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Ukrainian Equity Market



Stock Cherry-Picking 2010

March 2010

Our top picks

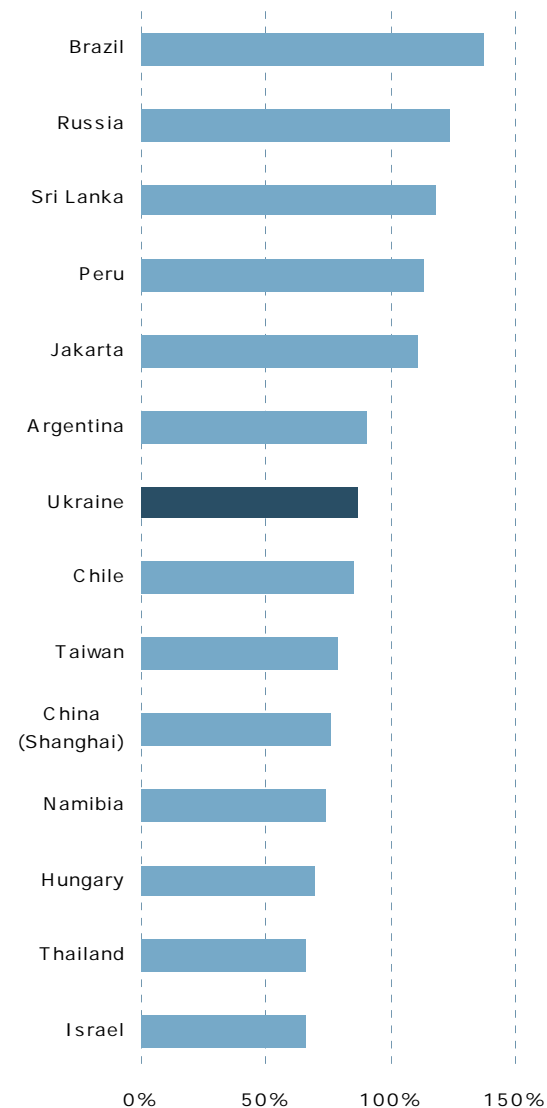
Top picks summary

		Sector	MCap	FF	Target price	Upside
			USD mln	USD mln	USD	
Azovstal	AZST	Metals & Mining	1976	86.0	0.65	38%
Alchevsk Steel	ALKZ	Metals & Mining	696	27.8	0.038	41%
Enakievo Steel	ENMZ	Metals & Mining	285	25.6	40	48%
Druzhkivka Machinery	DRMZ	Machinery	64	7.7	0.60	94%
Nasosenergomash	SNEM	Machinery	19	3.2	1.5	144%
Dniproenergo	DNEN	Electricity	672	16.8	306	172%
Zakhidenergo	ZAEN	Electricity	618	61.8	65.0	35%
Centrenergo	CEEN	Electricity	569	123.4	2.40	56%
Donbasenergo	DOEN	Electricity	222	31.5	19.7	110%
Raiffeisen Bank Aval	BAVL	Banking	1021	38.8	0.06	42%
Ukrasotsbank	USCB	Banking	654	29.4	0.076	48%
Forum Bank	FORM	Banking	237	25.4	1.44	37%
Sintal	SNPS GR	Agriculture	109	39.5	6.03	83%
Nord Star Pharmashare	4SI1 GR	Pharmaceuticals	167	11.7	5.4	80%

Note: Data as of March 3, 2010
 Source: Concorde Capital, PFTS, UX, Bloomberg



Top performing markets, 2009



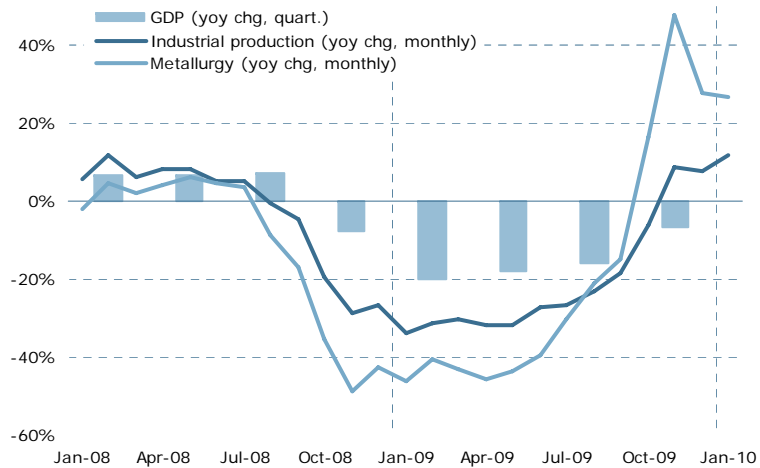
Source: Bloomberg

Macro: Thawing out

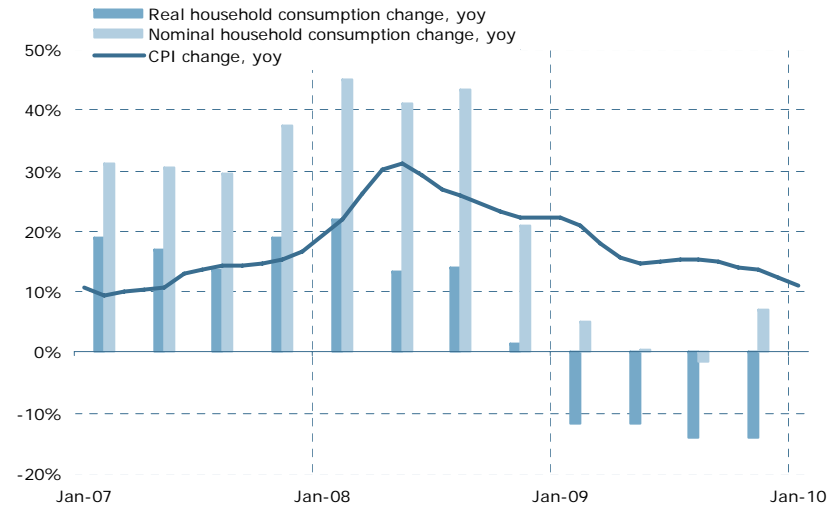
Economic dynamics recover while inflation eases



Real growth is returning thanks to metallurgy



Inflation is slowing on the back of weak domestic demand

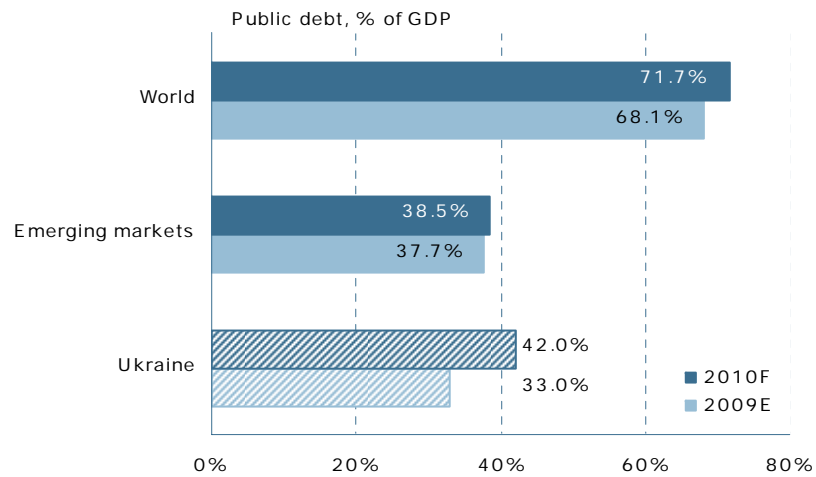


Source: State Statistics Committee of Ukraine

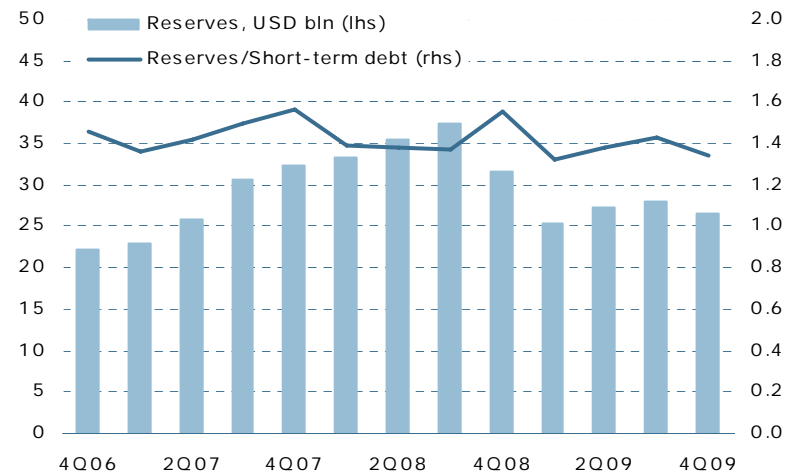
Public debt and total external debt are in check



