

Inter RAO: Diversified Business with Currency Hedge

Investment Summary

We initiate coverage of Inter RAO UES, a government-controlled ex-UES affiliate, active in cross-border electricity trading, power generation and distribution. Combination of various power segments and international profile makes the company an interesting hedge asset in current conditions. Our fair price of \$0.00031 per share suggests more than 60% upside to ask price. However, risks that the Russian government will use Inter RAO as a loss-making international policy instrument make us give a HOLD recommendation.

- ✓ Inter RAO accounts for nearly 100% of the Russian electricity export and import market. Cross-border trading currently provides more than 50% of company earnings, thanks to high margins from buying cheap power in Russia and selling it at European prices in Scandinavia (mainly to Finland via the Nord Pool spot market).
- ✓ Inter RAO's trading segment will be helped by ongoing devaluation of the ruble, which further reduces Russian spot market prices in dollar terms. However, substantial margin decline is possible by 2015, if Russian market liberalization drives up domestic prices.
- ✓ Company development plans are focused on the generating segment. Current 6.7MW installed capacity should grow to 7.8GW by 2013. We expect share of generating revenues to increase from current 25% to 40% by 2015 and to be the main cash flow contributor, based on continuing liberalization of the Russian energy market.
- ✓ Declared generating expansion plans are nearly all in Russia. However, it is possible that Inter RAO will also push generating expansion in other CIS countries, and we are worried that profitability will be subordinated to politics in such cases. We assume NPV of probable projects at zero, but there is a risk that they could be value-destructive.
- ✓ Inter RAO's distribution business is in Georgia and Armenia, and we expect it to recess in 2009-2010 due to slower electricity demand and devaluation of CIS currencies, but it should still generate stable positive cash flows in continuity.
- ✓ We valued Inter RAO using DCF and comparative approaches with 75% and 25% weights, respectively. Our weighted fair price is \$0.00031 per share, offering more than 60% upside to ask price. We see company potential as high. But concerns over extra, inefficient capex for foreign projects justifies makes us give a HOLD recommendation.

IRAO **HOLD \$0.00031 ▲82%**

Current market cap, \$m	387
EV, \$m	525
Estimated free-float, %	30%

Common shares

- ticker (RTS)	IRAO
- number, m	2 274 114
- bid-ask range, \$	0.00015-0.00019
- fair price, \$	0.00031
- up/down, %	82%
- previous fair price, \$	n/a

Preferred shares

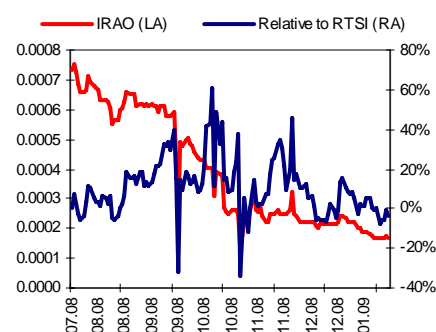
- ticker (RTS)	no
- number, m	0
- bid-ask range, \$	n/a
- fair price, \$	n/a
- up/down, %	n/a
- previous fair price, \$	n/a

Other stock exchanges

LSE	N/L
NYSE	N/L

IFRS, \$m	07	08E	09E	10E
Revenues	1 453	2 207	1 740	1 768
EBITDA	11	276	202	215
- margin, %	1%	13%	12%	12%
Op. income	-32	159	71	87
Net income	-18	77	-29	7
- margin, %	-1%	3%	-2%	0%
EPS, cent	-0.001	0.0034	-0.0013	0.0003

	07	08E	09E	10E
EV/S	0.4	0.2	0.3	0.3
EV/EBITDA	49.4	1.9	2.6	2.4
P/E	neg	5.0	neg	53.8
EV/Trading turnover	14	13	13	13
EV/Capacity	89	78	78	74



Company overview

Inter RAO has a diversified business

Inter RAO UES is an international power company with headquarters in Russia, owning power assets (trading, generation and distribution) in Russia, Northern and Eastern Europe and CIS countries. It is indirectly controlled by the Russian government.

