



CONCORDE CAPITAL

Ukraine / Economics

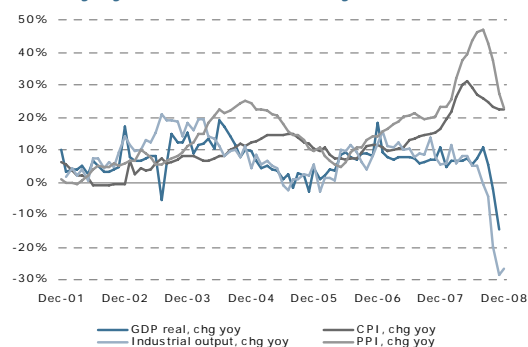
Macroeconomic Overview

What to expect in 2009

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Monthly dynamics of business cycle indicators



Key macroeconomic indicators

	2007	2008	2009E	
			old	new
Business cycle				
Real GDP, % yoy	7.6	2.1	-2.0	-7.0
Nominal GDP, USD bln *	141.2	178.4	167.3	118.1
Industrial output, % yoy	10.2	-3.1	-2.7	-11.5
CPI (eop), % yoy	16.6	21.0	15.0	15.0
PPI (eop), % yoy	23.3	31.0	18.0	18.0
External sector				
NBU reserves (eop), USD bln	32.5	31.5	25.0	23.3
FDI net, USD bln *	9.2	10.4	7.5	7.5
C/A balance, % GDP *	-4.2	-6.9	-3.3	-1.1
Trade balance, % GDP *	-5.6	-7.6	-4.8	-2.0
External debt, % of GDP *	60.3	65.0	59.6	78.9
Exchange rate				
Interbank UAH/USD (avg)	5.03	5.27		8.50
Interbank UAH/USD (eop)	5.05	8.05		8.30

* Data for 2008 is estimated

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

Prices for core commodities, as of January 27

	Current	%, YTD	%, yoy
Gas imports, USD/tcm	360.00	0%	101%
Crude oil (URALS), USD/bbl	44.92	6%	-49%
Winter wheat, USD/mt, FOB**	123.00	0%	-54%
Steel square billet, USD/mt, FOB**	395.00	8%	-39%

**Black Sea ports

Source: Gas of Ukraine, Bloomberg

This report endeavors to answer the most burning questions about Ukraine's economy in 2009 and beyond:

- How will the new gas price affect the economy?
- Is a Ukraine sovereign default likely?
- UAH/USD: What will the rate be in 2009?
- What will happen to the banking system in 2009?
- How long will the recession last and what sectors will be value-creative?
- How high will be inflation in 2009?
- Will the budget be fulfilled in 2009?

Forecast summary

We downgraded our forecasts of economic growth in Ukraine in 2009, based on the assumption that recovery will hardly be possible before 2010. We expect a decline in real GDP of 7.0% in 2009, vs. our previous forecast of a 2.0% drop; and industrial production falling 11.5% yoy, vs. our prior estimate of -2.7%.

On the back of deteriorating internal consumption and the weakening of the hryvnya, we anticipate a 32% slump in imports, and contraction in the current account deficit to USD 1.3 bln (1.1% of GDP) in 2009, vs. USD 12.3 bln (6.9% of GDP) in 2008. Previously, we forecasted a C/A deficit of 3.3% of GDP in 2009.

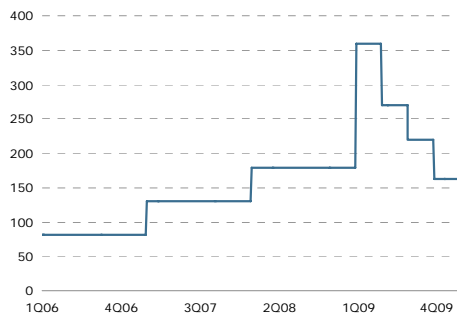
We set our annual average forecast for the UAH/USD rate at 8.50. We expect major deviations from the mean of our forecast throughout 2009, and believe the rate is likely to be higher in the first half of the year than in the second.

We changed our forecast for the state budget deficit in 2009 to 4.1% of GDP from 0.6% previously, based on lower projections for tax incomes and an unexpectedly high deficit in the state budget approved by parliament in late-December.

We stick to our long-held forecasts of inflation in 2009: we expect CPI growth at 15% yoy, and PPI at 18% yoy. The key factors influencing inflation in 2009 will be deterioration in the exchange rate, increase in the price for imported gas, and reduction of gas subsidies for households and utility companies.

HOW WILL THE NEW GAS PRICE AFFECT THE ECONOMY?

Price for Russian gas at the border, USD/tcm



Source: Naftogaz of Ukraine

Schedule of price and amounts imported in 2009

	1Q09	2Q09	3Q09	4Q09
Price, USD/tcm	360	270	219	162
Amount, bcm	5.0	10.5	12.0	12.5

Source: Naftogaz-Gazprom gas supply contract, Interfax

Timeline of the 2008-2009 gas conflict

- 24-Dec** Gazprom claims Ukraine owes USD 2.1 bln for imported gas
- 30-Dec** Ukraine pays off USD 1.5 bln of the debt
- 31-Dec** Ukraine-Russia negotiations on 2009 gas price fail
- 1-Jan** Russia cuts gas supplies to Ukraine
- 2-Jan** Several European countries report drop in gas supplies
- 3-Jan** Gazprom sues Naftogaz and demands renewal of gas supplies to Europe
- 7-Jan** Gas transit via Ukraine to Europe stops completely
- 11-Jan** EU, Russia, Ukraine announce 3-way deal on independent monitoring of gas transit through Ukraine
- 12-Jan** Russia and Ukraine cannot agree on transit route; supplies to Europe remain blocked
- 19-Jan** Naftogaz and Gazprom sign a 10-year import & transit contract, agreeing that in 1Q09 Ukraine will pay \$360/tcm; price derived using European formula
- 20-Jan** Gazprom resumes gas supplies to Ukraine and Europe
- 21-Jan** Gazprom announces average price for Ukraine in 2009 will be lower than \$250/tcm

Source: Concorde Capital

On January 19, Naftogaz of Ukraine and Gazprom finally reached an agreement on natural gas imports and transit rates after a conflict that cut off deliveries to Europe. As per the deal, the price will be linked to the price of oil products like in other European countries, and Naftogaz will have to pay USD 360/tcm in 1Q09. Naftogaz has said that it expects the price to be USD 270/tcm in 2Q09, USD 219/tcm in 3Q09, and USD 162/tcm in 4Q09.

