



Corporate bonds issue

Ukrainian Mining Metallurgical Company Ltd.

UAH 100,000,000

12% Bonds Due 22 August, 2006



Lead Managers:



Ukrainian Depository Company

August 2005

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Summary Terms and Conditions

Issuer:	The Ukrainian Mining Metallurgical Company Ltd.
Description:	Domestic
Issue Amount:	UAH 100,000,000
Face Value of one Bond:	UAH 1,000
Status:	Pari passu with all other unsecured and unsubordinated debt of the Issuer.
Issue Date:	23 August 2005
Maturity Date:	22 August 2006
Redemption Amount:	100.00%
Payment of Interest:	Bonds bear interest of 12 per cent per annum, payable quarterly. The size of each quarterly interest payment amounts to 29 hryvnias 92 kopecks per Bond. The interest payment dates are 22 November 2005, 21 February 2006, 23 May 2006 and 22 August 2006.
Underwriter:	Raiffeisenbank Ukraine
Paying Agent:	Raiffeisenbank Ukraine
Depository:	Interregional Stock Union
Documentation:	Resolution of the Issuer's Establishers meeting from 22 July 2005; registered information about the issue of bonds published in the official press ("Bulletin. Securities of Ukraine" #177-178 (1499-1500) from 08 August 2005).
Listing:	Kyiv
Governing Law:	Laws of Ukraine

The Issuer and its activities

The Ukrainian Mining Metallurgical Company Ltd. (hereinafter called UGMK) was established in 1998.

UGMK is owned by Mr. Gnatushenko V.V. (50%) and Mrs. Gnatushenko I.V. (50%).

The major role plays Mr. Gnatushenko V.V., born in 1964. Before establishing of UGMK he was the commercial director of Azovstal.

Financial director of the company – Mrs. Volkova I.M. She has 17 years of overall experience in accounting and finance, works for UGMK for 7 years.

Activity of the company is certified in accordance with international system of quality management ISO 9001:2000. The company also introduced European model of quality management EFQM.

The company is one of the leading wholesale/retail traders of metal products on internal market. It has exclusive rights for domestic realization of metal products manufactured by metallurgical plants controlled by IUD (ISD) – Alchevskiy metallurgical plant, Dnepropetrovskiy metallurgical plant named after Dzerzhinskiy, Dnepropetrovskiy tube plant, Donetsk metal rolling plant, Kramatorsk metallurgical plant named after Kujbyshev, Dunaffer (Hungary) etc.

Total number of buyers accounts almost 9,000 entities. Among main buyers are: Kryukovskiy wagon works, Stakhanovskiy wagon works, Dneprovagonmash, Plant named after Frunze, Interpipe, DVRZ, Illichevsk ship-repairing plant, Uzhnyj GOK, Spetsmetallprom etc.

Total sales of the company comprised of EUR 265.0 mln in 2004 and EUR 62.5 mln in 1Q 2005.

UGMK owns the broadest network of metal bases in Ukraine and three metal bases in Kiev. Besides the company acquired control over one of the biggest metal trading companies in Poland – Centrostal Bydgoszcz and in Hungary – “Dutrade” AO, Dunafer Group.

Financial Standing

Financial standing of the company was analyzed based on the audited financial statements for the period of 2002 - 2004, and 1Q 2005.

tsd, in UAH

Key Financials	Dec/ 31, 02	%	Dec/ 31, 03	%	Dec/ 31, 04	%	Mar/ 31, 05	%
Total Revenues	69,785	100.0	914,420	100.0	1,878,184	100.0	398,323	100.0
Gross Profit	10,075	14.4	58,447	6.4	86,715	4.6	31,529	7.9
EBITDA	-1,228	-1.8	42,770	4.7	38,370	2.0	19,156	4.8
EBIT	-1,813	-2.6	41,522	4.5	34,642	1.8	17,666	4.4
Net Profit / Loss	-1,966	-2.8	41,445	4.5	29,270	1.6	12,120	3.0
Balance Sheet Total	50,463	100.0	378,223	100.0	673,147	100.0	779,449	100.0
Current Assets	23,652	46.9	320,096	84.6	493,743	73.3	588,022	75.4
Fixed Assets	26,812	53.1	58,127	15.4	179,404	26.7	191,427	24.6
ST Liabilities	40,164	79.6	307,638	81.3	364,726	54.2	458,931	58.9
LT Liabilities			27,926	7.4	236,492	35.1	236,493	30.3
Senior Debt	3,741	7.4			4,499	0.7	28,989	3.7
Equity	10,300	20.4	42,659	11.3	71,929	10.7	84,025	10.8