...in cross-border electricity trading,

The company was set up 11 years ago to manage cross-border trading of electricity between Russia and its CIS and Scandinavian neighbors. A portfolio of generating stations and distribution infrastructure was gradually accumulated through in-kind settlement of CIS debts for Russian energy and in the process of UES restructuring.

...power generation,

Inter RAO now accounts for more than 90% of Russia's total power imports and exports, and it also trades power on the Russian domestic spot market. However, it is not treated by regulators as a natural monopoly and therefore is not subject to tariff control. The trading segment currently represents about 60% of company sales and operating profit.

...and distribution in Russia and CIS.

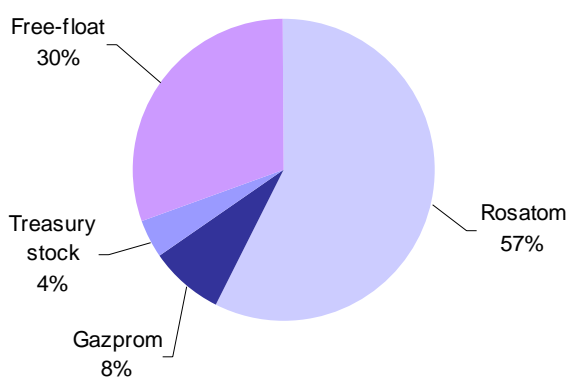
Generation is the fastest growing part of the business. Inter RAO has controlling stakes in nine generating plants all over CIS (Russia, Moldova, Georgia, Armenia, Kazakhstan and Tajikistan) with total installed capacity of 6.7GW, which is a little less than average capacity per OGK. The generating segment now gives nearly 25% of consolidated revenues and incomes, and the share will increase in the future.

Government is the major shareholder, free float is 30%

The distribution segment is represented by two subsidiaries in Georgia and Armenia with large shares of local electricity distribution and retail markets. The segment accounts for about 15% of Inter RAO's operations.

Until 2008, Inter RAO was in 60-40 ownership of UES, the former conventional power monopoly, and Rosatom, the government-owned nuclear power monopoly. The company became public in 2H 2008 after break-up of UES. The reorganization plan and conversion coefficients gave 57% to state controlled Rosatom and 8% to Gazprom, while 4% were bought back for an option program and private placement (2% each) and 30% were distributed among UES minorities.

Shareholders of Inter RAO UES



Source: Company data, RMG estimates

Inter RAO has no mandatory capex, but a large expansion program

Inter RAO has no mandatory investment program, which is a big plus, but, prior to the crisis, it had an ambitious M&A strategy (worth nearly \$8b). The strategy envisaged doubling of generating capacity through purchases and JVs with various partners, mainly in emerging markets, up to 2015. This program is currently being revised and spending in the near future will be cut to match the crisis environment. But this could mean larger capex once the world economy stabilizes.