Based on the volume of gas imports stated in the contract, the average price in 2009 will be USD 232.2/tcm, vs. USD 179.5/tcm in 2008. However, Ukraine could partly draw from its gas reserves in 1Q09 instead of forking out USD 360/tcm; thus the annual average price could be as low as USD 213.9/tcm if Ukraine does not buy gas at all in 1Q09.

We see three main implications of the gas price increase for the Ukrainian economy. First, the increase will have a material inflationary effect. Natural gas only accounts for 2.5% of individuals' expenses (as reflected in the CPI basket), but it is included in the cost of products in almost every sector of the economy. Thus, the effect of the higher gas bill will induce an overall shift in prices, and may contribute 2% to CPI growth in 2009. Gradual cancellation of gas subsidies for the population and utility companies will contribute another 4%, by IMF estimates.

Second, the gas price increase will add USD 2.3 bln to the trade deficit (assuming an annual average price of USD 232.2/tcm).

A third impact is heightened pressure from gas subsidies on the state budget. Although the government is moving to stop subsidizing gas for consumers (for more see p.7), the abolishment of subsidies will be gradual, and required budget funds may be quite high, at least in 1Q09.

Ukraine's 5Y CDS, bps



Source: Bloomberg

External currency flows, USD bln

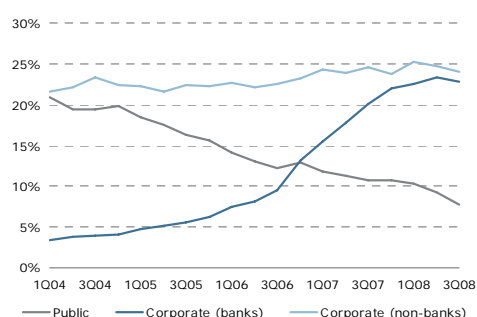
	2008	2009	2010
External financing required	54.5	48.7	53.1
Current account deficit	11.7	1.3	2.5
Corporate debt payments	28.8	32.5*	39.4
Public debt payments	1.2	2.4	1.6
Short-term capital outflows	12.8	12.5	9.6
Available financing	49.6	30.7	54.8
FDI	11.4	7.5	10.1
Portfolio inflows	0.0	1.0	1.1
Debt financing	38.2	22.2	43.6
Remaining financing gap	-4.8	-18.0	1.7
IMF funds available	4.5	9.8	2.3
NBU reserves** (eop)	31.5	23.3	27.3

* Assuming default rate of 15%

** Changes in NBU reserves estimates only reflect coverage of financing gaps

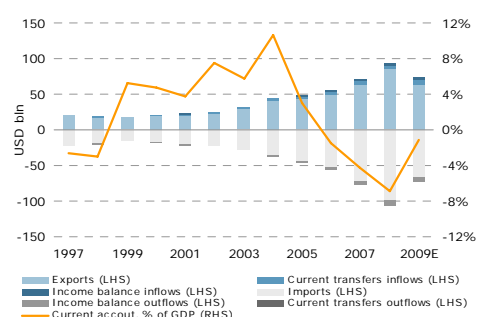
Source: IMF, National Bank of Ukraine, Concorde Capital estimates

External debt, % of GDP



Source: National Bank of Ukraine

External trade to contract in 2009



Source: National Bank of Ukraine, Concorde Capital estimates

IS A UKRAINE SOVEREIGN DEFAULT LIKELY?

The credit-default swap on Ukraine's five-year sovereign Eurobonds has jumped from 400-500 bps in August 2008 to 3,200 bps, as of today.

The anxiety is definitely not related to doubts about Ukraine's ability to repay sovereign liabilities – Ukraine's public foreign debt is only 13.5% of GDP, as of FY2008. Debt service and redemptions amount to just USD 2.4 bln in 2009.

The critical issue is USD 38.2 bln in corporate debt due in 2009. Of that amount, USD 13.5 bln is trade credits, literally delayed payments for imported goods, and are the most likely to be fully repaid. As for the remaining USD 24.7 bln, around USD 20 bln will be rolled over, according to our estimates. We expect that about USD 5 bln of external corporate debt will likely default in 2009.

By our estimates, partly based on IMF assumptions, Ukraine's external financing gap in 2009 will be USD 18.0 bln. More than half of this could be financed with the loan from the IMF, while the remainder could be covered by the NBU reserves. Thus, the reserves could still comprise USD 23.3 bln at the end of 2009, losing a quarter of their value.

There are, however, risks to our assessment of Ukraine's ability to cover the financing gap. First, the UAH/USD exchange rate may weaken too far. Demand for US dollars from corporations and the population is still overwhelming, speculation is prevalent, and the National Bank keeps trying to curb UAH depreciation. This January, it has already spent USD 958 mln (3% of its FY 2008 reserves) on interventions, and has said it will spend more.

Second, if the rate shoots up too far, the share of companies and households that will default on their dollar-denominated loans will increase markedly. Thus, the banking system could fail to attract sufficient equity to compensate for debt writedowns and could be partly bailed out by the NBU.

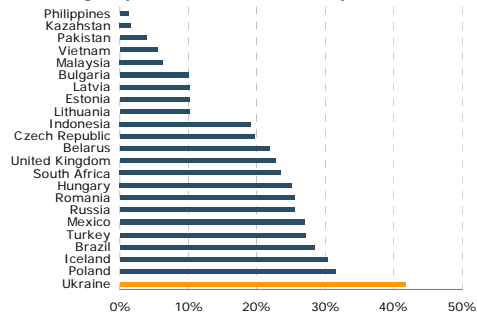
Third, in 2009, the global banking liquidity could be even worse than forecasted by the IMF or World Bank. For instance, if external funding is less available and Ukrainian companies are not able to attract USD 22.2 bln of debt as we expect, or terms of trade comes in at under the assumption in our forecast, Ukraine might have to eat into its currency reserves to cover the financing gap.

Finally, there is a risk that in the erratic political environment, Ukrainian authorities could make irrational decisions on economic policy, negatively affecting Ukraine's ability to service its external liabilities.

On the positive note, we forecast the current account deficit to shrink from USD 12.3 bln in 2008 to USD 1.3 bln (1.1% of GDP) in 2009, as imports will contract 33% yoy on the back of deteriorating internal consumption and the weakening of the hryvnya, while exports will only fall 24% yoy.

We do not rule out that the 2009 C/A balance could even turn positive if imports contract more than we projected due to deep UAH devaluation, or the price for steel (~45% of Ukraine's exports) exceeds USD 450/mt, the average export price we employed in our balance of payments forecast.

