



# Fixed Income Strategy

Eurobonds: the place to be

February 02, 2009

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**While hryvnya depreciation and relatively low yields render the local bond market out of play, we see a few attractive investment opportunities in Eurobond issues that were unduly punished during the end-2008 selloff.**

## Ukrainian sovereign ratings

	Rating	Outlook
S&P	B	Negative
Moody's	B1	Stable
Fitch	B+	Negative

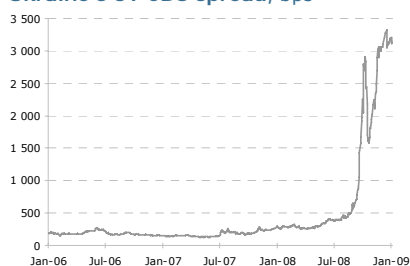
## Key economic data

	2007	2008E	2009F
<b>Business cycle</b>			
Real GDP, chg yoy	7.6%	2.1%	-7.0%
CPI (eop), chg yoy	16.6%	21.0%	15.0%

## External sector

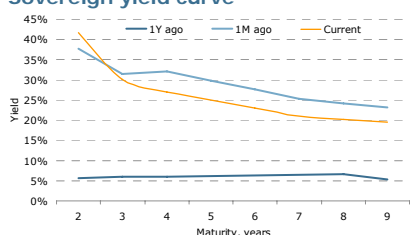
FDI net, USD bln	9.2	10.4	7.5
C/A balance, USD bln	-5.9	-12.3	-1.3
Trade balance, USD bln	-7.9	-13.6	-2.3
F/A balance, USD bln	15.3	15.6	-7.0
External debt, USD bln	82.7	108.3	93.1
Public	15.1	16.4	29.8
Corporate	67.5	91.9	63.4
NBU reserves (eop), USD bln	32.5	31.5	23.3

## Ukraine's 5Y CDS spread, bps



Source: Bloomberg

## Sovereign yield curve



Source: Bloomberg

## UAH/USD NDF rates

	Current	1M ago	1Y ago
1M	9.25	8.70	5.05
6M	12.50	8.95	5.08
1Y	13.95	14.88	5.14

**Macro:** The knock-on effects of the global financial crisis are building for the Ukrainian real economy: in December 2008 alone, industrial production was down 26% yoy and GDP shrunk ~18% yoy. In 2008, GDP growth slowed to 2.1% vs. 7.6% in 2007. A hard landing in 2009 looks inevitable: we estimate GDP to contract by 7%, with the brunt taken in 1H09.

**Markets:** We expect the bear market for EM credit to keep hold in 2009 amid rising global default rates, which Moody's estimates will reach 15.1%. For the Ukrainian external debt market, potential shocks remain tied to the NBU's FX reserves and the deteriorating credit story in the region.

**CDS strategy:** Though macro shocks are weakening government revenues and FX reserves, we see Ukraine's current CDS spread of 3200 bps as inconsistent with its solvency (see page 4 for more). The positive Cash-CDS basis in the 5y sovereign segment at 500-700 bps sends the signal to sell the protection.

**Cash strategy:** We concentrate only on higher quality issuers and recommend employing a buy-and-hold strategy as the price dynamics are extremely volatile. Our top picks are among sovereign issues and corporates that have strong parent support (Kyivstar, Ukreximbank, Ukrsibbank, Forum Bank, Ukrsotsbank, Azovstal).

**Curve exposure:** We favor reducing duration to protect portfolios from price swings.

**Currency exposure:** We prefer US dollars over Ukrainian hryvnyas on expectations of continued appreciation versus the local currency in 2009. Current offshore forward rates and cross currency yield differentials allow for hedged trades that amplify returns on USD-denominated assets for UAH-based investors.

## Trade ideas:

### UAH-based investors

- Sell Ukraine UAH Dec 09, buy Ukraine USD Aug 2009, sell USD forward
- Sell Ukrsotsbank UAH Apr 2010, buy Ukrsotsbank USD Feb 2010, sell USD forward
- Sell Ukreximbank UAH Oct 2009, buy Ukreximbank USD Sept 2009, sell USD forward
- Sell Forum UAH Nov 2009 (put), buy Forum USD Oct 2009, sell USD forward

### USD-based investors

- Buy: Ukraine FRNs USD Aug 2009, Ukraine USD Mar 2011, Ukreximbank USD Sep 2009, Ukrsibbank USD Jul 2010, Forum USD Oct 2009, Ukrsotsbank USD Feb 2010, Azovstal USD Feb 2011, Kyivstar USD 2009
- Sell: Ukraine 5y CDS

**Default warnings:** XXI Century's USD 150 mln Eurobonds (source of distress: put option and coupon payment due May 24, 2009)

# Ukrainian Eurobond universe\*

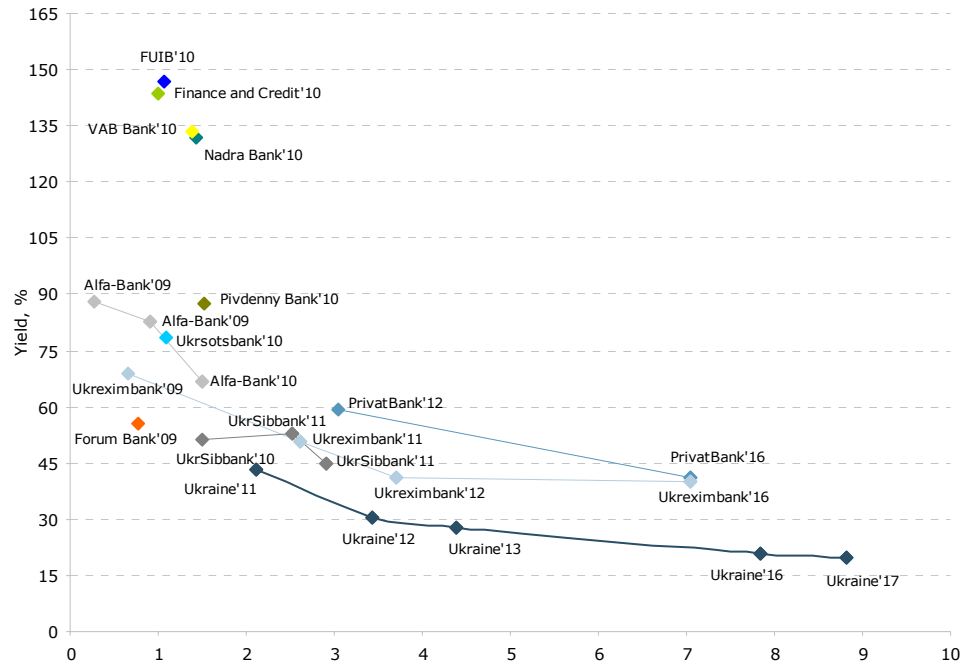
Issuer	Rating S/M/F	Price	YTM, %	Amnt outst, USD mln	Coupon, %	Maturity date	Put option	Issue date
<b>Sovereign</b>								
<b>Ukraine'09</b>	<b>B/B1/B+</b>	<b>74.11</b>	<b>75.11</b>	<b>500</b>	<b>6m LR+3.375</b>	<b>05.08.09</b>		<b>05.08.04</b>
<b>Ukraine'11</b>	<b>B/B1/B+</b>	<b>53.18</b>	<b>43.10</b>	<b>600</b>	<b>6.88</b>	<b>04.03.11</b>		<b>04.03.04</b>
Ukraine'12	B/B1/B+	51.06	30.50	500	6.39	26.06.12		26.01.07
Ukraine'13	B/B1/B+	51.17	27.57	1 000	7.65	11.06.13		11.07.03
Ukraine'16	B/B1/B+	46.73	20.57	1 000	6.58	21.11.16		21.11.06
Ukraine'17	B/B1/B+	46.78	19.74	700	6.75	14.11.17		14.11.07
<b>Municipal</b>								
Kyiv'11	B/B1/--	51.24	42.56	200	8.63	15.07.11		15.07.04
Kyiv'12	B/B1/B+	37.00	43.45	250	8.25	26.11.12		26.11.07
Kyiv'15	B/B1/--	28.42	38.08	250	8.00	06.11.15		08.11.05
<b>Banks</b>								
Alfa-Bank'09	--/Ba3/--	85.00	87.85	100	9.75	04.05.09		25.04.08
Alfa-Bank'09	--/Ba3/--	85.00	82.72	345	9.75	22.12.09		22.12.06
Alfa-Bank'10	--/Ba3/--	50.51	66.93	450	9.25	26.07.10		26.07.07
Alfa-Bank'11	--/Ba3/--	40.40	35.80	250	13.00	11.08.11	11.08.09	25.07.08
Finance and Credit Bank'10	--/B1/--	39.50	143.41	100	10.38	25.01.10		25.11.06
<b>Forum Bank'09</b>	<b>--/Ba3/B+</b>	<b>77.50</b>	<b>49.76</b>	<b>100</b>	<b>10.00</b>	<b>30.10.09</b>		<b>30.10.06</b>
FUIB'10	--/B1/B	34.54	147.05	275	9.75	16.02.10		16.02.07
Nadra Bank'10	--/B1/CCC	29.00	132.00	175	9.25	28.06.10		28.07.07
Pivdenny Bank'10	--/B2/B-	41.50	87.48	100	10.25	03.08.10		26.07.07
PrivatBank'12	--/Ba3/B	31.75	59.13	500	8.00	06.02.12		06.02.07
PrivatBank'16	--/Ba3/--	30.00	41.27	150	8.75	09.02.16		09.02.06
<b>Ukreximbank'09</b>	<b>--/Ba3/B+</b>	<b>72.00</b>	<b>69.00</b>	<b>250</b>	<b>7.75</b>	<b>23.09.09</b>		<b>23.09.04</b>
Ukreximbank'11	--/Ba3/B+	41.50	50.50	500	7.65	07.09.11		07.09.06
Ukreximbank'12	--/Ba3/B+	37.50	41.28	250	6.80	04.10.12		04.10.05
Ukreximbank'16	--/Ba3/B-	27.00	40.13	150	8.75	09.02.16		09.02.06
<b>Ukrsibbank'10</b>	<b>--/Ba3/B+</b>	<b>58.00</b>	<b>51.49</b>	<b>200</b>	<b>7.38</b>	<b>23.07.10</b>		<b>23.07.07</b>
Ukrsibbank'11	BB-/Ba3/B+	43.00	52.91	250	9.25	04.08.11		28.07.08
Ukrsibbank'11	--/Ba3/B+	43.00	44.85	500	7.75	21.12.11		21.12.06
<b>Ukrsotsbank'10</b>	<b>B/Ba3/B+</b>	<b>55.00</b>	<b>78.34</b>	<b>400</b>	<b>8.00</b>	<b>22.02.10</b>		<b>22.02.07</b>
VAB Bank'10	--/B2/B-	30.25	133.76	125	10.13	14.06.10		14.07.07
<b>Corporate</b>								
<b>Azovstal'11</b>	<b>B-/B2/--</b>	<b>32.61</b>	<b>81.78</b>	<b>175</b>	<b>9.13</b>	<b>28.02.11</b>		<b>28.02.06</b>
Interpipe Ukraine'10	D/--/B-	47.61	71.14	200	8.75	02.08.10		02.08.07
<b>Kyivstar GSM'09</b>	<b>--/WR/--</b>	<b>99.75</b>	<b>10.85</b>	<b>266</b>	<b>10.38</b>	<b>17.08.09</b>		<b>17.08.04</b>
Kyivstar GSM'12	--/WR/--	92.50	10.54	175	7.75	15.04.12		15.04.05
MHP'11	--/B3/B	51.15	40.92	250	10.25	30.11.11		30.11.06
Naftogaz'09	--/B1/B+	65.00	89.16	500	8.13	30.09.09		30.09.04
XXI Century'10	--/--/--	20.00	201.23	175	10.00	24.05.10	24.05.09	24.05.07

