

Braced to weather global turbulence

Macroeconomic update

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Sovereign CDS, USD 5Y



Source: Bloomberg

Key macroeconomic indicators

	2009	2010E	2011F
Business cycle			
Real GDP, chg yoy	-15.1	4.0	4.9
Nominal GDP, USD bln	117.4	133.7	152.8
Industrial output, chg yoy	-21.9	6.8	7.7
CPI (eop), chg yoy	12.3	10.0	8.0
Public finance			
Consolidated budget deficit*, USD bln	-8.3	-8.9	-6.6
Consolidated budget deficit, % GDP	-7.3	-6.6	-4.9
Public debt, USD bln	39.7	54.8	65.4
Public debt, % of GDP	33.0	43.1	44.4
External sector			
NBU reserves (eop), USD bln	26.5	35.1	41.5
Current account balance, % GDP	-1.6	0.8	0.3
Capital account balance, % GDP	-10.2	2.6	3.9
External debt, % of GDP	88.0	85.9	81.7

Exchange rate

	2009	2010E	2011F
Interbank UAH/USD (avg)	8.11	7.90	7.90

*Incl. Naftogaz, excl. Banks recapitalization

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

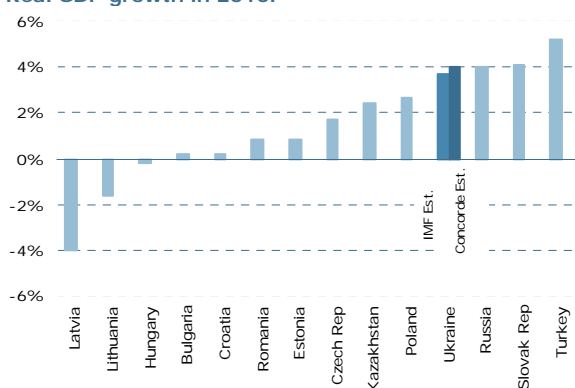
Prices for core commodities, as of July 15

	Current	chg YTD	chg yoy
Gas imports, USD/tcm	236.00	13%	-13%
Crude oil (URALS), USD/mt	74.33	-3%	17%
Milling wheat 3rd gr, USD/mt, FOB*	159.00	9%	1%
Steel square billet, USD/mt, FOB*	465.00	12%	18%

* Black Sea ports

Source: Gas of Ukraine, Bloomberg

Real GDP growth in 2010F



Source: IMF, Concorde Capital

Although the risk exists that the global economic recovery could lose steam, Ukraine should be more resilient due to an improving political & economic environment. However, falling steel export prices (-27% in May-June) could still threaten the local recovery. Domestically, the primary risks stem from the high fiscal deficit (6.5%-7% of GDP in 2010) and potential financing challenges.

Macro overview: so far so good

European market jitters have had limited impact on Ukraine; 7Y sovereign Eurobond yields have widened by only 100 bps to 8% since end-April, and the USD/UAH rate has remained at 7.9, with the NBU intervening aggressively (~USD 1 bln per month) to keep the UAH from strengthening. In early July, the IMF said it would foot a new USD 15 bln stand-by loan facility for Ukraine, spurring a sovereign rating upgrade by Fitch to 'B'.

Should public finance trouble in Europe slow the global economic recovery, Ukraine will be more resilient now than in 2008 thanks to the improved political and economic environment:

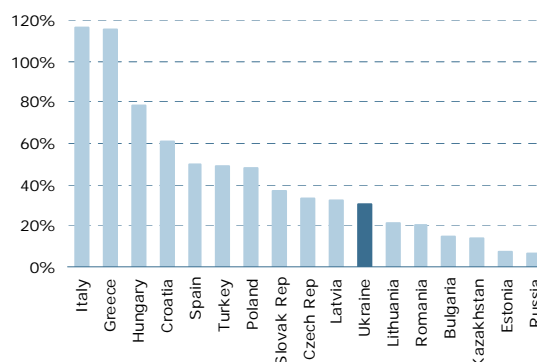
- Political stabilization following the presidential election
- CA deficit narrowed to -1.6% of GDP in 2009 vs. -7% in 2008
- Corp external debt down by 13% to USD 79 bln since Sept 08
- USD/UAH rate adjusted: depreciated 60% since crisis outset
- Inflation slowed to 6.9% y-o-y in June vs. 31% in May 2008
- Increased NBU reserves now cover 137% of ST ext debt
- Public debt is in check at 34% of GDP now, 43% in 2010F
- External support still available (new USD 15 bln IMF facility)

Risks

Ukraine's economy grew by 6.1% y-o-y in 5M10, according to the Presidential Administration. However, the **export-driven economic recovery could be threatened by falling steel prices (-27% in May-June)**. Historically, real GDP has been highly correlated with steel prices as metal exports account for 14% of GDP. Significantly, ~80% of these shipments are to other emerging markets, where the growth outlook is stronger.

Financing the deficit could be problematic in 2H10 with the potential for as much as a 40% shortfall in deficit financing. The government currently anticipates USD 3.3 bln from the IMF, a Eurobond placement and UAH 6.4 bln from privatization in 2010. However, the amounts could be lower than expected, leading to higher reliance on the domestic debt market. This could crowd out other domestic investment and create pressure on the ER and inflation as the NBU will be forced to finance, at least in part, the deficit (indirectly via banks).

Public debt, % of GDP, 2009



Source: CIA, Concorde Capital

More resilient in the face of global turbulence

Should the public financing tumult in Europe stymie the global economic recovery in the latter half of 2010, Ukraine is more resilient now than in 2008 thanks to the improved political/economic environment.

Political uncertainty tamed

Ukrainian politics have been relieved of the inefficiency and infighting of recent years. Since coming to power in February 2010, Viktor Yanukovich and his Party of Regions have wrested control of the presidential administration, Cabinet of Ministers and Verkhovna Rada. Notably, Yanukovich kept on NBU Governor Volodymyr Stelmakh, who has held his post since 2005.

The government has already implemented some of the long-promised and economically justified (rather than populist) measures to secure a new USD 15 bln stand-by facility from the International Monetary Fund. The reform clock is ticking – Yanukovich is still enjoying a post-election honeymoon period, but pressure will escalate as the next parliamentary (fall 2012) and presidential elections (January 2015) approach. Earlier this month, parliament scheduled local elections (except for the city of Kyiv) for October 31, which may cause political uncertainty leading into the fall, though nothing like the paralysis preceding the early 2010 presidential poll.

Current account deficit narrowed

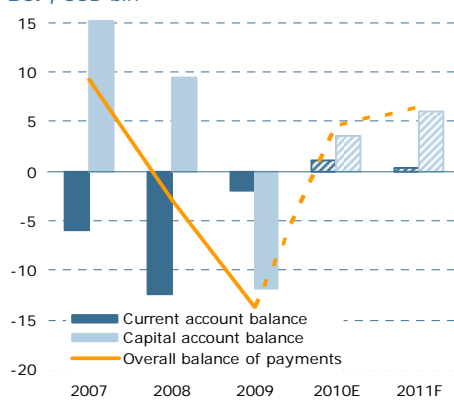
In 5M10, the balance of payments ran a double surplus of USD 1.6 bln. The current account saw a USD 318 mln surplus vs. a USD 765 mln deficit in 5M09 due to a 85% narrowing in the trade balance. The capital account surplus was USD 1.3 bln vs. a USD 5.8 bln deficit in 5M09.