Currency depreciation vs. USD, Sep 08-to-date



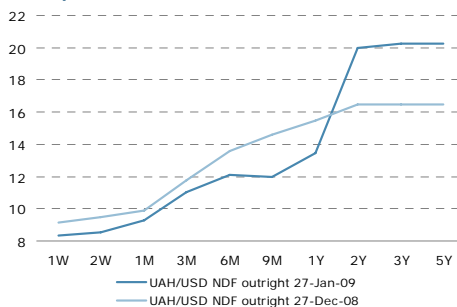
Source: Bloomberg

UAH/USD



Source: Bloomberg

NDF quotations



Source: Bloomberg

UAH/USD: WHAT WILL THE RATE BE IN 2009?

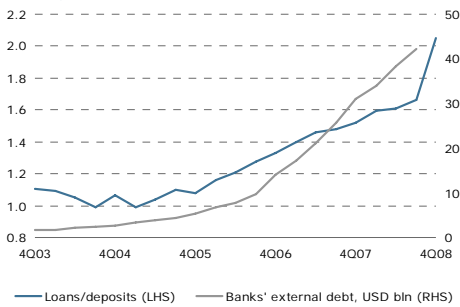
The Ukrainian hryvnya has lost 42% of its value since Sep-08, more than most emerging economies' currencies. The hryvnya is suffering from an adverse economic outlook, political turmoil, the loss of confidence by the population, and extensive speculation on the FX market. Lately, it has been not uncommon for the UAH/USD rate to go up or down by more than 5% a day. The daily variation coefficient from Sep. 2008-to-date has been 20% vs. the average of 7% for countries in the chart.

Dollar demand remains strong – since the beginning of the year, the NBU has sold USD 958 mln interbank to curb growth in the UAH/USD rate. On Jan. 21, Head of the NBU Council Valeriy Litvytskiy said that in 1Q09 the central bank is ready to spend another USD 4.5 bln to support the hryvnya.

We expect the current account to nearly balance in 2009 (USD 1.3 bln; 1.1% of GDP), and should not impact the exchange rate substantially. On the other hand, the capital account will likely turn from a surplus in 2008 into deficit of USD 7.0 bln (5.9% of GDP).

We set our forecast for the average UAH/USD rate in 2009 at 8.50, based on balance of payments projections and estimate of internal supply-demand for the greenback. We believe that NDF UAH/USD rate at 13.47, as of today, is overly-speculative and reflects an exaggerated risk of hryvnya devaluation. We also expect major deviations from the mean of our forecast throughout 2009, and believe the rate is likely to be higher in the first half of the year than in the second.

Rising external debt finances loan provision



Source: State Statistics Committee

Banking system balance sheet, UAH bln

	2006	2007	3Q08
Cash & balance with the NBU	26.5	37.1	43.2
Due from banks	41.9	81.0	82.8
Loan portfolio (net)	234.0	412.8	546.5
Corporate	167.8	276.4	365.7
Retail	77.8	153.6	204.7
Provision for loan impairment	11.5	17.3	23.9
Securities portfolio	14.1	28.4	33.5
Fixed & intangible assets	18.6	28.1	33.6
Accrued incomes	2.3	4.7	7.2
Deferred tax assets	0.2	0.3	0.4
Other assets	2.6	7.1	8.4
TOTAL ASSETS	340.2	599.4	755.6
Due to banks	76.6	168.6	207.5
Customer accounts	202.9	318.4	404.3
Corporate	95.8	152.4	197.4
Retail	107.1	166.0	206.9
Debt securities issued	6.2	19.3	16.1
Accrued expenses	3.1	5.8	8.7
Deferred tax liabilities	1.7	2.5	3.0
Other liabilities	7.1	15.1	23.8
TOTAL LIABILITIES	297.6	529.8	663.4
Share capital	26.3	42.9	60.3
Treasury stock	0.0	0.0	0.0
Emission differences	1.2	3.2	3.7
Banking reserves	4.8	7.0	10.4
Revaluation reserves	5.4	8.2	9.1
Retained earnings	4.9	8.3	8.7
TOTAL EQUITY	42.6	69.6	92.2

Source: National Bank of Ukraine

WHAT WILL HAPPEN TO THE BANKING SYSTEM IN 2009?

We see key problems with the banking system in 2009 to be liquidity, asset quality, and the need for recapitalization.

The closure of foreign debt markets, deposit withdrawals, and limited interbank lending have dried up Ukrainian banks' liquidity. In 4Q08, no Ukrainian bank issued Eurobonds and only two received syndicated loans, amounting to a total of USD 162 mln, while in the previous three quarters banks placed five Eurobond issues for USD 0.7 bln, and received USD 1.5 bln in syndicated loans. Since Sep-08, UAH 60 bln in deposits have been withdrawn from the banks. To support liquidity, the National Bank of Ukraine has poured UAH 105 bln into the banking system in the period.

In addition, banks are highly burdened by foreign debt: outstanding debt made up USD 42.1 bln as of end-3Q08, and payments due in 2009 amount to USD ~25 bln. Of this amount, roughly half is owed by Ukrainian banks to their parent structures, who can be expected to be lenient on repayment terms if needed. In addition, the NBU has pledged to act as a backstop: according to the NBU Deputy Head Anatoliy Shapovalov, several banks could receive recapitalization support from the NBU in 2009.

The number of non-performing loans will substantially increase in 2009. Borrowers' ability to service their debt will deteriorate due to the sharp hryvnya devaluation (59% of loans are denominated in foreign currency), falling income, and rising unemployment. By our estimates, 6-10% of loans (UAH 33-55 bln) could go unpaid or overdue in 2009.

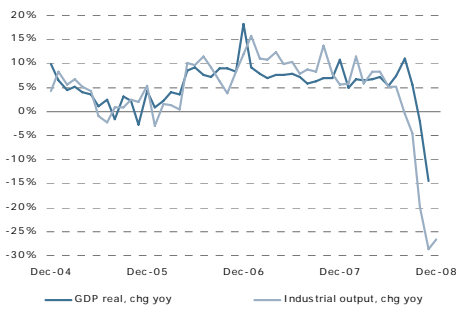
NBU regulation #413 (Dec-04, 2008) requires the banks to re-evaluate their property pledged as collateral. Given that commercial and residential real estate prices have fallen 20-30% yoy over 4Q08 and are certain to decline further, this may add another UAH ~50 bln to the banks' losses.

