

EN ROUTE FOR EUROPE?

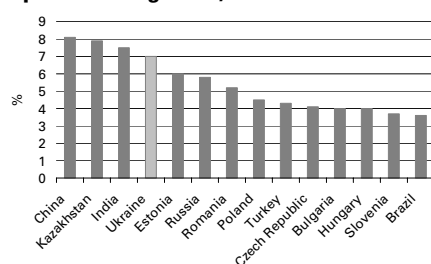
Bloomberg:

Reuters:

UKRAINIAN MARKET SURVEY

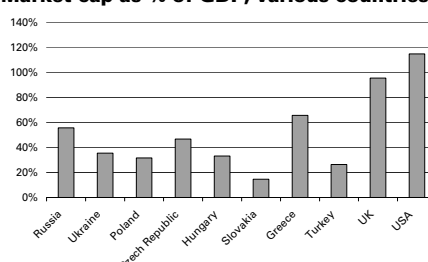
Tom Adshead (+7 095) 933-3316 tadshead@metropol.ru Sales: London (+44 020) 7439-6881 Moscow (+7 095)933-3302

Exhibit 1
Expected GDP growth, 2005.



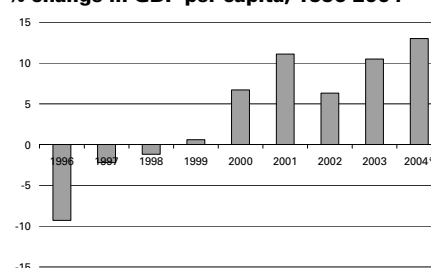
Source: Economist Intelligence Unit, December 2004

Exhibit 2
Market cap as % of GDP, various countries



Source: Bloomberg, IFC Metropol estimates

Exhibit 3
% change in GDP per capita, 1996-2004



Source: Ukrainian official statistics
* Preliminary data

Orange revolution to bring real change?

Last year's presidential revolution in Ukraine seems to have created preconditions for radical change. Our question is, is Ukraine going to follow the path of Eastern Europe, post-1989, or of Russia, post-1991. Does Ukraine have the political will to enact the changes that could bring it membership of the European Union?

So far, so good

The Yushchenko government has moved to address Ukraine's deep-seated problems. Its actions suggest that it really wants to change the system, rather than simply replace one elite with another. Ukraine can also enjoy the benefits of a high steel price, which gives a cushion for radical reforms.

Is the market overbought?

The Ukrainian market's performance in terms of price and volumes has been spectacular, both before and after the election. Is all the good news already in the price? The P/E of the Ukrainian market is 31, but the total market cap is only 35% of GDP.

Buy Ukrproduct, and metals

We are wary about price comparisons with Russia, because Ukraine could grow much faster than its Eastern neighbor. Ukrproduct looks set to dominate the dairy market, and offer additional growth from its distribution network. Zaporizhstal continues to benefit from high steel prices. Nizhnodniprovisky Pipe will be a major supplier to Gazprom and Transneft. We think that Ukrtelecom and the energos are overpriced.

TABLE OF CONTENTS

2

METROPOL
INVESTMENT FINANCIAL COMPANY



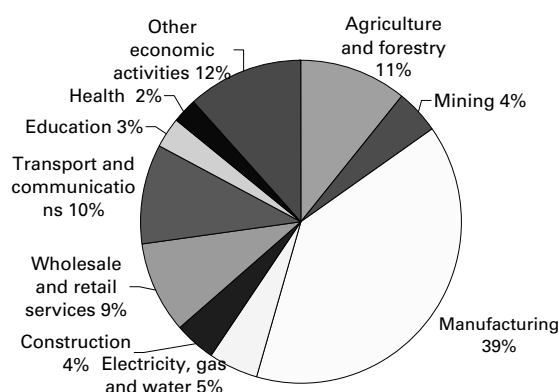
UKRAINIAN MARKET SURVEY

Ukraine

INVESTMENT SUMMARY	3
MARKET OVERVIEW	4
Macroeconomics and politics	5
Equity market	6
Kryvorizhstal	7
Mariupol Ilich	9
Azovstal	11
Zaporizhstal	13
Khartsyzsk pipe	15
Ukrtelecom	17
Ukrproduct group	19
Ukrnafta	21

INVESTMENT SUMMARY

EXHIBIT 4
Ukraine 2004 GDP – main components



Source: Government statistics

EXHIBIT 5
Average daily turnover. UAH and USD

Name	Average daily volume. UAH	Average daily volume. USD
Zaporizhstal	556.654	111.331
Ukrnafta	1.122.933	224.587
KonzernStirol	19.080	3.816
NizhnodniprovskyPipeRollingWorks	977.697	195.539
Ukrtelekom	91.368	18.274
Zakhidenergo	446.256	89.251
Centrenergo	22.704	4.541
Kyivenergo	115.401	23.080
Dniproenergo	158.126	31.625

Source: PFTS. data for three months proceeding 12 May 2005.

Ukraine's PFTS index rose by 204% in 2004, and has risen by a further 15% in the 2005 year to May 12, 2005. The performance follows last year's presidential elections, which pro-Western candidate Viktor Yushchenko won. The pre-election gain was driven by favorable macroeconomic data. The post-election run was due to expectations that the new government would follow an aggressive reform programme.

Macroeconomic performance. The main driver for Ukraine's economy has been strong prices for steel and good performance by its agricultural sector. The main market for Ukraine's non-steel manufacturing sector is Russia, so the oil boom has also benefited the country indirectly. We think that steel prices will not stay strong indefinitely, as Chinese capacity should come on line in 2006. However, there will still be demand for Ukraine's coal and iron ore, and for its agricultural output.

Post-election euphoria. Ukraine has attracted attention in the last six months because of the "Orange Revolution" that saw Viktor Yushchenko elected president in November 2004, despite losing the initial election to Viktor Yanukovich. The world's media has interpreted this as the overthrow of a Soviet-era regime by a liberal, pro-Western one, similar to the changes that happened in Eastern Europe in 1989-90.

Wait and see. It is too early to tell whether this optimism will be justified. The Yushchenko government has abolished some Soviet-era rules that are symbolically important, like lifting visa requirements for EU citizens. They are also working to reverse some of the worse privatization abuses of the previous administration. But it is too early to be sure that Ukraine is on the EU, and not the Russian track.

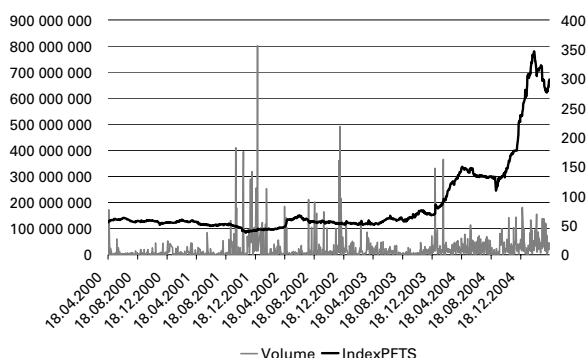
En route for Europe? The EU has set an action plan for Ukraine. Ukraine's progress on this action plan will be reviewed in early 2006. If the country is deemed to have

made sufficient progress, then the EU will consider a free trade agreement, and possibly setting a timetable for Ukraine to accede to the EU. Ukraine's public finances are already well within the stability pact requirements for the Euro. The EU will probably not make a concrete announcement until the parliamentary elections, which are expected in mid 2006.

Valuations and liquidity. The Ukrainian economy is definitely attractive from a macroeconomic perspective, in our opinion. However, the market shows quite high valuations, and low liquidity. Investors should be ready to take some time to build up a position, and to hold for a long time. The current market cap weighted P/E ratio is 31, which compares with the Russian ratio of 9.0. On the other hand, the total market cap of the Ukrainian market is only 38% of GDP, while that of Russia is 55%, and the equivalent number for a developed economy is in the 100% range. This of course may reflect that a large part of Ukraine's GDP is produced by companies that are not listed, rather than because the stocks are inherently cheap. But the P/E number is also distorted by the large number of low profit energy companies in the index.

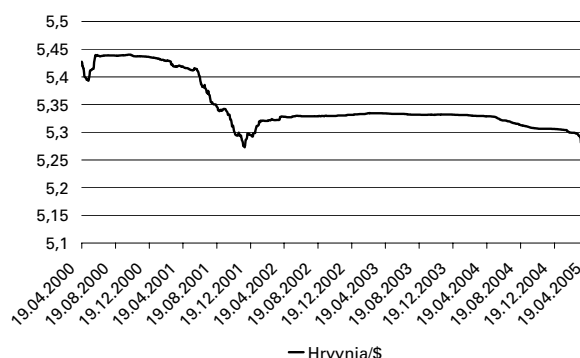
MARKET OVERVIEW

Exhibit 6
PFTS index and volume (hryvnia), 04/2000 – 04/2005



Source: PFTS

Exhibit 7
Hryvnia/\$ exchange rate 2000-5



Source: Central Bank of Ukraine

4

The Ukrainian market is focused on the PFTS (Ukrainian acronym for First Securities Trading System), which is an over-the-counter exchange centered on an electronic quote system. Exhibit 6 shows the history of the index since 2000 (right-hand scale) and the volume history for the exchange. The market has picked up considerably in 2004, particularly around the Presidential election.

