Russia

July 9, 2008

Fixed Income

Europlan

Smooth Ride on a Bumpy Road

Europlan 1

Placement	July '08
Volume	R2 bln
Maturity	July '11
Put option	July '10
Sinking fund	728 day: 25%
	910 day: 25%
	1,092 day: 50%
Coupon	Semiannual

Key financials (US GAAP), $ mln

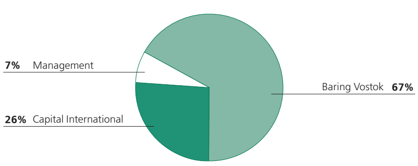
	2006	2007	1Q08*
Balance Sheet			
Cash and equivalents	1.2	4.1	1.4
Net investment in direct financing leases	176.9	385.1	435.8
Equipment purchased for leasing purposes	1.3	8.5	11.2
Total assets	**223.4**	**489. 0**	**550.4**
Loans and borrowings	166.0	389.1	428.3
Total liabilities	**181.0**	**420.5**	**468.6**
Total equity	**42.4**	**68.5**	**81.8**
Total liabilities and equity	**223.4**	**489.0**	**550.4**
Income Statement			
Gross revenues from financing leases	29.3	62. 7	24. 8
Total gross revenues (pre-provisions)	31.5	70.9	28.8
Provisions	(0.6)	(2.8)	(0.4)
Total gross revenues (post-provisions)	30.9	68.0	28.3
Operating expenses	(12.9)	(22.2)	(7.3)
Net operating income	18.0	45.9	21.0
Interest expenses	(9.7)	(24.6)	(8.4)
Pre-tax income	11.6	27.9	16.3
Net income	8.7	21.1	13.3
Ratios			
ROAA	5.1%	5.9%	10.3%
ROAE	22.9%	38.1%	70.9%
NIM**	14.3%	13.6%	16.0%
Provisions/net investment in direct financing leases	1.0%	1.0%	1.0%
Operating expenses/avg assets	7.5%	6.2%	5.7%
Debt/equity	3.9	5.7	5.2
Equity/assets	19.0%	14.0%	14.9%

* unaudited

** NIM is calculated as gross revenues from financing leases less interest expense divided by average net investment in direct financing leases

Source: Company, Troika Dialog estimates

Shareholder structure



Source: Company

Europlan, Russia's top auto leasing company, plans to place a R2 bln, three-year ruble bond with a sinking fund structure and make its debut on the domestic debt market. The company's creditworthiness is supported by strong shareholders committed to building Europlan's high level of capitalization and solid market position. We estimate the fair spread of the company's paper at 545–595 bps over the OFZ curve, which is currently equivalent to a yield to two-year put of 11.70–12.20% and a coupon of 11.38–11.85%. Given investors' ongoing cautious attitude toward financial institutions, we believe it possible that the market might demand an additional placement premium.

- The Russian car market has developed rapidly over the last decade. However, the number of cars per capita remains fairly low, with 191 passenger cars and 35 commercial vehicles in use per 1,000 people according to Euromonitor International; the same indicator is 2.0-2.4 times higher in Western Europe. In addition, the share of corporate sales in Russia remains at 10% (according to local traffic authorities) which is around one third of that in Europe, indicating the potential for growth in this segment in coming years.
- The share of leasing operations for all types of assets in Russia's GDP totaled only 0.8% in 2006, which is still lower than that of European countries (1.8-5.2%). The auto leasing market represents 24% of the country's overall leasing market.
- Europlan is controlled by a private equity fund advised by Baring Vostok Capital Partners – further referred to as Baring Vostok – (67%), and Capital International owns a blocking stake (26%). The company's management owns the rest. Europlan's shareholders are committed to supporting a high level of capitalization to ensure dynamic asset growth: at end 1Q08, debt/equity stood at 5.2, compared with the maximum of 8.0 in the company's debt covenants.
- Europlan offers full capital payout leases to its key customers: SMEs, which account for 76% of the total lease portfolio. The company focuses on auto leasing, with 40% of net investments in leased passenger cars and 28% in trucks. In 2007, Europlan was recognized as the largest company in Russia's auto leasing industry with an overall market share of 10%, and 19% in passenger cars.
- The company enjoys high demand for leasing services across Russia; the weighted average IRR on Europlan's leases is 22.7% as of June 1, and its NIM stood at 16.0% in 1Q08.
- A wide distribution network (covering 70 Russian regions) generates a high volume of transactions, with half of the company's originations made outside Central Russia.
- Europlan is well positioned in the current credit market environment. The short-term nature of the company's leasing portfolio supports its strong liquidity position, and it enjoys healthy relationships with a diversified base of international and local financial institutions.

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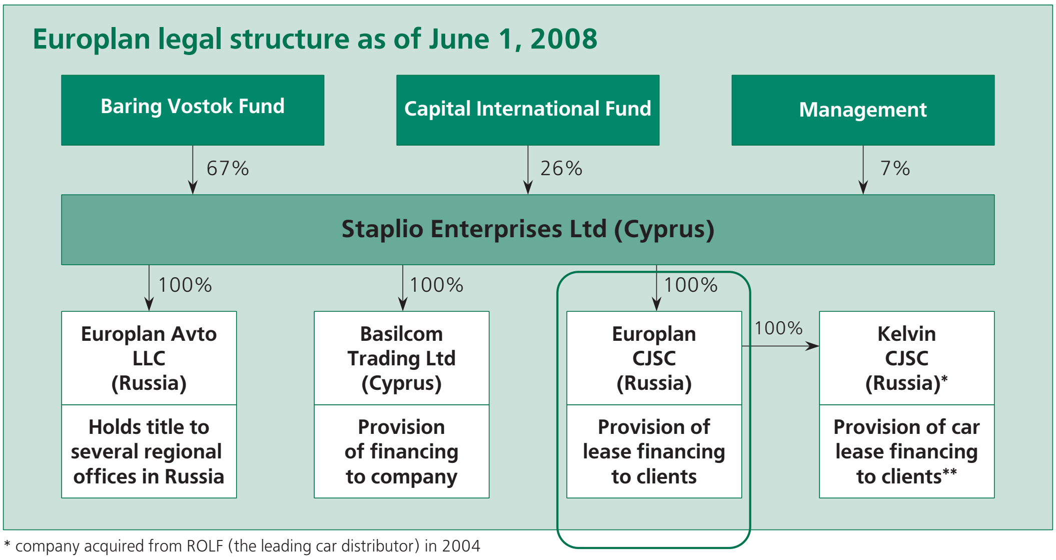
Company Overview

Europlan has been offering leasing services since 1999. In 2003, Baring Vostok acquired a controlling stake of 67%. Capital International (which became a shareholder in 2005) owns a blocking stake (26%), while the company's management owns the rest.



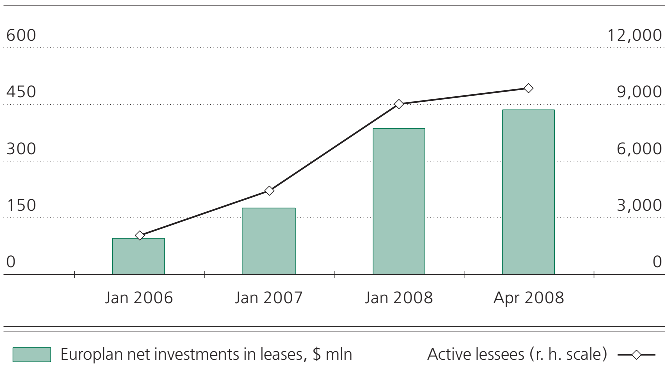
* company acquired from ROLF (the leading car distributor) in 2004

** all new leasing services have been provided by Europlan CJSC

Source: Company

Europlan is the eighth largest leasing company in Russia by volume of new business, the market leader in terms of lease contracts originated, and the largest company in Russia's auto leasing industry (trucks and passenger cars) with a 10% overall market share as of 2007 and a 19% market share in the leasing of passenger cars.