In 2010, we foresee the current account having a marginal surplus of around 0.8% of GDP (USD 1.1 bln) vs. -1.6% of GDP in 2009 and -7% in 2008. The improvement will be driven by recovery in the export-oriented metallurgy and machinery sectors, the natural gas discount from Russia and continuing weakness in domestic demand.

We expect the financial account to post a surplus of 2.6% of GDP (USD 3.5 bln) in 2010, after a significant deficit of 10.2% in 2009 (vs. a 5.3% surplus in 2008). Key drivers are Eurobond placements (USD 1.8 bln so far, expected USD 2.5-3 bln in 2H10, incl. USD 1.5-2 bln in sovereign Eurobonds); direct investments of up to USD 5 bln; and domestic retail forex market stability (excessive demand amounted to USD 2 bln in 6M10, 35% less than in 6M09).

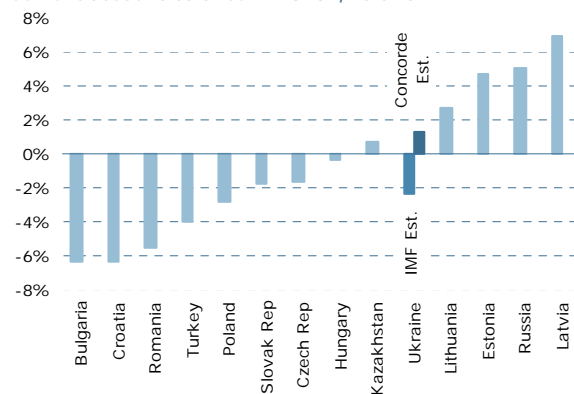
Improvement in the BoP secures USD/UAH stability (the hryvnya has strengthened 0.8% YTD) and bolsters the central bank's reserves (+11%, USD bln in 1H10).

BoP, USD bln



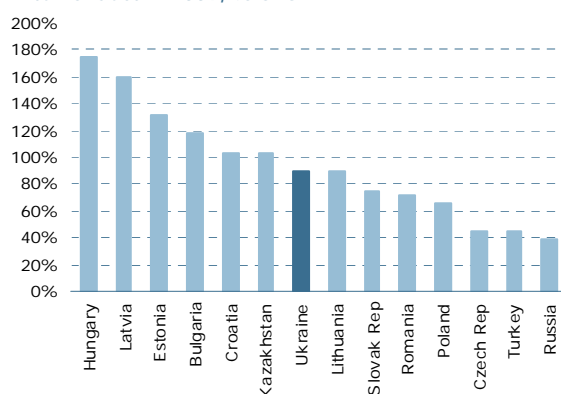
Source: NBU, Concorde Capital

Current account balance in 2010F, % of GDP



Source: IMF, Concorde Capital

External debt in 2009, % of GDP



Source: IMF

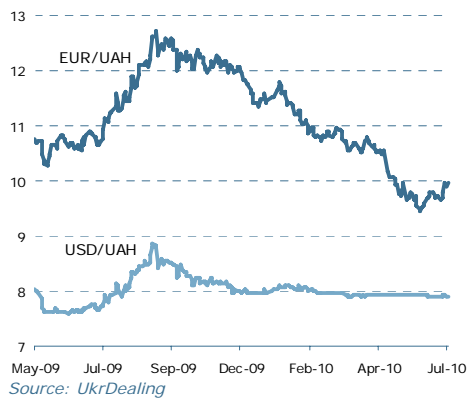
Corporate external debt declined, restructured

Ukraine's total external debt equaled USD 102.8 bln (~82% of GDP) at end-1Q10, virtually unchanged since September 2008, according to the NBU.

Corporate external debt dropped by 13% to USD 79.2 bln from September 2008 to end-1Q10, with the short-term portion shrinking from 30% to 27%. Currently, short-term external debt is 137% covered by NBU reserves (USD 29.5 bln as of end-June 2010).

Since end-2008, USD 3.5 bln in corporate Eurobonds have been restructured, prolonging maturities by 3-5 years.

UAH exchange rates



USD/UAH adjusted, forex risks down

After depreciating ~60% between September 2008 and last November, the USD/UAH exchange rate has remained stable at 7.9-8.0. To keep the Ukrainian hryvnya from strengthening, the National Bank of Ukraine intervened on the local forex market in March-June (avg. ~USD 1 bln per month).

Fundamentals indicate UAH forex risks are smaller now than in 2008:

- BoP improvement: double surplus of USD 1.6 bln combined in 5M10. For 2010, we foresee the current account surplus at 0.8% of GDP, and the finance account equaling 2.6% of GDP
- Ukraine secured a USD 14.9 bln (50% of current Central Bank reserves) 2.5-year stand-by facility from the IMF. Access to additional forex liquidity, in our view, should support confidence in the hryvnya
- Public trust in the hryvnya is also picking up: retail deposits in UAH rose 23.2% in 6M10 vs. only 5% for retail deposits in foreign currency; excessive forex supply decreased 35% y-o-y on the retail market in 6M10
- Domestic inflation eased substantially over the last two years. In June, consumer prices grew only 6.9% y-o-y vs. 12.3% y-o-y in December 2009 and 31.1% y-o-y in May 2008

We also do not expect excessive hryvnya appreciation, as the NBU will intervene, if necessary, to protect the export-driven recovery in the real economy.

External support still available

On July 3, the International Monetary Fund announced an agreement with Ukrainian authorities on a new 2.5-year USD 14.9 bln stand-by loan. The deal still must be approved by the IMF board, which is expected in late July.

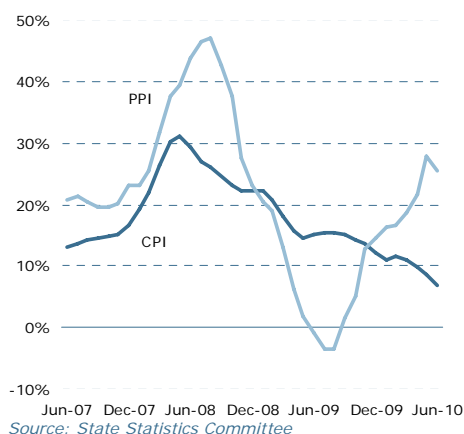
IMF financing should facilitate fiscal consolidation by capping the budget deficit at 6.5% of GDP in 2010 and 3.5% in 2011, help place USD 1-2 bln in sovereign Eurobonds this July and provide access to other international financial institutions (World Bank, EBRD).