Volumes are not as high as they have been on past isolated days, but recently average volumes are much higher than they have been. The average daily volume in 2005 has been about UAH 43.8 million, or approximately \$8.4 million. This contrasts with \$280 million per day on the RTS, or \$212 million per day on MICEX. In general we will try to avoid too many comparisons with Russia, but this number shows that the Ukrainian market has some way to go.

The market has clearly responded to the political changes, and to the expectation of political change. Ukraine's GDP has been growing strongly (exhibit 3), but this trend was already apparent. Another explanatory factor may be the high metals prices, given that mining and manufacturing production makes up 43% of Ukraine's GDP (exhibit 4). However, metals companies are only 8.7% of the PFTS index, as most of the big companies are concentrated in private hands.

So the question for investors is whether it is too late to get into the Ukrainian market, given that prices have already done so well? Even if the valuations justify investing, how attractive is a market that only trades \$8 million a day?

The first question is, how permanent are the changes that spurred the recent index growth? We discuss the politics and the macroeconomics, especially with regards to commodity prices. For us the key is politics, because East-

ern European countries have shown that with the right politics, the macroeconomic situation is less critical in terms of attracting investors.

If the changes are permanent, then does the valuation justify investing? The Ukrainian market trades at a market weighted P/E of 31. As a Russian broker, we automatically contrast this with the Russian market weighted P/E of 9.0. However, a more sensible basis of comparison could be Ukraine's northern neighbor, Poland, with a similar mix of agriculture and heavy industry. The Polish market trades at a valuation of 14.8, and the Slovak market trades at 24.3.

This valuation should be considered in the light of the likely future prospects for Ukraine. Unlike Poland and Russia, it has in its future the potential benefits and good news from a closer relationship with the EU. It also could benefit more than Poland from economic growth in Russia. But at the same time, there is a lot of infrastructure spending to be done, and a heavy dependence on commodity exports.

MACROECONOMICS AND POLITICS

Exhibit 8

Ukraine basic macroeconomic indicators

% change, (except where indicated)	2000	2001	2002	2003	2004	2005
production and prices						
Nominal GDP (in billions of hryvnia)	170.1	204.2	225.8	264.2	332	387.1
Real GDP growth	5.9	9.2	5.2	9.4	12.5	6.0
Consumer price index (period average)	28.2	12	0.8	5.2	8.8	9.5
Consumer price index (end of period)	25.8	6.1	-0.6	8.2	11.0	7.0
Public finance (in percent of GDP)						
Consolidated government budget balance, cash basis	-1.3	-1.6	0.5	-0.7	-4.6	-1.8
Primary balance	1.8	0.4	1.8	0.3	-3.6	-0.9
Revenue	33.4	33.5	36	37	35.6	35.7
Expenditure	34.7	35.1	35.5	37.7	40.2	37.5
Public debt and arrears (in percent of GDP)	47	38.6	35.7	30.3	26.9	21.8
External public debt (in percent of GDP)	33.1	26.6	24	21.9	19	15.1

Source: International Monetary Fund

Public finances in good shape. Although the government's finances are not in as good a shape as Russia's, they nonetheless show a marked improvement from the problems of four years ago. In particular, since 2000, Ukraine has halved its external public debt in relation to GDP. Public debt in relation to GDP is less than half the level of 2000. The government is expected to show a small deficit in 2004 (there is still no official report), and the Verkhovna Rada (Parliament) has approved a revised budget that envisages a deficit of 1.56% of GDP.

En route for the Euro? The European Growth and Stability Pact requires that countries have an annual budget deficit that is lower than 3% of GDP, and public debt that is less than 60% of GDP. Ukraine has been running a public sector surplus for the past few years. True, its public sector deficit is 4.6% of GDP in 2004, but this is expected to fall to 0.9% of GDP in 2005. Its public debt has not been close to 60% of GDP in the past 5 years. We do not take this to mean that Ukraine will join the Euro shortly, but it is definitely a realistic prospect. Investors take this kind of stability for granted, and will presumably focus more on the possibility of EU accession.

EU accession. There are two aspects to Ukraine's joining the EU – political and economic. The economic issues focus on Ukraine's ability to harmonise its legal system with EU regulations, and on its ability to satisfy the other EU states that it has a working rule of law. The latter will be much harder to do. This is probably the hardest reform for post-Soviet states to implement. It requires political will, because bureaucracies are used to having complete freedom of action.

Long way to go. It is too early to say whether the Yushchenko government will have the political nerve to follow in the same footsteps as the countries of Eastern Europe and the Baltic States. There have been some populist decrees, like restricting the power of the traffic

police, and making it much harder for customs officials to take bribes. The new government has also been quick to deal with the crimes of the previous administration. However, the same was done in Georgia, and its progress has stalled.

Will Russia approve? The other political aspect of Ukraine's accession to the EU is whether or not it is acceptable to Russia. Although the EU's function is primarily economic, it nonetheless has a political aspect. There is therefore a possibility that Russia will object, just as it is objecting to Ukraine's ties with NATO. We believe that part of the reason why Russia intervened so heavily-handedly in the Ukrainian elections was that its strategists do not like having the West too close to its border. This is a continuation of the Soviet security doctrine of having satellite states as buffers, in our opinion. On this logic, until Russian security doctrine ceases to view the West as a potential aggressor, Russia will remain uneasy about too much democracy in its neighboring states. There is no reason why either the EU or Ukraine needs to ask Russia's permission for closer relationships, but neither will want to provoke a fight.

Europe needs positive steps from Ukraine. The next step in Ukraine's EU accession will be a review of the Action Plan under the EU-Ukraine Partnership and Cooperation Agreement. This is scheduled for 2006. The EU's official language makes it clear that they are expecting the Ukraine to make major steps towards implementing this action plan, before accelerating the move towards a free trade area, and possible accession. In addition, the EU is deciding whether or not to declare Ukraine a market economy, which would open the door for wider trade relations. Ukraine hopes to join the WTO by the end of 2006, and the EU will help it with this.

EQUITY MARKET

Exhibit 9

PFTS index components and weights. April 2005

Name	Ticker	% privately owned	Price, UAH	Market cap, UAH mln	Weight in index	Volume 20/4/05	Earnings, 2004, UAH mln	P/E
Zaporizhstal	ZPST	1	6,048	5 050	32,4	160 971	776,6	6,5
Ukrnafta	UNAF	0	150,25	7 990	26,7	57 830	997,5	8,0
Konzern Stirol	STIR	1	79	2 143	14,8	4 904	420	5,1
Nizhnodniprovsky Pipe Rolling Works	NITR	1	32,5	1 751	8,7	-	102,7	17,1
Ukrtelekom	UTEL	0,0714	0,754	13 950	6,6	-	911,6	15,3
Zakhidenergo	ZAEN	0,299	140,14	1 792	3,7	-	57,8	31,0
Centrenergo	CEEN	0	4,275	1 579	2,4	7 663	neg	n/a
Kyivenergo	KIEN	0	8,25	894	2,2	61 303	6,5	137,5
Dniproenergo	DNEN	0	362,5	1 422	2,1	9 052	6	237,1
Donbasenergo	DOEN	0,1423	21,375	505	0,5	-	0,9	561,6

Source: PFTS

6

METROPOL
INTELLIGENT FINANCIAL COMPANY

UKRAINIAN MARKET SURVEY

Ukraine

Market structure

Varied sectors. The biggest five stocks on the market are from five different sectors. However, as the table above shows, none of these is particularly liquid. There are no consumer goods companies in the index. We have included short descriptions of all the companies in the index in this report. The low turnover and the fact that these are all privatized companies are indications of the relative lack of development of the market. The only Ukrainian IPO that we know of is Ukrproduct Group, which is listed on AIM.

GDP breakdown. This is given in exhibit 4. Ukraine's main GDP components are manufacturing and agriculture. However, metals output is growing less quickly than industrial production as a whole – it grew at only 1.6% in the first quarter 2005, relative to the first quarter 2004. Industrial output as a whole grew at 7.1% during that period.

Ukraine proxies. There are a number of Western-listed companies with significant Ukrainian operations – MTS is the most prominent, with about 21% of its revenues earned in Ukraine in 2004. Golden Telecom's 2004 Ukrainian revenues were about 11% of the consolidated total. 15% of Gazprom's gas exports went to Ukraine in 2003.