Comments:

- Due to constant expansion of dealer's network and increased prices for metal products, sales of the Issuer increased by 13 times in 2003 and for 2004 approx. doubled to UAH 1.88 bln. Total revenues of the company for 31.03.2005 comprised UAH 398 mln. Most of the company's sales are made on domestic market, diversified with the largest share of Interpipe (27%), Kryukov Wagon Plant (3.6%), and Azovmash (2.5%) as of the end of 2004.
- In 2004 the Issuer showed minimal profitability with gross and net profit margin of 4.6% and 1.6% correspondingly. The main reason for a slight decrease in profitability was increased competition on the market, increased prices for metal products, and also increased expenses for debt servicing and tax expenses. For the 1Q 2005, profitability on the gross level as well as on the net level has somewhat recovered to 7.9% and 3.0%, respectively.
- Total assets grew by 78% to UAH 673 mln in 2004. Assets turnover fall not significantly from 4.3x to 3.6x.
- Investments in 29 related parties make up UAH 138 mln (17.8% of TA), including shares of recently purchased Centrostal (Poland) of UAH 102 mln, metal plant Metallist (Kiev) – UAH 7.6 mln, 29 dealers in all regions of Ukraine (UGMK-Donetsk, UGMK-Nikolaev etc.) and others.
- Other ST financial investments equal to UAH 39 mln (5%), including Alchevsk-Koksokhim, Construction Materials Plant, Pobutprilad, Alchevsk Metallurgical Plant etc.
- Tangible fixed assets amount to UAH 52.5 mln (6.7%).
- Receivables take the largest portion in total assets – UAH 484.2 mln (62%). Trade receivables amount to UAH 238.8 mln (30.6%) as of 31.03.2005. Among major trade debtors as of the end of 2004 were Interpipe – UAH 12 mln, UGMK-Kharkov – UAH 26 mln, UGMK-Odessa – UAH 15 mln, Centrostal – UAH 14 mln. Trade receivables period has slightly increased however remained satisfactory at 51 days.
- Other receivables amounted to UAH 221 mln (28.4%), thereof indebtedness of Dneprovskiy Metallurgical Plant for assigned debt in amount of UAH 65 mln (UGMK repaid debt of the plant before Ukgazvidobuvannya), indebtedness of Dneprovskiy Metallurgical Plant for sold promissory notes of IUD in amount of UAH 63 mln.
- Inventory equalled to UAH 100.6 mln (12.9%) with acceptable turnover period of 23 days.
- Capitalization of the Issuer as for the trader is rather satisfactory with equity amounted to UAH 84 mln (ER is 10.8%), and mainly represented by retained earnings and registered capital of UAH 22 mln.
- The largest source of assets financing is accounts payable which comprised UAH 333.5 mln (42.8% of total assets). Among major trade creditors as of the end of 2004 were Dneprovskiy Metallurgical Plant, Industrial Union Donbass, Alchevsk metallurgical Plant, and DIS.
- The main source of financing the business of the company is promissory notes in the total amount of UAH 264 mln with maturity in 2009 (or on demand).
- For all periods analyzed, the Issuer did not actively utilize bank financing; however in 2004 it has slightly increased and financed 3.7% (UAH 28.9 mln) of total assets. The main financing banks are AvtoZazBank (UAH 5 mln) and RBU (total approved limit comprised USD 5 mln).
- As of the end of 2004 and 1Q 2005, financial leverage of the company was acceptable with gearing 0.3x.
- Reported liquidity is rather acceptable with current ratio of 1.3x for 2004 and 1Q 2005. Quick ratio makes up 1.1x.
- Operating cash-flow in 2004 and 1Q 2004 was negative in amount of UAH 89.6 mln and UAH 13.7 mln respectively due to financing of related regional dealers through receivables.

Summary

Overall, financial standing of the Issuer is satisfactory, characterised by quick sales growth, short debt amortisation period, acceptable gearing, and good liquidity. Amount of requested issue is acceptable as compared with business of the company.