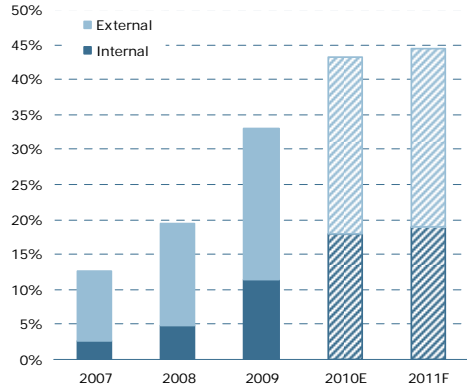
Inflation slowed to 6.9% in June

Consumer price growth dropped to 6.9% y-o-y in June, well off the peak of 31.1% y-o-y in May 2008. As domestic consumption should recover gradually in coming months and PPI accelerates (25.6% y-o-y in June), we project consumer inflation at 10%-11% in 2010.

Short-term CPI fluctuations may also stem from planned administrative utility price increases in 2H10. Potentially more serious inflationary risks could arise should the government finance the fiscal deficit (6.5%-7% of GDP in 2010F) through indirect borrowing from the central bank if external support dries up (we gauge this risk as remote).

Inflation, y-o-y



Public debt, % of GDP


Source: Finance Ministry, Concorde Capital

Public debt is in check at 34% of GDP

As of end-April, total public debt was at a manageable 34% of GDP (UAH 326.5 bln or USD 41.2 bln). By end-2010, we foresee it reaching 43% of GDP or USD 56.5 bln. This is slightly above the IMF estimated emerging market average of 37.2% as of end-2010.

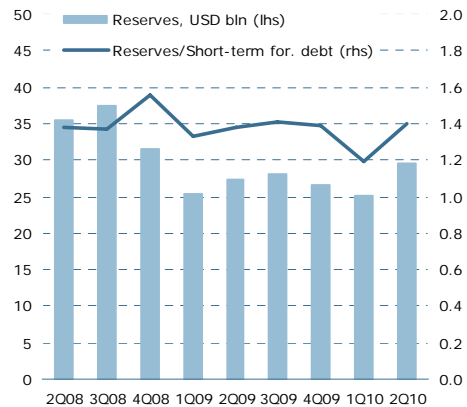
We view the government as capable and willing to service and repay outstanding debt over the medium term, as in the past. Total debt service payments in 2010 should amount to UAH 15-18 bln or 5% of total consolidated budget revenue and 1.5% of GDP, up from 1.1% in 2009.

Scheduled public principal redemptions in 2H10 total UAH 7.9 bln (USD 1 bln) in local UAH bonds and USD 0.4 bln in Eurobonds.

NBU reserves expanded by USD 2.5 bln YTD

As of mid-June, central bank reserves were USD 29.5 bln (up 11.4% YTD) vs. USD 38 bln in pre-crisis September 2008. This constitutes 137% of total short-term external debt and covers ~5.8 months of projected imports. On top of that, access to USD 14.9 bln from the IMF could potentially build up, if necessary, reserves over the next 2.5 years.

NBU reserves provide a decent cushion against excessive UAH volatility in the event that foreign exchange inflows dry up in 2H10 due to, for instance, steel export prices remaining at current lows.

NBU Reserves, Reserves/ST external debt


Source: NBU, Concorde Capital

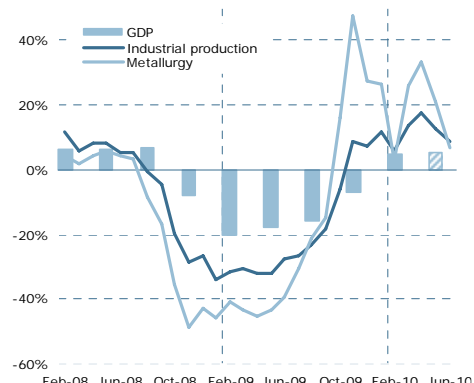
Export-driven recovery could be at risk
Real growth: in line with expectations so far

Ukraine's economy grew by 6.1% y-o-y in 5M10, according to Presidential Administration estimates, driven by export-oriented metallurgy and machinery (1Q10 real GDP growth was revised upward to +4.9% y-o-y from +4.8% y-o-y). Industrial production increased by 12.6% y-o-y in 5M10, with growth in the machinery (+29%) and metallurgy (+21.7%) sectors among the highest.

With fresh global market jitters, falling steel prices (-27% in May-June) and a higher base effect, we expect real growth to slow in 2H10, although we keep our 2010 forecast unchanged at 4% for real GDP and 6.8% for industrial production.

Domestic consumer demand started showing signs of recovery in recent months. Retail sales rose by 6.2% y-o-y in May, bringing the change for 5M10 into positive territory: +1.1% y-o-y (vs. -16.6% in 2009). The recovery took place on the back of real wage increases (to +12.2% y-o-y in real terms in 5M10 vs. +6.5% y-o-y in 4M10). We expect household consumption in 2H10 to accelerate from a weak +0.5% y-o-y in 1Q10 as personal income increases.

Fixed asset investments in 1Q10 was further down by 2.2% y-o-y in real terms after a 48% slump in 2009. With the pace of economic recovery still uncertain and corporate bank lending dormant, we expect investments to show a material pick up no earlier than in 2011. The upcoming UEFA 2012 football cap, hosted by Ukraine and Poland, will also facilitate investment over 2011-2012.

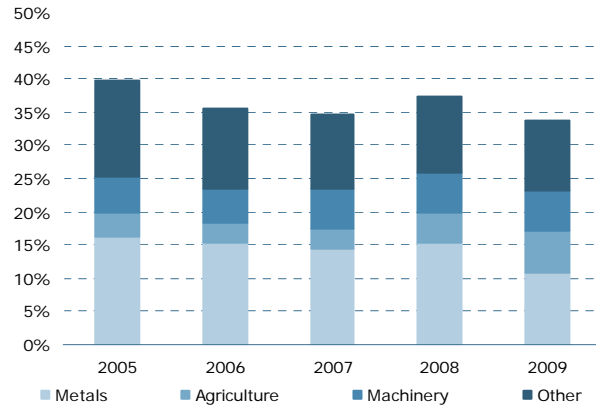
GDP real change (yoy, quart)
Industrial production and metallurgy real change (yoy, month)


Source: State Statistics Committee, Concorde Capital

Real recovery depends on global steel prices, demand

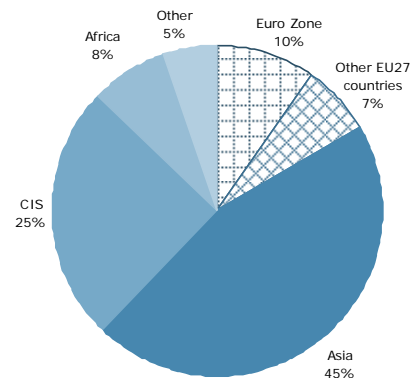
Ukraine's main macroeconomic concern is the effect of a broader global economic slowdown accompanied by flat or falling steel demand and prices (-27% in May-June). Historically, Ukraine's real GDP has been highly correlated with steel price movements. Commodity exports account for 35% of GDP, while metallurgy exports, in particular, have amounted to 14% of GDP on average over the last three years.