Trading segment

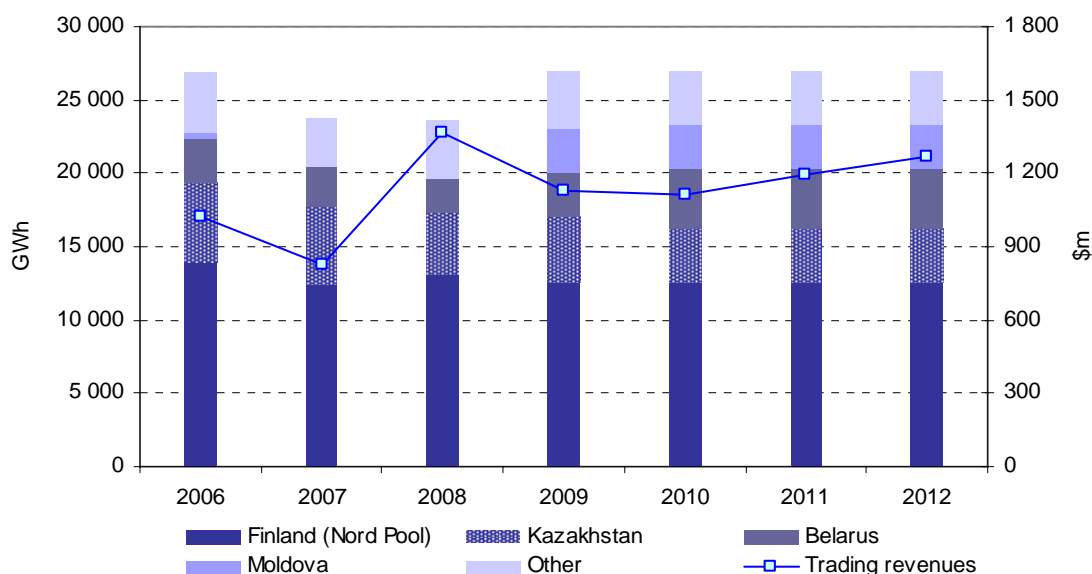
The company's trading business benefits from Russia-Europe arbitrage

Inter RAO has more than 90% of Russian power imports and exports. Its domination is reinforced by government control and should not weaken in the future. But, since Inter RAO is not treated as a monopoly by Russian legislation, its trading business is free of tariff regulation. This gives several opportunities for high profits, as described below.

The trading business is based on mid- and long-term export and import contracts with consumers in Finland (via the Scandinavian electricity spot market, called the Nord Pool), Kazakhstan, Belarus and Moldova. According to its investment strategy, Inter RAO does not intend to significantly expand its trading operations, but current volumes should be maintained. We assume that volumes of cross-border power will be roughly unchanged in continuity after launch of a new long-term contract with Moldova.

Trading revenue grew in 2008, thanks to recovery of the Scandinavian market after shrinkage of prices and volumes in 2007 and thanks to some growth on peripheral markets. We predict almost 20% reduction of trading revenue this year due to expected fall of Nord Pool prices and substantial devaluation of currencies of Inter RAO's CIS trading partners. After 2009 we expect 4.9% trading revenue CAGR, in line with CIS inflation and historical 5.7% CAGR of Nord Pool prices.

Cross-border trading turnover*



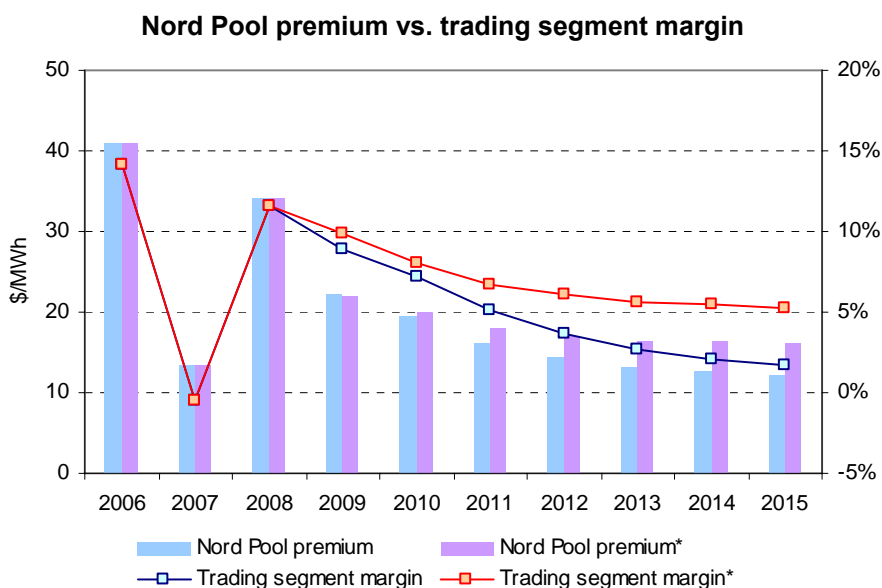
* does not include trading on the Russian domestic spot market
Source: Company data, RMG estimates

The trading business benefits from ruble devaluation, but will suffer from domestic market liberalization

Nord Pool (mainly Finland) now represents about 50% of export-import operations and accounts for more than 30% of total revenues and EBITDA of Inter RAO. Nord Pool dominates the company's trading profit due to the gap between Nord Pool and Russian spot market prices (due to low domestic gas prices in Russia), which gives Inter RAO large arbitrage income.