Europlan key operating results



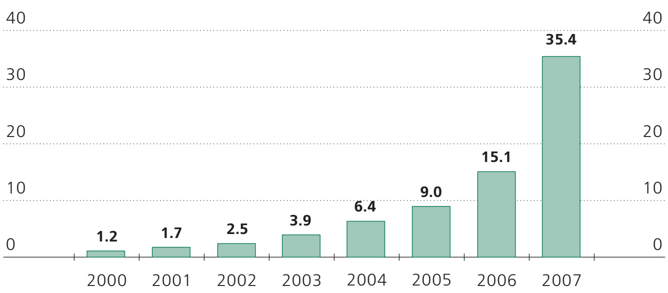
Source: Company

Operations

Russian leasing market

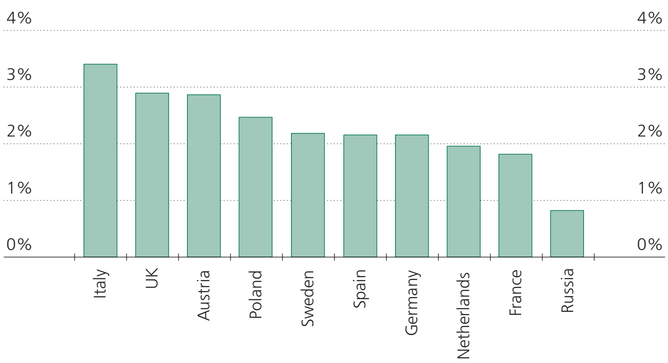
The Russian leasing market expanded at a healthy CAGR of 62% in 2000-07 (estimated as the volume of new contracts originated by leasing companies in a year), reaching $35.4 bln including VAT, Rosleasing estimates, while the share of leasing operations in the country's GDP totaled 0.8% in 2006.

Russian leasing companies' new business, $ bln



Note: Including VAT.
Source: Rosleasing

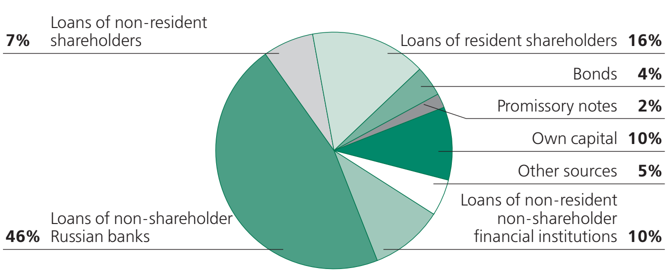
Leasing operations/GDP, 2006



Source: Leaseurope, CIA World Factbook, Rosleasing

The key drivers of market growth, likely to continue in coming years, are depreciation of fixed assets (for both physical and obsolescence reasons) and the still limited competition among Russian financial institutions, especially in servicing SME clients (which results in moderate product diversification) in regional markets. In addition, the leasing industry is in its formative stages, with customers growing more aware of leasing services and the benefits of leasing products compared with debt financing, namely tax optimization and accelerated amortization. In the current environment, demand for leasing services is likely to remain high, bearing in mind that the high competition for funding that financial intermediaries are now experiencing is resulting in limited company access to bank loans.

Russian leasing companies' financing sources, 2006



Source: Expert RA

Market participants

The Russian leasing market, which includes over 300 participants, can be divided into two segments. The first group comprise companies that service a few large customers and are involved in large-scale, private or state-owned financial or/and industrial groups. For example, VTB Leasing and UralSib Leasing are part of diversified financial groups; while TransCredit Leasing (Russian Railways), RTC-Leasing (a Svyazinvest affiliate), Element Leasing (GAZ) and KamAZ Leasing (KamAZ) cater to their parent industrial groups. These leasing companies play an important role in offering services to large-scale clients, big-ticket deals, or both, and frequently specialize in single-product leasing businesses, especially in segments with high entry barriers, such as aircraft leasing.

Leading Russian leasing companies by new leases

	New leases in 2007, $ mln	Number of new contracts
VTB Leasing	4,428	334
Russian-German Leasing	1,885	n/a
Rosagroleasing	1,139	1,625
UralSib Leasing	1,132	5,424
Business Alliance	880	46
Avangard Leasing	836	440
NOMOS Bank	722	3,879
Europlan	**694**	**16,201**
Raiffeisen Leasing	475	1,031
TransCredit Leasing	422	202
Scania Leasing	352	781
Interleasing	343	990
CARCADE	314	8,754
Element Leasing	312	6,295
UniCredit Bank	304	396
KamAZ Leasing	298	762
Globus Leasing	294	1,464
Brunswick Rail Leasing	283	13
AlyansRegion Leasing	251	455
Center-Capital	241	451

Note: Including VAT.

Source: Rosleasing

Leading Russian auto leasing companies by new leases

	New leases in 2007, $ mln
Europlan	**482**
UralSib Leasing	345
Scania Leasing	327
CARCADE	296
KamAZ Leasing	289

Note: Including VAT.

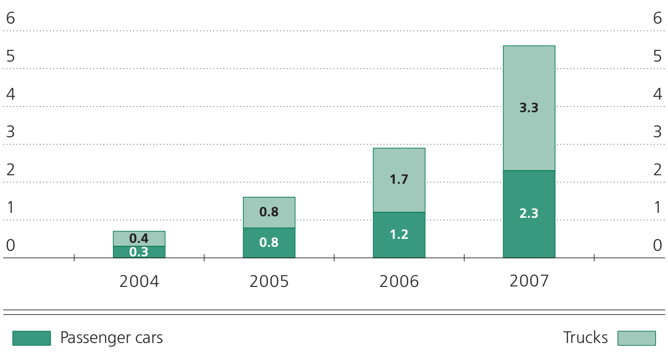
Source: Rosleasing

The second group – independent leasing companies – appears to be quite diversified, and is focused on smaller clients. The market is characterized by low transparency: in some cases, these companies' leasing operations are used for project financing or purely tax-optimization purposes. For the market-oriented portion of the group, the most important competitive advantages are their presence on regional markets and efficient risk management and operating systems in originating and servicing their lease portfolios. Unsurprisingly, access to equity capital sources and the availability of third-party funding sources is extremely important for this group of companies, especially in light of the ongoing funding shortage experienced by Russian financial institutions.

Auto leasing

The auto leasing market accounted for 24% of Russia's total leasing market in 2007, according to Rosleasing, reaching $5.6 bln (including VAT). It has expanded very rapidly during the last years (at a CAGR of 102.1% in 2004-07), exceeding the growth rates of the country's aggregate leasing market.

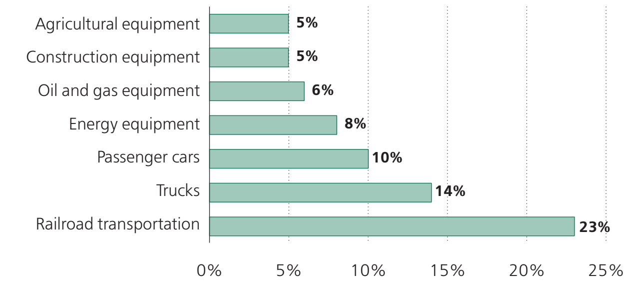
Russia's auto leasing market, $ bln



Note: Including VAT.

