



RUSSIAN CORPORATE DEBT

JFC: Gazprom among fruit traders

Russia's leading fruit trader JFC is offering the market its new RUB2b bond, which will be initially priced to a 2-year put option. We estimate the fair yield of this bond to be in the range of 9-9.25%.

Our assessment is based on the acknowledgment of significant improvements in JFC's credit quality that have become evident since the company placed its debut paper JFC-1 in September 2003.

- Probably the strongest point of JFC is its management team guided by the company founder Vladimir Kekhman. Since the company establishment, the management has had a crystal clear understanding of the ways JFC should develop, and has had enough will to rigorously implement the company's ambitious plans.
- Corporate transparency aimed at attaining higher investor confidence has always been JFC's first priority: the company reports IFRS results semiannually and is rated B- by S&P.
- Despite strong competition, the company has been able to retain a leading position in the Russian sector of fruit imports and wholesale trade (25% market share in bananas and 10% in overall fruits).
- JFC implemented a high-tech transportation, storage and distribution system designed specifically to bring the fruits as close as possible to potential buyers and to provide the necessary degree of ripening.
- Looking into the future, three main goals JFC is pursuing operationally is (1) to increase the share of own banana production in Ecuador, (2) to increase international fruit sales, and (3) to bring its products as close as possible to Russian organized retail chains not to lose margin on third-party wholesale distributors.
- In 2005 net sales of JFC totaled USD364m, Debt/EBITDA ratio was in 1H2006 at 2.71.
- JFC is operating under a detailed business plan for 2006-2010, according to which the company leverage will be gradually decreasing with a target value 1.3 for the NetDebt/EBITDA ratio in 2010.

Issue parameters

Size – RUB2b, semiannual coupons, term to maturity – 5 years, put option – 2 years at par. Initially JFC-3 will be traded to put option as a straight 2-year bond.

Ratings

JFC is rated **B-/Stable** by S&P. The rating was assigned on 24 October, 2005.

Issuer profile

JFC is one of the major Russian importers of fruits, including bananas, citrus, apples, etc. The key business line of JFC is import of bananas, where the company is a definite leader on the Russian market.

JFC-3 '11	
Sector	Trade
Bloomberg	JFCGR
Placement date	Around 23-26 Oct 2006
Issuer	JFC Group
Issue amount	Rub 2b (~USD 75m)
Coupon	semi-annual
Put option	2 years at 100%
Maturity	5 years
Lead-manager	Uralsib, ABN-Amro
Fair value	YTP 9-9.25%

Key figures of JFC

	2005	1H2006
Reported items (USDm)		
Sales	363.60	196.32
GP	50.70	30.65
EBITDA	36.61	29.97
NI	13.43	16.82
Assets		
Fixed Assets	131.32	134.13
Debt		
ST Debt	9.87	39.74
LT Debt	126.68	122.42
Equity		
Debt	136.55	162.16
Equity	51.81	64.56
Ratios (x)		
Gross Mgn	13.9%	15.6%
EBITDA Mgn	10.1%	15.3%
Net Mgn	3.7%	8.6%
Debt/EBITDA	3.73	2.71
NetDebt/EBITDA	3.50	2.58
EBITDA/Interest	2.75	6.06
Debt/Capital	72.5%	71.5%
Debt/Assets	64.6%	59.5%
ST Debt/Debt	7.2%	24.5%
Current Ratio	1.94	1.32
Quick Ratio	0.78	0.72

Source: JFC

JFC is a leading Russian importer and wholesale trader of bananas and other fruits

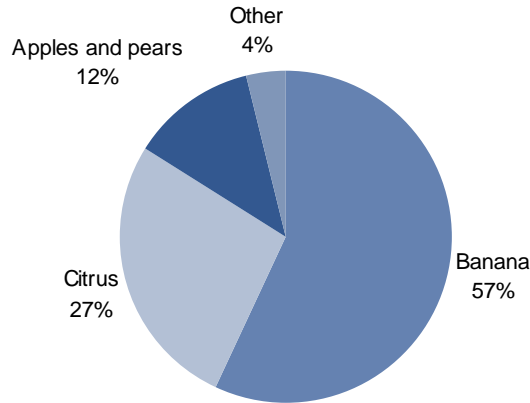


JFC is developing its own brand “Bonanza” expecting to achieve its Russia-wide recognition.

The following chart displays JFC’s revenue breakdown by fruit type.

Bananas make up for about 57% of the company revenue

Figure 1 Breakdown of JFC’s sales by fruit type, 2005



Source: JFC

Ownership structure

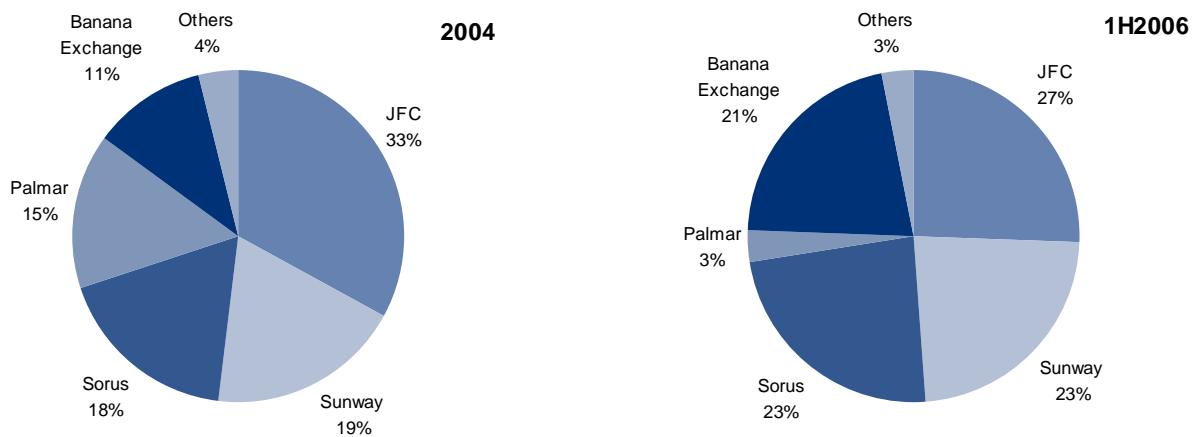
JFC is a closely held company controlled by its founder Vladimir Kekhman (96%), president of JFC group. The remaining 4% stake belongs to the company CFO Yulia Zakharova.