337692Z	U/R
	Price: \$
	Target price: \$ U/R

Kryvorizhstal is the largest steel concern in Ukraine and the world's 27th-largest, producing slightly more than 7 mn tonnes of crude steel per annum. The range of metal products manufactured by Kryvorizhstal is very wide, including: plain reinforcing steel bars, reinforcing steel bars for ferroconcrete structures (weldable), wire rod, hot-rolled carbon steel bars, hot-rolled carbon steel billets, conversion pig iron, foundry pig iron, coke products, hot-rolled steel strip and others. In 2003, Kryvorizhstal exported to a total of 84 countries, with the largest sales made to Algeria, which constituted 19.3% of the company's total exports. (Source: Company website)

Kryvorizhstal: Financial statements 2002-2003

\$ mn	2002	2003
Accounting standard	UAS	UAS
Production assumptions (kpta)		
Crude steel	6 888	7 077
Rolled steel	6 086	6 295
Income Statement		
Sales	1 092	1 413
COGS	-854	1 024
Gross Profit	239	389
Other operating income	27	13
Administrative Expense	-15	-18
SG&A	-44	-49
Other operating expense	-30	-25
EBITDA	208	342
Net profit/loss	99	163
Balance sheet		
Non-Current Assets	595	626
Intangible Assets	0	1
PP&E	586	613
Deferred Tax Actives	7	11
Other Tangible Assets	1	1
Current Assets	343	336
Total Assets	938	962
Inventories	133	132
Trade AR	64	1
Other AR	121	73
Other Current Debtors	16	32
Cash & Cash Equivalents	3	92
Other Current Assets	6	6
Shareholders Equity	726	842
Non-Current Liabilities	3	0
Povisions	0	0
Long-Term Debt	3	0
Current Liabilities	209	120
Short-Term Debt	25	0
Current Portion of LT Debt	42	9
Promissory Notes Issued	3	2
Trade AP	67	38
Other AP	50	58
Other Current Liabilities	22	13
Profitability		
EBITDA margin	19%	24%
Net margin %	9%	12%

Source: Company data, IFC Metropal estimates

Kryvorizhstal: Valuation ratios and key drivers 2002-2003

Valuation ratios	2002	2003
P/E	35.1	21.3
P/S	3.2	2.5
P/Book	3.7	3.6
EV/EBITDA	n/a	n/a
EV/Sales	3.22	2.49
EV/Production	0.27	0.26

Key drivers %		
Production growth	2%	3%
Revenue growth	8%	29%
EBITDA margin	19%	24%
Net margin	9%	12%

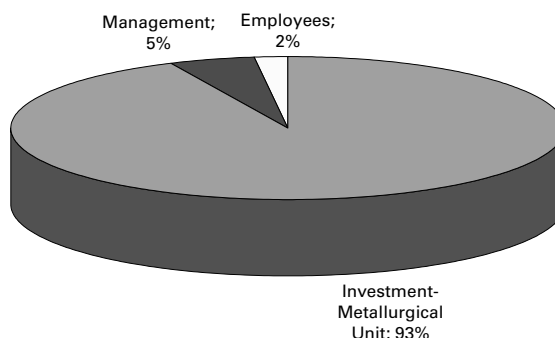
Source: IFC Metropal estimates

Kryvorizhstal: Mineral supply

Coke supply-	80% own supply	Pavlogradugol
	20% purchased	from the spot market
Iron ore supply -	95% own supply	Severny GOK; Centralny GOK

Source: Company data

Kryvorizhstal: Shareholder structure



Source: Company data

Kryvorizhstal: Comparative Valuation Table

Company name	Country	Price com. US\$	EV/Production 2004	EV/EBITDA 2004	EV/Sales 2004	P/E 2004	Mkt. Cap. US\$ mn	EV US\$ mn
<i>Russian company</i>								
Severstal	RUSSIA	9,10	430	2,2	0,7	3,5	5 005	4 469
NLTK	RUSSIA	1,13	702	3,0	1,5	4,4	6 766	6 459
NTMK	RUSSIA	1,14	224	1,8	1,0	3,4	1 493	1 229
MMK	RUSSIA	0,6	409	2,6	0,6	4,7	5 262	4 624
ZapSib	RUSSIA	124,0	247	2,4	0,8	3,9	1 585	1 470
Mechel Group	RUSSIA	27,80	571	3,2	0,9	2,5	3 855	3 855
Russian Average			430,5	2,5	0,9	3,7	3 855	3 855
<i>Ukrainian company</i>								
Kryvorizhstal	UKRAINE	0,90	346	6,2	1,7	9,9	3 474	2 466
Mariupol Ilyicha	UKRAINE	1,00	436	3,6	1,2	5,4	3 352	3 059
Azovstal	UKRAINE	0,80	432	6,9	1,4	10,3	2 539	2 536
Zaporizhstal	UKRAINE	1,35	248	6,7	1,2	4,0	1 519	1 104
Ukrainian Average			365,5	5,9	1,4	7,4	2 721	2 291
<i>Emerging markets</i>								
Gerdau	BRAZIL	16,90	n/a	2,9	0,8	3,5	5 020	n/a
China Steel	CHINA	1,13	n/a	4,6	2,2	9,8	10 685	n/a
Tata Steel	INDIA	8,00	n/a	4,6	1,3	4,6	2 952	n/a
Int'l Majors Average				4,0	1,4	6,0	6 219	
<i>Int'l Majors</i>								
Arcelor	LUXEMBURG	22,98	n/a	3,7	0,50	5,2	12 247	n/a
Thyssen Krupp	GERMANY	21,34	n/a	3,7	0,3	9,9	10 982	n/a
US Steel	USA	53,50	n/a	6,0	0,60	11,7	6 053	n/a
Int'l Majors Average				4,5	0,5	8,9	8 518	

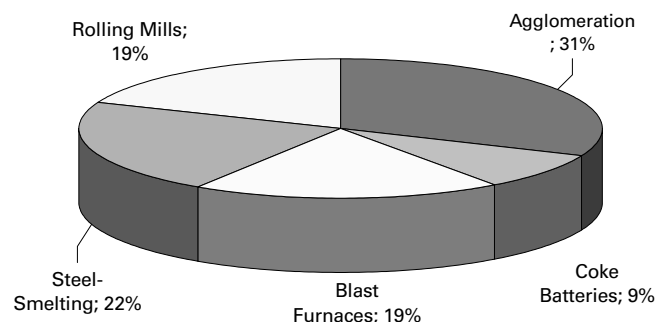
Source: Company data. IFC Metropal estimates

Kryvorizhstal: Managers and headquarters

Address: 1, Ordzhonokidze street, Krivoi Rog, Dnepropetrovsk region, 50095, Ukraine
Tel/Fax: +38 (0564) 78-53-01/+38 (0564) 74-54-49
CEO: Anatoly Sokurenko
E-mail: market@kggmk.dp.ua
web: www.krivorozhstal.com.ua

Source: Company data

Kryvorizhstal: Production capacity



Source: Company data

MMKI

U/R

Price: \$ 0.70
Target price: \$ U/R

Mariupol Ilich is the second-largest steel mill in Ukraine and the 30th-largest in the world. The mill is located in the eastern part of Ukraine, in the city of Mariupol. The mill's core products are hot and cold-rolled sheet, which together make up 81% of its total sales. The mill is the only manufacturer of galvanized cold-rolled sheet in Ukraine. Mariupol is a fully integrated mill with its own iron ore mining, dressing facilities and pipe-rolling and welding facilities. Mariupol produces 6.5 mn tonnes of crude steel and 5 mn tonnes of rolled products. (Source: Company website)

Mariupol Ilich: Financial statements 2002-2003

\$ mn	2002	2003
Accounting standard	UAS	UAS
Production assumptions (kpta)		
Agglomerate	n/a	3 089
Pig Iron	n/a	129
Slabs	n/a	452
HRC 1700	n/a	2 161
HRC 3000	n/a	1 653
HRC 4500	n/a	43
CRC	n/a	536
Galvanised	n/a	278
Rolled pipes	n/a	30
Electric Welded Pipes	n/a	20
Other Products	n/a	n/a
Total	n/a	8 391
Income Statement		
Sales	1 063	1 554
COGS	-829	-1 116
Gross Profit	234	438
Other Operating Income	659	1 016
Administrative Expense	-31	-39
Distribution Expense	-35	-44
Other Operating		
Expense	-714	1 094
EBITDA	148	312
Profit Before Taxation	109	264
Income Tax	-57	-108
Net profit/loss	51	154
Balance sheet		
Non-Current Assets	516	583
Intangibles	108	134
PP&E	401	418
Deferred Tax Actives	7	10
Current Assets	304	372
Total Assets	820	955
Inventories	128	152
PN Received	1	15
AR Trade	78	62
AR Other	59	107
Cash & Cash		
Equivalents	2	16
Other Current Assets	35	20
Non-Current Liabilities	2	2
Deferred Tax Liabilities	2	2
Current Liabilities	153	132
Loans from Banks	28	1
Current Portion of LT		
Loans	7	0
PN Issued	2	5
AP Trade	52	39
AP Other	57	78
Other Current Liabilities	8	10
Shareholders Equity	665	822
Net Debt	34	-10
Profitability		
EBITDA margin	14%	20%
Net margin %	5%	10%

