Ukrainian equity strategy 2013

Play speculative games locally, select growth stories listed abroad

CONCORDE CAPITAL

March 28, 2013

Executive summary

Local market: play TEPO arbitrage; invest in MSICH, GenCos; avoid banks, machinery

Local liquidity is evaporating, most liquid stocks are faceless.
Ukraine's domestic stock market is playing an increasingly small role in investor exposure to Ukraine. Total market turnover in 2012 was not only smaller than the turnover of some Ukraine-related stocks in Warsaw and London, but also smaller than that of individual UX-listed stocks a year before.
The hanging expectation of a local currency devaluation (which deters international investors' exposure to the hryvnia) as well as the obscure fundamentals of the majority of UX Index components are only a few of the long list of reasons for weaker liquidity.

Most UX Index members are just a reflection of investors' exposure to Ukraine rather than individual stories. We expect most of them will behave as a single stock further on. While we found proof that the UX's weak performance was due to high devaluation expectations, we see a high chance for mid-double-digit growth of the UX Index once devaluation expectations are fulfilled. We expect up to a 10% hryvnia devaluation by the year's end.

We recommend concentrating on special plays.
With an overall muted outlook in the local stock universe, we recommend playing special topics locally:
- Investing in high-dividend stocks (including **SGOK**, **CGOK**, **HRTR**, **DNVM**, **KVBZ**). Be aware that this should be a long-term investment decision as exiting these stocks ex-dividend could be difficult. Their fundamental stories do not look good, at least in the one-year outlook, so you should count on the market's inefficiency (which indeed exists) if you consider exiting these stocks after dividends.
- Playing arbitrage with the opportunity to get TEPOs (temporarily embedded put options) for selected stocks. Refer to slides 28-29 for more details. The key advantage here is a relatively clear exit strategy so it does not require a long-term investment decision. The key risk here is you cannot know for sure whether you will acquire the TEPO, so you should be cautious and invest only in "proven" TEPO stories.

Stock outlook
Of no surprise, our top pick in the local universe is Motor Sich (**MSICH**), the best company in the UX Index and in the global aerospace sector in terms of growth and profitability.

Other possible index outperformers are GenCos Centerenergo (**CEEN**) and Donbasenergo (**DOEN**), which improved their EBITDA margins in 2012 and are likely to strengthen their success in 2013. Their mid-term fundamental outlook is backed by pending energy sector reform aimed at boosting their profit. But the biggest hopes lie in the capital gains of these stocks in 2013 in potential rallies following privatization.

We do not favor UX steel names (**AVDK**, **ALMK**, **AZST**, **ENMZ**). But given they are a mere reflection of the UX Index (the exposure to the local market), they are the best candidates (after Motor Sich) to perform well in case of a hryvnia devaluation (which will improve their fundamentals and make exposure to UAH-based stocks overall less risky).

Based on our devaluation expectations, we expect banking blue chips (BAVL, USCB) will be the Index's worst performers. No doubt, a weaker local currency will have no positive effect of their debt portfolio. Though unlike steel stocks, the banks are likely to remain in the black in 2013.

Liquidity issues aside, we see **PGOK**, **UNAF**, **ZATR** and **SHKD** as interesting fundamental stories, though we admit that their liquidity risk should be heeded.

We see the companies with good financial and operating results in the past – KVBZ, SVGZ and HRTR – as those whose best days are behind them.

Foreign listings: invest in agri/food, real estate; avoid “non-soft commodities”

True exposure to Ukraine – in Warsaw and London
Aggregate turnover of foreign-listed stocks accounted for more than 90% of total trading in Ukraine-related stocks, with volumes in Warsaw and London being just 1.6-2.5x less in 2012 than their best years (2008 and 2011, accordingly). In comparison, turnover at the Kyiv exchanges is a fraction – or nearly 100x less – than peak levels of 2007-2008.

In 2013, we see real capital gains potential only in a series of stocks that the market should reward for their expectedly good financial performance. As we show in the forthcoming slides, the market only guarantees rewards for a spectacular growth.

We are positive on most of the farming and poultry stocks, while cautious on iron ore miners (Ferrexpo) and most energy commodity companies (steam coal, gas).

Our top foreign-listed picks are:
- Farming companies Industrial Milk (**IMC PW**) and KSG Agro (**KSG PW**), which are likely to show close to triple-digit revenue growth in 2013 on their business performance (investments in land bank development) and low comparison base in 2012, when their results were heavily undermined by adverse weather.
- The undisputed Georgian blue chip Bank of Georgia Holdings (**BGEO LN**), which benefits from the ongoing high growth of the Georgian economy, its three-year history of resilient growth and its nearly monopolistic position on the market.
- Real estate survivor TMM (**TR61 GR**), which is finishing large projects this year that will expectedly show triple-digit revenue growth. It’s also expected to initiate new ambitious projects.

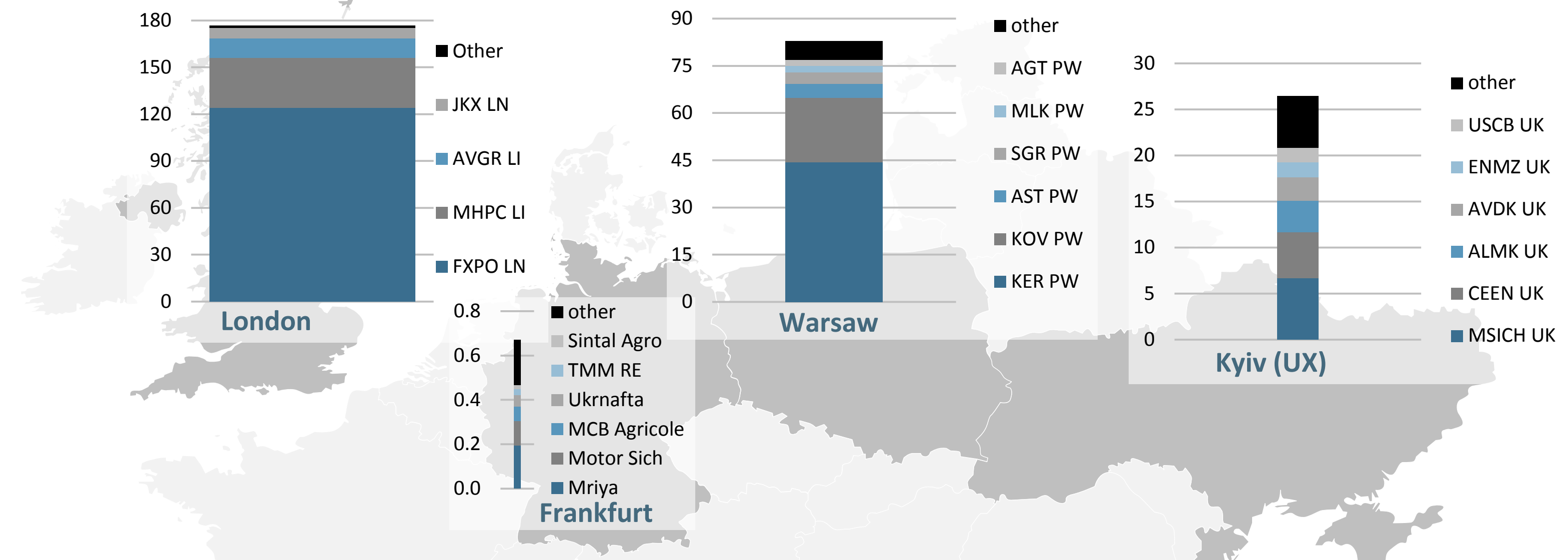
Our second-tier picks are:
Stories which we classify as “risky/conditional growth” (companies whose growth looks highly probable, but conditional on certain events):
- Poultry and egg producers that are finalizing ambitious investment projects: MHP (**MHPC LI**), Ovostar (**OVO PW**) and Avangard (**AVGR LI**). Their key risks stem in their growth plans ,which may create excess supplies of poultry products (including eggs) on the local market that may hurt their profitability. Another risk is a hryvnia devaluation, as most of their sales are domestic. MHP stands out from this list for offering a debut in dividends this year, suggesting it’s a good dividend story for the future too. Ovostar’s advantage is its output growth plans, which are the largest of these three. Moreover, its small size allows for painless growth.
- Regal Petroleum (**RPT LN**) which might benefit from the introduction of one or two gas wells to significantly raise its gas and condensate output (if successful).
- Milkiland (**MLK PW**), a milk producer that can deliver a spectacular increase in its bottom line following its commissioning of new dairy farms to better control input costs, as well as its utilization of its newly acquired Polish cheese production asset. The key risk here is a high dependency on a wayward Russian market.

And “turnaround stories” (the market may reward their expected solving of key past problems):
- Farming company Agroton (**AGT PW**), which showed spectacular harvest growth in 2012 but was damned by the market due to manipulations of its 2011 financials. It will have a chance to rehabilitate itself this year.
- Another farmer Sintal (**SNPS AV**), which chose to stay on investors’ radars despite disastrous harvest results in 2012. It will turn around, provided it ‘s able to finance its 2013 sowing and harvesting campaigns .
- Real estate developer XXI Century (**XXIC LN**), which will have a chance to come back to life after a series of restructurings.

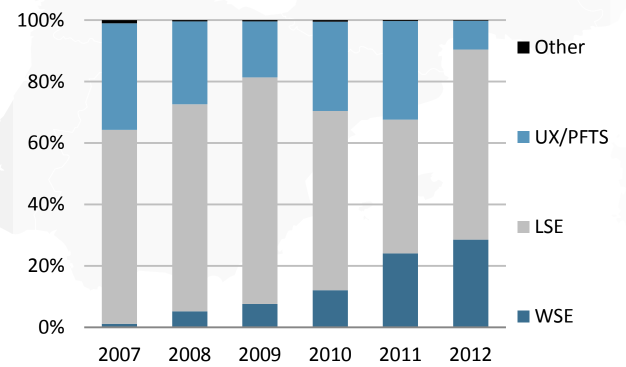
Liquidity and performance

Ukrainian stock liquidity: London and Warsaw fully cannibalize Kyiv

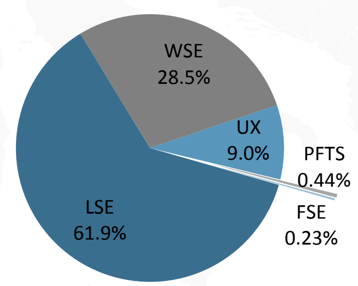
Average monthly equity turnover at stock exchanges in 2012, USD mln:



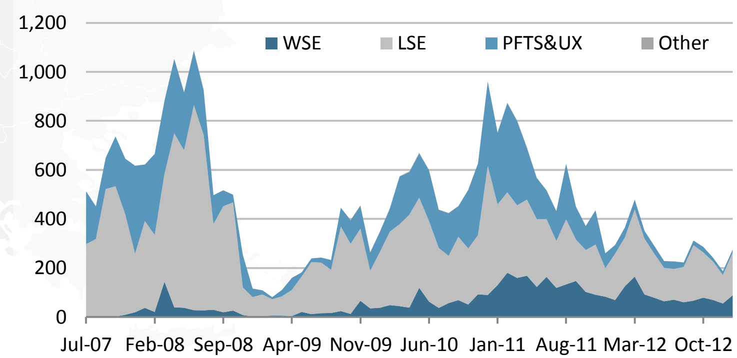
Distribution of turnover of Ukraine-related stocks



2012 turnover by exchanges



Monthly turnover of Ukraine-related stocks, USD mln



Source: Bloomberg, UX, PFTS

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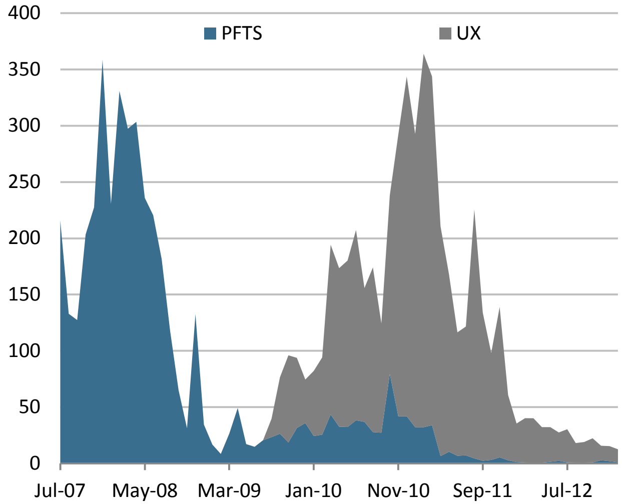
Local exchanges: trading is 100x below peak, concentrated on few names

Monthly turnover at local exchanges, USD mln

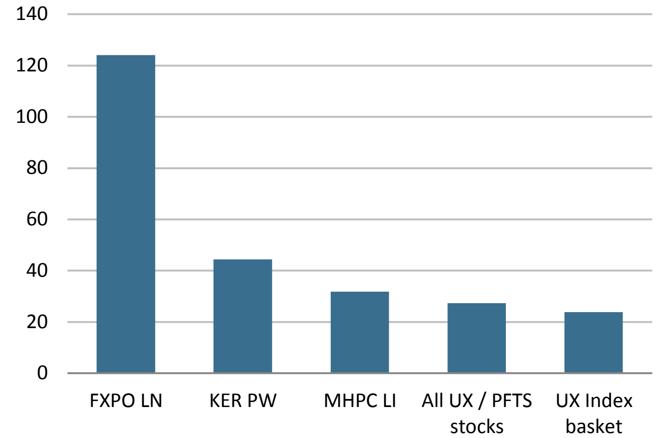


Ukrainian Exchange (UX) turnover is now 30x smaller than 2010/11 peak levels and 30x less than 2007/08 peak levels observed on the PFTS.

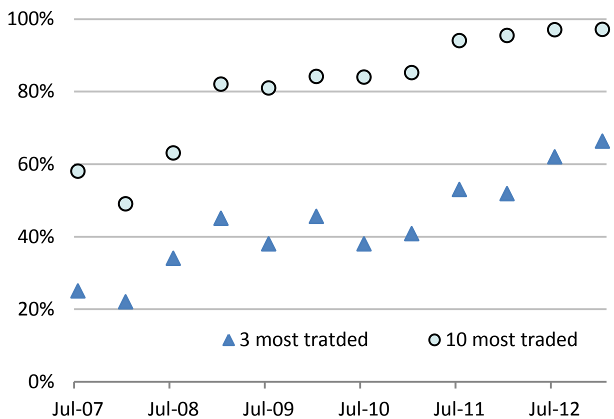
Given that only small portion of trades were reported on the PFTS (most were OTC), we can claim that liquidity on the local market is 100x less than 2007/08 peak levels.

2012 turnover on the local stock exchanges was smaller than the individual turnover of some London/Warsaw listed stocks:

Monthly turnover, 2012, USD mln



Share of top stocks in total turnover on the UX



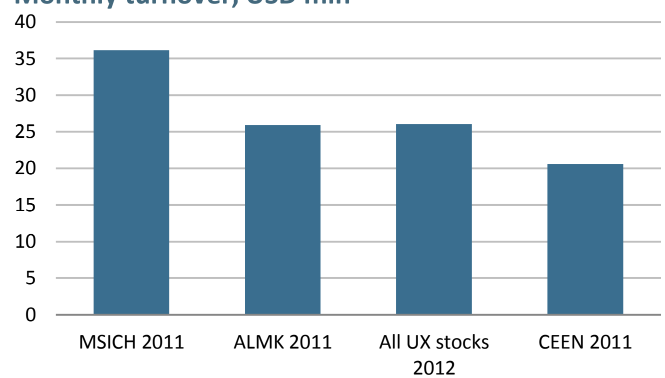
Volume is becoming enormously concentrated on the local stock exchange: 10 stocks account for more than 95% of turnover.

Top-3 traded names:

Jul-07	MSICH	DNEN	KIEN
Jan-08	ALMK	CEEN	USCB
Jan-09	ZAEN	DNEN	UNAF
Jan-10	UNAF	ENMZ	ALMK
Jan-11	ALMK	CEEN	UNAF
Jan-12	ALMK	MSICH	CEEN
Jul-12	CEEN	MSICH	ALMK
Jan-13	MSICH	CEEN	BAVL

2012 turnover on the local exchanges is comparable to the individual turnover of some local stocks in 2011:

Monthly turnover, USD mln



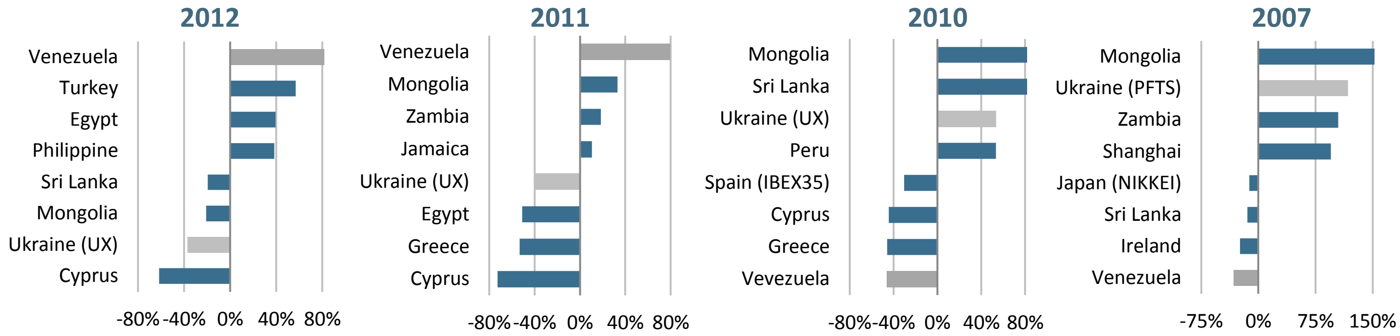
Source: Bloomberg, UX, PFTS

UX performance: among the worst globally, always at opposite extreme to Venezuela

After being among the best global performers in the mid-2000s, the Ukrainian local market was among the worst performers for the second year in a row in 2012.

Despite a natural rotation from worst to top performer that should be expected in 2013, we are not big believers in UX growth: the key reason is weakness among most UX index members (see next slide).

Global extreme performing indices (top and bottom four)*



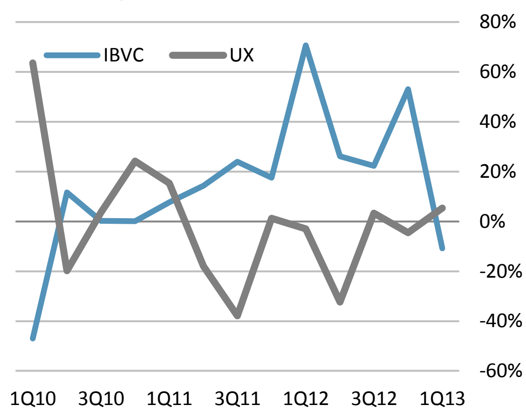
We expect mid-double-digit growth of the UX in 2013, in case the Ukrainian hryvnia meets global devaluation expectations.

Interestingly, Venezuela has always been at the opposite extreme to Ukraine .

This might be pure coincidence, but Ukraine has perfectly negatively correlated with Venezuela since the start of 2010.

The correlation of quarterly index returns is -0.62.

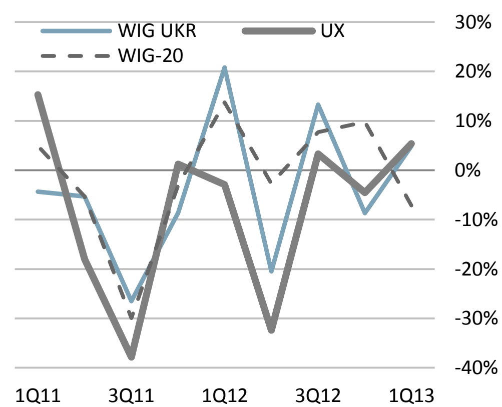
Ukraine vs. Venezuela*:
Quarterly index returns



Poland's WIG-Ukraine Index naturally correlates well with the Polish flagship WIG-20 Index (quarterly correlation is 72%) and correlates weaker with the UX Index (58%).

The correlation between the UX and WIG-20 is even weaker: 55%

Ukraine vs. Poland*:
Quarterly index returns



** All prices are in single currency (CHF)*
Source: Bloomberg, Concorde Capital research

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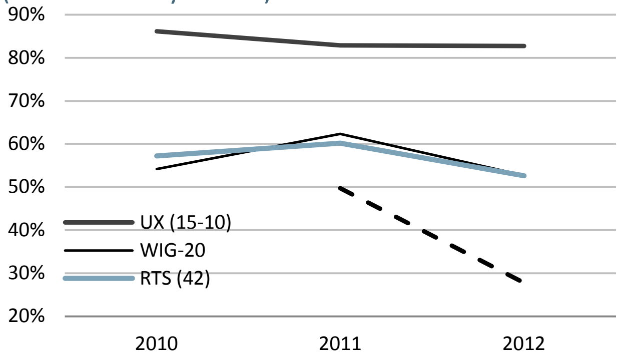
Most UX-Index stocks behave like … the UX Index

An enormous correlation exists between the UX Index's performance and individual index components – this kind of relationship is not observed in neighboring markets.

What's more, 7 out of 10 UX stocks almost identically resemble the index (with the correlation of daily changes at more than 80%).

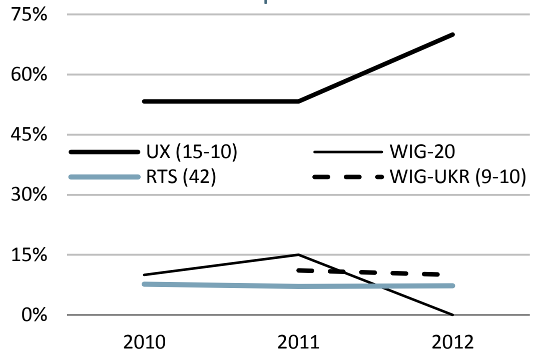
This phenomenon is not observed anywhere else.