The main beneficiary of JFC is its founder Vladimir Kekhman

Market share

JFC estimates its current market share in the banana market to be about 27% and 10% in the overall fruit market.

Figure 2 Shares of major players in the Russian banana market



Source: JFC

As can be seen from the graph, JFC recently lost its market share to its major competitors, especially to Banana Exchange (BE).

Although generally negative, this fact has a natural explanation: maintaining low margins, companies like Sunway, Sorus and BE were following the leader, naturally trying to increase their market share. At the same time, in 2005-1H2006 JFC was more preoccupied with increasing its efficiency (will be shown below), and therefore lost some growth pace.

Although declining, the share of JFC in Russia’s banana imports is still the largest at 27%, and the company estimates its share in the overall fruit market to be about 10%



Market conditions

After the financial crisis of 1998, the consumption of bananas and other fruits has been steadily growing. Several natural factors account for that:

- Rapid economic growth in Russia
- Population income growth notably outpacing GDP growth
- Fast unfolding of organized retail chains
- A drift in consumer basket from bread and meat to various fruits and vegetables.

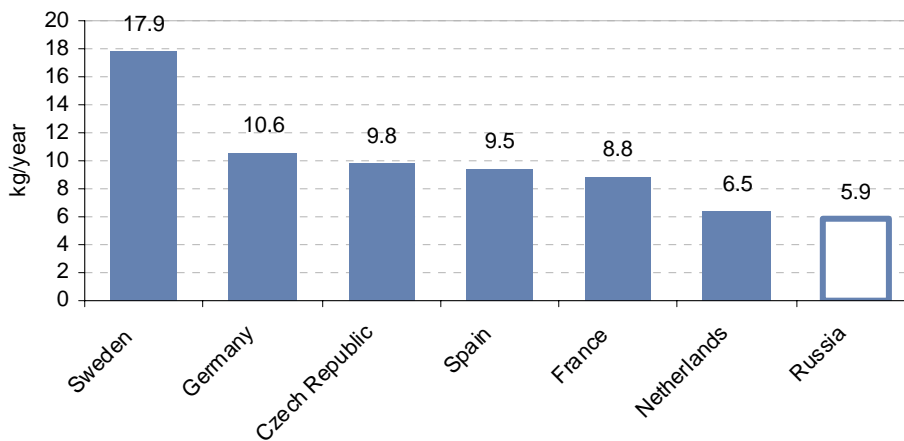
All the above mentioned tendencies are expected to continue into the nearest years.

In spite of the rapid growth, consumption of bananas in Russia is still significantly below that in more developed markets.

Since the 1998 crisis, positive economic conditions have been driving Russian fruit consumption up

Still, per capita consumption of bananas in Russia is lower than in more developed markets

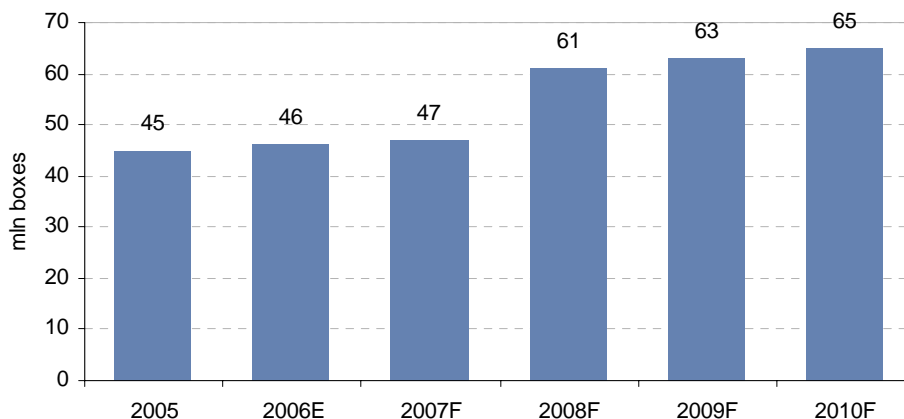
Figure 3 Per capita consumption of bananas in selected countries in 2005



Source: JFC

For the coming years JFC expects to see approximately the following dynamics of banana imports into Russia.

