

02 September 2011

Changes to UX Index

Ukrnafta's weight reduced; Kryukiv Wagon in, Zakhidenergo out

Event: UX index committee finalizes quarterly review

This morning the Ukrainian Exchange announced its index committee completed its quarterly review of the index basket. Changes will be effective September 16. For the full list of changes, see page 2.

- Ukrnafta's** free-float coefficient decreased to 0.5%, implying a cut in its weight in the index basket to 5.7% (vs. 17.1% as of close on August 31), which will drastically reduce the impact of Ukrnafta on the index. The UX rose 50% from Nov. 2010 to Feb. 2011, largely due to Ukrnafta's performance: 2.6x. We attribute the Ukrnafta rally to majority shareholder Privat aggressively buying up shares; quorum at the company's last AGM on February 25 implied Privat increased its stake from 42% to 45%. Following its shopping spree, Ukrnafta's price dropped fell 26% from a late March peak to UAH 865 per share at close yesterday (vs. UX's -40% in same period).
- Kryukiv Wagon** will be added to the index basket, with a 6.5% weight (on September 1 rebased). The company's average daily turnover was UAH 455 mln in 1Q11, UAH 620 mln in 2Q11 and was UAH 407 mln over the last two months. We expect only limited improvement in liquidity due to index fund purchases following inclusion in the UX basket.
- Zakhidenergo**, a longtime component of both the UX and PFTS indices, will be removed from the UX index. Its liquidity has decreased sharply since DTEK began buying up most of its free float in 2010 (increasing its stake from 12% to 25% in 2011). Average daily turnover decreased from UAH 825 mln in 2010 to UAH 465 mln in 2011, and was just UAH 84 mln in August.

Next Review: Nov. 30-Dec. 1

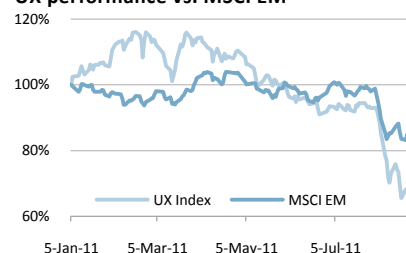
The next review of the UX index is scheduled for November 30 - December 1. Candidates for inclusion are Luhanskteplovoy (LTPL), Bogdan Motors (LUAZ), Poltava Iron Ore (PGOK), Central Iron Ore (SGOK) and Shakhtoupravlenie Pokrovskoye Mine (SHCHZ). The most liquid of this bunch is Central Iron Ore and Luhanskteplovoy, with respective ADT for last 3 months of UAH 339 mln and UAH 174 mln.

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UX Index (close 01 Sept)	1,713.39
1-week performance	6.7%
1-month performance	-26.1%
52-week performance	-14.1%
ADT, 12M, USD mln	22.1

UX performance vs. MSCI EM

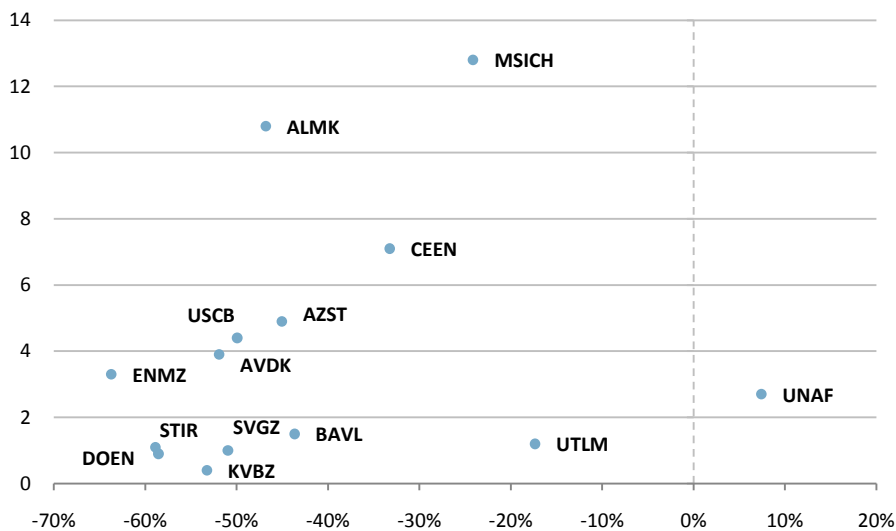


Source: Bloomberg, UX

UX index changes following the Sept. 1 review

Ticker	Rec.	MCap, UAH mln	ADT (for last 3M), UAH mln	YTD, %	Previous weight (on 1 Sept), %	New weight (rebalanced on 1 Sept), %
CEEN	BUY	3,723	7.1	-33%	15.5	15.0
MSICH	BUY	4,761	12.8	-24%	15.5	15.0
UTLM	BUY	8,558	1.2	-17%	15.0	15.0
AZST	U/R	7,021	4.9	-45%	7.0	9.2
BAVL	U/R	6,721	1.5	-44%	6.8	7.7
KVBZ	BUY	1,978	0.4	-53%	--	6.5
UNAF	SELL	34,706	2.7	+7%	17.1	5.7
USCB	U/R	3,593	4.4	-50%	3.6	5.3
ALMK	N/R	3,240	10.8	-47%	3.3	4.3
AVDK	BUY	1,407	3.9	-52%	3.2	3.7
DOEN	BUY	716	0.9	-59%	2.5	3.3
STIR	U/R	925	1.1	-59%	2.1	2.7
SVGZ	BUY	1,048	1.0	-51%	2.1	2.8
ENMZ	N/R	724	3.3	-64%	1.6	2.1
YASK	N/R	Trading suspended		--	1.3	1.7
ZAEN	SELL	3,428	0.2	-42%	3.4	--

Source: UX, Concorde Capital

UX basket (new): YTD performance (%) vs. liquidity (UAH mln)


Note: Excluding YASK

Source: UX, Concorde Capital

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