



CONCORDE CAPITAL

Macroeconomic Overview

NBU hard at work cooling the economy

Andrii Parkhomenko
pav@concorde.com.ua

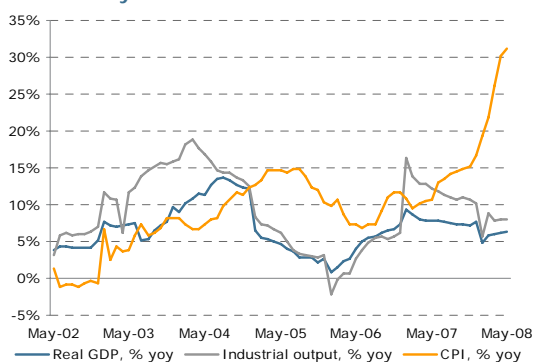
Polina Khomenko
pk@concorde.com.ua

Konstantin Fisun, CFA
kf@concorde.com.ua

+380 44 391 5577

June 26, 2008

Business cycle indicators



Source: State Statistics Committee

Key macroeconomic indicators

	2007	2008E	2009F
Real economy			
Real GDP, % yoy	7.6	6.8	6.5
Nominal GDP, USD bln	141.2	194.0	239.3
Industrial output, % yoy	10.2	8.7	7.5
CPI (eop), % yoy	16.6	21.0	15.0
PPI (eop), % yoy	23.2	33.0	18.0
Retail trade, % yoy	28.8	25.5	25.0
Banking assets, % yoy	76.0	50.0	45.0
Construction, % yoy	15.8	5.0	10.0
External sector			
Trade balance, % GDP	-5.6	-5.5	-5.8
Current account balance, % GDP	-4.2	-4.5	-5.3
Net FDI, USD bln	9.2	10.4	13.5
NBU reserves, USD bln	32.5	38.7	37.5
External debt, % GDP	59.9	58.8	58.8
Monetary & fiscal policy			
Money supply (M3), % yoy	51.7	25.0	40.0
Official UAH/USD (eop)	5.05	4.95	4.90
Consolidated budget, % GDP	-1.1	-1.0	-0.5

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

Prices for core commodities, as of June 26

	Current	%, YTD	%, yoy
Gas imports, USD/tcm	179.5	0%	38%
Crude oil (URALS), USD/bbl	128.4	39%	94%
Winter wheat, USD/mt, FOB**	292.0	14%	73%
Semi-finished steel, USD/mt, FOB**	945.0	74%	77%

**Black Sea ports

Source: Bloomberg

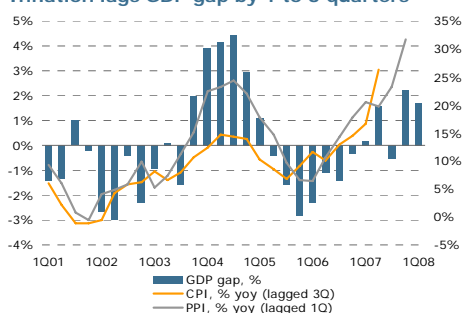
- June has seen emerging concerns about the Ukrainian economy overheating:** Standard & Poor's cited this as a constraint in its June 12 rationale behind Ukraine's sovereign rating downgrade. A week earlier, the National Bank of Ukraine issued a report noting that GDP growth exceeded its sustainable level by 1.7% in 1Q08. Together with CPI inflation of 31.1% yoy in May, overheating worries could be justified.
- NBU tightening measures since October 2007 are finally being reflected in statistics.** Retail and corporate loans only grew 17.0% YTD in May 2008 (vs. 20.2% YTD in May 2007), due to harsh NBU-induced liquidity conditions. External debt in the banking sector rose a meager 9.8% qoq in 1Q08, a two-year low. Upcoming NBU moves to clamp down on lending (see p.4) will induce further cooling in debt attraction. We will see whether the measures will impact economic growth in the second half of the year. So far, we retain our GDP growth forecast at 6.8% in 2008, down from 7.6% in 2007.
- CPI grew a modest 1.3% mom in May compared to 3.1% mom in April.** Decelerated growth in food prices hints at the beginning of a downward trend in CPI growth. We expect that consumer inflation will ease in the second half of the year and reach 21.0% by yearend. The NBU attributes CPI deterioration to the 4.0% official USD/UAH rate reduction on May 21. Since that point, the National Bank has turned to a more flexible exchange rate policy: the official UAH/USD exchange rate is now set daily.
- Current account deficit widened to 9.6% of GDP in 1Q08.** The imbalance was covered by the financial account surplus, though by a very narrow margin, mainly due to lighter foreign portfolio investment (USD 0.2 bln versus USD 1.8 bln in 1Q07). In turn, net FDI numbers were buoyant in 1Q08: USD 2.4 bln vs. USD 1.7 bln in 1Q07, indicating long-term investors' positive stance on the Ukrainian economy.

List of forecast revisions:

Indicator	New	Previous
Current account deficit in 2009, % GDP	5.3%	3.9%
Total external debt in 2008, USD bln	115.0	108.2
Construction growth in 2008, % yoy	5%	20%

Economic growth Overheating?

Inflation lags GDP gap by 1 to 3 quarters



Source: National Bank of Ukraine, State Statistics Committee

GDP growth by sector

	5M08, % yoy	Contrib.
Agriculture	0.4%	0.0%
Mining and quarrying	4.8%	0.2%
Processing industry	9.5%	1.6%
Utilities	0.5%	0.1%
Construction	-3.8%	0.0%
Trade	15.8%	1.9%
Transport and communication	7.9%	0.9%
Education	-1.1%	0.0%
Health, social work	-1.0%	0.0%
Other economic activity	0.7%	0.4%
Net taxes	12.3%	1.6%
GDP	6.4%	6.4%

Source: State Statistics Committee

Industrial growth by sector, % yoy

	5M08	4M08
Mining	4.2%	4.0%
Processing industry	8.8%	8.7%
Food	7.5%	9.2%
Light industry	4.4%	5.1%
Wood industry	21.1%	21.2%
Pulp & paper	15.2%	14.8%
Coke & oil products	-13.5%	-17.3%
Chemicals & petrochemicals	7.4%	7.5%
Other mineral production	17.3%	20.0%
Metallurgy	3.1%	2.3%
Machine building	31.1%	32.9%
Utilities	2.9%	5.4%
Industrial output	8.0%	8.0%

Source: State Statistics Committee

Real GDP growth accelerated for the fourth straight month in May, which on the back of surging prices might indicate that the economy is overheating. In its report on inflation published on June 6, the National Bank of Ukraine noted that in 1Q08, GDP was 1.7% above a long-term sustainable level. The GDP gap tends to spur producer inflation one quarter later and consumer inflation with a three-quarter lag. We will see if the NBU's measures (see p.4) will succeed in holding back GDP growth in the second half of the year to a sustainable level. So far, we forecast GDP to grow 6.8% in 2008, down from 7.6% in 2007.

