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Ukraine 2008

Bullying the Bears

April 24, 2008

**Exposure to commodities:
Steel, Coke, Coal, Iron Ore; Agriculture**

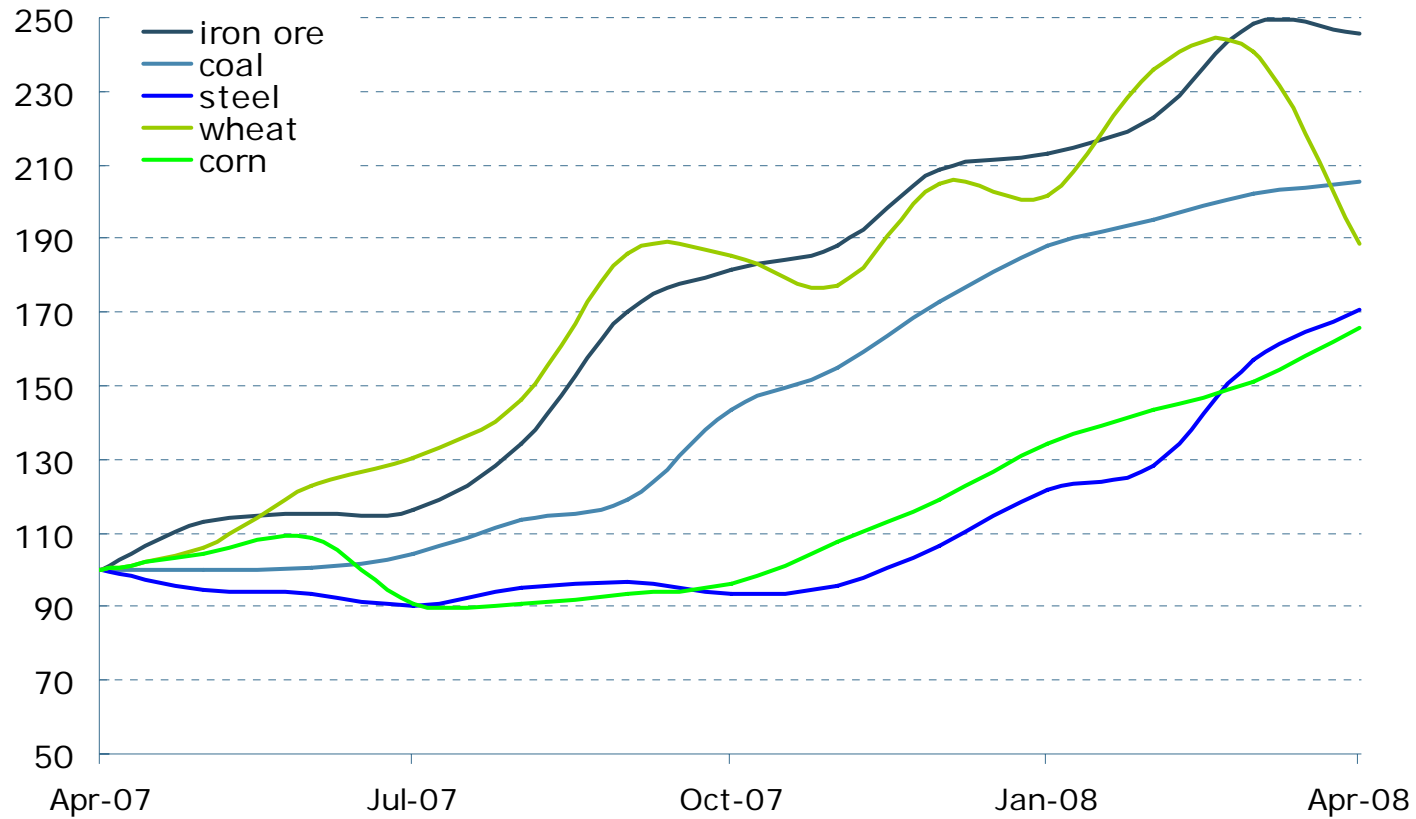
Valuations back to comfort zone

Ukrainian IPOs do perform

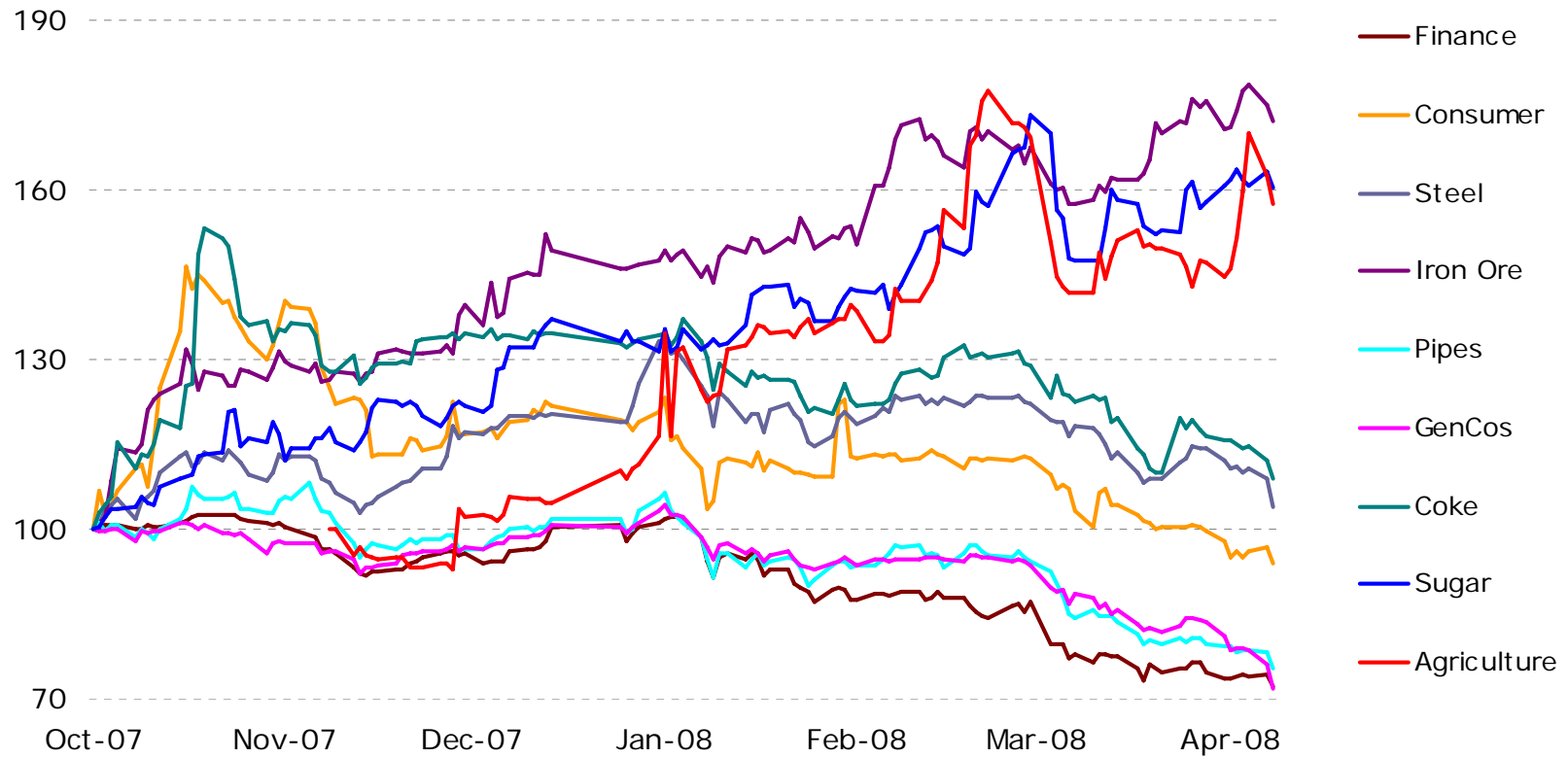
Oligarch exposure

Share Issue Arbitrage

Seeking exposure to commodities? You came to the right place



Sector indices



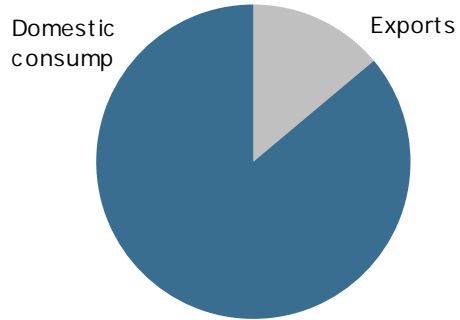
Robust fundamentals

WTO

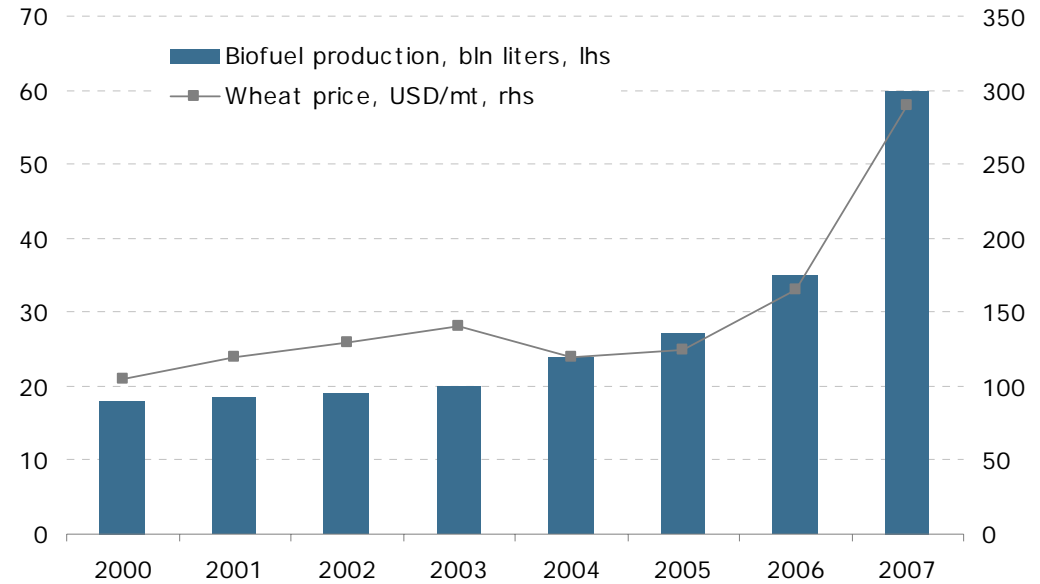