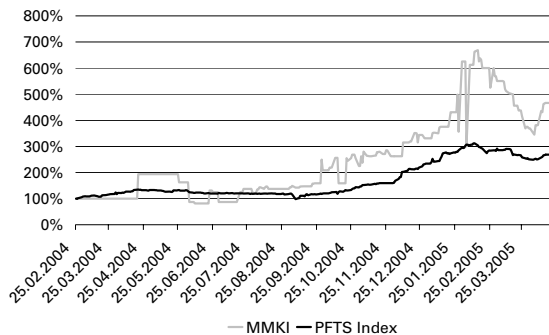
Source: Company data, IFC Metropal estimates

Mariupol Ilich: Valuation ratios and key drivers 2002-2003

Valuation ratios	2002	2003
P/E	65.7	21.8
P/S	3.2	2.2
P/Book	4.1	3.5
EV/EBITDA	n/a	n/a
EV/Sales	3.33	2.28
EV/Production	n/a	0.42
Key drivers %		
Production growth	n/a	n/a
Revenue growth	n/a	46%
EBITDA margin	14%	20%
Net margin	5%	10%

Source: IFC Metropal estimates

Mariupol Ilich: Stock performance vs. PFTS Index, % 2004-2005



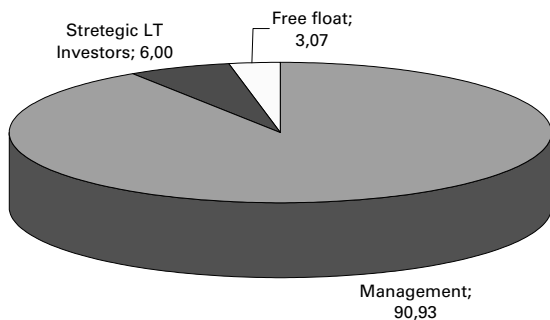
Source: Bloomberg

Mariupol Ilich: Mineral supply

Coke supply-	imported from purchased on	Altaykoks (Russia) Ukrainian spot market
Iron ore supply -	supplied by:	Sukhaya Balka GOK Inguletsky GOK Krivorizhsky GOK

Source: Company data

Mariupol Ilich: Shareholder structure



Source: Company data

Mariupol Ilich: Managers and headquarters

Address:	1, Levchenka Street, Donetsk region, Mariupol, Ukraine, 87504
Tel/Fax:	+38 0623 32 2306/+38 0629 53 0004
CEO:	Vladimir Boyko
E-mail:	chumachkin_m@mail.ru
web:	www.ilyich.com.ua

Source: Company data

Mariupol Ilich: Comparative Valuation Table

Company name	Country	Price com.	EV/Production	EV/EBITDA	EV/Sales	P/E	Mkt. Cap.	EV
		US\$	2004	2004	2004	2004	US\$ mn	US\$ m
<i>Russian company</i>								
Severstal	RUSSIA	9,10	430	2,2	0,7	3,5	5 006	4 468
NLTK	RUSSIA	1,13	702	3,0	1,5	4,4	6 766	6 458
NTMK	RUSSIA	1,14	224	1,8	1,0	3,4	1 493	1 228
MMK	RUSSIA	0,6	409	2,6	0,6	4,7	5 262	4 624
ZapSib	RUSSIA	124,0	247	2,4	0,8	3,9	1 585	1 471
Mechel Group	RUSSIA	27,80	571	3,2	0,9	2,5	3 855	3 855
Russian Average			430,5	2,5	0,9	3,7	3 855	3 855
<i>Ukrainian company</i>								
Krivorizhstal	UKRAINE	0,90	346	6,2	1,7	9,9	3 474	2 466
Mariupol Ilyicha	UKRAINE	1,00	436	3,6	1,2	5,4	3 352	3 058
Azovstal	UKRAINE	0,80	432	6,9	1,4	10,3	2 539	2 539
Zaporizhstal	UKRAINE	1,35	248	6,7	1,2	4,0	1 519	1 104
Ukrainian Average			365,5	5,9	1,4	7,4	2 721	2 299
<i>Emerging markets</i>								
Gerdau	BRAZIL	16,90	n/a	2,9	0,8	3,5	5 020	n/a
China Steel	CHINA	1,13	n/a	4,6	2,2	9,8	10 685	n/a
Tata Steel	INDIA	8,00	n/a	4,6	1,3	4,6	2 952	n/a
Int'l Majors Average				4,0	1,4	6,0	6 219	
<i>Int'l Majors</i>								
Arcelor	LUXEMBURG	22,98	n/a	3,7	0,50	5,2	12 247	n/a
Thyssen Krupp	GERMANY	21,34	n/a	3,7	0,3	9,9	10 982	n/a
US Steel	USA	53,50	n/a	6,0	0,60	11,7	6 053	n/a
Int'l Majors Average				4,5	0,5	8,9	8 518	

Source: Company data, IFC Metropal estimates

AZST

U/R

Price: \$ 0.59
Target price: \$ U/R

Azovstal is Ukraine's third-largest steel concern by volume. The Azovstal mill is located in the eastern part of Ukraine, in the city of Mariupol. Azovstal produces mainly finished products, but also has some long and flat product capacity, namely cast iron and pig iron, slabs, squares, rolled sections, plates, railroad rails, rail chairs and fishplates, granulated BF slag, crystal glass, as well as home and office furniture. (Source: Company website)

Azovstal: Financial statements 2002-2003

\$ mn	2002	2003
Accounting standard	UAS	UAS
Production assumptions (kpta)		
Crude steel	4 718	5 342
Rolled steel	4 212	4 782
Income Statement		
Sales	690	1 026
COGS	-630	-869
Gross Profit	60	157
Other operating income	56	68
Administrative Expense	-12	-17
Distribution Expense	-27	-31
Other operating expense	-55	-81
EBITDA	60	127
Net profit/loss	10	48
Balance sheet		
Non-current assets	347	419
PP&E	347	376
Long-Term Investments	1	42
Current Assets	345	380
Total assets	692	799
Inventories	79	107
Promissory Notes Received	2	1
Trade AR	116	75
Other AR	130	169
Cash	0	7
Other current assets	17	22
Shareholders Equity	545	591
Non-current liabilities	7	15
Deferred tax expense	6	15
Other Non-Current Liabilities	1	1
Current Liabilities	141	193
Short-term Loans	13	24
Promissory notes issued	15	15
Trade AP	85	96
Other AP	9	12
Other current liabilities	19	45
Net Debt	28	32
Profitability		
EBITDA margin	9%	12%
Net margin %	1%	5%

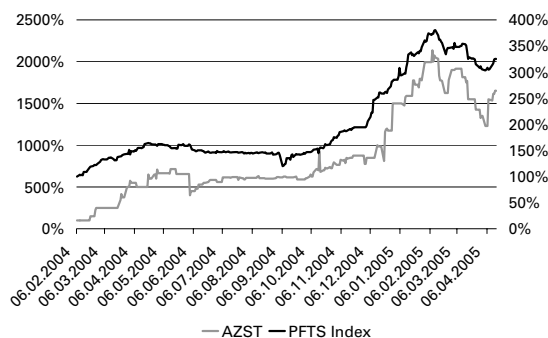
Source: Company data, IFK Metropol estimates

Azovstal: Valuation ratios and key drivers 2002-2003

	2002	2003
Valuation ratios		
P/E	161.9	33.7
P/S	2.3	1.6
P/Book	2.3	2.0
EV/EBITDA	27.4	13.0
EV/Sales	2.4	1.6
EV/Production	0.35	0.31

Key drivers %		
Production growth	-0.08%	13%
Revenue growth	n/a	49%
EBITDA margin	9%	12%
Net margin	1%	5%

Source: IFC Metropol estimates

Azovstal: Stock performance vs. PFTS Index, % 2004-2005

Source: Bloomberg

Azovstal: Rolled steel breakdown, 2003

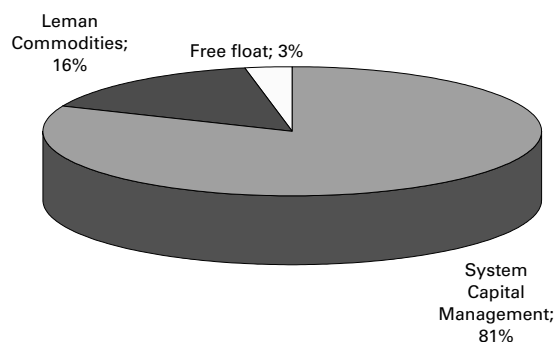
	%	kt
Slabs and billets	56,3%	2 692
Strips	19,9%	952
Plates	9,3%	445
Bars and channels	6,9%	330
Rails	3,9%	186
Beams	3,7%	177

Source: Company data

Azovstal: mineral supply

Coke supply-	100% own supply	Avdeevkyokoks; Makokhim
Iron ore supply -	100% own supply	Severny GOK; Centralny GOK

Source: Company data

Azovstal: Shareholder structure

Source: Company data

Azovstal: Managers and headquarters

Address:	1, Leporsky str., 87500, Mariupol, Donetsk region, Ukraine
Tel/Fax:	+380(629)52-70-00
CEO:	Alexei Bely
E-mail:	oao@azovstal.com.ua
web:	www.azovstal.com.ua

