



CONCORDE CAPITAL

Ukraine / Economics

Macroeconomic Overview

Agriculture to power economic growth in 2008

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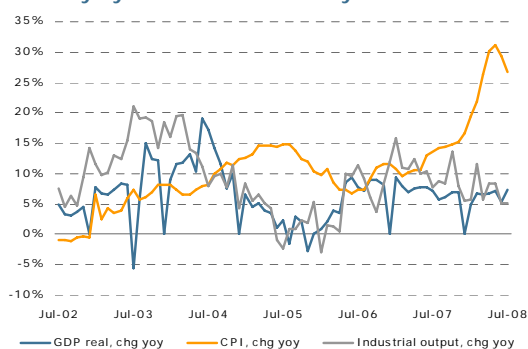
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September 3, 2008

Monthly dynamics of 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	202.4	246.8
Industrial output, % yoy	10.2	7.0	7.5
CPI (eop), % yoy	16.6	21.0	15.0
PPI (eop), % yoy	23.2	40.0	18.0
Retail trade, % yoy	28.8	25.5	25.0
Banking assets, % yoy	76.0	50.0	45.0
Construction, % yoy	15.8	-2.0	5.0
External sector			
Trade balance, % GDP	-5.6	-4.9	-5.8
Current account balance, % GDP	-4.2	-4.3	-5.3
Net FDI, USD bln	9.9	11.4	15.0
NBU reserves, USD bln	32.5	42.0	50.5
External debt, % GDP	59.9	56.8	57.9
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	-0.6

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

Prices for core commodities, as of September 3

	Current	%, YTD	%, yoy
Gas imports, USD/tcm	179.5	0%	38%
Crude oil (URALS), USD/bbl	104.2	13%	65%
Winter wheat, USD/mt, FOB**	261.0	2%	20%
Steel square billet, USD/mt, FOB**	840.0	32%	66%

**Black Sea ports

Source: Gas of Ukraine, Bloomberg, Agriculture Analytical Agency, Metal Courier

- **July recorded the highest real GDP growth since the beginning of the year.** Real GDP grew 7.3% yoy in July (6.5% yoy in 7M08), propelled by a jump in agricultural output of 10.8% yoy in 7M08. The bountiful harvest pushed agriculture to offset slowing industrial growth, which ebbed to 7.3% yoy in 7M08. *For more see page 2...*
- **Growth in fixed capital investments decreased to 8.2% yoy in 1H08.** Rising prices and rigid lending suppressed investment inflows into fixed capital, particularly in the processing sector, which poses concerns of industrial output growth slackening in the mid-term. *For more see page 2...*
- **A bounteous harvest brought Ukraine its first deflationary month since 2006.** In July, the State Statistics Committee reported the first month-on-month deflation (-0.5% mom) since April 2006. A seasonal increase in the supply of food products induced a 1.3% mom fall in food prices. We forecast that inflation will downshift through yearend to 21.0% yoy in December 2008. *For more see page 4...*
- **C/A deficit squeezed to 7.7% of GDP in 7M08 from 9.8% in 1Q08,** egged on by a hike in global steel prices (+87% YTD as of June). Since then, growth in the prices slowed to 32% YTD. On the other hand, grain exports jumped by 12x yoy in July, reflecting a record-high harvest and the abolishment of export quotas. We expect that in the next quarter grain exports will be among the main drivers further narrowing the C/A deficit. *For more see page 6...*
- **The Verkhovna Rada is unlikely to amend the state budget this year,** Minister of Finance Viktor Pynzenyk said in a conference call on August 14. If planned amendments to the budget increasing social expenditures are rejected or not brought up for vote at all, this will deliver inflation from additional upward pressure on the consumption side. *For more see page 7...*

Summary of 2008 forecast revisions

Indicator	New	Previous
Industrial output, chg yoy	7.0%	8.7%
Agriculture output, chg yoy	13.0%	7.0%
Construction, chg yoy	-2.0%	5.0%
PPI (eoy), chg yoy	40.0%	33.0%
Nominal GDP, USD bln	202.4	193.9
NBU reserves (eoy), USD bln	42.0	38.7
C/A balance, % GDP	-4.3%	-4.5%
Trade balance, % GDP	-4.9%	-5.2%

Economic growth

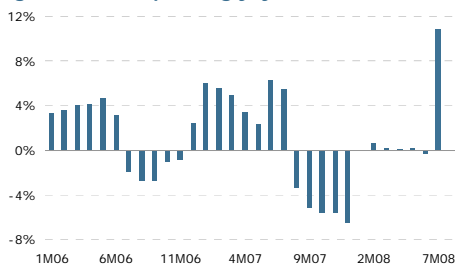
Agriculture pushes GDP upward

GDP growth by sector

	7M08, chg yoy	Contrib.
Agriculture	10.8%	0.7%
Mining and quarrying	5.7%	0.2%
Processing industry	8.4%	1.7%
Utilities	-0.1%	0.0%
Construction	-4.8%	-0.2%
Trade	11.8%	1.5%
Transport and communication	8.4%	0.8%
Education	-0.3%	0.0%
Health, social work	-0.9%	0.0%
Other economic activity	2.3%	0.5%
Net taxes	10.7%	1.3%
GDP	6.5%	6.5%

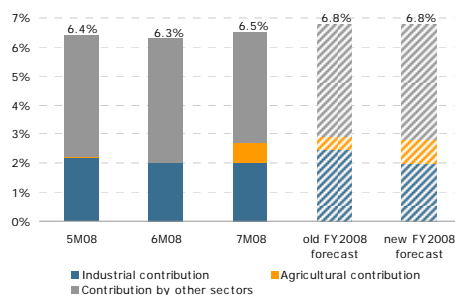
Source: State Statistics Committee, Concorde Capital calculations