Median correlation of index components to index (based on daily return)

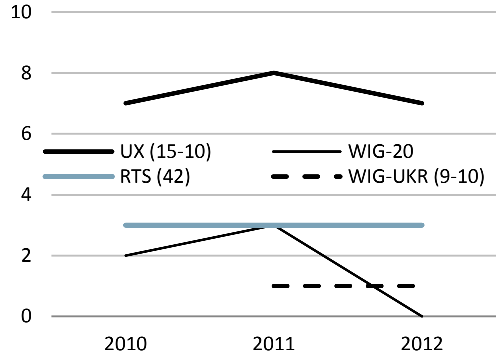


Index components that correlate >0.8 with index (based on daily return):

% of total index components



Number of stocks



This highlights that most of the UX Index components have no individual value. They are in fact faceless, and their only value is that they are "index members."

Indeed, most of the UX Index basket members are loss-making steel companies, low-profit banks with fading interest incomes, and overregulated state utilities .

The only brilliant exception is Motor Sich , a growing and profitable company.

Another exception is Ukrnafta, but it behaves individually due to corporate conflicts.

Theoretically, prospective stocks are two power GenCos (CEEN and DOEN) that showed a radical recovery in profitability in 2012. But their key theme for 2013 will be privatization rather than a possible turnaround in financials (refer to slide 30)

UX Index stocks, 2012

	Sales growth	EBITDA margin	Correlation with UX
AZST	-26%	-6%	86%
AVDK	-24%	-13%	85%
ALMK	-7%	-1%	88%
ENMZ	-5%	-6%	81%
BAVL	-6%*	n/m	80%
CEEN	26%	6%	87%
DOEN	17%	5%	84%
USCB	-16%*	n/m	63%*
UNAF	5%	15%	72%
MSICH	20%	42%	77%

**USCB behaved differently to index due to share capital increase in mid-2012*

** For banks: growth in net interest income*
Source: Bloomberg, UX, Company data, Concorde Capital research

UX: driven by devaluation expectations

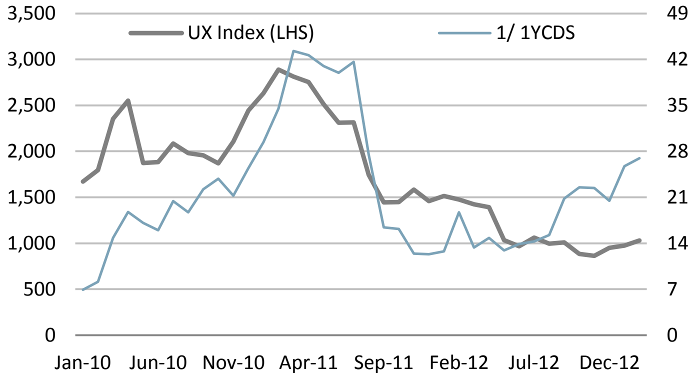
The UX Index is a reflection of inventors' treatment of their exposure to Ukraine rather than a result of the performance of individual stocks.

The common sentiment is the weak performance of the local index (local stocks) is caused by investors' high hryvnia devaluation expectations. Our analysis proves this hypothesis:

- There is a much higher correlation of the UX Index to devaluation expectations than to country risk:

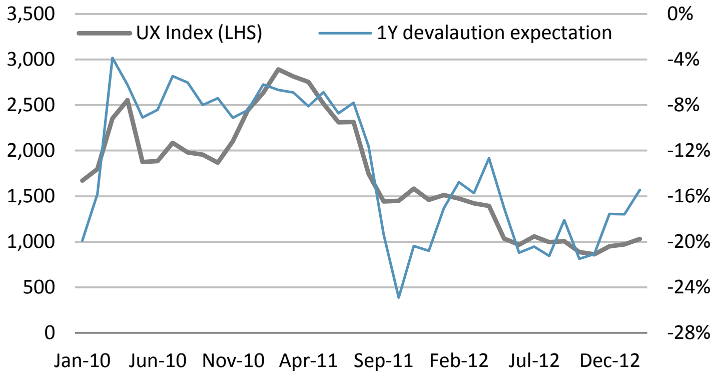
UX Index vs. country risk:

correlation = 0.57 (monthly)



UX Index vs. UAH devaluation expectations*:

correlation = 0.84 (monthly)



We expect the hryvnia will devalue by about 9% by the year's end (to UAH 8.8/USD) (refer to the next slide for more details).

Theoretically, the devaluation should calm down further devaluation expectations and allow the UX Index to keep growing to 1500-1800 till late 2013.

*1Y devaluation expectation is difference between UAH/USD spot and 1-year NDF rate

Source: Bloomberg, Concorde Capital research

Foreign listings: financially much more healthy

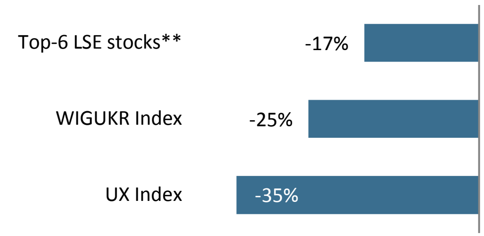
The stocks of Ukraine-focused companies that are listed abroad behave much better than the local market, which can be explained by their higher corporate governance/reporting standards, better liquidity and absence of direct exposure to the local currency.

The financial health of most foreign-listed names is much better than UX stocks, as can be seen on the charts below.

We expect the stocks listed in Warsaw and London will continue to provide much better liquidity, as well as offer better upsides on much clearer investment stories.

As an interesting side note, the effect of a local currency devaluation on local blue chips' EBITDA would be much better than for WSE- and LSE-listed shares (by our estimates).

Performance, March 2012 – March 2013*

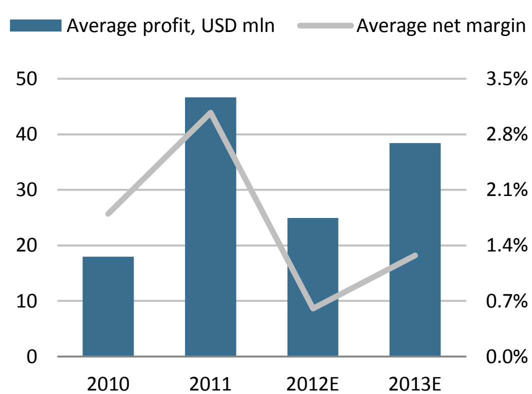


How aggregate 2012 EBITDA would have changed if UAH devalued 10%

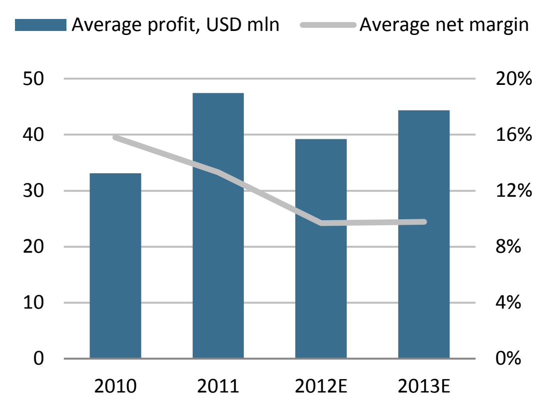
	USD mln	%
UX Index companies (ex. banks)	+274	+42%
WIGUKR Index companies	+21	+3%
Top 6 LSE-listed companies**	-12	-1%

Average fundamentals Ukraine-based stocks:

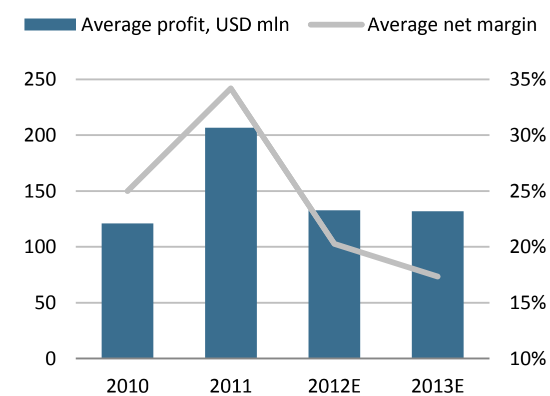
UX Index components



WIG Ukraine Index components



Top 6 LSE-listed companies*



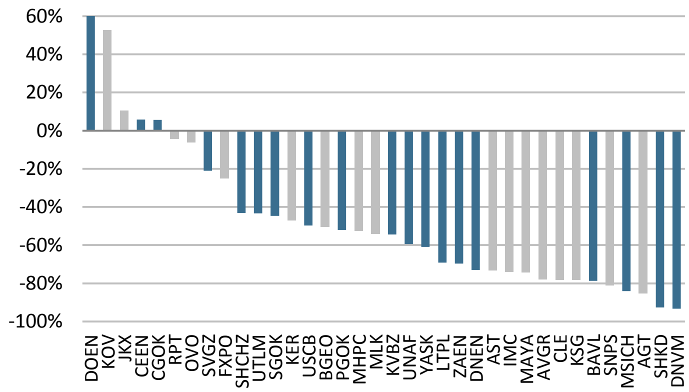
** Performance in unified currency (CHF) ;*
*** Includes AVGR LI, CAD LN, FXPO LN, JKX LN, MHPC LI, RPT LN. Performance is weighted by free float MCap*
Source: Company data, Bloomberg, Concorde Capital research

Market did not look efficient in 2012

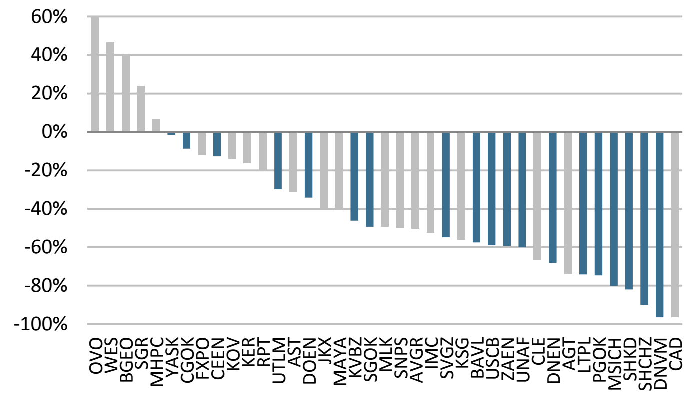
The median discounts of Ukraine-related stocks to their peers are currently close to 50%, which suggests the market is not looking at fundamentals attentively.

Moreover, the size of the discounts does not depend on the place of the stock listing.

Premiums to peers on P/E 2013E



Premiums to peers on EV/EBITDA* 2013E

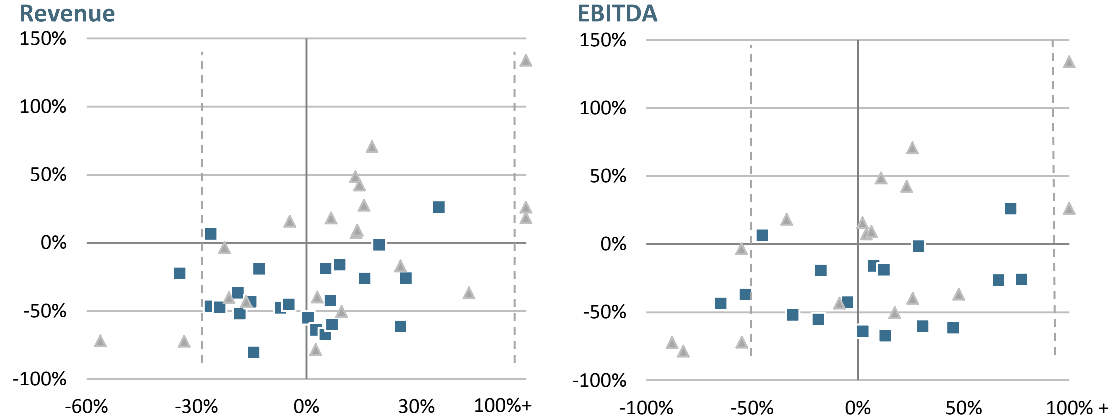


There was some link between revenue (EBITDA) growth and corresponding stock performance in 2012, although this link was not very strong (correlation is below 0.6)

What is clear is that companies that more than doubled their sales (EBITDA) all gained in price for the year. All the stocks that showed revenue decline of more than 30%, or EBITDA decline of more than 50%, were in the red last year. This shows there's at least a chance the market will reward growth stocks in 2013 as well.

Again, there were no clear difference between local and foreign-listed stocks. But what we can say with certainty is that among those improving their 2012 fundamentals, the stock market rewarded better the foreign-listed stocks (gray triangles on the charts).

Stocks performance in 2012 (vertical) vs. yoy growth in 2012:**



** For banking stocks - Price/Book instead of EV/EBITDA ;*

*** Foreign-listed stocks are marked with gray triangles; growth in financials (on horizontal axis) is truncated at 100%*

Source: Company data, Bloomberg, Concorde Capital research

Macro view

Macro summary: slow growth, a real risk to NBU reserves without devaluation

The key 2013 topics on the macroeconomic level are:

- Negotiations with the IMF, which presume:
  - A more flexible ForEx policy (and reasonable UAH devaluation)
  - Some revision of residential utility tariffs (and reasonable inflation)
- Widening C/A deficit, with possible recovery by year-end if UAH devaluation occurs

As we highlighted above, the hryvnia's devaluation could become the key catalyst for stock market recovery. Again, our position is the devaluation will happen this year.

The standard reasons for the devaluation are:

- A sticky hryvnia makes Ukrainian exports (steel and mining) less competitive on the global markets, worsening their volumes and the C/A deficit.
- Four years of currency stability, something very unusual for our region, escalates devaluation expectations, primarily among households. The stability is exaggerated by no economic growth against a background of growing social spending.

Therefore, the sticky hryvnia is costing increasingly more for the central bank (in terms of reserves).

Reasons that should trigger the devaluation this year:

- Ukraine's 2013 external borrowing (and repayment) plans are more aggressive vs. 2012:
  - Ukraine needs to meet international debtor expectations to ensure smooth financing
  - Most creditors are closely watching signals from the IMF, the key creditor
  - To make matters worse, Ukraine's agreement with the IMF ended in 2012. Now it's time for Ukraine to deliver concessions for the IMF to agree on a new deal. The IMF clearly stated that a more flexible ForEx policy is a key requirement.
- Last year alone, the sticky hryvnia cost USD 7.4 bln in NBU reserves, which should not be allowed to fall at the same pace in 2013 (they are just USD 6.5 bln above the critical level of two months of imports.)
- The presidential elections are two years away, and a weakening hryvnia is very unpopular for the electorate. It doesn't look realistic that the NBU will be able to keep the hryvnia stable for two more years. So the sooner it executes the devaluation, the smoother it will go and the smaller the political damage (possibly slipping into the back of the electorate's minds in time for the vote).

Key macro indicators

	2010	2011	2012	2013E
Nominal GDP. USD bln	136	163	176	181
Real GDP yoy	4.1%	5.2%	0.2%	1.6%
Industrial output, yoy	11.2%	7.6%	-1.7%	0.6%
Household cons., yoy	7.2%	15.6%	11.6%	8.4%
Fixed capital investments, yoy	3.9%	7.3%	0.6%	6.0%
C/A balance, USD bln	-3.0	-10.2	-14.4	-14.8
- as % of GDP	-2.2%	-6.2%	-8.3%	-8.2%
NBU reserves, USD bln	34.6	31.8	24.6	20.7
-months of import	3.8	3.5	2.7	2.3
General budget balance / GDP	-7.9%	-2.0%	-5.5%	-4.5%
Public debt / GDP	39.9%	36.1%	36.7%	37.7%
External public debt / GDP	25.6%	22.7%	22.0%	23.1%
CPI, avg	9.6%	8.0%	0.6%	3.1%
UAH / USD, eop	7.96	7.99	7.99	8.80

Sensitivity of NBU reserves and hryvnia rate to scenarios, 2013

	C/A deficit	NBU reserves		UAH/USD
	USD bln	USD bln	Months of imports	end-2013
Base-case (deal with IMF, controlled UAH devaluation by 10%)	14.8	20.7	2.3	8.8
No devaluation, continued talks with IMF	16.0 - 19.0	19.7 - 16.7	2.2- 1.9	8.2 - 9.5
Keeping status quo	18.8	14.1	1.6	9.5+

Source: NBU, UkrStat, Concorde Capital research

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UAH devaluation - possible winners and losers

As hryvnia devaluation might become the key financial event of 2013, we introduce below a list of the possible winners and losers (by modeling how their 2012 financials would have been affected by a 10% devaluation).

The key winners of the hryvnia's potential weakening are export-focused companies (steel, iron ore, machinery and pipe companies, as well as Kernel) and companies whose output prices are pegged to dollar (gas producers).

The key losers are expected to be companies targeting the local market (electric and telecom utilities, Ukrainian banks, producers of poultry meat, sugar and eggs), as well as USD-leveraged companies (Westa, Sadovaya, MHP).

Companies whose bottom lines would be broadly indifferent to UAH rate changes are agri-holdings.

	Net effect on (USD) sales	Net effect on EBITDA margin	Net effect on Debt/EBITDA
CAD	-1%	5 pp	n/m
KOV	-1%	4 pp	0.0x
PGOK	-1%	4 pp	n/m
FXPO	-1%	3 pp	-0.1x
ENMZ	-1%	3 pp	n/m
AZST	-1%	3 pp	n/m
ALMK	-1%	3 pp	n/m
CGOK	-1%	2 pp	n/m
RPT	-1%	2 pp	n/m
SGOK	-1%	2 pp	0.0x
AVDK	-1%	0 pp	n/m
YASK	-1%	0 pp	n/m
ZATR	-1%	2 pp	-0.1x
SMASH	-1%	4 pp	-3.3x
LUAZ	-1%	3 pp	n/m
HRTR	-1%	0 pp	n/m
KDM	-1%	0 pp	n/m
KVBZ	-2%	3 pp	n/m
DNVM	-2%	3 pp	n/m
JKX	-2%	2 pp	0.0x
NITR	-2%	0 pp	-0.1x
LTPL	-2%	2 pp	n/m
KER	-2%	2 pp	-0.1x

	Net effect on (USD) sales	Net effect on EBITDA margin	Net effect on Debt/EBITDA
SVGZ	-2%	0 pp	n/m
MSICH	-3%	1 pp	0.0x
MLK	-3%	4 pp	-0.4x
SHCHZ	-3%	3 pp	0.0x
WES	-3%	0 pp	1.6x
UNAF	-4%	4 pp	0.0x
SNPS	-5%	1 pp	-1.8x
AGT	-5%	1 pp	0.0x
KSG	-5%	1 pp	-0.1x
IMC	-5%	0 pp	0.0x
MAYA	-5%	0 pp	0.1x
AST	-7%	-1 pp	0.3x
OVO	-8%	1 pp	0.1x
MHPC	-8%	0 pp	0.2x
CLE	-8%	-1 pp	n/m
AVGR	-9%	0 pp	0.0x
UTLM	-9%	0 pp	0.1x
SHKD	-9%	0 pp	0.0x
SGR	-9%	-2 pp	1.7x
DOEN	-10%	0 pp	0.0x
CEEN	-10%	0 pp	0.0x
DNEN	-10%	0 pp	0.0x
ZAEN	-10%	0 pp	0.0x

Source: Company data, Concorde Capital research

Summary by sectors

Sector	Companies (best to worst)	Revenue outlook	Profit outlook	Comments
Farming	KSG PW, IMC PW, AGT PW, SNPS AV, MAYA GR	Up (low comparison base)	Up (scale effect)	2013 output to improve (drought shock of 2012 unlikely to repeat itself). Prices are strong. SNPS may turn around after its 2012 disaster, AGT may rehabilitate itself after last year's reputation concerns.
Real Estate	TR61 GR	Up (on big project completion)	Up (scale effect)	The best company in an overall weak sector. Plans to complete large projects in 2013 to show exceptionally high revenue. New projects are most likely to be initiated.
Aerospace	MSICH	Up (higher order book)	Up (scale effect)	One of the fastest-growing aerospace companies globally. Diversification from the Russian market has shown its efficiency. The key risk is takeover by Russians.
Oil & gas	RPT LN, KOV PW, UNAF, JKX LN, CAD LN	Up (higher output, excl. UNAF)	Up (scale effect, excl. UNAF) JKX down (Russian exposure)	They enjoy among the best gas prices globally. The key risk is Ukraine getting cheaper gas imports. RPT is a potential growth story (conditional on new wells' success). JKX profit to suffer from exposure to Russia (where gas is 5x cheaper).
Electricity	CEEN, DOEN, ZAEN, DNEN	Up (higher output)	Up (scale effect, weak input prices)	P&L may improve further in 2013. Power sector reform is a key opportunity (to increase margins).
Grains & oils	KER PW	Up (new businesses)	Stable	Organic growth in grain-trading operations in Ukraine; possible non-organic growth in Russia.
Poultry	MHPC LI, AVGR LI, OVO PW	Up (output growth)	Risk of decline (oversupply caused by output growth)	All the companies target a significant capacity increase in 2013. Output will grow significantly, creating a risk of oversupply and margins declining. May be affected by UAH devaluation.
Iron ore	FXPO LN, PGOK, SGOK, CGOK	Down (weaker ore prices)	Down (higher costs)	Prices can recover in 1H13, but most likely to fall by 2H13. FXPO to complete its ore expansion project. Its key risks are the legal case around its key asset (PGOK) and higher tax burden in case a law on transfer pricing is adopted.
Sugar, milk	AST PW, MLK PW	Slight recovery (output increase)	Up (efficiency growth)	Prices of key products remain weak. May deliver non-organic growth in key segments: AST on weakness of competitors, MLK on further expansion out of Ukraine. AST is sensitive to UAH weakening.
Other	KDM PW, UTLM	Stable	Down (higher costs)	No significant changes in P&L in 2013. Key risk for UTLM is a possible need for debt redemption (USD 250 mln).
Banks	USCB, BAVL	Stable /declining	Down (higher input costs)	Interest margins are set to weaken on slow lending growth, stronger deposits. Negative impact of UAH devaluation.
Railway machinery	LTPL, KVBZ, SVGZ, DNVM	Down (output decline, excl. LTPL)	Down (scale effect, higher input prices)	Freight cars output under risk as long as casting parts export ban to Russia persists. LTPL, KVBZ may see recovery in order book for passenger railcars/ locomotives.
Steam coal	SHKD, CLE PW, SGR PW	Down (output decline, excl. SHKD)	Down (scale effect, excl. SHKD)	Prices remain weak in Ukraine, EU. Demand is seen stable for SHKD. Gov't may demand priority purchases from state miners to harm CLE, SGR. SGR has yet to restart its output. Negative effect of UAH depreciation.
Power & infrastr. mach.	ZATR, SMASH, HRTR, NITR	Down (weak order book, excl. ZATR)	Down (scale effect)	P&L may be better only for ZATR. Pipe producers face troubles with orders from Russia and need to seek new markets.
Steel & coke	ALMK, AZST, ENMZ, AVDK, YASK, SHCHZ	Up slightly (higher output)	Down (lower output prices)	Prices remain weak globally, profitability will remain negative. UAH devaluation will help improve competitiveness. ALMK is set to decrease electricity costs after commissioning own power units.
Automotive	WES PW, LUAZ	Stable	Down (higher costs)	Demand remains weak in Russia and Ukraine. Huge debt does not allow for a profit recovery.