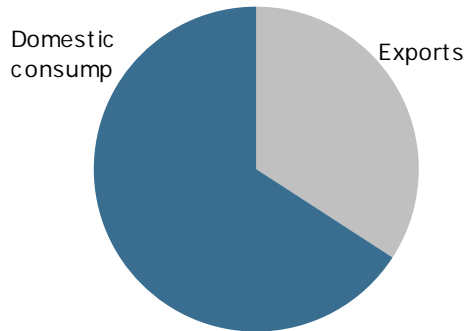
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Bio-fuel

2007



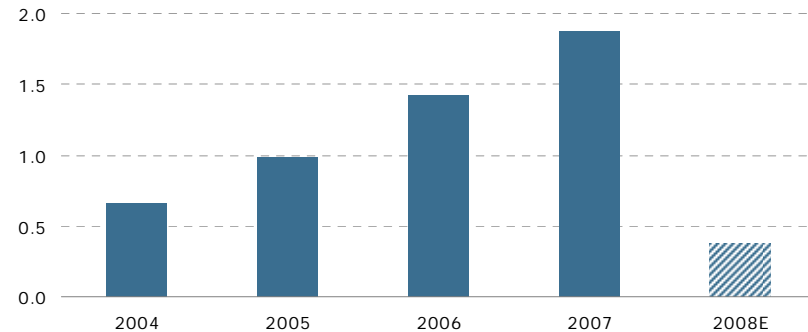
2008



World's inventories of agricultural commodities at 30-year historical lows

WTO entry opens export markets for Ukrainian grains and oilseeds, with export quotas abolished

Investments in Ukrainian agriculture, USD mn



Both Agriculture and Sugar producers valued by Land controlled

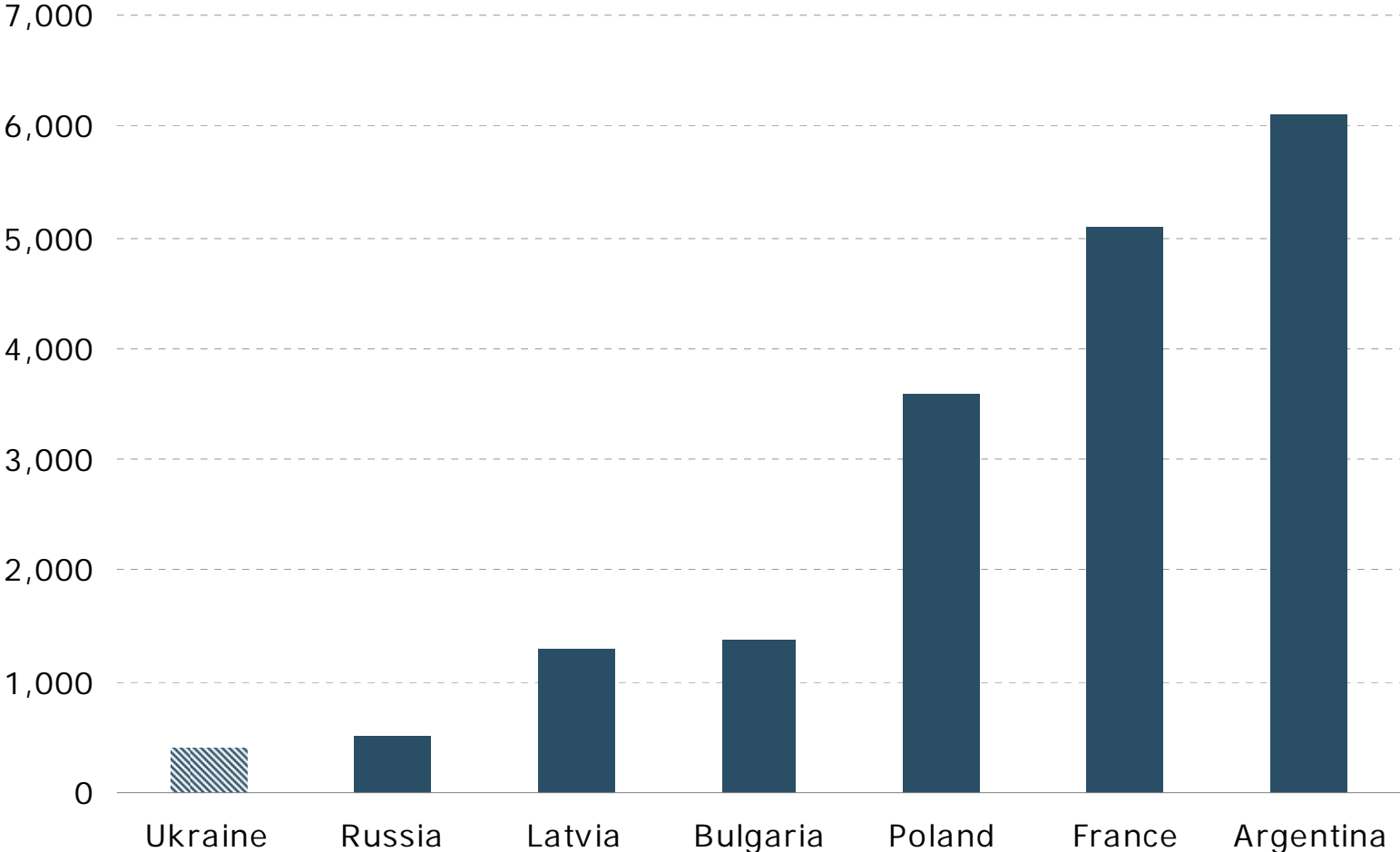
Exposure to agricultural land: direct or through integrated sugar producers