As a result, the banking system could need to raise up to UAH ~80-105 bln in capital in 2009, and obviously not all banks have the ability to raise such additional equity.

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

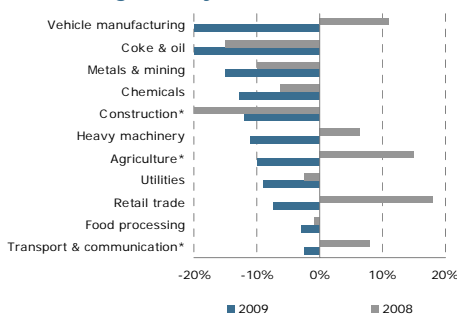
HOW LONG WILL THE RECESSION LAST AND WHAT SECTORS WILL BE VALUE-CREATIVE?

Economic growth nosedives



Source: State Statistics Committee

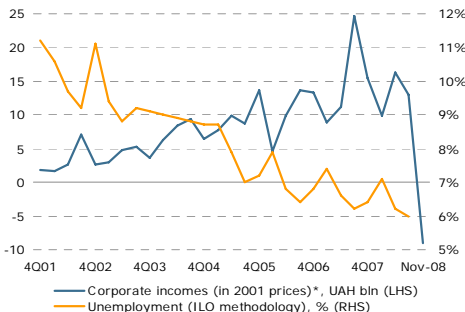
Production growth by sector



* Data for 2008 is estimated

Source: State Statistics Committee, Concorde Capital estimates

Drop in income forces companies to cut jobs



* Adjusted by PPI

Source: State Statistics Committee, Concorde Capital estimates

The global economic crisis revealed inherent imbalances in the Ukrainian economy. The falling economic indicators suggest Ukraine is sinking in its hardest recession since 1991-1996, when following the collapse of the USSR GDP contracted 57% over the five year span.

We forecast the Ukrainian economy to shrink 7.0% in 2009; the IMF foresees a 5.0% decline. Other banks and research organizations expect a 4.9% decrease on average (16 observations). Everyone mentions the same factors to affect growth in 2009, but GDP growth forecasts vary from -0.4% to -9.9%, which could mean that the depth and duration of the crisis in Ukraine is poorly understood among researchers.

As global economic activity looks to remain tenuous in 2009, global demand for metals is also likely to remain weak. This factor alone will be enough to keep Ukraine deep in a recession, as ~25% of GDP is directly or indirectly dependent on metallurgy, according to the Ministry of Economy. Difficulties in the banking system, hryvnya devaluation and weakening internal demand suggest that a domestic recovery is hardly possible before 2010.

The recession will affect the performance of the majority of sectors of the Ukrainian economy in 2009, to varying degrees.

Highly indebted companies in real estate, retail trade, and financials are already seeking to refinance or restructure their debt, and in some cases sell, in part or wholly, their businesses. This will underpin the M&A market in 2009. Additionally, restrained consumer access to credit will substantially decrease demand for apartments (up to 60% bought on credit), cars (50-60%), and consumer goods like appliances (20-40%).

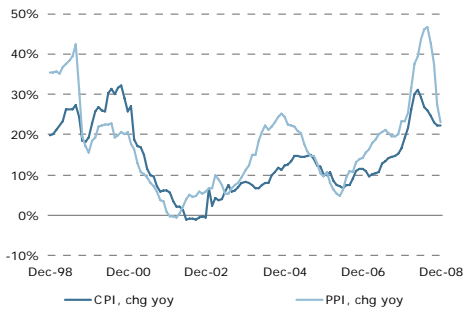
Export-oriented sectors (metallurgy, heavy machinery, chemicals) will face sluggish demand, however they will gain from the weak hryvnya. We anticipate the aggregate production of companies in metals & mining to shrink 15% yoy in 2009, following 2008's decline of 10% yoy.

The agriculture and food industry will be relatively resilient to the crisis thanks to inelastic demand for their products in Ukraine and abroad. Still-high global prices for food and favorable exchange rate will help the sectors stay afloat; they export ~20% of their output.

Trade and transportation will experience a decline along with the overall economy, as demand for their services will suffer due to their high dependence on industrial production.

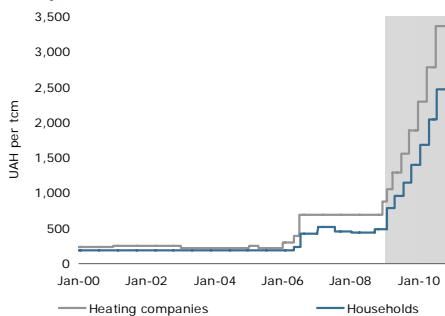
In Nov. 2008, the aggregate income of Ukrainian companies was negative for the first time since 2001. There is a high long-term negative correlation between corporate financial performance and unemployment, and we expect that in 2009 unemployment could double from 6% as of 3Q08. Real salaries will likely decrease at least 5%, and household consumption could fall by up to 10-15% in 2009.

Inflation indicators



Source: State Statistics Committee

Gas price hike schedule



Note: Shading indicates IMF forecast

Source: IMF

HOW HIGH WILL BE INFLATION IN 2009?

Since hitting a seven-year high of 31.1% yoy in May-08, annualized CPI growth slid back to 22.3% in Dec-08, thanks to an abundant harvest, stabilization in food prices, and a decline in aggregate demand. If not for the sharp hryvnya devaluation and regulators raising utility prices (hot water, heating and natural gas), CPI yoy growth could have been firmly in the 10s at end-2008. We forecast CPI will grow 15% and PPI 18% in 2009.

PPI growth nearly halved since its peak of 46.9% yoy in August, thanks to the sharp slump in commodity prices. The largest contributors to the index growth, steel and oil prices, plunged 65% and 62% since July and we doubt they will rebound substantially any time soon.

We argue that UAH depreciation and growth in utility prices will continue to be the core factors determining inflation in 2009. We believe that in 2009 exchange rate deterioration will contribute up to 8-10% to the CPI growth in 2009.

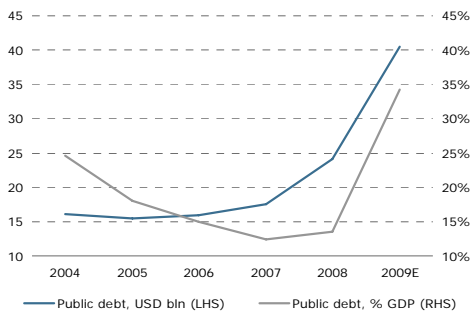
Ukraine's government announced its intention to gradually raise natural gas prices for the population and heating companies in order to reduce subsidy pressure on the state budget. In its report on Ukraine, the IMF calculates that the policy to reduce subsidies will lessen fiscal pressure by 0.4% of GDP, but will contribute ~4% to inflation. Additionally, an overall shift in prices, induced by the increased price for imported natural gas from Russia will contribute about 2% to CPI in 2009.