Source: Company data, UkrStat, Concorde Capital research

Equities outlook for 2013

51 equity, 7 stories

We broke down all the stocks from our coverage universe into seven groups that differ in terms of:

- prospect for fundamentals growth;
- risk of losses;
- exit risk (liquidity)

Growth stocks:
Have everything to deliver growth this year:

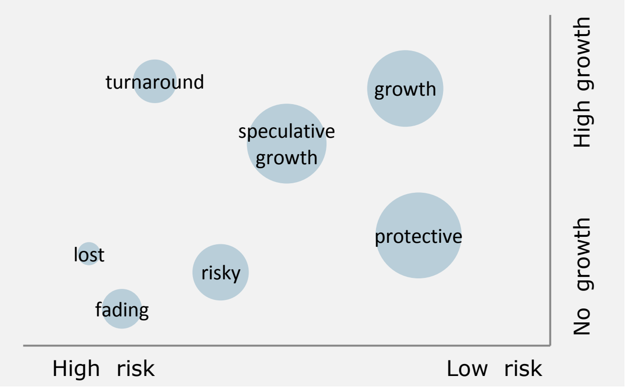
IMC PW	BGEO LN
KSG PW	MSICH UK
TR61 GR	

Speculative (conditional) growth:
Growth is highly probable, but it conditional on:

- some event;
- the company solving a key concern

RPT LN	CEEN UK
MHPC LI	DOEN UK
AVGR LI	PGOK UK
OVO PW	MLK PW

Stock mapping by outlook for 2013*



Turnaround stories (up from the "lost" category):
Stocks may recover fast, if key past concerns are addressed:

AGT PW	SHKD UK
SNPS AV	XXIC LN

Protective stocks (not worse than the market):
Minor growth in fundamentals expected in 2013, risks are low. Suited for mid- to long-term investment:

KER PW	MAYA GR
KOV PW	BAVL UK
AST PW	USCB UK
KDM PW	ZATR UK
CLE PW	UNAF UK

Lost stories:
The future is not promising (in both fundamentals and liquidity).
Some with potential turnaround:

WES PW	DNVM UK
CAD LN	LTPL UK
LUAZ UK	

No chance for turnaround (list is incomplete):

DNEN UK	ZAEN UK
NIRT UK	SMASH UK
SHCHZ UK	

Fading stories (clear candidates to underperform):
Fundamentals increasingly worsening, liquidity is shrinking fast. Some chance for turnaround:

HRTR UK	SVGZ UK
KVBZ UK	UTLMUK

Risky investments (very likely to underperform):
No growth in fundamentals in 2013. Risk for mid-term value growth. Still a chance for stock price recovery:

JKX LN	ALMK UK
SGR PW	AVDK UK
SGOK UK	AZST UK
CGOK UK	ENMZ UK
FXPO LN	

** Bubble size reflects liquidity*
Source: Company data, Bloomberg, Concorde Capital research

Growth stocks, summary

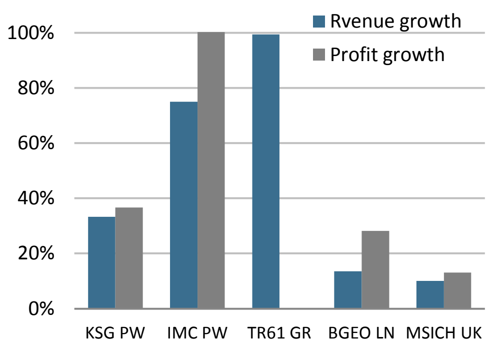
The list includes five stocks whose 2013 growth prospects look certain:

- Companies that should deliver steady growth on supportive demand for their products/services: Bank of Georgia (**BGEO LN**), which will benefit from a good macro environment; aircraft engine producer Motor Sich (**MSICH UK**), whose engines still have no alternatives for Russian helicopter plants.
- Farming companies that should demonstrate spectacular harvest growth because of their efforts (land bank increase) or due to a low comparison base (since they suffered much from the 2012 drought shock) are KSG Agro (**KSG PW**) and Industrial Milk Company (**IMC PW**).
- TMM Real Estate (**TR61 GR**) will gain from the completion of large projects in 2013, which will boost its revenue and profit, and is likely to outline new large projects.

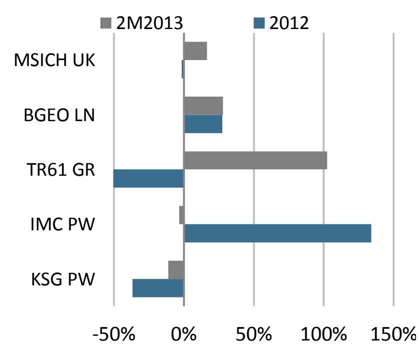
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin	EV/ Sales	P/E	P/E premium to peers
KSG PW	59	33%	43%	23%	1.6	3.9	-76%
IMC PW	147	75%	64%	43%	1.5	2.7	-83%
TR61 GR	37	99%	17%	1%	0.6	3.9	na
BGEO LN	782	14%	na	41%	na	5.9	-48%
MSICH UK	572	10%	40%	29%	1.5	2.0	-85%

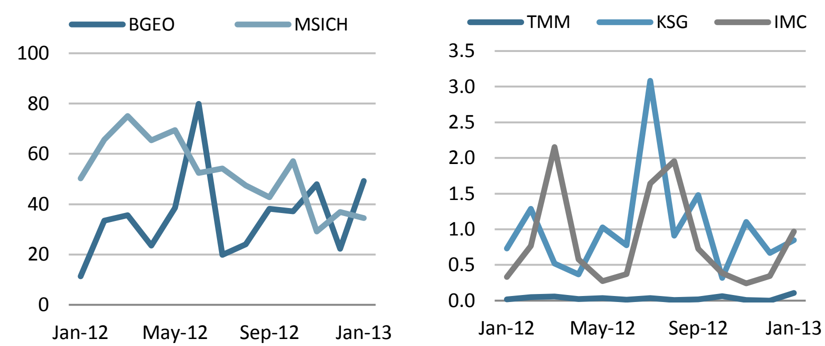
Financial forecast, 2013E



Stock performance



Monthly turnover, USD mln



Source: Company data, Bloomberg, UX, Concorde Capital research

Speculative growth stocks, summary

The list includes stocks whose growth can be spectacular in 2013, but will depend on conditions that they cannot control well.

The sub-group with a high chance to show spectacular growth in fundamentals in 2013:

- Regal Petroleum (**RPT LN**) needs successful well tests and price stability for imported gas.
- Milkiland (**MLK PW**) plans to increase revenue on new acquisitions made in 2012, while its output is still subject to the risk of Russian trading restrictions .
- MHP (**MHPC LI**), Avangard (**AVGR LI**) and Ovostar (**OVO PW**) are egg and poultry producers that are finalizing capacity expansion projects to increase 2013 output significantly. However, due to large scale of the projects (compared to their target market), they will have to work hard to prevent output prices decline.

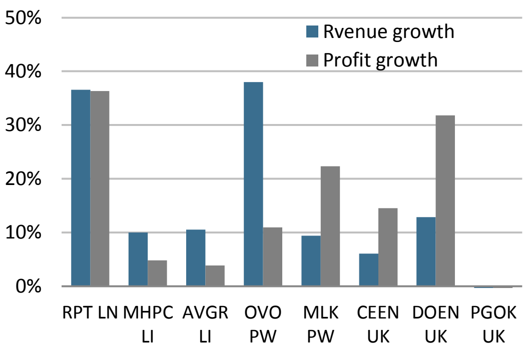
The stocks that can perform well this year without significant improvement in fundamentals:

- Donbasenergo (**DOEN UK**) and Centerenergo (**CEEN UK**) are state GenCos that might benefit from electricity sector reform. Additionally, their privatization, planned for 2013, can inflate their market price in case a tender winner decides to concentrate a larger stake.
- Poltava Iron Ore (**PGOK UK**) may benefit from the possible adoption of a law against transfer pricing to report much higher profit and pay higher dividends in the future.

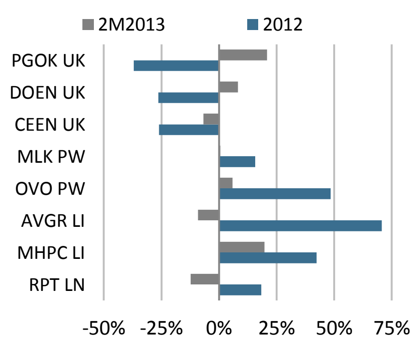
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin	EV/ Sales	P/E	P/E premium to peers
RPT LN	116	37%	59%	32%	2.1	6.4	-12%
MHPC LI	1848	10%	32%	21%	1.8	5.5	-54%
AVGR LI	517	11%	42%	34%	0.9	2.2	-82%
OVO PW	174	41%	28%	20%	2.3	10.8	-10%
MLK PW	134	9%	14%	6%	0.6	5.9	-57%
CEEN UK	247	6%	6%	3%	0.3	7.5	11%
DOEN UK	58	13%	5%	1%	0.2	12.1	78%
PGOK UK	246	-5%	17%	5%	0.8	5.5	-47%

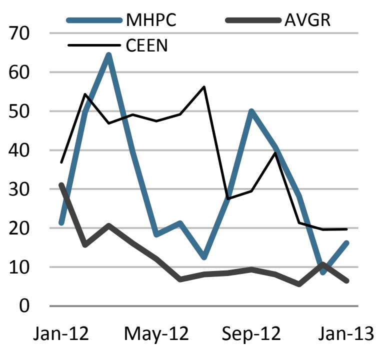
Financial forecast, 2013E

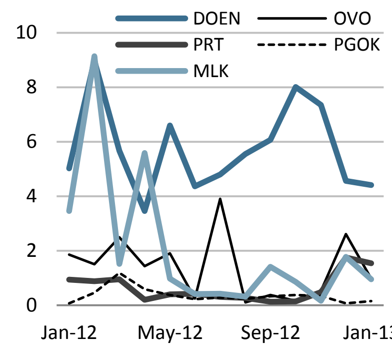


Stock performance



Monthly turnover, USD mln





Source: Company data, Bloomberg, UX, Concorde Capital research

Turnaround stocks, summary

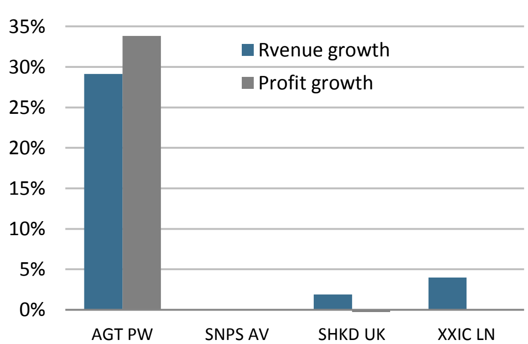
The list includes the stocks damned by the market due to weak past results and/or poor reporting practices. This year, the companies have a chance to prove to the market that they're not done yet. The returns can be enormous, but the risk is very high too:

- Agroton (**AGT PW**) lost 43% of its price since early 2012 on revealed manipulations of grain contracts in 2011. The company had an exceptionally good season (in terms of its harvest) in 2012. Provided that its financials will be more transparent this reporting season, it has a clear chance to turn around.
- Sintal (**SNPS AV**) is another farmer that was damned in 2012 on its disastrous harvest results. Following some strategic revisions, the stock can become a growth story in 2013, at least due to its low comparison base.
- Komsomolets Donbasa (**SHKD UK**) has usually been a low-profit coal miner. It might stop hiding its profits in 2013 by starting reporting market prices for its sold coal.
- Real estate developer XXI Century (**XXIC LN**) may show first signs of turnaround this year, after series of shareholder changes, restructurings and strategic reviews. At least, the company is now able to cover its costs by operating cash flow; and it is on a final stage to start a new commercial project in mid-2013 to be completed in mid-2015, aiming to increase revenue 3x from the current level.

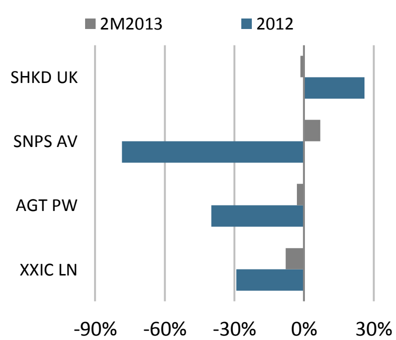
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin	EV/ Sales	P/E	P/E premium to peers
AGT PW	56	29%	35%	23%	0.6	2.0	-88%
SNPS AV	4	-32%	22%	12%	0.9	3.1	-81%
SHKD UK	45	2%	43%	17%	0.5	1.0	-92%
XXIC LN	25	4%	4%	neg	12.5	neg	n/m

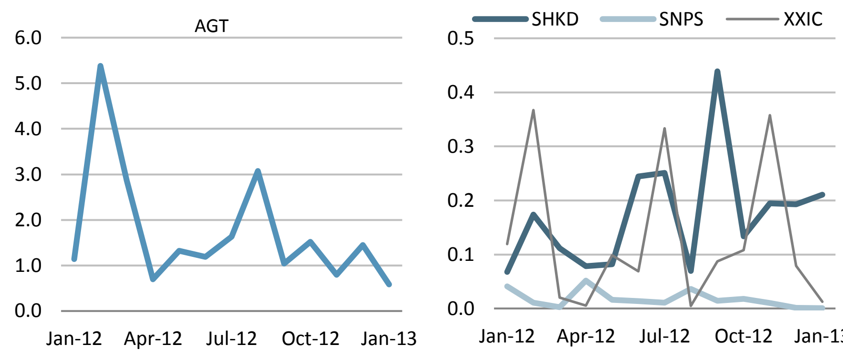
Financial forecast, 2013E



Stock performance



Monthly turnover, USD mln



Source: Company data, Bloomberg, UX, Concorde Capital research

Protective stocks, summary

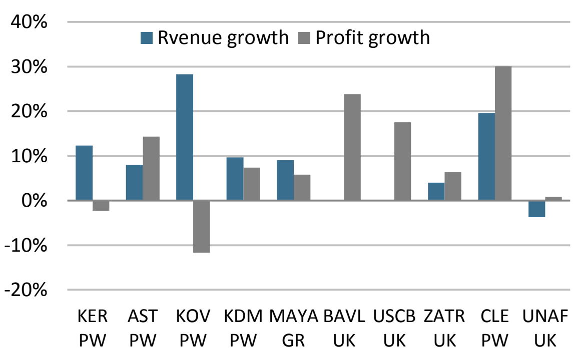
The list encompasses fundamentally strong companies that currently live at the bottom of demand cycle, or whose growth plans are too long-term or too muted:

- Sugar maker/farmer Astarta (**AST PW**) and miner Coal Energy (**CLE PW)** suffer from a (temporary) weakness in prices for their key products, but nevertheless remain strong financially and have growth plans for the mid-term.
- Raiffeisen Bank Aval (**BAVL UK**) and Ukrsotsbank (**USCB UK**) are perhaps the same story: weak demand for their services (loans) and a tough market environment (limited liquidity on the money market). We believe they will go on to perform in line with the benchmark UX Index, while we see a risk that they will be its weakest components in case the local currency devalues.
- The companies that proved their efficiency in their core markets and are trying to focus on new ones, with efforts possibly paying off only in the mid-term: grain trader and vegetable oil producer Kernel (**KER PW**) and gas projects developer Kulczyk Oil (**KOW PW**).
- KDM Shipping (**KDM PW**) and Mriya Agroholding (**MAYA GR**) are companies that have growth plans for the mid- to long term, but are unlikely to show spectacular growth in 2013.
- Locally listed companies that benefit from good demand for their products but do not plan any expansion are Ukrnafta (**UNAF UK**) and Zaporizhtransformator (**ZATR UK**). They are also good dividend stories.

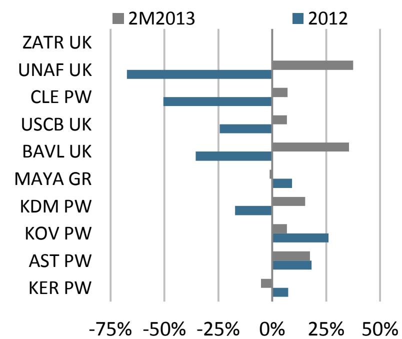
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin	EV/ Sales	P/E	P/E premium to peers
KER PW*	1423	12%	15%	9%	0.9	6.9	-45%
AST PW	466	8%	24%	20%	1.5	4.8	-72%
KOV PW	192	28%	41%	13%	1.7	10.9	51%
KDM PW	75	10%	54%	47%	2.7	5.5	na
MAYA GR	627	6%	74%	52%	2.7	3.3	-80%
BAVL UK	360	n/m	n/m	n/m	0.0	2.3	-80%
USCB UK	182	n/m	n/m	n/m	0.0	5.5	-51%
ZATR UK	497	4%	37%	25%	1.3	4.0	na
CLE PW*	87	20%	35%	19%	0.6	2.3	-82%
UNAF UK	914	-4%	16%	11%	0.3	2.8	-62%

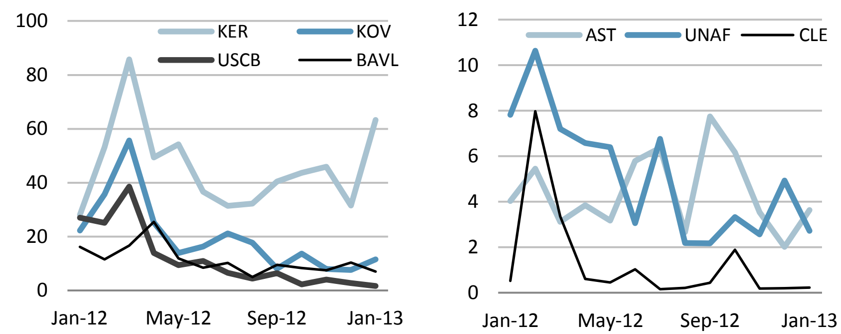
Financial forecast, 2013E



Stock performance



Monthly turnover, USD mln



** Financial year of Kernel (KER PW) and Coal Energy (CLE PW) ends in June*
Source: Company data, Bloomberg, UX, Concorde Capital research

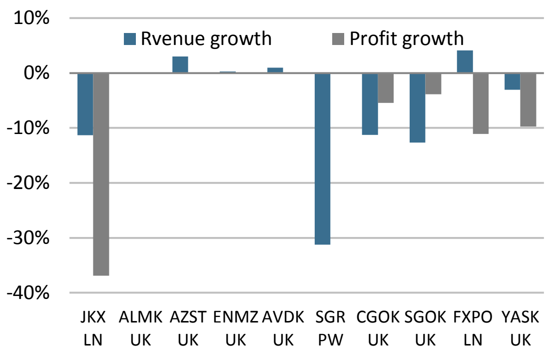
The list includes fundamentally weak companies, most of which suffer from the weakness of their target markets. Their fundamentals are likely to worsen in 2013, and maybe further. Investment in some of them is also related to exit (liquidity) risk:

- JKX Oil & Gas (**JKX LN**) achieved little (in terms of gas output growth) in Ukraine, and is now actively penetrating Russia, where profits of the gas production business are much smaller.
- Ukrainian steel and coke producers that suffer from weak commodity prices and offer little to address the current market weakness are Alehevsk Steel (**ALMK UK**), Azovstal (**AZST UK**), Yenakiieve Steel (**ENMZ UK**) and Avdiivka Coke (**AVDK UK**). Their key strength is they are components of the UX Index. If investors come back to the local market, they still have a good chance to perform well.
- Yasynivka Coke (**YASK UK**), which looks fundamentally stronger than its peers, but it still suffers from demand crisis, and its liquidity has declined fast over the last year
- Iron ore leaders Ferrexpo (**FXPO LN**), Northern Ore (**SGOK UK**), and Central Ore (**CGOK UK**). The companies' fundamentals worsened on the weak commodities market and are likely to worsen further in 2013. The key advantage of local stocks is their generous dividends. The market becomes active in them in the early spring, before dividend payouts. Otherwise, they are illiquid. Ferrexpo's key benefits are investment into growth and superior liquidity.
- And perhaps the most risky one is Sadovaya Group (**SGR PW**), a coal miner that has not found a remedy (so far) for worsened demand on the domestic steam coal market. If the company is able to find demand for its products, it would perform well. Otherwise, it's a candidate for bankruptcy.