Public debt size is at manageable 42% of GDP in 2010F



NBU has enough reserves to cover short-term external debt

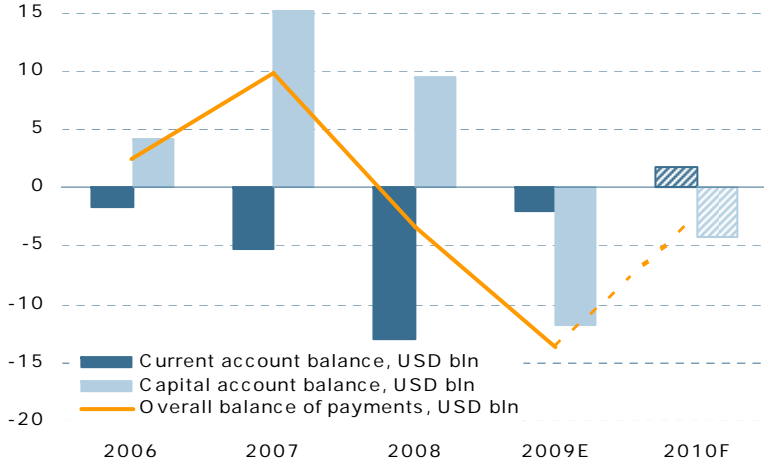


Source: State Statistics Committee of Ukraine, National Bank of Ukraine, IMF, Concorde Capital estimates

USD/UAH stable as BoP improves



Current account expected to turn positive in 2010



USD/UAH is stable at 8-8.1 since November



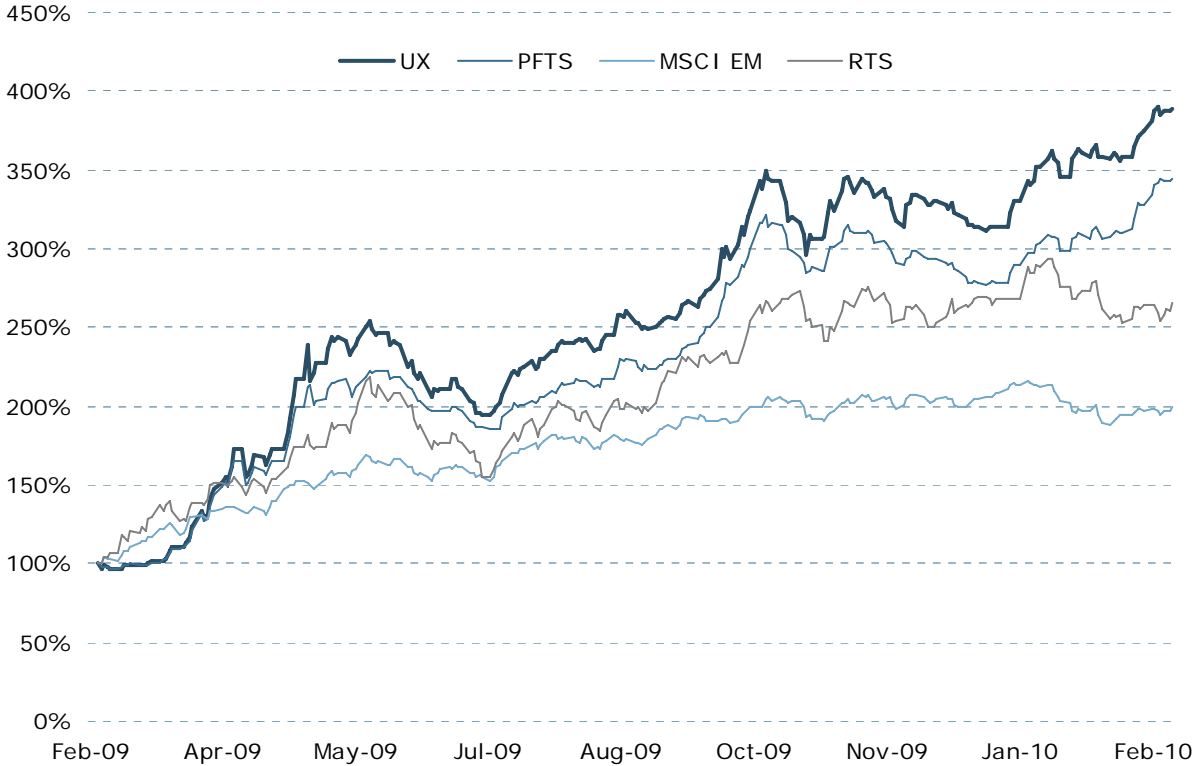
Source: National Bank of Ukraine, UkrDealing, Concorde Capital estimates

**Equities:
Look to second tier**

UX index nearly quadruples in the last 12 months



UX vs PFTS, RTS and MSCI EM, 12 month performance

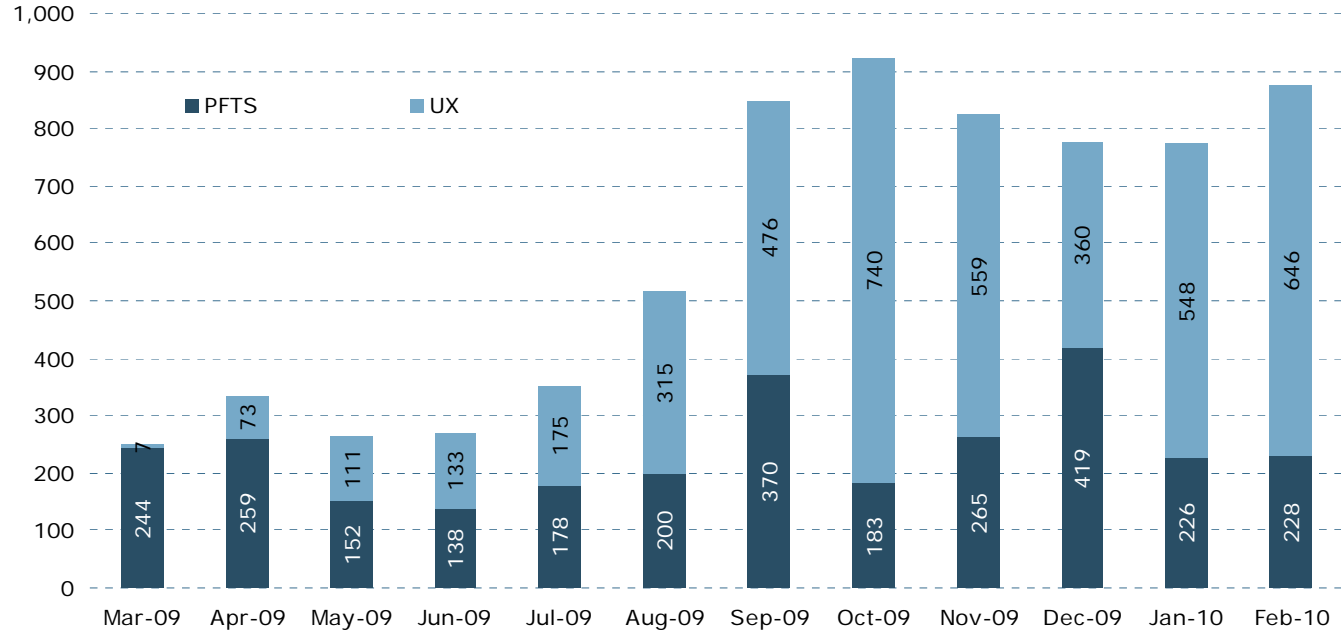


Source: Bloomberg, Ukrainian Exchange

Local liquidity on the rise



Trading volume on local stock exchanges, UAH mln

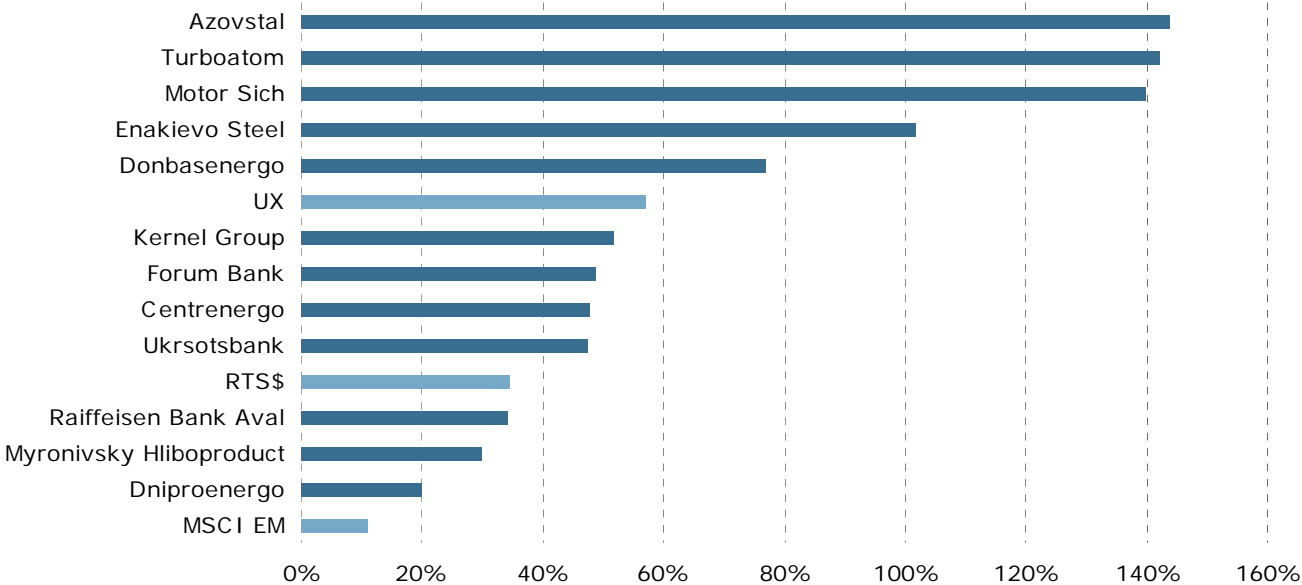


Note: Trades over UAH 100 mln on the PFTS are considered technical and excluded from calculations
 Source: PFTS, UX, Concorde Capital calculations