Trade is currently the fastest growing component of GDP, as retailers and wholesale traders benefit from buoyant demand and rising prices. Retail trade posted another historical high in 5M08, surging 30.2% yoy in real terms. However, we expect that it will end 2008 at 25.5% yoy, the product of a high statistical base and a slowdown in lending activity.

Agriculture rose mere 0.4% yoy in 5M08. The sector's output must rise sharply in the second half of the year, given expectations of an abundant harvest. According to our projections, agricultural output will pick up 7.0% yoy in 2008, versus -5.1% yoy in 2007.

Construction declined 3.8% yoy in real terms in 5M08 due to squeezed financing caused by both the domestic and international liquidity crises. We slash our forecast of construction output from 20% yoy to 5% yoy in 2008, but remain positive on the sector, given high demand for commercial and residential premises, as well infrastructure, in view of hosting Euro-2012.

Growth in most processing industries eased up slightly, but the return of two of Ukraine's six domestic oil refineries to full production (after being idled in 1Q08), helped industrial output growth to remain at 8.0% yoy in 5M08.

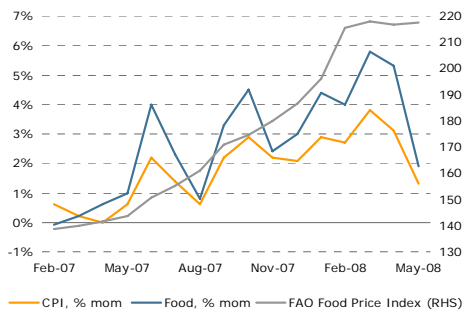
Machine building remained the main force behind expansion in industrial output (3.9% of 8.0% growth in 5M08), propelled by robust demand for machinery in Ukraine and other CIS countries.

Growth in the metallurgy and mining sectors accelerated to 3.1% yoy and 4.2% yoy in 5M08. These segments share a robust growth outlook given high steel prices and surging global demand.

Prices

Inflation begins to take a breather

CPI, domestic and international food prices



Source: State Statistics Committee, FAO

Key inflation indicators, May 2008

	% yoy	% YTD	% mom
CPI	31.1%	14.6%	1.3%
PPI	39.4%	24.2%	3.7%
GDP deflator	33.1%	n/a	n/a

Source: State Statistics Committee

CPI growth by component, May 2008

Food and beverages	25.9%
Utilities and housing expenses	1.1%
Transportation	1.0%
Other	3.1%

Source: State Statistics Committee, Concorde Capital calculations

May's data on food prices hints at the beginning of subdued CPI growth. Food prices decelerated from 5.3% mom in April to 1.9% mom, pulling the consumer price index back from 3.1% mom in April to 1.3% mom in May. Prices for several of the highest weighted foods in the index basket (dairy, eggs and vegetables) decreased in May. Notably, the global FAO Food Price Index has been virtually flat for the last three months. We contend that domestic food prices will stop rising this summer and could even deflate slightly, on the back of the projected plentiful harvest.

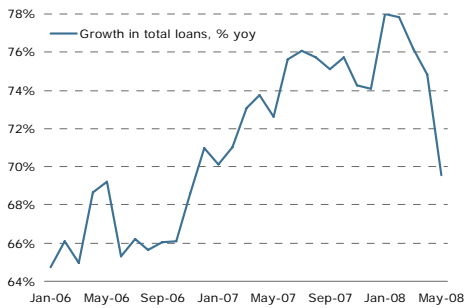
NBU Deputy Head Alexander Savchenko claims that the current setback in price growth is mostly the result of the 4% hryvnya revaluation against the dollar on May 21.

The State Statistics Committee is due to update CPI basket weightings next month, as it does every July. The weightings will be revised according to changes in the consumption basket of the average Ukrainian over last twelve months. We do not expect a significant change in the current weight of food products (55%). Food prices (+47.2% yoy in April) have grown in line with nominal disposable income per capita (+46.5% yoy in April), and therefore logically hold a similar share of expenses as last year, all other things equal. In regards to inflation excluding food and energy, core inflation has not been that high: 5.5% yoy in 1Q08, according to the NBU's June 6 report*.

The producer price index grew 3.7% mom in May (versus 6.6% mom in April), on rising globally prices for oil and steel. Prices in the oil refining sector moved up 8.2% mom and in metallurgy 7.6% mom in May. The two sectors combined contributed 2.3% of the mom PPI growth in May.

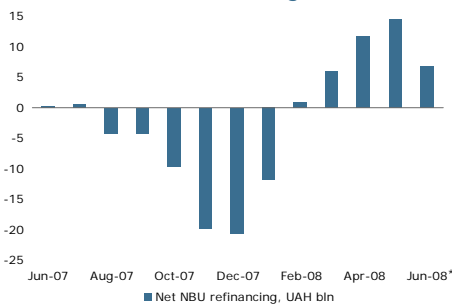
* The NBU calls it "narrow core inflation" and it is calculated by globally acknowledged methodology. Data on core inflation is not published on a regular basis. The State Statistics Committee publishes numbers of "broad core inflation", which only excludes food and energy products with a low level of processing, i.e. commodities.

Lending activity tapers off



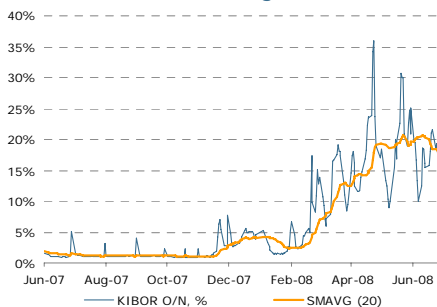
Source: National Bank of Ukraine, Interfax, Concorde Capital calculations

The NBU curtailed refinancing of banks



Source: National Bank of Ukraine
* As of June 24

KIBOR shows moderate signs of decrease



Source: National Bank of Ukraine, Interfax, Concorde Capital calculations

Monetary aggregates

	May-08 % mom	May-07 % mom	May-08 % YTD
MO	2.3%	0.5%	6.9%
MB	0.6%	5.5%	2.8%
M3	-0.2%	2.1%	8.3%

Source: National Bank of Ukraine

Monetary policy

Banks hold back lending growth

Loans to businesses and individuals only grew 1.0% mom and 17.0% YTD in May 2008, while in May 2007 they surged 4.1% mom and 20.2% YTD. The current abatement is a result of depressed domestic liquidity, spurred by the NBU enacting tightening anti-inflationary regulations (see our April 18 report for a discussion of NBU initiatives since October 2007– below are more spices the NBU is adding to the pot).

On June 20, the National Bank announced that it may establish a 100% reserve requirement for loans with no downpayment, currently about 15-20% of total retail loans in the banking system. If approved, the regulation would *de facto* stem the issuance of such loans and serve as another deterrent to consumer lending, which has been a strong driver of inflation from the demand side.