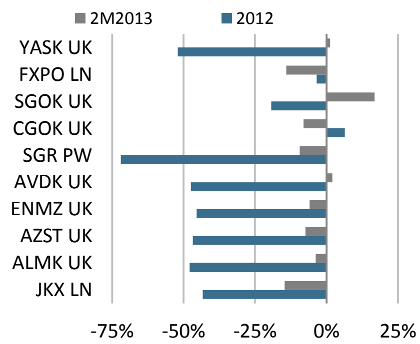
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin	EV/ Sales	P/E	P/E premium to peers
JKX LN	197	-11%	45%	14%	1.3	8.0	11%
ALMK UK	152	0%	-1%	-4%	0.5	neg	n/m
AZST UK	318	3%	-6%	-10%	0.1	neg	n/m
ENMZ UK	45	0%	-3%	1%	0.0	neg	n/m
AVDK UK	74	1%	-6%	-10%	0.1	neg	n/m
SGR PW	22	-31%	30%	-13%	2.3	neg	n/m
CGOK UK	1004	-11%	34%	17%	1.9	11.1	7%
SGOK UK	2460	-13%	54%	44%	1.7	6.2	-41%
YASK UK	20	-3%	3%	1%	0.2	4.0	-61%
FXPO LN	1510	4%	25%	13%	1.4	8.0	-23%

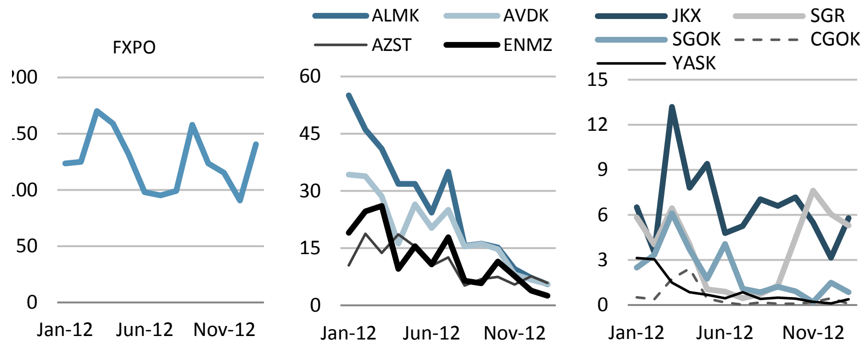
Financial forecast, 2013E



Stock performance



Monthly turnover, USD mln



Source: Company data, Bloomberg, UX, Concorde Capital research

CONCORDE CAPITAL

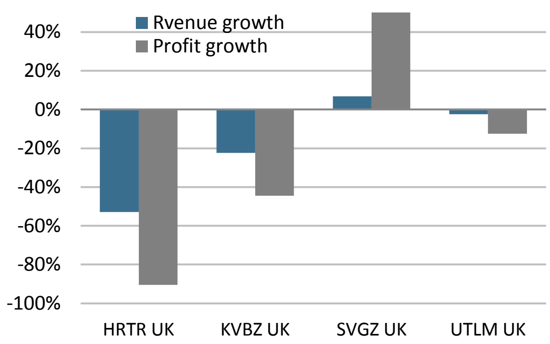
The list includes stocks whose best times seem to be over. Their fundamentals are weakening and their liquidity is evaporating:

- Khartsyzsk Pipe (**HRTR UK**) suffers from almost no demand for its products in the Russian Federation. The company can potentially count on some recovery in its infrastructure projects in Russia , Ukraine or Central Asia, though prospects are muted there. It still pays generous dividends.
- Railcar makers Kryukiv Wagon (**KVBZ UK**) and Stakhaniv Wagon (**SVGZ UK**) have begun to suffer from declining demand for their main products (gondola cars) in Russia, as well as from higher competitive pressure from new Russian peers. Moreover, these Russian newcomers are actively lobbying state-imposed limits on the market.
- Ukrtelecom (**UTLM UK**) is Ukraine's largest fixed line telecom operator that has demonstrated double-digit declines in its long-distance traffic (its main profit source) on cannibalization by mobile operators. It operates a stillborn mobile division and clearly has too little tools to build up its value.

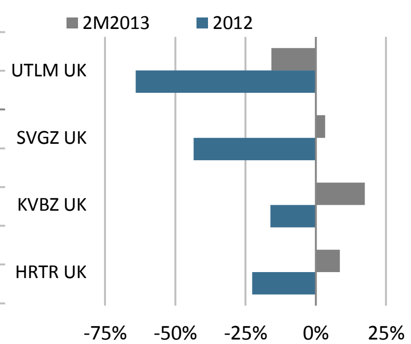
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin	EV/ Sales	P/E	P/E premium to peers
HRTR UK	253	-53%	8%	1%	1.0	99.3	n/m
KVBZ UK	323	-22%	12%	8%	0.5	6.2	-51%
SVGZ UK	42	7%	4%	1%	0.1	9.6	-24%
UTLM UK	299	-3%	25%	5%	0.7	7.5	-44%

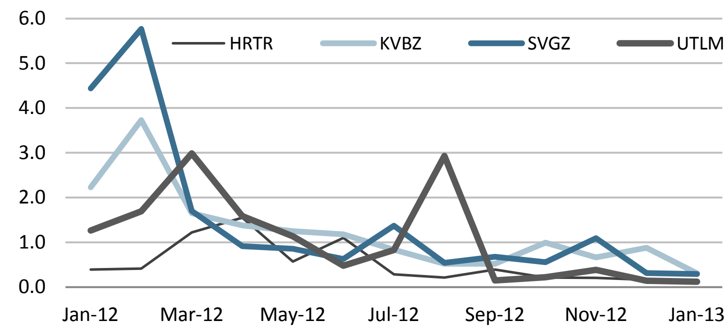
Financial forecast, 2013E



Stock performance



Monthly turnover, USD mln



Source: Company data, Bloomberg, UX, Concorde Capital research

Lost stocks, summary

The list includes stocks that have failed to deliver on their growth strategy in the past, worsened their financials , or are not investment worthy because of lacking market liquidity. Some of the stocks are still candidates for a turnaround, however.

The stocks that can potentially turn around encompass those with still a high free float, but their current troubles outweigh any growth prospects:

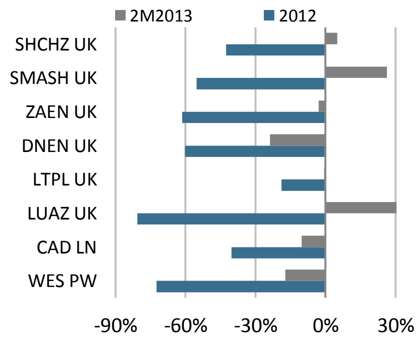
- Car battery maker WESTA ISIC (**WES PW**) and natural gas producer Cadogan (**CAD LN)** have unusually weak corporate governance (though foreign-listed) and extremely poor histories as public companies. They still could recover, though the chances look muted.
- Machinery stocks Luhanskteplovoz (**LTPL UK**) and Dniprovahonmash (**DNVM UK**) have extremely poor liquidity but may theoretically improve, providing the companies show better transparency and improve their financials. DNVM is still a good dividend play.
- Bohdan Motors (**LUAZ UK**) is an auto producer and retailer that's stuck in a poor market environment (of very low demand for its cars) and is highly leveraged. The company could potentially survive providing its makes a strategic revision.

The stocks with absent liquidity, tiny free float and non-encouraging fundamentals that have no chance to come back to investor radars are **DNEN UK**, **ZAEN U**K, **NITR UK**, **SMASH UK**, **SHCHZ UK** and many other locally listed stocks.

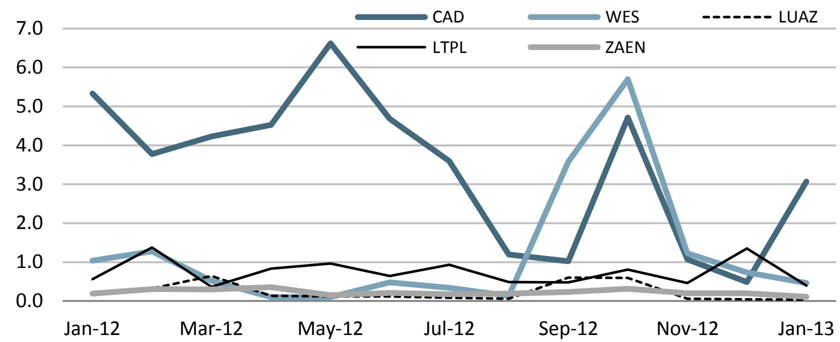
Key indicators, 2013E

	MCap, USD mln	Sales growth	EBITDA margin	Net margin
WES PW	9	27%	11%	-6%
CAD LN	50	10%	-82%	-115%
LUAZ UK	23	-16%	-3%	-12%
DNVM UK	83	-2%	24%	19%
LTPL UK	52	54%	8%	4%
NITR UK	125	0%	6%	-1%
DNEN UK	161	8%	14%	7%
ZAEN UK	132	16%	8%	4%
SMASH UK	30	5%	7%	-5%
SHCHZ UK	68	0%	24%	5%

Stock performance



Monthly turnover, USD mln



Source: Company data, Bloomberg, UX, Concorde Capital research

Local market: special plays for 2013

Dividend plays

We identified stocks from the Ukrainian universe that are going to pay visible dividends in the 2013 season.

We have broken down the dividend payers into two groups:

- Eternal dividend plays are the companies that are set to pay high or increasing dividends in the future:
    - Cash cow iron ore companies: the Central, Northern and Poltava Iron Ore plants (**CGOK UK**, **SGOK UK** and **PGOK UK**) pay steady dividends and are very likely to continue doing so.
    - A new dividend story is poultry producer MHP (**MHPC LI**), which preannounced its dividends in March for the first time in its history and most likely will continue doing so. Its ambitious CapEx projects are done and the company is going to generate increasingly more cash in the future.
    - Engine maker Motor Sich (**MSICH UK**) currently pays small dividends but is increasing its payout ratio each year.
- Occasional or stagnating dividend plays are the companies likely to pay good dividends this year but may stop paying them (or decrease DPS) in the future:
    - Current cash cows Khartsyzsk Pipe (**HRTR UK**), Dniprovahonmash (**DNVM UK**) and Kryukiv Railcar (**KVBZ UK**) are on the downward path due to low demand for their products on traditional markets (Russia).
    - Electricity companies currently controlled by the state whose philosophy is receiving dividends equal to 30% of income. The companies are currently on the state's privatization list and are likely to stop paying dividends once becoming privately held. The list includes Khmelnytskoblenergo (**HMON UK**), Cherkasyoblenergo (**CHON UK**), Zaporizhiaoblenergo (**ZAON UK**), Kharkivoblenergo (**HAON UK**). Shareholders of Centerenergo (**CEEN UK**) and Donbasenergo (**DOEN UK**) already voted in favour of 30% dividends.

Theoretically, Ukrnafta (**UNAF UK**) may also pay hefty dividends this year to distribute its 2011 and 2012 profits, but it didn't hold an AGM last year and hasn't announced plans to hold one this year.

Key dividend payers for 2013 season,
UAH (unless otherwise specified)

	AGM date	Est. DPS	Market price	Est. div. yield
DNVM	19-Apr	18.00	65.00	27.7%
SGOK*	18-Apr	1.50	8.70	17.2%
HRTR	9-Apr	0.10	0.74	13.1%
CGOK*	18-Apr	0.64	6.98	9.1%
MHPC (USD)*	-	1.13	17.17	6.6%
KVBZ	18-Apr	1.34	22.94	5.9%
PGOK*	11-Apr	0.05	1.00	5.1%
HMON	27-Apr	0.50	10.50	4.8%
ZAON	18-Apr	0.07	1.65	4.2%
HAON	27-Mar	0.03	1.00	3.4%
MSICH*	28-Mar	10.00	2288.00	0.4%
UNAF**	na	26.65	137.7	20.1%
Ex-dividend date came:				
CEEN	21-Mar	0.19	5.49	3.5%
DOEN	20-Mar	0.39	19.94	2.0%

** Stock s which have a high chance to remain dividend plays in the future*
*** No certainty about AGM plans for this company*
Source: Company data, Bloomberg, UX, Concorde Capital research

AGM plays - significant deals

Amendments to Ukraine's legislation on joint stock companies have opened a new class of opportunities in 2011 that we call TEPOs (temporarily embedded put option) plays.

Shareholder meetings of many companies include an item to approve "significant deals" in their agenda. Those who explicitly vote against significant deals at AGMs/EGMs gain a temporary right to offer their shares to the issuer at a pre-determined "market price." Usually this pre-determined price (TEPO strike price) is set as a market price before the AGM/EGM announcement.

Three opportunities are related to TEPO:

- Investors can get rid of illiquid or non-prospective stocks by selling them at market price to the issuer (those listed with an asterisk below)
- Investors can try setting the strike price by inflating the market before the AGM/EGM is announced (applies to stocks listed without an AGM date below)
- Traders can play TEPO arbitrage if the market price after the AGM/EGM announcement falls below the strike price (see the next slide)

FAQ on TEPO

How to "buy" TEPOs

- Make sure the company's AGM contains a "significant deals" clause.
- Sign up for the AGM and vote "against" the significant deals item.

How/when to use TEPOs

- By law, you have a right (not obligation) to offer your shares to the issuer within 30 days after voting "against."
- By law, the issuer has an obligation to buy back the offered shares within 30 days after it receives the offer.

Strike price of TEPOs

- By law, the price at which the issuer should buy back the offered shares cannot be lower than (i.e. is close to) the market price prior to the day of the AGM announcement.

What is a "significant deal"

- A significant deal is a contract worth more than 25% of a company's total assets as of the last reporting year. By law, such deals should be approved by shareholder meetings.
- There are no penalties for those voting against significant deals.

Companies which AGM contain (will likely contain) significant deals item

AVDK	24-Apr	DRMV*	TBA	SGOK	18-Apr
AZGM*	19-Apr	DRMZ*	16-Apr	SHCHZ*	24-Apr
AZOT *	TBA	DTRZ*	4-Apr	SHKD	17-Apr
AZST	25-Apr	ENMZ	29-Mar	SNEM*	24-Apr
CGOK	18-Apr	ENUG*	22-Apr	STIR*	10-Apr
DGRM*	9-Apr	HMBZ*	27-Apr	SZLV*	15-Apr
DKOK*	19-Apr	HRTR	9-Apr	YASK	25-Apr
DMPZ*	TBA	KIEN*	22-Apr	ZACO*	15-Apr
DNAZ*	2-Apr	KREN*	26-Apr	ZAEN*	24-Apr
DNEN*	18-Apr	KVBZ	18-Apr	ZALK*	25-Apr
DNON*	17-Apr	LTPL	11-Apr	ZFER*	TBA
DNSS*	24-Apr	MGZC*	TBA	ZOEN*	30-Apr
DNVM*	19-Apr	MMKI*	12-Apr		
DOON*	23-Apr	MZVM*	16-Apr		

Note that the list of companies which shareholders have a right to vote in favor of significant deals is limited. Below is the list of companies which AGMs newer had this agenda item (list is incomplete).

Companies which AGM newer voted for approval of significant deals :

ALMK	DOEN	NVTR	UNAF
BAVL	HAON	PGOK	USCB
CEEN	LUAZ	SMASH	UTLM
CHON	MSICH	SVGZ	ZAON
			ZATR

** Stocks which represent best exit opportunity via TEPO*
Source: Company data, UX, Concorde Capital research

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TEPO arbitrage can potentially emerge for more-or-less liquid stocks that become cheaper, for whatever reason, after their AGM announcement.

Since the price at which those who voted against significant deals can sell their shares to the issuer (TEPO strike price) is known at the moment of an AGM announcement, an opportunity could emerge to buy the stock cheaper on the market before the AGM (record) day and sell it to the issuer at the strike price.

Arbitrage profit (as of March 28)

	AGM date	Register date	Est. strike price, UAH	Market price, UAH	Est. arbitrage profit
DGRM*	9-Apr	3-Apr	0.93	0.80	16.4%
STIR	10-Apr	4-Apr	14.54	13.19	10.2%
AVDK	24-Apr	18-Apr	3.34	3.10	7.9%
HRTR	9-Apr	3-Apr	0.80	0.74	7.9%
SGOK	18-Apr	12-Apr	9.35	8.70	7.5%
KREN	26-Apr	22-Apr	0.70	0.67	4.3%
SHKD	17-Apr	11-Apr	1.13	1.09	4.1%
CGOK	18-Apr	12-Apr	7.26	6.98	4.0%
AZST	25-Apr	19-Apr	0.63	0.62	2.7%
ZACO*	15-Apr	9-Apr	2.60	2.55	1.8%

Where arbitrage profit can emerge:

DNON, DNEN, DOON, ENUG, KIEN, KVBZ, LTPL, MMKI, SHCHZ, ZAEN

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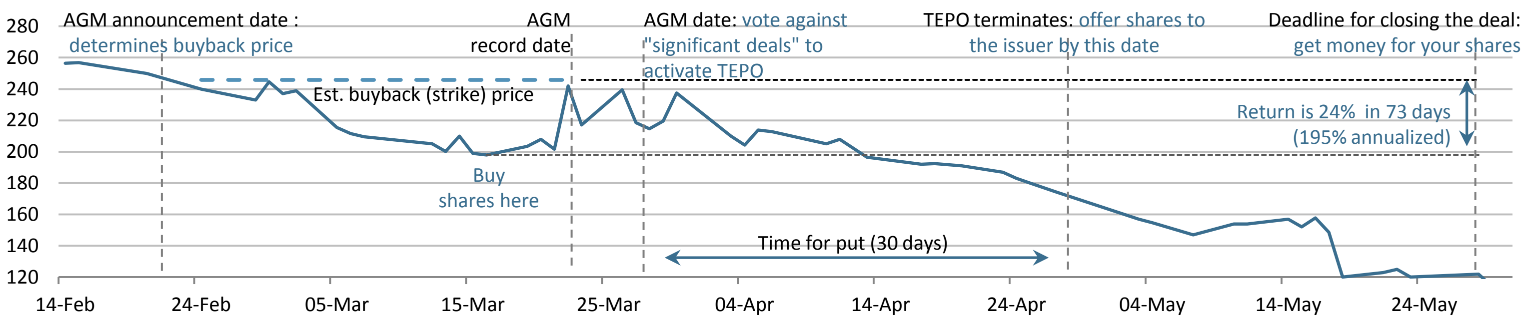
- There are no penalties for those voting against significant deals.

How this could have worked with Zakhidenergo stock (ZAEN UK, in UAH) in 2012 is illustrated below:



*Illiquid stocks: deal prices can differ significantly from the presented figure

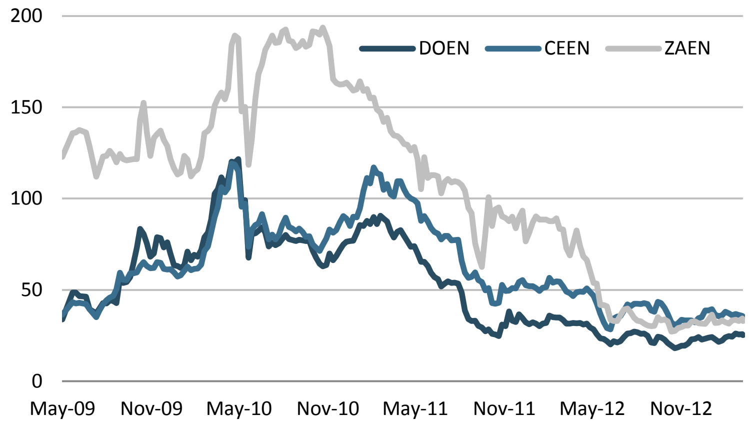
Source: Company data, UX, Concorde Capital research

Privatization plays: CEEN and DOEN

Another speculative opportunity that might emerge in 2013 is related to the anticipated arrival of a private shareholder at Centerenergo (CEEN UK) and Donbasenergo (DOEN UK). Both companies are included in the state's privatization list for this year.

As was the case with two other Ukrainian GenCos (Dniproenergo and Zakhidenergo), the company that bought their shares (DTEK) was actively buying out free float from the market to accumulate large blocks: consider Zakhidenergo's (ZAEN UK) premium to its state-controlled peers in the period when a strategic investor was actively accumulating shares (till April 2012).

Price / installed capacity of Ukrainian GenCos, USD/kW



If Zakhidenergo's performance repeats itself with these two GenCos that are still in state hands, we could be observing a price increase for these stocks for some period. The bad news in this case would be a fast evaporation of free float and an eventual decline in stock prices once the active buyout finishes. For instance, ZAEN, being once a real blue chip, now trades much less actively than Donbasenergo, which used to be the least liquid Ukrainian GenCo stock.