Source: Rosleasing

New leases in key segments of Russian market, 2007

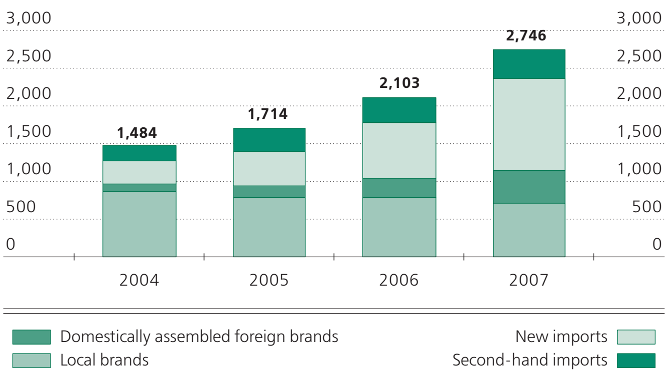


Note: Including VAT. Equipment passed to clients.

Source: Rosleasing

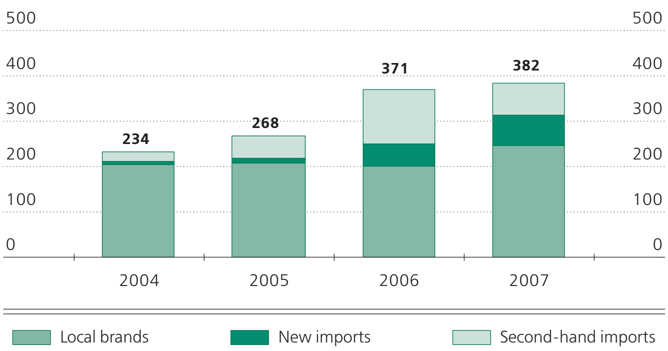
The auto leasing market, which includes about 100 players, is characterized by relatively low concentration. This may be attributable to the typically small size and short terms of the deals, standardized lease products and vehicles and developed infrastructure for the types of assets with which the industry deals (registration, insurance and a secondary market). However, we expect competition in the auto leasing market to become stronger going forward.

Sales of passenger cars in Russia, '000



Souce: AC&M Holding

Sales of trucks in Russia, '000



Source: AC&M Holding

The Russian car market has developed rapidly over the last decade. However, the number of cars per capita remains fairly low, with 191 passenger cars and 35 commercial vehicles in use per 1,000 people according to Euromonitor International; the same indicator is 2.0-2.4 times higher in Western Europe and some CEE markets. The market is characterized by buyer demand outstripping supply due to a lack of manufacturing capacity and high import duties for new cars. We believe that growth in passenger car and truck sales in Russia will continue at 14% and 11%, respectively, in 2008, and at a CAGR of 7% over 2008-12 in natural terms, which should support strong growth in the auto leasing market.

In addition, the share of corporate sales in Russia remains at 10% (according to local traffic authorities) which is around one third of that in Europe, which indicates the potential for growth in the segment in coming years.

Europlan

For a number of years, Europlan has been recognized as the largest Russian leasing company in terms of number of contracts, with a 10% share of the overall auto leasing market and 18.9% of the passenger car market in 2007. Regarding new business volume, Europlan is the 66th largest leasing company in Europe according to Leaseurope's 2006 results.

The company's key group of customers are SMEs, which have limited access to medium and long-term financing. At the moment, financial intermediaries (including leasing companies) still face limited competition in servicing SMEs, while demand from this group of customers is still outstripping supply and SMEs typically exhibit low sensitivity to the cost of funding. This results in rather attractive interest rates: Europlan's effective interest rate on auto leases is 22.7%.

Europlan auto lease portfolio as of May 31, 2008

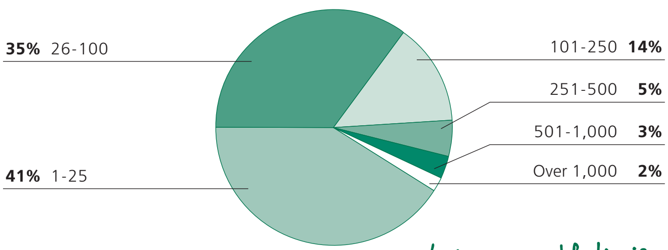
Active leases	29,200
Active lessees	11,100
Average lease size	$54,600
Average investment in lease*	$31,100
Average down payment	26.1%
Average lease tenor	29.6 months
Weight, average IRR**	22.7%
Leases with delinquency over 90 days	0.2%

* including VAT

** signed leases

Source: Company

Europlan client base by company headcount as of March 31, 2008

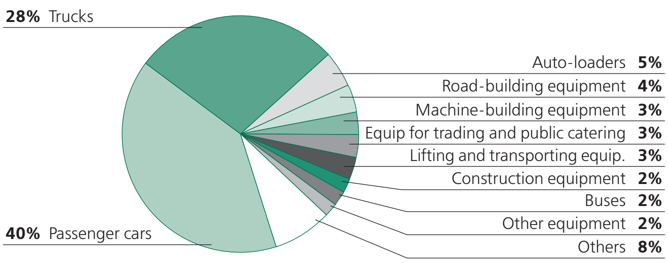


Source: Company

76% of Europlan's lease portfolio is generated by companies with fewer than 100 employees

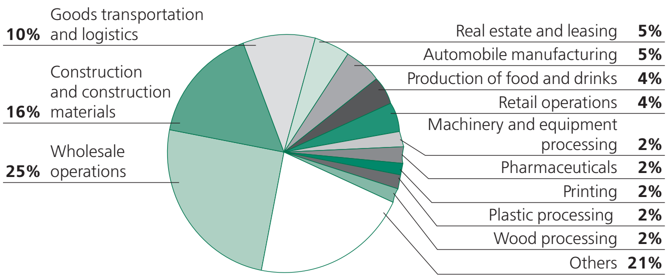
Europlan's operations center on auto leasing, with passenger car leasing and truck leasing accounting for 40% and 28% of its net investments in leasing, respectively. The company has a car fleet of over 25,000 vehicles at present. Europlan offers additional services to meet its existing clients' needs, such as equipment leasing, in addition to its core business.

Europlan portfolio breakdown by asset type (of net investments in lease), March 31, 2008



Source: Company

Europlan client concentration by industry (of net investments in lease), March 31, 2008



Source: Company

The company's client base is quite diversified, with the bulk of the customers coming from the wholesale trade, construction and transportation industries. Concentration is limited, the top 20 customers accounting for just 7.5% of its portfolio.

Europlan's top clients as of April 1, 2008

	Industry	Share
Richmont Transport Services	Transport services	0.89%
Courier Correct	Transport services	0.49%
IHCC	Pharmaceuticals	0.48%
Ural Trade Trading House	Construction	0.46%
Lifting Technology	Wholesale	0.42%
Johnson & Johnson	Consumer goods	0.41%
Q-tec	Construction and property management	0.39%
Banana Mama	Retail	0.38%
Odintsovskoye Road Building and Maintenance Department	Construction	0.38%
Janssen Pharmaceutica	Pharmaceuticals	0.34%
Visma Lux	Beverages	0.33%
Merloni	Consumer goods	0.32%
Chelavto	Transport services	0.31%
Cheboksary Fish-Processing Plant	Food processing	0.31%
Agroholding	Agriculture	0.29%
Sodexho Eurasia	Catering	0.28%
Wild Orchid	Retail	0.27%
Alexandriyskie Doors	Woodworking	0.27%
Viktoria	Retail	0.24%
Hyundai Motor Company	Auto dealer	0.23%
Top 20		**7.49%**

Source: Company

Europlan offers capital (direct-financing) leases. Leased assets remain the property of the lessor until the final payment has been made. Europlan structures its lease contracts so that the lessee makes a prepayment at the beginning of the lease term. The size of the down payment on a Europlan lease agreement depends on the credit quality of the lessee and typically ranges from 15.0% to 30.0% of the purchase price, with the average being 26.1%. If the lessee finds itself in arrears for lease payments for more than 15 days it may lose this payment, which is set out in standard contract agreements.