Recent trading segment results show strong positive correlation between the Nord Pool price premium and overall EBITDA margin from trading. However, ongoing electricity market liberalization in Russia should cause spot prices to double by 2015, narrowing the Nord Pool gap from \$30/MWh to \$12/MWh. Our regression analysis indicates that overall trading margin should consequently decline from 10-15% to 1.5-2%.

Cash flows from trading business are unreliable due to high volatility of electricity spot markets (for example, Nord Pool price drop led to a net loss for Inter RAO in 2007), so expansion of the company's other main business – electricity generating – is a sensible long-term strategy. In the short term, though, the trading business will help to hedge against currency risk: income from generating business is falling as the ruble and CIS currencies fall against the dollar and Euro, while income from Nord Pool is rising as Russian spot prices decline in dollar terms. Our forecast of margin and cash flows from trading is based on R41/\$ exchange rate by end-2009 and thereafter, but trading margin and cash flows could be twice higher in continuity if the ruble sinks to R60/\$ by end-2010. The graph below shows both exchange rate scenarios.



* in case of ruble devaluation to R60/\$ in continuity
Source: Company data, RMG estimates

Generating segment

Inter RAO's generating business consists of nine power plants located in Russia and CIS. In 2H 2008 the company finished full consolidation of four Russian plants and its total installed capacity reached 6.7GW.

Generating assets

	Location	Installed capacity, MW	Electricity production in 2008, m kWh	Main fuel	Interest in asset
CIS assets		4 850	7 953		
Moldova CPP	Moldova	2 520	2 631	gas, coal	100%
Mtkvari CPP	Georgia	600	503	gas	100%
Sevano-Hrazdan HPP series	Armenia	560	577	hydro	100%
Ekibastuz CPP	Kazakhstan	500*	3 100	coal	50%*
Sangtudinskaya HPP	Tajikistan	670	1 142	hydro	75%
Russian assets		1 863	8 142		
Ivanovo CPP	Russia	435	653	gas	100%
Severo-Zapadnaya CPP	Russia	900	4 366	gas	100%
Sochi CPP	Russia	78	434	gas	100%
Kaliningrad CPP	Russia	450	2 689	gas	100%
Total		6 713	16 095		

* total capacity of Ekibastuz CPP is 1000MW
Source: Company data

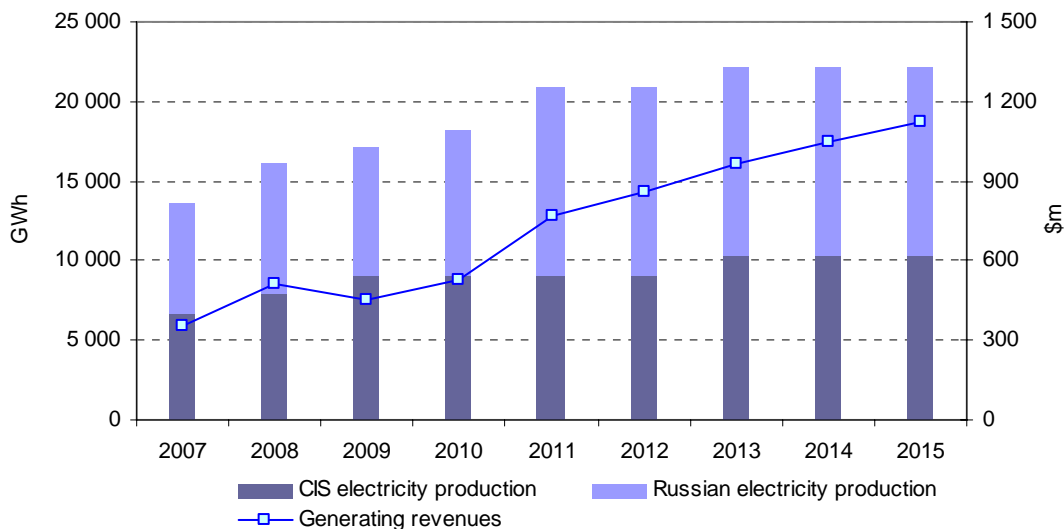
Inter RAO has some of the most efficient generating assets in Russia