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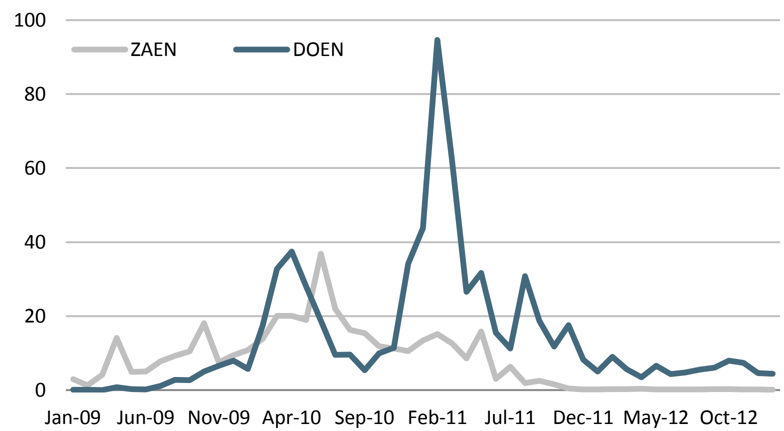
Monthly turnover, USD mln



Source: Company data, UX, Concorde Capital research

Special plays summary

	Dividend play	Significant deals play			Other	AGM date	AGM record date	TEPO strike price, UAH/share	TEPO arbitrage profit	Est. DPS, UAH	Dividend yield
		Vote against significant deals	Sell using TEPO	May play TEPO arbitrage							
DOEN	yes				Privatization	20-Mar	14-Mar			0.39	2.0%
CEEN	yes				Privatization	21-Mar	15-Mar			0.19	3.5%
HAON	yes					27-Mar	21-Mar			0.03	3.4%
MSICH	yes					28-Mar	22-Mar			20.00	0.9%
ENMZ		yes		yes		29-Mar	25-Mar	36.81	7.2%		
DNAZ		yes	yes			2-Apr	27-Mar	0.10	895.0%		
DTRZ		yes	yes			4-Apr	29-Mar	18.00	0.0%		
HRTR	yes	yes	yes	yes		9-Apr	3-Apr	0.80	7.9%	0.10	13.1%
DGRM		yes	yes	yes		9-Apr	3-Apr	0.93	16.4%		
STIR		yes	yes	yes		10-Apr	4-Apr	14.54	10.2%		
ZAON	yes					11-Apr	5-Apr			0.05	5.1%
LTPL		yes		yes		11-Apr	5-Apr	1.89	0.0%		
MMKI		yes	yes	yes		12-Apr	8-Apr	0.17	0.0%		
ZACO		yes	yes	yes		15-Apr	9-Apr	2.60	1.8%		
SZLV		yes	yes			15-Apr	9-Apr	0.18	0.0%		
MZVM		yes	yes			16-Apr	10-Apr	0.14	0.0%		
DRMZ		yes	yes			16-Apr	10-Apr	1.79	0.0%		
SHKD		yes		yes		17-Apr	11-Apr	1.13	4.1%		
DNON		yes	yes	yes		17-Apr	11-Apr	92.82	0.0%		
SGOK	yes	yes		yes		18-Apr	12-Apr	9.35	7.5%	1.50	17.2%
CGOK	yes	yes		yes		18-Apr	12-Apr	7.26	4.0%	0.64	9.1%
HMON	yes					18-Apr	12-Apr			0.07	4.8%
KVBZ	yes	yes		yes		18-Apr	12-Apr	22.36	0.0%	1.34	5.9%
DNEN		yes	yes	yes		18-Apr	12-Apr	185.61	0.0%		
DNVM	yes	yes	yes			19-Apr	15-Apr	65.00	0.0%	18.00	27.7%
DKOK		yes	yes			19-Apr	15-Apr	0.09	0.0%		
AZGM		yes	yes			19-Apr	15-Apr	7.00	0.0%		
ENUG		yes	yes	yes		22-Apr	16-Apr	25.81	0.0%		
KIEN		yes	yes	yes		22-Apr	16-Apr	6.78	0.0%		
DOON		yes	yes	yes		23-Apr	17-Apr	4.50	0.0%		
CHON	yes					23-Apr	17-Apr			0.01	1.2%
SHCHZ		yes	yes	yes		24-Apr	18-Apr	0.47	0.0%		
ZAEN		yes	yes	yes		24-Apr	18-Apr	85.35	1.6%		
AVDK		yes		yes		24-Apr	18-Apr	3.34	7.9%		
SNEM		yes	yes			24-Apr	18-Apr	1.75	0.0%		
DNSS		yes	yes			24-Apr	18-Apr	1000.00	0.0%		
ZALK		yes	yes			25-Apr	19-Apr	0.45	0.0%		
YASK		yes		yes		25-Apr	19-Apr	0.61	0.7%		
AZST		yes		yes		25-Apr	19-Apr	0.63	2.7%		
KREN		yes	yes	yes		26-Apr	22-Apr	0.70	4.3%		
HMBZ		yes	yes			27-Apr	23-Apr	0.50	0.0%		
PGOK	yes					27-Apr	23-Apr			0.50	4.8%
ZOEN		yes	yes			30-Apr	24-Apr	1.00	0.0%		

Source: Company data, Bloomberg, UX, Concorde Capital research

Company profiles

London-listed stocks (1)

Avangard (AVGR LI): Speculative growth

The company is Ukraine's leading producer of hen eggs (more than 50% of industrial production of eggs and egg products) and among the global egg leaders. It's in the stage of commissioning three capacity expansion projects worth USD 900 mln. It produced 6.3 bln eggs in 2012 and capacity is set to increase to 8.6 bln eggs by end-2013.

+ Capacity expansion in 2013 will lead to growth in its top and bottom lines.
+ Margins to be improved by more branded products, more processed eggs, and closure of less efficient, old facilities
- Risk of egg oversupply (and price fall) in Ukraine due to capacity growth
- Investors are concerned with past corporate governance issues.

Bloomberg	AVGR LI	MCap, USD mln	517.4
Outlook for 2013	Outperform	Free float, %	22.5%
Price, USD	8.10	Key owners:	
12M H/L, USD	14.55/ 7.43	Oleg Bakhmatyuk	77.5%
# of shares, mln	63.9		
	2012	2013E	2014E
Sales, USD mln	629.3	695.4	761.4
EBITDA margin	44%	42%	45%
Net margin	36%	34%	37%
Net debt, USD mln	148	134	79
EV / EBITDA	2.4	2.2	1.7
P / E	2.2	2.2	1.8

Bank of Georgia Holdings (BGEO LN): Growth story

The bank is Georgia's biggest, accounting for 37% of the country's total banking assets. It bolstered assets 22% yoy in 2012, profit 32% yoy and ROE 1 pp yoy to 19%. Following an upgrade of its LSE listing in February 2012, the stock is now in the FTSE 250 Index.

+ The bank demonstrates the fastest growth in assets and the best profitability among FTSE 350 banking stocks
+ The bank is set to improve its ROE by another 1.0-1.5 pp in 2013 to more than 20% on a decline in Cost/Income and a higher net interest margin.
+/- Georgia's slowing economic growth (to an estimated 4-5% in 2013 vs. 6.1% in 2012) may weaken demand for new loans and prompt deceleration in balance sheet growth. Its growth, however, will remain strong.

Bloomberg	BGEO LN	MCap, USD mln	871.6
Outlook for 2013	Outperform	Free float, %	100.0%
Price, GBp	1550	Key owners:	
12M H/L, GBp	1548 / 950	Firebird	8.4%
# of shares, mln	35.9	Franklin Res.	7.1%
	2012	2013E	2014E
Equity, USD mln	639.5	681.1	733.0
ROE	19.1%	20.1%	20.6%
P /B	1.2	1.1	1.1
P / E	7.2	5.9	5.4

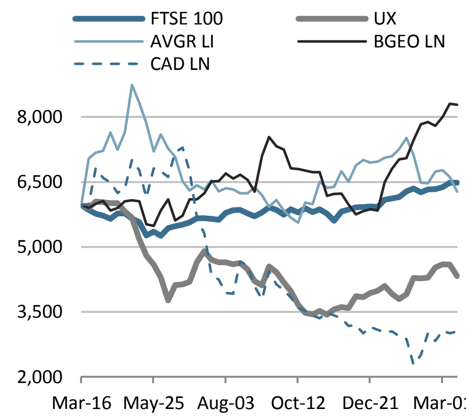
Cadogan Petroleum (CAD LN): Lost company with turnaround prospects

Independent gas E&P company focused on Ukraine. As of June 2012, the company had 2.6 MMboe in 2P reserves. Cadogan owns a 15% stake in Westgasinvest – a JV of Eni and Ukrainian state-owned Nadra Ukrayiny. Westgasinvest holds subsoil rights to nine shale gas license areas in the Lviv basin of Ukraine, totaling about 3,800 square km.

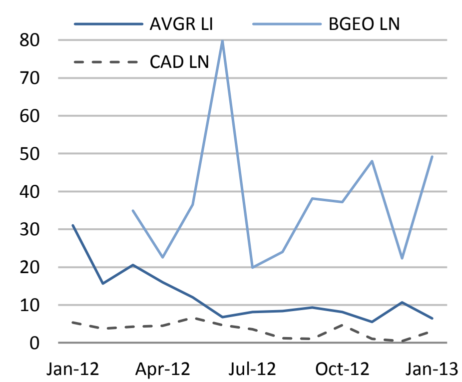
+ Additional USD 21 mln unlocked for Cadogan in its litigation against Global Process Systems will allow it to put additional resources into its E&P campaign.
- Does not plan to undertake CapEx-intensive activities to enhance production until its assets analysis is completed in mid-2013
- Corporate governance and reporting practices are worse than for peers.

Bloomberg	CAD LN	MCap, USD mln	49.8
Outlook for 2013	Underperform	Free float, %	37.4%
Price, GBp	14.3	Key owners:	
12M H/L, GBp	34.5 / 9.5	SAE Capital hldgs	29.1%
# of shares, mln	231.1	Pierre Salik	17.6%
	2012E	2013E	2014E
Sales, USD mln	5.5	6.1	6.4
EBITDA margin	-163%	-82%	-62%
Net margin	-196%	-115%	-95%
Net debt, USD mln	-41	-51	-69
EV / EBITDA	neg	0.2	4.8
P / E	neg	neg	neg

52 week performance, GBP*



Monthly turnover, USD mln



** All stocks, indices are rebased to the FTSE 100 Index*
Source: Company data, Bloomberg, Concorde Capital research

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Ferrexpo (FXPO LN): Risky stock

Ukraine's largest iron-ore pellet exporter and second-largest producer, with annual capacity of 12 mmt, controls Poltava Iron Ore (PGOK UK) and its new Yeristovo Mine.

+ Commissioning of Yeristovo Mine is the key event for 2013. It will increase own iron-ore output by 3.5 mmt in 2013E and 4.3 mmt by 2016E
+ Ferrexpo's board may approve a 10-mmt concentrator project aimed to add 22% to EBITDA by 2016 and bring an additional USD 200-300 mln in value.
- The global iron ore market will become increasingly competitive in 2H13, following commissioning of new capacities by major players
- The key company risks are losing a 40% stake in PGOK and possible adoption of a law on transfer pricing that will result in a higher profit-tax burden.

Bloomberg	FXPO LN	MCap, USD mln	1,510
Outlook for 2013	Underperform	Free float, %	22.96%
Price, GBp	169.6	Key owners:	
12M H/L, GBp	304.9 / 135.4	Kostyantin Zhevago	51.0%
# of shares, mln	588.6	BRX Limited	26.0%

	2012E	2013E	2014E
Sales, USD mln	1,424.0	1,483.0	1,879.0
EBITDA margin	28%	25%	30%
Net margin	15%	13%	19%
Net debt, USD mln	423	462	250
EV / EBITDA	5.0	5.5	3.3
P / E	7.4	8.3	4.5

JKX Oil & Gas (JKXLN): Risky stock

JKX is an E&P company whose major assets are in Ukraine (2/3 of current output, 1/3 of 2P reserves) and Russia. Its total 2P reserves are 90.7 MMboe. It placed USD 40 mln in convertible five-year notes in Jan. 2013 to finance exploration and development.

+ The five-well drilling program scheduled for 2013 in Ukraine might recoup sluggish local gas production
+ Highest reporting standards among peers
+/- The least affected by the 50% hike in Ukraine's gas production tax due to large exposure to oil production
- Shift of focus to Russia, where gas netback is almost 5x less compared to Ukrainian operations, looks value-destructive.

Bloomberg	JKX LN	MCap, USD mln	197.4
Outlook for 2013	Underperform	Free float, %	46.1%
Price, GBp	76..0	Key owners:	
12M H/L, GBp	185.0 / 55.0	Igor Kolomoisky	27.5%
# of shares, mln	171.7	Alexander Zhukov	11.5%

	2012	2013E	2014E
Sales, USD mln	198.2	175.8	181.0
EBITDA margin	53%	45%	46%
Net margin	20%	14%	15%
Net debt, USD mln	11.6	28.0	42.0
EV / EBITDA	2.0	2.8	2.9
P / E	5.0	8.0	7.5

MHP (MHPC LI): Speculative growth, dividend play

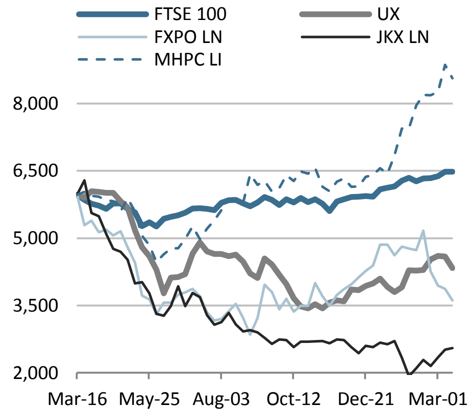
MHP is Ukraine's leading poultry meat producer (43% of industrially produced poultry in 2012) and one of the nation's largest and most efficient farmers (285 K ha land bank). It's engaged in a large expansion project to raise poultry capacity from 380 kt in 2012 to 420 kt in 2013 and 580 kt in 2015.

+ Its planned capacity expansion in 2013 and further will lead to growth in its top and bottom lines
+ Vertical integration creates good cost control
+ High standards of corporate governance
- Risk of poultry oversupply in Ukraine due to capacity growth
- Exposed to UAH devaluation risk.

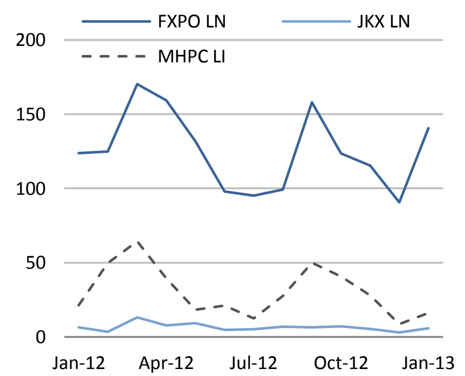
Bloomberg	MHPC LI	MCap, USD mln	1,848
Outlook for 2013	Outperform	Free float, %	34.1%
Price, USD	17.2	Key owners:	
12M H/L, USD	19.9 / 10.0	Yuriy Kosyuk	65.9%
# of shares, mln	105.7		

	2012	2013E	2014E
Sales, USD mln	1,408.0	1,548.5	1,683.5
EBITDA margin	33%	32%	30%
Net margin	22%	21%	20%
Net debt, USD mln	1059	940	830
EV / EBITDA	6.3	5.7	5.3
P / E	6.1	5.8	5.6

52 week performance, GBP*



Monthly turnover, USD mln



** All stocks, indices are rebased to the FTSE 100 Index*
Source: Company data, Bloomberg, Concorde Capital research

Regal Petroleum (RPT LN): Speculative growth

Regal is an oil & gas company focused on gas and condensate production in Ukraine. It holds a 100% interest in two production licenses over a combined area of 269 square km with an estimated 151 MMboe in 2P reserves. Its 2012 production averaged 1,539 boepd.

+ Continues benefiting from strong natural gas prices in Ukraine
+/- Plans to double daily gas production by mid-2013. The plans are related to commissioning just two new wells , thus are at a high execution risk
+/- Gas is extracted from deeper than 5,000 m, implying higher drilling costs but a 44% lower production tax rate compared to its peers
- A risk of Ukraine's domestic gas price declining following a possible correction in import prices.

Bloomberg	RPT LN	MCap, USD mln	116.4
Outlook for 2013	Outperform	Free float, %	16.5%
Price, GBp	24.0	Key owners:	
12M H/L, GBp	41.5 / 13.5	Smart Holding	54.0%
# of shares, mln	320.6	Alfa Group	28.7%
	2012E	2013E	2014E
Sales, USD mln	41.3	56.5	65.3
EBITDA margin	57%	59%	61%
Net margin	32%	32%	34%
Net debt, USD mln	-20	-30	-35
EV / EBITDA	4.4	2.8	2.3
P / E	9.3	6.9	5.7

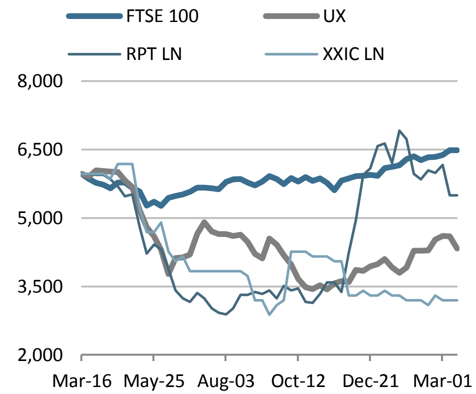
XXI Century (XXIC LN): Potential turnaround

The firm is a distressed real estate developer that went through multiple restructurings and strategic reviews. It now lives on leasing a single shopping center (annual revenue about USD 7 mln) and is close to initiating construction of a new one with expected annual rental revenue of USD 16 mln when completed (in mid-2015).

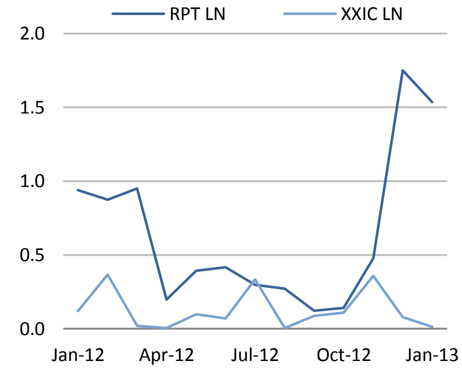
+ It's able to cover all its expenses from its operating revenue; painful restructurings seem to be over.
+ Start of a new project (planned for mid-2013) can become a price catalyst
+/- It's too long a wait for the new project's results, which work only for long-term investment.
- Its execution risks are still high, given the company's history.

Bloomberg	XXIC LN	MCap, USD mln	25.1
Outlook for 2013	Outperform	Free float, %	28.1%
Price, GBp	3.0	Key owners:	
12M H/L, GBp	6.0 / 2.5	Ovaro Holdings	58.26%
# of shares, mln	552.0	Reachcom PLC	7.70%
	2012E	2013E	2014E
Sales, USD mln	7.0	7.1	7.1
EBITDA margin	4%	4%	4%
Net margin	na	na	na
Net debt, USD mln	65.9	77.0	85.0
EV / EBITDA	n/m	n/m	n/m
P / E	n/m	n/m	n/m

52 week performance, GBP*



Monthly turnover, USD mln



** All stocks, indices are rebased to the FTSE 100 Index*
Source: Company data, Bloomberg, Concorde Capital research

Agroton (AGT PW): Turnaround story

Agroton is one of Ukraine's leading farming companies with a 151,000-hectare land bank in the eastern Luhansk region. It specializes in sunflower and wheat cultivation.

+ Remains financially strong in 2012 as it was lucky in terms of harvest, on overall weak results in Ukraine
+ Profitability should improve as the company starts paying more attention to cultivate other than sunflower crops to improve their yields
+/- Was caught on misleading reporting in 2012, which if improve would be a good value growth potential
- Location in single region - high exposure to weather risk.

Bloomberg	AGT PW	MCap, USD mln	56.3
Outlook for 2013	Outperform	Free float, %	44.6%
Price, PLN	8.5	Key owners:	
12M H/L, PLN	24.4 / 7.3	Yuriy Zhuravlov	55.4%
# of shares, mln	21.7		
	2012E	2013E	2014E
Sales, USD mln	93.2	120.4	134.3
EBITDA margin	35%	35%	35%
Net margin	22%	23%	21%
Net debt, USD mln	27	18	10
EV / EBITDA	2.6	1.8	1.4
P / E	2.8	2.1	2.0

Astarta Holding (AST PW): Protective stock

The company is Ukraine's leading sugar producer (19% of Ukraine's sugar output in 2012) and milk producer and one of the nation's largest and most efficient farmers (245,000-hectare land bank). It operates in five regions of Ukraine.

+ The most cost-efficient sugar producer, owing to its vertical integration and continuous investments into capacity upgrade
+ Proved high standards of corporate governance
+/- Currently weak sugar prices undermine fundamentals growth but create excellent an expansion opportunity
- Exposed to UAH devaluation risk.

Bloomberg	AST PW	MCap, USD mln	466.4
Outlook for 2013	Mkt-perform	Free float, %	37.0%
Price, PLN	61..0	Key owners:	
12M H/L, PLN	74.9 / 46.6	Viktor Ivanchyk	37.0%
# of shares, mln	25.0	Valery Korotkov	26.0%
	2012E	2013E	2014E
Sales, USD mln	452.3	488.5	525.1
EBITDA margin	23%	24%	29%
Net margin	19%	20%	22%
Net debt, USD mln	255	265	244
EV / EBITDA	7.1	6.4	4.7
P / E	5.6	4.9	4.0

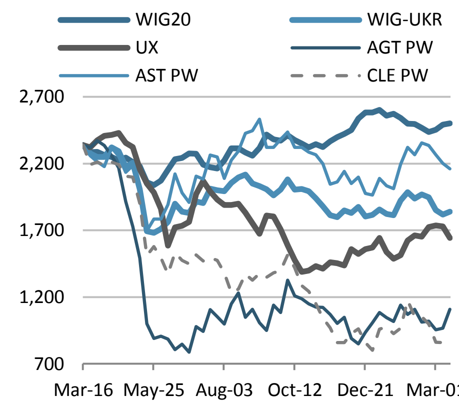
Coal Energy (CLE PW): Protective stock

Coal Energy is the third-largest private Ukrainian coal miner with assets producing both steam and coking coal. Its annual mining capacity is 1.6 mmt, while its expansion plan presumes a capacity increase to 3.8 mmt till 2016. It mines coal from underground mines and reprocesses it at on-ground coal waste dumps. Financial year ends in June.