\* Our top picks are in bold

Source: Bloomberg, CBonds. Data as of 30 Jan 2009

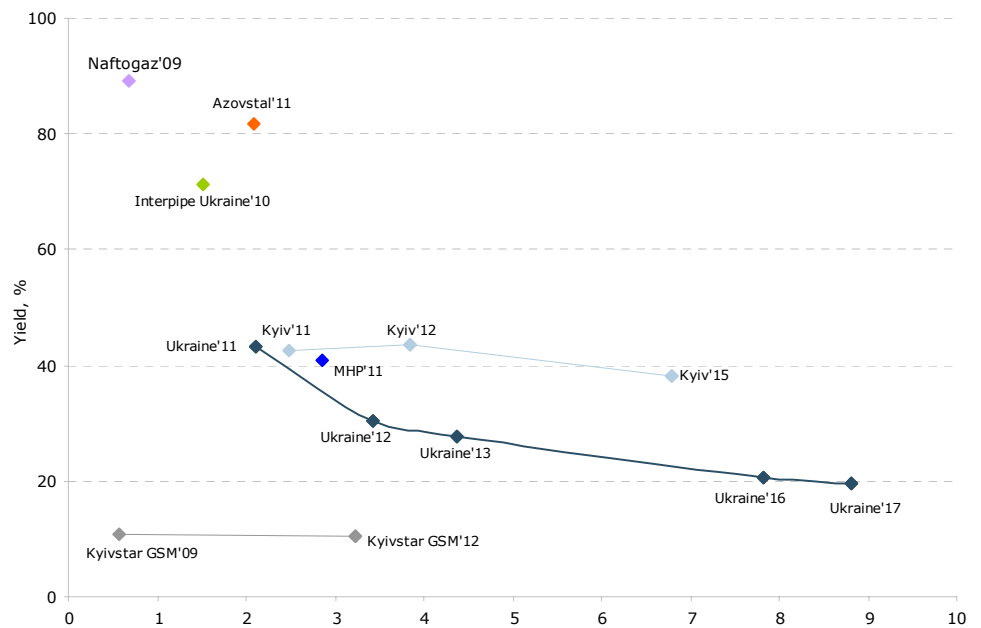
## Eurobond yield map as of January 30

### Banks vs. government



Source: Bloomberg

### Non-banks vs. government

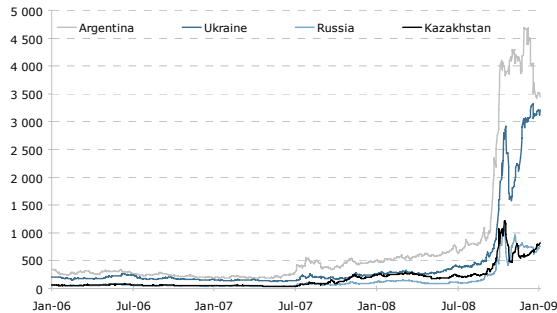


Source: Bloomberg

## Sovereign debt

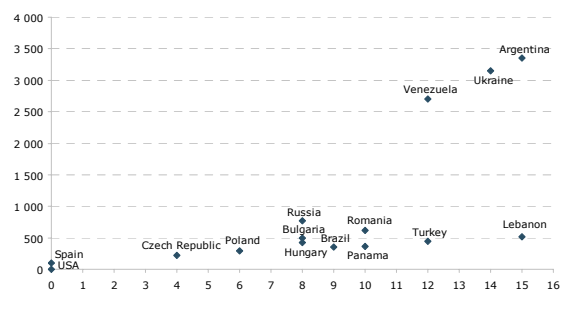
Ukrainian sovereign debt experienced a massive selloff since September amid fears of worsening economic outlook and the country's political risk. As a result, yields surged all across the curve with the shortest end above 40% and the long end up to 20%. Five-year CDS hit all-time highs, stabilizing above 3,000 bps, one of the highest levels among governments.

Emerging markets' 5y CDS spread, bps



Source: Bloomberg

5y CDS spread vs. S&P rating (as of Jan 23)



Source: Bloomberg, CBonds

### External debt increases, FX reserves shrink

In 4Q08, the Ukrainian government increased its external debt by USD 5.1 bln to USD 18.6 bln due to the attraction of the IMF standby facility. At the same time, the NBU spent USD 10 bln of its FX reserves to support the hryvnya. Despite this, the government is still an external net creditor, with the central bank's reserves exceeding the government and central bank's total liabilities to non-residents by USD 12.9 bln. At end-2008, external public debt to GDP stood at a modest 10.4% (domestic debt at 3.1%); the ratio of external and domestic public debt to annual state budget income was 63% and 19%, respectively.

### Sovereign solvency not to worsen dramatically over 2009

We expect the decrease in FX reserves in 2009 to be quite manageable; our forecast of Ukraine's balance of payments envisions a USD 8.2 bln deficit, which implies that by 2010 FX reserves will be USD 23 bln vs. the USD 30 bln external debt.

Over the next three years, the government is scheduled to spend USD 5.5 bln to service and redeem external debt, equal to less than 8% of total state budget revenues over the period (given our worst case scenario of USD 75 bln in revenue, assuming zero GDP growth over 2010-2011). The payment schedule decreases over the time, with highest amount, USD 2.4 bln, due in 2009.

## BoP forecast summary

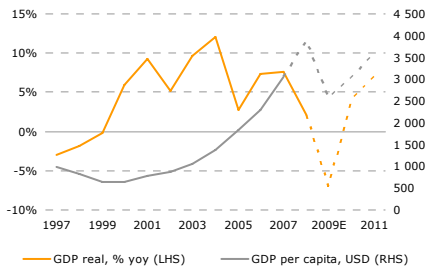
### Base scenario

	USD bln			% GDP		
	2007	2008	2009E	2007	2008	2009E
<b>Current account</b>	<b>-5.9</b>	<b>-11.9</b>	<b>-1.3</b>	<b>-4.2%</b>	<b>-6.7%</b>	<b>-1.1%</b>
Trade account	-7.9	-13.7	-2.3	-5.6%	-7.7%	-1.9%
Exports	64.0	85.7	64.5	45.3%	48.0%	54.6%
Imports	-71.9	-99.4	-66.8	-50.9%	-55.7%	-56.5%
Income balance	-2.1	-2.0	-3.6	-1.5%	-1.1%	-3.1%
Current transfers	4.1	3.8	4.7	2.9%	2.1%	4.0%
<b>Capital and financial accounts</b>	<b>15.3</b>	<b>8.8</b>	<b>-7.0</b>	<b>10.9%</b>	<b>4.9%</b>	<b>-5.9%</b>
FDI (net)	9.2	9.9	7.5	6.5%	5.5%	6.4%
Portfolio investment (net)	5.8	-1.0	1.0	4.1%	-0.6%	0.8%
Other investment	0.4	-0.1	-15.5	0.3%	0.0%	-13.1%
Assets	-22.2	-17.9	-13.3	-15.7%	-10.0%	-11.3%
Liabilities	22.6	17.8	-2.2	16.0%	10.0%	-1.8%
<b>Balance</b>	<b>9.4</b>	<b>-3.1</b>	<b>-8.2</b>	<b>6.7%</b>	<b>-1.7%</b>	<b>-6.9%</b>

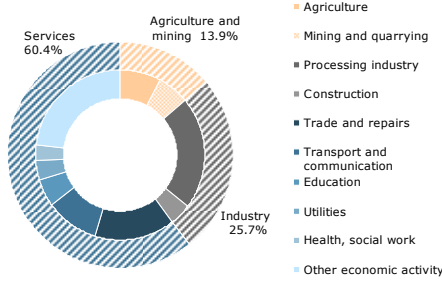
Key underlying assumptions for 2009: average export steel price USD 450/mt, average import gas price USD 230/tcm. Our scenario also takes into account a 52% rollover ratio for external corporate debt (IMF forecasts 85% ratio). For details, see Appendix.

# Macro monitor

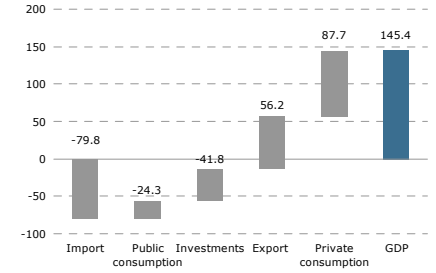
GDP growth and GDP per capita



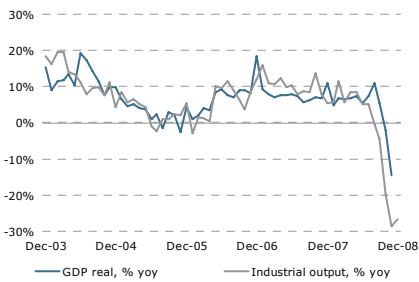
GDP by sector in 9M08



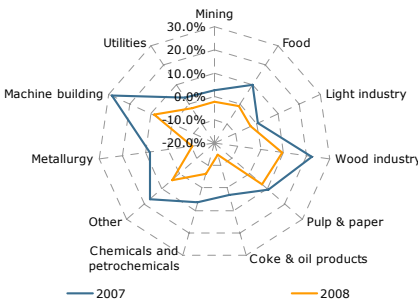
GDP by expenditures in 9M08, USD bln



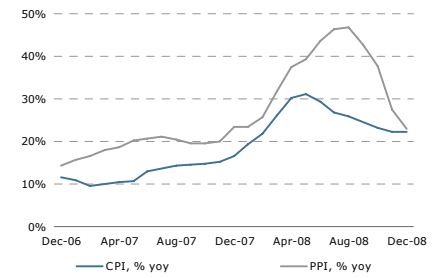
Real GDP & industrial output, chg yoy



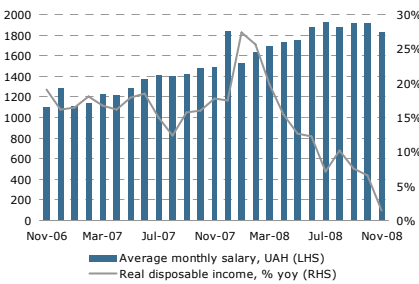
Industrial output growth by sector, chg yoy



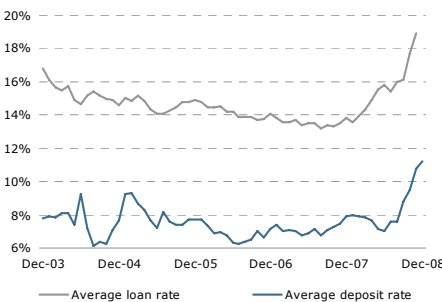
Inflation, chg yoy



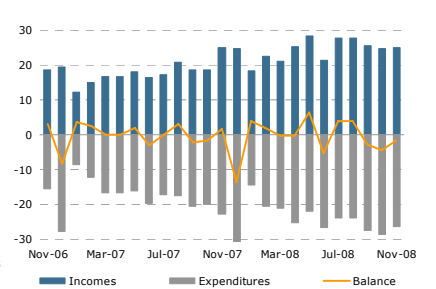
Real disposable income and average salary