Inter RAO's portfolio of generating assets is well diversified by location and fuel type. The company's Russian generating units are the best in the country by fuel efficiency, with 265g/kWh versus 355g/kWh OGK average, giving 25% fuel economy per kWh compared with OGKs and ensuing that the company's power is bought before that of competitors (this is very important in view of expected fall of electricity demand).

We expect production growth by Inter RAO in 2009 following launch of new units at Sangtudinskaya HPP and in 2010-2011 after installation of three new units with about 820MW capacity at Russian stations. Another project, for 50% expansion of Ekibastuz CPP in Kazakhstan (half paid by Inter RAO), is due to start in 2013. We assume that production will be steady from 2013 onwards at 22.2TWh.

We expect generating revenues in Russia to grow in line with forecast development of the average OGK selling price (in dollar terms), which implies 12% decline in 2009 and 19.6% CAGR thereafter (including sales by new units) as Russian energy market liberalization continues. To estimate CIS revenues, we predict average growth of sale prices in line with weighted CPI (dollar terms) of the five CIS countries, where Inter RAO generates power. Our estimates suggest 12.5% fall of these revenues in 2009 and 5% CAGR thereafter.

Generating segment forecast



Source: Company data, RMG estimates

We expect generating earnings to provide up to 85% of total EBITDA by 2015

We expect EBITDA margin from generating to grow from current 10% to 31% by 2012, mainly driven by continuing liberalization of the Russian market. Our forecast assumes constant 10% margin from CIS assets and increase to 35% margin from Russian stations (which account for more than 70% of total generating revenues). The estimates are quite conservative in view of high efficiency of stations. For comparison, we expect EBITDA margin of the most efficient OGK – OGK-4 – to be 34% by 2012.

Generally, we like Inter RAO's strategy of increasing the share of generation in the business, due to higher margins and more stable cash flows (except in times of major exchange rate instability, like the present). We expect the generating share in total EBITDA to grow from current 20% to 85% by 2015.

Distribution segment

Inter RAO owns two leading Caucasian distributors

The distribution business of Inter RAO is represented by two companies, in Georgia (Telasi) and Armenia (Electric Networks of Armenia – ENA). Both companies dominate their local markets and provide steady cash flows to Inter RAO.

Distribution assets

	Location	Estimated electricity output in 2008, m kWh	Share in total revenues (2008)	Interest in asset
Telasi	Georgia	1 772	4%	75%
ENA	Armenia	5 018	11%	67%
Total distribution		6 789	15%	

Source: Company data

We expect distribution income to shrink during the crisis, but still provide stable positive cash flows

We do not expect Inter RAO to enlarge its distribution assets, so the share of distribution revenues and earnings in the business will decline. We forecast growth of electricity distribution volumes by 1.6% CAGR after 2009 based on annual average GDP growth in Georgia and Armenia of 4% and an elasticity coefficient of 0.4.

We forecast sharp devaluation of the Georgian Lari and Armenian Dram in 2009-2010 causing a drop of electricity tariffs and revenues in dollar terms. According to our estimates, devaluation and economic slowdown in the two countries will reduce distribution revenues of Inter RAO by 53% in 2009 and 18% in 2010, followed by 5.4% CAGR growth in line with CPI. We estimate that the share of distribution in total revenues will decline from current 15% to 6% by 2012.