The company uses two credit procedures: a scoring system or individual credit quality assessment, which accounted for 73% and 27% of leases, respectively, in March 2008. The scoring system is used for relatively small deals not exceeding $200,000, whereby the decision over whether to grant the lease is based on the scoring model developed by the company and is made following data verification from the security department in each branch and the centralized risk management team. For an individual credit quality assessment, called the "standard" procedure, Europlan requires the potential client to provide a wider range of information and conducts a thorough examination of the potential lessee's business, as well as the project for which the lease is being asked. In this case, the decision over whether to grant the lease is made by the credit committee, consisting of Europlan's top five managers, after a thorough analysis has been conducted by the loan officer.

According to Europlan's policy, the choice of the asset and the asset vendor is made by the lessee, and the lessor does not bear the risks associated with poor asset quality or delivery of the asset to the customer. The lessor is not liable if the vendor fails to fulfill any obligation stipulated in the sales contract.

The company has a policy to ensure that all equipment and vehicles are insured. The insurant can be either Europlan or the lessee, while Europlan is always the insurance beneficiary. The company primarily deals with the largest insurance companies operating in Russia.

Europlan's top insurers as of March 31, 2008

	Share
VSK Insurance House	36%
Ingosstrakh	25%
Progress-Garant	15%
ROSNO	8%
Energogarant	7%
Alfa Strakhovanie Group	2%
RESO Garantia	2%
AIG Russia	1%
Rosgosstrakh	1%
Others	3%

Source: Company

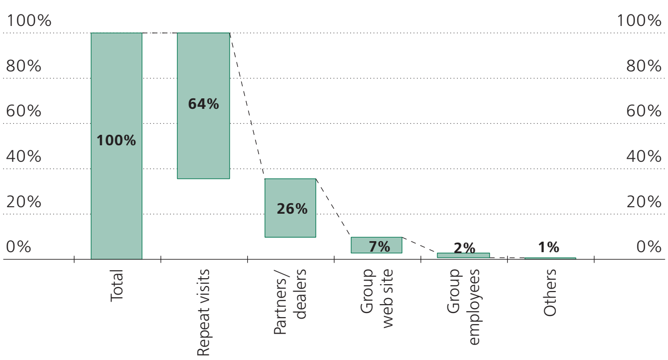
The monitoring of bad debts and debt collection are implemented in-house. Europlan uses a "soft collection" procedure for agreements where there are arrears of less than 30 days. For any delinquency of up to five days, the company has a centralized delinquency monitoring department that makes phones calls to customers across Russia. If the lease is delinquent for more than five days, the matter is referred to a monitoring officer (there is one in each company branch), whose responsibility is to visit the customer and ensure timely payment. If lease payments are more than 30 days overdue, the company initiates procedures to annul the lease agreement and demands the return of the asset under lease. According to company data, 90% of disputes are reconciled in extrajudicial procedures. Asset sales are implemented by Europlan as it remains the legal and registered owner of the vehicle during the life of the lease agreement.

One of Europlan's key competitive advantages is its ability to service a large number of small-ticket deals and to deliver fast service; the company conducts over 2,200 transactions per month. The company uses proprietary software for origination, underwriting and servicing of contracts. Processing is centralized, which is important for risk and cost control.

Europlan is successful in leveraging up its customer base

Europlan is successful in leveraging up its customer base, the key source of new contracts being repeat customers (64%). The second source is the company's partners and dealers, which account for almost 26% of new contracts. In total, Europlan has developed a partnership with around 3,000 vehicle and equipment sellers throughout Russia. In 2007 alone, the company purchased vehicles from 1,850 auto dealers. The company is an authorized partner of such brands as Mitsubishi, Nissan, Ford, Peugeot, Renault, BMW, Mercedes-Benz, Volkswagen, Skoda, Volvo, Land Rover, Hyundai, Kia, and General Motors brands. The company is the preferred partner of Rolf, one the largest retailers of new foreign cars in Russia.

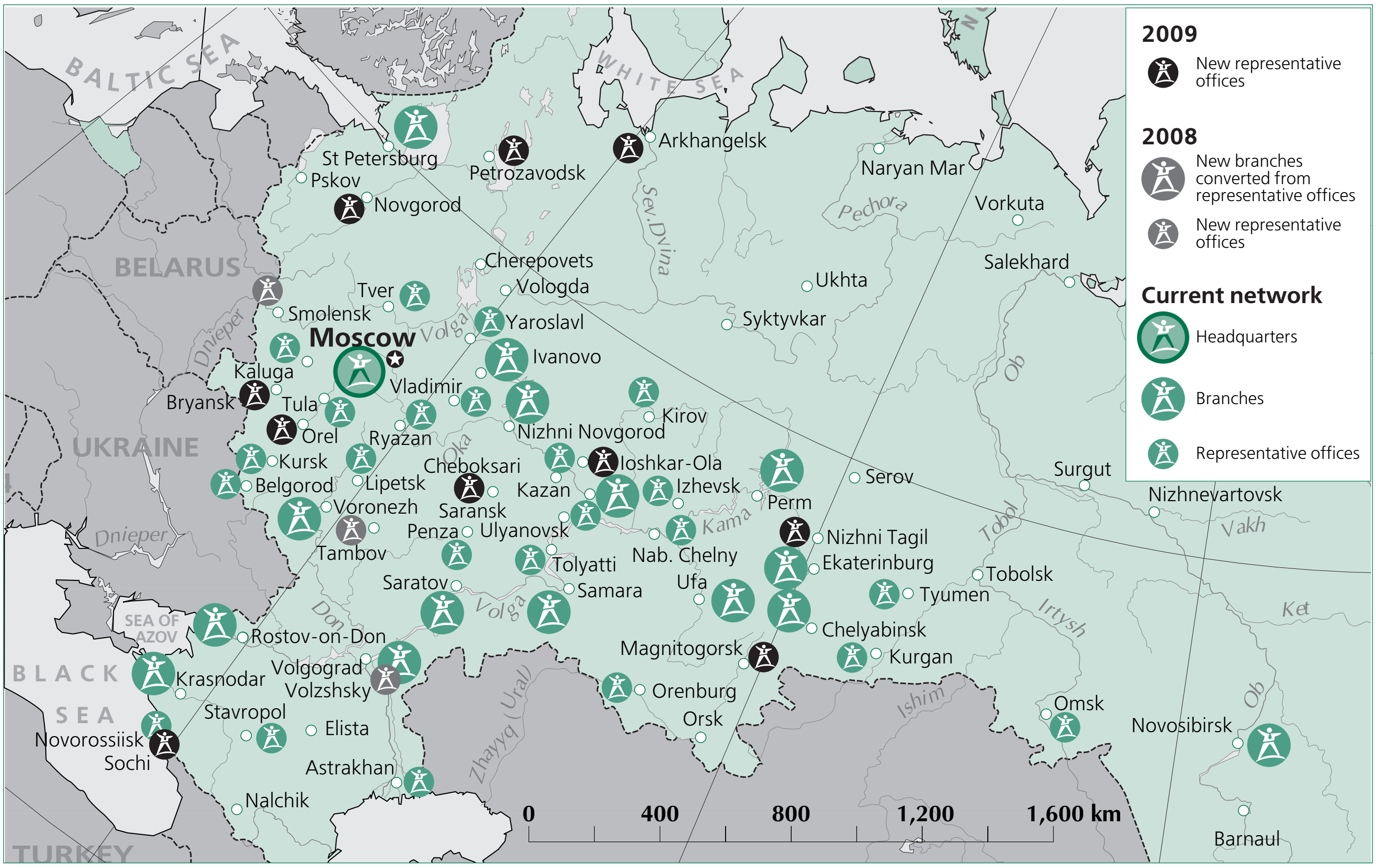
Europlan key sources of new contracts, March 2008