Source: Company data

Azovstal: Comparative Valuation Table

Company name	Country	Price com.	EV/Production	EV/EBITDA	EV/Sales	P/E	Mkt. Cap.	EV
		US\$	2004	2004	2004	2004	US\$ mn	US\$ mn
<i>Russian company</i>								
Severstal	RUSSIA	9,10	430	2,2	0,7	3,5	5 005	4 469
NLTK	RUSSIA	1,13	702	3,0	1,5	4,4	6 766	6 459
NTMK	RUSSIA	1,14	224	1,8	1,0	3,4	1 493	1 229
MMK	RUSSIA	0,6	409	2,6	0,6	4,7	5 262	4 624
ZapSib	RUSSIA	124,0	247	2,4	0,8	3,9	1 585	1 470
Mechel Group	RUSSIA	27,80	571	3,2	0,9	2,5	3 855	3 855
Russian Average			430,5	2,5	0,9	3,7	3 855	3 855
<i>Ukrainian company</i>								
Krivoriizhstal	UKRAINE	0,90	346	6,2	1,7	9,9	3 474	2 466
Mariupol Ilyicha	UKRAINE	1,00	436	3,6	1,2	5,4	3 352	3 059
Azovstal	UKRAINE	0,80	432	6,9	1,4	10,3	2 539	2 536
Zaporizhstal	UKRAINE	1,35	248	6,7	1,2	4,0	1 519	1 104
Ukrainian Average			365,5	5,9	1,4	7,4	2 721	2 291
<i>Emerging markets</i>								
Gerdau	BRAZIL	16,90	n/a	2,9	0,8	3,5	5 020	n/a
China Steel	CHINA	1,13	n/a	4,6	2,2	9,8	10 685	n/a
Tata Steel	INDIA	8,00	n/a	4,6	1,3	4,6	2 952	n/a
Int'l Majors Average				4,0	1,4	6,0	6 219	
<i>Int'l Majors</i>								
Arcelor	LUXEMBURG	22,96	n/a	3,7	0,50	5,2	12 247	n/a
Thyssen Krupp	GERMANY	21,34	n/a	3,7	0,3	9,9	10 982	n/a
US Steel	USA	53,50	n/a	6,0	0,60	11,7	8 053	n/a
Int'l Majors Average				4,5	0,5	8,9	8 518	

Source: Company data, IFC Metropol estimates

ZPST

U/R

Price: \$ 1.20
Target price: \$ U/R

Zaporizhstal Iron & Steel Works is the fourth-largest steel mill in Ukraine, and ranks 52nd globally. The mill is located in the eastern part of the country, in the Zaporozhye region, which, alongside the Donetsk and Dnepropetrovsk regions, forms the heartland of Ukraine's economy. Zaporizhstal is a mid-sized mill that produces high-quality hot-rolled and cold-rolled carbon, low-alloy, alloy and steel products. The company's total annual production is 3.5 mn tonnes of flat steel products, and 600,000 tonnes of cold-roll-formed sections. (Source: Company website)

Zaporizhstal: Financial statements 2002-2003

\$ mn	2002	2003
Accounting standard	UAS	UAS
Production assumptions (kpta)		
Crude steel	3 897	4 355
Rolled steel	3 250	3 625
Agglomerate	5 162	5 339
Pig Iron	3 001	3 251
Flat Products	3 199	3 434
HRC	2 118	2 346
CRC	1 018	1 018
Other Products	97	114
Income Statement		
Sales	634	892
COGS	-494	-647
of which Depreciation	-25	-28
Gross Profit	140	245
Administrative Expense	-19	-20
Sales Expenses	-30	-42
Operating Profit	87	180
Income from Subsidiaries	1	5
Other Income	13	19
Financial Expenses	-2	0
Loss from Subsidiaries	-1	-2
Other Expenses	-17	-25
EBITDA	118	212
Net profit/loss	52	121
Balance sheet		
Non-Current Assets	378	468
PP&E	338	360
LT Financial Investments	30	96
Deferred Tax Actives	10	11
Current Assets	160	189
Inventories	58	67
Promissory Notes	4	1
ST Trade Receivables	13	13
ST Other Receivables	53	40
Financial Investments	0	2
Cash & Cash Equivalents	28	63
Other Current Assets	3	3
Non-Current Liabilities	34	34
Other LT Liabilities	34	34
Current Liabilities	83	83
Short-Term Loans	5	12
Promissory Notes Issued	9	10
Accounts Payable	35	27
Other Payables	15	9
Other Current Liabilities	19	25
Shareholders Equity	422	540
Net Debt	-14	-41
Profitability		
EBITDA margin	19%	24%
Net margin %	8%	14%

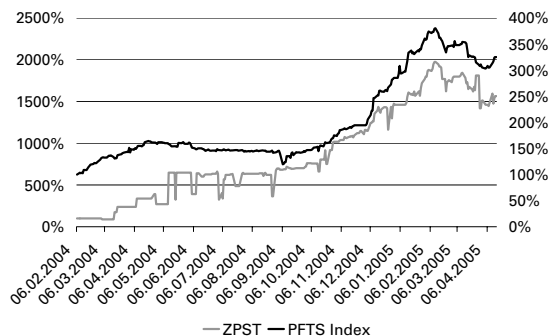
Source: Company data, IFC Metropal estimates

Zaporizhstal: Valuation ratios and key drivers 2002-2003

Valuation ratios	2002	2003
P/E	29.2	12.6
P/S	2.4	1.7
P/Book	2.8	2.3
EV/EBITDA	13.1	7.3
EV/Sales	2.43	1.73
EV/Production	0.08	0.08
Key drivers %		
Production growth	-0.2	8%
Revenue growth	n/a	41%
EBITDA margin	19%	24%
Net margin	8%	14%

Source: IFC Metropal estimates

Zaporizhstal: Stock performance vs. PFTS Index, % 2004-2005



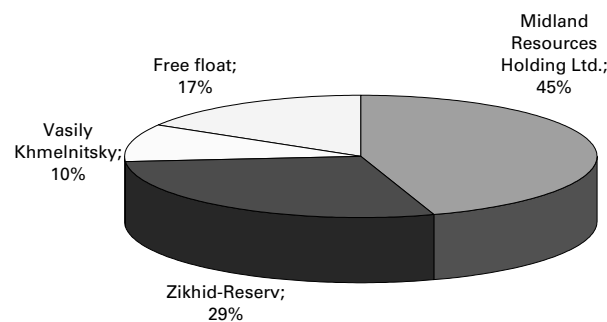
Source: Bloomberg

Zaporizhstal: Mineral supply

Coke supply-	100% supplied by	Zaporozhkoks
Iron ore supply -	Supplied by:	Zaporozhye Iron Ore Plant Inguletsky GOK Russian suppliers

Source: Company data

Zaporizhstal: Shareholder structure



Source: Company data

Zaporizhstal: Managers and headquarters

Address:	72, Yuzhnoye Shosse, Zaporozhye, Ukraine, 69008
Tel/Fax:	+38 (0612) 18-33-01/+38 (0612) 13-18-58
CEO:	V.A. Satskiy
E-mail:	zstal@zaporizhstal.com
web:	www.zaporizhstal.com

Source: Company data

Zaporizhstal: Comparative Valuation Table

Company name	Country	Price com. US\$	EV/Production 2004	EV/EBITDA 2004	EV/Sales 2004	P/E 2004	Mkt. Cap. US\$ mn	EV US\$ mn
<i>Russian company</i>								
Severstal	RUSSIA	9.10	430	2.2	0.7	3.5	5 005	4 469
NLTK	RUSSIA	1.13	702	3.0	1.5	4.4	6 766	6 459
NTMK	RUSSIA	1.14	224	1.8	1.0	3.4	1 493	1 229
MMK	RUSSIA	0.6	409	2.6	0.6	4.7	5 262	4 624
ZapSib	RUSSIA	124.0	247	2.4	0.8	3.9	1 585	1 470
Mechel Group	RUSSIA	27.80	571	3.2	0.9	2.5	3 855	3 855
Russian Average			430.5	2.5	0.9	3.7	3 855	3 855
<i>Ukrainian company</i>								
Krivirzhstal	UKRAINE	0.90	346	6.2	1.7	9.9	3 474	2 466
Mariupol Ilyicha	UKRAINE	1.00	436	3.6	1.2	5.4	3 352	3 059
Azovstal	UKRAINE	0.80	432	6.9	1.4	10.3	2 539	2 536
Zaporizhstal	UKRAINE	1.35	248	6.7	1.2	4.0	1 519	1 104
Ukrainian Average			365.5	5.9	1.4	7.4	2 721	2 291
<i>Emerging markets</i>								
Gerdau	BRAZIL	16.90	n/a	2.9	0.8	3.5	5 020	n/a
China Steel	CHINA	1.13	n/a	4.6	2.2	9.8	10 685	n/a
Tata Steel	INDIA	8.00	n/a	4.6	1.3	4.6	2 952	n/a
Int'l Majors Average				4.0	1.4	6.0	6 219	
<i>Int'l Majors</i>								
Arcelor	LUXEMBURG	22.98	n/a	3.7	0.50	5.2	12 247	n/a
Thyssen Krupp	GERMANY	21.34	n/a	3.7	0.3	9.9	10 982	n/a
US Steel	USA	53.50	n/a	6.0	0.60	11.7	6 053	n/a
Int'l Majors Average				4.5	0.5	8.9	8 518	