We expect distribution EBITDA margin to stay at the current level of 20%. Inter RAO's distribution subsidiaries expect maintenance capex to be modest, so cash flows should be positive in continuity despite substantial reduction in 2009-2010.

Investment strategy

Inter RAO has a clear strategy for generation growth in Russia

Inter RAO's investment strategy is currently under revision and should be published by the end of February. The previous strategy, which required \$8b capex, was ambitious and included doubling of installed generating capacity by 2015. But spending is sure to be scaled down to match new realities.

Inter RAO has a clear Russian capex program, including construction of about 820MW of new capacity by end-2010: 42MW at Sochi CPP (end-2009), 325MW at Ivanovo CPP (2010) and 450MW at Kaliningrad CPP (end-2010).

We assume that IRR in international projects will not be higher than our estimated discount rate and thus treat them as having zero value. There is no clear information about what international projects might be undertaken: we only took account of planned enlargement of Ekibastuz CPP by 500MW, which will be half financed by Inter RAO.

Capex forecast

	2009E	2010E	2011E	2012E	2013E	2014E	2015E
New capacity, MW	0	367	450	0	250	0	0
Estimated extension capex, \$m	380	279	222	85	91	0	0
Estimated maintenance capex for generating units, \$m	97	95	107	115	127	134	142
Estimated maintenance capex for distribution units, \$m	26	21	22	24	25	26	28
Total capex, \$m	503	394	351	224	243	161	170

Source: Company data, RMG estimates

Acquisition of OGK-1 would be a bad sign We also note that Inter RAO currently manages the government stake in OGK-1 (66%) and may acquire the asset (on the initiative of Inter RAO's controlling shareholder, Rosatom, which is also government owned). Inter RAO's representatives have said that the company is examining possible deal terms and investment attractiveness of OGK-1, but added that the investment does not seem appropriate at present. We tend to think that acquisition of OGK-1 would be negative signal, showing that the major shareholder tends to disregard profitability in favor of Russian government interests.

Valuation

We valued Inter RAO using DCF and comparative approaches with 75% and 25% weights, respectively.

DCF approach

Our DCF model uses revenue and margin forecasts for the three segments based on:

- estimated Nord Pool price and premium over Russian market;
- expectations of steady growth in electricity trading operations and power production by Russian and CIS units (in line with new capacity inputs);
- our forecast for electricity prices in Russia;
- forecast CPI and currency devaluation in Russia (and in CIS countries, based on our Russia forecast).

DCF indicates that the company may start to generate positive cash flows from 2012.

WACC calculation

We estimate discount rate at 13.6% in continuity We took 8.5% risk-free rate, 5% market risk premium, beta of 1.1 and extra risk premium of 1% to reflect risks of trading segment volatility. We calculate cost of equity at 15%.

We estimate cost of debt at 15% in 2009 and 12% thereafter, assuming that the company will be able to borrow abroad through its foreign subsidiaries (e.g. Nordic Oy, a trading branch in Finland). We adjust estimated loan interest to match R/\$ exchange and tax rate forecasts. Resulting figures for cost of debt are 10.2% in 2010 and 9.1% thereafter.

Based on our expectations of increase in the debt-to-equity ratio from current 0.2 to 0.3 in 2011, we calculate WACC at 14.0% for 2010 and 13.6% thereafter.

WACC assumptions

	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Risk-free rate, %	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Market risk premium, %	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Extra risk premium, %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Beta	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity, %	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Cost of debt (after tax), %	16.4%	10.2%	9.2%	9.2%	9.1%	9.1%	9.1%
Debt/(debt+equity)	0.17	0.20	0.23	0.23	0.23	0.23	0.23
WACC	15.2%	14.0%	13.7%	13.7%	13.6%	13.6%	13.6%