Source: Company

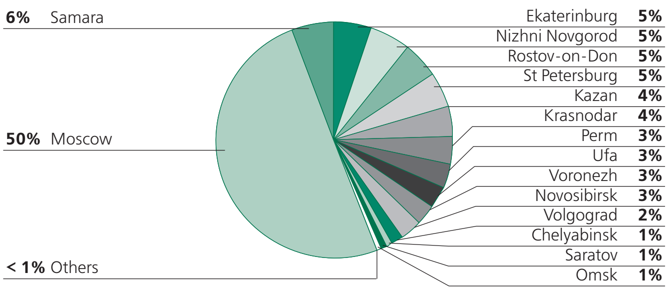
Europlan's distribution network plays a significant role in its business model, with around 50% of the company's portfolio outside Central Russia. In addition to partner distribution channels, the network comprises 43 offices (the company headquarters in Moscow, 10 branches and 32 representative offices) covering 70 Russian regions. By end 2009, the company plans to boost its network by a further 17 offices.

Europlan branch network



Source: Company

Europlan net investments in leasing as of April 1, 2008



Source: Company

Management

Europlan boasts a highly qualified management team

Europlan boasts a highly qualified management team with years of experience in both the global financial industry and in Russia's key finance industry.

NIKOLAI ZINOVIEV, BOARD MEMBER, PRESIDENT AND CEO

Nikolai Zinoviev has 15 years of practical experience lending to SMEs in Russia. From 1995 until 1999, he was vice president of The US-Russia Investment Fund and regional director for Southwest Russia. In 1999, he developed Europlan's business concept, raised the seed capital, established the company, and has since expanded its presence nationwide and developed Europlan into the market leader. He provides strategic management and energizes Europlan's team on a daily basis. Zinoviev is one the authors of the Russian federal Law on Leasing.

ALEXANDER LEVI, SENOIR VICE PRESIDENT

Alexander Levi is responsible for managing leasing operations and has a great deal of experience in Russian and American enterprises in the areas of leasing and finance. Before joining Europlan in 2000, Levi had worked for Scott-European Medical, Interleasing, and Probusinessbank.

VADIM KONSTANTINOV, CFO

After starting his career as an auditor in one of the largest audit firms in the Urals, Vadim Konstantinov joined the US-Russia Investment Fund in Yekaterinburg in 1996. In August, 1999, Konstantinov opened Europlan's branch in Yekaterinburg and became a regional director. In April 2003 he was promoted to CFO and was transferred to Moscow.

MICHAEL CALVEY, BOARD MEMBER

Michael Calvey is the founder and a co-managing partner of Baring Vostok in Moscow, and a director of Baring Private Equity International. Prior to working at Baring Vostok, Calvey was at the EBRD, where he was responsible for several of the bank's investments in the oil and gas sector in Russia. Prior to his position at the EBRD, Calvey worked at Salomon Brothers in New York on the oil and gas team on a variety of corporate finance and M&A projects.

MIKHAIL LOMTADZE, CHAIRMAN OF THE BOARD

Mikhail Lomtadze is a partner at Baring Vostok, having joined the company in June 2002. Previously, Lomtadze founded and managed GCG Audit, a leading professional services firm in Georgia, which was acquired by Ernst & Young in 2002. Lomtadze is the chairman of the Russian Private Equity and Venture Capital Association.

HADRIEN FRAISSINET, CHIEF FUNDRAISING OFFICER

Hadrien Fraissinet joined Baring Vostok as director of Capital Markets in 2007, and specializes in acquisition finance and the funding of portfolio companies. Prior to serving as the chief fundraising officer at Europlan, Fraissinet headed the financing department for nearly two years, raising over $350 mln in debt, and working on innovative funding strategies. Before that, Fraissinet worked at Rothschild in the Russian M&A group and at Rothschild Bank AG as an investment analyst.

STEWART GIBSON, BOARD MEMBER

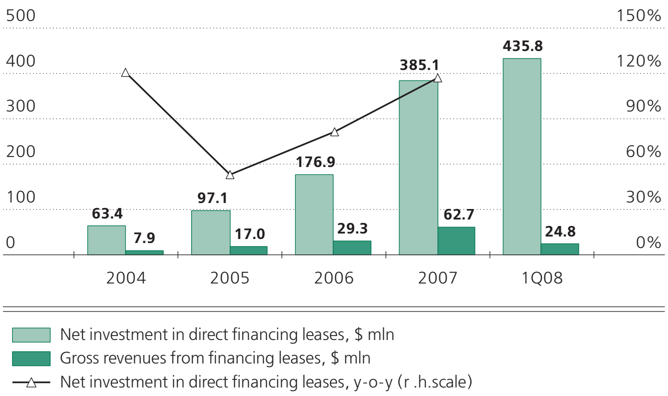
Stewart Gibson is a vice president of Capital International, responsible for private equity in global emerging markets. Prior to joining Capital International in 1996, Gibson spent four years at the EBRD, two years as associate banker in the Financial Institutions team and two years as principal banker in the Financial Institutions and Poland teams. Prior to that, Gibson spent four years at Salomon Brothers in London, initially as a financial analyst and then as an associate in the Financial Institutions group.

Financial Analysis

For the purposes of financial analysis, we use Europlan's audited US GAAP financial statements, including the combined financial statements of Europlan, Europlan Avto, Basilcom Trading and Kelvin.

Asset quality

Europlan key financials

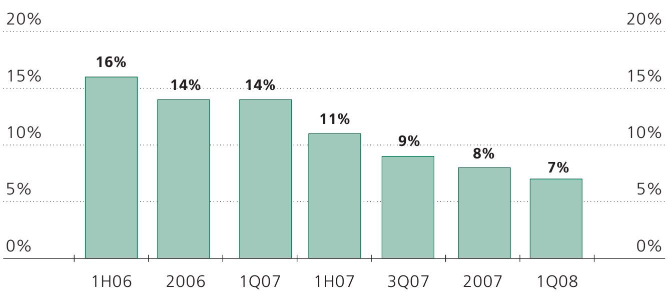


Source: Company

Europlan's business is expanding rapidly, with net leasing investments and gross revenues from financing leases having grown at a 2004-07 CAGR of 92% and 88%, respectively.

Despite rapid growth, the company's asset quality shows no sign of deterioration, and Europlan is committed to maintaining high underwriting standards. Its down payments range from 15% to 30%, which serves as insurance against fraud and is high enough to ensure that assets are typically sold at a profit if the client's credit quality deteriorates. Lease contracts with payments in arrears for more than 30 days have historically fluctuated within 0.5-1.5% of the total net portfolio, while leases with payments overdue for more than 90 days (which are considered a closer benchmark to NPLs) made up 0.2-0.7% and were covered by provisions. Single-name concentration is relatively low as well; the company's top 20 lessees' share of total leases has been steadily declining and stood at 7.5% on March 31.