Agricultural output, chg yoy



Source: State Statistics Committee

Contribution to real GDP growth by sectors



Source: State Statistics Committee, Concorde Capital calculations

Investment in fixed capital by sector in 1H08

	chg yoy	Share in total
Agriculture	45.3%	6.3%
Industry	4.9%	37.2%
Mining and quarrying	20.3%	8.6%
Processing industry	0.2%	25.3%
Utilities	7.0%	3.3%
Construction, development, realtor services	6.3%	24.0%
Trade	30.9%	9.0%
Hotels & restaurants	34.9%	1.1%
Transport and communication	-4.0%	14.6%
Financial services	5.5%	2.3%
Other economic activity	12.8%	5.5%
Total	8.2%	100.0%

Source: State Statistics Committee, Concorde Capital calculations

On August 15, the State Statistics Committee reported GDP growth of 6.5% yoy in 7M08, after 6.3% yoy in 1H08. The acceleration in GDP stemmed from a surge in agriculture, which vaulted up to 10.8% yoy in 7M08, from -0.3% yoy in 1H08, reflecting the kickoff of the new harvest.

As of September 1, Ukraine harvested 43.2 mln mt of grain, twice more than at the same time last year. The Ukrainian Ministry of Agriculture upgraded its 2008 grain harvest forecast from 43 mln mt to 48.7 mln mt. We dial up our estimate of growth in agricultural output from 7% to 13% yoy in 2008, based on expectations of a record grain harvest.

Industrial output growth ebbed to 7.3% yoy in 7M08, off from 7.5% in 6M08. This reduction is attributable foremost to the decrease in pipe production (-10.4% yoy in 1H08), as demand for long-diameter pipes in Russia dropped 42% yoy in 1H08 due to the absence of large-scale pipeline construction. Output in the metallurgy sector fell for the second month in a row (following -0.3% mom in July and -6.0% mom in June).

A 30% yoy slump in oil supplies in 7M08 was aped by a 12.4% yoy fall in output from the coke & oil refinery industry. We expect the oil refinery and pipe industries to restrain overall industrial output until yearend, with the high statistical base only exacerbating the situation (average monthly industrial growth in 2H07 was 10.8% yoy). We take our full year forecast for industrial production growth down to 7.0% yoy from 8.7% yoy previously.

We stick to our real GDP growth expectation of 6.8% in FY2008, given that the resultant effect of the slowdown in industrial output and onslaught in agricultural growth neutralize each other.

In 1H08 investment growth slowed to 8.2% yoy, according to State Statistics Committee's release of August 15, hindered by high inflation and tight lending conditions. Investments into the agricultural sector grew the most in 1H08 (+45.3% yoy). Its share in total investments swelled to 6.3% (from 4.8% in 1Q08).

A plunge in growth in investments into the industrial sector (to 4.9% yoy in 1H08, down from 35.3% in 1H07) is one mid-term factor that will depress overall industrial growth. In 1H08, the share of industrial sector investments in the total for Ukraine shifted down to 37.2% (versus 39.5% in 1Q08).

Tough lending conditions provoked construction activity to slump (-2.1% yoy in 7M08). We downgrade our forecast of construction output from 5% yoy growth to a 2% yoy decline in 2008.

On August 26, Standard & Poor's upgraded its forecast of Ukraine's real GDP growth by 1.1 pp to 6.5% yoy in 2008. This pulled S&P's estimate up closer to ours (6.8% yoy), which has remained unchanged since 2007. It is not the first time S&P is improved its yearend forecast after the midyear mark. In August 2006, S&P reviewed its real GDP forecast for Ukraine from 3.0% previously (estimated in April 2006) to 5.6% for FY2006.

Meanwhile, the rating agency remains quite glum in its estimations of Ukrainian economic growth in upcoming years and projects real GDP growth to abate to 2.5% yoy in 2009. S&P harped on the government's antiinflationary measures and projects inflation to reach 21% yoy in 2009, which would bring about a slowdown in real income growth. We, on the contrary, do not expect consumer prices to rise beyond 15% yoy in 2009 and estimate real GDP growth at 6.5% yoy in 2009.

Prices

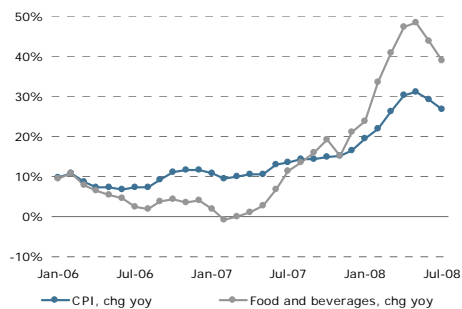
First deflation in two years

Key inflation indicators, July 2008

	chg yoy	chg YTD	chg mom
CPI	26.8%	14.9%	-0.5%
PPI	46.3%	34.1%	3.6%
GDP deflator	34.3%	n/a	n/a

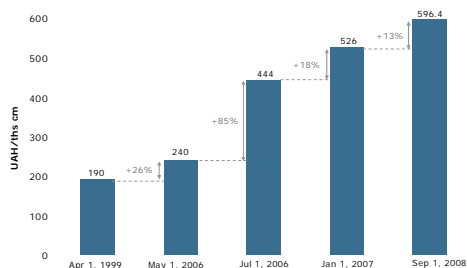
Source: State Statistics Committee

CPI growth is pulled down by food prices



Source: State Statistics Committee

Historical natural gas price increases for households*



* Complex use (incl. heating) for households without gas meters

Source: NERC

In July, consumer prices recorded their first month-on-month deflation since April 2006. Food and beverages, which hold 53.1% of the CPI basket, shed 1.3% mom and dragged the overall index down with it. Prices for other goods and services grew slightly.

Although the deflation is mostly attributable to seasonal factors, such as the bountiful supply of greens, we bet that CPI inflation will keep tapering off through yearend in yoy terms to a mark of 21% yoy in 2008. The degree to which CPI is held back will be determined by stabilizing food prices, a high comparison base and, to some extent, the government's price-control policy.