Source: RMG estimates

DCF model

	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EBIT*(1-T), \$m	54	66	107	142	152	161	172
DD&A, \$m	130	128	146	157	169	177	186
Capex, \$m	503	394	351	224	243	161	170
Changes in NWC, \$m	-6	-78	-9	-58	-80	-121	10
FCFF, \$m	-313	-122	-89	134	158	299	178
WACC	15.2%	14.0%	13.7%	13.7%	13.6%	13.6%	13.6%
Discount factor, %	1.00	1.14	1.30	1.47	1.67	1.90	2.16
DCFF, \$m	-313	-107	-69	91	94	157	82
Terminal growth rate, %	3.0%						
Terminal value, \$m	795						
Fair EV, \$m	732						
Net debt, \$m	82						
Minority interest, \$m	57						
Fair market cap, \$m	593						
Number of shares, million	2 274 114						
Fair price per share, \$	0.00026						

Source: RMG estimates

Our DCF implies only 37% upside to ask Our DCF model entails fair price of \$0.00026 per share and 37% upside to current ask price.

Comparative approach

We used our financial estimates for each segment in 2009 to calculate EV/S, EV/EBITDA and specific production multiples, enabling a comparative valuation of Inter RAO.

As a benchmark for trading business we used coefficients of the Indian electricity trading company – PTC India – which is the best peer for trading business of Inter RAO, in our view. For generating and distribution segments we took conservative multiples of OGKs and MRSKs, respectively.

Comparative valuation

Trading segment	EV/S	EV/EBITDA	EV/Trading turnover, \$/MWh
PTC India	0.2	9.7	27
Fair EV, \$m	229	975	1 069
Weight	25%	50%	25%
Trading segment fair EV, \$m		812	
Generation segment	EV/S	EV/EBITDA	EV/Capacity, \$/kW
OGK median	0.3	3.8	66
Fair EV, \$m	140	267	441
Weight	25%	50%	25%
Generation segment fair EV, \$m		279	
Distribution segment	EV/S	EV/EBITDA	EV/Lines, \$/km
MRSK median	0.4	1.7	1 842
Fair EV, \$m	58	52	65
Weight	25%	50%	25%
Distribution segment EV, \$m		57	
Total fair comparative EV, \$m		1 147	
Net debt, \$m		82	
Minority interest, \$m		57	
Comparative fair market cap, \$m		1 009	
Number of shares, million		2 274 114	
Target price, \$		0.00044	

Source: Company data, Bloomberg, RMG estimates

Comparative analysis shows big potential Our comparative approach gives fair price of \$0.00044 per share, which is 2.3 times higher than current ask price, despite quite conservative valuation of the generation and distribution segments.

Final fair price and recommendation

Weighted fair price offers strong upside... Our final fair price for Inter RAO is \$0.00031 per share, using 75% and 25% weights for DCF and comparative approaches, respectively. Upside potential to ask price is more than 60%.

Generally, we see the stock as interesting in view of high business diversification and low currency risks. We also note an adequate liquidity levels after completion of corporate reorganization and placement of a new issue in July, 2008. The company has \$420m of cash compared with \$502m of borrowings (\$373m is short-term) and no mandatory capex program contrary to OGKs.

„,but we give HOLD recommendation rating due to capex risks However, our valuation does not include possible international projects and M&A, which would be mainly in CIS countries. Details of such projects have not been made public, but they could well be loss-making, and this makes us limit our recommendation for the stock to HOLD.

Appendix 1. Inter RAO financial forecast

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Revenues, \$m	1 453	2 207	1 740	1 768	2 093	2 270	2 466	2 631	2 795
- trading segment, \$m	823	1 362	1 132	1 115	1 193	1 271	1 350	1 427	1 506
- generation segment, \$m	356	515	453	526	766	856	966	1 046	1 123
- distribution segment, \$m	273	329	155	127	134	143	150	158	166
Operating costs, \$m	1 486	2 048	1 669	1 681	1 952	2 083	2 266	2 419	2 570
Operating income, \$m	-32	159	71	87	141	187	200	212	226
- operating margin, %	-2%	7%	4%	5%	7%	8%	8%	8%	8%
EBITDA, \$m	11	276	202	215	287	344	369	389	411
- EBITDA margin, %	1%	13%	12%	12%	14%	15%	15%	15%	15%
Net income, \$m	-18	77	-29	7	41	69	77	85	94
- net margin, %	-1%	3%	-2%	0%	2%	3%	3%	3%	3%