Another prospective NBU regulation envisages a fivefold increase in the reserve ratio on short-term (up to six months) foreign borrowing from 4% to 20%. The regulation is due to go into effect on July 1, 2008. This measure would decrease supply of foreign currency and prop up the UAH/USD and UAH/EUR rates. The regulation is, however, unlikely to constrain external debt accumulation significantly, as the majority of short-term loans (which account for 29% of total banks' external debt) have maturities of six to twelve months.

Net refinancing of commercial banks by the NBU significantly dropped to UAH 6.7 bln as of June 25, from UAH 14.5 bln at the end of May, as the NBU executed one more anti-inflationary lever. The NBU's style of monetary policy rules out a sizable decline in interest rates in the coming months.

The Overnight Kyiv Interbank Offered Rate (KIBOR) remains extremely high, but seems to have peaked out. After initiating tightening measures in October, the NBU for several months signaled in vain that banks should be careful in attracting too much debt. The banks, however, persisted in rapidly developing the consumer credit market as the alternative involved losing market share. At the beginning of the year, the NBU's screw tightening put surprised banks over the barrel as liquidity was sucked from the market. Now, we believe that the interbank rates will gradually decline as sobered up banks have to deal with obeying stricter lending conditions.

The money supply (M3) declined 0.2% mom to UAH 429.2 bln (USD 88.5 bln) in May, reflecting devaluation of dollar-denominated holdings and lower lending activity. M0 growth decelerated from 5.7% mom in April to 2.3% mom in May. We project that this year growth in monetary aggregates will be much less than in 2007: M3 will add 25.0% yoy (vs. 51.7% in 2007), and the monetary base will climb 22.4% yoy (vs. 46.0% yoy in 2007).

Currency exchange

UAH/USD: step toward a floating rate

Exchange rates, as of June 26

		% YTD
UAH/USD (official)	4.85	-4.0%
UAH/USD (interbank mid)	4.58	-9.3%
UAH/EUR (interbank mid)	7.20	-2.2%

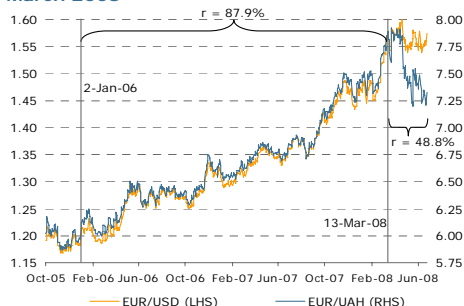
Source: Bloomberg, National Bank of Ukraine

UAH/USD exchange rates



Source: Bloomberg, National Bank of Ukraine

UAH/EUR decoupled from EUR/USD since March 2008



Source: Bloomberg, Concorde Capital calculations

It is now over a month since the National Bank of Ukraine lowered the official UAH/USD exchange rate by 4.0% and turned to a more flexible policy: as we expected, the official rate is now set daily, although the band has been quite narrow (UAH 4.8490-4.8543 for 1 USD).

Since May 21, the interbank rate is on average 2.5% below the official rate, as the National Bank allowed the interbank rate to sink below its traditional level (after being maintained at 1% from the official rate for over two years). The UAH/USD exchange rate has become more volatile. The standard deviation of the interbank rate from March 14, 2007 to March 13, 2008 was a mere 0.02, vs. 0.12 since March 14 (the day the UAH/USD broke through the psychological 5.00 level).

We expect the UAH/USD rate to rebound to 4.95 by yearend, given the increasing current account deficit and greater demand for the dollar from Ukraine's sole natural gas importer, Naftogaz of Ukraine, which, according to Gazprom, owes it a debt of USD 780 mln (est. total payments in 2008 will be USD 9.2 bln). However, should Naftogaz attract USD 2 bln to repay its debt, as announced on June 9, it could be a challenge for the greenback to return to UAH/USD 4.95 by yearend. More support to the dollar will be lent as a result of the NBU's establishment of a 20% reserve ratio on short-term foreign debt (see p.4 for details).

UAH/EUR rate decoupled from EUR/USD fluctuations, as a result of the UAH/USD's tumble interbank. Correlation between UAH/EUR and EUR/USD was 87.9% over a two-year period to March 13, 2008, implying that before the UAH/USD's decline, the only factor adjusting the UAH/EUR rate was international price of the dollar vs. the Euro. Since March 14, however, the correlation is 48.8% and connection between UAH/EUR and EUR/USD became more complex.

External activity

C/A shortfall widens to 9.6% of GDP

Ukraine's balance of payments

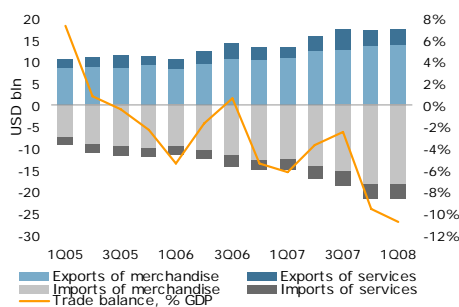
	% GDP	USD bln	
		1Q08	1Q07
Current account	-9.6%	-3.6	-2.1
Trade account	-10.8%	-4.1	-1.6
Exports	46.6%	17.5	13.4
Goods	37.1%	13.9	10.8
Services	9.6%	3.6	2.5
Imports	-57.4%	-21.6	-15.0
Goods	-48.6%	-18.3	-12.6
Services	-8.9%	-3.3	-2.4
Income balance	-1.4%	-0.5	-0.4
Current transfers	2.6%	1.0	0.0
Financial account	9.7%	3.6	1.9
FDI	6.4%	2.4	1.7
Portfolio investm.	0.6%	0.2	1.8
Other investm.	2.3%	0.9	-1.0

Source: National Bank of Ukraine

The NBU said on June 18 that Ukraine's current account and trade deficits widened further in 1Q08, mostly on increasing imports of machinery products and the rise in commodity prices. The shortfall was fully covered by the financial account surplus, though by a very narrow margin. The financial account took a hit in foreign portfolio investment, down on the international financial malaise and domestic stock market's skid (the benchmark PFTS index has sunk 33.3% YTD). FDI, however, touched USD 2.4 bln in 1Q08 vs. USD 1.7 bln in 1Q07 – investors with a long-term horizon remain positive on the Ukrainian economy and find current conditions an apt entry point.

Ferrous metals were the most significant contributor to export growth in 4M08, on the back of elevated spot export prices for steel (+55% yoy in 4M08). Ferrous metals (+41.1% yoy) made up 14.4% of export growth's overall 30.9% in 4M08*.

Trade account deficit hit 10.8% of GDP in 1Q08



Source: National Bank of Ukraine, State Statistics Committee

The rise in imports was mainly driven by continuing automobile consumption and high prices for energy commodities. Auto imports were up 80.1% yoy in 4M08, good for 9.4% of merchandise imports' 50.5% growth. This market's outlook remains strong despite a regulatory seesaw. After Ukraine's May 16 WTO accession, duties on imported cars (engine volume of 1.6-2.2L) were cut from 25% to 10%. A Verkhovna Rada approved amendment leaves this rate at 25%, and though President Yushchenko vetoed the bill on June 20, there is a possibility no changes will be effected until 2009.