Europlan share of top 20 lessees



Source: Company

Europlan lease portfolio asset quality

	2006	1Q07	2007	1Q08
Lease payments on schedule or in arrears up to 30 days	98.3%	98.9%	99.5%	98.6%
Lease payments in arrears				
from 30 to 45 days	0.8%	0.3%	0.3%	0.6%
from 45 to 60 days	0.5%	0.1%	0.1%	0.4%
from 60 to 90 days	0.1%	0.0%	0.0%	0.1%
for more than 90 days	0.3%	0.7%	0.2%	0.3%

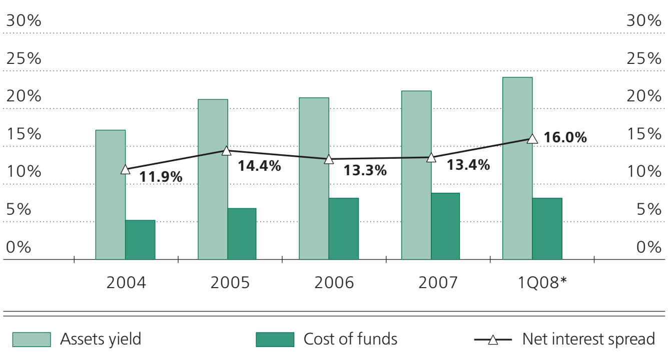
Source: Company

Leased assets remain the property of the lessor until the final lease payment has been made, which makes the assets' liquidity of vital importance. This appears adequate for the auto leasing industry, with its standardized lease vehicles and well-developed infrastructure for the assets (such as registration, insurance and a secondary market).

Profitability

The company's profitability remains fairly high. The annualized NIM in 1Q08 of 16% is significantly higher than the 13.6% posted in 2007 following a lease rate hike of around 200 bps effectively implemented on January 1, 2008. Taking into account the increasingly high demand for leasing sources from Europlan's target customers, as well as the overall tendency to increase interest rates, we believe that the yield on the company's assets in 2008 will continue its upward trend and will likely compensate potential increases in funding costs.

Europlan margins

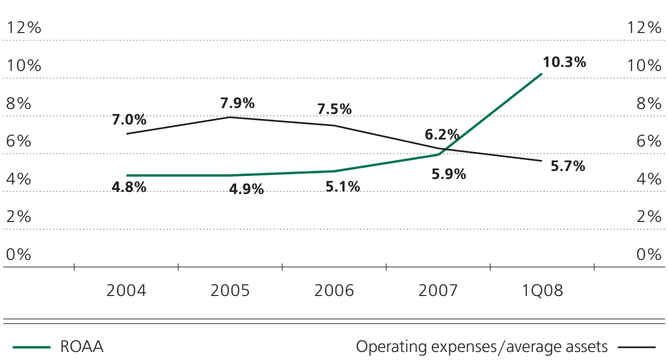


Source: Company

Annualized ROAA and ROAE have grown steadily, reaching a respective 10.3% and 70.9% in 1Q08 due both to higher margins and better operating efficiency. Europlan's operating expenses as a share of average assets have decreased over the last few years, reaching 5.7% in 1Q08 and demonstrating the benefits of economies of scale and the company's success in managing operating expenses, 73% of which are labor costs.

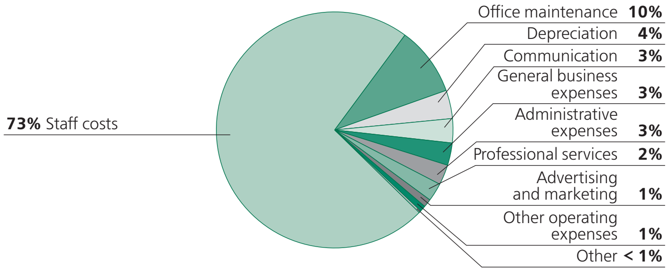
Europlan's dividend policy envisages reinvesting the company's earnings to support capitalization. Moreover, at this stage, we do not exclude the company's shareholders making capital injections to support high asset growth rates and strengthening the company's position in the industry. In June, shareholders increased the company's capital by $30 mln; thus, Europlan's estimated equity exceeded $120 mln on June 30. This policy is likely to continue until the company's controlling shareholders sell their stakes in the company, which we do not expect to happen in the upcoming two to five years, so the company's profitability is likely to remain an important source of internal capital generation.

Europlan bottom-line profitability and operating efficiency



Source: Company

Europlan operating expenses breakdown, 1Q08

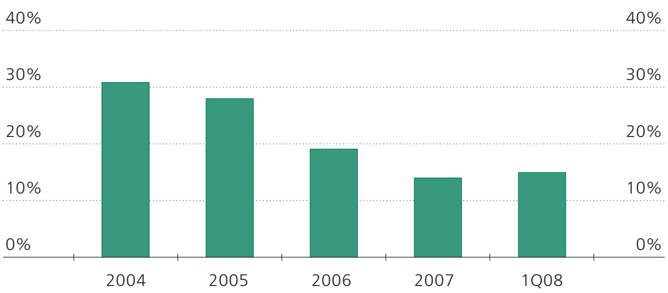


Source: Company

Funding

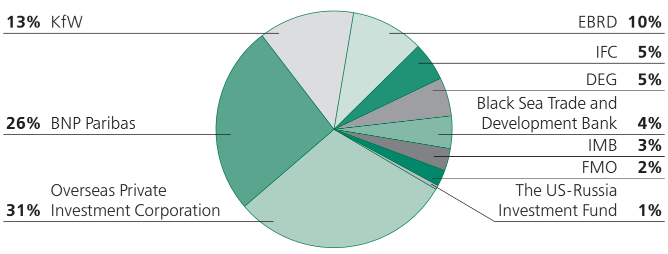
The company's reliance on debt financing has increased over the last three years, though it has remained well below the sector average. As of end 1Q08, equity/assets stood at 14.9% and debt/equity stood at 5.2, well below the company's debt covenant requirements of no more than 8.0.

Europlan equity/assets



Source: Company

Europlan outstanding borrowings, March 31, 2008



Source: Company

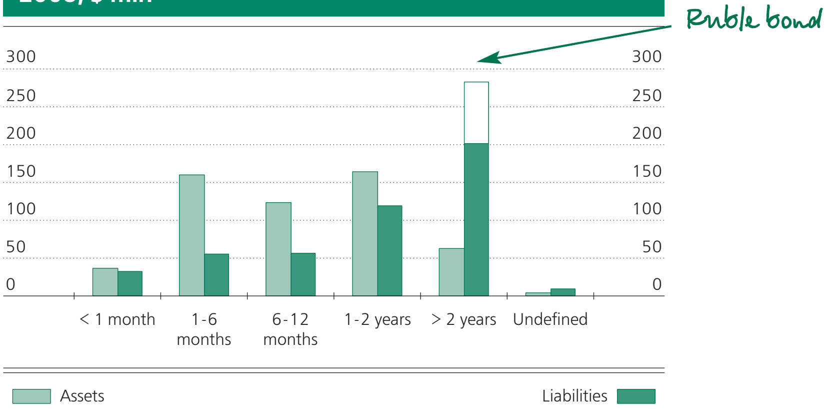
As of March 31, the company's debt portfolio totaled $428.3 mln and was well diversified, 80% denominated in dollars, 15% in euros and the rest in rubles. This matches the company's asset structure well, 50% of which is denominated in dollars, 40% in rubles and 10% in euros. The upcoming placement of ruble-denominated local bonds will further improve the currency match for the ruble portion of Europlan's lease portfolio.

A large portion of the company's debt is secured, which is typical for leasing companies. On March 31, the amount of net investments in direct financing leases represented by collateralized assets was $365.0 mln, or 84% of the total.

The short-term nature of the company's assets guarantees a strong liquidity position

The short-term nature of the company's assets guarantees the preservation of its strong liquidity position. Most of the company's borrowing structures mimic the amortization schedule of its assets, as does the upcoming local bond issue, and the maturities of its assets and liabilities match fairly closely. In addition, at end 1Q08, the company had access to $45 mln in undrawn revolving credit lines with Raiffeisen Bank, Standard Bank and UniCredit Bank, which the company may use to manage short-term liquidity.