Source: Company data, IFC Metropal estimates

HRTR

U/R

Price: \$ 0.29
Target price: \$ U/R

Khartsyzsky is the second-largest steel pipe producer in Ukraine in terms of output (22% of the total) and the largest in terms of capacity. The plant was dramatically modernized in the mid 1970s, making it new by the standards of the former Soviet Union. Until recently, it was the only producer in the CIS of corrosion-resistant single-seam long distance (LD) pipes for the oil and gas industry, giving it a *de facto* monopoly in this segment. Russia's ability to produce this type of pipe is limited: during the Soviet period most LD pipe-producing facilities were established in Ukraine. Gazprom is the core customer for LD pipe in CIS. (Source: Company website)

Khartsyzsky Pipe: Financial statements 2002-2003

\$ mn	2002	2003
Accounting standard	UAS	UAS
Production assumptions (kpta)		
LD (1.420 mm) pipes	195	446
Income Statement		
Sales	44.0	75.0
COGS	-39.1	-35.3
Gross Profit	8.8	19.7
Other Operating Income	30.8	47.7
Administrative Expense	-3.6	-4.8
Distribution Expense	-1.4	-3.3
Other Operating Expense	-33.1	-49.0
EBITDA	6.1	15.1
Profit Before Taxation	-1.0	6.6
Income Tax	1.4	4.5
Net profit/loss	-2.3	2.1
Balance sheet		
Non-Current Assets	60.7	58.3
Intangibles	0.1	0.1
Fixed Assets	60.5	58.0
Deferred Tax Assets	0.0	0.1
Current Assets	42.9	36.6
Total Assets	103.6	94.9
Inventories	12.1	11.1
PN Received	0.1	0.0
AR Trade	19.5	16.7
AR Other	9.6	7.7
Cash & Cash Equivalents	0.2	0.3
Other Current Assets	1.4	0.7
Non-Current Liabilities	16.3	5.0
Deferred Tax Liabilities	0.1	0.0
Current Liabilities	26.1	26.6
Loans from Banks	26.1	26.6
Current Portion of LT Loans	1.3	0.7
PN Issued	3.3	3.1
AP Trade	3.6	10.0
AP Other	5.0	2.5
Other Current Liabilities	1.8	1.3
Shareholders Equity	61.2	63.3
Net Debt	30.4	16.7
Profitability		
EBITDA margin	14%	20%
Net margin %	-5%	3%

Source: Company data. IFC Metropal estimates

Khartsyzsky Pipe: Valuation ratios and key drivers 2002-2003

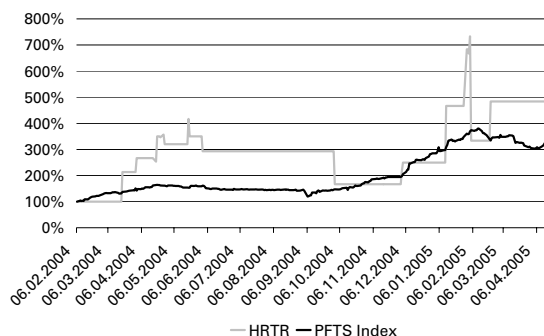
Valuation ratios	2002	2003
P/E	-107,4	117,6
P/S	5,6	3,3
P/Book	2,4	2,6
EV/EBITDA	n/a	n/a
EV/Sales	5,99	3,52
EV/Production	1,35	0,59

Key drivers %

Production growth	n/a	1,29
Revenue growth	n/a	70%
EBITDA margin	14%	20%
Net margin	-5%	3%

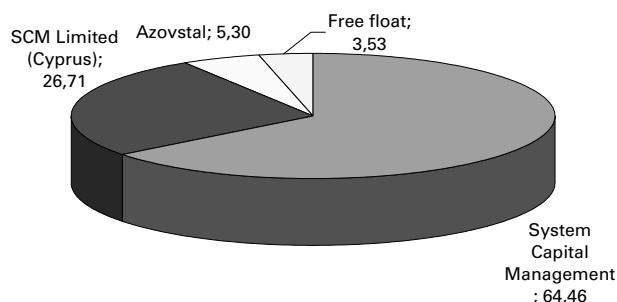
Source: IFC Metropal estimates

Khartsyzsky Pipe: Stock performance vs. PFTS Index, % 2004-2005



Source: Bloomberg

Khartsyzsky Pipe: Shareholder structure



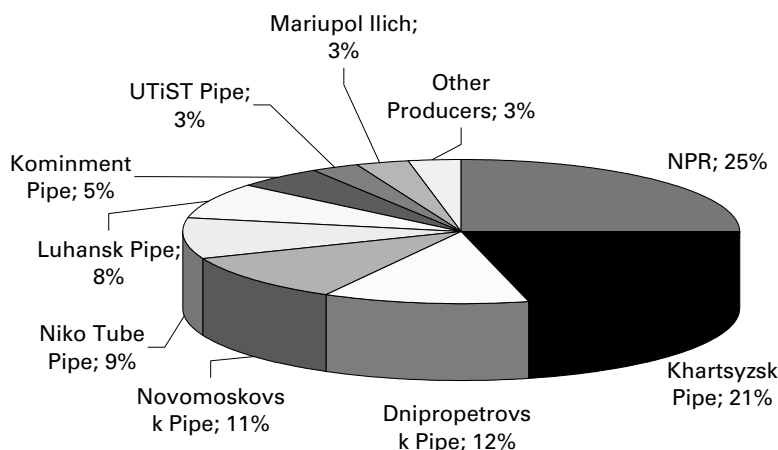
Source: Company data

Khartsyzsky Pipe: managers and headquarters

Address:	9, Paton Street, Donetsk region, Khartsyzsk, Ukraine, 86703
Tel/Fax:	+38 0625 74 2168 /+38 0625 74 5695
CEO:	Andrey Shishatskiy
web:	www.htz.donetsk.ua

Source: Company data

Khartsyzsky Pipe: Ukrainian pipe producers



Source: Company data

UTEL

U/R

Price: \$ 0.15
Target price: \$ U/R

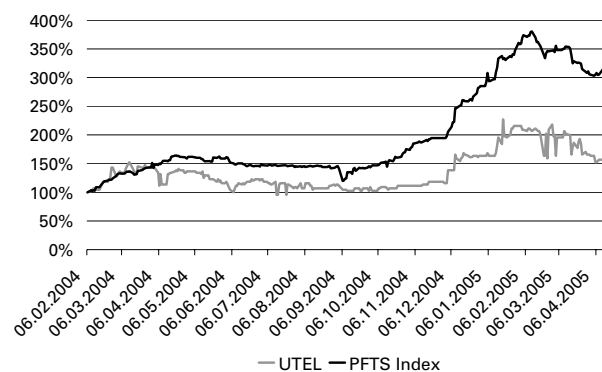
Ukrtelecom incorporates 30 affiliates, including 27 regional departments. The company has vertical organizational structures in the operation of its primary communication network and local communication network. Ukrtelecom is the leader in the field of national telecommunications by the scope and range of telecommunication services. The company possesses primary networks, trunk and zone communication lines, provides all kinds of main and modern telecommunication services, including international, long-distance and local telephony, wire broadcasting, radio communications, radio and TV broadcasting, documentary telecommunication, video-conferencing, satellite communications as well as the lease of digital channels, ATM/Frame Relay, ISDN and access to the Internet. Ukrtelecom provides almost 9 million subscribers with local telephone communications. Forty-four automatic long-distance centres including 18 analogue and 26 digital ones, as well as 4 international switching centres (ISC) operate within the public network (Source: Company website).