To combat inflation Ukraine have purchased meat and poultry from abroad for the government reserve since March, with the aim of intervening on the market at low prices. As of July, some 50 ths mt of products have already been sold below the market price (total annual demand for meat and poultry for 2008 is estimated at 2.06 mln mt, according to the Union of Poultry Farmers). Minister of Economy Bohdan Danylyshin noted that "the government will do anything to make prices fall" and to meet the yearend target of inflation at 15.9%. In our view, this target is unrealistic.

On August 20, the Ministry of Justice registered a decision by the National Electricity Regulatory Commission that approved new selling prices for natural gas to households. According to this decree, starting from September 1, prices went up 13.0-14.1%. Given that natural gas currently occupies 2.2% of the CPI basket, this increase will contribute nearly 0.3% to monthly inflation in September.

Unlike CPI, the escalation in PPI continued in July, up to 46.3% yoy. In our view, the rise in producer prices will reverse in coming months amid the correction of global oil and steel prices – the major drivers of producer inflation. Commodity prices have already fallen substantially from their peaks: steel is currently 29.1% down from its record high of 1185 USD/mt (Steel square billets, FOB, Black sea) in mid-June, while crude decreased 26.0% from its peak of 140.8 USD/bbl (URALS) from July 3.

On the other hand, coking coal prices are currently at all-time highs. Coke producer's prices leapt up more than 20% mom in July and delivered almost 1.0% of PPI's 3.6% total mom growth. However, we expect that coke prices will track steel prices south, based on global supply & demand fundamentals.

Despite our belief that producer price growth will slacken in the next few months, the annual growth they have reached so far demonstrates that our previous yearend forecast of 33.0% is unachievable. We revise our PPI forecast to 40.0% for 2008 and reiterate our estimate for 2009 at 18.0%.

On the basis of higher PPI estimations, we change our forecast of 2008 GDP deflator from 25.5% to 31.0%. Correspondingly, our nominal GDP forecast for 2008 changes from USD 193.9 bln to USD 202.4 bln.

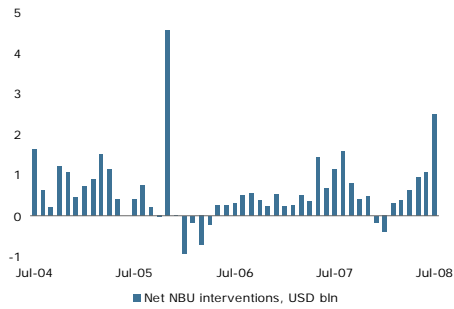
Monetary policy

NBU's sterilizing actions butted interest rates up

According to preliminary data on the balance of payments in 7M08 published by the NBU, in July alone businesses attracted USD 2 bln in net long-term debt from abroad. This unexpectedly high currency inflow to Ukraine prompted the NBU to actively intervene on the FX market. The NBU bought out currency in the amount of USD 2.5 bln in July, a record since November 2005, when Kryvoryzhstal was privatized.

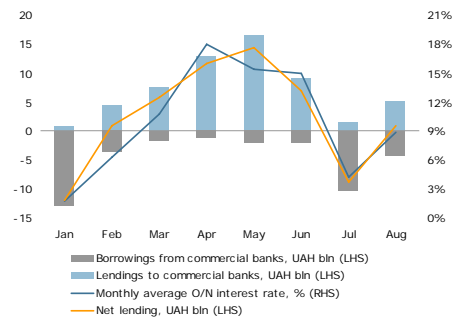
As a result of plentiful borrowings, the average monthly interbank O/N interest rate slumped to 4.2% in July – the lowest level since January 2008. The National Bank keenly absorbed excessive liquidity formed by commercial banks with CD placements; in July it sold CDs worth UAH 10.3 bln (one third of the total amount sold over 7M08). In August, excessive cash evaporated and O/N interest rates increased to a monthly average of 8.9%.

NBU interventions at record high since Nov-05



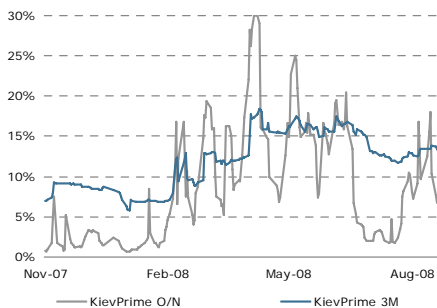
Source: National Bank of Ukraine

Liquidity regulation by the NBU in 2008



Source: National Bank of Ukraine

Overnight rates, flat in July, increased in August after the NBU's sterilizing measures



Source: Bloomberg

Monetary aggregates

	chg mom		chg YTD	
	Jul-08	Jul-07	Jul-08	Jul-07
MO	5.0%	4.4%	17.8%	16.9%
MB	6.1%	4.1%	15.3%	18.9%
M3	3.8%	4.6%	18.0%	21.4%

Source: National Bank of Ukraine

Currency exchange

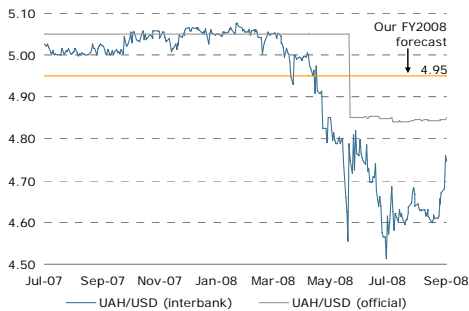
UAH/USD 2008 yearend forecast retained at 4.95

Exchange rates, as of August 28

		chg YTD	chg mom
UAH/USD (official)	4.85	-4.0%	0.1%
UAH/USD (interbank)	4.75	-5.9%	2.3%
UAH/EUR (interbank)	6.86	-6.8%	-5.0%