2009 budget compared to previous years

	2007	2008	2009
Revenue, UAH bln	140.3	240.8	237.5
Expenses, UAH bln	153.5	256.4	265.6
Balance, UAH bln	-13.2	-15.6	-28.1

Source: Verkhovna Rada of Ukraine

Public debt will nearly double in 2009



Source: Ministry of Finance, Concorde Capital estimates

WILL THE BUDGET BE FULFILLED IN 2009?

On Dec. 26, 2008, the Verkhovna Rada approved the state budget for 2009. Contrary to the agreement with the IMF to maintain a "prudent fiscal stance" in 2009, parliament's budget envisioned a deficit of UAH 31 bln and had real GDP growth of 0.4% built into budget revenue estimates.

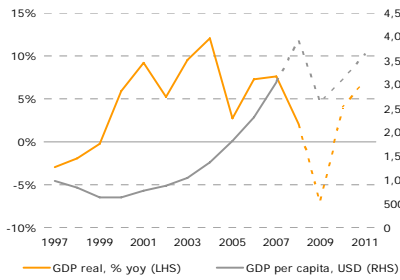
Applying our forecast of a 7.0% decline in real GDP, we estimate the deficit could reach UAH 41.2 bln (4.1% of GDP) in 2009. We think that in the coming months, parliament could reduce planned budget revenue, as its current estimate looks unachievable.

We see no reason why Ukraine should target a balanced fiscal position given the current economic circumstances. Expansionary fiscal policy is fairly reasonable in 2009 and may help smooth the economic downturn by stimulating consumption and investment via budget expenses. Low public debt of 13.5% of GDP (as of end-2008) provides room to increase borrowings to finance government spending.

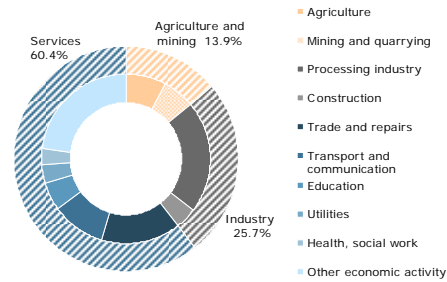
We believe that in 2009 the budget deficit will be financed via debt attraction, as privatization prospects are unclear. If the parliament does not amend budget expenditures significantly, outstanding public debt will almost double to USD 40.5 bln (34.3% of GDP) by end-2009. This forecast assumes the attraction of the entire amount of the debt available under the IMF standby facility in 2009 (USD 9.8 bln), and issuance of bonds or attraction of loans to cover the entire 2009 budget deficit (UAH 41.2 bln).

MACRO MONITOR

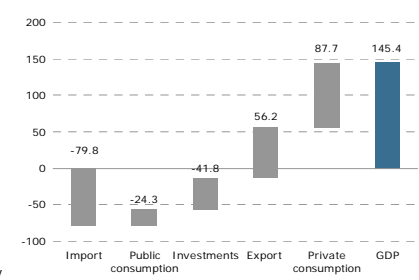
GDP growth and GDP per capita



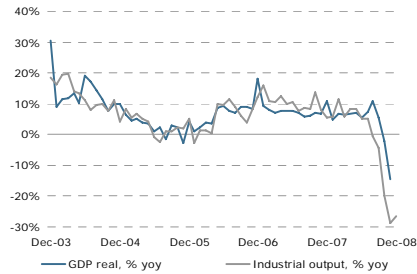
GDP by sector in 9M08



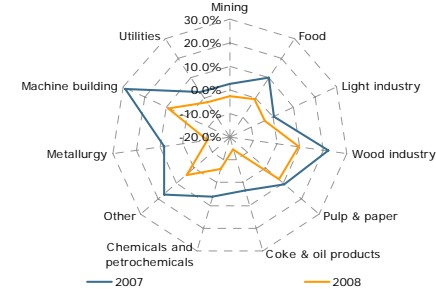
GDP by expenditures in 9M08, USD bln



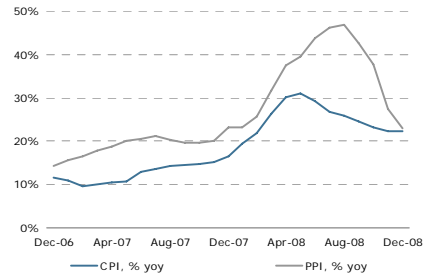
Real GDP & industrial output, chg yoy



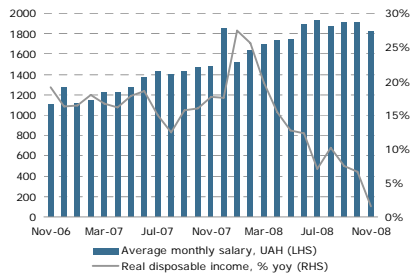
Industrial output growth by sector, chg yoy



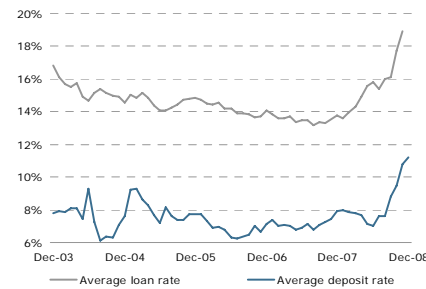
Inflation, chg yoy



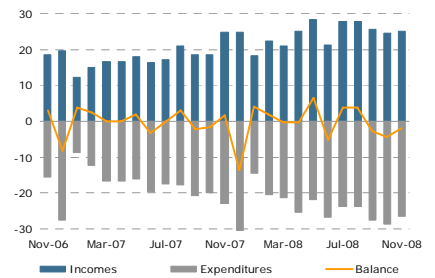
Real disposable income and average salary