Moratorium for sale of
agricultural land to be lifted
in 2008-2009

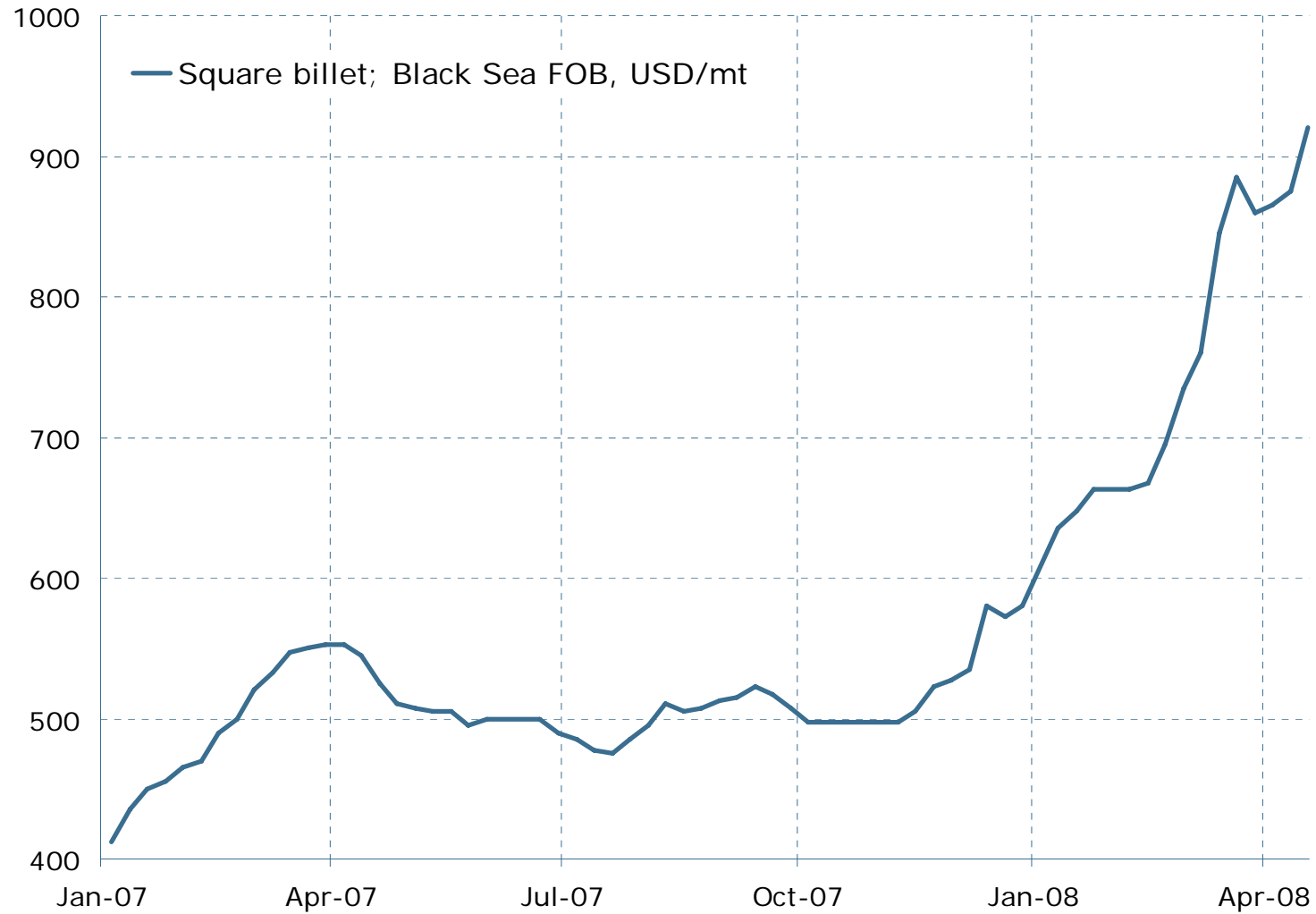
	Country	Land, ths ha		EV/Land
		current	targeted	
Sugar-Makers				
Dakor	Ukraine	113	120	1,966
Astarta	Ukraine	136	164	4,195
Ukrros	Ukraine	70	140	4,671
Razgulay	Russia	212	267	6,546
Average				4,345
Agricultural				
Land West	Ukraine	184	340	1,638
Landkom	Ukraine	67	500	5,376
MCB Agricole	Ukraine	71	400	4,049
Black Earth Farming	Russia	277	400	3,610
Average				3,668

Land appreciation upside

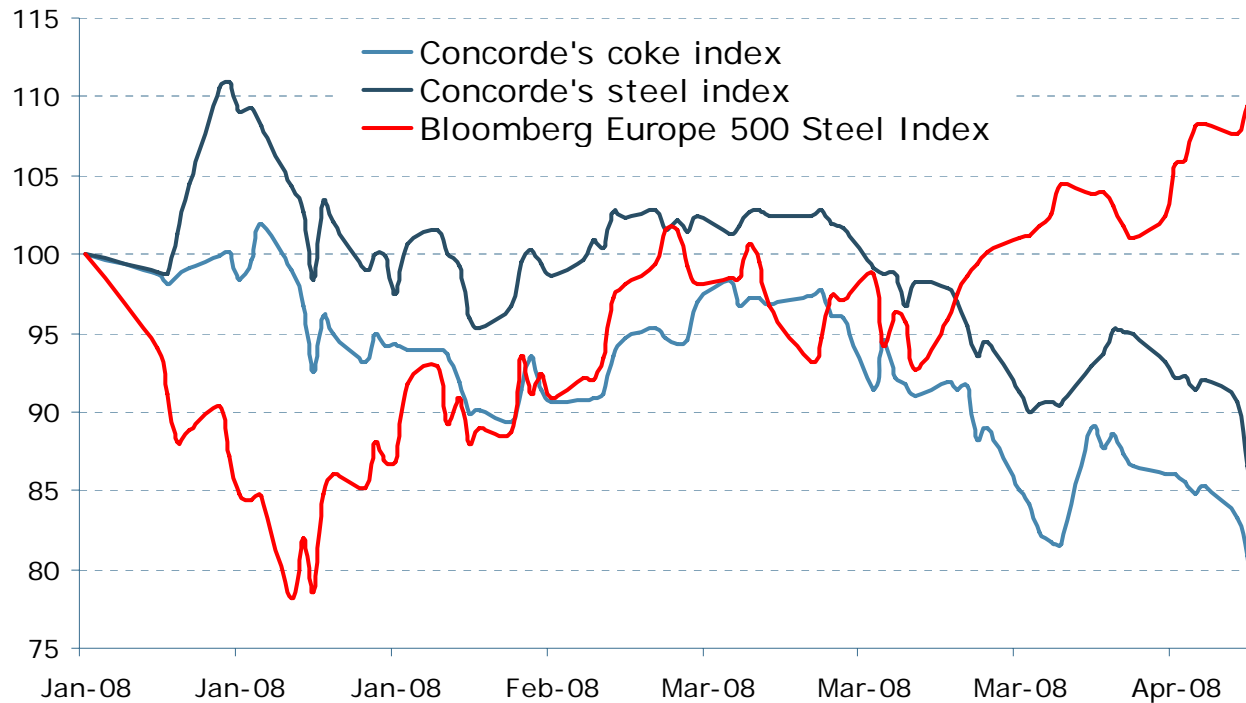
Average price per 1 ha by country, USD



Steel prices do rally

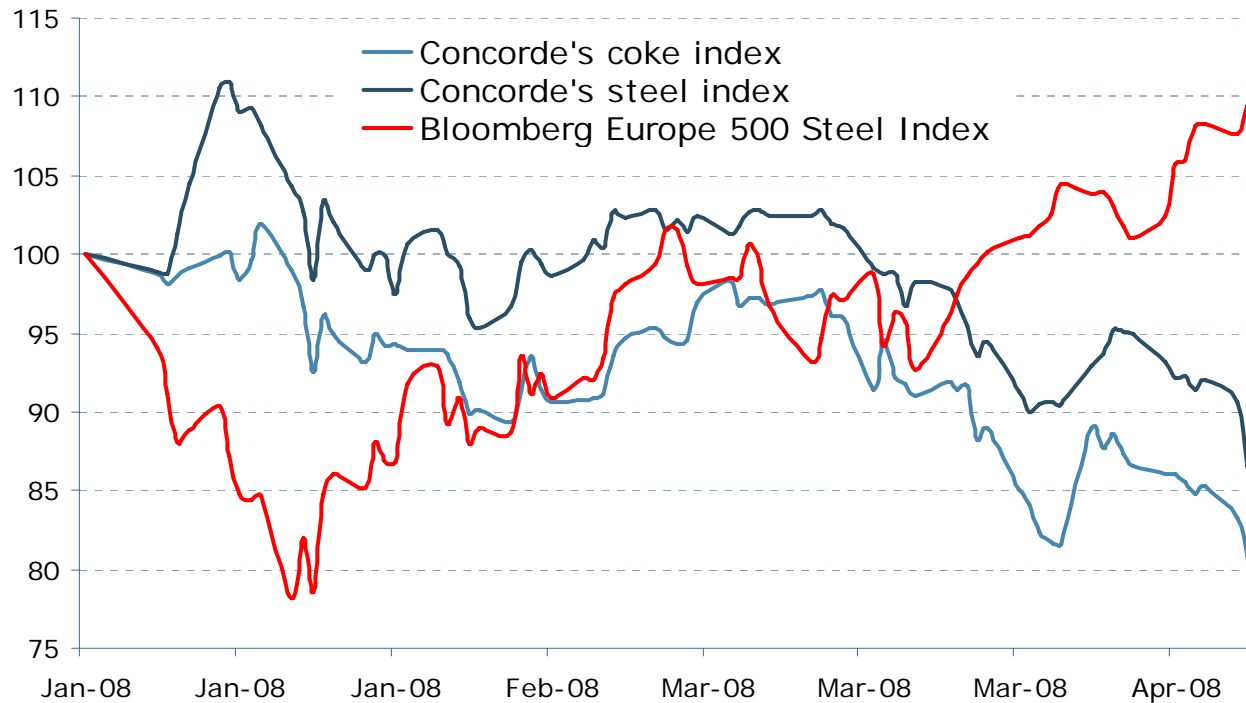


Ukrainian steel stocks misroute...