Coal imports jumped 122.3% yoy while natural gas inflow was up 14.6% yoy in 4M08. Imports of crude oil, however, were virtually unchanged, as the hike in oil prices (93.6% yoy in April) was offset by two of Ukraine's six refineries halting operations in 1Q08.

We believe that the C/A imbalance will improve to 4.5% of GDP by yearend. Ukrainian exports will get an assist from greater agricultural exports (provided by this year's forecasted rich harvest and the abolishment of export quotas) and elevated global prices for food and steel.

In regards to 2009, we revise our C/A deficit projection from 3.9% of GDP to 5.3%. Following Gazprom's statement that Ukraine will see twice more expensive gas next year, our oil & gas research team set its 2009 gas price forecast at USD 320/tcm (78% higher than the current price), implying a wider C/A imbalance. Nevertheless, we contend that the economy will accommodate the new price and retain our 2009 CPI and PPI forecasts at 15.0% and 18.0%, respectively.

* Data on external trade is released quarterly by the National Bank of Ukraine and monthly by the State Statistics Committee. The most recent data is for 1Q08 by the NBU and 4M08 by the SSC. NBU releases do not provide a sector breakdown of exports and imports.

Debt

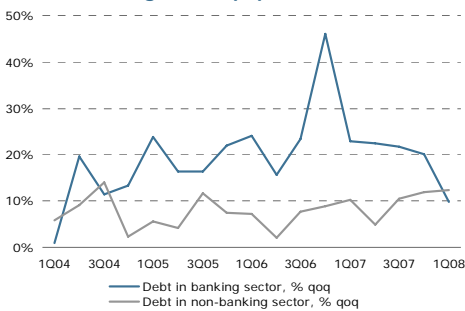
Growth in non-banking debt leapfrogs banks

External debt structure, as of March 31, 2008

	USD bln	% yoy	% GDP
Public debt	15.5	17.5%	10.3%
Corporate debt	77.0	65.3%	51.1%
Banking sector	34.0	96.2%	22.6%
Short-term	12.3	78.7%	8.1%
Long-term	21.7	107.7%	14.4%
Other sectors	39.7	45.8%	26.3%
Short-term	14.0	38.6%	9.3%
Long-term	25.7	50.0%	17.0%
Intercompany debt	3.3	62.9%	2.2%
External debt	92.5	54.8%	61.3%

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

External debt growth, qoq



Source: National Bank of Ukraine

5-year Ukraine government Eurobond USD, YTM



Source: Bloomberg

External debt attraction slackened somewhat in 1Q08 in qoq terms, according to the NBU's June 18 figures. Corporate debt rose 11.0%, a two-year low; while public debt added only 2.1%. Total external debt was up 9.4% qoq in 1Q08.

Notably, external debt in the banking sector grew only 9.8% qoq in 1Q08 (the lowest qoq rate since 1Q04), mainly due to tight global credit conditions, while the figure in other sectors was 12.3% qoq (the highest qoq rate since 3Q04). The net increase in non-banking sector debt (USD 4.4 bln) exceeded the banking's (USD 3.0 bln) for the first time since 1Q06. Overall, this is a plus for the economy as the lion's share of non-banking sector funds are typically earmarked for investment and serve to back sustainable economic growth (vs. stimulating consumption, mainly in imported goods via bank financing).

Public external debt continued shrinking as a percent of GDP in the first quarter, though it grew 18.9% yoy in dollar terms. This year's state budget stipulates UAH 10.0 bln in net external and internal borrowings. Given the high probability that privatization plans will not be fully realized (through 4M08, privatization receipts came to a measly UAH 243 mln of the full-year budget target of UAH 8.6 bln), the government will have to borrow more to cover the deficit, which was planned at UAH 18.5 bln. Attracting funds could be costly, given higher rates on government Eurobonds, following S&P's June 12 sovereign rating downgrade.

We raise our 2008 total external debt forecast from USD 108.2 bln to USD 115.0 bln (+34.9% yoy, vs. +55.1% yoy in 2007), taking into account the strong outlook for debt raising in the non-banking sector and the government's need to offset under-fulfilled privatization targets. The debt-to-GDP ratio will slightly decrease to 59.7% in 2008, from 59.9% in 2007. Meanwhile, external debt in the banking sector will rise 45% to USD 45.0 bln, while other sectors will see a 37% increase to USD 47.8 bln in FY2008, according to our projections.

Though loans will become more expensive, we argue that the recent series of credit rating downgrades of Ukrainian companies, followed by S&P lowering the sovereign rating, are unlikely to substantially impact the volume of debt attracted this year.

Budget

So far, no amendments

Consolidated budget execution, 4M08

	USD bln	% yoy	% GDP
Incomes	86.8	43.5%	32.6%
Taxes	65.7	49.4%	24.7%
Other incomes	21.1	27.8%	7.9%
Expenses	81.4	50.1%	30.5%
Social expenses	44.0	56.6%	16.5%
Other expenses	37.4	43.1%	14.0%
Balance	5.4	n/a	2.0%

Source: Ministry of Finance, Concorde Capital calculations

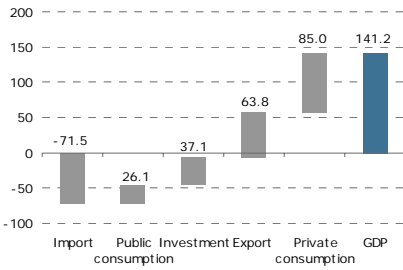
The month of June saw acute political tension over amendments to the state budget: revenue and expenditure guidelines currently in place were based on the government's obviously out-of-date CPI forecast of 9.6% for 2008 (consumer inflation hit 14.6% YTD in May). New macroeconomic projections approved on June 11 bumped this mark up to 15.3%, but that still seems hardly realistic from where we sit. The parliamentary hearing to revise the state budget scheduled for June 17 was postponed over macro forecast disagreements between the Cabinet of Ministers, the National Bank and the Finance Ministry.

On June 25, Prime Minister Yulia Tymoshenko, without disclosing the actual figures, said that the authorities finally reached consensus on the forecasts. She said the Cabinet is due to approve them on June 27 and hand them to the Verkhovna Rada for endorsement next week.

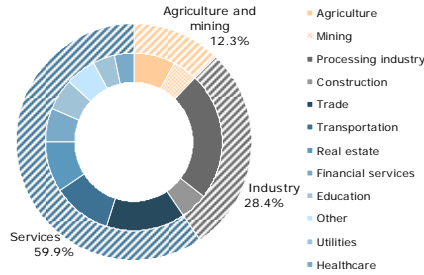
According to the Finance Ministry, the consolidated budget, which encompasses state and local budgets, carried a surplus of 2.0% of GDP in 4M08, typical for this time of the year. On June 10, President Yushchenko, however, noted that nearly a quarter of programs built into the budget (mostly socially-oriented) have not yet commenced, which is also usual this far into the year. We will see the budget slide into negative territory in coming months, and we project the balance to reach -1.0% of GDP in FY2008.