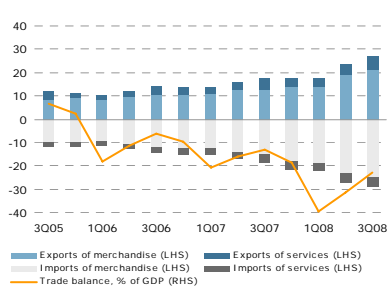
Interest rates



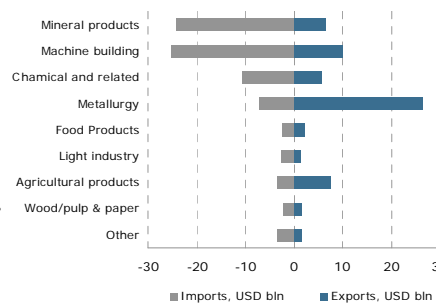
Consolidated budget execution, UAH bln



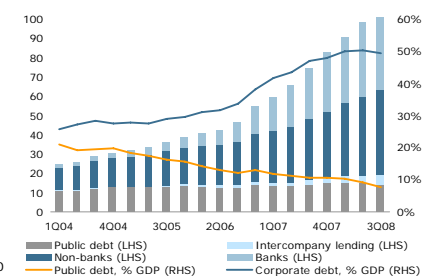
External trade, USD bln



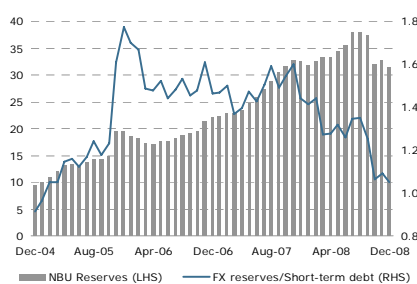
External trade in merchandise, 11M08



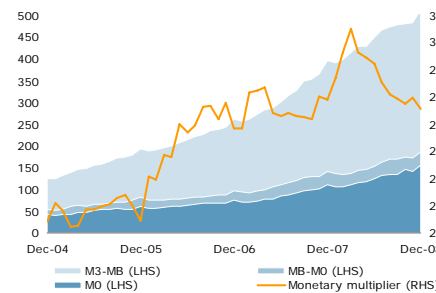
External debt, USD bln



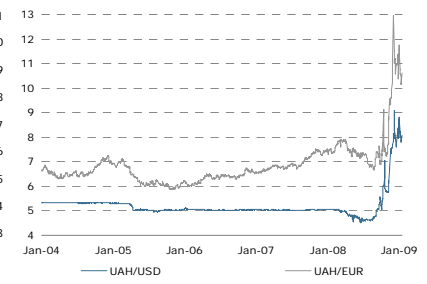
NBU reserves



Money supply structure, UAH bln



UAH exchange rates



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

Ukrainian macro indicators yearly

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009E
Business cycle indicators										
Real GDP, chg yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.6	2.1	-7.0
Nominal GDP, USD bln *	31.3	38.0	42.4	50.1	65.0	86.1	106.5	141.2	178.4	118.1
GDP per capita, USD *	632	781	880	1,048	1,371	1,829	2,303	3,044	3,870	2,574
Consumption, chg yoy *	2.5	9.6	9.5	11.5	13.1	20.6	15.9	17.1	12.5	-10.0
Investment, chg yoy *	24.6	17.9	-1.5	24.3	5.5	14.0	18.5	22.1	15.0	-14.0
Industrial output, chg yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-11.5
CPI (eop), chg yoy	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	21.0	15.0
PPI (eop), chg yoy	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	31.0	18.0
External indicators										
Current account balance, USD bln	1.5	1.4	3.2	2.9	6.9	2.5	-1.6	-5.9	-12.3	-1.3
Current account balance, % GDP *	4.7	3.7	7.5	5.8	10.6	2.9	-1.5	-4.2	-6.9	-1.1
Trade balance, USD bln *	1.6	0.6	1.9	1.3	5.0	0.7	-3.1	-7.9	-13.6	-2.3
Trade balance, % GDP *	5.0	1.6	4.4	2.6	7.7	0.8	-2.9	-5.6	-7.6	-2.0
Exports, USD bln *	19.5	21.1	23.4	29.0	41.3	44.4	50.2	64.0	85.4	64.5
Exports, chg yoy *	14.4	8.0	10.7	24.0	42.6	7.5	13.2	27.4	33.4	-24.5
Imports, USD bln *	17.9	20.5	21.5	27.7	36.3	43.7	53.3	71.9	99.0	66.8
Imports, chg yoy *	17.8	14.1	5.0	28.7	31.3	20.4	22.0	34.8	37.8	-32.5
Capital account balance, USD bln *	-0.9	0.4	-1.2	0.1	-4.6	7.7	3.7	15.3	15.6	-7.0
Capital account balance, % GDP *	-3.0	1.1	-2.9	0.2	-7.1	9.0	3.5	10.9	8.7	-5.9
FDI net, USD bln *	0.6	0.8	0.7	1.4	1.7	7.5	5.7	9.2	10.4	7.5
NBU reserves, USD bln	n/a	n/a	4.4	5.1	9.5	19.4	22.3	32.5	31.5	23.3
Debt indicators										
Public debt, USD bln	14.4	12.5	13.8	14.5	16.0	15.5	15.9	17.6	24.1	40.5
Public debt, % of GDP *	46.1	33.0	32.5	29.0	24.7	18.0	15.0	12.4	13.5	34.3
Corporate external debt, USD bln *	n/a	n/a	n/a	13.0	17.8	25.5	40.7	67.5	91.9	63.4
Corporate external debt, % of GDP *	n/a	n/a	n/a	25.9	27.3	29.6	38.3	47.8	51.5	53.7
Gross external debt, USD bln *	n/a	n/a	n/a	23.8	30.6	38.9	54.5	82.7	108.3	93.1
Gross external debt, % of GDP *	n/a	n/a	n/a	47.5	47.1	45.2	51.2	58.6	60.7	78.9
Monetary indicators										
Monetary base, UAH bln	16.7	23.0	30.7	40.1	53.8	82.8	97.2	141.9	186.7	210.0
Money supply (M3), UAH bln	32.3	45.8	64.9	95.0	125.8	194.1	261.1	396.2	514.7	565.0
Money supply, chg yoy	46.1	41.9	41.8	46.5	32.4	54.3	34.5	51.7	29.9	9.8
Monetary multiplier (MB/M3), eop	1.9	2.0	2.1	2.4	2.3	2.3	2.7	2.8	2.8	2.7
Monetization (avg M3/GDP), %	15.7	19.2	24.9	30.3	32.0	36.7	42.3	46.4	48.1	53.8
Exchange rate										
Interbank UAH/USD (eop)	5.43	5.30	5.33	5.33	5.31	5.05	5.05	5.05	8.05	8.30
Interbank UAH/USD (avg)	5.47	5.38	5.33	5.33	5.32	5.10	5.04	5.03	5.27	8.50
State budget										
Revenues, UAH bln	n/a	n/a	n/a	55.1	70.3	105.2	133.5	165.9	226.9	224.4
Expenses, UAH bln	n/a	n/a	n/a	55.8	79.5	112.8	137.1	174.2	237.0	265.6
Balance, % GDP *	n/a	n/a	n/a	-0.4	-3.0	-1.8	-0.7	-1.4	-1.3	-4.1
Social indicators										
Population, mln (eop) *	48.9	48.2	48.0	47.6	47.3	46.9	46.6	46.4	46.1	45.9
Unemployment (ILO methodology, eop), % *	11.6	10.9	9.6	9.1	8.6	7.2	6.8	6.4	8.0	11.0
Average monthly salary, UAH	n/a	n/a	376	463	591	806	1,043	1,351	1,806	1,896
Real disposable income, chg yoy *	n/a	10.0	18.0	5.8	16.8	20.1	16.1	12.8	10.0	-12.0