Commodity exports, % of GDP



Source: State Statistics Committee

Geographic breakdown of metals export, 2009

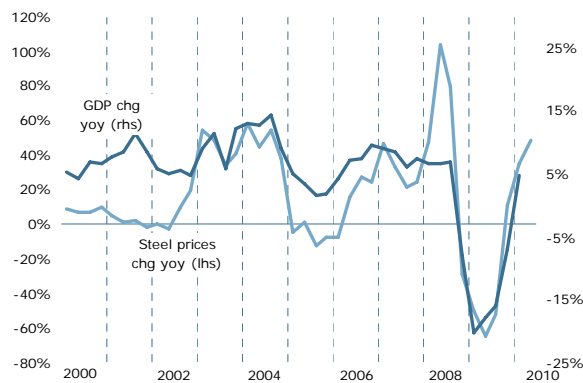


Source: State Statistics Committee

The current economic recovery has offered no exception. With muted domestic consumer demand and investment, improvement in real GDP rests on commodity exports, notably metals, machinery, and chemicals. Average export steel prices are now 60% higher than the low in March 2009.

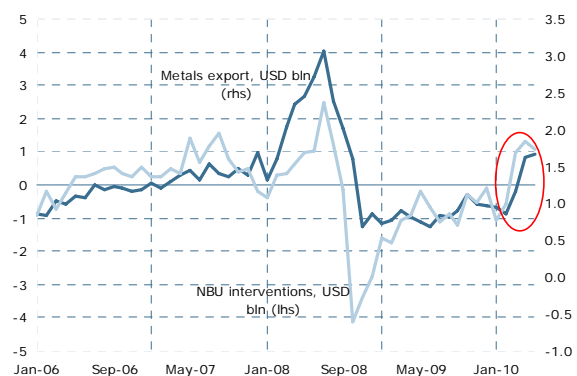
Yet, average export steel prices declined by 27% due to increased global volatility in May-June; steel production dropped 10% m-o-m in May. Should the trend not reverse, Ukraine's recovery could slow in the quarters ahead.

Real GDP vs. global steel price dynamics



Source: State Statistics Committee

NBU interventions in domestic forex, metals exports



Source: State Statistics Committee

Metals exports have also been one of the most important sources of foreign currency on the domestic forex market. It was surging metals exports in dollar terms (+50% y-o-y in March-April due to both volume and price increases) that were the predominant contributors to the NBU's significant forex interventions in March-June (USD 1 bln monthly, on average).

Importantly, though, more than 80% of Ukraine's metals exports are to other emerging market countries, an advantage given that real growth rates in emerging market countries(+6.8% in 2010F, according to the IMF) are expected to outpace those in the developed world (+2.6% in 2010F).

Fiscal deficit remains high

On July 8, Ukraine's Verkhovna Rada passed an amended version of the 2010 state budget, reducing the budget deficit by 7% to UAH 54.1 bln (USD 6.8 bln, or 5.1% of GDP) from UAH 57.7 bln. Accompanied by Naftogaz' expected deficit of 1% of GDP, the changes bring the total deficit to ~6.1% of GDP in 2010, down from 7.4% in 2009. The amendments were one of the IMF's key requirements for the new USD 14.9 bln stand-by facility, preliminarily agreed to last week.

Nonetheless, we still see the size of the fiscal deficit and questions regarding financing in 2H10-2011 as potentially threatening real growth prospects and macroeconomic stability.

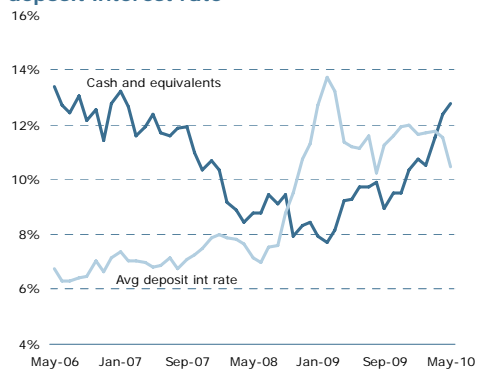
In 5M10, the budget deficit was UAH 15.2 bln (USD 1.9 bln) vs. a UAH 3.8 bln deficit in 4M10. The government had already initiated spending under the previous version of the 2010 budget including higher projected expenditures (+21% y-o-y in 5M10). Only at the end of May did parliament pass legislation to boost tax revenues (via higher excises and limit losses carried forward from previous year, etc.).

Hence, we expect the gap to grow more slowly in the coming months and keep our total fiscal deficit projection at 6.5% of GDP (incl. Naftogaz), in line with the IMF target.

Another risk is that 40% of fiscal deficit financing might not materialize. Specifically, the government plans to receive USD 2 bln (UAH 15.8 bln) from the IMF to pay down the deficit, which looks uncertain to us. Moreover, the UAH 6.4 bln target for privatization revenues could turn out to be too optimistic as Ukrtelecom's privatization (which we estimate could bring in some UAH 10 bln) will, most likely, be delayed again, while the sale of GenCos will hardly provide that kind of cash.

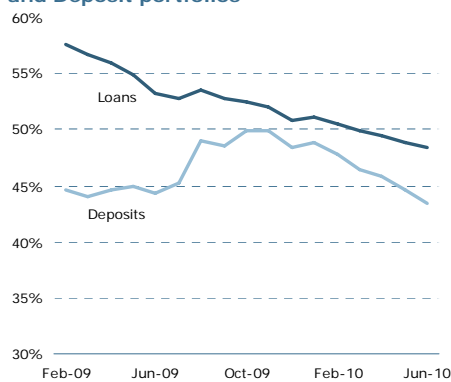
If the government fails to receive the anticipated UAH 22 bln, it will have to rely more heavily on the domestic UAH debt market. This, in turn, could crowd out domestic investments and create exchange rate and inflationary pressures as the NBU will have to finance, at least in part, the deficit (indirectly through banks). Bilateral foreign loans (notably from Russia) could be an additional source of deficit financing, but the political implications of such financing are uncertain over the medium term.

Banks' cash and equivalents (% of assets), Avg deposit interest rate



Source: NBU, Concorde Capital

Share of FX Loans and Deposits in total Loan and Deposit portfolios



Source: NBU, Concorde Capital

Financial sector

Current trend: no lending despite improved financials

Ukrainian banks continued to deleverage as their total assets grew marginally by 1.8% in 6M10 in an environment of significant risk aversion. At the same time, depositor confidence in banks has been returning. Although the share of troubled loans remains high (~25%), by many other accounts, bank balance sheets have become healthier recently:

- Liquidity improved as Cash and Equivalents surged to an average of UAH 102.7 bln in 5M10 (11.6% of assets) vs. UAH 84.9 bln in 2H09 (9.7%). Retail deposits surged by 13.6% in 6M10
- Capital adequacy improved as overall banking system equity capital rose by 11.5% or UAH 14.4 bln YTD, and the average CAR (as calculated by the NBU) rose from 18.1% as of end-2009 to 20.6% in May
- Exposure to forex risk dropped as the share of foreign currency-denominated loans fell to 48.4% of the total portfolio, from 50.8% as of end-2009, vs. 59.1% in December 2008. Net foreign debt plunged 52% since its peak in September 2008 to USD 16.3 bln as of end-May 2010
- Loans/Deposits declined to ~200% in May, from 230% as of end-2009

We expect these trends to continue until year-end, although banks are still reluctant to expand lending. Over the medium-term, we expect banks to build up assets at 10%-20% annually, vs. the aggressive ~50%+ prior to mid-2008.