MACRO MONITOR

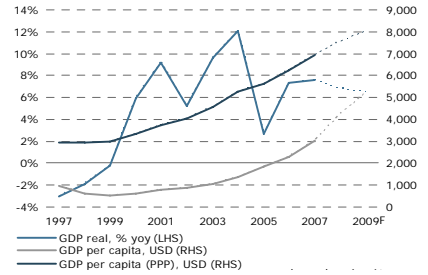
GDP by consumption in 2007, USD bln



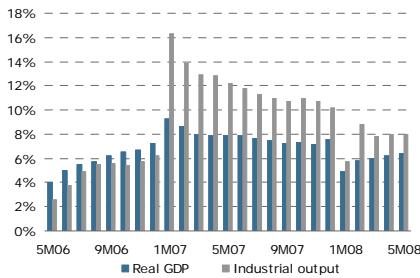
GDP by sector in 2007



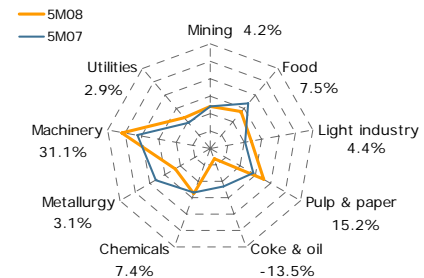
GDP growth and GDP per capita



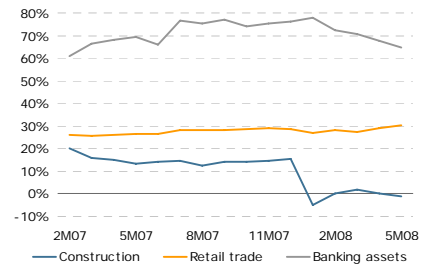
Real GDP & industrial output, % yoy



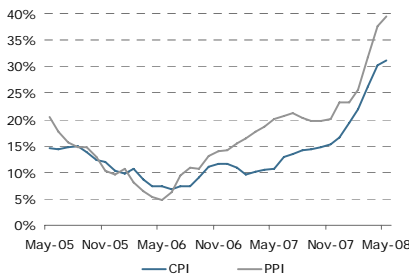
Industrial output by sector, % yoy



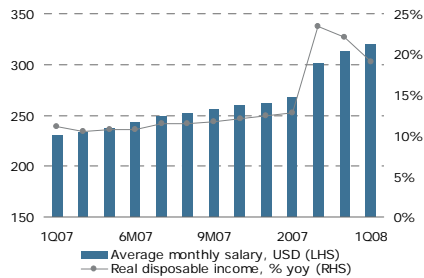
Construction, retail, banking assets, % yoy



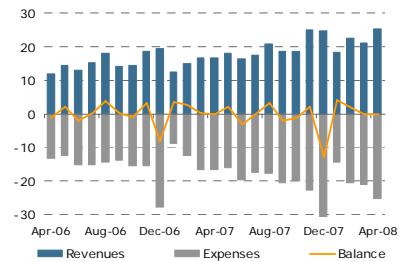
Inflation, % yoy



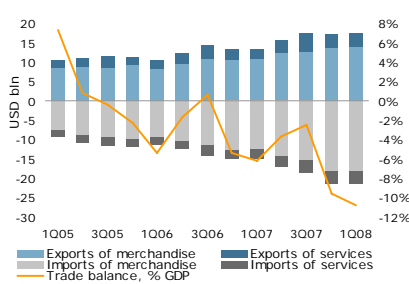
Real disposable income and average salary



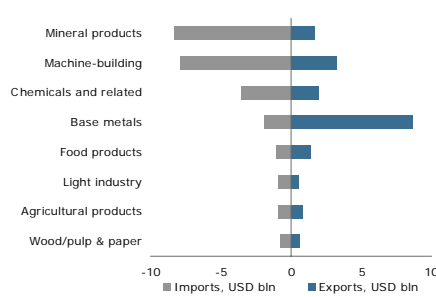
Consolidated budget execution, UAH bln



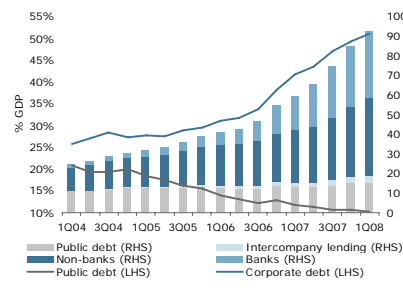
External trade, USD bln



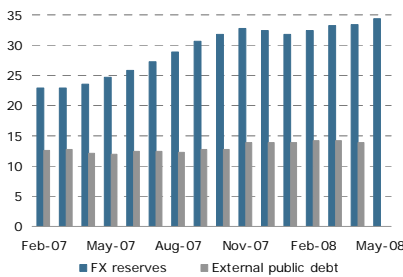
External trade in merchandise, 4M08



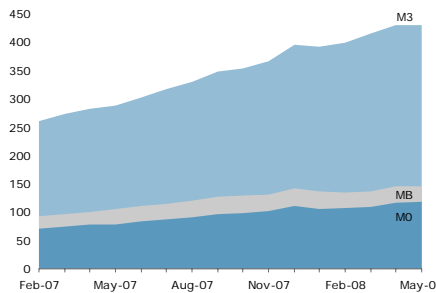
External debt



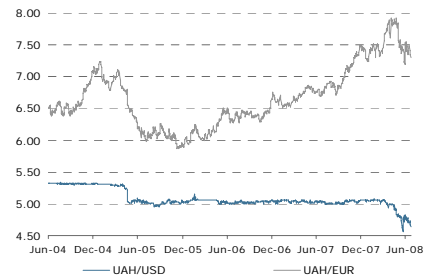
FX reserves & external public debt, USD bln



Money supply structure, UAH bln



Interbank exchange rate



Sources: National Bank of Ukraine, State Statistics Committee, IMF, Bank Austria Creditanstalt, Concorde Capital estimates

