT	**6**	**4**	**6**	**7**	**9**	**7**	**7**	**9**	**11**	**10**	**10**	**10**
EBIT margin, %	*20.0%*	*14.3%*	*18.3%*	*18.0%*	*18.2%*	*17.9%*	*17.6%*	*17.8%*	*18.5%*	*18.2%*	*18.1%*	*18.1%*
Interest Expense	(0)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Financial income	-	-	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	(0)	0	(2)	(2)	-	-	-	-	-	-	-	-
PBT	**5**	**3**	**4**	**4**	**8**	**7**	**7**	**9**	**11**	**10**	**10**	**10**
Tax	(2)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(3)	(2)	(2)	(2)
Net Income	**4**	**2**	**2.82**	**3.19**	**6**	**5**	**5**	**6**	**8**	**7**	**7**	**7**
Net Margin, %	*13.0%*	*9.3%*	*9.0%*	*8.7%*	*12.8%*	*12.4%*	*12.8%*	*13.1%*	*13.7%*	*13.4%*	*13.4%*	*13.4%*
Dividend Declared	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**2**	**5**	**7**	**7**	**7**

Balance Sheet Summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Current Assets	**18**	**23**	**30**	**32**	**36**	**33**	**36**	**40**	**44**	**44**	**44**	**44**
Cash & Equivalents	5	5	6	7	10	10	12	14	16	17	17	17
Trade Receivables	3	9	12	12	13	11	12	12	12	12	12	12
Inventories	6	7	8	8	9	9	9	10	11	10	10	10
Other current assets	4	3	3	3	4	4	4	4	5	5	5	5
Fixed Assets	**10**	**26**	**26**	**26**	**28**	**28**	**29**	**29**	**29**	**29**	**29**	**29**
PP&E, net	7	6	9	9	10	11	12	12	12	12	12	12
Other Fixed Assets	3	19	17	17	17	17	17	17	17	17	17	17
Total Assets	**28**	**48**	**55**	**58**	**64**	**62**	**65**	**69**	**73**	**73**	**73**	**73**
Shareholders' Equity	**22**	**41**	**43**	**47**	**53**	**56**	**59**	**63**	**66**	**66**	**66**	**66**
Share Capital	5	21	21	21	21	21	21	21	21	21	21	21
Reserves and Other	17	20	23	26	32	35	38	42	45	45	45	45
Current Liabilities	**3**	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**5**	**5**	**5**	**5**
ST Interest Bearing Debt	-	-	-	-	0	0	0	0	0	0	0	0
Trade Payables	1	1	2	2	2	2	2	2	2	2	2	2
Accrued Wages	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Taxes	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	2	2	2	2	2	2	2	2	2	2	2	2
LT Liabilities	**3**	**4**	**8**	**7**	**7**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
LT Interest Bearing Debt	-	-	5	5	5	-	-	-	-	-	-	-
Other LT	3	4	3	3	2	2	2	2	2	2	2	2
Total Liabilities & Equity	**28**	**48**	**55**	**58**	**64**	**62**	**65**	**69**	**73**	**73**	**73**	**73**

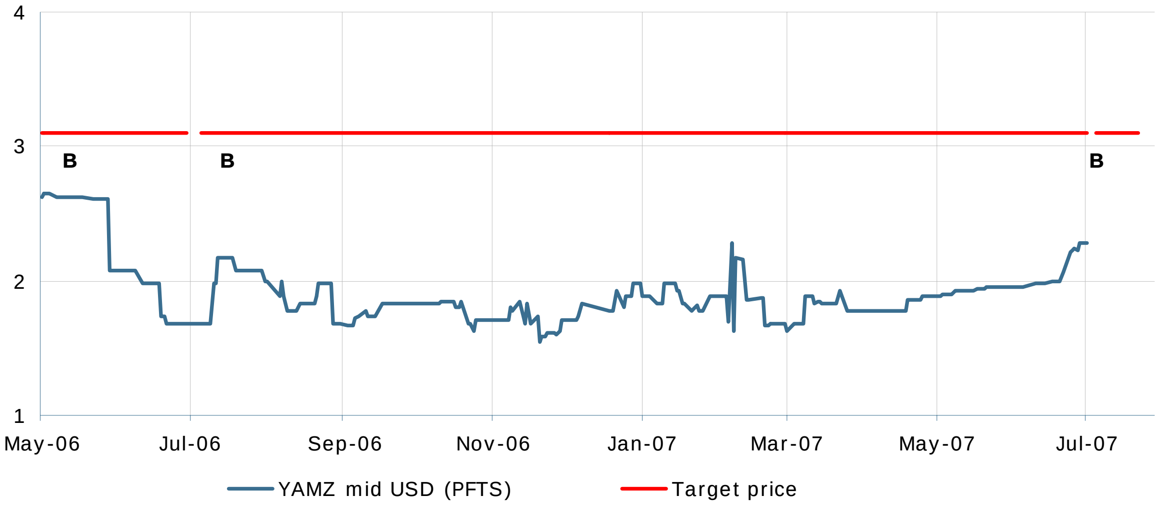
Analyst certification

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

Yasynuvatsky MB

Date	Target price, *USD*	Market Price, *USD*	Recommendation	Action
23-May-06	3.10	2.62	BUY	Initiating
25-Jul-06	3.10	1.68	BUY	Maintain
24-Jul-07	3.10	2.28	BUY	Maintain

Recommendation history, USD



Concorde Capital Coverage Universe		
Buy	34	*39%*
Hold	11	*13%*
Sell	5	*6%*
Under Review	25	*29%*
Not Rated	12	*14%*
Total	87	***100%***

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