Our previous top-picks delivered



Performance of Concorde Capital's last top-picks



* Performance measured starting from September 7, 2009 to date, when our strategy report "Ukrainian Equity Market - Stock Cherry-Picking" was issued

Source: Bloomberg, Concorde Capital

Sector barometer 2010



Machinery	outperform	<p>Depends on external demand, mainly from Russia, with whom relations should improve. Railway machinery has been recovering at the fastest rate: traded railcar makers beat their 2005-2008 monthly average output in December and we forecast will increase production at 21% CAGR in 2010-2015.</p>	Consumer, retail	under-perform	<p>Recovery in domestic demand expected to be slow and deleveraging painful. Fundamentally these sectors will see only a marginal improvement in 2010. Respective stocks (illiquid small caps en masse) are set to underperform in the current year.</p>
Agriculture	market perform	<p>We expect strong operating and financial results. Depends on bank loan availability, global commodity prices. Soon cancellation of the moratorium on agri land sale not likely. Less liquid stocks in the sector expected to outperform in 2010. Liquid names have already eaten up most of their upside.</p>	Oil & Gas	market perform	<p>We note the government's traditionally high attention to the sector. Specific cases carry higher sensitivity: Cadogan Petroleum (license dispute) and Ukrnafta (wrestling for control between the government and Privat group).</p>
Metals & Mining	market perform	<p>We expect domestic steel & iron ore output to grow 15% and 10-14%, respectively in 2010. Prices should increase 20-25%. We prefer iron ore due to strong financials and high margins, and then liquid names in steel.</p>	Real Estate	outperform	<p>Fundamentals remain weak. Stagnation in construction continues; property prices for all segments will stay low. Demand depressed due to lack of mortgage lending and bank loans, slow pace of economic recovery. That said, selected stocks, most badly hit by the investor stampede, are likely to outperform closer to yearend in the anticipation of recovery. Time entry carefully.</p>
Utilities	outperform	<p>GenCos' margins will benefit from expected 15-20% wholesale electricity price growth. GenCos privatization likely this year - a price trigger. Privatization of Oblenergo stakes should resume. GenCos are set to outperform in 2010; Oblenergos will stay largely illiquid.</p>	Banks	market perform	<p>Depends on rate of recovery in the real economy and the regulatory environment (i.e. FX lending restrictions, tight monetary policy). Banks still have high share of NPLs (20-25%) and lack cheap, long funding sources.</p>

Our recommendations for stock-picking



- **Stay with liquid names in *steel, energy and banking***

We expect them to grow with the market by 50-60% in 2010, following 90% market growth in 2009 (vs. Russia's RTS growth of 131%)

- **To beat the market, look to less liquid plays**

We recommend second tier *machinery, agriculture, pharmaceuticals*
Selected names in *real estate* worth a look, but time entry carefully

- **Keep cash and debt in check**

Low Debt/Equity, Debt/EBITDA ratios; profitability; parent backup

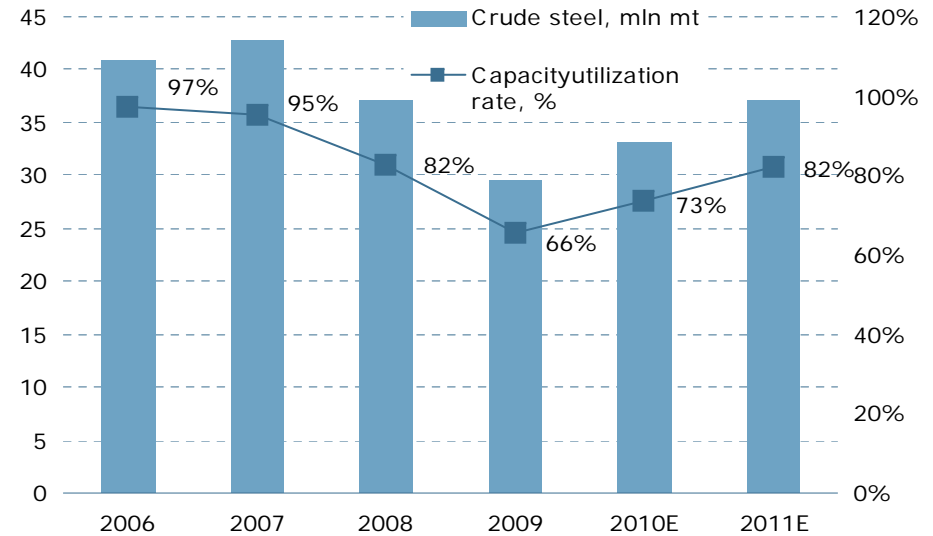
**Steel:
Stick with blue chips**

Steel: Recovery started



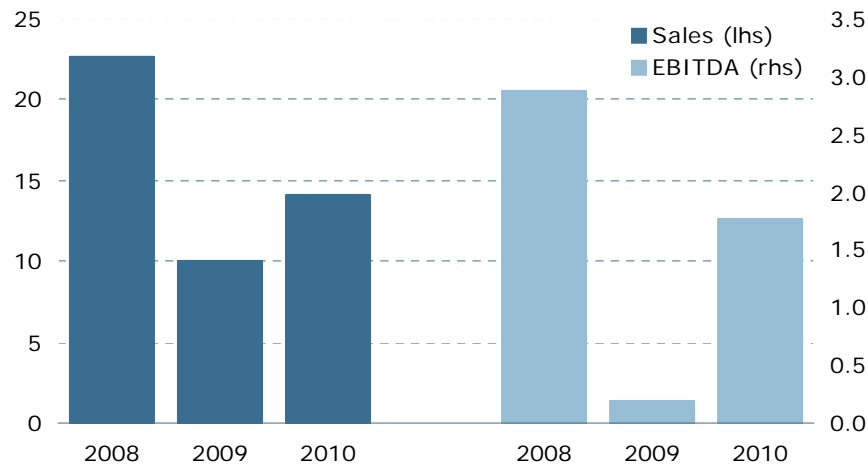
- In 2M10 Ukrainian steelmakers increased output 14.3% yoy to 5.0 mln mt
- Steel prices gained ~20% in 2009, and we expect to grow by another +20% in 2010
- Sector sales can grow ~40% yoy and EBITDA by 8x yoy in 2010, according to our estimates

Steel production dynamics



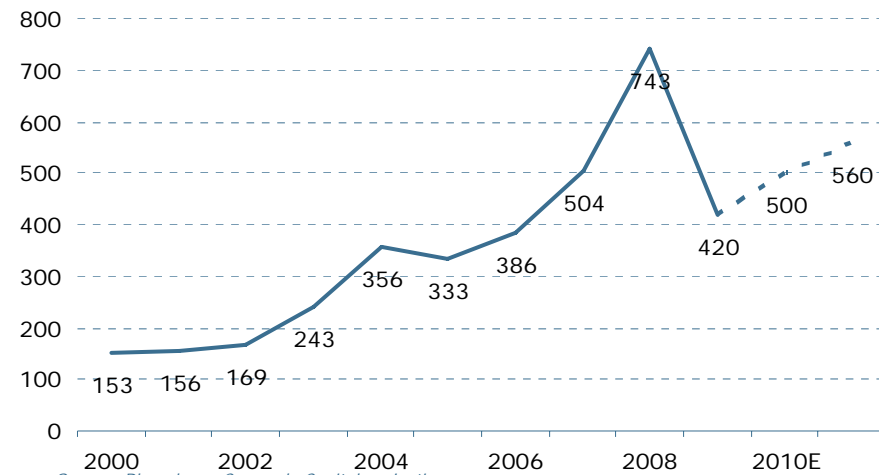
Source: Company data, Concorde Capital projections

Financials evolution, USD bln



Source: Company data, Concorde Capital projections

Price outlook, square billet, (FOB, Black Sea, CIS exports), USD per mt



Source: Bloomberg, Concorde Capital projections

Steel: Top picks



Azovstal

PFTS/UX ticker: AZST
 MCap, USD mln: 1,981
 FF, %: 4.4%
 FF, USD mln: 87.0
 Target price, USD: 0.65
 Upside: 38%

- Backed by SCM, Ukraine's largest business group
- Secured by raw materials thanks to sourcing internally within Metinvest Holding (100% of ore and 100% of coke)
- In 2M09 increased steel output by 83.5% yoy to 859 ths mt
- One of the most liquid stocks on the UX

Alchevsk Steel

PFTS/UX ticker: ALKZ
 MCap, USD mln: 690
 FF, %: 4.0%
 FF, USD mln: 27.6
 Target price, USD: 0.038
 Upside: 41%