Ukrainian macro indicators yearly

	2000	2001	2002	2003	2004	2005	2006	2007	2008E	2009F
Business cycle										
Real GDP, % yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.6	6.8	6.5
Nominal GDP, USD bln	31.3	38.0	42.4	50.1	64.9	86.1	106.5	141.2	194.0	239.3
GDP per capita, USD	632	792	879	1,049	1,371	1,856	2,303	3,044	4,200	5,213
Consumption, % GDP*	56.6	56.9	57.0	56.4	53.6	58.3	59.7	60.1	61.5	62.0
Investment, % GDP	19.7	21.8	20.2	22.0	22.6	22.6	24.3	26.9	28.3	28.6
Industrial output, % yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	8.7	7.5
CPI (eop), % yoy	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	21.0	15.0
PPI (eop), % yoy	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	33.0	18.0
Agriculture, % yoy	n/a	10.2	1.2	-11.0	19.9	-0.1	2.5	-5.6	7.0	7.0
Retail trade, % yoy	6.9	11.8	16.6	20.6	18.9	22.4	26.5	28.8	25.5	25.0
Banking assets, % yoy	25.1	27.4	33.0	57.0	35.0	67.0	59.0	76.0	50.0	45.0
Construction, % yoy	0.4	3.5	-5.8	26.5	17.2	-6.6	9.9	15.8	5.0	10.0
External sector										
FDI net, USD bln	0.6	0.8	0.7	1.4	1.7	7.5	5.7	9.2	10.4	13.5
Current account balance, % GDP	3.5	3.3	7.5	5.8	10.6	2.9	-1.5	-4.2	-4.5	-5.3
Exports, USD bln	23.4	21.1	23.4	29.0	41.3	44.4	50.2	64.0	89.1	108.8
Exports, % yoy	14.4	8.0	10.7	24.0	42.6	7.5	13.2	27.4	39.3	22.0
Imports, USD bln	17.9	20.5	21.5	27.7	36.3	43.7	53.3	71.9	99.2	119.0
Imports, % yoy	17.8	14.1	5.0	28.7	31.3	20.4	22.0	34.8	38.0	20.0
Trade balance, % GDP	5.0	1.6	4.4	2.6	7.7	0.8	-2.9	-5.6	-5.5	-5.8
Debt indicators										
Public debt, USD bln	14.4	12.5	13.8	14.5	16.0	15.5	15.9	17.6	19.5	21.5
Public debt, % of GDP	46.1	33.0	32.5	29.0	24.7	18.0	15.0	12.4	10.1	9.0
Corporate external debt, USD bln	n/a	n/a	n/a	13.0	17.8	26.2	40.7	69.4	96.2	122.5
Corporate external debt, % of GDP	n/a	n/a	n/a	25.9	27.4	30.4	38.3	49.1	49.6	51.2
Gross external debt, USD bln	n/a	n/a	n/a	27.5	33.8	41.6	56.7	87.0	115.7	144.0
Gross external debt, % of GDP	n/a	n/a	n/a	54.9	52.1	48.3	53.2	61.6	59.7	60.2
NBU reserves, USD bln	1.6	3.1	4.4	5.1	9.5	19.4	22.3	32.5	38.7	37.5
Social indicators										
Population, mln (eop)	49.0	48.2	48.0	47.6	47.3	46.9	46.6	46.4	46.1	45.9
Unemployment (ILO), %	11.6	10.9	9.6	9.1	8.6	7.2	6.8	6.4	6.0	6.0
Average monthly salary, USD	42	58	71	87	111	157	206	268	370	527
Real disposable income, % yoy	n/a	10.0	18.0	9.1	19.6	23.9	11.8	12.8	13.5	12.0
Monetary indicators										
Monetary base, USD bln	3.1	4.3	5.8	7.5	10.1	16.4	19.3	28.1	34.4	46.9
Monetization (avg M3/GDP), %	15.7	19.2	24.9	30.3	32.0	36.7	42.3	46.4	46.1	50.2
Money supply (M3), USD bln	5.9	8.6	12.2	17.8	23.7	38.4	51.7	78.4	100.0	141.5
Money supply, % yoy	46.1	41.9	41.8	46.5	32.4	54.3	34.5	51.7	25.0	40.0
Official UAH/USD (eop)	5.44	5.29	5.33	5.33	5.31	5.05	5.05	5.05	4.95	4.90
Official UAH/USD (avg)	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	4.99	4.95
Consolidated budget										
Revenues, USD bln	9.0	10.2	11.6	14.1	17.2	26.2	34.0	43.6	59.8	78.4
Expenses, USD bln	8.8	10.3	11.3	14.1	19.1	27.7	34.7	44.8	61.7	80.0
Balance*, % GDP	0.6	-0.3	0.7	-0.2	-3.2	-1.8	-0.7	-1.1	-1.0	-0.7