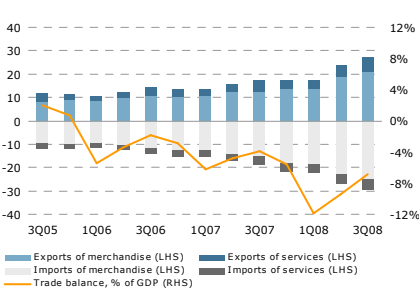
Interest rates



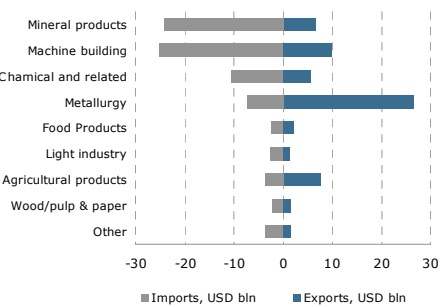
Consolidated budget execution, UAH bln



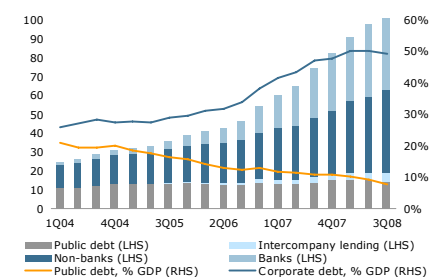
External trade, USD bln



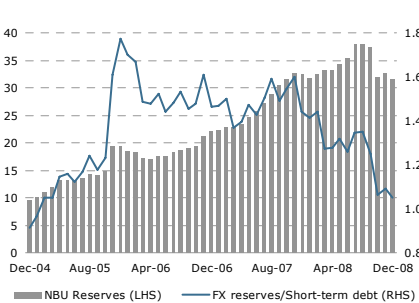
External trade in merchandise, 11M08



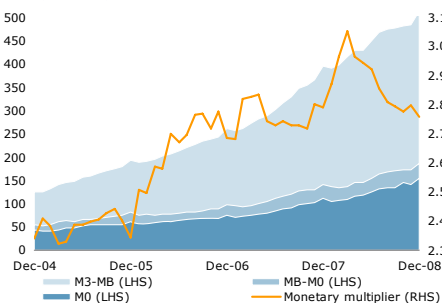
External debt, USD bln



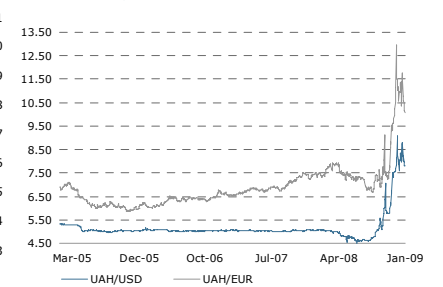
NBU reserves



Money supply structure, UAH bln



UAH exchange rates



Sources: National Bank of Ukraine, State Statistics Committee, Ministry of Finance, Bloomberg, Concorde Capital estimates

## Banking system

Over the last four months, both yields on banking Eurobonds have surged and their spread over the sovereign yield curve widened to historical highs. Even the yields on the three laggards, Ukrsibbank, Ukreximbank and Forum, are 800 bps above the government, 600-700 bps wider than the 3y median. The majority of banks trade at 1,000–3,000 bps premiums (Alfa Bank Ukraine, Privatbank, Ukrsotsbank and Pivdenny), while third set of banks offer more than 5,000 bps premiums (VAB Bank, Finance & Credit Bank, FUIB, Nadra).

The surge in yields and widening spreads were triggered by worsening fundamentals: the effective closure of foreign debt markets in 4Q08, a run on deposits and limited interbank lending combined to suck liquidity out of the sector. In Nov. 2008, funds held by commercial banks with the NBU above the required level decreased 3x compared to the same period last year, to USD 4.4 bln.

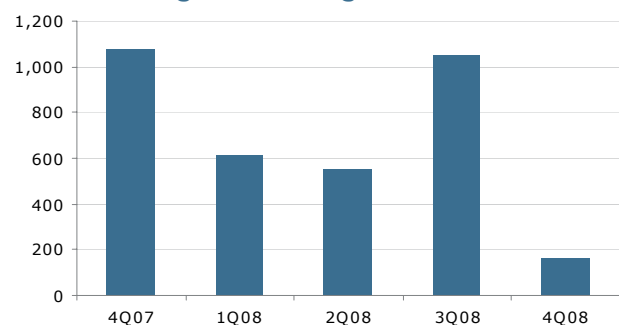
In 4Q08 Ukrainian banks did not issue Eurobonds, and attracted a total of only USD 162 mln through syndicated loans vs. USD 2.2 bln over 1Q-3Q08. In the last quarter of 2008, individuals pulled out ~UAH 60 bln in deposits from banks (15% of the total as of Oct 1, 2008). The overall loss of confidence in the banking system is also clearly seen in the 3M interbank lending rate; the 3M Kievprime rate peaked to 32.6% from 12-14% in 3Q08 and stayed at 25% during 4Q08 with surging again to 32-33% levels in January 2009.

Kievprime 3M



Source: Bloomberg, Cbonds

Banks' foreign borrowing\* USD mln



\* Eurobonds and syndicated loans

The system's total external debt stands at USD 42 bln, or 1/3 of total liabilities, which given funding pressure implies repayment risks. Beyond the roughly USD 20 bln due in 2009, the remaining liability suggests solvency issues will also persist in the mid-term. At the same time, about half of the total debt is owed by Ukrainian banks to their parent structures, who can be expected to be lenient on repayment terms or offer to refinance the debt.

The worsening economic environment and steep hryvnya depreciation (36% in 4Q08) will translate into asset quality deterioration, as both individuals and corporates face repayment constraints. We estimate 6-10% (UAH 44-73 bln) of loans could go unpaid in 2009 from the official 2% currently, according to the NBU.

NBU Regulation #413 (Dec. 04, 2008) requires banks to re-evaluate their property pledged as collateral. Given that commercial and residential real estate prices have fallen 20-30% yoy over 4Q08 and are certain to decline further, this will exert an additional pressure on banks' capital bases.

We estimate the aggregate banking system could need to raise additional UAH ~60-80 bln to its equity in 2009. Notably, we believe that 2/3 of bank shareholders will face constraints in injecting fresh capital. NBU Deputy Head Anatoliy Shapovalov said it is ready to provide recapitalization support in 2009, but only to select large systemic banks. The best positioned banks have foreign shareholders that are relatively stable in their home markets and hence able to provide support (i.e. BNP Paribas, Commerzbank, UniCredit).

We anticipate that every third or, in the worst-case, every second Ukrainian bank in 2009 (of the total 184) will falter or be absorbed by better capitalized ones. The process has already started over the last two months: Russian state-owned Vnesheconombank agreed to acquire 75% of Prominvestbank (deal size was not disclosed), while Privat Group is targeting Ukrprombank. Nadra bank reported that Dmitry Firtash's DF Group became a major shareholder in the bank. Rodovid Bank announced it would sell 39% to ISTIL Group for USD 100 mln, with an official deal to be signed in mid-Feb.

### Banking sector evolution

	2005	2006	2007	2008E	11M07	11M08
<b>UAH bln</b>						
Total Assets	223.0	353.1	619.0	971.8	572.7	889.8
Gross Loans	142.2	245.4	429.8	733.9	403.7	671.6
Clients Deposits	133.8	183.0	275.5	357.1	257.3	336.6
Equity	25.5	42.6	69.6	121.4	64.7	103.2
Net Income	2.2	4.1	6.5	10.3	6.3	10.1
<b>Growth, yoy</b>						
Total Assets	58%	58%	75%	57%	75%	55%
Gross Loans	63%	73%	75%	71%	74%	66%
Clients Deposits	64%	37%	51%	30%	48%	31%
Equity	38%	67%	63%	74%	71%	60%
Net Income	72%	91%	58%	58%	58%	60%
<b>Ratios</b>						
Net Interest Margin	5.5%	5.7%	5.3%	5.0%	5.5%	5.2%
ROAE	9.9%	12.2%	11.7%	11.9%	12.0%	12.3%
Liquid Assets / Assets	30.0%	24.3%	24.4%	19.0%	24.4%	20.0%
Equity / Total Assets	11.4%	12.1%	11.2%	11.5%	11.3%	11.6%
NPL / Gross Loans	2.4%	1.8%	1.5%	2.1%	1.6%	1.8%
NPL Coverage Ratio	246%	275%	291%	230%	285%	248%

Source: National Bank, Concorde Capital estimates



## Corporate profiles

# Ukrsotsbank (UniCredit Group)

**Banks**
<http://www.usb.com.ua>

## INVESTMENT CASE

- Trades at a 6,000 bps premium over parent UniCredit, which is committed to contributing funds to its Ukrainian franchise (USD 150 mln equity capital injection finalized in July 2008 and USD 360 mln syndicated loan provided in Sept. 2008)
- Since taking over in January 2008, UniCredit management's has delivered strong operational results: 9M08 net income doubled yoy to USD 100 mln
- According to the NBU, Ukrsotsbank, as a major Ukrainian bank, would be among the first to receive government support in case of a liquidity shortage

## EUROBONDS, Ukrsotsbank' 10



Source: Bloomberg

## BUSINESS OVERVIEW

Ukraine's #4 largest bank by assets. Part of UniCredit Group. Had a market share of 5.1%, as of October 1, 2008. Operates a network of 485 branches and Ukraine's largest ATM chain of 6,000 units. Provides services to ~1 mln private clients. In 3Q08, it increased assets 48% yoy to USD 7.9 bln, deposits 9% yoy to USD 3.2 bln, and its loan portfolio 57% yoy to USD 6.5 bln. In January 2008, Italy's UniCredit Group completed the acquisition of a 95% stake in the bank for USD 2.2 bln.

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Ukrsotsbank, 1-C	300	UAH		12.04.2009	bullet	10.0%	fixed	n/a
Ukrsotsbank, 1-D	500	UAH	16.08.2010	13.02.2012	puttable	12.5%	var	36.5% <sup>1</sup>
Ukrsotsbank, 1-F	750	UAH	19.10.2009	15.10.2012	puttable	12.0%	fixed	n/a
Ukrsotsbank, 1-G	500	UAH	26.01.2009	21.01.2013	puttable	12.0%	fixed	n/a
Ukrsotsbank, 1-H	500	UAH	20.04.2009	15.04.2013	puttable	12.0%	fixed	n/a
Ukrsotsbank, 1-B	70	UAH		08.06.2009	bullet	12.0%	var	n/a
Ukrsotsbank, 1-E	500	UAH		27.04.2010	bullet	16.0%	var	n/a
Ukrsotsbank, 2010	400	USD		22.02.2010	bullet	8.0%	fixed	78.3%

<sup>1</sup> yield to put

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

\*\*\* Equity information as of 23 Jan 2009, based on PFTS Mid prices

## ISSUER CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	B	n/r
Moody's	Ba3	Aa1.ua
Fitch	B+	n/r
<b>Domestic currency</b>		
Standard&Poor's	BB-	n/r
Moody's	n/r	Aaa.ua
Fitch	BB-	n/r

## OWNERSHIP STRUCTURE

UniCredit Group	94.2%
Other	5.8%

## CORPORATE GOVERNANCE

Concorde Rating*	AA
S&P score, % **	53.4
S&P rank	8

## KEY RATIOS

	2007	2008E	2009E
ROE	14.1%	15.8%	16.5%
Cost/Income	53.1%	47.0%	49.0%
Net Income Mgn	21.1%	23.8%	20.0%
Net Interest Mgn	4.9%	6.5%	6.2%
Loans/Deposits	145.7%	210.0%	220.0%