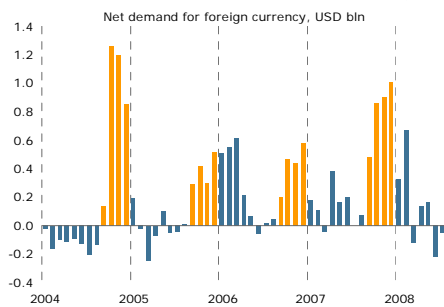
Source: Bloomberg, National Bank of Ukraine

UAH/USD exchange rates



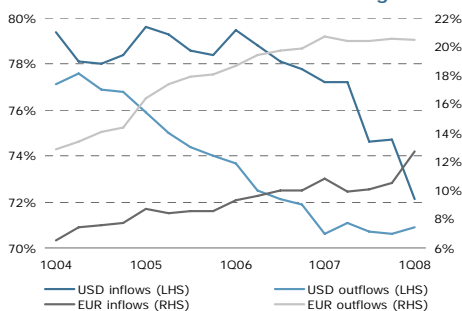
Source: Bloomberg, National Bank of Ukraine, Concorde Capital estimates

Demand for foreign currency prevails over demand for UAH in last four months of a year



Source: National Bank of Ukraine

Shares of currencies in Ukraine's foreign trade



Source: National Bank of Ukraine

It has been more than a quarter since the central bank lowered the official UAH/USD exchange rate from 5.05 to 4.85. During this period, the NBU has let the rate fluctuate on a daily basis, though within a very narrow range (4.8400-4.8543).

We retain our forecast of the official UAH/USD at yearend at 4.95, based on seasonal demand for the greenback in September-December on the cash market (29.3% of total official FX market in 2007 by trading volume).

Measuring net demand for foreign currency on the cash market as the amount of currency sold to the population less currency bought from the population, 84.6% of demand historically falls in last four months of the year. Over 2004-2007, average net demand during each four-month period was USD 2.5 bln, while average annual trading volume stood at USD 35.4 bln. *Ceteris paribus*, the seasonal change in demand could increase the exchange rate by up to 7.0%. This year, net demand can be higher, given its trend to increase every year and the high level of inflation.

Our forecast of UAH/USD at 4.95 is exposed to the risk that the NBU intervenes to keep the exchange rate stable or move it to a desired level. The central bank is sufficiently armed against the seasonal supply-demand shift, given the NBU's high FX reserves (USD 37.9 bln, as of July 31).

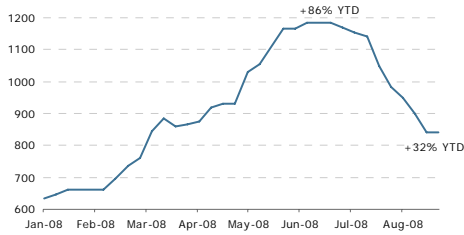
In July, the National Bank executed its first-ever intervention in a currency other than the U.S. dollar – on July 22, the NBU bought out EUR 260 mln interbank with the aim of supporting the UAH/EUR rate. On July 29, the central bank followed with a British pound purchase. In August it continued with more EUR and GBP interventions and now it seems that the bank will do so on a regular basis. The bank bought Euros and pounds before, but they were conducted OTC and therefore not announced.

It is not clear now whether EUR and GBP interventions are signs that the National Bank wants to prepare to peg the UAH to a multi-currency basket or is acting to diversify FX reserves. However, given that the share of foreign trade transactions in the dollar is decreasing, it may be high time to move to multi-currency pegging, although the NBU has not yet announced such plans.

External activity

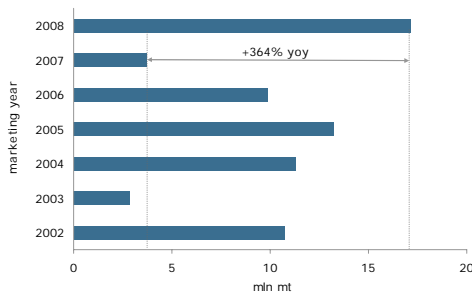
Grain exporters pick up the baton from steel producers

Steel square billet, \$/mt, FOB, Black sea



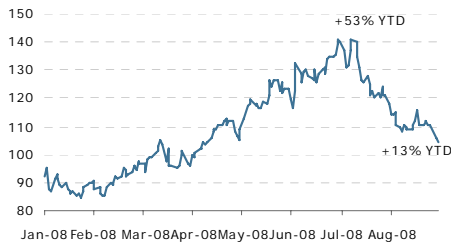
Source: Metalcourier

Ukrainian grain exports, mln mt



Source: UkrAgroConsult

Oil prices (URALS), USD/bbl



Source: Bloomberg

On August 29, the National Bank of Ukraine released preliminary data on the balance of payments for 7M08. As we forecasted, the current account deficit began to narrow (7.2% of GDP in 7M08 versus 9.8% in 1Q08). The merchandise trade shortfall totaled USD 10.0 bln in 7M08 (9.1% of GDP), and the services trade balance grew 13.6% yoy to USD 1.4 bln.

In July, the annual growth rate on nominal merchandise exports touched a new historical high of 79% yoy, outpacing import growth by nearly 15 pp. This positive trend in Ukraine's external trade of goods is attributable mostly to the jump in steel prices in February–July (steel square billets, FOB, Black sea: +73% YTD as of July, 31), and the start of grain exports.

Ukraine shipped away 1.76 mln mt of grain in July 2008 (versus only 142 ths mt in July 2007) and 1.5 mln mt through August. Given the ability of Ukrainian ports to traffic up to 3 mln mt of grain per month, Ukraine can fully realize its grain export potential (estimated by Minister of Agricultural Policy Yuriy Melnik at 22.6 mln mt) this marketing year*. We expect that next quarter Ukrainian grain will strong arm merchandise export growth, negating the effect of tumbling steel prices.