* Includes private and government consumption

** Budget balance exceeds the difference between income and expenditures by the amount of net credits

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

Ukrainian macro indicators quarterly

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
Business cycle													
Real GDP, % yoy	5.0	3.5	1.5	1.9	4.1	6.8	6.9	9.5	8.0	7.9	6.4	7.4	n/a
Nominal GDP, USD bln	16.6	19.9	24.3	25.5	20.9	24.6	29.8	31.2	26.4	32.0	39.1	42.1	n/a
GDP per capita, USD	1,447	1,541	1,645	1,843	1,921	2,008	2,130	2,282	2,453	2,647	2,897	3,044	n/a
Industrial output, % yoy	7.2	5.0	3.1	3.1	0.6	3.8	5.6	6.2	12.9	11.8	10.7	10.2	7.8
Mining, % yoy	3.8	-2.1	4.4	7.1	3.4	6.4	8.0	5.8	5.2	2.4	1.3	2.3	4.1
Processing industry, % yoy	7.9	-2.7	-0.2	2.9	-0.8	7.1	9.0	6.3	14.8	12.6	10.0	10.2	8.3
Utilities, % yoy	3.5	-5.2	-1.5	3.3	7.4	3.3	12.2	6.7	-4.1	7.8	4.7	6.4	6.7
CPI, % yoy	14.7	14.4	13.9	10.3	8.6	6.8	9.1	11.6	10.1	13.0	14.4	16.6	26.2
PPI, % yoy	22.0	17.7	14.7	9.6	6.5	6.3	10.7	14.2	17.8	20.6	10.3	23.2	31.7
Agriculture, % yoy	5.0	-7.9	2.5	-9.1	4.0	2.8	-5.2	0.5	4.9	7.1	-9.4	-5.8	0.3
Retail trade, % yoy	-0.7	9.3	-10.6	-10.4	26.2	25.5	24.4	26.5	25.8	26.4	28.2	28.8	27.2
Banking assets, % yoy	40.7	38.1	35.9	59.2	50.5	54.4	56.5	59.1	66.4	72.9	76.9	76.2	70.7
Construction, % yoy	-5.9	9.2	-6.3	-5.3	5.0	7.6	9.2	9.8	16.1	13.2	14.2	18.3	1.7
External sector													
FDI net, USD bln	0.2	0.4	0.4	6.5	1.1	1.4	1.6	1.3	1.5	1.9	3.8	2.1	2.4
Current account balance, % GDP	7.3	0.8	-0.4	-2.3	-5.4	-1.7	0.6	-5.4	-7.9	-2.4	-1.1	-8.2	-9.6
Exports, USD bln	10.4	11.1	11.6	11.3	10.4	12.2	14.3	13.3	13.4	15.8	17.5	17.3	17.5
Exports, % yoy	16.9	5.8	5.6	3.4	-0.1	10.2	23.5	17.8	28.6	29.4	22.4	30.0	31.1
Imports, USD bln	9.2	10.9	11.7	11.9	11.5	12.6	14.2	15.0	15.0	17.0	18.5	21.4	21.6
Imports, % yoy	17.4	25.2	23.6	15.5	25.4	15.7	21.1	25.9	30.1	34.4	30.9	42.6	43.9
Trade balance, % GDP	7.3	0.8	-0.4	-2.3	-5.4	-1.7	0.6	-5.4	-6.2	-3.7	-2.5	-9.6	-10.8
Debt indicators													
Public debt, USD bln	12.7	13.0	13.0	13.5	12.8	12.4	12.3	13.8	13.2	13.4	13.8	15.1	15.5
Public debt, % of GDP	18.5	17.5	16.3	15.6	14.1	13.0	12.2	12.9	11.7	11.2	10.7	10.7	10.3
Corporate external debt, USD bln	19.2	20.3	23.1	25.5	28.3	30.2	34.0	40.7	46.6	51.9	60.5	69.4	77.0
Corporate external debt, % of GDP	27.8	27.4	28.9	29.6	31.2	31.7	33.7	38.3	41.6	43.5	47.0	49.1	51.1
Gross external debt, USD bln	31.9	33.4	36.0	38.9	41.0	42.6	46.2	54.5	59.8	65.3	74.2	84.5	92.5
Gross external debt, % of GDP	46.3	45.0	45.2	45.2	45.2	44.7	45.9	51.2	53.4	54.7	57.7	59.9	61.3
NBU reserves, USD bln	12.0	13.1	14.3	19.4	17.3	17.6	19.1	22.3	23.0	25.9	30.6	32.5	33.2
Social indicators													
Population, mln (eop)	47.2	47.1	47.0	46.9	46.8	46.8	46.7	46.6	46.6	46.5	46.4	46.4	46.3
Unemployment (ILO), %	8.7	7.9	7.0	7.2	7.9	6.8	6.4	6.8	7.4	6.6	6.2	6.4	n/a
Average monthly salary, USD	128	152	167	185	182	201	214	229	230	255	280	306	321
Real disposable income, % yoy	20.3	29.3	11.1	23.5	26.6	17.3	11.0	14.7	9.2	10.6	12.8	12.8	9.3
Monetary indicators													
Monetary base, USD bln	11.4	13.0	14.0	16.4	14.9	15.9	16.8	19.3	19.1	22.0	25.3	28.1	27.0
Monetization (avg M3/GDP), %	30.5	32.4	34.0	36.7	40.0	41.9	44.1	42.3	41.9	44.4	44.8	46.4	44.1
Money supply (M3), USD bln	26.5	30.9	33.9	38.4	38.7	42.4	46.5	51.7	54.0	60.0	69.0	78.4	82.4
Money supply, % yoy	38.5	37.2	31.3	54.3	46.1	37.1	37.3	34.5	39.5	41.5	48.3	51.7	52.8
Official UAH/USD (eop)	5.29	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05
Official UAH/USD (avg)	5.30	5.10	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05
Consolidated budget													
Revenues, USD bln	4.8	6.7	12.2	14.4	6.5	7.8	15.8	18.2	8.7	10.1	19.9	23.6	12.2
Expenses, USD bln	4.2	6.9	10.8	17.2	6.5	8.1	15.0	19.7	7.4	10.4	18.4	26.3	11.1
Balance*, % GDP	0.8	-0.3	1.7	-3.3	0.1	-0.3	0.8	-1.4	1.1	-0.2	1.2	-1.9	n/a

* Budget balance exceeds the difference between income and expenditures by the amount of net credits
 Source: State Statistics Committee, National Bank of Ukraine, Finance Ministry, Concorde Capital estimates

Ukrainian macro indicators monthly

	2007								2008				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Business cycle													
Real GDP, % yoy	7.9	7.9	7.7	7.5	7.3	7.3	7.2	7.6	4.9	5.8	6.0	6.2	6.4
Nominal GDP, USD bln	51.9	57.4	64.2	65.4	73.0	68.6	68.9	82.9	57.7	60.8	71.2	76.8	81.5
GDP per capita, USD	2,570	2,647	2,719	2,798	2,897	2,978	3,050	3,044	3,105	3,181	3,296	3,420	n/a
Industrial output, % yoy	12.2	11.8	11.3	11.0	10.7	11.0	10.7	10.2	5.7	8.8	7.8	8.0	8.0
Mining, % yoy	4.4	3.8	2.8	2.7	2.9	2.9	2.8	2.7	3.8	4.7	4.1	4.0	4.2
Processing industry, % yoy	14.1	13.7	13.0	12.6	12.3	12.7	12.3	11.7	5.4	9.2	8.3	8.7	8.8
Utilities, % yoy	-0.6	0.5	1.1	1.4	1.7	2.4	2.9	3.2	11.3	9.4	6.7	5.4	2.9
CPI (eop), % YTD	1.9	4.2	5.6	6.2	8.6	11.7	14.2	16.6	2.9	5.7	9.7	13.1	14.6
PPI (eop), % YTD	9.8	11.0	12.8	14.4	15.8	18.3	19.5	23.3	2.3	5.4	12.3	19.7	24.2
Agriculture, % yoy	2.4	6.3	5.5	-3.4	-5.1	-5.7	-5.7	-5.6	0.0	0.7	0.2	0.1	0.2
Retail trade, % yoy	26.4	26.4	28.4	28.4	28.2	28.5	28.9	28.8	27.1	28.3	27.2	29.0	30.2
Banking assets, % yoy	69.4	66.2	76.5	75.3	76.9	74.3	75.4	76.1	78.0	72.3	70.6	67.3	64.7
Construction, % yoy	13.7	14.4	14.5	12.7	14.3	14.0	14.7	15.6	-5.0	0.4	1.7	0.0	-1.1
External sector													
Merchandise exports, USD bln	18.9	23.1	27.4	31.5	35.7	40.0	44.4	49.2	3.7	8.3	13.8	19.4	n/a
Merch. exports, % yoy	34.4	33.1	32.2	30.2	27.8	27.7	28.2	28.4	14.0	26.2	28.6	30.9	n/a
Merch. imports, USD bln	22.6	27.3	32.6	37.5	42.3	48.2	54.0	60.7	3.8*	9.5*	16.2*	26.7	n/a
Merch. imports, % yoy	35.7	34.6	36.1	34.8	32.5	34.0	35.4	34.7	1.7*	18.4*	25.3*	50.5	n/a
Merch. trade balance, % GDP	-8.1	-7.3	-7.5	-7.2	-6.9	-7.4	-7.7	-8.1	-0.9*	-4.7*	-6.5*	-14.0	n/a
Debt indicators													
Public debt, USD bln	15.0	15.5	15.7	15.7	16.3	16.4	17.7	17.6	17.5	17.8	17.8	17.6	n/a
Public debt, % of GDP	12.5	12.6	12.5	12.1	12.1	11.8	12.5	13.3	12.2	12.1	11.6	0.0	n/a
NBU reserves, USD bln	24.8	25.9	27.3	28.9	30.6	31.7	32.8	32.5	31.8	32.5	33.2	33.3	34.4
Social indicators													
Population, mln (eop)	46.5	46.5	46.5	46.5	46.4	46.4	46.4	46.4	46.3	46.3	46.3	46.3	n/a
Average monthly salary, USD	253	271	281	277	282	292	294	332	301	323	337	338	352
Real disposable income, % mom	10.8	10.8	11.5	11.5	11.7	12.1	12.5	0.1	23.4	22.1	19.8	17.7	n/a
Monetary indicators													
Monetary base, USD bln	20.8	22.0	22.9	23.9	25.3	25.8	25.8	28.1	27.0	26.6	27.0	28.7	30.1
Monetization (avg M3/GDP), %	43.1	44.4	45.4	43.4	44.8	45.3	44.2	46.4	42.7	43.1	44.1	44.8	n/a
Money supply (M3), USD bln	57.1	60.0	62.8	65.1	69.0	70.1	72.4	78.4	77.5	78.9	82.4	85.1	88.5
Money supply (M3), % mom	2.1	5.1	4.6	3.8	5.9	1.7	3.2	8.4	-1.2	1.8	4.5	3.3	-0.2
Official UAH/USD (eop)	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.85
Official UAH/USD (avg)	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.99
Consolidated budget													
Revenues, USD bln	3.6	3.2	3.4	4.1	3.7	3.7	4.9	4.9	3.6	4.4	4.2	5.0	n/a
Expenses, USD bln	3.2	3.9	3.4	3.5	4.1	3.9	4.5	7.5	2.8	4.1	4.2	5.0	n/a
Balance**, % GDP	0.7	-1.1	0.0	1.0	-0.6	-0.4	0.6	-3.1	15.4	0.6	0.0	-0.1	n/a