	EV/S	EV/EBITDA	P/E
Ukraine	0.6	3.9	6.5
Russia	2.1	6.2	9.5
International	1.5	5.8	10.1

Discounts are getting appealing



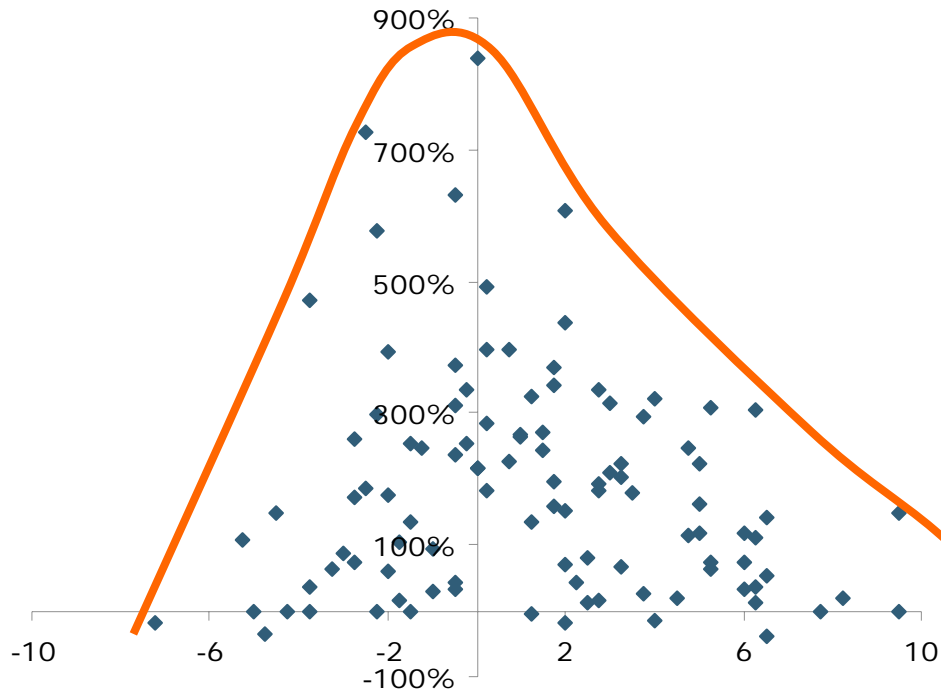
Discounts to	EV/S	EV/EBITDA	P/E
Russian peers	71%	37%	32%
International peers	60%	33%	36%

Coke undervalued vs Coal

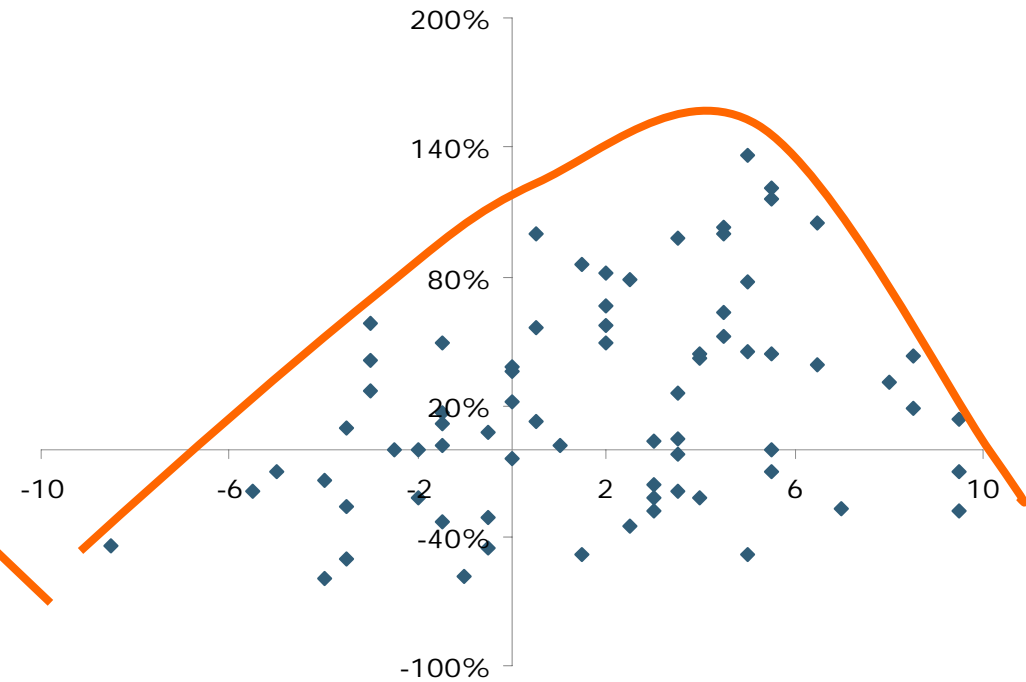
USD/mt	Apr 07	Jan 08	Apr 08	Growth YOY	Growth YTD
Coke prices	176	317	351	99%	11%
Coal prices	88	148	161	82%	9%
Gross profit	48	105	120	150%	15%