One-third of local banks are European-owned

The dependence of the local banking system on Western European banks directly exposes Ukraine to the epicenter of the market's current anxiety. Currently, approximately one third of all Ukrainian bank assets are owned by international groups domiciled within the EU.

International groups with largest local subsidiaries, as of end-1Q10

	Total Assets in Ukrainian subsidiaries, USD bln	Local subsidiary's share in group's assets
Raiffeisen (Austria)	8.1	7.8%
Unicredit (Italy)	7.1	0.6%
BNP Paribas (France)	6.7	0.2%
OTP (Hungary)	4.0	7.9%
Swedbank (Sweden)	2.5	1.0%
Commerzbank (Germany)	2.4	0.2%
ERSTE (Austria)	1.8	0.6%
Credit Agricole (France)	1.3	0.1%
INTESA SANPAOLO (Italy)	1.1	0.1%
ING (The Netherlands)	1.0	0.1%
PKO Bank Polski SA Group	0.9	1.6%
Other	2.3	-

Source: Company data, Concorde Capital calculations

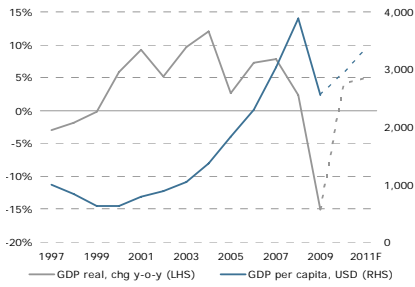
In the worst-case scenario, EU banks could opt to dispose of their Eastern European subsidiaries. We see financial groups from other emerging markets (notably, Russia) as likely buyers under such a scenario.

The selloff of local assets, if any, would likely be orderly and not create substantial adverse effects on the local banking system in the short or medium-term. In the longer-term though, a larger presence by financial groups from other EM economies (vs. those from the developed world) will contribute to sector fragility. These EM economies (incl. Russia) are historically more volatile, and are highly correlated with the Ukrainian economy.

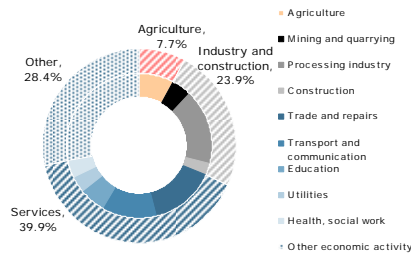
The problem is now mitigated by the fact most local banks constitute only a small share of the international parent groups' overall holdings (less than 1% in most cases), facilitating parental support for local subsidiaries.

MACRO MONITOR

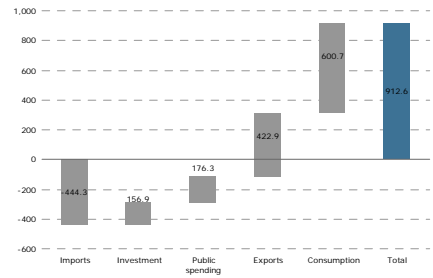
GDP growth and GDP per capita



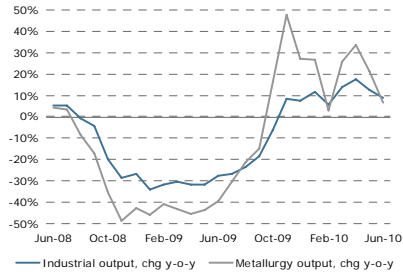
GDP by sector in 2009



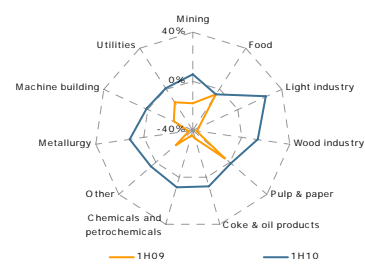
GDP by expenditures in 2009, UAH bln



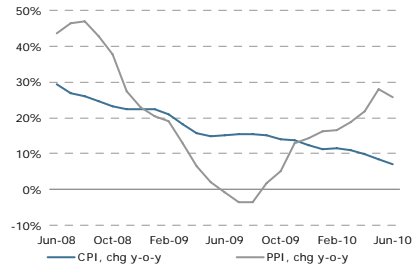
Manufacturing indicators



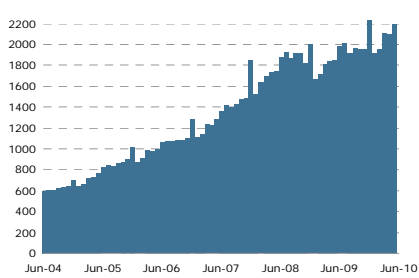
Industrial output growth by sector, chg y-o-y