The global oil price correction will have a braking effect on merchandise import of goods in coming months. We expect the merchandise trade deficit to squeeze to 6.9% of GDP by yearend and reach USD 14 bln in 2008.

According to the NBU, net FDI inflow climbed 32.1% yoy in 7M08 and totaled USD 6.9 bln, in line with our yearend projection of USD 10.4 bln. Healthy FDI inflows and long-term debt attraction by the corporate sector (USD 8.9 bln through 7M08) in 7M08 formed a positive financial account balance of USD 12.6 bln, which covered the current account deficit and allowed for the NBU to further pad its reserves.

After unexpectedly high NBU interventions on the FX market in July (see page 4), reserves jumped USD 2.5 bln on the month, to USD 37.9 bln as of July, 31. We upgrade our forecast of NBU FX reserves by USD 1.3 bln to USD 42 bln by yearend.

* July 1 to June 31

Budget

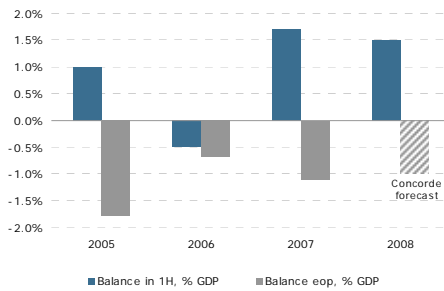
Rada amends budget to compensate for flood damage

Consolidated budget execution, 1H08

	USD bln	chg yoy	% GDP
Incomes	136.5	43.8%	31.8%
Expenditures	129.9	44.4%	30.3%
Balance	6.6	n/a	1.5%

Source: Ministry of Finance

Surplus in 1H does not mean surplus in a full year



Source: Ministry of Finance, Concorde Capital estimates

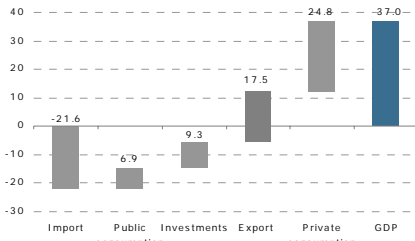
In an emergency session on July 31, the Verkhovna Rada passed a law amending the 2008 state budget to allocate UAH 5.0 bln (USD 1.2 bln) to compensate for flood damage in Western Ukraine (+2.5% to budget expenditures). Budget revenues were upgraded by UAH 5.8 bln, on additional tax income derived from inflation-boosted corporate profits. We do not see these amendments having any visible macroeconomic impact. They are also unlikely to influence inflation, as additional expenses are specified precisely.

During a conference call on August 14, Minister of Finance Viktor Pynzenyk expressed the view that *the Verkhovna Rada is unlikely to vote for any amendments to the state budget through yearend*. Only minor changes are possible, he said. This means that amendments concerning upgrading social payments and transfers that parliament was about to approve in July are unlikely to be passed at all.

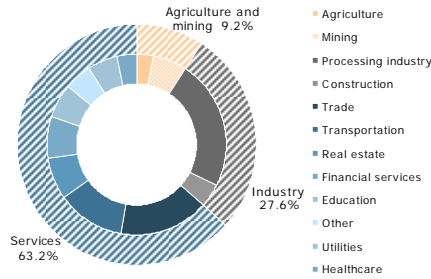
As we noted in our report on July 24, *if the budget is left unamended, it would play an antiinflationary role*. The Minister also noted that the budget will possibly be balanced in 2008, as the surplus stands at 1.5% of GDP in 1H08. We, however, so far, reiterate our forecast of a deficit of 1.0% of GDP, as the balance tends to decrease by yearend, with the majority of budget disbursements scheduled for the last months of the year.

MACRO MONITOR

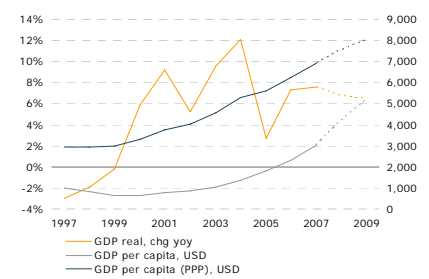
GDP by consumption in 1Q08, USD bln



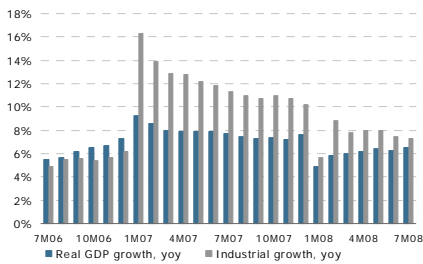
GDP by sector in 1Q08



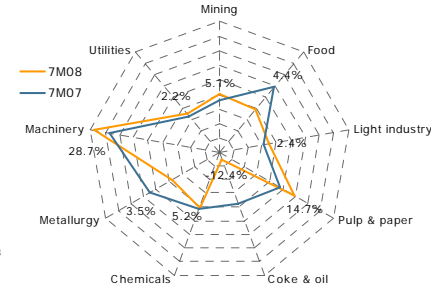
GDP growth and GDP per capita



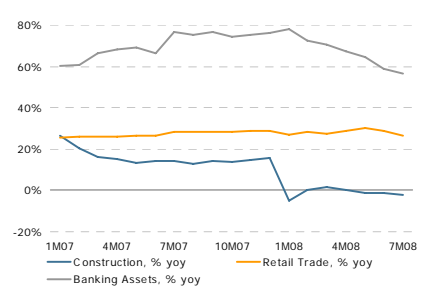
Real GDP & industrial output, % yoy



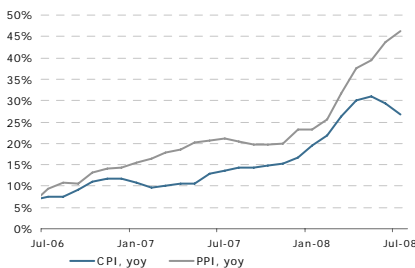
Industrial output growth by sector, % yoy