Return	1y	YTD
Coke stocks	91%	-19%
Coal stocks	340%	4%

In 2007 market disregarded corporate governance risk



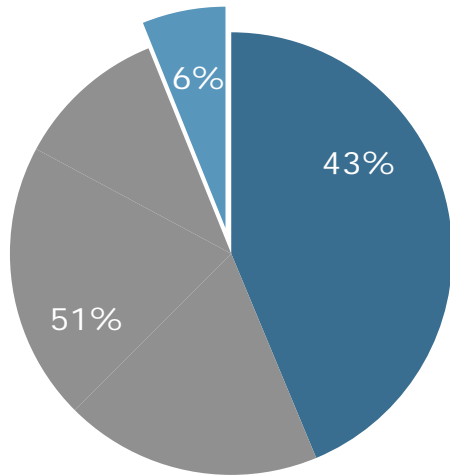
**2007 return
vs ave. 2007/2008 score**



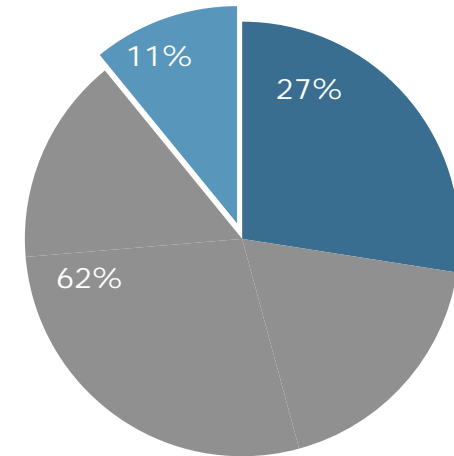
**2006 return
vs 2007 score**

Corporate Governance: Top rated Ukrainian companies

2007



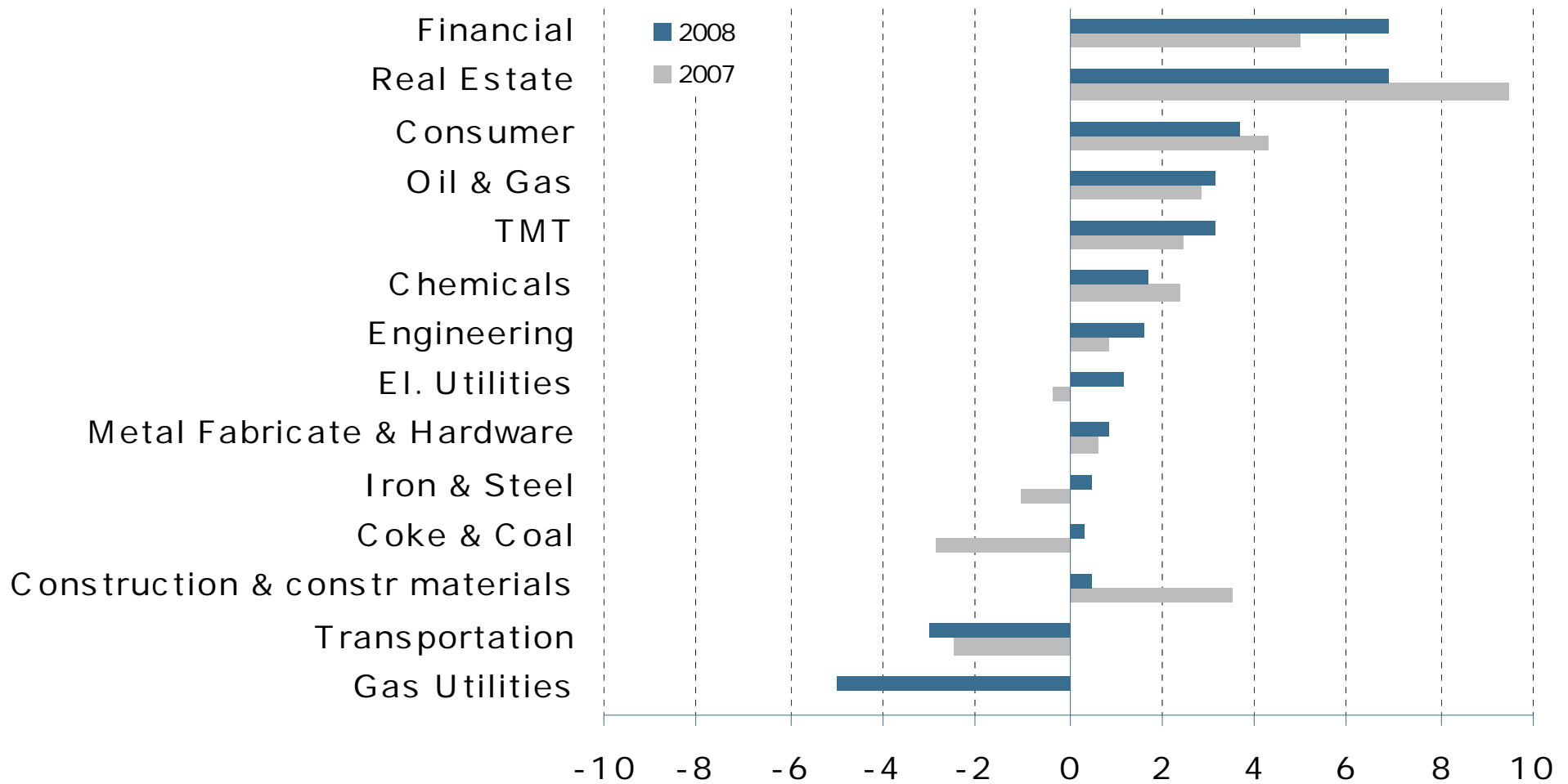
2008



■ QUALITY
■ AVERAGE
■ POOR



Corporate Governance Ranking, average score by sector



Corporate Governance: top rated Ukrainian companies

Name	Ticker	Rating 2008	Rating 2007	Sector
JKX	JKX LN	Q	Q	Oil & Gas
Galnaftogaz	GLNG	Q	Q	Oil & Gas
Astarta	AST PW	Q	Q	Consumer
Kernel	KER PW	Q	N/R	Consumer
Ferrexpo	FXPO LN	Q	N/R	Iron & Steel
Nadra Bank	NADR	Q	N/R	FINANCIAL
Ukrprodukt	UKR LN	Q	AA	Consumer
Rodovid Bank	RODB	Q	A	FINANCIAL
XXI-Century	XXIC LN	Q	Q	Real Estate
LuAZ	LUAZ	Q	BA	Engineering
Ukrgazbank	UGZB	Q	A	FINANCIAL
Forum	FORM	Q	Q	FINANCIAL
TMM	TR61 GR	Q	N/R	Real Estate
AISI	AISI LN	Q	N/R	Real Estate
Creativ Group	CREA	Q	N/R	Consumer
Universalna Insurance	SKUN	Q	AA	FINANCIAL
Ukrsotsbank	USCB	Q	AA	FINANCIAL
Regal Petroleum	RPT LN	Q	Q	Oil & Gas
KDD Group	KDDG LN	Q	N/R	Real Estate

Hrivnyya resources shrink



Financing from abroad still there, cheaper... not for all banks

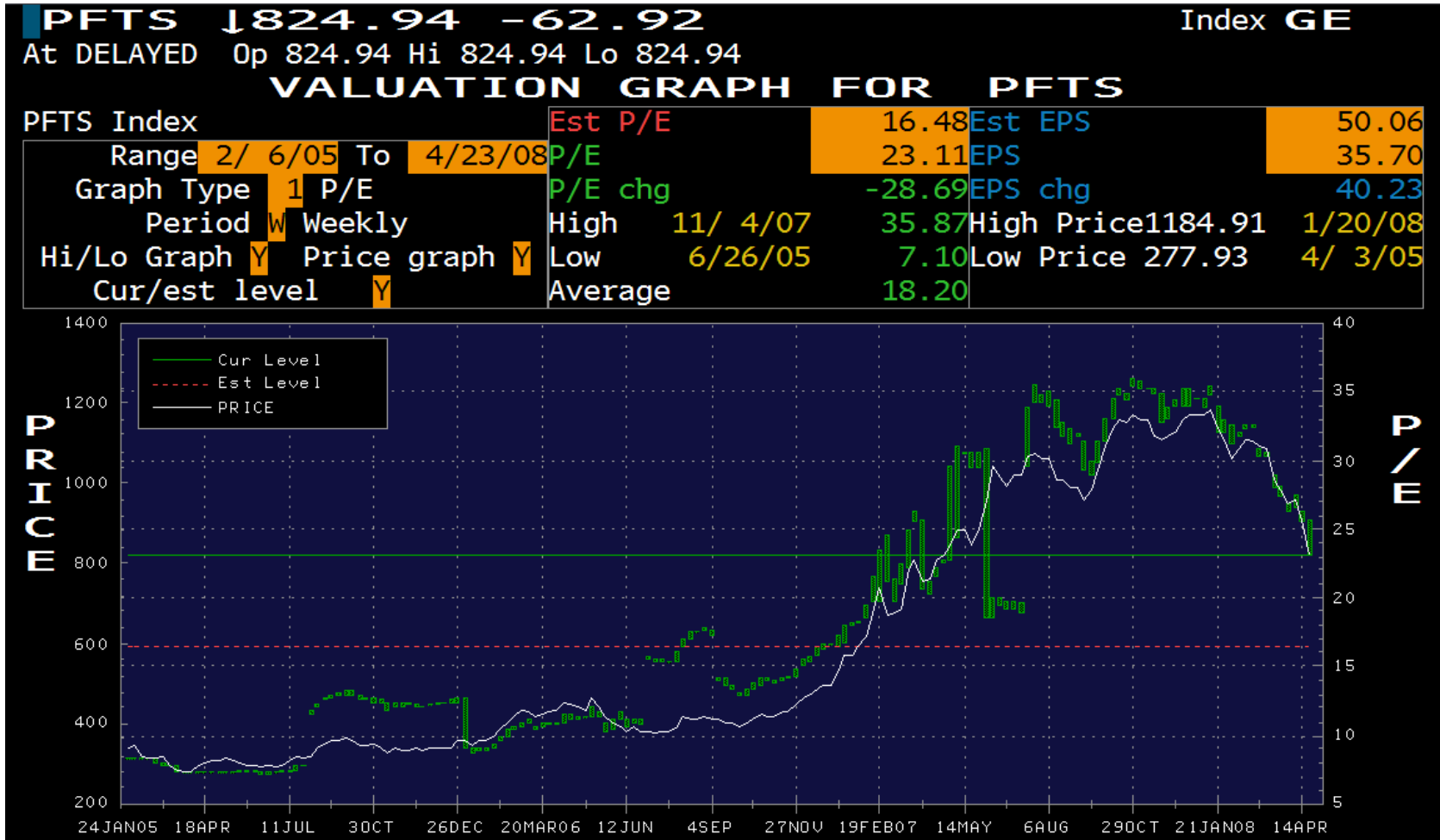
2008		\$ mn	Tenor		% rate
Ukreximbank	Mar-08	345	1	LIBOR +0.8%	3.31%
Privatbank	Mar-08	200	2	LIBOR +0.75%	3.26%
Finansy I Kredit	Mar-08	70	1	LIBOR +1.95%	4.46%
Svedbank	Apr-08	34	1	LIBOR +0.85%	3.44%
Svedbank	Apr-08	31	2	LIBOR +1.7%	4.29%
Forum	Apr-08	115	1	LIBOR +1.6%	4.19%
		795			