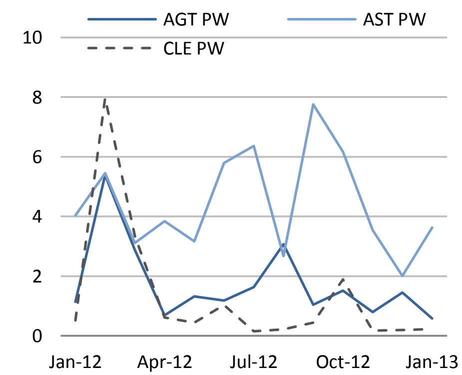
+ Ambitious expansion program to boost share value, if fulfilled
+/- Demand for coal in Ukraine remains weak, though the company remains resilient in challenging market conditions in being able to maintain supplies to key domestic customers
- Further coal surplus increase in Ukraine can spoil both short-term financial plans and long-term expansion intentions.

Bloomberg	CLE PW	MCap, USD mln	87.1
Outlook for 2013	Underperform	Free float, %	25.0%
Price, PLN	6.3	Key owners:	
12M H/L, PLN	27.3 / 6.0	Viktor	
# of shares, mln	45.0	Vyshnevetskyy	75.0%
	2012	2013E	2014E
Sales, USD mln	165.5	197.9	253.6
EBITDA margin	37%	35%	35%
Net margin	18%	19%	19%
Net debt, USD mln	-12	40	60
EV / EBITDA	1.2	1.8	1.7
P / E	3.0	2.3	1.8

52 week performance, PLN*



Monthly turnover, USD mln



** All stocks, indices are rebased to the WIG 20 Index*
Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

Industrial Milk Company (IMC PW): Growth story

The company is Ukraine's fastest-growing listed farmer (121,000-hectare land bank as of end-2012, vs. 60 K ha a year ago). It focuses on corn and sunflower planting. Among the largest producers of milk, it operates in three adjacent northern regions of Ukraine.

+ Proven growth story – delivered on its ambitious land bank expansion plan presented before its IPO
+ Growth in 2013 should continue due an improvement in harvest (following the 2012 drought) and further land bank expansion (harvested area is planned to increase 48% yoy in 2013)
- Concentrated land bank exposed to weather-related risks.

Bloomberg	IMC PW	MCap, USD mln	147.4
Outlook for 2013	Outperform	Free float, %	23.9%
Price, PLN	15.4	Key owners:	
12M H/L, PLN	17.4 / 9.3	Management	76.1%
# of shares, mln	31.3		

	2012E	2013E	2014E
Sales, USD mln	72.2	124.6	145.3
EBITDA margin	57%	64%	63%
Net margin	36%	43%	42%
Net debt, USD mln	51	46	40
EV / EBITDA	4.9	2.4	2.1
P / E	5.6	2.7	2.4

KDM Shipping (KDM PW): Protective stock

KDM is a provider of shipping services in the Black, Azov and Mediterranean seas. It owns nine dry-bulk, river-sea vessels with a total deadweight of 26.7 kt. It plans to acquire six new vessels to expand its fleet by 36 kt in deadweight by 2015.

+ The company enjoys strong operating margins (55% EBITDA in 9M12), supported by a freight-capacity deficit in the region
+ Its ambitious vessel fleet enlargement program will more than double its capacity by 2015, if its fulfilled
- One of the least liquid Ukrainian stocks in Warsaw.

Bloomberg	KDM PW	MCap, USD mln	79.6
Outlook for 2013	Mkt-perform	Free float, %	10.9%
Price, PLN	35.7	Key owners:	
12M H/L, PLN	36.3/ 23.0	Molodkovets family	80.2%
# of shares, mln	7.3	Management	8.9%

	2012E	2013E	2014E
Sales, USD mln	26.6	29.2	30.6
EBITDA margin	55%	54%	53%
Net margin	48%	47%	46%
Net debt, USD mln	-3.8	3.0	10.0
EV / EBITDA	5.2	5.2	5.5
P / E	6.2	5.8	5.6

Kernel Holding (KER PW): Protective stock

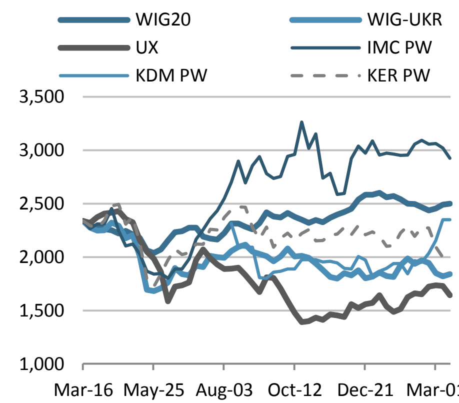
Kernel is the leading global sunflower oil producer (3.0 mmt crushing capacity), among Ukraine's largest farmers (249 K ha land bank) and among its top grain traders (third-largest grain exporter). It operates a network of grain silos and three grain export terminals. It started expanding into Russia in 2011. Financial year ends in June.

+ Benefits from vertical integration and its nearly monopolistic position in grain procurement in selected locations
+ Expansion in Russia to secure mid-term value growth
+ Demonstrates one of the highest governance standards in the region
- Lack of growth opportunities in Ukraine
- Risk of growing competition in oil and grain trading in the region.

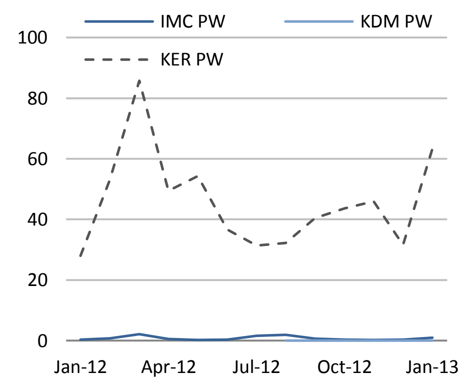
Bloomberg	KER PW	MCap, USD mln	1,423
Outlook for 2013	Mkt-perform	Free float, %	61.8%
Price, PLN	58.4	Key owners:	
12M H/L, PLN	76.0/ 51.0	Andrey Verevskiy	38.2%
# of shares, mln	79.7		

	2012	2013E	2014E
Sales, USD mln	2,157.0	2,422.0	2,740.0
EBITDA margin	15%	15%	15%
Net margin	10%	9%	9%
Net debt, USD mln	524.0	810.0	778.0
EV / EBITDA	6.0	6.2	5.4
P / E	6.8	6.9	6.1

52 week performance, PLN*



Monthly turnover, USD mln



** All stocks, indices are rebased to WIG 20 Index*
Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

Kulczyk Oil Ventures (KOV PW): Protective stock

Kulczyk is an E&P company with 70% interest in Ukrainian KUB-Gas (net 2P reserves of 5.6 MMboe, net production of 2655 boepd in 2012, 3154 boepd as of end-2012). It has a license in Brunei with no output currently.

+ Drilling up to eight new wells in Ukraine that are scheduled for 2013, may allow raising output 32% yoy to 3,500 boepd in 2013
+ Kulczyk plans to start drilling its 90%-owned Brunei Block L in early April
- Profitability will be affected by a 50% hike in Ukraine's natural gas production tax since Jan. 1, 2013
- Limited growth due to its insignificant Ukraine-based resource base.

Bloomberg	KOV PW	MCap, USD mln	191.5
Outlook for 2013	Mkt-perform	Free float, %	44.5%
Price, PLN	1.30	Key owners:	
12M H/L, PLN	1.87 / 1.08	Kulczyk Investment	50.0%
# of shares, mln	481.8	Radwan Investmnt	5.5%

	2012E	2013E	2014E
Sales, USD mln	101.9	130.8	170.9
EBITDA margin	53%	41%	47%
Net margin	20%	13%	21%
Net debt, USD mln	6.0	24.2	7.0
EV / EBITDA	3.7	4.1	2.5
P / E	9.7	11.0	5.4

KSG Agro (KSG PW): Growth story

This farming company has 84 K ha land bank (latest reported figure) in the southern region of Ukraine. It focuses on sunflower planting. It acquired bakeries in 2012.

+ Promising growth story for 2013, mainly due to a low comparison base (poor 2012 harvest from a severe drought) and pending growth plans
- Poor 2012 harvest is the best indicator of its risk related to weather and lack of geographical diversification
- Acquisition of large bakeries in 2012 does not look value-accretive
- The most leveraged pure farming company.

Bloomberg	KSG PW	MCap, USD mln	58.7
Outlook for 2013	Outperform	Free float, %	34.3%
Price, PLN	12.9	Key owners:	
12M H/L, PLN	24.0 / 8.8	Sergiy Kasianov	65.7%
# of shares, mln	14.9		

	2012E	2013E	2014E
Sales, USD mln	50.1	66.8	74.1
EBITDA margin	43%	43%	42%
Net margin	22%	23%	24%
Net debt, USD mln	37.5	44.2	40.0
EV / EBITDA	4.5	3.6	3.1
P / E	5.2	3.8	3.3

Milkiland (MLK PW): Speculative growth

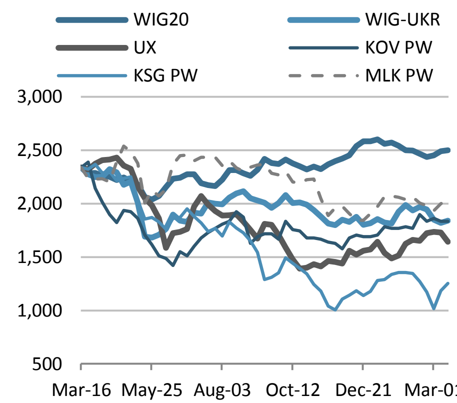
The company is the third-largest cheese and butter producer in the CIS region, with production capacities located in Ukraine and Russia. It acquired a cheese plant in Poland in 2012. 65% of sales come from Russia, while Ukraine dominates in terms of production capacity (est. 80%). It plans to commission own modern dairy farm in 2Q13 to increase self-sufficiency of Ukrainian assets in milk to about 20% from 5%.

+ Its newly acquired Polish cheese plant, as well as new dairy farms in Ukraine, will serve to increase revenue and improve profit in 2013.
+ Boasts among the best corporate governance standards in the region
- Ukraine's 2012 cheese war with Russia demonstrated how ill-protected Milkiland's business model is
- Raw-milk price growth is the key risk for its margins.

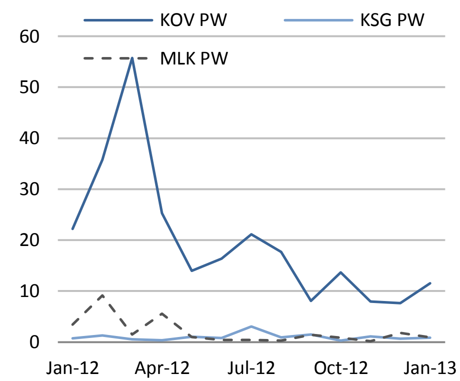
Bloomberg	MLK PW	MCap, USD mln	133.8
Outlook for 2013	Mkt-perform	Free float, %	22.2%
Price, PLN	14.0	Key owners:	
12M H/L, PLN	21.2 / 13.8	Yurkevich family	73.0%
# of shares, mln	31.3	Vyachesalv Rekov	4.8%

	2012E	2013E	2014E
Sales, USD mln	363.7	397.8	413.8
EBITDA margin	13%	14%	14%
Net margin	5%	6%	6%
Net debt, USD mln	94.1	91.0	84.3
EV / EBITDA	4.7	4.1	3.7
P / E	7.1	5.8	5.3

52 week performance, PLN*



Monthly turnover, USD mln



** All stocks, indices are rebased to WIG 20 Index*
Source: Company data, Bloomberg, Concorde Capital research

Ovostar Union (OVO PW): Speculative growth

The company produces eggs and egg products (7% of Ukraine's industrial output of eggs in 2012). 83% of sales come from modern retail chains. Its near-complete, ambitious expansion projects will increase laying hens flock 38% yoy to 5.4 mln by end-2013.

+ The company fully met its expansion promises given before its IPO, and will most likely meet further expansion promises to present a growth story in 2013-14.
- Its key risk is an egg oversupply in Ukraine, which may result from the simultaneous expansions of Ovostar and its larger peer, Avangard
- Exposed to UAH devaluation risk

Bloomberg	OVO PW	MCap, USD mln	174.4
Outlook for 2013	Outperform	Free float, %	26.0%
Price, PLN	95.1	Key owners:	
12M H/L, PLN	122.0 / 76.0	Borys Bielikov	37.0%
# of shares, mln	6.0	Vitaliy Veresenko	37.0%

	2012E	2013E	2014E
Sales, USD mln	57.4	81.2	90.1
EBITDA margin	30%	28%	29%
Net margin	25%	20%	21%
Net debt, USD mln	1.0	8.0	0.0
EV / EBITDA	10.5	8.2	6.9
P / E	12.1	10.9	9.4

Sadovaya Group (SGR PW): Very risky investment

Sadovaya is a small, private Ukrainian miner of steam coal. It operates two mines with current capacity of 0.6 mmt of raw coal per year. It possesses 48.1 mmt of 2P reserves at four mine fields and ten coal waste deposits.

+ Large waste deposits enable Sadovaya to extract coal at a low cost, if new enrichment complexes prove their efficiency
- The current market oversupply of coal in Ukraine has made Sadovaya idle since mid-October with no visible recovery prospects
- Its high leverage (2012E net debt to EBITDA is 6.2x) is due to a large loan taken for its waste recovery facility, which is temporarily idle now
- UAH devaluation will worsen its leverage and bottom line.

Bloomberg	SGR PW	MCap, USD mln	22.0
Outlook for 2013	Underperform	Free float, %	25.0%
Price, PLN	1.67	Key owners:	
12M H/L, PLN	6.94 / 1.35	A.Tolstoukhov	38.2%
# of shares, mln	43.1	S. Stetsurin	36.8%

	2012E	2013E	2014E
Sales, USD mln	39.5	27.2	40.4
EBITDA margin	18%	30%	31%
Net margin	-1%	-13%	1%
Net debt, USD mln	47.0	41.0	41.0
EV / EBITDA	9.7	7.8	5.0
P / E	neg	neg	44.0

WESTA ISIC (WES PW): Lost stock, some chance for turnaround

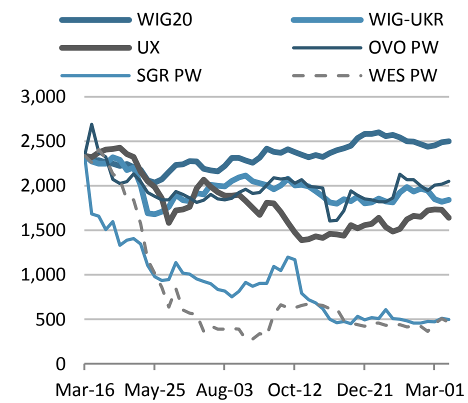
WESTA is the largest CIS producer of automotive, lead-acid batteries, accounting for 50% of Ukraine's total battery output. Its total annual capacity is 7.6 mln conventional batteries. The company sells most of its output on the aftermarket in Russia and Ukraine. It plans to enter new niche of advanced batteries with its new VRLA AGM battery.

+ Its new VRLA AGM niche might improve the company's margins and smoothen operating seasonality
- WESTA failed to deliver on any of its pre-IPO promises as output and profitability fell (on external factors), while leverage didn't improve
- Enormous leverage (net debt/EBITDA of more than 20x in 2012E) is the key fundamental risk.

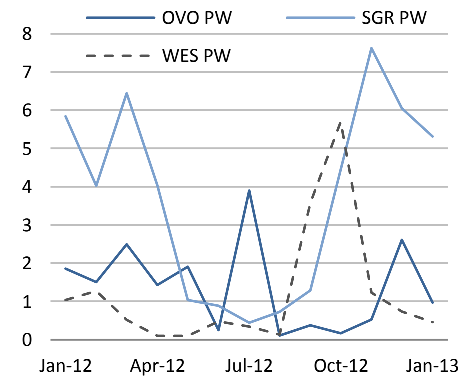
Bloomberg	WES PW	MCap, USD mln	8.9
Outlook for 2013	Outperform	Free float, %	25.0%
Price, PLN	0.66	Key owners:	
12M H/L, PLN	3.91 / 0.42	Viktor Dzenzerskiy	75.0%
# of shares, mln	44.1	ING OFE	13.0%

	2012E	2013E	2014E
Sales, USD mln	115.3	146.1	164.3
EBITDA margin	3%	11%	12%
Net margin	-20%	-6%	-4%
Net debt, USD mln	182.8	200.7	198.9
EV / EBITDA	56.1	12.7	10.4
P / E	neg	neg	neg

52 week performance, PLN*



Monthly turnover, USD mln



** All stocks, indices are rebased to WIG 20 Index*
Source: Company data, Bloomberg, Concorde Capital research

Mriya Agro Holding (MAYA GR): Protective stock

The company is one of Ukraine's largest farming companies with a 208,000 -hectare land bank in Ukraine's western regions. It operates storage facilities for 0.82 mmt of grain and 116 kt of potato. It specializes in cultivating wheat, rapeseed and sugar beet. Its main shareholders control seven sugar plants in Mryia's operating area.

+ Favorable location and efficient farming practice provide for sustainably high crop yields and high profitability of farming operations
- Focus on building storage infrastructure does not look value-accretive
- Key concern is transfer pricing in sugar beet segment – Mriya serves as the profit center for the main holder's sugar business, not clear for how long.

Bloomberg	MAYA GR	MCap, USD mln	627.3
Outlook for 2013	Mkt-perform	Free float, %	20.0%
Price, EUR	4.61	Key owners:	
12M H/L, EUR	5.90 / 4.06	Huta falimy	80.0%
# of shares, mln	106.3		
	2012	2013E	2014E
Sales, USD mln	347.9	370.5	394.6
EBITDA margin	73%	74%	74%
Net margin	50%	52%	54%
Net debt, USD mln	367.4	378.0	330.0
EV / EBITDA	3.9	3.7	3.3
P / E	3.6	3.3	3.0

Sintal Agro (SNPS AV): Potential turnaround story

The farming company has a 130,000-hectare land bank located in two different regions. The Kherson region, where 102 K ha are located, fell in the epicenter of the 2012 drought. The company lost about 3/4 of its expected harvest in the region. As for the latest available information, the company is in the process of a strategic review. Re-listed in Vienna in December 2012 after more than four year of listing in Frankfurt.

+ Room for positive surprises: Sintal should perform this season much better than in 2012 (the most disastrous year). Sintal made efforts to retain its listing, which suggests it's committed to remaining on investors' radars
- Execution risk related to possible turnaround is high
- Poor reporting practice: no 2011 report available at the moment.

Bloomberg	SNPS AV	MCap, USD mln	13.0
Outlook for 2013	Outperform	Free float, %	34.0%
Price, EUR	0.28	Key owners:	
12M H/L, EUR	0.33 / 0.21	Management	60.0%
# of shares, mln	36.1	Icon P.E.	6.0%
	2012E	2013E	2014E
Sales, USD mln	47.7	32.6	36.0
EBITDA margin	4%	22%	15%
Net margin	-6%	12%	7%
Net debt, USD mln	19.2	16.0	14.0
EV / EBITDA	15.0	3.3	4.0
P / E	-2.5	1.9	3.1

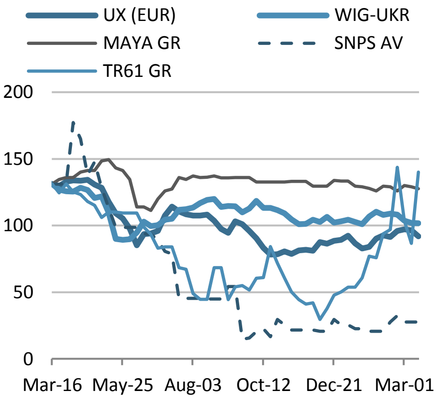
TMM Real Estate (TR61 GR): Growth story

The real estate developer smoothly weathered the 2008-9 crisis and has a good chance to grow further following the completion (though with big delays) of its large projects in 2013. This year, the company plans to launch a couple of residential projects at a total area of more than 90,000 sq m and double construction work for third parties.

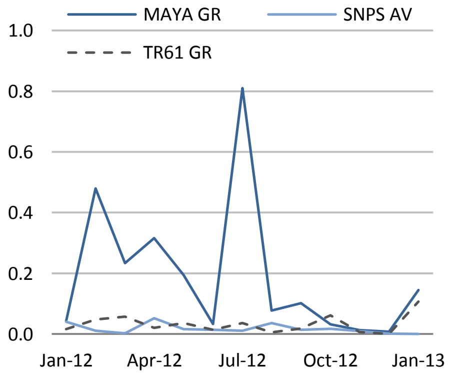
+ Residential projects of more than 90,000 sq m (no large projects completed in 2012) will be the boosters of its top and bottom line in 2013 and will enable the initiation of new projects
- The demand for real estate properties is very limited in Ukraine due to unavailable mortgage financing
- The stock's liquidity is very low.

Bloomberg	TR61 GR	MCap, USD mln	33.8
Outlook for 2013	Outperform	Free float, %	13.1%
Price, EUR	0.51	Key owners:	
12M H/L, EUR	0.67 / 0.13	Management	86.9%
# of shares, mln	51.8		
	2012E	2013E	2014E
Sales, USD mln	30.2	60.2	
EBITDA margin	12%	17%	
Net margin	-19%	1%	
Net debt, USD mln	149.0	140.0	
EV / EBITDA	50.9	17.4	
P / E	neg	n/m	

52 week performance, EUR*



Monthly turnover, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

Alchevsk Steel (ALMK UK): Risky investment, UX Index stock

Ukraine's fourth largest steelmaker (total capacity of 5.8 mmt p.a.) is a part of Industrial Union of Donbas (IUD), a group with steel assets in Ukraine, Poland and Hungary.

+ The installation of PCI units at its blast furnaces (to cut costs by USD 30-40/t of hot iron) and the launch of 300 MW power units (to burn byproduct gas) will become the key bottom line drivers for 2013-14
+ It's a local blue chip that might win from recovered interest in Ukraine
+ UAH devaluation will be positive for its bottom line
- Global demand for steel is likely to remain weak in 2013
- Overleveraged (USD 976 mln net debt of end-9M12, EBITDA is close to zero). Heavily depends on its parent company, which covers liquidity gaps.