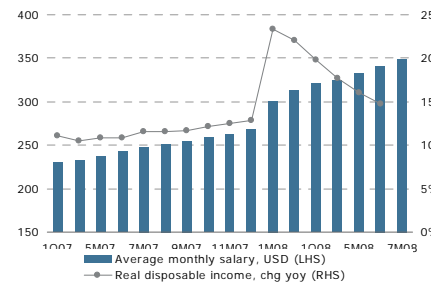
Construction, retail, banking assets, % yoy



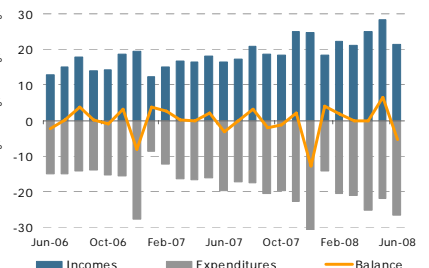
Inflation, % yoy



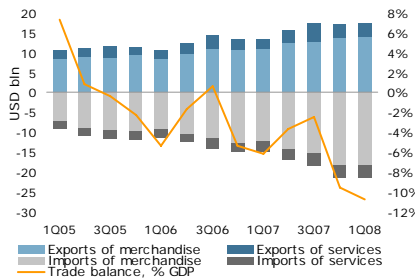
Real disposable income and average salary



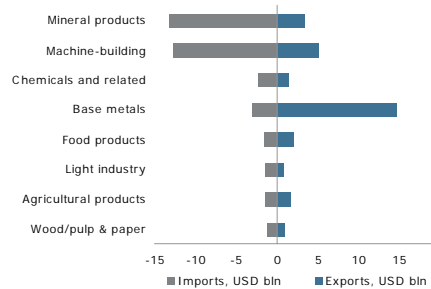
Consolidated budget execution, UAH bln



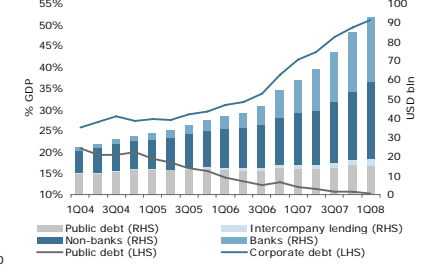
External trade, USD bln



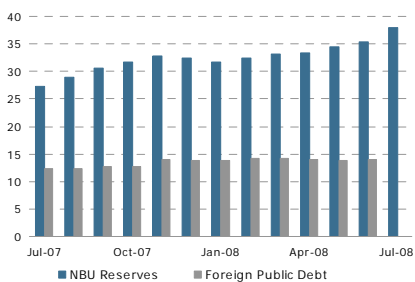
External trade in merchandise, 6M08



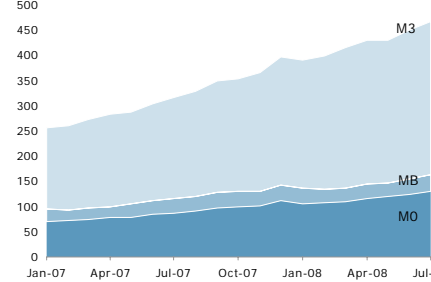
External debt



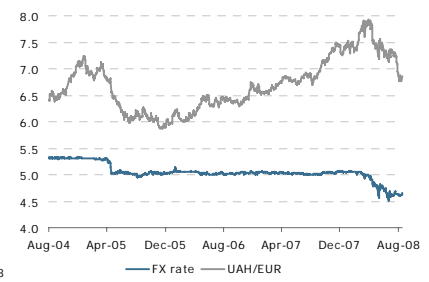
FX reserves & external public debt, USD bln



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	65.0	86.1	106.5	141.2	202.4	246.8
GDP per capita, USD	632	781	880	1,048	1,371	1,829	2,303	3,044	4,389	5,377
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	7.0	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	40.0	18.0
Agriculture, % yoy	n/a	10.2	1.2	-11.0	19.9	-0.1	2.5	-5.6	13.0	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	-2.0	5.0
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	-4.3	-5.3
Trade balance, % GDP	5.0	1.6	4.4	2.6	7.7	0.8	-2.9	-5.6	-4.9	-5.8
Exports, USD bln	23.4	21.1	23.4	29.0	41.3	44.4	50.2	64.0	89.1	112.3
Exports, % yoy	14.4	8.0	10.7	24.0	42.6	7.5	13.2	27.4	39.3	26.0
Imports, USD bln	17.9	20.5	21.5	27.7	36.3	43.7	53.3	71.9	99.2	126.5
Imports, % yoy	17.8	14.1	5.0	28.7	31.3	20.4	22.0	34.8	38.0	27.6
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	9.6	8.7
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	27.3	30.4	38.3	49.1	47.5	49.6
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	52.0	48.3	53.2	61.6	57.2	58.4
NBU reserves, USD bln	1.6	3.1	4.4	5.1	9.5	19.4	22.3	32.5	42.0	47.8
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	377	530
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	44.7	48.6
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	4.93	4.95
Consolidated budget										
Revenues, USD bln	9.0	10.2	11.6	14.1	17.2	26.2	34.0	43.6	60.4	78.4
Expenses, USD bln	8.8	10.3	11.3	14.1	19.1	27.7	34.7	44.8	62.4	80.0
Balance*, % GDP	0.6	-0.3	0.7	-0.2	-3.2	-1.8	-0.7	-1.1	-1.0	-0.6