Figure 4 Annual projections of banana imports into Russia



Source: JFC

As can be seen, JFC is forecasting steady growth in banana consumption, with an exception of 2008, when the company anticipates a jump up in

JFC is forecasting steady growth of banana imports for 2006-2010 with a more rapid increase in 2008

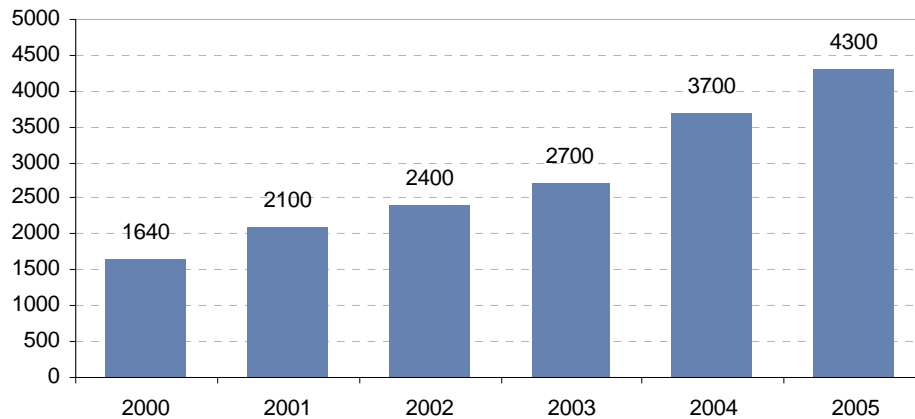


demand based on the expectation of excess spending of government funds, as 2008 is a year of presidential elections.

Dynamics of total imports of fruits into Russia are presented in the following chart.

Fruit imports into Russia demonstrated 5-year CAGR of 21% over 2000-2005

Figure 5 Fruit imports into Russia, '000 ton



Source: WTA

5-year CAGR of the absolute volume of fruit imports into Russia over 2000-2005 was 21%, which pictures this trade segment as very dynamic.

Overall, for the coming years JFC is expected to continue operating in a favorable market environment.

Overall, market conditions are expected to remain healthy in the coming years

Own production of bananas

In 2004-2006 JFC acquired 908 hectares of banana plantations in Ecuador. As a result, 12% of all bananas sold by JFC are produced by the company.

JFC is planning to gradually increase its plantations in order to reach 32% share of own production in 2010.

The main reason for the development of own production is simply that the cost of it is approximately 25% lower than the cost of purchased bananas.

In 2004-2006 JFC started its own production of bananas in Ecuador, which reduces the product cost by 25%

Unique distribution system

JFC is known on the market for having developed a high-tech distribution system for its products, which enables the company to bring its fruits as close to consumers as possible, at the same time providing the necessary degree of ripening.

The main features of JFC's transportation and distribution system include:

- 8 large distribution centers with 10 fruit processing terminals located in StPetersburg, Moscow, Ekaterinburg, Krasnodar, Chelyabinsk, Kazan, Novosibirsk, Nizhny Novgorod;
- Own fleet of ocean vessels (imports from S.America), rail cars and special trucks (imports from Europe);
- Modern IT infrastructure based on SAP solutions.

Currently JFC owns 7 transport ships and intends to buy 2 more in 2006 in order to replace 2 old ones the company plans to sell.

Besides, in 2007-2008 JFC expects to build another distribution center in Moscow, while in 2009-2010 another distribution center will be created in St.Petersburg.

The company created its own high-tech logistics system comprising own marine vessels, 8 distribution centers, 10 fruit processing terminals, warehouses and land transport – all with a goal to bring JFC's fruits closer to consumers, at the same time providing the necessary degree of ripening

Plans of JFC include building two more distribution centers in Moscow and StPetersburg