	Premium over LIBOR	% rate
2008	1.23%	3.82%
2007	1.98%	6.82%

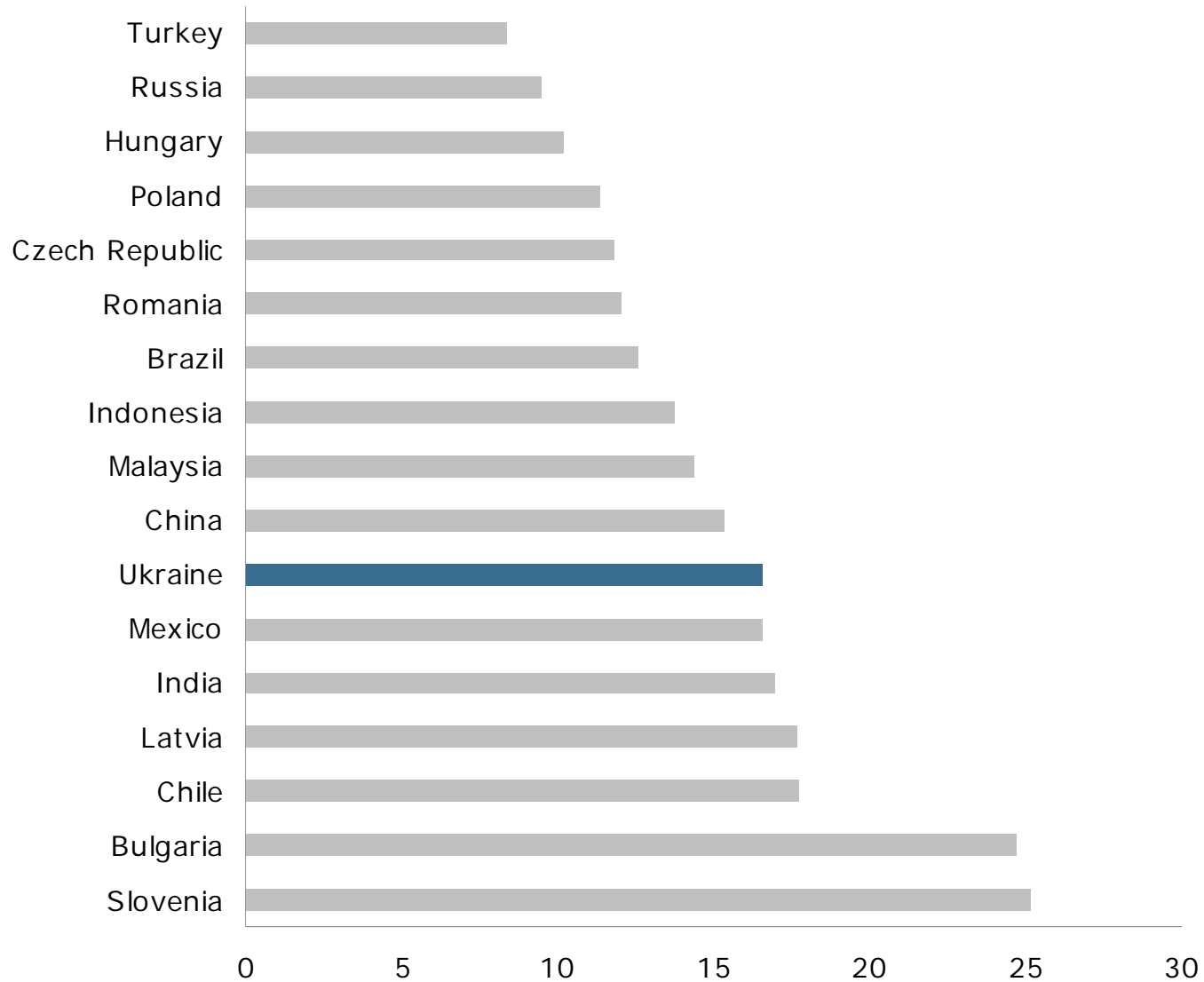
Now really worth looking at

	P/E	P/B	Earnings growth, CAGR 08-09
BAVL	14.6	2.1	77.4%
FORM	30.1	1.8	120.1%
MEGA	8.9	1.1	60.1%
RODB	29.7	1.8	53.8%
UGZB	16.5	2.2	64.7%
USCB	14.6	1.8	64.4%
UKIB	57.3	1.4	68.3%
Ukrainian average	25.9	2.1	70.7%
CIS average	12.6	2.2	29.8%
EMEA average	13.0	2.5	17.8%
Other GEM average	10.8	2.0	20.1%

Since October, valuations came to more comfortable levels



Est. P/E 2008 (as of 23.04.2008)



Source: Bloomberg

PFTS index Price To Earnings

	Mcap, USD mln	Weight in basket	Exp. Earnings growth	P/E 2008E
DNEN	2189.0	4.5%	24.8%	70.8
ZAEN	1015.6	11.0%	87.2%	30.5
MMKI	3434.7	12.4%	57.6%	8.1
CEEN	1356.9	10.4%	104.7%	50.1
UNAF	2738.3	7.8%	31.0%	8.4
NITR	1739.0	8.1%	23.1%	12.5
UTEL	3184.4	8.0%	-57.3%	73.1
BAVL	3035.5	5.1%	79.0%	15.6
MSICH	484.5	6.0%	35.4%	11.9
AZST	3799.8	5.1%	34.9%	9.1
USCB	1662.3	3.0%	58.6%	14.6
DOEN	551.3	2.9%	-120.9%	neg
STIR	594.9	2.0%	100.0%	11.7
LTPL	229.0	2.0%	114.1%	12.8
KIEN	648.6	2.7%	258.3%	158.6
PGOK	2482.8	2.1%	289.0%	9.0
MZVM	321.1	1.9%	11.5%	4.9
SMASH	483.1	1.0%	85.3%	12.4
AVDK	595.8	0.7%		10.9
ENMZ	665.4	3.4%	46.1%	6.1
PFTS index	31212.0		47.1%	14.1

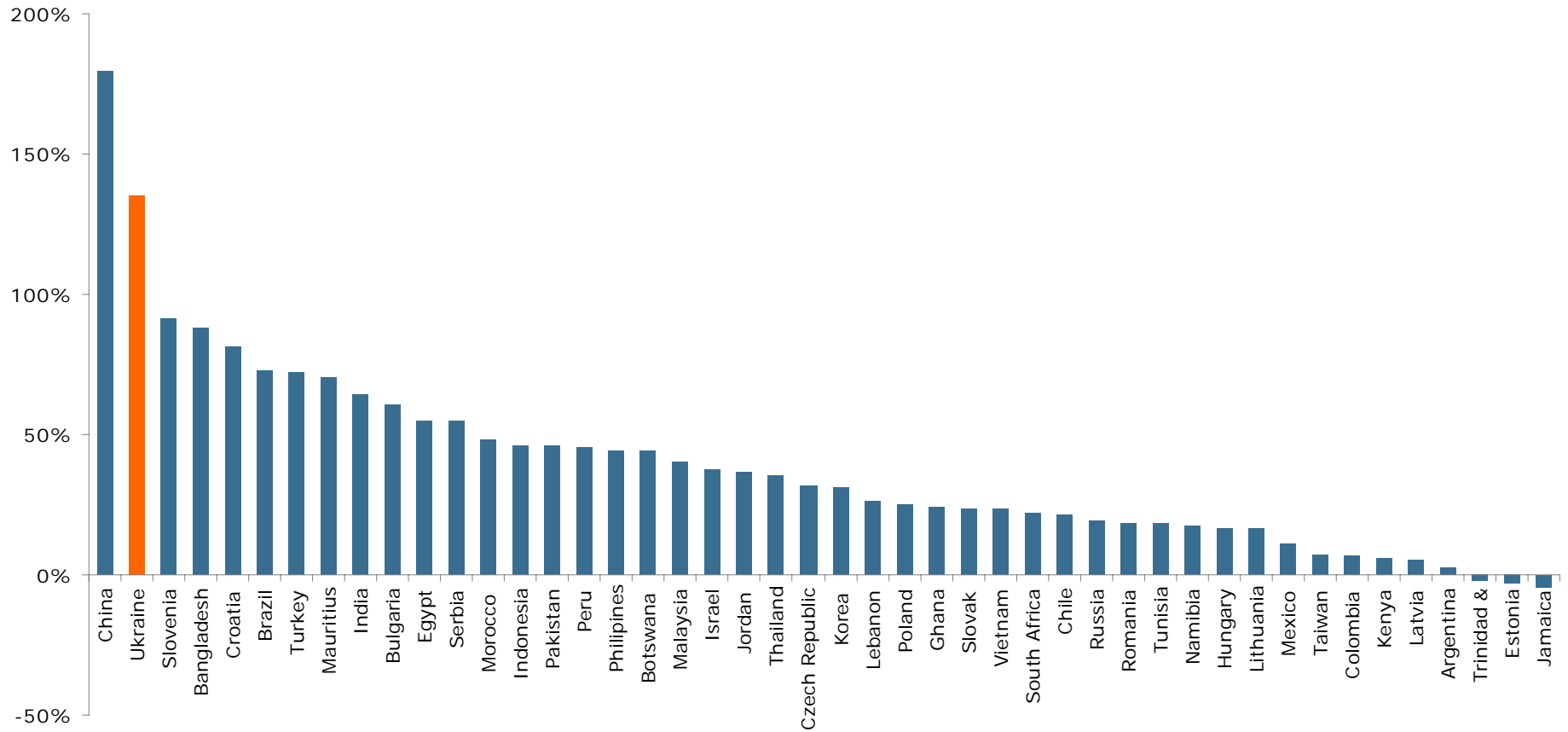
Source: Concorde Capital research

PFTS index target: 50% upside

	Weight in basket	Target, USD	Market price, USD	Upside
MMKI	12.4%	8.59	5.40	59.0%
ZAEN	11.0%	658.52	404.00	63.0%
CEEN	10.4%	27.42	18.15	51.1%
NITR	8.1%	234.83	162.50	44.5%
UTEL	8.0%	0.96	0.84	14.2%
UNAF	7.8%	328.25	252.20	30.2%
MSICH	6.0%	1893.75	1200.00	57.8%
AZST	5.1%	7.32	4.61	58.8%
BAVL	5.1%	1.21	0.72	68.3%
DNEN	4.5%	2605.80	1870.00	39.3%
ENMZ	3.4%	707.00	323.00	118.9%
USCB	3.0%	1.62	0.82	97.1%
DOEN	2.9%	218.06	120.00	81.7%
KIEN	2.7%	37.88	31.80	19.1%
PGOK	2.1%	68.18	90.90	-25.0%
STIR	2.0%	109.30	109.30	0.0%
LTPL	2.0%	5.20	5.20	0.0%
MZVM	1.9%	202.00	108.00	87.0%
SMASH	1.0%	55.55	35.65	55.8%
AVDK	0.7%	31.31	15.75	98.8%
PFTS index		1241.89	824.94	50.5%