## EQUITY\*\*\*

<b>Exchange</b>	
PFTS Ticker	USCB
<b>MCap, USD mln</b>	226
Free float, %	4.4
FF MCap, USD mln	9.9

## INCOME STATEMENT, UAS, UAH mln

	2003	2004	2005	2006	2007	9M08	2008E
Interest income	454	648	909	1 421	2 600	3 057	3 821
Interest expense	-218	-372	-550	-819	-1 645	-1 709	-2 136
<b>Net interest income</b>	<b>237</b>	<b>276</b>	<b>359</b>	<b>602</b>	<b>955</b>	<b>1 348</b>	<b>1 685</b>
Fee & commission income	242	290	342	420	523	477	596
Fee & commission expense	-10	-19	-13	-17	-32	-41	-52
<b>Net fee &amp; commission income</b>	<b>232</b>	<b>272</b>	<b>329</b>	<b>403</b>	<b>490</b>	<b>436</b>	<b>544</b>
Trading income	25	62	63	94	180	190	238
Other income	8	22	40	27	90	78	97
<b>Net non-interest income</b>	<b>265</b>	<b>356</b>	<b>431</b>	<b>524</b>	<b>761</b>	<b>704</b>	<b>880</b>
<b>Total revenues</b>	<b>502</b>	<b>632</b>	<b>790</b>	<b>1 126</b>	<b>1 715</b>	<b>2 052</b>	<b>2 565</b>
Operating expenses	-363	-442	-549	-666	-910	-928	-1 160
<b>Operating income</b>	<b>139</b>	<b>190</b>	<b>241</b>	<b>460</b>	<b>805</b>	<b>1 124</b>	<b>1 405</b>
Provision for loan losses & other	-32	-61	-71	-58	-318	-429	-536
<b>Profit before tax</b>	<b>106</b>	<b>129</b>	<b>171</b>	<b>401</b>	<b>487</b>	<b>695</b>	<b>869</b>
Income tax expense	-46	-43	-53	-114	-125	-193	-242
<b>Net income</b>	<b>60</b>	<b>86</b>	<b>117</b>	<b>287</b>	<b>362</b>	<b>502</b>	<b>627</b>

## BALANCE SHEET, UAS, UAH mln

	2003	2004	2005	2006	2007	9M08	2008E
<b>ASSETS</b>							
Cash & balances with NBU	593	899	1 630	2 735	2 826	2 053	1 637
Due from banks	527	797	414	202	960	1 398	1 633
<b>Loan portfolio, net</b>	<b>2 874</b>	<b>3 966</b>	<b>7 049</b>	<b>12 427</b>	<b>23 623</b>	<b>31 639</b>	<b>33 642</b>
Securities portfolio	578	441	542	517	1 270	874	661
Fixed & intangible assets	451	875	974	1 484	2 053	2 145	2 194
Other assets	97	38	68	83	245	235	230
<b>Total assets</b>	<b>5 158</b>	<b>7 068</b>	<b>10 763</b>	<b>17 531</b>	<b>31 227</b>	<b>38 753</b>	<b>40 493</b>
<b>LIABILITIES</b>							
Due to banks	522	243	975	3 826	9 027	15 517	16 517
<b>Customer accounts</b>	<b>3 979</b>	<b>5 714</b>	<b>8 350</b>	<b>10 993</b>	<b>16 211</b>	<b>15 561</b>	<b>15 628</b>
Debt securities issued	27	17	152	374	2 153	1 548	829
<b>Total liabilities</b>	<b>4 611</b>	<b>6 158</b>	<b>9 736</b>	<b>15 605</b>	<b>28 033</b>	<b>35 054</b>	<b>35 773</b>
<b>Total equity</b>	<b>547</b>	<b>910</b>	<b>1 027</b>	<b>1 927</b>	<b>3 194</b>	<b>3 699</b>	<b>4 720</b>
<b>Total liabilities &amp; equity</b>	<b>5 158</b>	<b>7 068</b>	<b>10 763</b>	<b>17 531</b>	<b>31 227</b>	<b>38 753</b>	<b>40 493</b>

# Bank Forum (Commerzbank AG Group)

Banks

<http://www.forum.com.ua>

## INVESTMENT CASE

- Trades at a ~5,500 bps premium over parent Commerzbank and ~1,500 bps below the sovereign Eurobond yield curve
- Recipient of strong financial backing from Commerzbank since acquisition in Sept. 2007: USD 100 mln equity injections in Feb. 2008 and Nov. 2008, USD 115 mln syndicated loan in April 2008 and USD 50 mln subordinated loan in Jan. 2008
- Access to cheap external capital (about 1/3 of its total liabilities) and conservative risk management provides a relative advantage vs. locally-owned peers

## EUROBONDS, Forum' 09



Source: Bloomberg

## BUSINESS OVERVIEW

Founded in 1994, Bank Forum is a universal financial institution. Offers corporate, retail, treasury and investment banking services. Ukraine's 15th largest bank with USD 3.402 mln in assets, as of Oct 1, 2008.

Bank Forum primarily focuses on corporate clients, and is making a strong shift toward retail. Loans to individuals increased 5.5x over the past two years to USD 487 mln, or to 1/4 of total loans. Operates more than 323 branch offices and a network of about 380 ATMs.

In 9M08, its net loan portfolio grew 53.7% yoy to USD 2.5 bln, and deposits increased 12.4% yoy to USD 1.5 bln.

In March 2008, German Commerzbank finalized a deal to acquire a 60% stake in the bank for USD 600 mln.

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Forum, 1-B	100	UAH		11.12.2008	bullet	11.0%	var	n/a
Forum, 1-C	300	UAH	23.11.2009	19.11.2012	putable	16.0%	var	n/a
Forum, 2009	100	USD		30.10.2009	bullet	10.0%	fixed	49.7%

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

\*\*\* Equity information as of 23 Jan 2009, based on PFTS Mid prices

## ISSUER'S CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	n/r	n/r
Moody's	Ba3	Aa3.ua
Fitch	B+	n/r
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	Aa1.ua
Fitch	BB-	AAA(ukr)

## OWNERSHIP STRUCTURE

Commerzbank	60.0%
Mr Yureshev	30.0%
Portfolio investors	10.0%

## CORPORATE GOVERNANCE

Concorde Rating*	Q
S&P score, %**	n/a
S&P rank	n/a

## KEY RATIOS

	2007	2008E	2009E
ROE	5.0%	5.5%	5.6%
Cost/Income	61.1%	65.0%	66.0%
Net Income Mgn	9.3%	10.5%	10.2%
Net Interest Mgn	4.2%	4.5%	4.5%
Loans/Deposits	120.7%	170.0%	205.0%

## EQUITY\*\*\*

<b>Exchange</b>		
PFTS		FORM
FSE Ticker		B5F
DR Ratio		1:1
<b>MCap, USD mln</b>		
Free float, %		153
FF MCap, USD mln		6.8
		10.4

## INCOME STATEMENT, UAS, UAH mln

	2003	2004	2005	2006	2007	9M08	2008E
Interest income	108	211	329	610	1 156	1 333	1 666
Interest expense	-57	-115	-195	-387	-738	-851	-1 063
<b>Net interest income</b>	<b>51</b>	<b>96</b>	<b>135</b>	<b>223</b>	<b>417</b>	<b>482</b>	<b>602</b>
Fee & commission income	16	27	40	63	112	123	154
Fee & commission expense	-2	-4	-8	-12	-15	-15	-18
<b>Net fee &amp; commission income</b>	<b>14</b>	<b>23</b>	<b>32</b>	<b>51</b>	<b>97</b>	<b>108</b>	<b>135</b>
Trading income	3	7	16	21	44	65	81
Other income	0	1	2	4	7	6	8
<b>Net non-interest income</b>	<b>18</b>	<b>31</b>	<b>51</b>	<b>76</b>	<b>148</b>	<b>180</b>	<b>225</b>
<b>Total revenues</b>	<b>68</b>	<b>127</b>	<b>186</b>	<b>299</b>	<b>565</b>	<b>662</b>	<b>827</b>
Operating expenses	-35	-55	-109	-207	-345	-417	-521
<b>Operating income</b>	<b>33</b>	<b>72</b>	<b>77</b>	<b>92</b>	<b>220</b>	<b>245</b>	<b>306</b>
Provision for loan losses & other	-21	-47	-36	-55	-155	-137	-171
<b>Profit before tax</b>	<b>12</b>	<b>25</b>	<b>42</b>	<b>36</b>	<b>66</b>	<b>108</b>	<b>135</b>
Income tax expense	-4	-6	-10	-9	-13	-39	-49
<b>Net income</b>	<b>8</b>	<b>18</b>	<b>32</b>	<b>28</b>	<b>53</b>	<b>69</b>	<b>86</b>

## BALANCE SHEET, UAS, UAH mln

	2003	2004	2005	2006	2007	9M08	2008E
<b>ASSETS</b>							
Cash & balances with NBU	114	154	262	257	755	597	512
Due from banks	245	348	914	1 713	3 336	2 464	2 160
<b>Loan portfolio, net</b>	<b>733</b>	<b>1 213</b>	<b>2 277</b>	<b>4 941</b>	<b>9 339</b>	<b>11 957</b>	<b>13 367</b>
Securities portfolio	29	11	115	143	471	846	1 213
Fixed & intangible assets	35	47	140	258	393	438	463
Other assets	5	33	15	21	44	97	126
<b>Total assets</b>	<b>1 172</b>	<b>1 826</b>	<b>3 753</b>	<b>7 378</b>	<b>14 419</b>	<b>16 537</b>	<b>18 009</b>
<b>LIABILITIES</b>							
Due to banks	307	498	874	2 129	4 558	6 247	7 156
<b>Customer accounts</b>	<b>689</b>	<b>1 031</b>	<b>2 302</b>	<b>4 265</b>	<b>7 740</b>	<b>7 447</b>	<b>7 890</b>
Debt securities issued	16	2	70	48	312	262	235
Other liabilities	8	60	96	67	276	391	452
<b>Total liabilities</b>	<b>1 030</b>	<b>1 606</b>	<b>3 385</b>	<b>6 612</b>	<b>13 072</b>	<b>14 619</b>	<b>16 052</b>
<b>EQUITY</b>							
<b>Total equity</b>	<b>141</b>	<b>220</b>	<b>368</b>	<b>767</b>	<b>1 347</b>	<b>1 918</b>	<b>1 956</b>
<b>Total liabilities &amp; equity</b>	<b>1 172</b>	<b>1 826</b>	<b>3 753</b>	<b>7 378</b>	<b>14 419</b>	<b>16 537</b>	<b>18 009</b>

# Ukrsibbank (BNP Paribas Group)

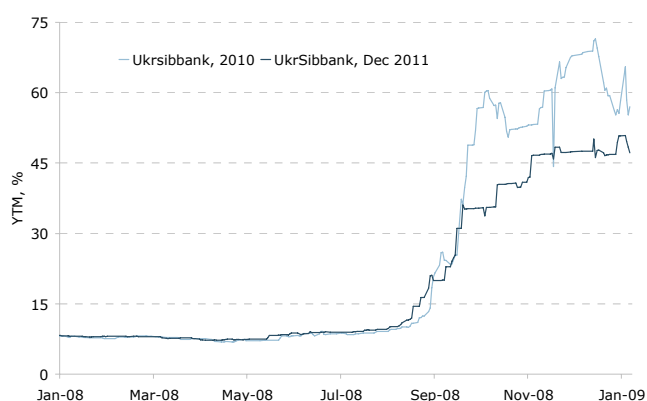
Banks

<http://www.ukrsibbank.com>

## INVESTMENT CASE

- Ukrsibbank has three USD-denominated Eurobonds traded at 4,000-5,000 bps over the risk free yield curve, while the CDS EUR curve of its parent trades in the 60-70 bps range
- Over 2008, BNP Paribas initiated two equity injections at Ukrsibbank: USD 185 mln in July and USD 100 mln in January. Interbank funding from its parent bank accounts for up to 40% of Ukrsibbank's liabilities
- Ukrsibbank reported net income of USD 75 mln in 9M08 (up 291% yoy), the highest increase among Eurobond issuers

## EUROBONDS



Source: Bloomberg

## BUSINESS OVERVIEW

Ukrsibbank is part of the BNP Paribas Group. Universal bank with main activities concentrated in corporate, investment and retail banking. Had a market share of 12% in retail lending, with loans to individuals accounting for 62% of its total loan portfolio as of October 1, 2008. Ukrsibbank loans focus on the following sectors: trade and leasing (accounts for 39% of corporate loans), agriculture and food processing (20%) and real estate (12% excluding mortgage loans).