- We anticipate after acquisition of 51%+1 share, new Russian shareholders will support the company in restructuring its debt and set the iron ore deliveries from Russia
- The company plans to resume work at full capacity at all 4 blast furnaces by March 15 (2 blast furnaces were halted)
- We expect in 2010 the company will increase its production by 15% to 5.2 mln mt

Enakievo Steel

PFTS/UX ticker: ENMZ
 MCap, USD mln: 286.0
 FF, %: 9.0%
 FF, USD mln: 26.0
 Target price, USD: 40.0
 Upside: 48%

- Capacities modernized in 2008, making it one of the most efficient Ukrainian steelmakers in terms of gas usage
- Integration into Metinvest provides immunity from global price hikes for raw materials
- Merger with Metalen expected by 2011 would boost Enakievo's value by 25-50%
- One of the most liquid stocks on the UX

Peer valuation

	Mcap USD mln	EV/S		EV/EBITDA	
		09E	10E	09E	10E
UKRAINE					
Azovstal	1 981,1	1,2	0,8	17,9	5,3
Alchevsk Iron & Steel	690,5	1,0	0,7	23,9	6,0
Enakievo Steel	286,2	0,4	0,3	-6,9	3,7
GEM					
Arcelor Mittal	6 834,7	1,5	1,1	9,2	5,8
CIA SIDERURGICA-CSN	25 372,3	3,3	2,9	8,2	6,9
Gerdau S.A.	19 857,1	1,5	1,2	7,5	5,7
Usiminas	14 747,2	2,3	2,0	8,4	6,4
Anqanq Steel Co	12 952,2	1,6	1,3	13,5	7,4
Baoshan	21 036,1	1,2	0,9	7,5	5,5
China SteelCorp	13 413,9	3,0	2,3	23,6	10,2
Maanshan Iron&Steel	4 967,9	0,9	0,7	7,7	4,7
Pz New St.&Vanadium	7 147,3	1,6	1,1	43,5	15,7
Wh Iron & Steel Co	7 934,3	1,3	1,0	10,9	6,7
Steel Authority	19 574,7	2,0	1,9	8,7	7,5
Tata Steel Ltd	11 052,4	1,0	0,9	13,0	6,5
Eregli Demir Celik	4 477,0	1,5	1,2	8,8	6,4
Average		1,7	1,4	13,1	7,3
Russia peers					
Evrax Group S.A.	14 399,3	2,2	1,6	18,0	6,8
Magnitogorsk Iron	11 140,8	2,1	1,7	10,6	6,8
Novolipetsk	18 878,7	3,4	2,5	14,4	7,8
Severstal	11 372,3	1,2	0,9	20,8	5,6
Average		2,3	1,6	16,0	6,7
AZST price					
Implied by GEM peers avg., USD		0,73	0,88	0,33	0,61
Implied by Russian peers avg., USD		0,95	1,02	0,42	0,61
Upside/Downside to GEM avg		54%	86%	-29%	42%
Upside/Downside to Russian avg		102%	117%	-12%	30%
ALMK price					
Implied by GEM peers avg., USD		0,064	0,076	0,004	0,038
Implied by Russian peers avg., USD		0,090	0,092	0,010	0,033
Upside/Downside to GEM avg		140%	184%	-86%	41%
Upside/Downside to Russian avg		237%	242%	-64%	22%
ENMZ price					
Implied by GEM peers avg., USD		133,3	148,0	neg	53,3
Implied by Russian peers avg., USD		171,7	170,9	neg	48,9
Upside/Downside to GEM avg		391%	446%	n/m	96%
Upside/Downside to Russian avg		533%	530%	n/m	80%

Source: Bloomberg, Company data, Concorde Capital calculations

Steel: Key financials



	2008	2009E	2010E
Enakievo Steel			
Net revenues	1,666.1	800.0	1,094.4
EBITDA	97.0	-40.0	76.6
EBITDA margin	5.8%	-5.0%	7.0%
NI	78.3	-80.0	16.4
Net margin	4.7%	-10.0%	1.5%
Shareholder equity	137.9	165.8	165.8
Net debt	-14.10	-10.00	0.00
Azovstal			
Net revenues	4,148.8	1,849.9	2,708.2
EBITDA	555.5	120.0	406.2
EBITDA margin	13.4%	6.5%	15.0%
NI	360.0	-14.8	216.7
Net margin	8.7%	-0.8%	8.0%
Shareholder equity	1224.7	1289.6	1289.6
Net debt	108.70	170.00	170.00
Alchevsk Steel			
Net revenues	3,008.8	1,310.0	1,807.8
EBITDA	211.1	55.0	216.9
EBITDA margin	7.0%	4.2%	12.0%
NI	-11.4	-105.0	54.2
Net margin	-0.4%	-8.0%	3.0%
Shareholder equity	712.3	444.4	309.9
Net debt	512.60	626.00	620.00

Source: Company data, Concorde Capital projections

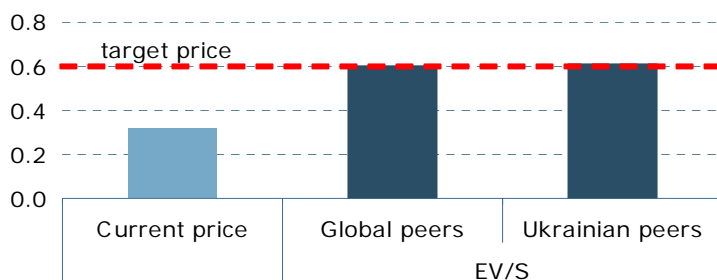
Machinery: Value hidden in small-caps

Druzhkivka Machinery

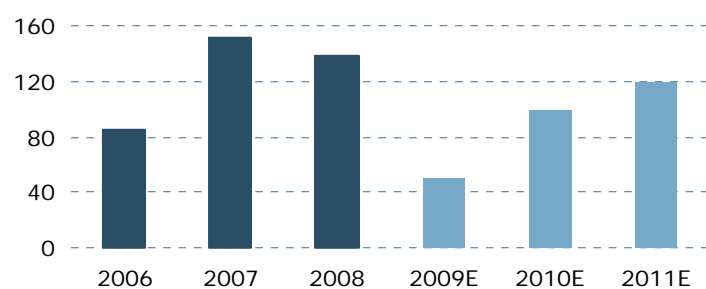


PFTS ticker:	DRMZ	•Largest domestic producer of mining machinery and the only producer of powered supports (necessary for sub-surface extraction) in Ukraine
MCap, USD mln:	66	
FF, %	12%	
FF, USD mln:	7.92	•Doubling of sales anticipated in 2010 driven by USD 100 mln orders received in 2H09 and low base of 2009
Last price, USD:	0.31	
Target price, USD:	0.6	• Expected 10% hike in coal price in 2010 to increase state coal mines` sources for machinery purchase
Upside:	94%	•No debt
Net debt/ Equity 09E:	-0.1	•Most liquid coal machinery stock

DRMZ implied price by peer median, USD per share



Druzhkivka Machinery revenue, USD mln



Source: Company data, Concorde Capital projections

Druzhkivka Machinery peer multiples

	Country	MCap USD mln	EV/Sales 2010E	EV/EBITDA 2010E	P/E 2010E
Druzhkivka Machinery	Ukraine	66	0.6	6.5	12.6
Global peers					
Bucyrus	USA	4,639	1.3	6.3	9.7
Joy Global	USA	5,149	1.1	5.8	11.9
United Tractors	Indonesia	6,112	1.3	6.1	12.3
Anhui Heli	China	729	1.1	10.8	23.6
Sandvik	Sweden	12,628	1.2	6.0	9.9
Shantui Construction	China	1,348	0.8	6.5	13.4
Komatsu	Japan	19,943	1.3	8.3	18.0
Median			1.2	6.3	12.3

DRMZ implied share price, USD	0.60	0.31	0.31
Upside (downside)	88%	-2%	-2%

Ukrainian machine building

	Country	MCap	EV/Sales	EV/EBITDA	P/E
Motor Sich	Ukraine	500	1.1	4.3	7.9
Luhanskteplovov	Ukraine	106	2.6	41.4	n/m
Mariupol Heavy Mach.	Ukraine	59	0.5	9.9	n/m
Kryukiv Wagon	Ukraine	341	1.4	9.7	15.1
Stakhaniv Wagon	Ukraine	118	1.1	12.3	38.8
Sumy Frunze	Ukraine	611	1.4	11.5	24.1
Median			1.3	10.7	19.6

DRMZ implied share price, USD	0.61	0.52	0.50
Upside (downside)	92%	64%	55%

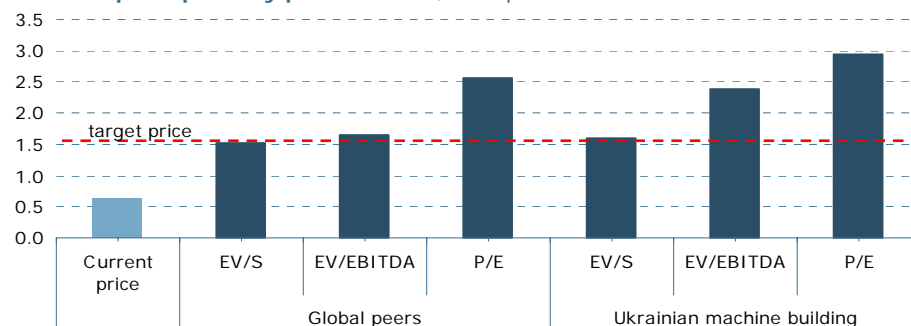
Source: Bloomberg, Company data, Concorde Capital projections