Terms and Conditions of The Bonds

The following is the text of terms and conditions of the Bonds contained in the registered information about the issue of bonds published in the official press – on “Bulletin. Securities of Ukraine” #177-178 (1499-1500).

Form, Title and Transfers

The Bonds will be issued in book-entry form, represented by interests in the Global Certificate. The Global Certificate will be executed and deposited with Depository “Interregional Stock Union” (hereafter - “Depository”) by the Issuer during seven business days after completion of issue registration at SSMSC.

Potential owners should have securities accounts with any Ukrainian custodian, which has securities account with Depository. Title to the Bonds will pass by and upon crediting of Bonds to the owner's securities account with custodian.

Face Amount

The face value of one Bond is 1,000 (one thousand) hryvnias.
The total face amount of the Bond issue constitutes 100,000,000 (one hundred million) hryvnias.

Status

The Bonds constitute direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under the Bonds shall rank at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, save only for such obligations as may be preferred by mandatory provisions of applicable law.

Interest

The Bonds bear interest of 12 per cent per annum, payable quarterly. The interest payment dates are 22 November 2005, 21 February 2006, 23 May 2006, and 22 August 2006. The size of each quarterly interest payment amounts to 29 hryvnias 92 kopecks per Bond, which is exactly the quarter of annual interest payment.

Redemption

The Issuer will redeem the whole principal amount of the Bonds on 22 August 2006 (the “Maturity Date”).

Payments

Payment of principal and interest in respect of the Bonds will be made by transfer to a hryvnia account maintained by the payee with a bank in Ukraine.

Payment in respect of the Bonds will be made to the person shown in the consolidated owners' register (the “Register”) as of 5.30 p.m. Kyiv time on the date which is the second business day before the due date for such payment (the “Record Date”). On the Record Date Depository generates the Register and provides it to the Issuer.

Restrictions concerning the ownership of the Bonds

There are no restrictions as to the ownership of the Bonds. The Bonds can be purchased and held in ownership by legal persons and individuals, residents and non-residents of Ukraine.

Credit rating assigned to the Ukrainian Mining Metallurgical Company Ltd.

Independent rating agency “Credit Rating” assigned a long term “uaBB-” credit rating to the Ukrainian Mining Metallurgical Company Ltd.

Also agency "Credit Rating" announced about awarding of a short term "uaK3" credit rating to the bond issuer in the amount of 100 million UAH for 1 year circulation period.

Both ratings represent investment grade of rating scale.

Positive factors that were taken into account in the rating:

- Increase of the net sales volume for 5 years in 57,3 times and up to 1 878,2 million UAH with the simultaneous representative offices network broadening in Ukraine;
- The company belongs to the 5 largest metal traders in Ukraine (14% of the rolled stock sale market) and has a broad network of representative offices;
- The company's low dependency level on bank borrowed funds (3,7% of the currency balance);
- Capital growth during 5 years (in the 1st quarter of 2005 it made up 22,0 million UAH);
- "Ukrainian Metallurgic Company" Ltd. is the only company among other metal traders that has the conformity standard certificate in the quality management system ISO 9001-2000.

Negative factors that were included in the rating:

- Possible difficulties in the activity of "Ukrainian Metallurgic Company" Ltd. at the local market that might be caused by the decrease of production volumes of metallurgic complexes due to sharp decline in world metal prices;
- The tendency to the first costs ratio increase in the net sales volume for the 5 years from 79% to 95 %;
- The issuer's high dependency level on the activities of Corporation "Industrial Donbass Union". (The corporation is the main production supplier for "Ukrainian Metallurgic Company" Ltd.-80% of supplied production);
- 149,2 million UAH or 86% of other debtor indebtedness of "Ukrainian Metallurgic Company" Ltd. belong to "Industrial Donbass Union";
- 81% or 249,1 million UAH of credit indebtedness for the production of "Ukrainian Metallurgic Company" belong to the corporation "Industrial Donbass Union", 100% of long-term liabilities of "Ukrainian Metallurgic Company" or 236,5 million UAH belong to "Industrial Donbass Union".

Information about all ratings in Ukrainian national scale is available at the internet site of the company "Credit Rating" www.credit-rating.com.ua.

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