BNP Paribas acquired a 51% stake in Ukrsibbank in December 2005.

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Ukrsibbank, 1-G	300	UAH	19.01.2009	17.01.2011	putable	11.0%	fixed	n/a
Ukrsibbank, 2010	200	USD		23.07.2010	bullet	7.4%	fixed	51.5%
Ukrsibbank, Dec 2011	500	USD		21.12.2011	bullet	7.8%	fixed	52.9%
Ukrsibbank, Aug 2011	250	USD		04.08.2011	bullet	9.3%	fixed	44.8%

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

## ISSUER'S CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	n/r	n/r
Moody's	Ba3	Aa1.ua
Fitch	B+	AAA(ukr)
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	Aaa.ua
Fitch	BB-	AAA(ukr)

## OWNERSHIP STRUCTURE

BNP Paribas	51%
Mr. Yaroslavskyy	49%

## CORPORATE GOVERNANCE

Concorde Rating*	n/r
S&P score, %**	57.8
S&P rank	5

## KEY RATIOS

	2007	2008E	2009E
ROE	7.9%	12.5%	12.0%
Cost/Income	60.2%	58.5%	58.0%
Net Income Mgn	9.8%	16.5%	17.0%
Net Interest Mgn	5.0%	5.5%	5.6%
Loans/Deposits	256.8%	255.0%	275.0%

## INCOME STATEMENT, UAS, UAH mln

	2004	2005	2006	2007	9M08	2008E
Interest income	623	848	1 644	3 113	3 626	4 532
Interest expense	-356	-534	-982	-1 784	-1 970	-2 462
<b>Net interest income</b>	<b>268</b>	<b>314</b>	<b>662</b>	<b>1 329</b>	<b>1 656</b>	<b>2 070</b>
Fee & commission income	143	150	425	579	406	508
Fee & commission expense	-14	-21	-23	-27	-27	-34
<b>Net fee &amp; commission income</b>	<b>129</b>	<b>129</b>	<b>402</b>	<b>552</b>	<b>379</b>	<b>473</b>
Trading income	63	76	121	175	205	256
Other income	29	83	17	-8	10	12
<b>Net non-interest income</b>	<b>222</b>	<b>288</b>	<b>540</b>	<b>718</b>	<b>593</b>	<b>742</b>
<b>Total revenues</b>	<b>489</b>	<b>602</b>	<b>1 202</b>	<b>2 047</b>	<b>2 249</b>	<b>2 812</b>
Operating expenses	-285	-492	-733	-1 233	-1 280	-1 600
<b>Operating income</b>	<b>204</b>	<b>111</b>	<b>469</b>	<b>815</b>	<b>969</b>	<b>1 211</b>
Provision for loan losses & other	-154	-17	-381	-597	-518	-648
<b>Profit before tax</b>	<b>51</b>	<b>93</b>	<b>88</b>	<b>218</b>	<b>451</b>	<b>564</b>
Income tax expense	-11	-37	-19	-82	-86	-108
<b>Net income</b>	<b>39</b>	<b>56</b>	<b>69</b>	<b>200</b>	<b>365</b>	<b>456</b>

## BALANCE SHEET, UAS, UAH mln

	2004	2005	2006	2007	9M08	2008E
<b>ASSETS</b>						
Cash & balances with NBU	514	738	983	2 099	1 726	1 525
Due from banks	612	671	1 624	2 919	2 547	2 347
<b>Loan portfolio, net</b>	<b>3 418</b>	<b>7 514</b>	<b>17 536</b>	<b>29 665</b>	<b>35 544</b>	<b>38 710</b>
Securities portfolio	563	655	702	1 128	1 339	1 452
Fixed & intangible assets	403	879	1 166	1 339	1 519	1 616
Other assets	99	108	139	171	337	426
<b>Total assets</b>	<b>5 681</b>	<b>10 669</b>	<b>22 370</b>	<b>37 664</b>	<b>43 439</b>	<b>46 548</b>
<b>LIABILITIES</b>						
Due to banks	1 397	2 895	11 090	19 933	21 659	23 359
<b>Customer accounts</b>	<b>3 310</b>	<b>5 529</b>	<b>6 916</b>	<b>11 554</b>	<b>13 976</b>	<b>15 280</b>
Debt securities issued	32	790	1 345	851	375	118
Other liabilities	116	309	771	1 891	1 858	1 840
<b>Total liabilities</b>	<b>4 939</b>	<b>9 721</b>	<b>20 370</b>	<b>34 631</b>	<b>38 633</b>	<b>41 557</b>
<b>EQUITY</b>						
<b>Total equity</b>	<b>742</b>	<b>948</b>	<b>2 000</b>	<b>3 033</b>	<b>4 806</b>	<b>4 990</b>
<b>Total liabilities &amp; equity</b>	<b>5 681</b>	<b>10 669</b>	<b>22 370</b>	<b>37 664</b>	<b>43 439</b>	<b>46 548</b>

# Ukreximbank

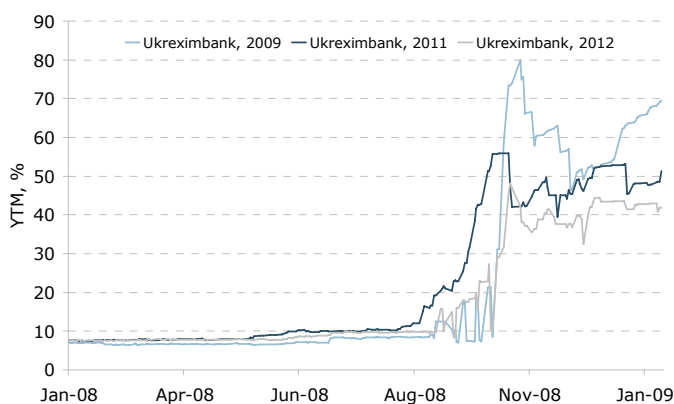
Banks

<http://www.eximb.com>

## INVESTMENT CASE

- Trades 69 bps below Ukrainian sovereign debt on the short end of the curve and at a more than ~1 500 bps premium on the long end
- 100% state-owned bank. The Finance Ministry is scheduled to provide UAH 3.7 bln (USD 459.6 mln) to capitalize the bank in 2009, doubling its equity. The bank is at the top of the NBU's list for funding support
- One of Ukraine's most efficient banks, with a ROE of 25% and Cost/Income ratio of 37%. Ukreximbank's net income over 9M08 was USD 104 mln, up 68% yoy

## EUROBONDS



Source: Bloomberg

## BUSINESS OVERVIEW

Ukreximbank's main activities include export and cross-border project financing. Its export/import operations account for 70% of its loan portfolio. Retail lending accounts for only 5% of the bank's portfolio based on 9M08 results. Ukreximbank is trying to increase its clientele to small and medium-sized firms and retail customers through new services like leasing, structured financing and factoring.

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Ukreximbank, 1-B	300	UAH		09.10.2009	bullet	10.5%	fixed	40.2%
Ukreximbank, 1-D	275	UAH	17.06.2009	13.06.2012	putable	9.6%	fixed	n/a
Ukreximbank, 2009	250	USD		23.09.2009	bullet	7.8%	fixed	69.0%
Ukreximbank, 2011	500	USD		07.09.2011	bullet	7.7%	fixed	50.5%
Ukreximbank, 2012	250	USD		04.10.2012	bullet	6.8%	fixed	41.3%
Ukreximbank, 2016	125	USD		09.02.2016	callable <sup>1</sup>	8.4%	var	40.1%

<sup>1</sup> Call date is 09 February 2011

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

## ISSUER CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	n/r	n/r
Moody's	Ba3	n/r
Fitch	B+	AA(ukr)
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	AA	AA(ukr)

## OWNERSHIP STRUCTURE

State	100%
-------	------

## CORPORATE GOVERNANCE

Concorde Rating*	n/r
S&P score, %**	54.1
S&P rank	7

## KEY RATIOS

	2007	2008E	2009E
ROE	22.8%	24.0%	20.0%
Cost/Income	39.7%	37.0%	38.0%
Net Income Mgn	33.3%	33.0%	30.0%
Net Interest Mgn	4.4%	5.0%	4.9%
Loans/Deposits	181.7%	180.0%	190.0%



## INCOME STATEMENT, UAS, UAH mln

	2004	2005	2006	2007	9M08	2008E
Interest income	472	753	1 505	2 444	2 707	3 383
Interest expense	-227	-407	-825	-1 496	-1 640	-2 050
<b>Net interest income</b>	<b>245</b>	<b>346</b>	<b>680</b>	<b>948</b>	<b>1 067</b>	<b>1 333</b>
Fee & commission income	174	205	288	414	310	387
Fee & commission expense	-22	-21	-25	-33	-33	-42
<b>Net fee &amp; commission income</b>	<b>152</b>	<b>184</b>	<b>262</b>	<b>380</b>	<b>276</b>	<b>346</b>
Trading income	43	44	101	143	145	182
Other income	0	5	13	31	66	83
<b>Net non-interest income</b>	<b>195</b>	<b>232</b>	<b>376</b>	<b>554</b>	<b>488</b>	<b>610</b>
<b>Total revenues</b>	<b>440</b>	<b>579</b>	<b>1 056</b>	<b>1 502</b>	<b>1 555</b>	<b>1 944</b>
Operating expenses	-259	-308	-452	-596	-572	-715
<b>Operating income</b>	<b>182</b>	<b>271</b>	<b>603</b>	<b>907</b>	<b>983</b>	<b>1 229</b>
Provision for loan losses & other	-50	-19	-83	-219	-262	-327
<b>Profit before tax</b>	<b>132</b>	<b>252</b>	<b>520</b>	<b>688</b>	<b>721</b>	<b>901</b>
Income tax expense	-42	-72	-152	-187	-212	-265
<b>Net income</b>	<b>90</b>	<b>181</b>	<b>368</b>	<b>501</b>	<b>509</b>	<b>636</b>