* 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	2Q08
Business cycle														
Real GDP, % yoy	5.0	3.5	1.5	1.9	4.3	7.2	7.3	9.6	8.9	8.6	6.2	7.4	6.5	n/a
Nominal GDP, USD bln	88.1	101.7	122.9	128.8	105.4	124.1	150.4	157.7	133.1	161.4	197.4	212.8	186.6	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	3,296	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	7.5
Mining, % 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	4.1	4.7
Processing industry, % 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	8.3	8.3
Utilities, % 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	6.7	2.3
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	29.3
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	43.7
Agriculture, % yoy	5.0	6.9	3.7	0.0	4.0	3.2	-2.7	0.5	4.9	6.3	-4.8	-5.1	0.3	n/a
Retail trade, % yoy	-5.9	9.2	-6.3	-5.3	26.2	25.5	24.4	26.5	25.8	26.4	28.2	28.8	27.2	28.8
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	58.8
Construction, % yoy	-5.9	-7.8	-7.2	-6.6	5.0	6.5	7.6	9.8	16.1	14.4	14.3	15.6	1.7	n/a
External sector														
FDI net, USD bln	0.2	0.4	0.4	6.5	1.2	1.5	1.7	1.4	1.7	1.9	3.9	1.6	2.4	n/a
Current account balance, % GDP	9.6	1.7	0.7	-0.1	-3.7	0.0	0.7	-1.3	-4.6	-1.3	-0.5	-2.4	-9.8	n/a
Trade balance, % GDP	7.3	0.4	-0.2	-0.7	-5.4	-0.9	0.2	-1.6	-6.2	-2.0	-1.0	-2.9	-11.0	n/a
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	n/a
Exports, % yoy	15.9	4.8	4.6	2.4	-1.1	9.2	22.5	16.8	27.6	28.4	21.4	29.0	30.1	n/a
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	n/a
Imports, % yoy	16.4	24.2	22.6	14.5	24.4	14.7	20.1	24.9	29.1	33.4	29.9	41.6	42.9	n/a
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	n/a
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	n/a
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	n/a
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	51.3	n/a
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	n/a
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	61.6	n/a
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	35.4
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	46.2
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	7.1	n/a
Average monthly salary, USD	128	152	167	185	182	201	214	229	230	255	280	306	321	362
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	19.8	14.7
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	31.1
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	45.9
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	90.8
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	51.3
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	4.85
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	4.96
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	15.3
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	15.1
Balance*, % GDP	0.4	-0.1	0.4	-0.6	0.0	-0.1	0.2	-0.3	0.2	0.0	0.2	-0.4	0.1	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						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Business cycle													
Real GDP, % yoy	7.7	7.5	7.3	7.3	7.2	7.6	4.9	5.8	6.0	6.2	6.4	6.3	6.5
Nominal GDP, USD bln	12.7	12.9	14.5	13.6	13.6	16.4	11.4	12.0	14.1	15.2	16.3	16.8	20.8
GDP per capita, USD	2,714	2,792	2,891	2,971	3,042	3,035	3,104	3,179	3,293	3,415	3,588	3,795	n/a
Industrial output, % yoy	7.8	8.7	8.4	13.7	7.9	5.5	5.7	11.5	5.8	8.3	8.3	5.2	5.1
Mining, % yoy	-2.3	2.0	4.0	2.9	2.0	1.7	3.8	5.7	2.6	3.9	4.7	6.9	7.5
Processing industry, % yoy	9.5	10.0	9.3	15.4	8.7	5.9	5.4	12.5	6.5	9.2	9.5	5.5	5.0
Utilities, % yoy	4.7	3.1	4.8	8.2	6.9	5.4	11.3	6.9	0.8	0.9	-5.3	-1.0	2.0
CPI (eop), % YTD	5.6	6.2	8.6	11.7	14.2	16.6	2.9	5.7	9.7	13.1	14.6	15.5	14.9
PPI (eop), % YTD	12.8	14.4	15.8	18.3	19.5	23.3	2.3	5.4	12.3	19.7	24.2	29.4	34.1
Agriculture, % yoy	5.4	-3.1	-4.8	-5.4	-5.4	-5.1	0.1	0.8	0.3	0.3	0.4	-0.1	10.6
Retail trade, % yoy	28.4	28.4	28.2	28.5	28.9	28.8	27.1	28.3	27.2	29.0	30.2	28.8	26.6
Banking assets, % yoy	76.5	75.3	76.9	74.3	75.4	76.1	78.0	72.3	70.6	67.5	64.7	65.7	66.7
Construction, % yoy	14.5	12.7	14.3	14.0	14.7	15.6	-5.0	0.4	1.7	0.0	-1.1	-1.2	-2.1