Source: Company data, RMG estimates

Appendix 2. Inter RAO balance sheet forecast

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current assets, \$m	401	1 199	699	608	651	729	836	1 072	1 227
- cash and near-cash, \$m	79	420	50	19	15	97	199	439	553
- accounts receivable, \$m	272	715	580	520	551	541	536	526	559
- inventory, \$m	46	59	64	65	80	87	96	103	109
- other, \$m	5	5	5	5	5	5	5	5	5
Non-current assets, \$m	794	2 259	2 625	2 912	3 122	3 180	3 236	3 192	3 139
- PP&E, \$m	571	1 666	2 169	2 564	2 915	3 139	3 381	3 542	3 712
- other, \$m	284	812	805	826	830	822	804	776	739
TOTAL ASSETS, \$m	1 195	3 458	3 324	3 521	3 773	3 910	4 072	4 264	4 366
ST liabilities, \$m	661	688	192	212	267	321	406	524	554
- accounts payable, \$m	160	275	152	172	227	281	366	484	514
- ST debt, \$m	462	373	0	0	0	0	0	0	0
- other, \$m	38	40	40	40	40	40	40	40	40
LT liabilities, \$m	84	147	527	665	810	829	847	864	880
- LT debt, \$m	44	129	510	647	792	811	829	846	862
- other, \$m	39	18	18	18	18	18	18	18	18
Equity, \$m	384	2 566	2 548	2 588	2 640	2 703	2 763	2 820	2 875
Minority interest, \$m	67	57	57	57	57	57	57	57	57
EQUITY & LIABILITIES, \$m	1 195	3 458	3 324	3 521	3 773	3 910	4 072	4 264	4 366
Net working capital, \$m	124	498	492	414	404	346	266	145	155
Changes in NWC, \$m	60	375	-6	-78	-9	-58	-80	-121	10

Source: Company data, RMG estimates

Appendix 3. Turnover, liquidity, debt and profitability ratios

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Accounts receivable turnover	5.6	4.5	3.0	3.4	3.8	4.2	4.6	5.0	5.0
Inventory turnover	36.3	35.0	26.3	25.8	24.2	24.0	23.7	23.6	23.5
Accounts payable turnover	8.9	9.4	11.0	9.8	8.6	7.4	6.2	5.0	5.0
Current ratio	0.6	1.7	3.6	2.9	2.4	2.3	2.1	2.0	2.2
Quick ratio	0.5	1.7	3.3	2.6	2.1	2.0	1.8	1.9	2.0
Net debt/EBITDA	40.2	0.3	2.3	2.9	2.7	2.1	1.7	1.0	0.8
Times interest earned	-1.0	2.3	0.7	1.1	1.6	1.9	2.0	2.1	2.2
Operating cash flow ratio	-0.6	-0.4	0.4	0.7	0.7	1.6	1.7	2.9	2.0
ROA	-2%	2%	-1%	0%	1%	2%	2%	2%	2%
ROE	-5%	3%	-1%	0%	2%	3%	3%	3%	3%
ROIC	-3%	4%	2%	2%	3%	4%	4%	4%	5%
CROCI	3%	11%	8%	8%	11%	13%	13%	14%	14%

Source: Company data, RMG estimates

Appendix 4. Sensitivity analysis (share price in \$)

Terminal growth rate, %	Discount rate (WACC), %				
	11.0%	12.0%	13.6%	15.0%	20.0%
2.0%	0.00036	0.00033	0.00028	0.00025	0.00019
2.5%	0.00038	0.00034	0.00029	0.00026	0.00019
3.0%	0.00040	0.00036	0.00031	0.00027	0.00020
3.5%	0.00043	0.00038	0.00032	0.00028	0.00020
4.0%	0.00046	0.00040	0.00034	0.00030	0.00021

Source: RMG estimates

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