## BALANCE SHEET, UAS, UAH mln

	2004	2005	2006	2007	9M08	2008E
<b>ASSETS</b>						
Cash & balances with NBU	456	855	784	1 081	1 598	1 877
Due from banks	419	1 441	2 278	2 569	3 522	4 035
<b>Loan portfolio, net</b>	<b>3 516</b>	<b>7 028</b>	<b>13 567</b>	<b>21 745</b>	<b>26 097</b>	<b>28 441</b>
Securities portfolio	385	473	872	1 859	1 559	1 398
Fixed & intangible assets	413	431	1 013	1 056	1 432	1 635
Other assets	58	60	101	106	195	243
<b>Total assets</b>	<b>5 296</b>	<b>10 376</b>	<b>18 650</b>	<b>28 610</b>	<b>34 713</b>	<b>37 999</b>
<b>LIABILITIES</b>						
Due to banks	1 409	3 560	7 471	11 522	13 431	14 769
<b>Customer accounts</b>	<b>3 202</b>	<b>5 154</b>	<b>7 714</b>	<b>11 968</b>	<b>15 029</b>	<b>16 677</b>
Debt securities issued	0	200	496	1 275	1 251	1 239
<b>Total liabilities</b>	<b>4 682</b>	<b>9 309</b>	<b>16 810</b>	<b>26 047</b>	<b>31 316</b>	<b>34 464</b>
<b>Total equity</b>	<b>614</b>	<b>1 067</b>	<b>1 840</b>	<b>2 563</b>	<b>3 396</b>	<b>3 535</b>
<b>Total liabilities &amp; equity</b>	<b>5 296</b>	<b>10 376</b>	<b>18 650</b>	<b>28 610</b>	<b>34 713</b>	<b>37 999</b>

# Azovstal

## Iron & Steel

<http://www.azovstal.com.ua>

### INVESTMENT CASE

- Trades ~2,500 bps over sovereign
- Azovstal is a part of Metinvest holding which is controlled by the largest and most influential business group in Ukraine, SCM
- Azovstal receives raw materials directly from other Metinvest subsidiaries; ~80% of revenues are in US dollars (its primary currency of outstanding debt)
- 9M08 EBITDA was USD 350 mln. Short-term interest-bearing liabilities are four times less than cash holdings. Relatively small long-term debt (USD 175 mln)

### EUROBONDS, Azovstal' 11



Source: Bloomberg

### BUSINESS OVERVIEW

Third largest steel producer in Ukraine (15% of domestic steel output in 1H08). Operates a blast furnace shop (capacity 6 mln mt of pig iron p.a.), sinter plant (capacity 1.5 mln mt p.a.), coke plant and steel making facilities (capacity 6.5 mln mt of crude steel p.a.). Product portfolio includes slabs, plate, strips, square billets, sections and pipes. Main suppliers of iron ore and pellets are related Pivnichny and Centralny Iron Ore (controlled by parent Metinvest Holding).

In 2008, produced 1.9 mln mt of iron ore agglomerate (down 0.2% yoy), 2.2 mln mt of gross coke (down 11.7% yoy) and 5.5 mln mt of crude steel (down 12.9% yoy).

### OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Azovstal, 2011	175	USD		28.02.2011	bullet	9.1%	fixed	81.8%

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

\*\*\*Equity information as of 23 Jan 2009, based on PFTS Mid prices

### ISSUER CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	B-	n/r
Moody's	B2	n/r
Fitch	n/r	n/r
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	n/r	n/r

### OWNERSHIP STRUCTURE

Metinvest	97.7%
Other	2.3%

### CORPORATE GOVERNANCE

Concorde Rating*	AA
S&P score, %**	n/r
S&P rank	n/r

### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	17.0%	n/a	n/a
Net Margin	10.6%	n/a	n/a
ROE	15.5%	n/a	n/a
Net Debt/EBITDA	0.3	n/a	n/a
Net Debt/Equity	0.1	n/a	n/a
EBITDA/Interest	37.1	n/a	n/a

### EQUITY\*\*\*

<b>Exchange</b>	
PFTS	AZST
FSE Ticker	DZ8
DR Ratio	1:10
<b>MCap, USD mln</b>	
Free float, %	436
FF MCap, USD mln	2.3
	10.0

## INCOME STATEMENT SUMMARY, UAH mln

	2003	2004	2005	2006	2007
<b>Net Revenues</b>	<b>5 668.0</b>	<b>9 714.2</b>	<b>12 915.6</b>	<b>12 458.0</b>	<b>16 636.0</b>
<i>Change yoy</i>	-	71.4%	33.0%	-3.5%	33.5%
Gross Profit	609.9	1 487.7	1 515.2	1 822.0	2 915.0
<b>EBITDA</b>	<b>223.2</b>	<b>1 696.2</b>	<b>1 383.1</b>	<b>1 734.0</b>	<b>2 820.0</b>
<i>margin</i>	3.9%	17.5%	10.7%	13.9%	17.0%
Depreciation	89.0	294.9	461.8	585.0	564.0
<b>EBIT</b>	<b>134.2</b>	<b>1 401.3</b>	<b>921.3</b>	<b>1 149.0</b>	<b>2 256.0</b>
<i>margin</i>	2.4%	14.4%	7.1%	9.2%	13.6%
Financial Expense, net	63.6	68.3	-11.6	-115.0	-76.0
Other income/(expense)	n/a	n/a	n/a	n/a	n/a
<b>PBT</b>	<b>197.8</b>	<b>1 469.6</b>	<b>909.7</b>	<b>1 034.0</b>	<b>2 180.0</b>
Tax	176.4	380.6	300.7	334.0	420.0
<i>Effective tax rate</i>	n/a	n/a	n/a	n/a	n/a
<b>Net Income</b>	<b>21.4</b>	<b>1 089.0</b>	<b>609.1</b>	<b>700.0</b>	<b>1 760.0</b>
<i>Net Margin</i>	0.4%	11.2%	4.7%	5.6%	10.6%

## BALANCE SHEET SUMMARY, UAH mln

	2003	2004	2005	2006	2007
<b>Current Assets</b>	<b>1 590.1</b>	<b>3 154.0</b>	<b>4 634.0</b>	<b>5 377.0</b>	<b>7 117.0</b>
Cash & Equivalents	36.1	265.8	1 216.3	172.0	385.0
Trade Receivables	670.9	1 275.7	1 167.9	2 055.0	3 595.0
Inventories	566.1	962.7	1 274.0	1 401.0	1 861.0
Other	317.0	649.9	975.8	1 749.0	1 276.0
<b>Fixed Assets</b>	<b>2 345.8</b>	<b>6 412.8</b>	<b>7 197.0</b>	<b>7 888.0</b>	<b>11 136.0</b>
PP&E, net	2 024.3	5 251.5	7 052.7	7 349.0	10 556.0
Other	321.5	1 161.4	144.3	539.0	580.0
<b>Total Assets</b>	<b>3 935.9</b>	<b>9 566.8</b>	<b>11 831.4</b>	<b>13 265.0</b>	<b>18 253.0</b>
<b>Shareholders' Equity</b>	<b>2 752.9</b>	<b>5 918.9</b>	<b>8 041.5</b>	<b>9 217.0</b>	<b>13 485.0</b>
Share Capital	1 715.5	1 715.5	3 248.5	2 327.0	1 970.0
Retained Earnings and Other	1 037.3	4 203.4	4 793.0	6 890.0	11 515.0
<b>Current Liabilities</b>	<b>996.7</b>	<b>2 262.8</b>	<b>2 585.3</b>	<b>1 806.0</b>	<b>2 456.0</b>
ST Interest Bearing Debt	160.1	330.1	737.3	350.0	280.0
Trade Payables	514.4	930.3	207.9	281.0	330.0
Other	322.2	1 002.4	1 640.1	1 175.0	1 846.0
<b>LT Liabilities</b>	<b>186.3</b>	<b>1 358.1</b>	<b>1 204.6</b>	<b>2 242.0</b>	<b>2 312.0</b>
LT Interest Bearing Debt	-	613.2	214.2	1 384.0	904.0
Other	186.3	744.9	990.4	858.0	1 408.0
<b>Total Liabilities &amp; Equity</b>	<b>3 935.9</b>	<b>9 566.8</b>	<b>11 831.4</b>	<b>13 265.0</b>	<b>18 253.0</b>

# Kyivstar GSM

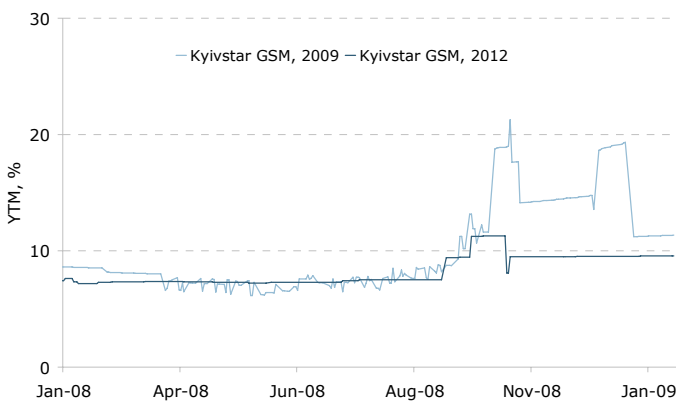
Telecoms

<http://www.kyivstar.ua>

## INVESTMENT CASE

- Both outstanding issues trade ~2,000-5,600 bps below the Ukrainian sovereign yield curve but at above a 500 bps premium over major shareholder Telenor (BBB+; A2; BBB+; 54% owned by the Norwegian government)
- In 2008 Kyivstar had strong operating performance (EBITDA margin 59%; net margin 38%) and high solvency (USD 1.3 bln in cash holding vs. USD 0.4 bln in debt; EBITDA covers interest 36 times)
- Telenor and 43.5% shareholder Altimo are considering a share swap in Kyivstar and Vimpelcom to end their conflict. Under the deal, Telenor would receive Altimo's 43.5% stake in Kyivstar, raising its stake to 100%

## EUROBONDS



Source: Bloomberg

## BUSINESS OVERVIEW

Ukraine's leading mobile operator and the largest telecommunication company by customer base, top and bottom line. Provides wireless telecommunication services in the GSM standard under three brands: Kyivstar, DJUICE and Mobilych. As of Jan. 1, 2009 the company serviced 23.4 mln SIM-cards (one card per two Ukrainian citizens), 1.3 mln of which are contract customers. Its GSM network covered 99.9% Ukrainian households. The company's 9M08 revenue grew 22.2% yoy to USD 1.92 bln, EBITDA by 24.2% yoy to USD 1.15 bln and net income by 60% yoy to USD 0.84 bln.