Ukrtelecom: Financial statements 2002-2003

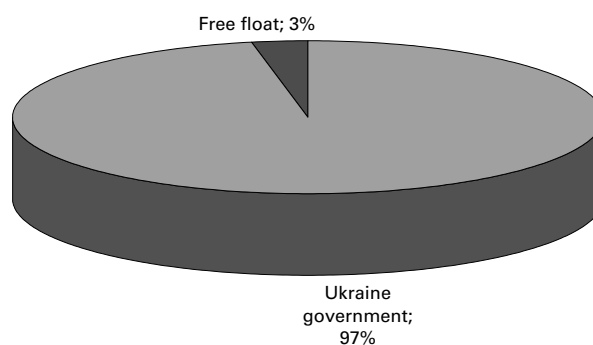
\$ mn	2002	2003
Accounting standard	UAS	UAS
Operatting Assumption		
Number of customers/lines. mln	8.9	9.4
Fixed line Penetration	0.19	0.2
DLD & CIS Traffic. minutes mln	3717	4275
Outgoing ILD Traffic. minutes. mln	155	167
Incoming ILD traffic. minutes. mln	390	398
Effective tariff per minute. USD	0.48	0.46
Income Statement		
Sales	918	1 053
EBITDA	384	421
Net profit/loss	156	116
Growth. %		
EBITDA margin	n/a	10%
Net margin %	n/a	-26%

Source: Company data. IFC Metropol estimates

Ukrtelecom: Stock performance vs. PFTS Index, % 2004-2005



Ukrtelecom: Shareholder structure



Source: Company data

Ukrtelecom: Valuation ratios and key drivers 2002-2003

	2002	2003
Valuation ratios		
P/E	16.1	21.6
P/S	2.7	2.4
EV/EBITDA	8.5	7.7
EV/Sales	3.6	3.1
Key drivers %		
Revenue growth	n/a	15%
EBITDA margin	n/a	10%
Net margin	n/a	-26%

Source: IFC Metropol estimates

Ukrtelecom: Managers and headquarters

Address:	Ukraine, Kyiv, 01030, Shevchenko Boulevard, 18
Tel/Fax:	+38 (044) 226 2541/+38 (044) 234 3957
CEO:	Grigoriy Dzeckon
web:	www.ukrtelecom.ua

Source: Company data

Ukrtelecom: Comparative Valuation Table

	Current price	Recomm endation	Target price	EV/S 2004E	EV/EBITDA 2004E	P/E 2004E
Ukrtelecom	1.13	U/R	U/R	2.55	6.22	25.86
Russia trading multiplies						
Average				1.64	6.28	61.11
<i>Premium (Discount)</i>				<i>56%</i>	<i>-1%</i>	<i>-58%</i>
Center Telecom	0.40	Sell	0.27	1.38	6.06	367.34
Dalsvyaz	1.42	Sell	0.87	1.00	7.59	4.95
Volga Telecom	3.76	Hold	4.10	1.89	5.51	14.53
Uralsvyazinform	0.04	Hold	0.042	2.17	7.75	21.90
Sibir Telecom	0.06	Hold	0.06	1.49	5.79	16.26
Rostelecom	2.30	Buy	2.55	1.03	3.12	21.06
Golden Telecom	25.70	Buy	38.20	1.52	4.98	14.33

Source: Company data. IFC Metropol estimates

UKR

BUY

Price: GBP 0.635
Target price: GBP 0.84

Ukrproduct Group is active in the following areas: Production of processed cheese and packaged butter (OJSC Molochnik), cutting and packaging of hard cheeses (OJSC Molochnik) production of bulk butter, packaging butter and production of skimmed milk powder (Starokonstantinovsky Dairy Plant), distribution of its own produce, and the resale of third party food products in Ukraine (AgroSpetsResursy LLC), as well as the export of skimmed milk powder and other third party products (UkrProdExpo). It also is involved in logistics services & supply chain management. According to the company, they are one of the youngest, most profitable and fastest-growing Ukraine-based FMCG companies producing cheese, butter and skimmed milk powder. They are the first Ukrainian company to list on the London Stock Exchange. According to the company, its mission is to supply branded quality food products at affordable prices to customers in Ukraine and abroad. (Source: Company website)

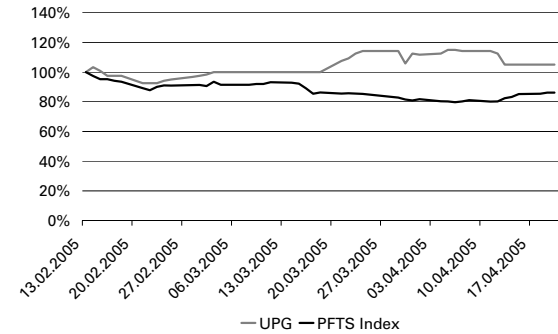
UPG: Financial summary 2003-2007E

	2003	2004E	2005E	2006E	2007E
Macroeconomic assumptions					
Ukrainian GDP. % real growth	7.00%				
UAH CPI inflation. %	12.00%				
UAH WPI inflation. %	14.00%				
USD inflation	2.50%				
UAH/USD. end of period	29.45				
UAH/US. Average for period	30.78				
Nominal UAH devaluation (appreciation)	-7.90%				
Real UAH appreciation	18.00%				
Income statement (£ 000)					
Revenues	17.597	24.966	40.120	51.283	62.571
Operating profit	1.107	1.795	3.357	4.569	6.702
Pretax profit	1.013	1.488	3.050	4.262	6.395
Net income	979	1.232	2.528	3.534	5.304
EBITDA	1.176	2.303	4.107	5.569	6.702
Cash flow statement (£ 000)					
NOPLAT	1.176	2.050	3.588	4 844	5 614
Operating cash flow	1.176	2.666	4.861	5 781	6 562
Capex & acquisitions	-	1.494	2.006	2 564	3 129
Operating Working Capital (Deficit)	2.832	3.448	4.720	5 658	6 606
Change in OWC	-	616	1.272	937	948
Free cash flow	1.176	1.172	2.855	3 217	3 434
Balance sheet (£ 000)					
Cash & investments	132	273	439	561	685
Accounts receivable	2.143	3.280	5.271	6 737	8 220
Inventory	1.607	3.185	5.118	6 542	7 982
PP&E. net	1.017	4.953	6.209	7 773	10 902
Total assets	3.897	7.014	11.271	14 408	17 579
Short term debt	1.008	- 1.351	- 1.351	- 1 351	- 1 351
Other current liabilities	- 1.938	- 2.590	4.162	- 5 321	- 6 492
Long term debt	- 302	- 273	- 273	- 273	- 273
Other LT liabilities	-22	-1.015	-1.010	-1 010	-1 010
Shareholders' equity	1.686	7.010	9.538	13 072	18 376
Total liabilities and equity	3.897	7.014	11.271	14 408	17 579
Total debt	1.310	1.624	1.624	- 1 624	- 1 624
Net debt	1.178	- 1.351	- 1.185	- 1 063	- 940
Credit					
Net debt to equity	-70%	-19%	-12%	-8%	-5%
Profitability					
EBITDA margin	7%	9%	10%	11%	11%
Operating margin	6%	36%	8%	8%	10%
Net margin	6%	34%	6%	7%	8%
Growth					
Revenues	104%	42%	61%	28%	22%
Operating profit	312%	62%	87%	36%	47%
EBITDA	545%	96%	78%	36%	20%
Net income	532%	26%	105%	40%	50%

	2003	2004E	2005E	2006E	2007E
Valuation ratios					
P/E	29	23	11	8	5
P/Book	7	4	2	5	4
EV/EBITDA	25	13	7	5	4
EV/Sales	2	1	1	1	0

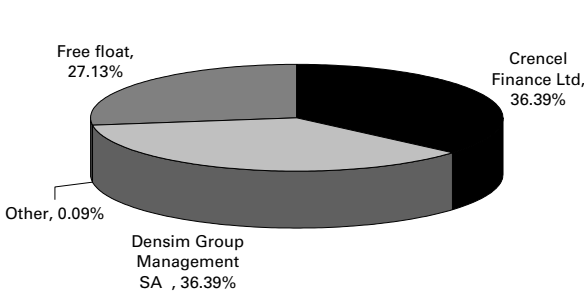
Source: IFC Metropol

UPG: Share price performance since flotation vs PFTS index



Source: Bloomberg

UPG: Shareholder structure



Source: Ukrproduct Group data

UPG: Share information.

Security type	Reuters	Bloomberg
Ordinary shares	UKR.L	UKR LN

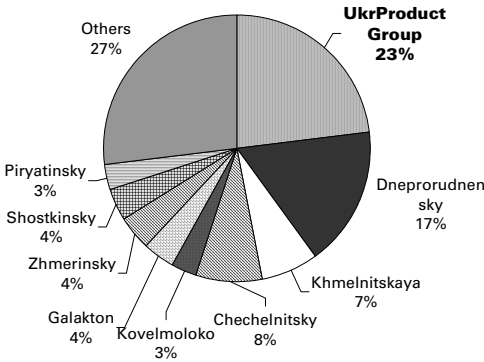
Source: Ukrprorduct Group data

UPG: Managers and headquarters

01023 Ukraine, Kyiv, 14th Floor, 39-41 Shota Rustaveli St.	
Address	
Tel/Fax	38(044) 531-3889/502-8014
CEO	S. Evlanchik
web	www.ukrproduct.ru