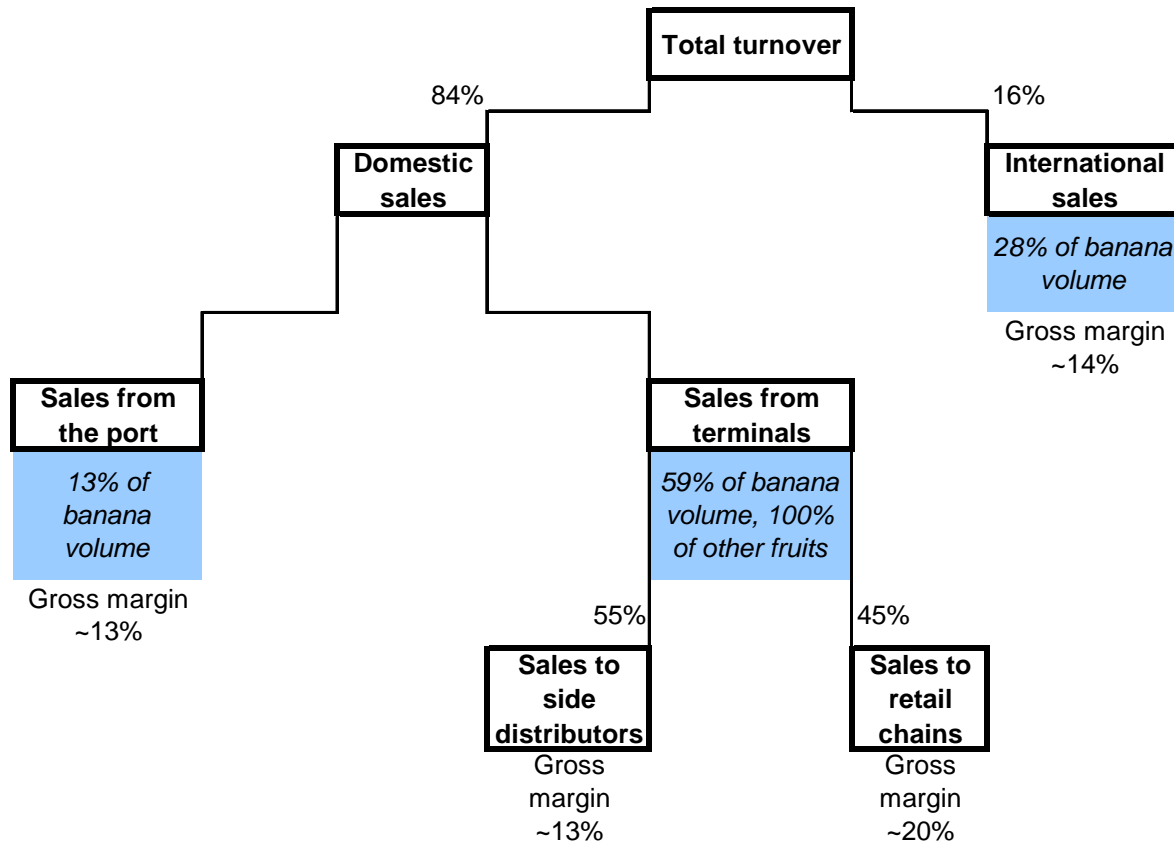


The total area of storage facilities operated by JFC now totals 60000 sq. meters, out of which 26000 sq. meters are owned by the company.

Sales structure

The following figure displays a structural breakdown of JFC's sales.

Figure 6 Channels of JFC's fruit sales



Source: JFC

The high gross margin of sales to organized retail chains (about 20%) makes JFC consider this channel to be the most important one. The company expects to increase the share of sales to retail chains to 65% by 2010.

JFC already has long-term cooperation agreements with the both central and regional chains, such as: Kopeika, Perekrystok, Pyaterochka, Metro, Ramstore, Magnit, Dixi, Sampo, O'Key, Lenta, Auchan, Karussel, Piknik, Monetka, Kupets, Kirovsky, Sibiriada, Kvartal, Avangard, Moll, Eleksner, Marta, Bekhetle-1.

International sales

In 2005 the company started importing bananas into countries other than Russia.

The list of countries JFC operates in comprises: Uzbekistan, Ukraine, Romania, Bulgaria, Montenegro, Poland, Turkey, Algeria. This activity generates about 16% (see Figure 6) of total turnover physically amounting 4.5m boxes.

In the future JFC intends to focus more on direct sales to large retail chains, as they provide the highest margin among all sales channels

Another focus of JFC is international sales. The company plans to expand them in order to find more room for development outside Russia



JFC also considers starting the banana trade in the following countries: Slovenia, Latvia, Georgia, Tunisia, Libya, Syria, Albania, Iran, Iraq, UAE, Kuwait. Realization of these plans is expected to boost international sales up to 7.7m boxes by 2010.

Financials

JFC prepares financials according to IFRS, audited by BDO Unicon NW – one of the leading Russian auditors.

The latest available report is for the 1H2006.

JFC reports IFRS financials audited by BDO Unicon NW

Figure 7 Summary financials of JFC, IFRS

Reported items (USDm)	2004	2005	1H2006	Ratios (x)	2004	2005	1H2006
Sales	346.4	363.6	196.3	Gross Mgn	12.3%	13.9%	15.6%
GP	42.5	50.7	30.7	EBITDA Mgn	6.7%	10.1%	15.3%
EBITDA	23.0	36.6	30.0	EBIT Mgn	5.9%	8.6%	13.0%
EBIT	20.4	31.4	25.5	Net Mgn	2.4%	3.7%	8.6%
NI	8.2	13.4	16.8	Debt/EBITDA	4.39	3.73	2.71
Assets	140.1	211.5	272.6	Debt/EBIT	4.95	4.35	3.19
Fixed Assets	45.4	131.3	134.1	NetDebt/EBITDA	3.77	3.50	2.58
ST Debt	40.1	9.9	39.7	NetDebt/EBIT	4.25	4.08	3.03
LT Debt	61.0	126.7	122.4	EBITDA/Interest	2.4	2.8	6.1
Debt	101.1	136.6	162.2	EBIT/Interest	2.1	2.4	5.1
Equity	29.6	51.8	64.6	Debt/Capital	0.77	0.72	0.72
CFO	7.2	29.1	8.4	Debt/Assets	0.72	0.65	0.59
CFI	-37.6	-79.4	-27.9	ST Debt/Debt	39.7%	7.2%	24.5%
CFF	35.7	44.7	18.8	ROC	9.1%	7.5%	18.0%
CapEx	37.1	91.2	15.2	ROA	5.9%	6.3%	12.3%
Depreciation	2.6	5.3	4.5	ROE	27.7%	25.9%	52.1%
FCFE	-30.4	-50.4	-19.5	Current Ratio	1.33	1.94	1.32
CFO/Debt	0.07	0.21	0.10	Quick Ratio	0.57	0.78	0.72
FCFF/Debt	-0.23	-0.30	-0.20				
CFO/CapEx	0.19	0.32	0.55				

Source: JFC

Assets

Total assets – USD272.6m in July 2006, up 29% from 2005.

Property, plant and equipment accounted for about 50% of the total assets reaching USD134m.

In 2006 JFC ordered an independent appraisal of its PP&E, which was performed by ZAO Rust. The resulting figure was used by JFC in the 1H2006 financials.

The main property objects belonging to JFC are: land sites in Moscow, StPetersburg, Ecuador and other regions, 26000 sq. meters of warehouses, 7 ships, a lot of other transport vehicles, different equipment.

P&L

Sales of USD196.3m in 1H2006 down from USD205.7m in 1H2005.