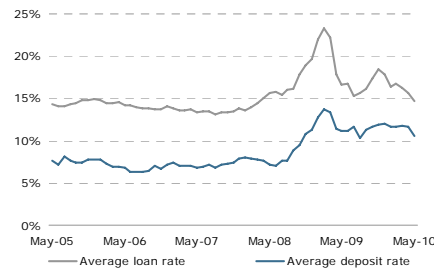
Inflation



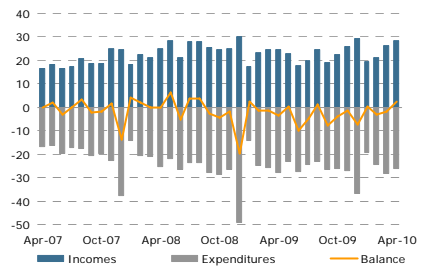
Average monthly salary, UAH



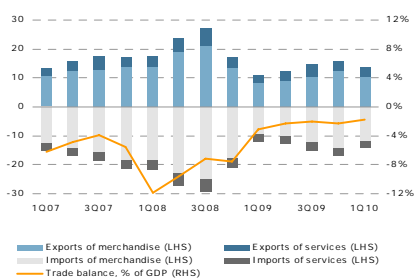
Interest rates



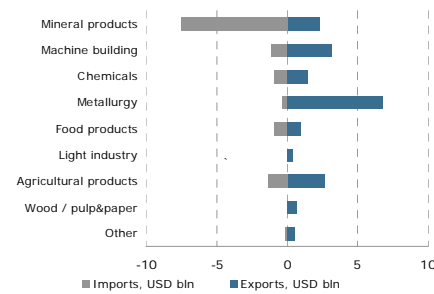
Consolidated budget execution, UAH bln



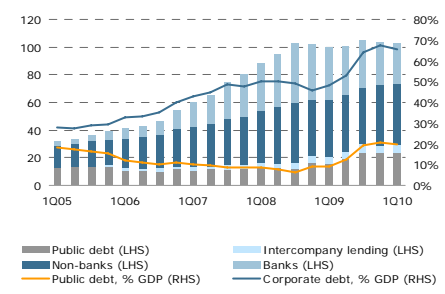
External trade, USD bln



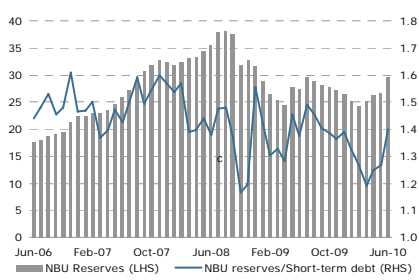
External trade in merchandise, 5M09



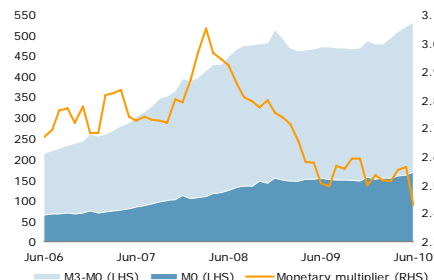
External debt, USD bln



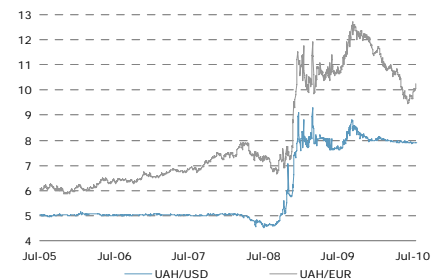
NBU reserves



Money supply structure, UAH bln



UAH exchange rates



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

Ukrainian macro indicators yearly

	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011F
Business cycle indicators										
Real GDP, % chg yoy	5.2	9.6	12.1	2.7	7.3	7.9	2.3	-15.1	4.0	4.9
Nominal GDP, UAH bln	226	267	345	441	544	721	948	915	1056	1207
Nominal GDP, USD bln	42.4	50.1	65.0	86.1	107.8	142.7	179.9	117.4	133.7	152.8
GDP per capita, UAH	4685	5591	7273	9372	11630	15372	20495	19901	23079	26495
GDP per capita, USD	880	1048	1371	1829	2303	3044	3890	2555	2921	3354
Consumption, % chg yoy	9.5	11.5	13.1	20.6	15.9	17.1	11.8	-14.1	3.0	5.0
Investment, % chg yoy	-1.5	24.3	5.5	14.0	18.5	22.1	5.1	-52.9	6.8	7.5
Industrial output, % chg yoy	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	6.8	7.7
CPI (eop), % chg yoy	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	10.0	8.0
PPI (eop), % chg yoy	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.4	10.0	15.0
External indicators										
Current account balance, USD bln	3.2	2.9	6.9	2.5	-1.6	-5.9	-12.5	-1.9	1.1	0.4
Current account balance, % GDP	7.5	5.8	10.6	2.9	-1.5	-4.1	-7.0	-1.6	0.8	0.3
Trade balance, USD bln	1.9	1.3	5.0	0.7	-3.1	-7.9	-13.7	-2.7	1.0	0.5
Trade balance, % GDP	4.4	2.6	7.7	0.8	-2.8	-5.5	-7.6	-2.3	0.7	0.3
Exports, USD bln	23.4	29.0	41.3	44.4	50.2	64.0	85.7	54.1	62.9	70.1
Exports, % chg yoy	10.7	24.0	42.6	7.5	13.2	27.4	34.0	-36.9	16.2	11.5
Imports, USD bln	21.5	27.7	36.3	43.7	53.3	71.9	99.4	56.1	61.2	68.6
Imports, % chg yoy	5.0	28.7	31.3	20.4	22.0	34.8	38.3	-43.5	9.1	12.0
Capital account balance, USD bln	-1.2	0.1	-4.3	8.0	4.1	15.1	9.5	-11.9	3.5	6.0
Capital account balance, % GDP	-2.9	0.2	-6.7	9.3	3.8	10.6	5.3	-10.2	2.6	3.9
FDI net, USD bln	0.7	1.4	1.7	7.5	5.7	9.2	9.9	4.5	5.0	6.0
NBU reserves (eop), USD bln	4.4	5.1	9.5	19.4	22.3	32.5	31.5	26.5	35.1	41.5
Debt indicators										
Public debt, USD bln	13.8	14.5	16.0	15.5	15.9	17.6	24.6	39.7	54.8	65.4
Public debt, % GDP	32.5	29.0	24.7	18.0	14.8	12.3	13.7	33.0	43.1	44.4
Corporate external debt, USD bln	n/a	13.0	17.8	25.5	42.7	67.6	85.0	79.3	84.8	89.8
Corporate external debt, % GDP	n/a	25.9	27.3	29.6	39.6	47.4	47.2	67.5	63.4	58.8
Gross external debt, USD bln	n/a	23.8	30.6	38.9	54.5	80.0	101.7	103.3	114.8	124.8
Gross external debt, % GDP	n/a	47.5	47.1	45.2	50.6	56.0	56.5	88.0	85.9	81.7
Monetary indicators										
Monetary base, UAH bln	30.7	40.1	53.8	82.8	97.2	141.9	186.7	195.0	225.8	259.6
Monetary base, % chg yoy	33.6	30.5	34.1	53.9	17.5	46.0	31.6	4.4	15.8	15.0
Money supply (M3), UAH bln	64.9	95.0	125.8	194.1	261.1	396.2	514.7	487.3	575.7	688.0
Money supply, % chg yoy	41.8	46.5	32.4	54.3	34.5	51.7	29.9	-5.3	18.1	19.5
Monetary multiplier (eop MB/M3)	2.1	2.4	2.3	2.3	2.7	2.8	2.8	2.5	2.6	2.7
Monetization (avg M3/GDP), %	24.9	30.3	32.0	36.7	42.3	46.4	46.0	55.0	50.3	52.3
Exchange rate										
Interbank UAH/USD (avg)	5.33	5.33	5.32	5.10	5.04	5.03	5.30	8.11	7.90	7.90
State budget										
Revenues, UAH bln	n/a	55.1	70.3	105.2	133.5	165.9	231.7	210.3	267.5	301.8
Expenses, UAH bln	n/a	55.8	79.5	112.8	137.1	174.2	241.5	242.4	323.6	338.1
Balance, % GDP	n/a	-0.4	-3.0	-1.8	-0.7	-1.4	-1.3	-3.5	-5.3	-3.0
Social indicators										
Population, mln (eop)	48.0	47.6	47.3	46.9	46.6	46.4	46.3	46.0	45.8	45.6
Unemployment (ILO methodology, avg), %	9.6	9.1	8.6	7.2	6.8	6.4	6.4	8.0	7.5	7.0
Average monthly salary, UAH	376	463	591	806	1,043	1,351	1,806	1,909	2,163	2,523
Real disposable income, % chg yoy	18.0	5.8	16.8	20.1	16.1	12.8	10.3	-9.4	3.0	8.0