Nasosenergomash

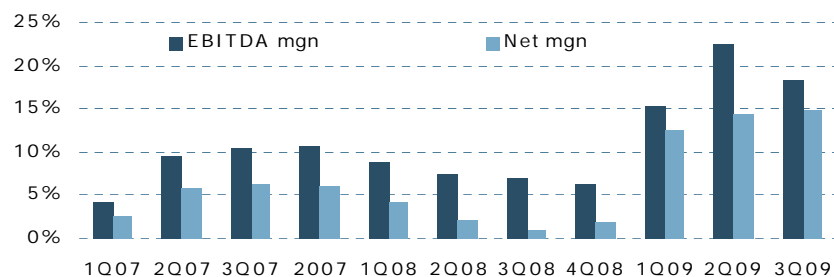


PFTS ticker:	SNEM	•Diversified industrial pump manufacturer, part of Hydromashservis holding, the CIS' largest pump producer with strong sales & service network
MCap, USD mln:	19	
FF, %	17%	
FF, USD mln:	3.23	•Parent company, Hydromashservis, plans to conduct an IPO in 2011
Last price, USD:	0.614	
Target price, USD:	1.5	
Upside:	144%	•Benefited from hryvna depreciation, improving EBITDA mgn to 19% in 9M09 (up 12pp yoy). As an exporter, posts sales forex-denominated (4/5 of sales), while 1/2 costs are hryvna-denominated
Net debt/ Equity 09E:	0.2	
Net debt/ EBITDA 09E:	0.5	•LT demand backed by Russian USD 60 bln power sector modernization strategy until 2020

SNEM implied price by peer median, USD per share



Nasosenergomash margins improved on hryvna devaluation



Source: Company data

Nasosenergomash peer multiples

	MCap USD mln	EV/Sales 2010E	EV/EBITDA 2010E	P/E 2010E
Nasosenergomash	19	0.5	3.2	4.2
Global peers				
Sumy Frunze	611	1.3	10.3	24.1
Lufkin Industries Inc	1,082	1.2	6.4	10.1
Gardner Denver Inc	2,234	1.2	6.5	13.4
Weir Group	2,502	1.3	8.7	14.8
Pfeiffer Vacuum Tech	682	2.4	10.0	17.2
Sulzer	3,020	0.8	6.1	15.0
Schoeller-Bleckmann	808	2.4	9.1	24.7
Teikoku Electric MC	172	0.9	n/a	17.0
Kawasaki Heavy Ind.	4,298	0.6	8.5	22.5
IHI Corporation	2,611	0.4	6.4	17.8
Torishima Pump MC	645	1.2	n/a	25.5
Shandong Molong	391	0.9	5.7	6.0

Median		1.2	7.5	17.1
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SNEM implied share price, USD	1.52	1.64	2.56
Upside (downside)	143%	162%	310%

Ukrainian machine building

Motor Sich	500	1.1	4.3	7.9
Luhanskteplovoz	106	2.6	41.4	n/m
Mariupol Heavy Mach.	59	0.5	9.9	n/m
Kryukiv Wagon	341	1.4	9.7	15.1
Stakhaniv Wagon	118	1.1	12.3	38.8
Sumy Frunze	611	1.4	11.5	24.1

Median		1.3	10.7	19.6
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SNEM implied share price, USD	1.61	2.38	2.93
Upside (downside)	157%	281%	369%

Source: Bloomberg, Company data, Concorde Capital projections

Machinery: Key financials



USD mln	2008	2009E	2010E
Druzhkivka Machinery			
Net revenues	139.1	50.0	100.0
EBITDA	8.6	(5.0)	10.0
<i>EBITDA margin</i>	6%	-10%	10%
Net income	0.1	(7.5)	5.2
<i>Net margin</i>	0%	-15%	5%
Shareholder equity	22.5	15.0	20.2
Net debt	-1.4	-1.4	-1.4
Nasosenergomash			
Net revenues	43.9	40.6	42.6
EBITDA	3.3	7.7	7.2
<i>EBITDA margin</i>	7%	19%	17%
Net income	0.9	5.0	4.6
<i>Net margin</i>	2%	12%	11%
Shareholder equity	11.5	16.5	21.1
Net debt	5.3	3.8	3.8

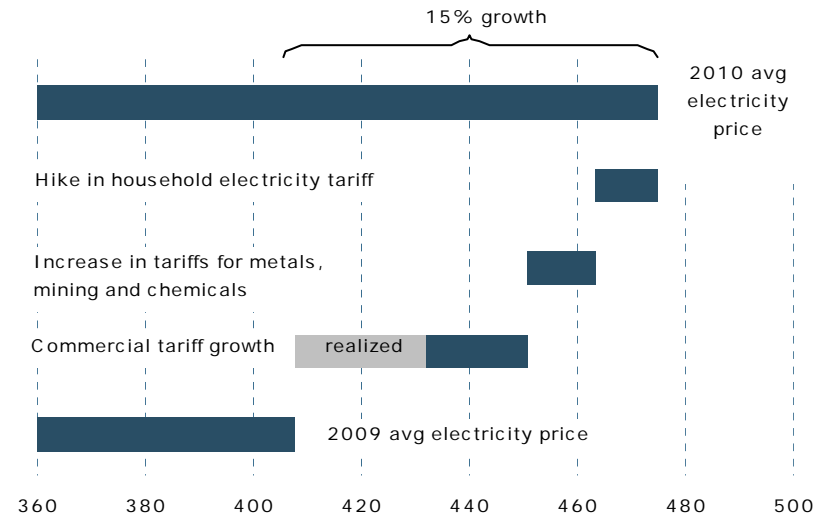
Source: Company data, Concorde Capital projections

Electricity generation: Post–election tariff recovery on the horizon

GenCos: Betting on after elections

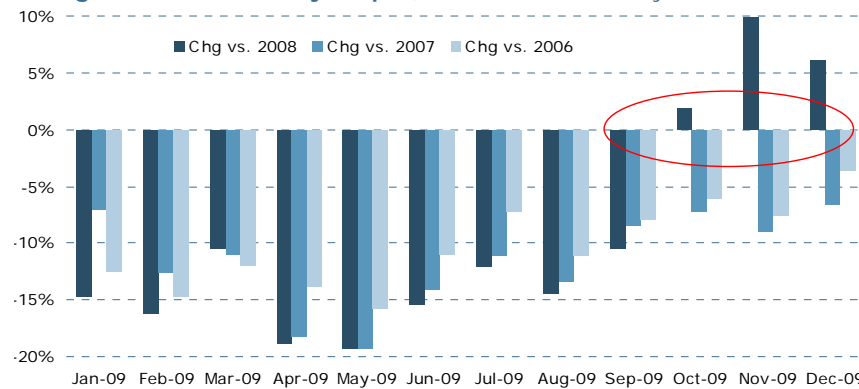
- We expect GenCos to increase EBITDA margins in 2010 to 5-10% from -5-4% in 2009E thanks to easing of state interference into electricity pricing. Main driver for profitability should be in electricity price growth, which we project at 15% for GenCos in 2010
- Political stability should create a favorable environment for electricity reform in 2010-2014, which would enable GenCos to sell electricity directly to end-users at liberalized (higher) prices
- Capacities of Ukrainian generation companies are one of the least utilized in the world; listed GenCos are in prime position to feed domestic demand when it increases in the mid and long-term. We project 11% CAGR in GenCos output in 2010-16

Electricity price drivers in 2010



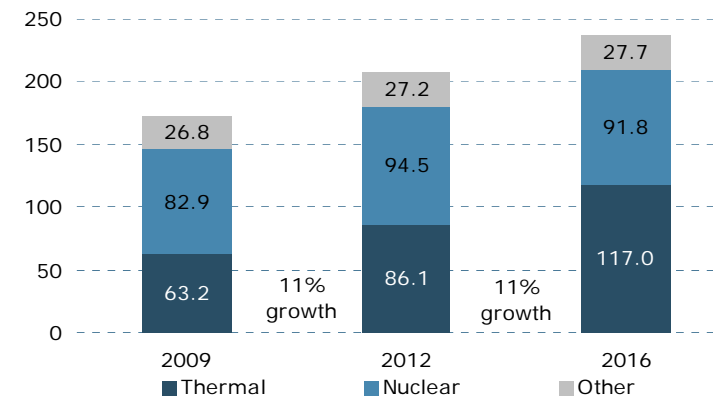
Source: NERC, Concorde Capital projections