The reduction of sales in this case is a technical issue due to a change in consolidation principals: after a change in the holding structure completed in

Total assets in 1H2006 amounted to USD272.6m, up 29% from 2005

In 1H2006 JFC ordered an independent appraisal of its PP&E

Sales of JFC totaled USD196m in 1H2006, down 4.5% from 1H2005 for a technical reason



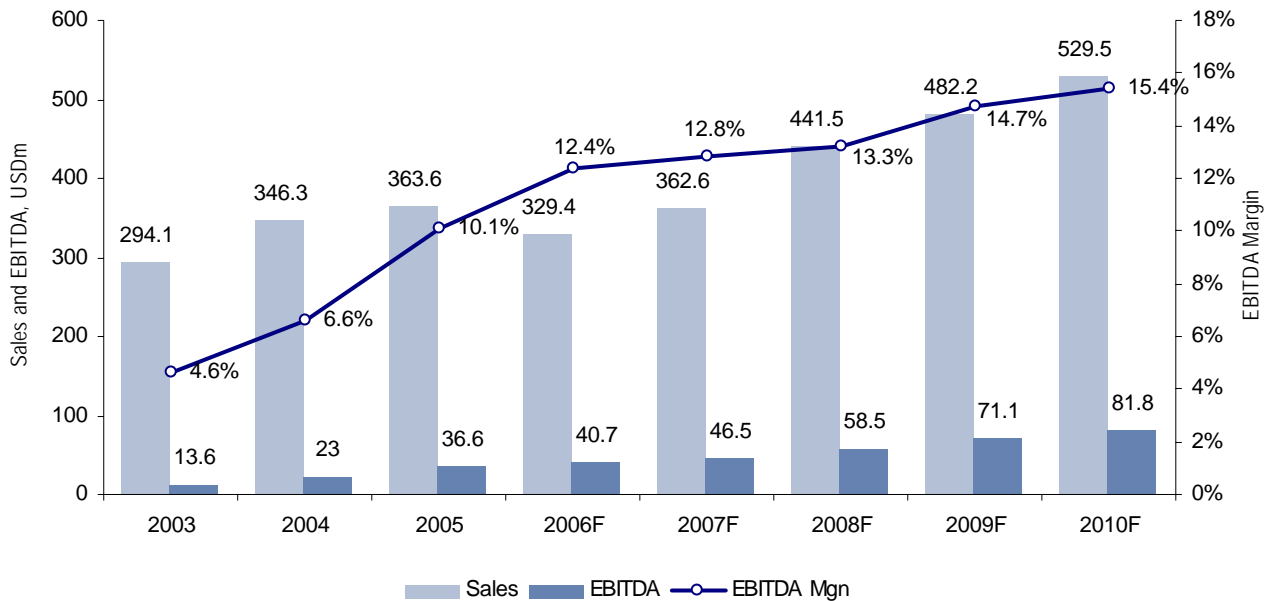
2005, regional distribution companies now enter the holding as subsidiaries (as opposed to separate legal entities previously), so their turnover is now accounted for excluding VAT, while in 1H2005 financials VAT was included.

EBITDA USD30m in 1H2006 compared to USD17.4 in 1H2005. Consequently, EBITDA margin of JFC improved to 15.3% in 1H2005 against 8.5% in 1H2005 and 10.1% for the entire 2005.

The following graph pictures historical dynamics of sales, EBITDA and EBITDA margin of JFC together with company forecasts for the coming years.

EBITDA margin increased to 15.3% compared to 10.1% in 2005

Figure 8 Historical performance of major P&L items



Source: JFC

It can be noted that the EBITDA margin for 1H2006 (15.3%) is significantly higher than the company forecast for 2006 (12.4%), so JFC is currently outperforming its plan.

Such a high EBITDA value in 1H2006 is partly due to significant forex gains (USD4.5m) entering the P&L as "Other operating income".

On the other hand, as can be seen in Figure 7, the gross margin of JFC also notably increased in 1H2006 (15.6% against 13.9% in 2005), so without the forex gains the EBITDA margin would be close to 13% - still much higher than the 2005 figure, indicating that JFC is truly increasing its efficiency.

Bottom line performance of JFC was also quite sound: net margin of 8.6% in 1H2006 compared to 3.7% in 2005.

Debt

Total borrowings in July 2006 – USD162.2m, up 18.7% compared to 2005.

Debt/Assets ratio declined over 1H2006 from 0.65 in December 2005 to 0.59 in July 2006.

Because of the high EBITDA in 1H2006 the Debt/EBITDA ratio of JFC continued decreasing and fell to 2.71 compared to 3.73 in 2005 and 4.39 in 2004.

The declining pattern of company leverage is one of its strongest points at the current stage of development.

The jump in EBITDA margin in 1H2006 is partly due to large forex gains, but without them the margin would still be much higher than the 2005 figure

Debt/EBITDA ratio fell to 2.71 in 1H2006 compared to 3.73% in 2005. Leverage of JFC remains substantial, but not worrying



The loan portfolio of JFC includes both rouble and dollar-denominated loans attracted mostly from foreign banks, including ABN-Amro, Commerzbank, HSBC, Raiffeisen. Among Russian banks, only Sberbank and MIB have outstanding balances with JFC.

The interest rate on rouble loans currently ranges from 9 to 12%, on dollar loans – from 9.75 to 12% fixed rate and from LIBOR+3% to LIBOR+4% floating-rate.

Full breakdown of JFC's loan portfolio can be found in the company financials.

Public track record

Good history on the bond market is another definite plus of JFC compared to its competitors Sunway and Sorus, which are behind JFC in their access to capital markets.

The following table lists all papers previously issued by JFC.