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

Ukrainian macro indicators quarterly

	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Business cycle indicators													
Real GDP, % yoy	8.6	6.2	7.4	6.5	6.5	6.9	-8.0	-20.3	-17.8	-15.9	-7.0	4.9	n/a
Nominal GDP, UAH bln	161.4	197.4	212.8	186.6	232.5	285.4	269.7	183.2	207.1	250.6	273.8	218.1	n/a
Nominal GDP, USD bln	32.0	39.1	42.1	37.0	46.8	58.9	43.4	23.8	27.1	32.1	34.3	27.2	n/a
GDP per capita, UAH	12975	13958	15132	16306	17860	19785	21042	20995	20475	19750	19868	20636	n/a
GDP per capita, USD	2569	2764	3032	3229	3554	3986	4019	3739	3316	2739	2545	2621	n/a
Consumption, chg yoy	17.0	13.6	19.0	22.0	13.3	14.1	1.6	-11.6	-11.6	-12.5	-12.3	0.4	n/a
Investment, chg yoy	27.8	19.1	25.1	13.9	31.0	12.9	-24.8	-72.4	-68.5	-46.9	-5.6	32.0	n/a
Industrial output, chg yoy	11.8	10.7	10.2	7.8	7.5	5.1	-3.1	-31.9	-31.1	-28.4	-21.9	10.8	12.0
CPI (eop), chg yoy	13.0	14.4	16.6	26.2	29.3	24.6	22.3	18.1	15.0	15.0	12.3	11.0	6.9
PPI (eop), chg yoy	19.9	20.4	21.0	26.9	40.3	45.3	29.3	13.0	-0.9	1.7	14.4	18.7	25.6
External sector													
Current account balance, USD bln	-0.8	-0.5	-3.5	-3.6	-3.0	-1.6	-3.7	-0.6	-0.4	-0.4	-1.1	-0.2	n/a
Current account balance, % GDP	-3.4	-2.5	-4.1	-9.7	-7.9	-5.8	-6.7	-2.6	-2.0	-1.7	-2.1	-0.7	n/a
Trade balance, USD bln	-1.2	-1.0	-4.1	-4.4	-3.6	-2.1	-3.6	-0.8	-0.4	-0.5	-1.1	-0.5	n/a
Trade balance, % GDP	-4.8	-3.9	-5.5	-11.9	-9.6	-7.1	-7.6	-3.2	-2.3	-2.0	-2.3	-1.8	n/a
Exports, USD bln	15.8	17.5	17.3	17.5	23.6	27.4	17.3	11.3	12.5	14.7	15.8	13.8	n/a
Exports, chg yoy	29.4	22.4	30.0	31.0	49.3	56.1	-0.1	-35.6	-47.1	-46.3	-9.0	22.3	n/a
Imports, USD bln	17.0	18.5	21.4	21.9	27.2	29.4	20.9	12.0	12.9	15.2	16.8	14.3	n/a
Imports, chg yoy	34.4	30.9	42.6	46.0	60.1	58.9	-2.3	-45.1	-52.6	-48.5	-19.5	18.8	n/a
Capital account balance, USD bln	3.5	4.2	5.2	3.5	5.7	6.1	-5.8	-4.6	-1.9	-4.8	-0.7	-0.5	n/a
Capital account balance, % GDP	10.3	10.4	10.7	9.5	11.0	10.8	5.3	-19.2	-12.7	-13.6	-10.2	-1.8	n/a
FDI net, USD bln	1.9	3.9	1.6	2.4	3.1	3.3	1.1	0.8	1.3	1.2	1.3	0.9	n/a
NBU reserves (eop), USD bln	25.9	30.6	32.5	33.2	35.4	37.5	31.5	25.4	27.3	28.1	26.5	25.1	29.5
NBU reserves, % of ST ext. debt	142.5	149.3	157.0	139.1	137.8	137.1	155.4	132.7	137.5	140.4	139.1	119.3	140.0
Debt indicators													
Public debt, USD bln	15.5	16.3	17.6	17.8	17.7	17.1	24.6	24.3	28.7	34.9	39.7	41.3	n/a
Public debt, % of GDP	12.9	12.6	12.4	11.8	10.7	9.2	13.2	14.0	18.7	27.6	33.9	34.2	n/a
Corporate external debt, USD bln	53.8	62.8	67.6	75.1	82.5	90.8	85.0	83.4	81.4	80.7	79.3	79.2	n/a
Corporate external debt, % of GDP	44.8	48.7	47.9	50.0	50.0	49.1	45.7	48.2	53.2	63.9	67.7	65.7	n/a
Gross external debt, USD bln	65.3	74.2	80.0	88.1	94.9	102.4	101.7	99.5	100.7	104.8	103.3	102.8	n/a
Gross external debt, % of GDP	54.4	57.6	56.6	58.7	57.5	55.4	54.6	57.6	65.8	83.0	88.2	85.3	n/a
Monetary indicators													
Monetary base, UAH bln	111.0	127.7	141.9	136.4	154.2	170.8	186.7	174.8	188.7	183.6	195.0	196.6	219.5
Money supply (M3), UAH bln	303.0	348.2	396.2	416.2	450.6	477.7	514.7	463.7	472.7	469.5	487.3	494.2	533.2
Money supply, chg yoy	41.5	48.3	51.7	52.8	48.7	37.2	29.9	11.4	4.9	-1.7	-5.3	6.6	12.8
Monetary multiplier (MB/M3)	2.7	2.7	2.8	3.1	2.9	2.8	2.8	2.7	2.5	2.6	2.5	2.5	2.4
Monetization (avg M3/GDP), %	44.4	44.8	46.4	44.1	45.9	45.5	46.0	46.8	47.2	47.1	55.0	45.3	47.1
Exchange rate													
Interbank UAH/USD (eop)	5.02	5.03	5.05	5.00	4.57	5.08	7.50	8.25	7.72	8.27	7.98	7.92	7.91
Interbank UAH/USD (avg)	5.03	5.01	5.05	5.04	4.85	4.71	6.58	8.26	7.82	8.21	8.11	8.01	7.92
State budget													
Revenues, UAH bln	71.3	113.7	165.9	46.7	104.8	169.1	231.7	51.3	101.1	148.9	209.7	51.7	n/a
Expenses, UAH bln	70.6	116.1	174.2	45.5	102.9	165.1	241.5	51.0	110.7	170.9	242.7	57.4	n/a
Balance, % GDP	0.2	-0.6	-1.4	0.6	0.4	0.4	-1.3	-0.3	-2.7	-3.7	-3.9	-2.5	n/a
Social indicators													
Population, mln (eop)	46.5	46.4	46.4	46.3	46.2	46.2	46.1	46.1	46.0	46.0	46.0	45.9	n/a
Unemployment (ILO methodology), %	5.8	5.4	6.9	7.1	5.4	5.5	7.5	9.5	8.6	7.8	9.4	9.0	n/a
Average monthly salary, UAH	1,290	1,415	1,603	1,619	1,787	1,906	1,914	1,735	1,892	1,964	2,046	1,993	n/a