External sector													
Merchandise exports, USD bln	27.4	31.5	35.7	40.0	44.4	49.2	3.7	8.3	13.8	19.4	25.6	32.5	n/a
Merch. exports, % yoy	32.2	30.2	27.8	27.7	28.2	28.4	14.2	26.1	28.6	30.9	35.9	40.7	n/a
Merch. imports, USD bln	32.6	37.5	42.3	48.2	54.0	60.7	4.6	11.1	18.8	26.7	34.5	42.4	n/a
Merch. imports, % yoy	36.1	34.8	32.5	34.0	35.4	34.7	25.0	38.7	45.2	50.5	52.3	55.3	n/a
Merch. trade balance, % GDP	-7.5	-7.2	-6.9	-7.4	-7.7	-8.1	-8.4	-11.7	-13.3	-14.0	-12.6	-11.1	n/a
Debt indicators													
Public debt, USD bln	15.7	15.7	16.3	16.4	17.7	17.6	17.5	17.8	17.8	17.6	17.7	17.7	17.6
Public debt, % of GDP	12.5	12.1	12.1	11.8	12.5	12.4	12.2	12.1	11.6	11.1	10.6	10.1	9.6
NBU reserves, USD bln	27.3	28.9	30.6	31.7	32.8	32.5	31.8	32.5	33.2	33.3	34.4	35.4	37.9
Social indicators													
Population, mln (eop)	46.5	46.5	46.4	46.4	46.4	46.4	46.3	46.3	46.3	46.3	46.2	46.2	n/a
Average monthly salary, USD	281	277	282	292	294	332	301	323	337	344	356	388	399
Real disposable income, % mom	11.5	11.5	11.7	12.1	12.5	12.8	23.4	22.1	19.8	17.7	16.0	14.7	n/a
Monetary indicators													
Monetary base, USD bln	22.9	23.9	25.3	25.8	25.8	28.1	27.0	26.6	27.0	28.7	30.1	31.8	33.8
Monetization (avg M3/GDP), %	45.4	43.4	44.8	45.3	44.2	46.4	42.7	43.1	44.1	44.8	44.8	44.1	45.0
Money supply (M3), USD bln	62.8	65.1	69.0	70.1	72.4	78.4	77.5	78.9	82.4	85.1	88.6	92.9	96.5
Money supply (M3), % mom	4.6	3.8	5.9	1.7	3.2	8.4	-1.2	1.8	4.5	3.3	-0.1	4.9	3.8
Official UAH/USD (eop)	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.85	4.85	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	4.99	4.85	4.84
Consolidated budget													
Revenues, USD bln	22.2	26.4	30.0	33.7	38.6	43.6	3.6	8.0	12.2	17.2	23.1	28.1	n/a
Expenses, USD bln	21.2	24.7	28.8	32.8	37.3	44.8	2.8	6.9	11.1	16.1	21.3	26.8	n/a
Balance*, % GDP	1.4	2.0	1.3	0.9	1.1	-0.9	6.8	4.9	3.0	2.0	2.6	1.5	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			
	2006	2007	2008E	2009E	2006	2007	2008E	2009E	2006	2007	2008E	2009E
CIS countries												
Ukraine	7.3	7.6	5.6	4.2	9.0	12.8	21.9	15.7	-1.5	-4.2	-7.6	-9.7
Armenia	13.3	13.8	10.0	8.0	2.9	4.4	6.8	4.5	-1.8	-6.5	-6.8	-5.0
Azerbaijan	30.6	23.4	18.6	15.6	8.4	16.6	19.6	20.5	17.7	28.8	39.5	39.2
Belarus	10.0	8.2	7.1	6.8	7.0	8.4	11.2	8.8	-4.1	-6.6	-7.5	-7.7
Georgia	9.4	12.4	9.0	9.0	9.2	9.2	9.6	6.4	-15.9	-19.7	-16.6	-13.2
Kazakhstan	10.7	8.5	5.0	7.0	8.6	10.8	17.1	8.3	-2.2	-6.6	-1.7	-1.0
Kyrgyzstan	3.1	8.2	7.0	6.5	5.6	10.2	18.8	10.2	-6.6	-6.5	-8.3	-7.4
Moldova	4.0	5.0	7.0	8.0	12.7	12.6	11.4	7.9	-12.0	-9.7	-10.3	-10.7
Russia	7.4	8.1	6.8	6.3	9.7	9.0	11.4	8.4	9.5	5.9	5.8	2.9
Tajikistan	7.0	7.8	4.1	7.0	10.0	13.2	18.5	10.5	-3.0	-9.5	-8.3	-7.1
Turkmenistan	11.1	11.6	9.5	10.0	8.2	6.4	12.0	12.0	15.3	16.8	23.6	28.1
Uzbekistan	7.3	9.5	8.0	7.5	14.2	12.3	11.8	10.9	18.8	23.8	24.6	20.8
Baltics												
Estonia	11.2	7.1	3.0	3.7	4.4	6.6	9.8	4.7	-15.5	-16.0	-11.2	-11.2
Latvia	11.9	10.2	3.6	0.5	6.5	10.1	15.3	9.2	-22.3	-23.3	-15.0	-10.5
Lithuania	7.7	8.8	6.5	5.5	3.8	5.8	8.3	6.1	-10.8	13.0	-10.5	-8.8
Central Europe												
Czech Republic	6.4	6.5	4.2	4.7	2.5	2.8	6.0	3.5	-3.1	-2.5	-3.0	-2.8
Hungary	3.9	1.3	1.8	2.5	3.9	7.9	5.9	3.5	-6.5	-5.6	-5.5	-5.1
Poland	6.2	6.5	4.9	4.5	1.0	2.5	4.1	3.8	-3.2	-3.7	-5.0	-5.7
Slovak Republic	8.5	10.4	6.6	5.6	4.4	2.8	3.6	3.8	-7.1	-5.3	-5.0	-4.7
Southern Europe												
Bulgaria	6.3	6.2	5.5	4.8	7.4	7.6	9.7	6.0	-15.6	-21.4	-21.9	-18.9
Croatia	4.8	5.8	4.3	4.0	3.2	2.9	5.5	3.5	-7.9	-8.5	-9.0	-8.7
Romania	7.9	6.0	5.4	4.7	6.6	4.8	7.0	5.1	-10.4	-13.9	-14.5	-13.0
Turkey	6.9	5.0	4.0	4.3	9.6	8.8	7.5	4.5	-6.1	-5.7	-6.7	-6.3
BRIC												
Brazil	3.7	5.4	4.8	3.7	4.2	3.6	4.8	4.3	1.3	0.3	-0.7	-0.9
Russia	7.4	8.1	6.8	6.3	9.7	9.0	11.4	8.4	9.5	5.9	5.8	2.9
India	9.7	9.2	7.9	8.0	6.2	6.4	5.2	4.0	-1.1	-1.8	-3.1	-3.4
China	11.1	11.4	9.3	9.5	1.5	4.8	5.9	3.6	9.4	11.1	9.8	10.0

Source: State Statistics Committee, Concorde Capital estimates for Ukraine, IMF (as of April 2008)

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