Bloomberg	ALMK UK	MCap, USD mln	151.5
Outlook for 2013	Mkt-perform	Free float, %	3.87%
Price, UAH	0.048	Key owners:	
12M H/L, UAH	0.096 / 0.036	IUD	96.1%
# of shares, mln	25775.3		
	2012E	2013E	2014E
Sales, USD mln	2,184.8	2,184.8	2,250.3
EBITDA margin	-1%	-1%	1%
Net margin	-5%	-4%	-1%
Net debt, USD mln	976.0	991.0	950.0
EV / EBITDA	neg	neg	98.5
P / E	neg	neg	neg

Avdiivka Coke (AVDK UK): Risky investment, UX Index stock

The company is Ukraine's largest coke producer, with a total capacity of 4.5 mmt of coke p.a. It completed construction of its fourth 0.69 mmt coke battery. It's an integral part of parent Metinvest's steel production cycle.

+ A new coke battery may boost coke output by up to 15% (old batteries are working at full capacity), once the steel market recovers
- The company has been posting a poor bottom line since end-2010, with losses that increased 4.3x yoy in 2012
- Reliance on expensive coal from a related U.S. firm seems to be a key reason for losses. Therefore, a UAH devaluation can further worsen losses.

Bloomberg	AVDK UK	MCap, USD mln	74.2
Outlook for 2013	Underperform	Free float, %	14.0%
Price, UAH	3.10	Key owners:	
12M H/L, UAH	5.40 / 1.90	Metinvest	86.0%
# of shares, mln	195.1		
	2012E	2013E	2014E
Sales, USD mln	1,114.8	1,125.9	1,183.3
EBITDA margin	-13%	-6%	-3%
Net margin	-12%	-10%	-2%
Net debt, USD mln	-55.0	-30.0	-40.0
EV / EBITDA	neg	neg	neg
P / E	neg	neg	neg

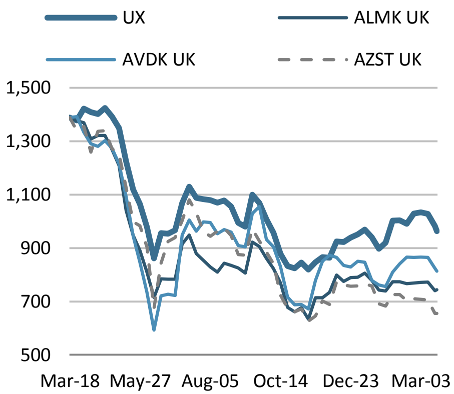
Azovstal (AZST UK) Risky investment, UX Index stock

The company is Ukraine's third-largest steelmaker with a steel capacity of 4.5 mmt p.a. It's the flagship producer of Metinvest, one of the largest vertically integrated steel and mining holdings in CIS.

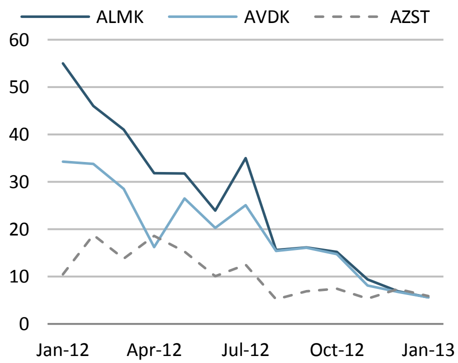
+ A local blue chip, which might win from a recovery of interest in Ukraine
- Has a long track record of posting huge losses (negative net margin of 10.9% in 9M12). Given the weak market for steel products in 2013, we see few reasons for a reversal in its profitability trend
- In 2012, Azovstal closed its sinter plant following pressure from environmental activists. Purchases of sinter from related Illich Steel will increase production costs by USD 12 per ton of hot iron in 2013E, or by a total of USD 37 mln in annual terms.

Bloomberg	AZST UK	MCap, USD mln	318.3
Outlook for 2013	Mkt-perform	Free float, %	4.35%
Price, UAH	0.62	Key owners:	
12M H/L, UAH	1.33 / 0.54	Metinvest	95.65%
# of shares, mln	4204.0		
	2012E	2013E	2014E
Sales, USD mln	2,868.0	2,954.0	3,134.0
EBITDA margin	-6%	-6%	-3%
Net margin	-10%	-10%	-2%
Net debt, USD mln	-33.0	-32.5	-36.0
EV / EBITDA	neg	neg	neg
P / E	neg	neg	neg

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

Raiffeisen Bank Aval (BAVL UK): Protective, UX Index stock

Aval is Ukraine's fourth-largest (second-largest private) bank with a market share of 4.2% by assets. Raiffeisen Bank International, its parent institution, confirmed it's interested in maintaining a presence in Ukraine.

-/+ Just 66% NPL coverage suggests provisions will weigh further on profit. On the other hand, provision write-backs on some loans are possible.
- Total assets shrank 7% yoy and net loans 14% yoy in 2012 . We expect both will contract more this year due to toughloan underwriting standards.
- With lending remaining muted, we expect the bank's operating expenses will continue to slightly outpace revenue this year.
- Hryvnia devaluation will add to risks of balance sheet deterioration.

Bloomberg	BAVL UK	MCap, USD mln	360.2
Outlook for 2013	Underperform	Free float, %	3.6%
Price, UAH	0.098	Key owners:	
12M H/L, UAH	0.137/ 0.061	Raiffeisen	
# of shares, mln	29,978	International	96.41%
	2012E	2013E	2014E
Equity, USD mln	956	1012	1062
ROE	7.3%	6.2%	6.3%
P /B	0.39	0.36	0.35
P / E	5.3	5.8	5.5

Centerenergo (CEEN UK): Speculative growth

The firm was Ukraine's second-largest power producer in 2012 and third-largest in terms of installed capacity. It operates three power plants in central and eastern Ukraine with a total capacity of 7.6 GW (with 4.6 GW coal-fired and the rest being idled gas-fired capacities). Controlled by state, it's one of the candidates for privatization in 2013.

+ High chance to improve profits in the mid-term in case electricity market reform takes place
+ One of the most liquid and most prospective local blue chips
+ Privatization (if it happens) in 2013 might spur demand for the stock
- Post-privatization future looks muted at the moment.

Bloomberg	CEEN UK	MCap, USD mln	247.1
Outlook for 2013	Outperform	Free float, %	21.7%
Price, UAH	5.49	Key owners:	
12M H/L, UAH	8.43 / 4.05	Governemnt	78.3%
# of shares, mln	369.4		
	2012	2013E	2014E
Sales, USD mln	1,132.8	1,201.4	1,198.4
EBITDA margin	6%	6%	7%
Net margin	3%	3%	3%
Net debt, USD mln	85.6	80.5	95.0
EV / EBITDA	4.8	4.4	4.1
P / E	8.5	7.6	6.0

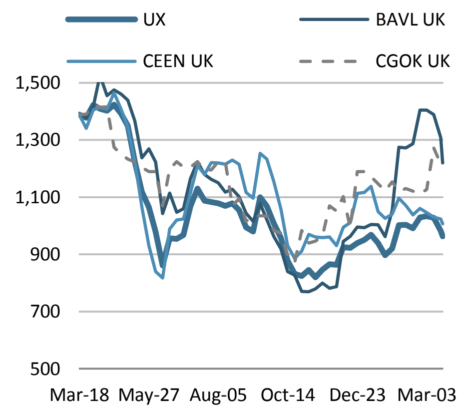
Central Iron Ore (CGOK UK): Risky investment, high-dividend play

CGOK is a small Ukrainian iron-ore producer, with an annual capacity of 2 mmt of pellets and 6.2 mmt of iron ore concentrate. It's part of Metinvest holding.

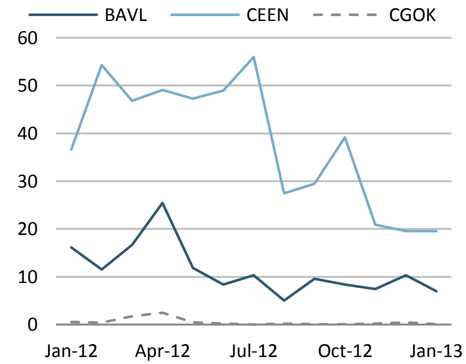
+ Stands out in Ukraine's universe as a generous dividend payer, with yields in the range of 9-27% for each of the last seven years
- The stock's liquidity is low, even at the local market
- The key downside risk lies in possible global iron-ore price deterioration by the year's end once additional mining capacities come on stream from the major global players.

Bloomberg	CGOK UK	MCap, USD mln	1,004
Outlook for 2013	Mkt-perform	Free float, %	0.52%
Price, UAH	6.98	Key owners:	
12M H/L, UAH	8.35 / 4.00	Metinvest	76.0%
# of shares, mln	1,172	SCM	23.5%
	2012E	2013E	2014E
Sales, USD mln	597.4	530.1	547.6
EBITDA margin	36%	34%	34%
Net margin	16%	17%	18%
Net debt, USD mln	-3.0	-4.0	-5.0
EV / EBITDA	4.6	5.5	5.4
P / E	10.5	11.1	10.4

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

Dniproenergo (DNEN UK): Lost as a stock, sell via TEPO

The company is Ukraine's third-largest power producer in 2012 and second-largest in terms of installed capacity. It operates three power plants in southeastern Ukraine at a total capacity of 8.19 GW (with 5.79 GW coal-fired and the rest being idled, gas-fired capacities). It's controlled by DTEK.

+ High chance to improve profit in mid-term following electricity market reform
- Risk of transfer-pricing practices, as coal is supplied from related mines
- Non-existent free float and no chance for improvement prevents the stock from being interesting to investors.

Bloomberg	DNEN UK	MCap, USD mln	161.1
Outlook for 2013	Underperform	Free float, %	6.8%
Price, UAH	220	Key owners:	
12M H/L, UAH	680 / 170	DTEK	68.2%
# of shares, mln	5.97	Governemnt	25.0%
	2012E	2013E	2014E
Sales, USD mln	1,153.8	1,242.3	1,513.1
EBITDA margin	13%	14%	15%
Net margin	6%	7%	9%
Net debt, USD mln	118.0	131.0	106.0
EV / EBITDA	1.9	1.6	1.2
P / E	2.5	1.9	1.2

Dniprovahonmash (DNVM UK): Nearly lost as a stock, high-dividend play

The company is the third-largest Ukrainian freight railcar producer and the most profitable one. It's dependent on Kremenchuk Steel Casting as its only bogie castings supplier and Russia as its major market (buying more than 80% of railcars).

+ One of the most generous dividend payers in Ukraine: DPS of UAH 18 is expected to be approved by its AGM, implying a dividend yield of 28%
- Competition in its niche, gondola cars, is growing enormously in the CIS
- The current bogie castings shortage throws into question production plans for 2013, dividends for 2014, and on
- The company's shares are illiquid, with no apparent chance to improve.

Bloomberg	DNVM UK	MCap, USD mln	83.0
Outlook for 2013	Mkt-perform	Free float, %	2.0%
Price, UAH	40.0	Key owners:	
12M H/L, UAH	50.0 / 30.0	TAS Group	49.2%
# of shares, mln	16.6	Sertako Limited	46.3%
	2012E	2013E	2014E
Sales, USD mln	511.9	500.3	459.8
EBITDA margin	27%	24%	23%
Net margin	20%	19%	19%
Net debt, USD mln	-55.9	-81.7	-97.0
EV / EBITDA	0.2	0.0	neg
P / E	0.8	0.9	0.9

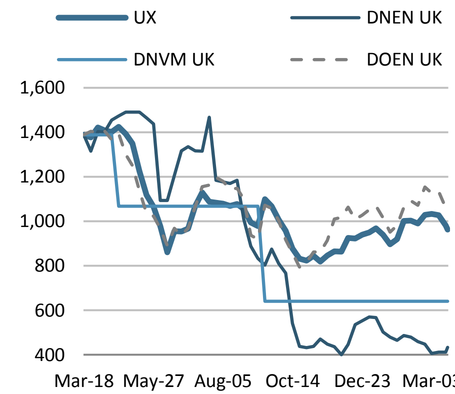
Donbasenergo (DOEN UK): Speculative growth

The company is Ukraine's seventh-largest power producer in terms of installed capacity and 2012 output. It operates two coal-fired plants in eastern Ukraine with a total capacity of 2.6 GW. Controlled by state, it's one of the candidates for privatization in 2013.

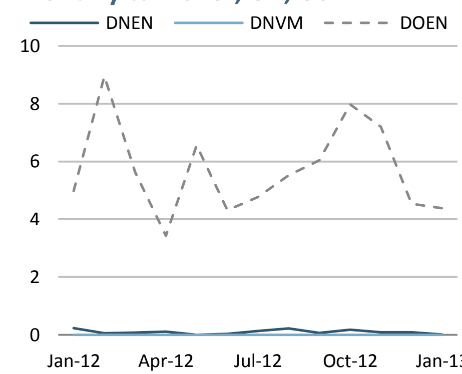
+ High chance to boost profit if electricity market reform takes place
+ Privatization (if it happens) in 2013 might spur interest in the stock, as well as speculative buying pressure from new strategic investors
- Equipment is the most outdated among Ukrainian GenCos
- A UAH devaluation would affect negatively net margin
- Its post-privatization future looks muted at the moment.

Bloomberg	DOEN UK	MCap, USD mln	58.0
Outlook for 2013	Outperform	Free float, %	14.2%
Price, UAH	20.0	Key owners:	
12M H/L, UAH	29.4 / 15.0	Governemnt	85.8%
# of shares, mln	23.6		
	2012	2013E	2014E
Sales, USD mln	581.0	655.7	647.1
EBITDA margin	5%	5%	6%
Net margin	1%	1%	1%
Net debt, USD mln	56.4	54.5	80.0
EV / EBITDA	3.6	3.5	3.6
P / E	15.0	12.2	6.2

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

UX-listed stocks (4)

Yenakieve Steel (ENMZ UK): Risky investment, UX Index stock

The firm makes long steel products with an effective steel capacity of 2.7 mmt p.a. Part of Metinvest, one of the largest vertically integrated steel and mining holdings in the CIS.

+ The ongoing PCI implementation project, once finalized (in 2014, by management), will reduce costs by USD 30-40 per ton of pig iron
+ Local blue chip among those poised to gain from a UAH devaluation
- Financials have been burdened by payments to lease the assets from related Metalen. A long-discussed merger of ENMZ and Metalen, possibly improving ENMZ's bottom line, isn't likely to occur in 2013
- Steel market, Yenakieve's fundamentals are unlikely to recover in 2013.

Bloomberg	ENMZ UK	MCap, USD mln	44.9
Outlook for 2013	Mkt-perform	Free float, %	14.37%
Price, UAH	34.3	Key owners:	
12M H/L, UAH	85.0 / 27.7	Metinvest	85.6%
# of shares, mln	10.6		
	2012E	2013E	2014E
Sales, USD mln	1,641.3	1,645.5	1,694.8
EBITDA margin	-6%	-3%	-2%
Net margin	1%	1%	1%
Net debt, USD mln	-24.0	-23.0	-20.0
EV / EBITDA	neg	neg	neg
P / E	5.2	5.0	4.7

Khartsyzsk Pipe (HRTR UK): Fading company, so far high-dividend play

The company produces large diameter pipes (LDPs), mainly for oil or gas transit pipelines in the CIS. It's a part of Metinvest, the vertically integrated steel and mining holding.

+ One of the most generous dividend payers in the past (yield was 23% in 2012, expected at 12% this year)
+/- Order book is sensitive to pipeline projects, with outlook being muted. Potential exists in Central Asia & the Middle East, as well as in Ukraine, if reconstruction of Ukraine's natural gas transportation system starts
- Russia (key buyer in the past) nearly stopped orders from HRTR, while demand from other countries is not stable. Monthly LDP output fell to 5-8 kt in 2013, compared to normal monthly volumes of 40-60 kt.

Bloomberg	HRTR UK	MCap, USD mln	235.9
Outlook for 2013	Underperform	Free float, %	8.2%
Price, UAH	0.74	Key owners:	
12M H/L, UAH	1.34 / 0.60	Metinvest	91.8%
# of shares, mln	2,599		
	2012E	2013E	2014E
Sales, USD mln	512.1	241.4	276.2
EBITDA margin	10%	8%	9%
Net margin	5%	1%	2%
Net debt, USD mln	-1.0	-0.5	-1.0
EV / EBITDA	4.6	12.4	10.0
P / E	8.8	92.5	36.4

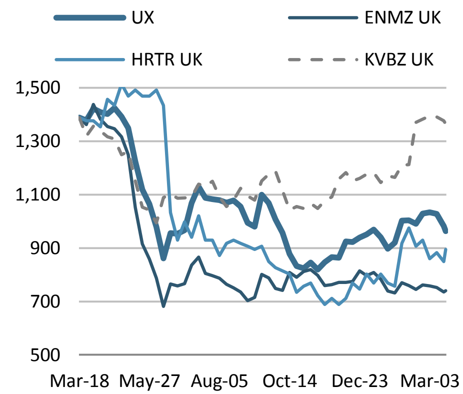
Kryukiv Railcar (KVBZ UK): Fading company, so far high-dividend play

Ukraine's second-largest freight railcar maker (mostly for export to Russia) is also the only maker of passenger railcars (for Ukraine, non-Russia CIS). It produces and repairs self-propelled railcars and escalators. It depends on a single bogie casting supplier for its cars.

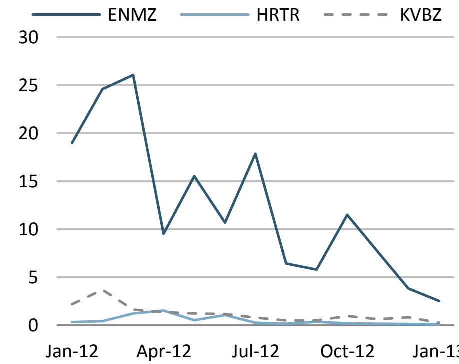
+ Benefits from being the general contractor for Kyiv's city subway car modernization program, worth USD 105 mln (16% of annual sales)
+ Offers new high-speed railcars for Ukrzaliznytsia, with the first nine already delivered, though the project's future remains unclear
- Certification problems surrounding Kryukiv's only bogie castings supplier throws into question the future of its key product, freight railcars
- May suffer from the escalated war for the CIS freight car market (already visibly oversupplied) and Russian authorities' non-competitive moves.

Bloomberg	KVBZ UK	MCap, USD mln	322.9
Outlook for 2013	Underperform	Free float, %	4.0%
Price, UAH	22.9	Key owners:	
12M H/L, UAH	23.5 / 14.2	Management	60.8%
# of shares, mln	114.7	OW Capital Mngmt	25.0%
	2012E	2013E	2014E
Sales, USD mln	844.4	654.7	584.9
EBITDA margin	15%	12%	13%
Net margin	11%	8%	8%
Net debt, USD mln	-45.7	-22.0	-30.0
EV / EBITDA	2.2	3.7	3.9
P / E	3.4	6.2	6.7

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

Luhanskteplovoz (LTPL UK): Lost as a stock, some chance for turnaround

The company is the largest diesel locomotive producer in the CIS. It's a subsidiary of Russian Transmashholding and Russian Railways (RZD) is currently the major customer for the company's flagship 2TE-116-locomotives.

+ The company is expected to boost its output 60% yoy to 250 locomotives in 2013 on strong orders from Russian Railways
- Its output growth will have a minor impact on revenue and profit due to significant price discounts the company grants to Russian Railways and transfer pricing in spare parts from related parties
- Liquidity is almost non-existent on its evaporated free float.

Bloomberg	LTPL UK	MCap, USD mln	52.4
Outlook for 2013	Outperform	Free float, %	4.0%
Price, UAH	1.95	Key owners:	
12M H/L, UAH	2.45 / 1.28	Transmashholding	76.0%
# of shares, mln	219.2		

	2012E	2013E	2014E
Sales, USD mln	223.4	344.8	362.1
EBITDA margin	8%	8%	8%
Net margin	5%	4%	4%
Net debt, USD mln	-3.5	-5.5	-8.1
EV / EBITDA	2.9	1.8	1.6
P / E	5.2	4.1	3.7

Bohdan Motors (LUAZ UK): Lost company, some chance for turnaround

It makes Soviet-model cars mainly for the Russian market and buses and trucks for the local market. It's the Hyundai's exclusive dealer in Ukraine (over 60% of total revenue). Bohdan invested USD 440 mln into new car facilities in 2007-08 . The asset is utilized at about 10% currently, loading the firm with USD 350 mln in net debt (end-9M12).

+/- New import tariffs on cars, recently imposed by the state, might boost Bohdan's own car sales but could damage its dealership business
- The recycling fee on car imports, imposed by Russia last September, made Bohdan's exports uncompetitive
- Enormous leverage with USD 350 mln net debt and negative EBITDA is the main concern for the company's investment case.

Bloomberg	LUAZ UK	MCap, USD mln	22.8
Outlook for 2013	Underperform	Free float, %	10.9%
Price, UAH	0.043	Key owners:	
12M H/L, UAH	0.220 / 0.030	Ukrprominvest	89.1%
# of shares, mln	4326.9		

	2012E	2013E	2014E
Sales, USD mln	424.0	356.0	370.0
EBITDA margin	-1%	-3%	-2%
Net margin	-10%	-12%	-11%
Net debt, USD mln	349.0	333.0	338.0
EV / EBITDA	neg	neg	neg
P / E	neg	neg	neg

Motor Sich (MSICH UK): Growth story, (tiny) dividend play

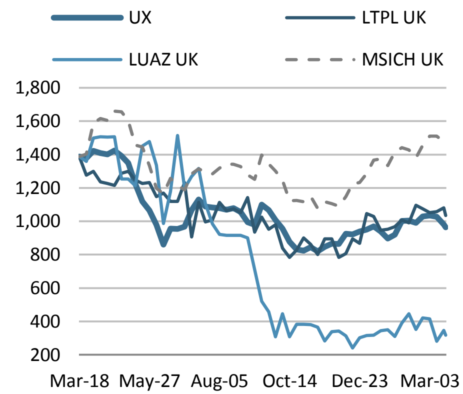
The firm is among the most profitable and fastest-growing aero-engine producers with a 1.4% global market share. It's nearly an exclusive supplier of engines for Russian helicopters. Its order book consists of Russian, Chinese and Indian contracts.