Change in total electricity output, 2009 versus various years



Source: Energobusiness

Electricity production in Ukraine by source, TWh



Source: Company data, Concorde Capital projections

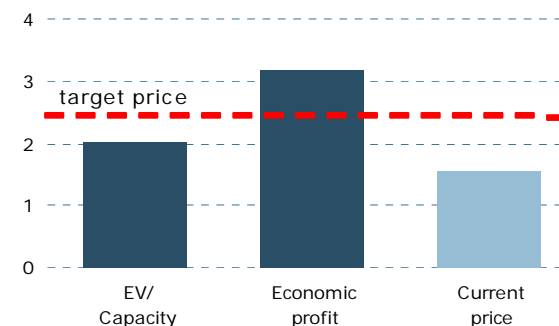
GenCos: Top picks



Centrenergro: BUY

PFTS/UX ticker:	CEEN	•EBITDA margin to improve by 2pp in 2010-2015 thanks to investment allowance of USD 32 mln approved by NERC in Nov 2009. The amount aimed to repay loan taken from KfW bank in 1998
MCap, USD mln:	568	
FF, %:	21.7%	
FF, USD mln:	123.1	•Receipt of EUR 150 mln loan from KfW for power unit modernization (6.5% share in total installed capacity) is likely after disputes about previous loan solved. Modernized unit will be 4-8% more cost efficient and work with 1.5-2x higher capacity utilization
Last price, USD:	1.54	
Target price, USD:	2.4	
Upside:	56%	•Expected increase in electricity price in 2010 by 15% should improve EBITDA margin to 5% from 0% in 2009
Net debt/Equity 09E:	0.4	•Most liquid stock among GenCos, monthly trading volumes of USD 8 mln

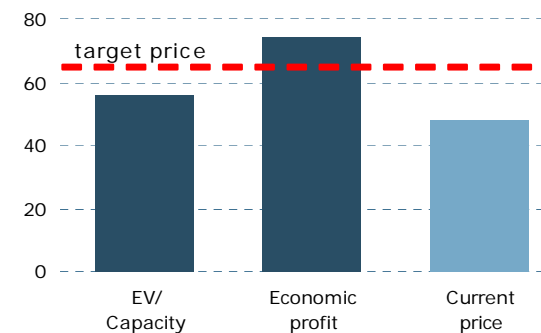
Centrenergro implied price, USD per share



Zakhidenergo: BUY

PFTS/UX ticker:	ZAEN	•Expected increase in electricity price in 2010 by 15% should improve EBITDA margin to 2% from -5% in 2009
MCap, USD mln:	615	
FF, %:	10%	•Second most liquid GenCo stock on UX and PFTS
FF, USD mln:	61.5	•Only GenCo connected to EU electricity transmission network
Last price, USD:	48.3	
Target price, USD:	65	
Upside:	35%	
Net debt/Equity 09E:	0.7	

Zakhidenergo implied price, USD per share



Source: Bloomberg, Company data, Concorde Capital projections

GenCos: Top picks



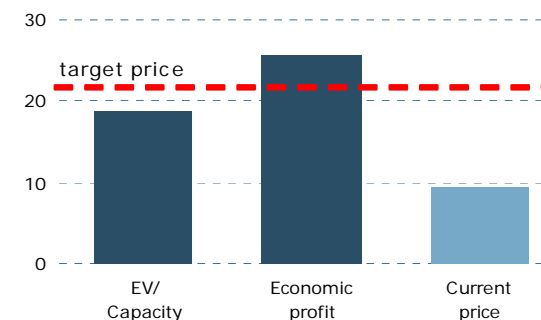
Donbasenergo: BUY

PFTS/UX ticker:	DOEN	•Only GenCo to increase output in 2009, 10% yoy vs. a decline of 15% yoy for other thermal electricity producers combined
MCap, USD mln:	221	
FF, %:	14.2%	•Only GenCo to work purely on anthracite coal, which is available in excess in the long-term. Close location to coal mines allows savings of ~5% in COGS on transportation costs
FF, USD mln:	31.4	
Last price, USD:	9.38	
Target price, USD:	19.7	•Power unit #4, which produces electricity ~20% cheaper than other power units, has started working in testing mode in 2H09. Full operation status, expected in May 2010, would allow Donbasenergo to increase output by 15% and reduce electricity production costs by 2% in 2H10
Upside:	110%	
Net debt/Equity 09E:	0.4	

•Cheapest among GenCos, with EV/Capacity of USD 90 per kW vs. USD 130 per kW on average for Ukrainian peers

•Expected increase in electricity price in 2010 by 15% should improve EBITDA margin to 6% from 4% in 2009

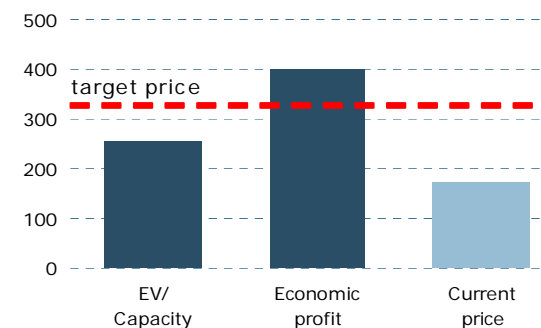
Donbasenergo implied price, USD per share



Dniproenergo: BUY

PFTS/UX ticker:	DNEN	•Lowest fuel consumption per kWh of electricity produced among coal-fired GenCos
MCap, USD mln:	670	
FF, %:	2.5%	•Input supply secured due to usage of coal supplied by parent DTEK and abundant anthracite
FF, USD mln:	16.7	
Last price, USD:	112.6	•Expected increase in electricity price in 2010 by 15% should improve EBITDA margin to 6% from 1% in 2009
Target price, USD:	306	
Upside:	172%	•Illiquid, after DTEK increased its share to 47.5% and limited free-float to 2.5%
Net debt/Equity 09E:	0.2	

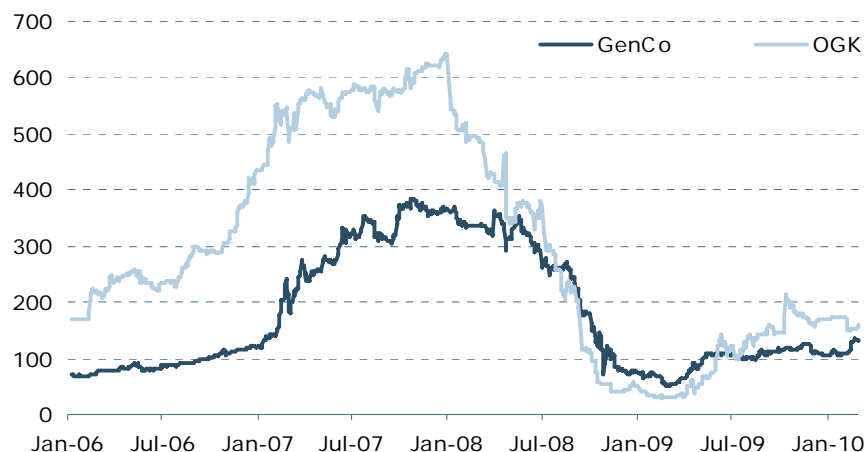
Dniproenergo implied price, USD per share



Source: Bloomberg, Company data, Concorde Capital projections

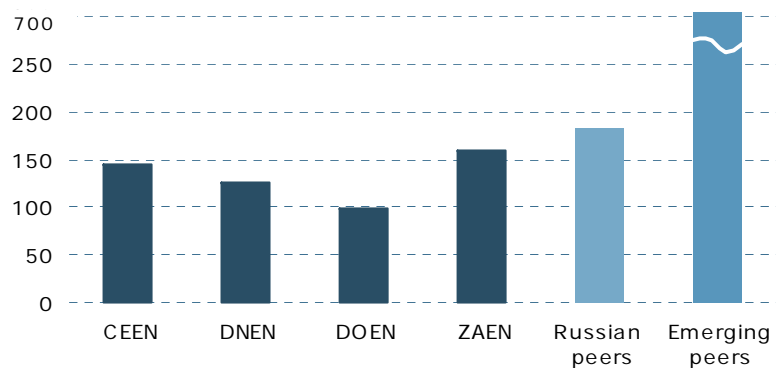
GenCos: Valuation

EV/Capacity, median USD per kW



Source: Bloomberg, Company data, Concorde Capital calculation

GenCos' EV/Capacity multiple, USD/kW



Source: Bloomberg, Company data, Concorde Capital calculations

GenCos' Russian peer multiples

Company	Mcap USD mln	EV/Capacity
Centrenergo	568	144
Dniproenergo	670	125
Donbasenergo	221	99
Zakhidenergo	615	159

Russian peers

OGK-1	1,417	188
OGK-2	1,244	178
OGK-3	2,195	17
OGK-4	3,657	376
OGK-5	2,837	392
OGK-6	869	115
Median		182.9

CEEN price , USD per share	1.5	<i>Upside</i>
Implied by OGK peers median	2.0	31%
Implied by Economic profit model	3.0	97%
Target, USD per share	2.5	64%

DNEN price , USD per share	171	<i>Upside</i>
Implied by OGK peers median	256	50%
Implied by Economic profit model	373	118%
Target, USD per share	314	84%

DOEN price , USD per share	9.3	<i>Upside</i>
Implied by OGK peers median	18.8	101%
Implied by Economic profit model	21.8	134%
Target, USD per share	20.3	117%

ZAEN price , USD per share	48	<i>Upside</i>
Implied by OGK peers median	56	17%
Implied by Economic profit model	77	61%
Target, USD per share	67	39%