Europlan assets and liabilities by tenor as of April 1, 2008, $ mln



Source: Company

Europlan enjoys good relationships with a diversified base of international and local lenders that were most likely formed by preexisting ties with the company's shareholders and that continued last year despite the problems on global capital markets. The company's funding strategy this year will see it place its debut local bond, raise syndicated and bilateral loans and perform its first securitization of lease receivables, which is planned to be launched with warehouse financing this year; this is all subject to market conditions.

Europlan US GAAP financials

Balance sheet, $ mln

	2004	2005	2006	2007	1Q08*
Cash and equivalents	0.6	1.5	1.2	4.1	1.4
Net investment in direct financing leases	31.2	50.7	92.1	203.5	234.4
Equipment purchased for leasing purposes	0.8	0.6	1.3	8.5	11.2
Advances to suppliers	4.3	3.7	14.3	23.4	27.3
VAT, recoverable	3.7	5.5	10.4	25.3	28.2
Other assets	13.2	3.5	5.1	15.9	17.5
Total short-term assets	**53.8**	**65.4**	**124.4**	**280.7**	**320.0**
Net investment in direct financing leases	32.2	46.5	84.8	181.6	201.4
Equipment purchased for leasing purposes	1.6	1.7	–	–	–
VAT, recoverable	2.6	4.6	9.5	21.1	22.4
Property and equipment, net	1.3	1.2	1.5	3.6	4.2
Other assets	1.0	1.0	3.1	2.0	2.4
Total long-term assets	**38.7**	**54.9**	**98.9**	**208.3**	**230.5**
Total assets	**92.5**	**120.3**	**223.4**	**489.0**	**550.4**

	2004	2005	2006	2007	1Q08*
Loans and borrowings	21.8	17.1	25.9	109.7	112.5
Accounts payable	–	5.2	1.4	1.3	–
Advances received	2.5	2.5	5.9	13.7	17.1
Other liabilities	2.5	3.4	6.1	9.8	14.2
Total short-term liabilities	**26.9**	**28.2**	**39.3**	**134.5**	**143.8**
Loans and borrowings	32.3	58.4	140.1	279.4	315.7
Deferred tax liability	–	0.1	1. 6	6.6	9.1
Other liabilities	4.8	–	–	–	–
Total long-term liabilities	**37.2**	**58.5**	**141. 8**	**286.0**	**324.8**
Total liabilities	**64.0**	**86.7**	**181.0**	**420.5**	**468.6**
Paid-in capital	23.8	24.5	25.8	33.3	33.3
Retained earnings	4.6	9.2	16.5	35.2	48.5
Total equity	**28.5**	**33.7**	**42.4**	**68.5**	**81.8**
Total liabilities and equity	**92.5**	**120.3**	**223.4**	**489.0**	**550.4**

* unaudited

Source: Company, Troika Dialog estimates

Income statement, $ mln

	2004	2005	2006	2007	1Q08*
Gross revenues from financing leases	7.9	17.0	29.3	62.7	24.8
Other revenues	1.2	2.2	2.2	8.1	3.9
Total gross revenues (pre-provisions)	**9.1**	**19.2**	**31.5**	**70.9**	**28.8**
Provisions	(0.2)	(0.6)	(0.6)	(2.8)	(0.4)
Total gross revenues (post-provisions)	**8.9**	**18.6**	**30.9**	**68.0**	**28.3**
Operating expenses	(4.7)	(8.4)	(12.9)	(22.2)	(7.3)
Net operating income	**4.2**	**10.2**	**18.0**	**45.9**	**21.0**
Interest income	–	–	0.1	0.1	0.1
Interest expenses	(2.0)	(4.4)	(9.7)	(24.6)	(8.4)
Net forex gain/(loss)	(0.3)	0.2	3.3	6.6	3.6
Pre-tax income	1.9	6.0	11.6	27.9	16.3
Taxes	(0.2)	(0.8)	(2.9)	(6.8)	(2.9)
Net income	**3. 2**	**5.2**	**8.7**	**21.1**	**13.3**

* unaudited

Source: Company, Troika Dialog estimates

Ratios

	2004	2005	2006	2007	1Q08*
PROFITABILITY					
ROAA	4.8%	4.9%	5.1%	5.9%	10.3%
ROAE	14.7%	16.7%	22.9%	38.1%	70.9%
NIM**	12.8%	15.7%	14.3%	13.6%	16.0%
Asset yield	17.2%	21.1%	21.4%	22.3%	24.2%
Cost of funds	5.3%	6.8%	8.0%	8.9%	8.2%
Net interest spread	11.9%	14.4%	13.3%	13.4%	16.0%
ASSET QUALITY					
Provisions/gross revenues from financing leases	2.5%	3.5%	2.1%	4.5%	1.7%
Provisions/net investment in direct financing leases	0.9%	1.2%	1.0%	1.0%	1.0%
EFFICIENCY					
Operating expenses/average assets	7.0%	7.9%	7.5%	6.2%	5.7%
Operating expenses/ Gross revenues from financing leases	59.5%	49.5%	44.1%	35.3%	29.6%
FUNDING					
Debt/equity	1.9	2.2	3.9	5.7	5.2
Equity/assets	30.8%	28.0%	19.0%	14.0%	14.9%

* unaudited

** NIM is calculated as gross revenues from financing leases less interest expense divided by average net investment in direct financing leases

Source: Company, Troika Dialog estimates

SWOT analysis

Strengths
- Strong shareholders and a high-caliber management team
- Solid market positions and a wide distribution network
- Established relationships with local banks and international financial institutions

Weaknesses
- Limited public credit history
- Absence of international credit ratings
- Large portion of assets pledged as collateral

Opportunities
- Developing franchises in new regions
- Product diversification
- Acquisitions on the Russian leasing market

Threats
- Increased competition on the SME leasing market
- Further deterioration of the debt market environment
- Regulatory changes

Valuation

Companies from the leasing industry have a modest presence on the ruble bond market. The volume of leasing companies' aggregate outstanding ruble bonds currently totals R22 bln ($914 mln). This partially explains why the leasing segment of the ruble bond market has traditionally displayed limited liquidity. Also, the relatively low level of transparency of the bulk of the companies in the segment complicates valuation. For comparative purposes, we have selected three companies: VTB Leasing; the Finance Leasing Company (FLC); and RTC Leasing.

Peer group comparison, $ mln

	Europlan		VTB Leasing		FLC		RTC Leasing
	US GAAP		IFRS		IFRS		IFRS
	2006	2007	2006	2007	2006	2007	2006
BALANCE SHEET							
Net investment in leases	176.9	385.1	463.8	1,919.8	80.4	183.6	497.2
Assets	223.4	489.0	778.4	3,458.7	579.6	764.0	3,435.0
Loans and borrowings	166.0	389.1	644.7	3,153.8	154.8	283.4	3,029.3
Equity	42.4	68.5	61.6	146.1	391.3	441.7	221.8
INCOME STATEMENT							
Gross income from leases	29.3	62.7	61.2	239.6	4.8	7.3	84.9
Provisions	(0.6)	(2.8)	(1.1)	(3.6)	n/a	n/a	n/a
Interest expenses	(9.7)	(24.6)	(11.8)	(89.4)	n/a	n/a	(152.7)
Pre-tax income	11.6	27.9	42.3	109.1	9.0	9.6	18.0
Net income	8.7	21.1	31.8	77.9	6.5	n/a	19.7
RATIOS							
ROAA	5.1%	5.9%	6.8%	3.7%	1.4%	n/a	0.7%
ROAE	22.9%	38.1%	72.5%	75.0%	2.5%	n/a	9.7%
NIM	14.3%	13.6%	18.0%	12.6%	n/a	n/a	14.4%
Asset yield	21.4%	22.3%	22.3%	20.1%	4.7%	5.5%	18.0%
Equity/assets	19.0%	14.0%	7.9%	4.2%	67.5%	57.8%	6.5%

Note: RTC Leasing's NIM is calculated for leasing and lending operations.