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Kyivstar GSM, 2009	266	USD		17.08.2009	bullet	10.4%	fixed	10.8%
Kyivstar GSM, 2012	175	USD		15.04.2012	bullet	7.8%	fixed	10.5%

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

## ISSUER CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	n/r	n/r
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	n/r	n/r

## OWNERSHIP STRUCTURE

Telenor	56.5%
Storm (Altimo)	43.5%

## CORPORATE GOVERNANCE

Concorde Rating 2008*	n/r
S&P score 2008, %**	n/r
S&P rank 2008	n/r

## KEY RATIOS

	2007	2008E	2009E
EBITDA margin	58.2%	59.0%	54.5%
Net Margin	32.4%	37.9%	31.2%
ROE	41.6%	42.2%	24.2%
Net Debt/Equity	-0.3	-0.4	-0.3
Net Debt/EBITDA	0.5	0.6	n/a
EBITDA/Interest	28.6	36.5	35.0

## INCOME STATEMENT SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E
<b>Net Revenues</b>	<b>249.2</b>	<b>374.0</b>	<b>640.7</b>	<b>1 136.2</b>	<b>1 705.8</b>	<b>2 148.4</b>	<b>2 438.1</b>
<i>Change yoy</i>	<i>n/a</i>	<i>50.1%</i>	<i>71.3%</i>	<i>77.3%</i>	<i>50.1%</i>	<i>25.9%</i>	<i>13.5%</i>
Gross Profit	178.9	284.5	479.2	848.4	1 302.3	1 621.3	1 833.1
<b>EBITDA</b>	<b>143.6</b>	<b>223.7</b>	<b>376.8</b>	<b>635.1</b>	<b>1 008.2</b>	<b>1 251.2</b>	<b>1 438.4</b>
<i>margin</i>	<i>57.6%</i>	<i>59.8%</i>	<i>58.8%</i>	<i>55.9%</i>	<i>59.1%</i>	<i>58.2%</i>	<i>59.0%</i>
Depreciation	-32.9	-48.5	-69.0	-172.4	-232.5	-298.5	-328.4
<b>EBIT</b>	<b>110.7</b>	<b>175.2</b>	<b>307.8</b>	<b>462.7</b>	<b>775.7</b>	<b>952.7</b>	<b>1 110.1</b>
<i>margin</i>	<i>44.4%</i>	<i>46.8%</i>	<i>48.0%</i>	<i>40.7%</i>	<i>45.5%</i>	<i>44.3%</i>	<i>45.5%</i>
Financial Expense. net	n/a	n/a	n/a	n/a	-47.0	-43.7	-39.4
Other income/(expense)	n/a	n/a	n/a	n/a	20.5	48.3	184.0
<b>PBT</b>	<b>95.0</b>	<b>153.3</b>	<b>283.5</b>	<b>438.9</b>	<b>749.2</b>	<b>957.3</b>	<b>1 254.7</b>
Tax	-31.8	-52.6	-64.3	-116.0	-196.0	-260.4	-331.2
<i>Effective tax rate</i>	<i>33.5%</i>	<i>34.3%</i>	<i>22.7%</i>	<i>26.4%</i>	<i>26.2%</i>	<i>27.2%</i>	<i>26.4%</i>
<b>Net Income</b>	<b>63.3</b>	<b>100.8</b>	<b>219.1</b>	<b>322.9</b>	<b>553.2</b>	<b>696.9</b>	<b>923.5</b>
<i>Net Margin</i>	<i>25.4%</i>	<i>26.9%</i>	<i>34.2%</i>	<i>28.4%</i>	<i>32.4%</i>	<i>32.4%</i>	<i>37.9%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E
<b>Current Assets</b>	<b>34.2</b>	<b>84.5</b>	<b>154.7</b>	<b>351.0</b>	<b>710.9</b>	<b>1 383.5</b>	<b>1 646.9</b>
Cash & Equivalents	14.1	36.6	56.9	184.1	514.6	1 059.1	1 320.6
Prepaid taxes	2.3	4.7	16.1	28.5	68.6	70.8	68.0
Other	17.8	43.2	81.7	138.4	127.7	253.6	258.3
<b>Fixed Assets</b>	<b>324.7</b>	<b>425.3</b>	<b>743.6</b>	<b>1 202.7</b>	<b>1 518.8</b>	<b>1 640.8</b>	<b>1 746.0</b>
PP&E. net	242.3	326.4	594.2	966.4	1 234.2	1 349.1	1 443.5
Other	82.4	98.9	149.4	236.3	284.6	291.7	302.5
<b>Total Assets</b>	<b>358.9</b>	<b>509.8</b>	<b>898.3</b>	<b>1 553.7</b>	<b>2 229.7</b>	<b>3 024.3</b>	<b>3 392.9</b>
<b>Shareholders' Equity</b>	<b>163.8</b>	<b>266.5</b>	<b>425.7</b>	<b>772.3</b>	<b>1 325.6</b>	<b>2 022.5</b>	<b>2 355.8</b>
Share Capital	121.2	123.2	123.2	123.2	123.2	123.2	123.2
Retained Earnings and Other	42.6	143.3	302.5	649.1	1 202.4	1 899.3	2 232.6
<b>Current Liabilities</b>	<b>79.1</b>	<b>77.7</b>	<b>201.6</b>	<b>240.5</b>	<b>324.9</b>	<b>498.7</b>	<b>813.6</b>
ST Interest Bearing Debt	20.8	5.6	45.4	0.0	0.0	0.0	265.0
Trade Payables	n/a	n/a	n/a	n/a	97.3	230.9	263.6
Other	n/a	n/a	n/a	n/a	227.6	267.8	285
<b>LT Liabilities</b>	<b>116.0</b>	<b>165.6</b>	<b>271.0</b>	<b>540.9</b>	<b>579.2</b>	<b>503.0</b>	<b>223.5</b>
LT Interest Bearing Debt	116.0	165.6	266.4	511.1	510.0	434.0	146
Other	0.0	0.0	4.6	29.8	69.2	69.0	77.5
<b>Total Liabilities &amp; Equity</b>	<b>358.9</b>	<b>509.8</b>	<b>898.3</b>	<b>1 553.7</b>	<b>2 229.7</b>	<b>3 024.2</b>	<b>3 392.9</b>

# Mironivskiy Hliboproduct

Food &amp; Beverages

<http://www.mirohleb.kiev.ua>

## INVESTMENT CASE

- Trades close to the government yield curve
- Hryvnya depreciation worsened the company's credit profile: its entire USD 500 mln debt is in hard currency, while only 20% of revenues are in hard currencies;
- FX proceeds from exports allow it to cover interest expenses
- Debt redemptions: USD 75 mln in 2009; USD 35 mln in 2010 and USD 250 mln in 2011

## EUROBONDS, MHP' 11



Source: Bloomberg

## BUSINESS OVERVIEW

MHP S.A. is a leading agro-industrial holding in Ukraine. Core businesses are poultry production and grain growing. As of end-2007, MHP accounted for about 36% of industrial poultry, and 20% of domestic poultry consumption. Has a franchise of about 2,000 outlets through which it sells its poultry products. MHP leases ~180 ths ha of land for agricultural activities. Vertically integrated in-house crops and combined feed production. MHP produces and sells sunflower oil as a byproduct of its fodder production, as well as beef, sausage, cooked meat, convenience food products, goose meat, fruit and potatoes. The company's annual production capacities include 135 ths mt of sunflower oil, 1.2 mln mt of feed, 228 ths mt of poultry meat and 27.6 mln processed chickens. The holding consists of 20 enterprises in Kyiv, Vinnytsya, Ivano-Frankivsk, Kherson and Crimea regions. Headquartered in Kyiv. Mironivskiy Hliboproduct raised USD 322.5 mln via an IPO on the London Stock Exchange on May 9. The offering constituted about 19.4% of the company's share capital.

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
MHP, 2011	250	USD		30.11.2011	bullet	10.2%	fixed	40.9%

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

\*\*\*Equity information as of 23 Jan 2009, based on PFTS Mid prices

## ISSUER CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	n/r	n/r
Moody's	B3	n/r
Fitch	B	n/r
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	n/r	n/r

## OWNERSHIP STRUCTURE

Mr. Yuriy Kosyuk	77.7%
Other	22.3%

## CORPORATE GOVERNANCE

Concorde Rating*	n/r
S&P score, %**	n/r
S&P rank	n/r

## KEY RATIOS

	2007	2008E	2009E
EBITDA margin	32.1%	38.2%	n/a
Net Margin	9.8%	25.4%	n/a
ROE	11.9%	n/a	n/a
Net Debt/Equity	1.5	1.4	n/a
Net Debt/EBITDA	2.7	n/a	n/a
EBITDA/Interest	3.1	n/a	n/a

## EQUITY\*\*\*

<b>Exchange</b>	
LSE Ticker	MHPC LI
DR Ratio	1:1
<b>MCap, USD mln</b>	443
Free float, %	22.3
FF MCap, USD mln	98.9

## INCOME STATEMENT SUMMARY, USD mln

	2003	2004	2005	2006	2007	9M08
<b>Net Revenues</b>	<b>94.2</b>	<b>189.2</b>	<b>262.7</b>	<b>314.6</b>	<b>477.7</b>	<b>637.0</b>
<i>Change yoy</i>	<i>n/a</i>	<i>100.9%</i>	<i>38.9%</i>	<i>19.8%</i>	<i>51.8%</i>	<i>105.0%</i>
Gross Profit	28.8	65.2	117.2	110.6	119.7	186.1
<b>EBITDA</b>	<b>32.6</b>	<b>73.9</b>	<b>145.2</b>	<b>140.8</b>	<b>153.5</b>	<b>243.0</b>
<i>margin</i>	<i>34.7%</i>	<i>39.1%</i>	<i>55.3%</i>	<i>44.8%</i>	<i>32.1%</i>	<i>38.0%</i>
Depreciation	(3.9)	(8.6)	(15.4)	(23.8)	(44.8)	(42.7)
<b>EBIT</b>	<b>28.7</b>	<b>65.3</b>	<b>129.8</b>	<b>117.0</b>	<b>108.7</b>	<b>200.3</b>
<i>margin</i>	<i>30.5%</i>	<i>34.5%</i>	<i>49.4%</i>	<i>37.2%</i>	<i>22.8%</i>	<i>31.4%</i>
Financial Expense, net	(5.1)	(5.6)	(9.8)	(36.5)	(49.5)	(36.1)
Other income/(expense)	(1.3)	(0.8)	6.6	25.8	(12.0)	6.1
<b>PBT</b>	<b>22.3</b>	<b>58.9</b>	<b>126.6</b>	<b>106.3</b>	<b>47.2</b>	<b>181.4</b>
Tax	0.5	0.7	(0.4)	(0.6)	(0.4)	(1.7)
<i>Effective tax rate</i>	<i>-2.0%</i>	<i>-1.1%</i>	<i>0.3%</i>	<i>0.5%</i>	<i>0.9%</i>	<i>0.9%</i>
<b>Net Income</b>	<b>22.8</b>	<b>59.5</b>	<b>126.2</b>	<b>105.7</b>	<b>46.8</b>	<b>180.0</b>
<i>Net Margin</i>	<i>24.2%</i>	<i>31.5%</i>	<i>48.0%</i>	<i>33.6%</i>	<i>9.8%</i>	<i>28.0%</i>

## BALANCE SHEET SUMMARY, USD mln

	2003	2004	2005	2006	2007	9M08
<b>Current Assets</b>	<b>49.2</b>	<b>69.8</b>	<b>113.3</b>	<b>257.0</b>	<b>267.3</b>	<b>473.9</b>
Cash & Equivalents	6.3	2.9	6.5	44.4	10.1	83.3
Trade Receivables	3.3	6.2	8.1	17.7	20.4	46.4
Inventories	15.3	19.1	31.6	57.1	42.6	50.4
Other	24.3	41.7	67.1	137.7	194.2	257.8
<b>Fixed Assets</b>	<b>85.1</b>	<b>141.4</b>	<b>269.7</b>	<b>573.2</b>	<b>685.2</b>	<b>885.3</b>
PP&E, net	79.4	136.9	228.1	487.8	624.8	752.7
Other	5.6	4.6	41.6	85.4	60.4	132.6
<b>Total Assets</b>	<b>134.2</b>	<b>211.3</b>	<b>383.0</b>	<b>830.1</b>	<b>952.5</b>	<b>1 359.1</b>
<b>Shareholders' Equity</b>	<b>54.8</b>	<b>118.5</b>	<b>266.6</b>	<b>366.9</b>	<b>419.4</b>	<b>781.2</b>
Share Capital	20.5	20.6	55.9	251.3	251.3	284.1
Retained Earnings and Other	34.4	97.9	210.7	115.6	168.1	262.2
<b>Current Liabilities</b>	<b>40.7</b>	<b>53.6</b>	<b>66.5</b>	<b>104.1</b>	<b>184.6</b>	<b>222.6</b>
ST Interest Bearing Debt	8.3	29.5	44.7	56.0	113.5	128.5
Trade Payables	14.7	11.4	6.0	13.7	25.1	24.0
Other	17.7	12.7	15.7	34.4	46.0	70.1
<b>LT Liabilities</b>	<b>38.7</b>	<b>39.2</b>	<b>50.0</b>	<b>359.1</b>	<b>348.5</b>	<b>355.4</b>
LT Interest Bearing Debt	30.6	31.1	41.7	337.6	309.5	345.9
Other	8.1	8.1	8.3	21.6	39.0	9.5
<b>Total Liabilities &amp; Equity</b>	<b>134.2</b>	<b>211.3</b>	<b>383.0</b>	<b>830.1</b>	<b>952.5</b>	<b>1 359.1</b>