Figure 9 Public debt of JFC

ISIN	Placement	Type	Currency	Amount, mln	Coupon	Maturity/Put	Status
RU0009161418	September 2003	Bond, ser.1	RUB	700	14%	October 2005	Matured
RU000A0DHKX4	December 2004	Bond, ser. 2	RUB	1200	13%	December 2006	Outstanding
XS0231734921	October 2005	LPN	USD	60	9.75%	April 2007	Outstanding

Source: Bloomberg

Purpose of the new issue

The funds from JFC-3 (RUB2b or USD75m) will be used mainly to refinance short-term debt.

Specifically, In December 2006 put option for the RUB1.2b JFC-2 is due, and we strongly believe that the company will be willing to redeem this high-coupon (13%) issue.

Therefore, the new bond will be mainly used to lower the interest expense for the company and is not expected to notably increase the net debt of JFC group.

Liquidity

In July 2006 24.5% of total debt was short-term, which is a quite safe level. On the other hand, in the end of 2005 this percentage was 7.2%, so the current ratio of JFC notably declined over 6 months from 1.94 in December 2005 to 1.32 in July 2006.

The placement of JFC-3 is expected to help improve the liquidity of JFC, as, even priced to put option, the bond will be 2 years in term.

We already mentioned above that the put option on the outstanding bond JFC-2 will be covered with the funds from JFC-3. Besides that, the most problematic point JFC will face in the nearest future is the redemption of the USD60m LPN due April 2007. The company intends to meet this with a syndicated loan attracted from Western banks.

Bottom line: although weaker in 1H2006, the short-term liquidity of JFC appears to be at a sound level and is expected to improve with the issue of the currently marketed bond.

Plans for the future

A very strong point of JFC is the fact that the company completely understands how it is going to develop itself in the foreseeable future. A

The loan portfolio of JFC mainly comprises loans from Western banks, both rouble- and dollar-denominated, both fixed- and floating rate

Funds from JFC-3 will be used to refinance short-term debt, including servicing the put option on the outstanding RUB1.2b JFC-2 bond due December 2006

Liquidity of JFC is quite sound with current ratio of 1.32 and only 24.5% of short-term debt

Redemption of USD60m LPN in April 2007 can be accomplished by attracting a syndicated loan from Western banks



detailed business plan for the years 2006-2010 is present comprising the following major points.

Operational:

- Establishing a country-wide coverage, i.e. presence in all economically important areas of Russia
- Focus on improvement of both “Bonanza” brand and JFC franchise recognition
- Increasing banana imports into Russia by 40% from 11.6m to 16.2m boxes by 2010
- Increasing other fruits import by 18% from 116 thousand to 136 thousand ton over the same period
- Boosting international banana sales by 70% from 4.5m to 7.7m boxes
- Driving the share of retail chain sales up to 65%
- Maintaining the current market share (25% in bananas, more than 10% overall)
- Increasing the share of JFC's own banana production from 12 to 34%
- Building two large distribution centers in Moscow (2007-2008) and StPetersburg (2009-2010).

Financial:

- Reach total revenue of USD530m by 2010
- Reduce the cost of debt financing with a target to decrease interest expense by 30%
- Reduce total debt by 22% by 2010
- Stabilise EBITDA margin at about 15%
- Therefore, gradually reduce NetDebt/EBITDA ratio to 1.3
- Increase equity share from 35 to 62% via profit capitalization
- Become cash-flow positive in 2009.

Capex

In the coming years the company is planning to adhere to the following investment plan.

JFC has worked out a detailed business plan for 2006-2010 implying gradual leverage reduction and reception of positive cash flow by 2009

Figure 10 JFC's Capex schedule, USDm

	2006	2007	2008	2009	2010
Purchase of plantations in Ecuador	3.7		8.4	7.3	14.9
Purchase of two new marine vessels	16				
Sales of two old vessels	-8.7				
Construction of a new distribution centre in Moscow		15	15		
Construction of a new centre in StPetersburg				5	10
Total	11	15	23.4	12.3	24.9

Source: JFC

As can be seen, 2008 and 2010 will be peak years for the company from a capex standpoint, but overall the investment plan of JFC appears to be quite modest totaling about USD90m over the next 5 years.

As an illustration, the net income over 1H2006 (USD16.8m) already surpassed the company capex needs for the entire year.

Investment programme of JFC is relatively modest: net income for 1H2006 already surpassed capex needs for the entire year



Financial forecast

Bringing together capex expectations and forecasts of sales and margins, JFC arrives to the following plan of financial development for the coming years.

Detailed financial forecasts are available for the years 2006-2010

Figure 11 JFC's forecast financials

IFRS	2006	2007	2008	2009	2010
Revenue	329	363	442	482	530
EBITDA	40.7	46.5	58.6	71.1	81.8
Assets	268	294	318	332	352
Equity	95	111	136	172	217
Debt	151	172	177	151	124
CapEx	11	15	23	12	25
EBITDA Margin	12.4%	12.8%	13.3%	14.7%	15.4%
Current ratio	0.6	9.6	13.7	3.5	13.0
STDebt/Debt	89.1%	0.0%	0.0%	19.1%	0.0%
Debt/Capital	61.6%	60.8%	56.5%	46.8%	36.4%
Debt/Assets	56.6%	58.3%	55.7%	45.4%	35.3%
Debt/EBITDA	3.7	3.7	3.0	2.1	1.5
EBITDA/Interest	2.3	2.6	3.3	4.2	5.3

Source: JFC

Our view for the company plan is that it appears viable and even looks quite conservative, at least in the part of total revenue projections.