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

Ukrainian macro indicators monthly

	2009								2010					
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Business cycle indicators														
Industrial output, chg yoy	-31.8	-27.5	-26.7	-23.3	-18.4	-6.2	8.6	7.4	11.8	5.6	13.8	17.4	12.7	n/a
Metallurgy	-43.4	-39.3	-30.4	-21.1	-14.9	16.2	47.6	27.3	26.6	3.0	25.8	33.4	21.2	n/a
Machine building	-53.0	-48.0	-52.9	-50.2	-45.6	-34.5	-12.6	-2.5	22.3	19.2	33.6	33.9	32.2	n/a
Food processing	-2.1	0.9	-8.7	-10.1	-6.0	-5.0	-8.8	1.4	-2.0	-0.4	4.2	1.2	-0.8	n/a
Chemicals	-33.1	-25.3	-27.8	-22.1	-18.4	-8.7	12.4	17.4	29.5	15.4	21.8	17.3	19.2	n/a
Retail sales, chg yoy (cumulative)	-15.3	-15.2	-15.9	-15.9	-16.2	-16.3	-16.5	-16.6	-4.8	-4.7	-2.6	-2.1	1.1	n/a
Construction works, chg yoy	-55.8	-54.9	-54.3	-53.6	-52.4	-51.5	-49.7	-48.2	-24.1	-20.9	-21.4	-21.2	-20.0	n/a
CPI, chg yoy	14.7	15.0	15.5	15.3	15.0	14.1	13.6	12.3	11.1	11.5	11.0	9.7	8.5	6.9
CPI, chg mom	0.5	1.1	-0.1	-0.2	0.8	0.9	1.1	0.9	1.8	1.9	0.9	-0.3	-0.6	-0.4
PPI, chg yoy	1.9	-0.9	-3.6	-3.6	1.7	5.1	12.8	14.4	16.3	16.5	18.7	21.7	28.0	25.6
PPI, chg mom	-0.7	1.4	0.7	1.8	3.6	1.9	0.4	1.0	1.9	1.9	3.0	3.0	4.4	-0.5
External sector indicators														
Merchandise exports, USD bln	2.9	3.0	3.2	3.2	3.7	4.2	4.0	4.1	3.0	3.4	3.9	4.2	n/a	n/a
Merchandise exports, chg yoy	-53.4	-57.0	-57.8	-52.2	-44.2	-28.8	9.1	3.6	23.5	25.7	22.9	36.6	n/a	n/a
Merchandise imports, USD bln	3.2	3.2	3.9	3.8	4.1	4.3	4.5	5.0	3.3	3.7	4.7	4.6	n/a	n/a
Merchandise imports, chg yoy	-58.5	-59.7	-55.8	-53.0	-52.1	-43.3	-14.3	5.0	62.9	-1.9	20.4	29.4	n/a	n/a
Merchandise trade balance, USD bln	-0.3	-0.2	-0.7	-0.6	-0.3	-0.2	-0.6	-0.9	-0.3	-0.3	-0.8	-0.4	n/a	n/a
NBU reserves, USD bln	27.8	27.3	29.6	28.9	28.1	27.7	27.3	26.5	25.3	24.1	25.1	26.4	26.7	29.5
Monetary indicators														
Monetary base, UAH bln	181.7	188.7	189.2	183.4	183.6	180.5	181.4	195.0	189.4	190.7	196.6	200.1	203.2	219.5
Monetary base, chg yoy	24.5	22.4	15.6	8.5	7.5	4.1	5.0	4.4	5.2	10.0	12.5	11.1	11.9	16.3
Monetary base, chg mom	0.8	3.9	0.2	-3.1	0.1	-1.7	0.5	7.5	-2.8	0.7	3.1	1.8	1.6	8.0
Money supply (M3), UAH bln	468.2	472.7	471.9	471.1	469.5	468.2	470.4	487.3	480.2	480.4	494.2	510.8	521.5	533.2
Money supply (M3), chg yoy	9.0	4.9	0.9	-0.8	-1.7	-2.7	-2.8	-5.3	-2.5	2.0	6.6	9.8	11.4	12.8
Money supply (M3), chg mom	0.7	1.0	-0.2	-0.2	-0.3	-0.3	0.5	3.6	-1.5	0.0	2.9	3.4	2.1	2.2
Monetary multiplier (MB/M3)	2.6	2.5	2.5	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.6	2.4
Monetization (M3/GDP), %	47.0	47.2	47.2	47.2	47.1	47.0	47.1	55.0	44.0	44.7	45.3	46.1	46.6	47.1
Banking system														
Net assets, UAH bln	863.0	868.6	869.2	881.2	893.5	875.9	885.0	890.7	870.9	869.0	882.3	888.4	890.7	889.2
Net assets, chg yoy	29.0	24.2	21.1	19.0	18.1	10.6	3.7	-3.9	-3.9	-1.9	0.5	1.7	3.2	2.4
Loans (hryvnya), UAH bln	321.5	335.0	339.1	338.8	344.3	346.3	346.9	355.5	346.7	350.2	352.2	356.1	359.4	362.9
Loans (foreign currency), UAH bln	391.5	380.8	378.9	388.9	385.1	381.3	375.8	367.8	362.3	358.1	350.9	348.5	343.7	340.8
Deposits (hryvnya), UAH bln	175.6	179.3	175.4	168.4	168.2	163.2	164.9	173.1	169.3	170.9	180.6	190.8	199.8	207.4
Deposits (foreign currency), UAH bln	143.4	142.3	144.6	162.0	158.9	162.8	163.7	161.9	161.9	156.2	156.9	161.1	160.6	159.2
Exchange rate														
Interbank UAH/USD (eop)	7.62	7.72	7.96	8.47	8.27	8.09	8.00	7.98	8.02	7.97	7.92	7.92	7.93	7.91
Interbank UAH/USD (avg)	7.73	7.64	7.84	8.28	8.55	8.25	8.12	7.98	8.07	8.02	7.95	7.92	7.92	7.92
State budget														
Revenues, UAH bln	88.6	101.1	115.9	135.3	148.9	166.0	186.6	209.7	15.1	30.9	51.7	74.3	93.8	n/a
Expenses, UAH bln	90.7	110.7	130.1	149.9	170.9	191.8	214.3	242.7	16.8	35.8	57.4	78.8	109.9	n/a
Social indicators														
Population, mln (eop)	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	45.9	45.9	45.9	45.9	n/a	n/a
Average monthly salary, UAH	1,851	1,980	2,008	1,919	1,964	1,950	1,955	2,233	1,916	1,955	2,109	2,107	2,201	n/a

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

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