Source: Company data

UPG: Processed cheese market structure



Source: Company data

UNAF

U/R

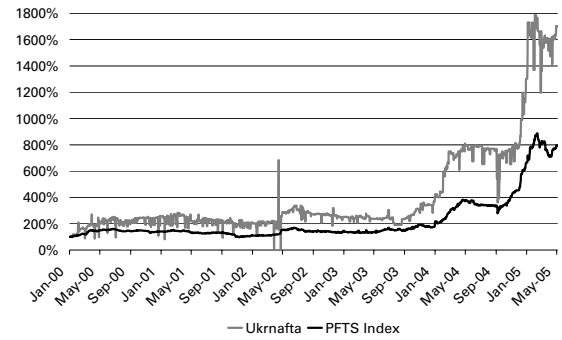
Price: \$ 31.03
Target price: U/R

Ukrnafta is the largest national oil and gas production company, providing 93% of total oil production, 40% of gas condensate and 18% of total natural gas production in Ukraine. The company's main lines of production include: geological prospecting; exploitative drilling; oil, gas and condensate production, gas preparation and processing on the territory of 8 administrative regions or 2 oil and gas production regions of Ukraine. The company possesses 2429 drilling wells, 2192 of which are oil wells. The number of gas wells amounts to 237. (Source: Company website)

Ukrnafta: Production and financial data, 2003—04E

	2003	2004E
Oil & gas production, MM boe	41.76	42.89
Refinery throughput, mn tonnes	0.2	0.4
YoY growth, %		
Oil production	3%	5%
Total oil & gas production	2%	3%
Throughput (own refineries)	-99%	82%
Crude oil export, % of production	0%	5%
Income Statement		
Revenues	556	891
Operating costs	-106	-115
Operating profit	340	556
Pretax profit	105	356
Net income	51	281
EBITDA	284	496
Cash Flow Statement		
Operating cash flow	268	427
Capex investment	-254	-391
Cash used for investing	-254	-391
Debt issue/(repayment)	-21	240
Equity related		-19
Cash from financing activities	-21	221
Net change in cash	-6	257
Free cash flow	8	266
Balance Sheet		
Cash & Investments	14	8
Receivables(net)	62	76
Inventory	50	47
Other Current assets	31	43
Current assets	157	174
PP&E	671	1,261
Deferred income tax asset	61	
Other long-term assets	9	9
Total Assets	898	1,444
Account payables	97	137
Short-term debt	21	0
Other current liabilities	1	6
Long-term debt	0	0
Other LT liabilities	54	60
Shareholders' equity	718	1,181
Total Liabilities & Equity	898	1,444
Total Debt	21	0
Net Debt	7	-8
Credit		
Net debt to equity	0.975	-0.677
Total debt to total capital	2.84	0.00
Profitability		
EBITDA margin	51	56
Operating margin	61	62
Net margin	9	32
Growth, %		
Revenues	21	60
Operating profit	55	64
EBITDA	70	75
Net income	-6	451
Return		
ROE, %	7	24
ROIC	7	25
per barrel		
Revenues	0.08	0.05
Operating cost	-2.5	-2.7
Operating profit	8.1	13.0
EBITDA	6.8	11.6
Net income	1.2	6.6
Operating CF	6.4	10.0
Capex	6.1	9.1
Free CF	0.2	6.2

Source: Company data IFC Metropol estimates

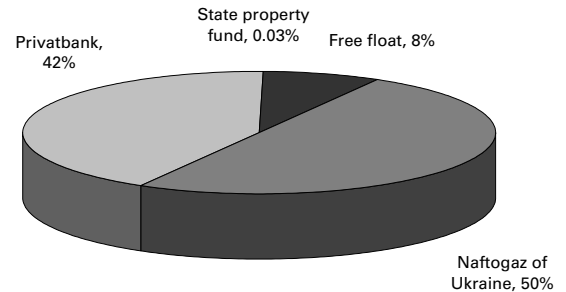
Ukrnafta: Relative Share Price Performance, 2000-2005


Source: Bloomberg

Ukrnafta: Company and Pre-share information

Market cap (\$mn)	1693	52 week high (\$)	32.78
Aver. Daily volume (\$mn)	0.12	52 week low (\$)	6.63
Shares outstanding (mn)	54	Annual dividends (\$)	4.67
Free float (%)	8	Dividend yields (%)	15
Free float (\$ mn)	250	Pay-out (%)	99.99

Source: Bloomberg, company data

Ukrnafta: Shareholder Structure


Source: Company data

Ukrnafta: Valuation Summary, 2003-04E

Valuation ratios	2003	2004E
P/E	33.2	6.0
P/Book	2.4	1.4
EV/EBITDA	6.0	3.4
EV/Sales	3.1	1.9
EV/Production	40.8	39.7
EV/Reserves	1.88	1.96
Key drivers		
Production growth	2%	3%
Revenue growth	21%	60%
Operating margin	61	62
Net margin	9	32
EPS growth	-0.06	0.82
EBITDA growth	70%	75%

Source: IFC Metropol estimates

Ukrnafta: Management and Headquarters

Address	01655 Kiev, Nesterivsky prov., 3/5
Tel/fax	(380 44) 226-3422, 212-5950, 212-5966/ (380 44) 212-4462
CEO	Igor P. Palitsca
E-mail	press@ukrnafta.com
Web	ukrnafta.com
Auditors	n/a

Source: Company data



(+7095) 9333310

Andrei Roudenko Head of Equities

RESEARCH

(+7095)9333316

Tom Adshead	Head of Research, Strategy, Telecommunications
Denis Nushtayev	Senior analyst, Metal & Mining
Eugene Satskov, CFA	Senior analyst, Oil & Gas
Anna Pomaskina	Junior analyst
Tatiana Akimova	Junior analyst
Ben Seeder	Editor
Irina Kazantseva	Translator

TRADING

(+7095) 9284024 (+4420) 74396881

Igor Rubin	Head of Trading
Igor Bakharev	Senior trader
Nikolai Kirushkin	Trader
Mikhail Manasyan	Trader

SALES, SALES - TRADING

(+7095)9333303 (+4420)74396881

Ian Kennedy	Head of International Sales
Peter Kuznetsov	Sales - trading
Martin Shaw	Head of International Sales-Trading
Katia Roubanova	Equity Sales

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content, in whole or part, of this research report certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Disclaimer Investment Finance Company Metropol LLC ("IFC Metropol LLC"), its affiliates or subsidiaries has assisted in the placement of securities of this company or one of its affiliates within the past 12 months. Global Disclaimer This report was produced by: Investment Finance Company Metropol LLC ("IFC Metropol LLC") a member of the Moscow Stock Exchange. IFC Metropol LLC is an affiliate of Metropol UK Limited. Head Office: 13, Donskaya ulitsa, bldg 1, Moscow, 110049, Russia This document has been prepared by IFC Metropol LLC and, except as otherwise specified herein, is communicated by IFC Metropol LLC. This document is for distribution only under such circumstances as may be permitted by applicable law. The information and opinions contained in this document have been compiled or arrived at based on information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of such information and opinions, except with respect to information concerning IFC Metropol LLC, its subsidiaries and affiliates. All such information and opinions are subject to change without notice and IFC Metropol LLC is not under any obligation to update or keep current the information contained in the document. Opinions expressed in this document may differ or be contrary to opinions expressed by other business areas or groups of IFC Metropol LLC as a result of using different assumptions and criteria. This document is for information purposes only. Descriptions of any company or companies or their securities or the markets or developments mentioned herein are not intended to be complete. This document should not be regarded by recipients as a substitute for the exercise of their own judgement. This document has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This document is not and should not be construed as an offer, or a solicitation of an offer, to buy or sell any securities or other financial instruments, and cannot be relied upon as a representation that any particular transaction necessarily could have been or can be effected at the stated price. IFC Metropol LLC and its affiliates, their directors, representatives, employees or clients may have or have had interests or long or short positions in any of the securities or other financial instruments mentioned in this document or of issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case as principals or as agents. IFC Metropol LLC and its affiliates may act or have acted as market-maker in the securities or other financial instruments described in this publication, and may have or have had a relationship with or may provide or have provided investment banking and/or other financial services to the relevant companies. Employees of IFC Metropol or its affiliates may serve or have served as officers or directors of the relevant companies. IFC Metropol LLC may rely on information barriers, such as "Chinese Walls", to control the flow of information contained in one or more areas within IFC Metropol LLC, into other areas, units, groups or affiliates of IFC Metropol LLC. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither IFC Metropol LLC nor any of its affiliates, nor any of Metropol UK Limited or any of its affiliates, directors, employees or agents accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of this document or the information contained herein. This document may not be reproduced, distributed or published, in whole or in part, for any purpose without the written permission of IFC Metropol LLC and IFC Metropol LLC accepts no liability whatsoever for the actions of third parties in this respect. United Kingdom Except as otherwise specified herein, this document has been approved and communicated by Metropol UK Limited in the United Kingdom as non-objective research for the purpose of the Financial Services Authority Rule 7.16.5. It is communicated to persons who are market counterparties or intermediate customers as defined by Article 19 of the Financial Services and Markets Act 2000 (Financial promotions Order 2001). Circulation must be restricted accordingly. The information contained herein does not apply to, and should not be relied upon by, private customers. Metropol UK Limited is incorporated under the laws of England and Wales (Company Number: 03642330), is authorized and regulated by the Financial Services Authority (FRN 191231), and is a member of the London Stock Exchange. Additional information and supporting documentation is available upon request. © 2005 by IFC Metropol LLC. All rights reserved.