Market peers

The list of papers that can serve as benchmarks for JFC-3, excluding its own outstanding bond JFC-2, comprises:

- Sunway-1 (fruit importer, direct competitor of JFC), not rated, trading at 10% to put in 8 months;
- Cherkizovo-1 (meat producer and trader), not rated, trading at about 9% to put in 26 months;
- Kopeika-2 (Russian food retailer), rated B-, trading at 9.4% to put in 28 months.

The following table compares financials of JFC with those of its peers.

The closest peers of JFC on the bond market are Sunway, Kopeika and Cherkizovo



Figure 12 JFC versus its peers in 2005

USDm	JFC (IFRS)	Sunway (IFRS)	Kopeyka (IFRS)	Cherkizovo (IFRS)
Revenue	363.60	240.70	574.59	546.18
EBITDA	36.61	15.27	35.05	62.48
Assets	211.50	101.88	322.99	423.81
Equity	51.81	39.25	141.39	77.06
Debt	136.55	44.70	112.46	231.62
EBITDA Margin	10.1%	6.3%	6.1%	11.4%
Current ratio	1.94	0.83	0.43	0.78
STDebt/Debt	7.2%	100.0%	100.0%	39.5%
Debt/Capital	72.5%	53.2%	44.3%	75.0%
Debt/Assets	64.6%	43.9%	34.8%	54.7%
Debt/EBITDA	3.73	2.93	4.28	3.71
EBITDA/Interest	2.75	2.93	3.12	4.02

Source: Companies

JFC compared to Sunway:

- (+) JFC is larger in scale (sales USD364m compared to USD241m of Sunway);
- (+) Current ratio of JFC is significantly larger than that of Sunway - 1.94 against 0.83 – indicating higher liquidity;
- (+) EBITDA margin if JFC is notably stronger – 10.1% against 6.3% of Sunway – implying higher financial flexibility;
- (+) JFC is rated by S&P, while Sunway is not covered by international rating agencies;
- (+) JFC is a market leader – although very close, Sunway is behind;
- (-) Leverage of JFC was higher than that of Sunway in 2005 (Debt/EBITDA 3.73 against 2.93 of Sunway), but in 1H2006 Debt/EBITDA of JFC was already lower at 2.71.

Overall, JFC appears to be stronger than Sunway from a financial standpoint, and its debt should trade at a discount to that of Sunway Group.

JFC compared to Kopeika:

- (+) EBITDA margin of JFC was in 2005 stronger than that of Kopeika (10.1% compared to 6.1%), and in 1H2006 it kept increasing;
- (+) Current ratio of JFC is significantly higher (1.94 against 0.43 of Kopeika);
- (+) Even in 2005 the Debt/EBITDA ratio of JFC was lower (3.73 compared to 4.28 of Kopeika), while in 2006 this difference should be larger;
- (+) JFC operates under an absolutely clear development plan implying gradual leverage reduction, while Kopeika has been recently far from being a leader in its sector, cancelled its planned IPO and delayed the publication of its 1H2006 financials;
- (-) Kopeika is larger in scale: USD575m of sales compared to USD364m of JFC;

JFC appears to be stronger than Sunway due to larger scale, higher liquidity, stronger margins and better transparency



(-) Kopeika operates on the retail market, which is much more dynamic than the heavily monopolized wholesale trade in fruits;

(-) Financials of JFC are audited by a local auditor, while Kopeika has a good history of IFRS reporting audited by a 'big four' auditor.

Overall, JFC appears to be quite close to Kopeika in credit quality, but still looks a bit superior to us due to lower leverage and relative clarity of its prospects.

JFC compared to Cherkizovo:

(+) JFC is rated by S&P, while Cherkizovo is not;

(+) JFC's liquidity is stronger than that of Cherkizovo – current ratio 1.94 against 0.78;

(-) Cherkizovo is larger in scale – USD546m of sales compared to USD364m of JFC;

(-) JFC has notably worse interest coverage with EBITDA: 2.75 against 4.02 of Cherkizovo;

(-) Cherkizovo recently conducted an IPO, which implies higher standards of corporate disclosure and generally higher degree of investor confidence;

Leverage and margins of JFC and Cherkizovo were more or less similar in 2005.

Overall, JFC currently appears to be slightly weaker than Cherkizovo in credit quality, although we cannot rule out that our view could be different if we compared the companies by their 1H2006 financials (them in case of Cherkizovo we do not have).

Bottom line: JFC's debt is expected by us to trade at a discount to the credit of Sunway, at a small discount to the credit of Kopeika, and close to or at a small premium to the credit of Cherkizovo.

Our view for JFC's credit

Positive features:

- Strong management team focused on development of the primary business without any side projects;
- High degree of transparency, JFC is very investor-friendly;
- A rating from S&P;
- Leading market position;
- Detailed business plan for 2006-2010;
- Prospects of leverage reduction, positive free cash-flow in 2009;
- The strongest margins among peers;
- Relatively high short-term liquidity;
- Good track record on the public debt market.

Negative features:

- Relatively high current leverage: Debt/Capital 72% in 2005;
- Financials are audited by a local auditor;
- Loss of banana market share in 2005-1H2006.

Overall, JFC presents itself as a very reliable and predictable borrower, currently having substantial leverage due previous necessity to finance growth and create trading infrastructure, but having a good opportunity to gradually reduce the debt burden, as the established business starts generating considerable cash flow.