# Naftogaz of Ukraine

Oil & Gas

<http://www.naftogaz.com>

## INVESTMENT CASE

- Trades at 2,200 bps premium over sovereign; more dependent this year on state support because of the gas price hike
- Import gas price increase from Jan. 1 2009 has still not been reflected in the prices for population and municipal heating enterprises (MHEs). We estimate the potential loss on sales to MHEs in 2009 at USD ~2 bln vs. USD 0.8 bln last year
- A substantial portion of 2008 income seems to be earned from FX operations, questioning the sustainability of Naftogaz' P&L this year
- Due to accumulating payables, liquidity has been systematically worsening: current ratio decreased from 0.54 in 2004 to 0.37 in 2007 (based on audited financials)
- By our estimate, the hryvnya's ~50% depreciation nearly doubled the company's debt and interest payments in UAH terms to ~UAH 18 bln and UAH 1 bln, respectively

## EUROBONDS, Naftogaz'09



Source: Bloomberg

## BUSINESS OVERVIEW

Naftogaz of Ukraine is a 100% state-owned oil and gas holding. It is a vertically-integrated group of companies engaged in exploration, development and production of hydrocarbons, oil & gas transportation and storage, gas treatment and supply of natural gas and LPG to final consumers. The group controls ~93% of Ukraine's hydrocarbon production (4 MMt of oil and 19 Bcm of gas a year), 100% of oil & gas transit volume (35 MMt and 120 Bcm, respectively), and ~90% of gas distribution through traders and directly to final consumers (67 Bcm).

## OUTSTANDING BONDS

Issue	Amt, mln	Curr	Put option	Maturity	Maturity type	Coupon	Coupon type	YTM
Naftogaz, 2009	250	USD		30.09.2009	bullet	8.125%	fixed	89.2%

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

\*\* Ukrainian Bank Transparency and Information disclosure score/rating initiated by S&P and Financial Initiatives Agency in 2006.

## ISSUER CREDIT RATING

	Global scale	Local scale
<b>Foreign currency</b>		
Standard&Poor's	n/r	n/r
Moody's	B1	n/r
Fitch	B	n/r
<b>Domestic currency</b>		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	B	n/r

## OWNERSHIP STRUCTURE

Cabinet of Ministers of Ukraine	100%
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## CORPORATE GOVERNANCE

Concorde Rating 2008*	n/r
S&P score 2008, %**	n/r
S&P rank 2008	n/r

## KEY RATIOS

	2007	2008E	2009E
EBITDA margin	25.6%	n/a	n/a
Net Margin	-0.2%	n/a	n/a
ROE	-0.1%	n/a	n/a
Net Debt/Equity	0.2	n/a	n/a
Net Debt/EBITDA	1.6	n/a	n/a
EBITDA/Interest	5.3	n/a	n/a



## INCOME STATEMENT SUMMARY, UAH mln

	2004	2005	2006	2007
<b>Net Revenues</b>	<b>35,460</b>	<b>36,959</b>	<b>27,575</b>	<b>30,424</b>
<i>Change yoy</i>	<i>n/a</i>	<i>4.2%</i>	<i>-25.4%</i>	<i>10.3%</i>
Gross Profit	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<b>EBITDA</b>	<b>7,769</b>	<b>6,852</b>	<b>5,212</b>	<b>7,793</b>
<i>margin</i>	<i>21.9%</i>	<i>18.5%</i>	<i>18.9%</i>	<i>25.6%</i>
Depreciation	(4,911)	(4,922)	(3,631)	(3,121)
<b>EBIT</b>	<b>2,858</b>	<b>1,930</b>	<b>1,581</b>	<b>4,672</b>
<i>margin</i>	<i>8.1%</i>	<i>5.2%</i>	<i>5.7%</i>	<i>15.4%</i>
Financial Expense, net	(606)	(574)	(968)	(1,466)
Other income/(expense)	(1,536)	(1,963)	(2,109)	(2,039)
<b>PBT</b>	<b>716</b>	<b>(607)</b>	<b>(1,496)</b>	<b>1,167</b>
Tax	(271)	(400)	(682)	(1,233)
<i>Effective tax rate</i>	<i>38%</i>	<i>n/m</i>	<i>n/m</i>	<i>106%</i>
<b>Net Income</b>	<b>445</b>	<b>(1,007)</b>	<b>(2,178)</b>	<b>(66)</b>
<i>Net Margin</i>	<i>1.3%</i>	<i>-2.7%</i>	<i>-7.9%</i>	<i>-0.2%</i>

## BALANCE SHEET SUMMARY, UAH mln

	2004	2005	2006	2007
<b>Current Assets</b>	<b>11,465</b>	<b>10,108</b>	<b>9,286</b>	<b>9,458</b>
Cash & Equivalents	505	834	865	587
Trade Receivables	4,586	4,212	3,488	4,424
Inventories	5,187	4,118	2,173	3,058
Other	1,187	1,144	2,760	1,392
<b>Fixed Assets</b>	<b>63,498</b>	<b>63,290</b>	<b>95,173</b>	<b>99,183</b>
PP&E, net	59,080	58,339	83,531	87,660
Other	4,418	4,951	11,642	11,523
<b>Total Assets</b>	<b>74,963</b>	<b>73,502</b>	<b>104,459</b>	<b>108,641</b>
<b>Shareholders' Equity</b>	<b>31,578</b>	<b>29,604</b>	<b>54,875</b>	<b>56,957</b>
Share Capital	9,721	9,721	9,721	9,721
Retained Earnings and Other	21,857	19,883	45,154	47,236
<b>Current Liabilities</b>	<b>21,071</b>	<b>19,669</b>	<b>21,505</b>	<b>25,696</b>
ST Interest Bearing Debt	1,098	1,324	2,621	3,459
Trade Payables	6,731	5,677	5,590	8,419
Other	13,242	12,668	13,294	13,818
<b>LT Liabilities</b>	<b>17,825</b>	<b>19,442</b>	<b>27,262</b>	<b>25,988</b>
LT Interest Bearing Debt	3,697	7,862	9,544	9,411
Other	14,128	11,580	17,718	16,577
<b>Total Liabilities &amp; Equity</b>	<b>74,963</b>	<b>73,502</b>	<b>104,459</b>	<b>108,641</b>

## Appendix

## Balance of payments

	USD bln			% GDP		
	2007	2008	2009E	2007	2008	2009E
<b>Current account</b>	<b>-5.9</b>	<b>-11.9</b>	<b>-1.3</b>	<b>-4.2%</b>	<b>-6.7%</b>	<b>-1.1%</b>
Trade account	-7.9	-13.7	-2.3	-5.6%	-7.7%	-1.9%
Exports	64.0	85.7	64.5	45.3%	48.0%	54.6%
Goods	49.8	67.7	47.5	35.3%	37.9%	40.2%
Services	14.2	18.0	17.0	10.0%	10.1%	14.4%
Imports	-71.9	-99.4	-66.8	-50.9%	-55.7%	-56.5%
Goods	-60.4	-83.6	-55.1	-42.8%	-46.9%	-46.7%
Services	-11.5	-15.8	-11.6	-8.1%	-8.9%	-9.8%
Income balance	-2.1	-2.0	-3.6	-1.5%	-1.1%	-3.1%
Current transfers	4.1	3.8	4.7	2.9%	2.1%	4.0%
<b>Capital and financial accounts</b>	<b>15.3</b>	<b>8.8</b>	<b>-7.0</b>	<b>10.9%</b>	<b>4.9%</b>	<b>-5.9%</b>
FDI (net)	9.2	9.9	7.5	6.5%	5.5%	6.4%
Inflows	9.9	11.4	8.0	7.0%	6.4%	6.8%
Outflows	-0.7	-1.5	-0.5	-0.5%	-0.8%	-0.4%
Portfolio investment (net)	5.8	-1.0	1.0	4.1%	-0.6%	0.8%
Foreign securities	0.0	-1.0	0.0	0.0%	-0.6%	0.0%
Domestic securities	5.8	0.0	1.0	4.1%	0.0%	0.8%
Other investment	0.4	-0.1	-15.5	0.3%	0.0%	-13.1%
Assets	-22.2	-17.9	-13.3	-15.7%	-10.0%	-11.3%
Trade loans	-1.4	-1.0	-5.0	-1.0%	-0.6%	-4.2%
Other loans	-0.6	0.0	-0.8	-0.4%	0.0%	-0.7%
Currency and deposits	-14.7	-14.1	-6.0	-10.4%	-7.9%	-5.1%
Other short-term assets	-5.4	-2.8	-1.5	-3.8%	-1.6%	-1.3%
Bills receivable	0.0	0.0	0.0	0.0%	0.0%	0.0%
Liabilities	22.6	17.8	-2.2	16.0%	10.0%	-1.8%
Trade loans	3.3	2.0	0.8	2.3%	1.1%	0.7%
Long-term loans	12.6	14.8	-3.0	8.9%	8.3%	-2.5%
Money and credit authorities	-0.5	4.3	9.8	-0.3%	2.4%	8.3%
Received	0.0	4.5	9.8	0.0%	2.5%	8.3%
Paid off	-0.5	-0.2	0.0	-0.3%	-0.1%	0.0%
Other authorities	0.5	-0.1	3.6	0.4%	-0.1%	3.0%
Received	1.2	0.5	6.0	0.9%	0.3%	5.1%
Paid off	-0.7	-0.5	-2.4	-0.5%	-0.3%	-2.0%
Banking sector	6.8	6.4	-5.3	4.8%	3.6%	-4.4%
Received	7.9	8.5	7.1	5.6%	4.8%	6.0%
Paid off	-1.0	-2.1	-12.4	-0.7%	-1.2%	-10.5%
Other sectors	5.8	4.2	-11.1	4.1%	2.4%	-9.4%
Received	11.4	11.3	9.1	8.1%	6.3%	7.7%
Paid off	-5.6	-7.1	-20.2	-4.0%	-4.0%	-17.1%
Short-term loans	4.9	0.0	0.0	3.4%	0.0%	0.0%
Currency and deposits	1.7	1.0	0.0	1.2%	0.6%	0.0%
Other short-term liabilities	0.1	0.0	0.0	0.1%	0.0%	0.0%
Bills payable	0.0	0.0	0.0	0.0%	0.0%	0.0%
<b>Balance</b>	<b>9.4</b>	<b>-3.1</b>	<b>-8.2</b>	<b>6.7%</b>	<b>-1.7%</b>	<b>-6.9%</b>

Source: National Bank of Ukraine, Concorde Capital

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