Source: Bloomberg, Company data, Concorde Capital projections

GenCos: Key financials



	2008	2009	2010E		2008	2009	2010E
Centrenergo				Donbasenergo			
Net revenues	887	574	688	Net revenues	419	331	386
EBITDA	45.1	-0.2	34.4	EBITDA	44.6	12.5	23.2
<i>EBITDA margin</i>	<i>5.1%</i>	<i>0.0%</i>	<i>5.0%</i>	<i>EBITDA margin</i>	<i>10.7%</i>	<i>3.8%</i>	<i>6.0%</i>
Net income	-37.5	-32.4	2.0	Net income	2.9	-4.3	7.0
<i>Net margin</i>	<i>-4.2%</i>	<i>-5.6%</i>	<i>0.3%</i>	<i>Net margin</i>	<i>0.7%</i>	<i>-1.3%</i>	<i>1.8%</i>
Shareholder equity	264.0	225.0	181.7	Shareholder equity	118.6	105.8	95.5
Net debt	98.0	93.3	94.1	Net debt	47.6	40.7	38.2
Zakhidenergo				Dniproenergo			
Net revenues	920	574	714	Net revenues	887	540	672
EBITDA	24.7	-26.3	14.3	EBITDA	50.9	4.5	40.3
<i>EBITDA margin</i>	<i>2.7%</i>	<i>-4.6%</i>	<i>2.0%</i>	<i>EBITDA margin</i>	<i>5.7%</i>	<i>0.8%</i>	<i>6.0%</i>
Net income	-17.0	-50.2	0.0	Net income	-3.1	-30.3	5.0
<i>Net margin</i>	<i>-1.9%</i>	<i>-8.8%</i>	<i>0.0%</i>	<i>Net margin</i>	<i>-0.3%</i>	<i>-5.6%</i>	<i>0.7%</i>
Shareholder equity	170.7	115.8	62.7	Shareholder equity	269.2	233.1	191.2
Net debt	85.9	85.8	88.2	Net debt	56.4	53.9	50.6

Source: Bloomberg, Concorde Capital calculations

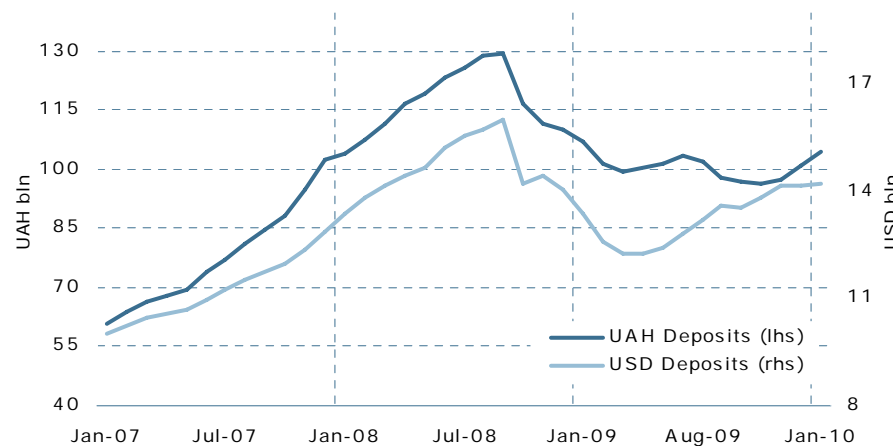
Banks: Parent support still king

Banks: Stabilization continues



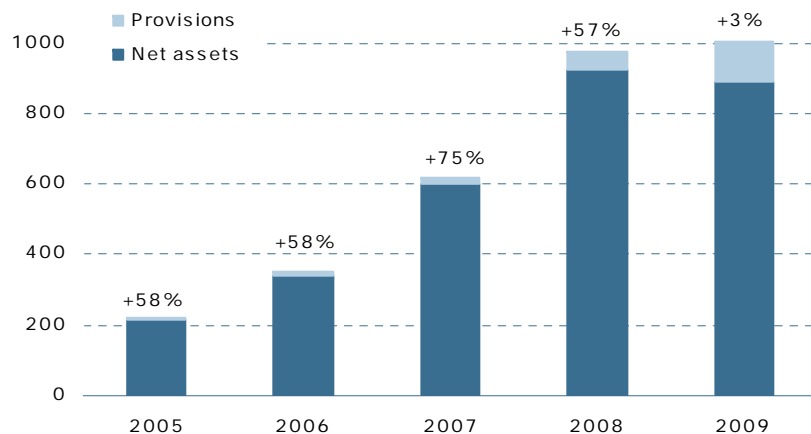
- Public confidence is returning to banks: retail deposits gained 11.1% since the trough in March 2009 (incl. +4.8% in the last four months ending January). Deposits into foreign-owned banks are recovering faster than to locally-owned banks
- Capital infusions continue: in 4Q09, the 38 largest Ukrainian banks' charter funds went up 12.3% (~USD 1.3 bln); all banks' average CAR increased to 19.3% as of end-January vs. 15.6% as of end-September
- Banks are still reluctant to lend: gross loan portfolios rose 3.5% in 2009 (+1.4% in 4Q09) vs. ~+26% in 2008 (net of ER effect). This is due to poor asset quality (average system NPLs stand at ~25% of loan portfolios) and a lack of sufficient funding
- NBU made the first steps to stimulate bank lending: introducing 5-year refinancing facility for lending to local corporations "strategically important to the economy and its recovery"

Deposits recovering in April'09 – January'10



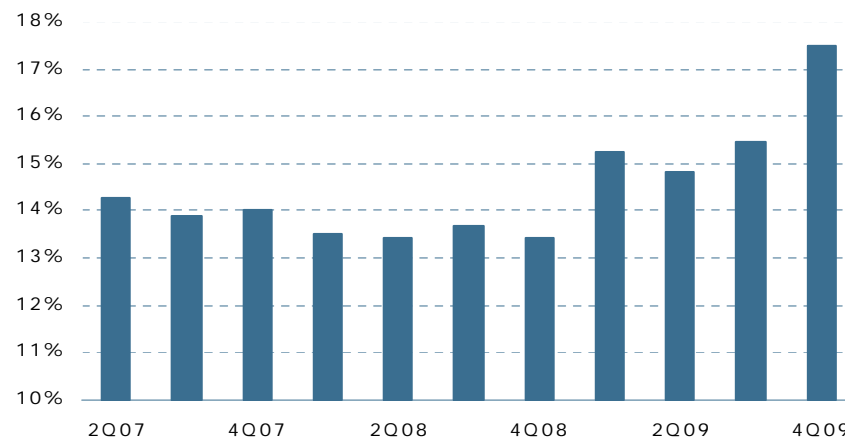
Source: National Bank of Ukraine

Banking system assets (UAH bln), Total assets growth (%)



Source: National Bank of Ukraine

Regulatory capital to RWA ratio (CAR) improved across the system



Source: National Bank of Ukraine

Banks: Top picks



Ukrainsbank (Unicredit group)

PFTS/UX ticker:	USCB	<ul style="list-style-type: none"> • Supported by parent UniCredit Group (~50% of liabilities), which has not been a recipient of gov't support • Increased tier-I capital by UAH 500 mln and attracted USD 100 mln in subordinated debt (part of tier-II capital) from EBRD in 2009 (CAR of 16.6% at end-2009) • One of the best Cost/Income ratios in the sector: 33% vs. 55% system average in 2009 • Most liquid local banking stock
MCap, USD mln:	654	
FF, %:	4.5%	
FF, USD mln:	29.4	
Target price, USD:	0.076	
Upside:	48%	

Raiffeisen Bank Aval

PFTS/UX ticker:	BAVL	<ul style="list-style-type: none"> • Boasts Ukraine's third largest retail branch network; Ukraine's #4 largest bank by assets • Shareholders approved UAH 932 mln (USD 116.5 mln) share capital increase in October; attracted USD 150 mln in subordinated debt from EBRD in 2009 (CAR of 13.3% at end-2009) • Stable customer base with Loans/Deposits of 176% vs. 208% system average as of end-2009
MCap, USD mln:	1,021	
FF, %:	3.8%	
FF, USD mln:	38.8	
Target price, USD:	0.06	
Upside:	42%	

Forum Bank (Commerzbank group)

PFTS/UX ticker:	FORM	<ul style="list-style-type: none"> • We anticipate shareholders to approve long-awaited charter fund increase by UAH 1.1 bln (+50%) at March 4 or 18 EGM. As a result, Commerzbank's stake should go up from 60% to ~90% to implement its strategic plans for Forum. This may trigger its stock price to appreciate by as much as 20% in the short-term • Attracted USD 100 mln in subordinated debt from EBRD in 2009 (CAR of 16.7% at end-2009) • One of fastest client deposit inflow rates in the system: +17% vs. -8% system average in 2009; improved Loans/Deposits from 270% to 230% during 2009
MCap, USD mln:	239	
FF, %:	10.7%	
FF, USD mln:	25.6	
Target price, USD:	1.44	
Upside:	37%	