Compared to Kopeika. JFC also looks a bit superior due to notably lower leverage and clearer prospects

Cherkizovo looks slightly stronger than JFC by 2005 financials, however if we had 1H2006 report of Cherkizovo, our view could theoretically be the opposite

As a result, JFC should trade at a discount to Sunway, at a small discount to Kopeika and close to or with a small premium to Cherkizovo

From a credit standpoint, JFC presents itself as a reliable and predictable borrower with substantial leverage, but good prospects for its reduction

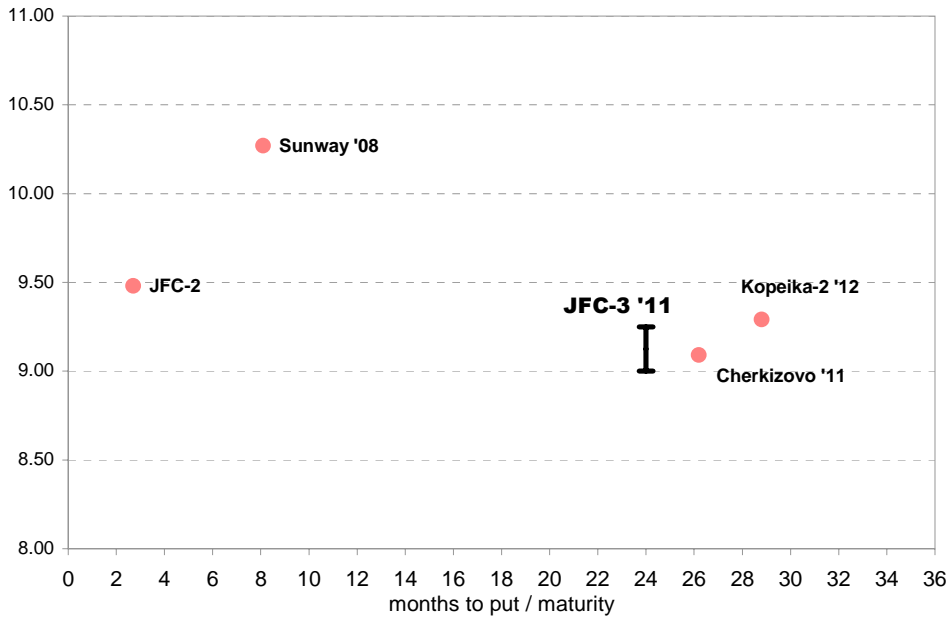


Pricing JFC-3

As already mentioned, the new issue will be priced as a 2-year bond.

The following chart pictures the current market position of the outstanding bond of JFC together with papers of its peers.

Figure 13 Current market picture



Source: MICEX, CBonds

JFC-2, now quoted at about 9.5% for 3 months, is an old, relatively illiquid issue, so its current credit spread cannot serve as a benchmark for the much longer JFC-3.

Just to remind, our financial comparison with peers yielded the following conclusion: JFC-3 should trade at a discount to Sunway, at a small discount to Kopeika-2, while close to or probably with a small premium to Cherkizovo.

Based on the current position of Kopeika-2 and Cherkizovo, we can conclude that **the fair YTP of JFC-3 should be located in the range of 9-9.25%.**

Based on the current position of the bonds of JFC's peers we estimate the fair YTP (2 years) of JFC-3 to be in the range of 9-9.25%



Fixed Income

Head of Fixed Income

Alexander Pugach, apugach@uralsib.ru

Sales

Sergey Shemardov, head of sales, she_sa@uralsib.ru
 Elena Dovgan, sales-manager, dov_en@uralsib.ru
 Anna Karpova, sales-manager, kar_am@uralsib.ru
 Tatiana Arkhipova, sales-manager, tarkhipova@uralsib.ru
 Dmitry Kuznetsov, sales-manager, KuznetsovDE@uralsib.ru

Trade

Andrew Borisov, senior trader, bor_av@uralsib.ru
 Vyacheslav Chalov, trader, chalovVG@uralsib.ru

Research

Dmitry Dudkin, head of research, DudkinDI@uralsib.ru
 Anastassia Zaleskaya, senior analyst, zal_av@uralsib.ru
 Kiti Pantskhava, analyst, PantskhavaKS@uralsib.ru
 Nadezhda Myrsikova, junior analyst, myr_nv@uralsib.ru

Capital Markets

Ilya Zimin, director, zimin@uralsib.ru
 Guzel Timoshkina, director, tim_gg@uralsib.ru

Victor Orekhov, senior associate, ore_vv@nikoil.ru

RESEARCH

Head of Research

Konstantin Chernyshev, che_kb@uralsib.ru

Strategy

Natalia Maiorova, mai_ng@uralsib.ru

Metals & Machinery

Senior analyst: Kirill Chuiko, chu_ks@uralsib.ru
 Dmitry Smolin, smolindv@uralsib.ru

Telecommunications

Konstantin Chernyshev, che_kb@uralsib.ru
 Stanislav Yudin, yud_sa@uralsib.ru

Oil & Gas

Caius R. Rapanu, rap_ca@uralsib.ru
 Alex N. Kormschikov, kor_an@uralsib.ru

Banking

Vladimir Tikhomirov, tih_vi@uralsib.ru

Consumer Goods / Retail, Transportation

Andrei Nikitin, Nikitin_AI@uralsib.ru

Politics & Economics

Vladimir Tikhomirov, tih_vi@uralsib.ru

Editorial & Production

Mark S. Bradford, bra_ms@uralsib.ru

Andrei Pyatigorsky, pya_ae@uralsib.ru

Julia Prokopenko, pro_ja@uralsib.ru

Julia Kruchkova, kru_jo@uralsib.ru

Olga Simkina, sim_oa@uralsib.ru

Internet / Design / Data Specialist

Andrei Bogdanovic, BogdanovicAS@uralsib.ru

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