World's second best performing market in 2007

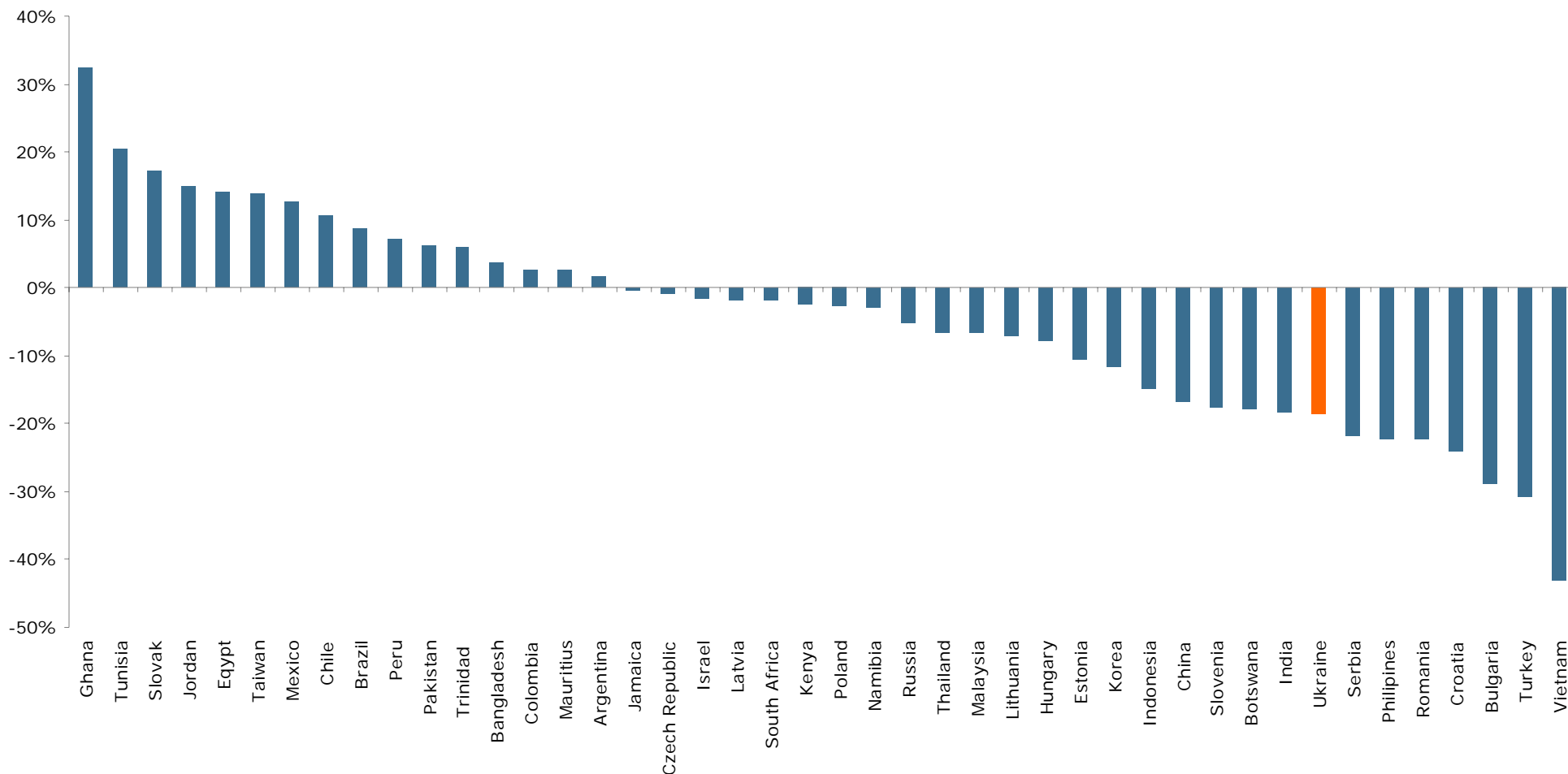
GEM returns, 2007



Source: Bloomberg

Painful correction in 2008

GEM returns, 2008 YTD (as of Apr, 22)