* Data for 2008 is estimated

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

Ukrainian macro indicators quarterly

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Business cycle indicators												
Real GDP, % yoy	4.3	7.2	7.3	9.6	8.9	8.6	6.2	7.4	6.5	6.5	6.9	n/a
Nominal GDP, USD bln	20.9	24.6	29.8	31.2	26.4	32.0	39.1	42.1	37.0	46.8	58.9	n/a
GDP per capita, USD	1,925	2,027	2,147	2,273	2,393	2,555	2,758	3,032	3,229	3,554	3,986	n/a
Consumption, chg yoy	18.6	19.7	12.8	13.8	19.1	17.0	13.6	19.0	22.0	13.3	n/a	n/a
Investment, chg yoy	45.8	6.4	10.7	23.0	16.6	27.8	19.1	25.1	13.9	31.0	n/a	n/a
Industrial output, chg yoy	0.6	3.8	5.6	6.2	12.9	11.8	10.7	10.2	7.8	7.5	5.1	-3.1
CPI (eop), chg yoy	8.6	6.8	9.1	11.6	10.1	13.0	14.4	16.6	26.2	29.3	24.6	22.3
PPI (eop), chg yoy	6.5	6.3	10.7	14.2	16.7	19.9	20.4	21.0	26.9	40.3	45.3	29.3
External sector												
Current account balance, USD bln	-0.8	0.0	0.5	-1.4	-1.2	-0.8	-0.5	-3.5	-3.6	-3.0	-1.6	n/a
Current account balance, % GDP	-3.7	-1.7	-0.3	-1.5	-4.6	-3.4	-2.5	-4.2	-9.7	-7.9	-5.7	n/a
Trade balance, USD bln	-1.1	-0.4	0.2	-1.7	-1.6	-1.2	-1.0	-4.1	-4.4	-3.6	-2.1	n/a
Trade balance, % GDP	-5.4	-3.4	-1.9	-2.9	-6.2	-4.8	-3.9	-5.6	-11.9	-9.5	-6.9	n/a
Exports, USD bln	10.4	12.2	14.3	13.3	13.4	15.8	17.5	17.3	17.5	23.6	27.4	n/a
Exports, chg yoy	-0.1	5.2	11.6	13.2	28.6	29.0	26.4	27.4	31.0	40.9	46.6	n/a
Imports, USD bln	11.5	12.6	14.2	15.0	15.0	17.0	18.5	21.4	21.9	27.2	29.4	n/a
Imports, chg yoy	25.4	20.1	20.5	22.0	30.1	32.4	31.8	34.8	46.0	53.5	55.5	n/a
Capital account balance, USD bln	-1.4	0.3	0.9	3.9	2.5	3.5	4.2	5.2	3.4	4.7	6.1	n/a
Capital account balance, % GDP	8.9	-6.7	-2.5	-0.3	3.5	9.5	10.3	10.4	10.9	9.1	9.5	n/a
FDI net, USD bln	1.2	1.5	1.7	1.4	1.7	1.9	3.9	1.6	2.4	3.1	3.3	n/a
NBU reserves, USD bln	17.3	17.6	19.1	22.3	23.0	25.9	30.6	32.5	33.2	35.4	37.5	31.5
NBU reserves, % of ST ext. debt	148.6	143.9	145.5	146.3	136.6	142.5	149.3	144.1	127.5	125.8	124.9	n/a
Debt indicators												
Public debt, USD bln	14.9	14.6	14.5	15.9	16.0	15.5	16.3	17.6	17.8	17.7	17.1	24.1
Public debt, % of GDP	16.5	15.4	14.4	15.0	14.2	13.0	12.7	12.4	11.8	10.7	9.2	n/a
Corporate external debt, USD bln	28.3	30.2	34.0	40.7	46.6	51.9	60.5	67.5	75.1	82.8	91.1	n/a
Corporate external debt, % of GDP	31.2	31.7	33.7	38.3	41.6	43.5	47.0	47.8	50.0	50.2	49.3	n/a
Gross external debt, USD bln	41.0	42.6	46.2	54.5	59.8	65.3	74.2	82.7	90.6	98.0	105.4	n/a
Gross external debt, % of GDP	45.2	44.7	45.9	51.2	53.4	54.7	57.7	58.6	60.3	59.4	57.0	n/a
Monetary indicators												
Monetary base, UAH bln	75.5	80.2	84.8	97.2	96.4	111.0	127.7	141.9	136.4	154.2	170.8	n/a
Money supply (M3), UAH bln	195.3	214.1	234.8	261.1	272.5	303.0	348.2	396.2	416.2	450.6	477.7	n/a
Money supply, chg yoy	39.4	37.0	37.3	34.5	39.5	41.5	48.3	51.7	52.8	48.7	37.2	n/a
Monetary multiplier (MB/M3)	2.6	2.7	2.8	2.7	2.8	2.7	2.7	2.8	3.1	2.9	2.8	n/a
Monetization (avg M3/GDP), %	40.0	41.9	44.1	42.3	41.9	44.4	44.8	46.4	44.1	45.9	45.5	n/a
Exchange rate												
Interbank UAH/USD (eop)	5.06	5.00	5.04	5.05	5.03	5.02	5.03	5.05	5.00	4.57	5.08	8.05
Interbank UAH/USD (avg)	5.06	5.03	5.02	5.04	5.04	5.03	5.01	5.05	5.04	4.85	6.52	4.71
State budget												
Revenues, UAH bln	25.0	54.8	92.2	133.5	33.5	71.3	113.7	165.9	46.7	104.8	169.1	n/a
Expenses, UAH bln	26.7	58.1	93.6	137.1	29.4	70.6	116.1	174.2	45.5	102.9	165.1	n/a
Balance, % GDP	-0.1	-0.1	0.0	0.0	0.1	0.0	0.1	0.2	0.0	0.0	0.2	n/a
Social indicators												
Population, mln (eop)	46.8	46.8	46.7	46.6	46.6	46.5	46.4	46.4	46.3	46.2	46.2	n/a
Unemployment (ILO methodology), %	7.9	6.8	6.4	6.8	7.4	6.6	6.2	6.4	7.1	6.2	6.0	n/a
Average monthly salary, UAH	919	1,017	1,080	1,157	1,161	1,290	1,415	1,603	1,619	1,787	1,906	1,914
Real disposable income, chg yoy	24.2	20.0	17.8	16.1	11.1	10.8	11.7	12.8	19.8	14.7	13.0	n/a