* Excluding natural gas imports

** Budget balance exceeds the difference between income and expenditures by the amount of net credits

Source: State Statistics Committee, National Bank of Ukraine, Finance Ministry

International comparison

	Real GDP, % yoy				Consumer prices, % yoy				Current account, % of GDP			
	2005	2006	2007	2008E	2005	2006	2007	2008E	2005	2006	2007	2008E
CIS countries												
Ukraine	2.7	7.3	7.6	6.8	10.3	11.6	16.6	21.0	2.9	-1.5	-4.2	-4.5
Armenia	14.0	13.3	13.8	10.0	-0.2	5.2	6.6	5.0	-3.9	-1.8	-6.5	-6.8
Azerbaijan	24.3	30.6	23.4	18.6	5.5	11.4	19.5	22.0	1.3	17.7	28.8	39.5
Belarus	9.3	10.0	8.2	7.1	7.9	6.6	12.1	10.2	1.6	-4.1	-6.6	-7.4
Georgia	9.6	9.4	12.4	9.0	6.2	8.8	11.0	8.0	-9.8	-15.9	-19.7	-16.6
Kazakhstan	9.7	10.7	8.5	5.0	7.5	8.4	18.8	10.0	-1.8	-2.2	-6.6	-1.7
Kyrgyzstan	-0.2	3.1	8.2	7.0	4.9	5.1	20.1	15.0	3.2	-6.6	-6.5	-8.3
Moldova	7.5	4.0	5.0	7.0	10.1	14.1	13.4	9.0	-10.3	-12.0	-9.7	-10.3
Russia	6.4	6.7	7.0	6.5	10.9	9.0	8.0	7.0	11.1	9.7	5.9	3.3
Tajikistan	6.7	7.0	7.8	4.1	7.1	12.5	19.8	15.0	-2.5	-3.0	-9.5	-8.3
Turkmenistan	9.0	11.1	11.6	9.5	10.4	7.2	10.0	12.0	5.1	15.3	16.8	23.6
Uzbekistan	7.0	7.3	9.5	8.0	12.3	11.4	11.9	12.1	13.6	18.8	23.8	24.6
Baltics												
Estonia	10.2	11.2	7.1	3.0	3.6	5.1	9.6	7.1	-10.0	-15.5	-16.0	-11.2
Latvia	10.6	11.9	10.2	3.6	7.0	6.8	14.1	11.8	-12.6	-22.3	-23.3	-15.0
Lithuania	7.6	7.7	8.8	6.5	3.0	4.5	8.2	7.0	-7.1	-10.8	13.0	10.5
Central Europe												
Czech Republic	6.5	6.4	6.5	4.4	2.1	1.8	5.4	5.5	-1.6	-3.1	-2.5	-3.0
Hungary	4.2	3.9	1.3	1.8	3.3	6.5	7.4	4.7	-6.8	-6.5	-5.6	-5.5
Poland	3.6	6.2	6.5	4.9	0.7	1.4	4.0	3.9	-1.7	-3.2	-3.7	-5.0
Slovak Republic	6.0	8.5	10.4	6.6	3.7	4.2	3.4	3.3	-8.6	-7.1	-5.3	-5.0
Southern Europe												
Bulgaria	6.2	6.3	6.2	5.5	6.5	6.1	11.6	7.2	-12.0	-15.6	-21.4	-21.9
Croatia	4.3	4.8	5.8	4.3	3.6	2.0	5.8	3.8	-6.4	-7.9	-8.5	-9.0
Romania	4.1	7.9	6.0	5.4	8.6	4.9	6.6	6.3	-8.7	-10.4	-13.9	-14.5
Turkey	7.4	6.9	5.0	4.0	7.7	9.7	8.4	6.0	-6.2	-6.1	-5.7	-6.7
BRIC												
Brazil	2.9	3.7	5.4	4.8	5.7	3.1	4.5	4.5	1.6	1.3	0.3	-0.7
Russia	6.4	6.7	7.0	6.5	10.9	9.0	8.0	7.0	11.1	9.7	5.9	3.3
India	9.0	9.7	9.2	7.9	5.3	6.7	5.5	4.6	-1.0	-1.1	-1.8	-3.1
China	10.4	11.1	11.4	9.3	1.4	2.0	6.6	3.9	7.2	9.4	11.1	9.8

Source: State Statistics Committee, Concorde Capital estimates, IMF

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

Head of Equity Sales

Roman Nasirov

rn@concorde.com.ua

Equity Sales

Anastasiya Nazarenko

an@concorde.com.ua

Duff Kovacs, CFA

dk@concorde.com.ua

Marina Martirosyan

mm@concorde.com.ua

Andriy Supranonok

sap@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

RESEARCH

Strategy

Konstantin Fisun

kf@concorde.com.ua

Oleksandr Klymchuk

ok@concorde.com.ua

Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Andriy Gerus

ga@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

**Oil & Gas, Chemicals,
 Pharmaceuticals**

Vladimir Nesterenko

vn@concorde.com.ua

Real Estate/Construction

Andriy Gostik, CFA

ag@concorde.com.ua

Alexander Romanov

ar@concorde.com.ua

Consumer-related

Olha Pankiv

op@concorde.com.ua

Anna Dudchenko

ad@concorde.com.ua

Machinery

Eugene Cherviachenko

ec@concorde.com.ua

Inna Perepelytsya

pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov

av@concorde.com.ua

Macroeconomics

Polina Khomenko

pk@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

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