Source: Bloomberg

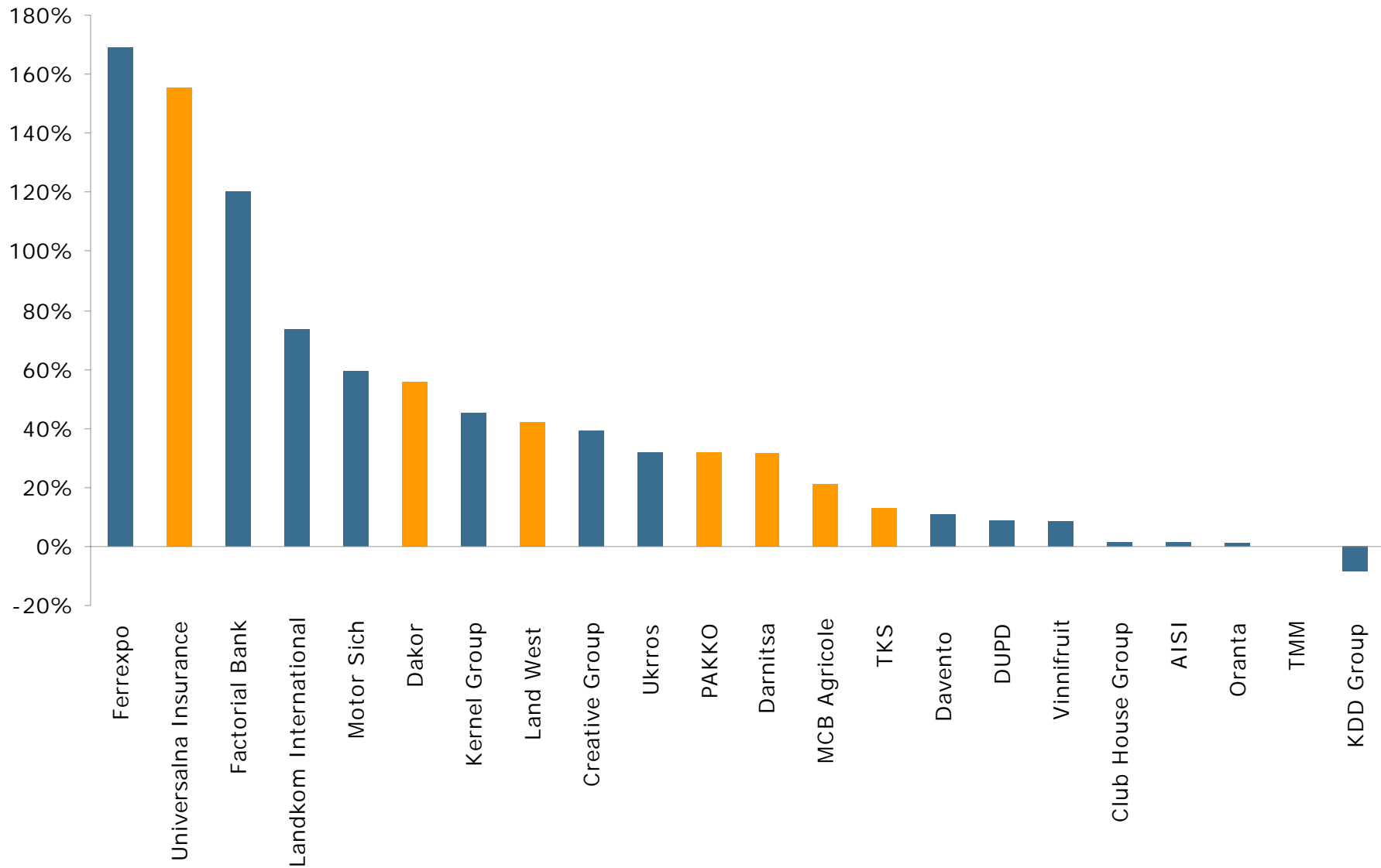
Equity Placement Monitor

Performance of 2007 and 2008 Ukrainian Placements

	Ticker	Date	Placed, USD mln	Current MCap, USD mln	FF, %	Performance Placement-to-date
Karavan	n/a	Mar-07	155.0	n/a	n/a	n/a
Universalna Insurance	SKUN	May-07	15.8	251.2	48.0%	155.2%
Dakor	DAKOR	May-07	21.0	172.4	24.0%	55.3%
TMM	TR61 GR	May-07	105.0	799.2	13.1%	-0.1%
DUPD	DUPD LN	Jun-07	308.0	226.6	100.0%	9.0%
Motor Sich	MSICH	Jun-07	37.1	497.0	24.3%	59.4%
Creative Group	4C8A GR	Jun-07	30.0	156.7	23.4%	39.3%
Ferrexpo	FXPO LN	Jun-07	420.9	4,495.7	24.0%	169.0%
Ukrros	UROS	Jul-07	42.0	268.2	20.0%	32.2%
TKS	37W1 GR	Jul-07	39.6	206.1	22.0%	13.0%
AISI	AISI LN	Aug-07	33.1	111.3	63.9%	1.5%
Vinnifruit	VINIP	Aug-07	15.9	78.5	25.0%	8.3%
Datagroup	n/a	Aug-07	21.0	n/a	n/a	n/a
Darnitsa	4SI 1 GR	Oct-07	48.0	635.4	10.0%	31.6%
Club House Group	5CHA GR	Oct-07	32.8	0.0	16.4%	1.7%
Kernel Group	KER PW	Nov-07	218.0	885.0	41.0%	44.9%
Landkom International	LKI LN	Nov-07	111.0	381.9	54.0%	73.6%
Land West	4K1A	Dec-07	43.0	61.0	20.0%	42.0%
KDD Group	KDDG LN	Dec-07	130.0	597.1	22.6%	-8.7%
Oranta	SORN	Dec-07	39.7	399.1	5.0%	1.1%
Factorial Bank	FKTB	Nov-07	120.0	202.2	9.9%	120.0%
PAKKO	5CBA GR	Dec-07	18.0	951.2	20.0%	32.1%
Davento	4D5 GR	Mar-08	77.8	615.3	24.0%	11.0%
MCB Agricole	4GW1 GR	Mar-08	56.0	280.5	24.4%	20.8%

Source: Bloomberg, Concorde Capital estimates. Note: DUPD performance calculated based on 1.6.07 placement (another one was Nov 29, 2007)

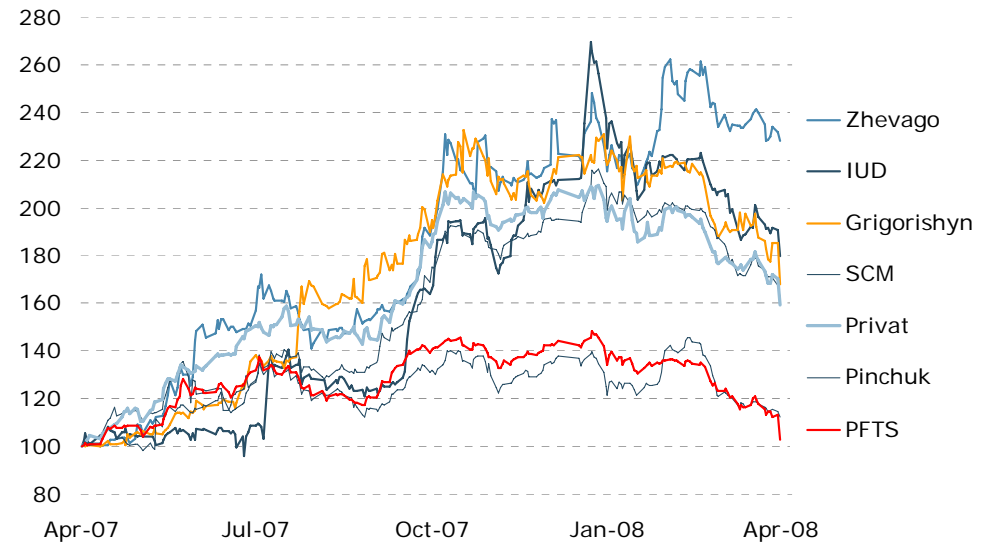
Ukrainian IPOs in 2007-2008: Return since placement



Oligarch exposure



BG Indexes Outperform



BGI Risk-return metrics

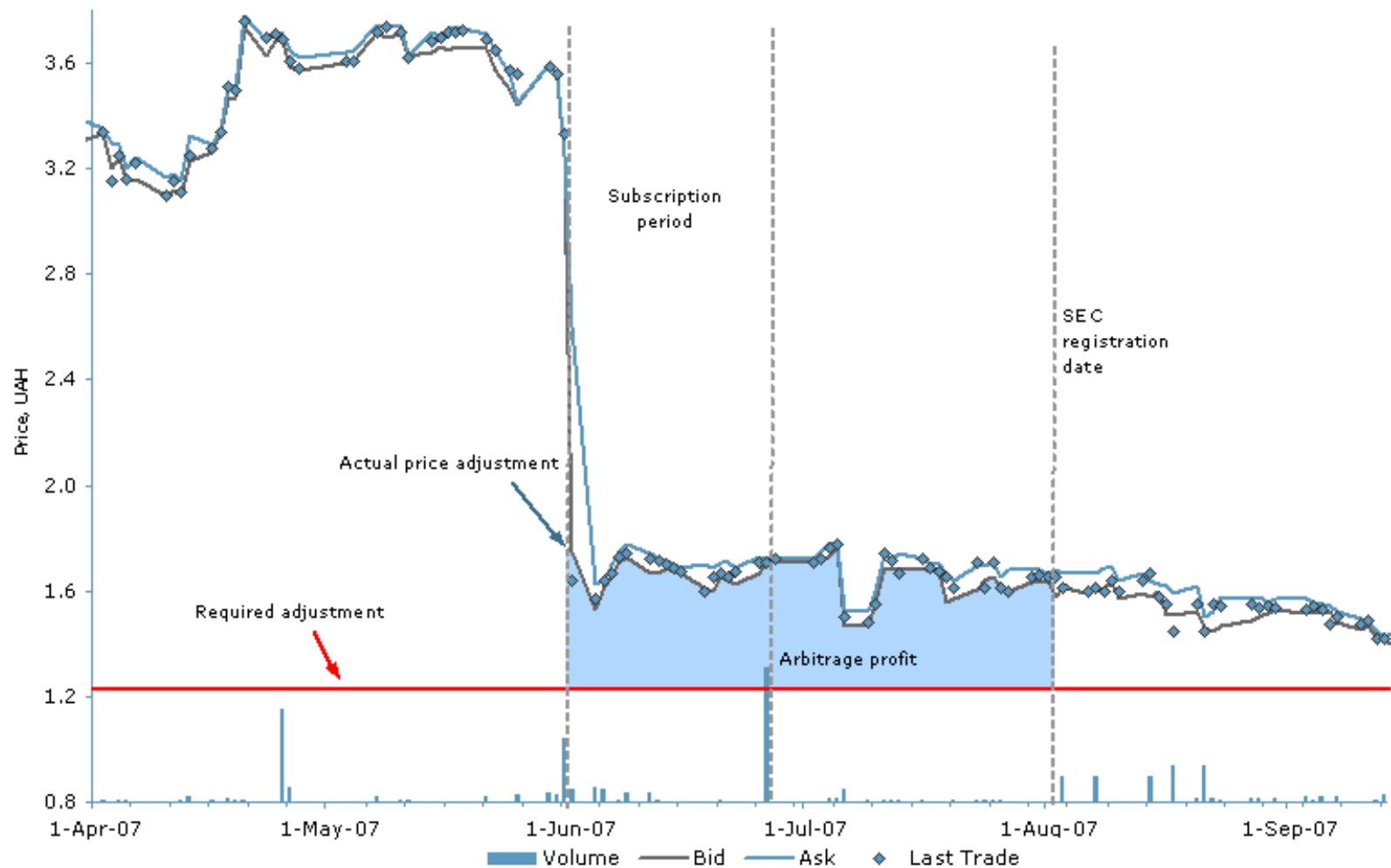
	Correlation	Ann. St dev
PFTS Index	1.00	24%
Zhevago_BGI	0.21	40%
Pinchuk_BGI	0.60	33%
SCM_BGI	0.44	42%
Privat_BGI	0.45	26%
IUD_BGI	0.39	43%
Grigorishyn_BGI	0.19	44%

Indexes Performance

	YTD	6m	1y
Zhevago_BGI	3%	18%	128%
IUD_BGI	-15%	8%	80%
Grigorishyn_BGI	-24%	-14%	68%
SCM_BGI	-17%	-7%	62%
Privat_BGI	-23%	-14%	59%
Pinchuk_BGI	-19%	-15%	12%
PFTS Index	-30%	-28%	1%

Source: PFTS, Concorde Capital

Share issues at deep discount to market – return boosters



The more the required price correction, the better the arbitrage