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

Ukrainian macro indicators monthly

	2007						2008						
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Business cycle indicators													
Real GDP, chg yoy	10.8	4.9	6.7	6.5	6.7	7.2	5.4	7.3	10.9	5.5	-2.1	-14.4	n/a
Nominal GDP, USD bln	16.4	11.4	12.0	14.1	15.2	16.3	16.8	20.8	20.2	17.9	16.8	12.6	n/a
GDP per capita, USD	3,035	3,104	3,179	3,293	3,415	3,588	3,795	3,966	4,110	4,165	4,059	3,450	n/a
Industrial output, chg yoy	5.5	5.7	11.5	5.8	8.3	8.3	5.2	5.1	-0.5	-4.5	-19.8	-28.6	-26.6
CPI, chg yoy	16.6	19.4	21.9	26.2	30.2	31.1	29.3	26.8	26.0	24.6	23.2	22.3	22.3
CPI, chg mom	2.2	2.1	2.9	2.7	3.8	3.1	1.3	0.8	-0.5	-0.1	1.1	1.7	1.5
PPI, chg yoy	23.3	23.3	25.6	31.7	37.5	39.4	43.7	46.3	46.9	42.7	37.7	27.4	23.0
PPI, chg mom	1.0	3.2	2.3	3.0	6.6	6.6	3.7	4.2	3.6	1.8	-1.8	-1.4	-6.5
External sector indicators													
Merchandise exports, USD bln	4.8	3.7	4.7	5.4	5.6	6.3	6.9	7.6	6.7	6.7	5.9	3.6	n/a
Merchandise exports, chg yoy	30.0	14.2	37.3	32.5	37.0	53.9	62.8	78.9	61.2	62.5	34.9	-18.6	n/a
Merchandise imports, USD bln	6.6	4.6	6.5	7.7	7.9	7.7	7.9	8.8	8.2	8.5	7.6	5.3	n/a
Merchandise imports, chg yoy	29.1	25.0	50.4	55.7	64.6	58.9	69.5	66.0	67.4	74.8	30.2	-9.6	n/a
Merchandise trade balance, USD bln	-1.8	-1.0	-1.8	-2.3	-2.4	-1.4	-1.0	-1.2	-1.4	-1.8	-1.8	-1.6	n/a
Merchandise trade balance, % GDP	-11.1	-8.4	-14.8	-16.1	-15.5	-8.7	-6.2	-5.8	-7.1	-10.0	-10.6	-13.1	n/a
NBU reserves, USD bln	32.5	31.8	32.5	33.2	33.3	34.4	35.4	37.9	38.1	37.5	31.9	32.7	31.5
Debt indicators													
Public debt, USD bln	17.6	17.5	17.8	17.8	17.6	17.7	17.7	17.6	17.4	17.1	16.6	n/a	24.1
Public debt, % of GDP	12.4	12.2	12.1	11.6	11.1	10.6	10.1	9.6	9.1	8.9	8.8	n/a	n/a
Monetary indicators													
Monetary base, UAH bln	141.9	136.3	134.3	136.4	145.0	145.9	154.2	163.7	169.0	170.8	173.4	172.8	186.7
Monetary base, chg yoy	48.4	46.0	42.7	44.9	41.5	45.6	38.8	38.9	41.6	40.2	33.8	33.2	32.5
Monetary base, chg mom	8.8	-4.0	-1.4	1.6	6.3	0.6	5.7	6.1	3.2	1.1	1.5	-0.3	8.0
Money supply (M3), UAH bln	396.2	391.3	398.2	416.2	429.9	429.7	450.6	467.5	474.9	477.7	481.1	483.2	514.7
Money supply (M3), chg yoy	49.8	51.7	52.7	52.4	52.8	52.3	49.1	48.7	47.5	44.4	37.2	35.8	32.2
Money supply (M3), chg mom	8.4	-1.2	1.8	4.5	3.3	-0.1	4.9	3.8	1.6	0.6	0.7	0.4	6.5
Monetary multiplier (MB/M3)	2.8	2.9	3.0	3.1	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8
Monetization (M3/GDP), %	46.4	42.7	43.1	44.1	44.8	44.8	45.9	45.0	45.4	45.5	44.3	44.4	46.4
Exchange rate													
Interbank UAH/USD (eop)	5.06	5.06	5.05	5.01	4.93	4.76	4.70	4.62	4.63	5.08	5.92	7.52	8.05
Interbank UAH/USD (avg)	5.06	5.06	5.05	5.01	4.93	4.76	4.70	4.62	4.63	4.88	5.59	6.16	7.87
State budget													
Revenues, UAH bln	165.9	13.9	31.3	46.7	66.3	89.4	104.8	n/a	149.2	169.1	188.0	208.0	n/a
Expenses, UAH bln	174.2	12.1	28.6	45.5	65.2	83.2	102.9	n/a	143.1	165.1	186.4	205.5	n/a
Balance, % GDP	-1.4	3.2	2.3	0.6	0.4	1.8	0.4	n/a	0.9	0.4	0.0	0.1	n/a
Social indicators													
Population, mln (eop)	46.4	46.3	46.3	46.3	46.3	46.2	46.2	46.2	46.2	46.2	46.2	46.2	n/a
Average monthly salary, UAH	1,849	1,521	1,633	1,702	1,735	1,744	1,883	1,930	1,872	1,916	1,917	1,823	2,001
Real disposable income, chg yoy	12.8	23.4	22.1	19.8	17.7	16.0	14.7	13.7	13.4	13.0	12.4	11.4	n/a

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

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