+ Its growth of orders on China's extension of its AI-222-25F jet engine project, as well as the resumption of its An-70 transport plane project, adds to its stable flow of orders from Russian helicopter producers
+ The most liquid local stock with the most promising growth among blue chips. It's resilient to expected UAH weakening
- Russia's Klimov may start its own mass output of VK-2500 copter engines
- Increased cooperation with China creates a risk of the latter copying the AI-222-25F engine.

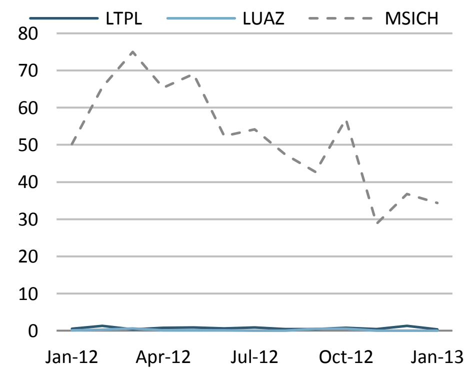
Bloomberg	MSICH UK	MCap, USD mln	571.9
Outlook for 2013	Outperform	Free float, %	12.0%
Price, UAH	2288	Key owners:	
12M H/L, UAH	2880 / 1750	Management	78.0%
# of shares, mln	2.0	Mackenzie Financl	9.6%

	2012E	2013E	2014E
Sales, USD mln	869.5	956.5	1,071.3
EBITDA margin	42%	40%	38%
Net margin	29%	29%	29%
Net debt, USD mln	0.0	0.0	0.0
EV / EBITDA	1.6	1.5	1.4
P / E	2.3	2.0	1.8

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

Nyzhnodniprovsky Pipe (NITR UK): Lost stock

The company produces welded pipes and railcar wheels and is part of the Interpipe group. Its production capacity is about 400 kt of pipes p.a. Customs Union countries remain the key market for the plant, absorbing up to a third of its production.

+ Interpipe's pipes are being delivered to the Customs Union without duties, but within a quota that was raised 14% hoh to 171 kt in 1H13.
- Any deterioration of Ukraine's relations with Russia is a risk for NITR
- In 2010-12, the company remained consistent in posting net losses, caused by transfer pricing, and exacerbated by its servicing of heavy debt
- Corporate governance and liquidity are both poor.

Bloomberg	NITR UK	MCap, USD mln	61.4
Outlook for 2013	Underperform	Free float, %	6.07%
Price, UAH	1.25	Key owners:	
12M H/L, UAH	6.32 / 1.00	Interpipe	93.9%
# of shares, mln	400.0		
	2012E	2013E	2014E
Sales, USD mln	799.2	800.9	826.9
EBITDA margin	5%	6%	7%
Net margin	-3%	-1%	-1%
Net debt, USD mln	35.9	36.0	38.0
EV / EBITDA	3.4	2.8	2.4
P / E	neg	neg	neg

Poltava Iron Ore (PGOK UK): Speculative growth, dividend play

Poltava Iron Ore (PGOK UK) is the largest Ukrainian iron-ore pellet exporter and the second-largest producer (12 mmt annual capacity). It's Ferrexpo's (FXPO LN) key asset.

+ A key catalyst might be parliament's approval and the subsequent implementation of a law on transfer pricing, which will force PGOK to sell pellets abroad at market price (compared to 25-28% cheaper currently, by our estimates). This option isn't factored into our forecasted financials
+ Dividend stock: est. 4.5% div. yield in 2013, may improve in the future
- Weakness of iron ore market to prevent recovery in 2013
- Corporate governance and liquidity are both poor.

Bloomberg	PGOK UK	MCap, USD mln	246.1
Outlook for 2013	Mkt-perform	Free float, %	3.54%
Price, UAH	10.50	Key owners:	
12M H/L, UAH	19.95 / 9.54	Ferrexpo	96.46%
# of shares, mln	191.0		
	2012E	2013E	2014E
Sales, USD mln	938.4	891.7	988.0
EBITDA margin	22%	17%	25%
Net margin	6%	5%	6%
Net debt, USD mln	374.0	420.0	450.0
EV / EBITDA	3.0	4.4	2.9
P / E	4.6	5.5	4.2

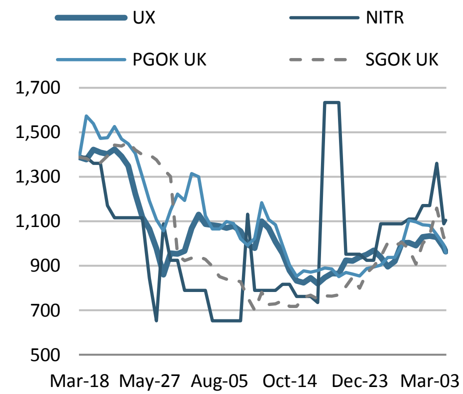
Northern Iron Ore (SGOK UK): Risky investment, high dividend play

The company is Ukraine's largest iron ore producer with a 14-mmt annual capacity of iron ore concentrate and 12 mmt in pellets. It's a part of Metinvest holding.

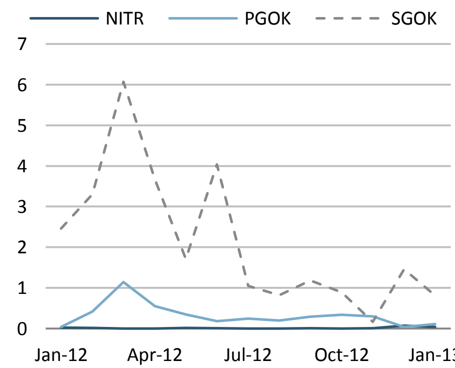
+ Among the most dividend-generous companies. In 2008-12, the yield on SGOK shares was in the range of 15-25%
+ A current project to build a conveyor line, aimed at transporting ore from the pit, will lower production costs once completed (with its first stage planned for mid-2013)
- The key risk stems from a possible iron-ore price decrease in 2H13 on global oversupply caused by major players completing expansion projects.
- Relatively illiquid stock.

Bloomberg	SGOK UK	MCap, USD mln	2,460
Outlook for 2013	Underperform	Free float, %	0.55%
Price, UAH	8.70	Key owners:	
12M H/L, UAH	12.75 / 6.00	Metinvest	63.30%
# of shares, mln	2304	SCM	36.15%
	2012E	2013E	2014E
Sales, USD mln	1,606.2	1,403.1	1,455.4
EBITDA margin	60%	54%	54%
Net margin	40%	44%	45%
Net debt, USD mln	-4.2	-5.0	-6.0
EV / EBITDA	2.5	3.3	3.1
P / E	3.8	4.0	3.8

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

Pokrovskoye Mine (SHCHZ UK): Lost stock

Part of Donetskstal, it's the largest producer of coking coal in Ukraine. The mine enjoys low sulfur coal content, which enables its products to be exported, though the domestic market remains key for the company.

- The hard coking coal price in Ukraine fell 25% yoy to USD 147/t in 2012, in line with the global trend. 2013 seems to remain difficult for the sector
- Its financials have been always impacted by transfer pricing, with a minor positive net margin left over
- Its nearly absent liquidity is a primary concern, with no chance for improvement.

Bloomberg	SHCHZ UK	MCap, USD mln	67.7
Outlook for 2013	Underperform	Free float, %	2.0%
Price, UAH	0.65	Key owners:	
12M H/L, UAH	1.40 / 0.40	Donetskstal	98.0%
# of shares, mln	848.5		
	2012E	2013E	2014E
Sales, USD mln	584.8	583.1	607.7
EBITDA margin	25%	24%	22%
Net margin	8%	5%	5%
Net debt, USD mln	13.5	13.0	12.5
EV / EBITDA	0.6	0.6	0.6
P / E	1.4	2.3	2.2

Komsomolets Donbasa Mine (SHKD UK): Speculative growth

The firm is Ukraine's third-largest producer of steam coal, with an annual mining capacity of about 4.2 mmt. It's an integral part of Ukraine's largest energy holding, DTEK.

+/- Its main hopes are related to a transfer pricing stoppage by DTEK, with the first signs of progress visible in 9M12 (net margin was 20% vs. 8% in 2011). While the trend was reversed in 4Q12, it may repeat itself
+/- As a mining company, it's affected by a decline in demand for steam coal in Ukraine (power output fell 7% yoy in 2M13). But stable orders from related power plants make it well-protected from a sharp order decline
- The stock is illiquid.

Bloomberg	SHKD UK	MCap, USD mln	44.7
Outlook for 2013	Outperform	Free float, %	4.98%
Price, UAH	1.09	Key owners:	
12M H/L, UAH	2.00 / 0.80	DTEK	95.02%
# of shares, mln	334.9		
	2012E	2013E	2014E
Sales, USD mln	262.1	267.0	264.7
EBITDA margin	47%	43%	45%
Net margin	19%	17%	19%
Net debt, USD mln	96.0	90.0	88.0
EV / EBITDA	1.1	1.2	1.1
P / E	0.9	1.0	0.9

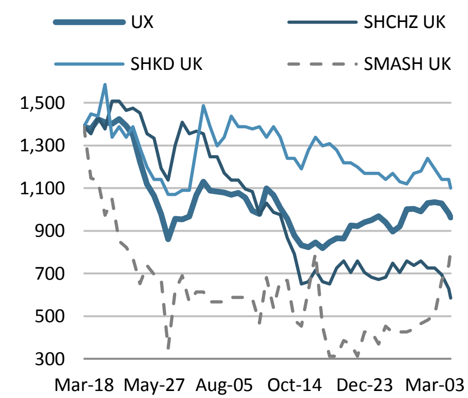
Sumy Frunze Machinery (SMASH UK): Lost stock, can't sell via TEPO

The firm makes pumping equipment for the oil, gas, and chemical industries. Its key customers are Gazprom, Naftogaz of Ukraine and Central Asian gas monopolies.

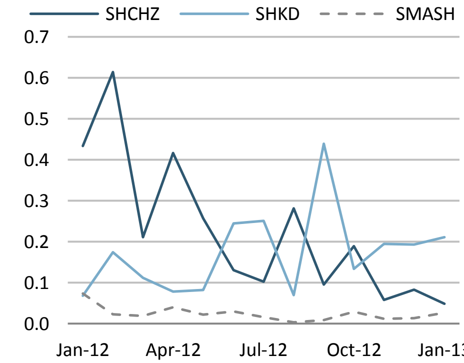
+ The firm may gain from the current boom in unconventional gas after the Ukrainian government inked a shale gas deal with Royal Dutch Shell
+/- A new shareholder, Smart Holding, is considering a share buyback – speculatively positive for minorities, but it risks new corporate conflicts
- Shareholders approved an asset-restructuring scheme at its 2010 EGM, making fundamentals unpredictable
- Corporate governance, stock liquidity are both extremely poor.

Bloomberg	SMASH UK	MCap, USD mln	30.4
Outlook for 2013	Underperform	Free float, %	2.75%
Price, UAH	3.49	Key owners:	
12M H/L, UAH	4.23 / 0.76	Energy Standard	42.8%
# of shares, mln	71.1	Management	30.9%
	2012E	2013E	2014E
Sales, USD mln	352.1	369.7	388.2
EBITDA margin	6%	7%	8%
Net margin	-6%	-5%	-3%
Net debt, USD mln	175.8	174.6	174.6
EV / EBITDA	9.1	8.4	6.9
P / E	neg	neg	neg

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

Stakhanov Railcar (SVGZ UK): Fading stock

The firm is Ukraine's fourth-largest freight railcar producer. It's the only local railcar maker diversified on the upstream due to its ability to purchase bogie castings from EU-based suppliers. Stakhanov is backed by orders from its related iron-ore producer Ferrexpo, but historically has been among least profitable Ukrainian railcar producers.

+ Annual purchases of about 5,400 bogie castings sets from EU-based firms will secure stable railcar output, even if Ukrainian castings are banned by Russia
- Still may suffer from competitive pressure from Russian railcar producers
- Casting supplies from the EU make Stakhanov one of the least profitable Ukrainian railcar producers
- Stock liquidity is declining.

Bloomberg	SVGZ UK	MCap, USD mln	41.7
Outlook for 2013	Underperform	Free float, %	7.8%
Price, UAH	1.50	Key owners:	
12M H/L, UAH	4.55 / 1.46	Kostyantin	
# of shares, mln	226.4	Zhevago	92.2%
	2012E	2013E	2014E
Sales, USD mln	371.7	397.1	394.8
EBITDA margin	3%	4%	4%
Net margin	0%	1%	1%
Net debt, USD mln	-7.2	1.0	13.4
EV / EBITDA	3.2	3.0	3.8
P / E	28.1	10.4	11.5

Ukrnafta (UNAF UK): Protective stock, might pay dividends

The firm produces about 70% of the oil and gas condensate in Ukraine. The government holds a 50%+1 share stake while its operations are controlled by the second-largest shareholder, Privat Group. Its hydrocarbon production averaged 77,000 boepd in 2012, with natural gas accounting for 42% of total output in boe terms.

+ Hiked household gas tariffs, required by IMF, would be a positive catalyst
+ Attempts to sell gas at high industrial tariffs may prove successful
+ Company might become a dividend play if AGM happens soon
- Oil production is declining each year on no investment into new fields
- Poor corporate governance, falling liquidity

Bloomberg	UNAF UK	MCap, USD mln	913.7
Outlook for 2013	Mkt-perform	Free float, %	5.0%
Price, UAH	137.3	Key owners:	
12M H/L, UAH	305.0 / 80.0	Government	50.0%
# of shares, mln	54.2	Privat Group	41.8%
	2012E	2013E	2014E
Sales, USD mln	3,228.5	3,108.7	3,075.4
EBITDA margin	15%	16%	16%
Net margin	10%	11%	10%
Net debt, USD mln	-9.9	-19.1	-27.1
EV / EBITDA	1.8	1.8	1.8
P / E	2.8	2.8	2.8

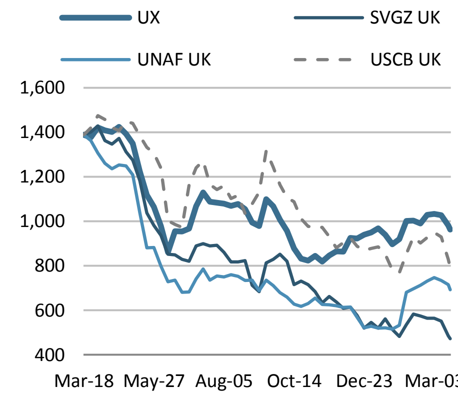
Ukrsotsbank (USCB UK): Protective, UX Index stock

Ukraine's sixth-largest bank with market share of 3.4% by assets. UniCredit Group confirmed it will maintain its business in Ukraine despite unfavorable developments. At the same time, it seems to have decided to delay the long-planned merger of Ukrsotsbank and UniCredit Bank Ukraine, its two local subsidiaries.

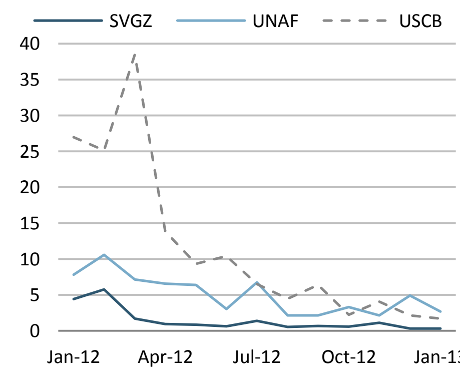
+/- The bank managed to partly offset decline in 2012 net interest income (-17% to USD 301 mln) with increase in commissions (+18% to USD 81 mln). The room for further boost in commissions seems limited.
- Lending portfolio was down 18% in 2012 due to both smaller amount of new loans and write-downs. Some decline possible in 2013
- NPL coverage ratio at below 60% in 2012E, suggests the bank has still a long way to clean its balance sheet. Possible UAH devaluation is a risk.

Bloomberg	USCB UK	MCap, USD mln	259.6
Outlook for 2013	Underperform	Free float, %	1.63%
Price, EUR	0.117	Key owners:	
12M H/L, EUR	0.218 / 0.107	UniCredit group	98.37%
# of shares, mln	18,140		
	2012E	2013E	2014E
Equity, USD mln	981	1012	1040
ROE	3.9%	3.3%	3.4%
P /B	0.26	0.26	0.25
P / E	6.7	7.6	7.2

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

Ukrtelecom (UTLM UK): Fading stock

Ukraine's largest fixed-line telecom operator – in both voice segment (75% market share) and broadband (29% market share) – services 9.3 mln fixed-line customers, of which 1.6 mln receive broadband services. It owns a small mobile operator Trimob (less than 1% of market share).

+ It's continuing a cost-cutting program with large profit-growth potential
+ Its strong position on the broadband market will keep revenue stable
- Poor corporate governance and muted ownership structure
- An evaporated free float and worsened demand for its main business, fixed voice, are key downside risks.

Bloomberg	UTLM UK	MCap, USD mln	299.2
Outlook for 2013	Underperform	Free float, %	2.5%
Price, UAH	0.130	Key owners:	
12M H/L, UAH	0.420 / 0.120	ESU	92.8%
# of shares, mln	18,726		

	2012	2013E	2014E
Sales, USD mln	868.4	846.7	838.3
EBITDA margin	24%	25%	25%
Net margin	5%	5%	5%
Net debt, USD mln	320.9	314.5	311.0
EV / EBITDA	3.0	3.0	3.0
P / E	6.7	7.7	7.4

Yasynivka Coke (YASK UK): Risky stock

Part of Donetskstal, it's the fifth-largest producer of metallurgical coke (capacity is 2.1 mmt p.a.). It operates one of the most modern coke batteries in Ukraine and is the most export-focused local coke producer, with half of output being exported.

+ The use of high-quality (low-sulfur) coking coal, sourced from its related Pokrovskoye Mine, is Yasynivka's main competitive advantage
+ Remains consistent in posting profits, unlike its peers (profit was up 3.3% yoy in 2012). We expect this trend to persist in 2013
- As an exporter, it may face more competition from Chinese producers in 2013 after their government dropped export restrictions imposed in 2008
- The stock's liquidity is shrinking fast.

Bloomberg	YASK UK	MCap, USD mln	20.2
Outlook for 2013	Underperform	Free float, %	15.24%
Price, UAH	0.60	Key owners:	
12M H/L, UAH	1.31 / 0.56	Donetskstal	84.76%
# of shares, mln	273.6		

	2012E	2013E	2014E
Sales, USD mln	465.4	451.2	479.2
EBITDA margin	4%	3%	3%
Net margin	1%	1%	1%
Net debt, USD mln	42.5	50.0	52.0
EV / EBITDA	3.2	5.3	5.1
P / E	4.3	4.8	4.5

Zakhidenergo (ZAEN UK): Lost as a stock, sell via TEPO

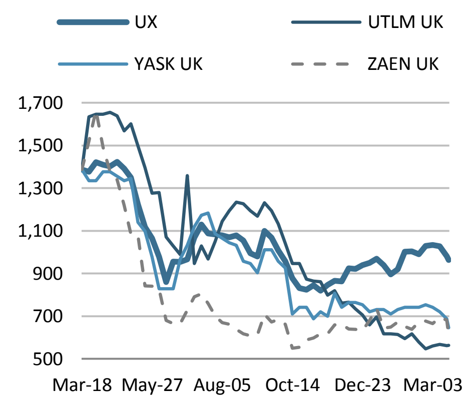
Ukraine's fifth-largest power producer in 2012 – and fourth-largest in terms of installed capacity – operates three coal-fired power plants in western Ukraine with 4.6 GW of installed capacity. Controlled by the biggest energy holding DTEK, it's the only Ukrainian company producing electricity for EU countries, and the only one capable of doing so.

+ High chance to improve profit in the mid-term should electricity market reform take place. It has an exclusive connection to the EU energy grid that would make the company the main winner of the reforms
- Risk of transfer pricing practices, as coal is supplied from related mines
- Non-existent free float and no chance for improvement prevents the stock from being interesting to investors.

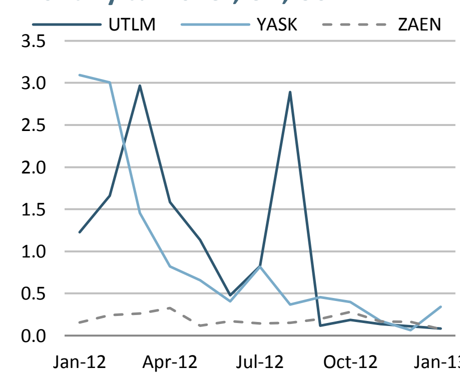
Bloomberg	ZAEN UK	MCap, USD mln	131.9
Outlook for 2013	Underperform	Free float, %	4.0%
Price, UAH	84.0	Key owners:	
12M H/L, UAH	237.4 / 54.0	DTEK	71.0%
# of shares, mln	12.8	Governemnt	25.0%

	2012E	2013E	2014E
Sales, USD mln	1,214.0	1,402.9	1,568.9
EBITDA margin	6%	8%	10%
Net margin	2%	4%	6%
Net debt, USD mln	98.8	112.0	94.0
EV / EBITDA	3.1	2.1	1.5
P / E	4.7	2.1	1.4

52 week performance, UAH*



Monthly turnover, UX, USD mln



** All stocks, indices are rebased to the UX Index*
Source: Company data, Bloomberg, Concorde Capital research

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