Peer valuation

	Country	MCap USD mln	P/B 2010F
Domestic peer group			
Ukrainsbank (Unicredit group)	Ukraine	654	1.19
Raiffeisen Bank Aval	Ukraine	1,021	1.21
Forum (Commerzbank group)	Ukraine	239	1.29
International peer group			
Bank Pekao	Poland	15,001	2.22
PKO BP	Poland	16,449	2.20
BZ WBK	Poland	4,587	1.78
ING BSK	Poland	3,094	1.42
Bank Millennium	Poland	1,963	1.09
Getin Holding	Poland	2,410	1.62
Komercni Banka	Czech Republic	7,596	1.87
OTP Bank	Hungary	8,170	1.01
BRD-GSG	Romania	3,404	1.91
Banca Transilvania	Romania	780	1.30
Sberbank	Russia	59,515	1.99
VTB	Russia	26,674	1.55
Bank of Moscow	Russia	5,157	1.76
Vozrozhdenie	Russia	1,121	1.85
Bank St Petersburg	Russia	969	1.33
Median			1.76
USCB Price, USD			
Implied by international peer median			0.076
<i>Upside/Downside</i>			48%
BAVL Price, USD			
Implied by international peer median			0.060
<i>Upside/Downside</i>			42%
FORM Price, USD			
Implied by international peer median			1.44
<i>Upside/Downside</i>			37%

Source: Bloomberg, Company data, Concorde Capital calculations

Agriculture: Fueled by domestic demand

Sintal Agriculture



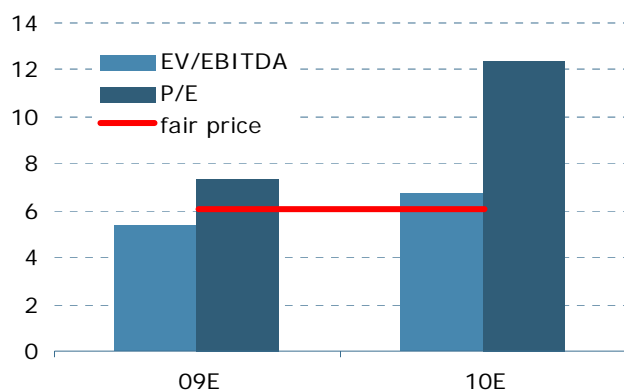
FSE ticker:	SNPS	<ul style="list-style-type: none"> • Raised USD 13 mln in equity financing in 2009 to invest in infrastructure and land bank expansion • Plans to become fully self-sufficient in storage capacities in 2010 via the construction and acquisition of grain storage facilities
MCap, USD mln:	108.8	
FF, %	36.3	
FF, USD mln:	39.5	
Current price:	USD 3.3	
Target price:	USD 6.0	<ul style="list-style-type: none"> • Land bank to expand by a quarter to 124 ths ha in 2010 • Land bank split between two climatic zones (eastern and southern parts of Ukraine), providing diversification benefits • One of few land plays to boast healthy margins (EBITDA 09E margin of 33%) • Low leverage
Upside:	83%	
Net debt/ Equity 09E:	0.1x	
Net debt/ EBITDA 09E:	0.45x	

Sintal peer multiples

	Mcap USD mln	EV/EBITDA		P/E	
		2009E	2010E	2009E	2010E
SINTAL AGRICULTURE-REG S GDR	108.8	6.7	5.5	8.4	7.5
Agriculture peers					
KERNEL HOLDING SA	411.4	n/m	17.9	n/m	55.3
MHP SA -GDR REG S	4,075.8	9.9	8.7	15.6	14.0
BLACK EARTH FARMING LTD-SDR	556.7	8.2	7.3	12.4	11.6
BRASILAGRO-CIA BRASILEIRA DE	1,313.5	11.1	8.4	18.5	13.7
COSAN SA INDUSTRIA COMERCIO	826.2	20.3	14.3	84.8	42.5
TATE & LYLE PLC	299.8	n/m	104.4	268.0	69.5
Median		10.5	11.5	18.5	28.3
Price SNPS GR, USD per share		5.3	6.7	7.3	12.4
<i>Upside/Downside</i>		<i>62%</i>	<i>103%</i>	<i>121%</i>	<i>276%</i>

* Concorde Capital estimation, company data

SNPS GR implied price by median peer multiples, USD per share



Source: Bloomberg, Company data, Concorde Capital calculations

Sintal: Key financials



	2008	2009E	2010E
Sintal			
Net revenues	37.7	53.0	62.9
EBITDA	23.1	17.5	18.9
<i>EBITDA mgn</i>	61%	33%	30%
Net Income	14.1	13.0	14.5
<i>Net Income mgn</i>	37%	25%	23%
Shareholder equity	50.6	77.0	80.0
Net Debt	8.7	7.8	-4.0
Net debt/EBITDA	0.38	0.45	-0.21
Net debt/Equity	0.17	0.10	-0.05

Source: Company data, Concorde Capital projections

Pharmaceuticals: Fat margins despite downturn

Nord Star Pharmashare (Darnitsia)



FSE ticker: 4S11 GR
 MCap, USD mln: 166.5
 FF, %: 7.0
 FF, USD mln: 11.7
 Current price: USD 3.0
 Target price: USD 5.4
 Upside: 80%

Net debt/ Equity
 09E: n/m
 Net debt/ EBITDA
 09E: n/m

- In 2009 UAH-nominated sales increased 37% yoy to UAH 609 mln (USD-nominated declined 10% yoy to 72 mln), EBITDA was USD 41 mln, up 52% yoy
- As of January 2010, the company was debt free and its cash balance was USD 18 mln
- The company is targeting net sales in 2010 of UAH 703 mln (USD 88 mln) and an EBITDA margin of 50%-55%
- In 2010, the company is planning to increase its promotion budget 3.5 times to UAH 42 mln (USD 5.3 mln) and to boost its share of "promo" sales (promoted generic drugs that are Darnitsa branded) from 22% of 2009 sales to 38% in 2010
- The company is going to invest ~USD 15 mln to bring itself in line with GMP (Good Manufacturing Products) standards by February 2011

Darnytsia peer multiples

	MCap,		EV/EBITDA		P/E	
	USD mln		2009E	2010E	2009E	2010E
Nord Star (Darnitsa)	133,3		2,81	2,52	3,63	3,90
International peer group						
KRKA	3 160,0		5,93	5,80	14,13	13,69
RICHTER GEDEON NYRT.	3 811,8		10,99	10,27	15,01	13,50
PHARMSTANDARD-CLS	2 173,1		9,17	7,21	14,36	10,59
EGIS PLC	725,2		11,94	10,70	10,45	9,13
RANBAXY LABORATORIES LTD	3 655,9		n/a	n/a	86,26	22,42
ZHEJIANG HISOAR PHARM -A	289,7		n/a	n/a	43,42	30,18
SANOFI-AVENTIS	95 194,9		5,70	5,72	8,52	8,27
STADA ARZNEIMITTEL AG	1 930,8		5,80	5,43	14,38	12,95
HIKMA PHARMACEUTICALS PLC	1 583,9		43,60	36,19	20,67	16,51
TEVA PHARMACEUTICAL IND LTD	52 835,9		13,51	10,07	17,37	12,73
MYLAN INC	5 378,3		4,36	3,99	9,34	8,04
KING PHARMACEUTICALS INC	2 813,8		3,69	4,09	11,21	11,67
ONO PHARMACEUTICAL CO LTD	5 293,0		11,55	12,00	16,36	17,15
SHIONOGI & CO LTD	7 128,7		n/a	n/a	17,73	13,81
TOWA PHARMACEUTICAL CO LTD	875,9		8,20	6,57	17,36	14,10
SAWAI PHARMACEUTICAL CO LTD	1 014,1		10,04	8,20	23,16	18,83
PHARMACY CHAIN 3,6-CLS	285,0		4,19	2,93	-10,99	-43,51
PHARMSTANDARD-REG S GDR	2 721,1		12,08	9,71	17,49	13,20
VEROPHARM-CLS	290,0		163,59	126,05	9,22	6,80
ABBOTT LABORATORIES	83 106,3		9,29	8,45	12,61	11,26
GLAXOSMITHKLINE PLC	98 716,0		8,40	8,16	10,53	10,16
PFIZER INC	143 320,6		5,23	5,09	8,03	7,84
ROCHE HOLDING AG-BR	143 873,9		8,67	8,04	13,46	12,13
CVS CAREMARK CORP	45 870,9		5,59	5,19	12,19	11,18
RICHTER GEDEON NYRT.	3 811,8		8,17	7,63	15,01	13,50
WALGREEN CO	33 013,2		6,89	6,10	14,40	12,42
Median			8,40	7,63	14,37	12,57
Price, USD						
implied by peer median			6,45	6,54	9,50	7,74
Upside/Downside			169%	173%	296%	223%

Source: Bloomberg, Company data, Concorde Capital calculations

Nord Star: Key financials



	2009	2010E
Nord Star		
Net revenues, USD mln	72.0	92.4
EBITDA, USD mln	41.0	46.2
<i>EBITDA mgn</i>	<i>57%</i>	<i>50%</i>
Net Income, USD mln	36.7	35.1
<i>Net Income mgn</i>	<i>51%</i>	<i>38%</i>
Net Debt (Net cash), USD mln	(18.0)	(35.0)

Source: Company data, Concorde Capital projections

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