Source: Company, Troika Dialog estimates

VTB Leasing

Founded in mid-2002, VTB Leasing (BBB+/–/BBB+) is 100% owned by VTB (BBB+/Baa2/BBB+). It is currently the largest leasing company in Russia and was ranked 42nd by Leaseurope in 2006.

Its strong market positions are underpinned by an unrivaled foothold in a number of fields. First, it services state-owned and large-scale private corporations (such as Russian Railways, which with a 64% share in the company's overall lease portfolio as of end 1H07 is its largest client, and LUKoil, MOEK, Sukhoi, Transaero and Tekhnopromexport). Second, it engages in big-ticket and often long-term projects. Third, projects in strategically important industries such as transport and utilities (47% of the company's portfolio is locked up in railway transportation, 10% in utilities, and 8% in aviation equipment) are guaranteed by the company's shareholders' relationships and access to capital markets (VTB loans account for 62% of all bank loans attracted by VTB Leasing). The company also enjoys the diversified corporate client base and a wide branch network of the parent company.

VTB Leasing is one of the few Russian companies that has already started expansion abroad; its Ukrainian subsidiary was contributing around 22% to its consolidated lease portfolio as of end 2007, and the company has already entered Belarus and Armenia.

Bearing in mind the high level of VTB Leasing's integration in VTB group, we believe that the company's credit risk is close to that of its parent.

VTB Leasing's R8 bln domestic bond with duration of 0.4 years trades with a spread of 310 bps over the OFZ curve and a YTP of 8.45%.

Finance Leasing Company

Founded in 1997, the Finance Leasing Company (FLC) (–/Ba2/–) occupies strong market positions on the Russian aircraft leasing market. The state currently holds a 29% stake in the company, the state-owned United Aircraft Construction Corporation (UACC) holds another 51%, and private shareholders own the remainder. The company appears to be heavily involved in the UACC's business. It operates in two leasing segments that are paramount to ensuring the smooth running of the UACC's operations, namely leasing aircraft that it produces to airlines and leasing imported aircraft-building equipment to UACC-controlled plants. The company boasts such clients as Transaero, Dalavia, Sukhoi and KrasAir.

We believe the FLC's credit quality to be fairly high, as the company operates in a strategically important industry where government support is present; and the support has thus far been fairly strong. As a result, the company was very well capitalized at end 2007, with equity/total assets at 58%, though its capitalization is likely to decrease going forward. Government support also comes in the form of subsidies on interest payments.

One of the key risks, in our view, is the decline in the likelihood of state support, since the company's standalone credit profile appears to be significantly weaker. The risk is underpinned by the fact that another UACC aircraft leasing company (Ilyushin Finance) also has strong market positions, and the future relationship between the two companies still remains unclear.

Another concern, in our view, is the liquidity risk. Given that the company's asset nature is long-term, it will need to obtain longer-term funding to finance its operations, while it currently suffers from negative net liquidity gaps. Of its net investments in leases, $124 mln, or 67%, have maturities in more than five years, while only $12 mln (7% of the total) is due within one year. Meanwhile, only 3% of the company's borrowings have maturities in more than five years, and 47% of the debt is short-term.

In addition, as was indicated by Moody's, the FLC's risk management and corporate governance remain challenges that need to be addressed.

An important issue is the residual value risk that the company faces due to the relatively illiquid secondary market for the assets used in the company's leasing operations, as well as its high single-name concentrations; the top five clients are expected to account for 78% of the leasing portfolio in 2008.

The company's profitability has been low; revenues from finance leases as a percentage of the average net lease portfolio stood at just 5.5% in 2007, while ROAA was 1.4% in 2006. The risk of the rising cost of funding and increases in credit costs could significantly threaten the company's standalone ability to service its debt.

At the moment, the FLC has one issue in circulation: a $100 mln CLN with a put option in 2009 and a coupon of 9.25%. The indicative yield for the company's one-year paper is currently around 13.5%, which appears to incorporate an additional yield premium for the issue's low liquidity and is not directly comparable with issues on the local market.

RTC Leasing

RTC Leasing (–/–/–) specializes in leasing telecoms equipment, having been a partner of Svyazinvest since 2002. Among its major clients are Svyasinvest subsidiaries Volga Telecom, Far Eastern Telecom, North Western Telecom, Sibir Telecom, Ural SI, Central Telecom, Southern Telecom and the Moscow City Grid, as well as MegaFon, GlobalTel, Mobicom Kavkaz, RTCom.ru, Central Telegraph, Uralvestcom and Globus Telecom.

The company's focus on its highly concentrated client base appears to be its chief risk, as it may well lose many of its major clients in the wake of the Svyazinvest privatization, which may take place soon. Thus, the company is taking steps to diversify its customer base and services, which we regard as positive.

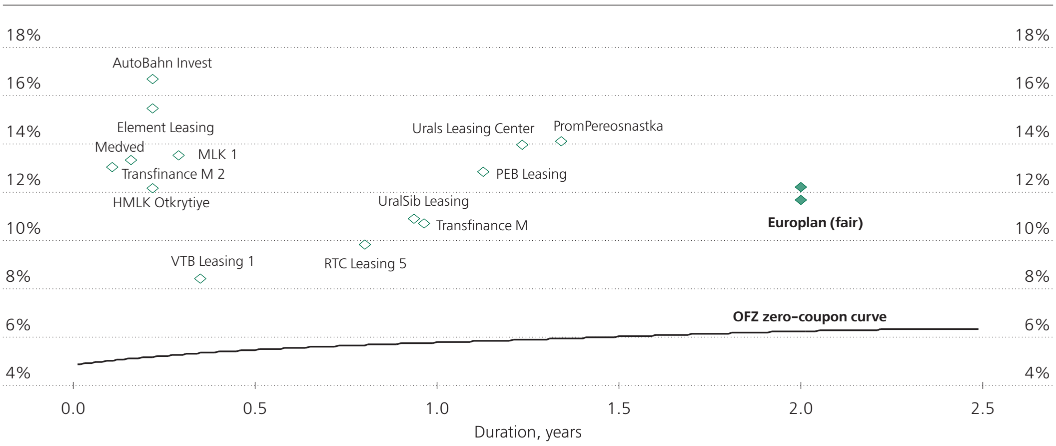
RTC Leasing has a long credit history on the domestic bond market, where it has already placed five issues totaling R7.5 bln. Currently, the company has one ruble bond outstanding (with a duration of 0.8 years), which is trading at 9.8%, corresponding to a spread of 417 bps over the OFZ curve.

Valuation summary

We believe that Europlan's bonds should trade with a yield premium of 150 bps to that of VTB Leasing, which is likely to continue to benefit from its quasi-Sovereign status, and estimate the fair spread of the issuer's instrument at 15 bps below that of bonds from RTC Leasing, which has lower profitability and capitalization indicators than Europlan. It is also our view that an additional yield premium (of around 100-150 bps) will be required in the absence of credit ratings on Europlan, as will a 10-30 bps premium for the longer maturity of the upcoming issue.

Thus, our fair spread estimate for Europlan's issue is 545-595 bps over the OFZs, which is equivalent to a yield to two-year put option of 11.70-12.20%, corresponding to a coupon rate of 11.38-11.85% not taking into account the primary placement premium. Given investors' ongoing cautious attitude toward financial institutions, as well as the worsened situation on the local bond market caused by increasingly frequent technical defaults and the potential additional supply of sizable first-tier issues, we believe it possible that the market might demand an additional placement premium.

Leasing companies' ruble bonds



Source: MICEX, Troika Dialog

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