



CONCORDE CAPITAL

Ukraine / Equity Strategy

Indian Summer Rally

Safe Haven for Fleeing Funds

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Top Picks

	Mkt Price, USD	12M TP USD	Upside	Crn't MCap USD mln
AVDK	4.09	6.20	52%	791.5
SHCHZ	1.48	2.50	69%	1,255.2
ENMZ	66.09	120.00	82%	685.4
TMM	22.09	26.04	18%	1,144.4
RODB	1775	2300	30%	772.2
SUNI	0.16	0.19	20%	1,506.6
TATM	0.99	1.20	21%	418.3
DAKOR	20.00	26.60	33%	114.3
DOEN	36.88	43.18	17%	872.0

Key market data

PFTS Indx as of 19 Oct 07	1,157.30
PFTS Indx chg YTD/1m/1y	132%/18%/180%
MSCI EM YTD/1m/1y	40%/11%/58%

Total MCap of PFTS listing	USD 102 bln
Investable Universe MCap	USD 84.8 bln
Investable Universe FF	USD 6.5 bln

PFTS ave. daily tr vol YTD	USD 6.3 mln
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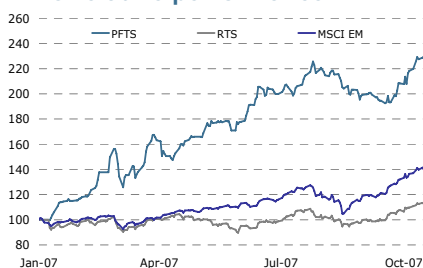
Key economic data

	2006	2007E	2008F
GDP real growth, %	7.1	7.3	6.8
Industrial output growth, %	6.2	9.0	7.5
CPI (eop), %	11.6	12.5	9.0
FDI inflow, USD bln	5.3	6.5	8.0
NBU Reserves, USD bln	22.3	32.5	35.0
State Budget Balance, % of GDP	-0.7	-1.9	-2.0
Retail turnover real growth, %	25.3	24.0	23.0
Banking Assets growth, %	59.0	55.0	45.0

Source: NBU, State Statistics Committee, Concorde Capital estimates

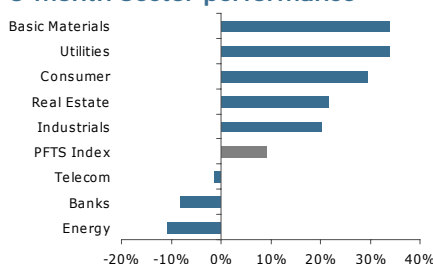
- Ukraine receives new liquidity.** Over the last 7 weeks, net inflows into GEM equity funds amassed USD 24 bln, or 82% of the YTD total, while the aggregate net outflow from American, Western European and Japanese funds totaled USD 17 bln. It looks like Ukraine is harboring a chunk of these flows: the enormous demand for Ukrainian equities over the past month raised total MCap of PFTS listed companies above USD 100 bln.
- Channeling the big dollar.** Major recipients were second and third-tier stocks; sector-wise Metals&Mining and Machinery massively appreciated. The market is increasingly applying a tolerant approach to valuations, avoiding profitability-based multiples (like switching to upside-rich EV/Capacity in the Electricity sector). New equity offerings absorb increasing portions of liquidity. USD 1.1 bln in new free float has been placed YTD, with an additional USD 0.3 bln expected by yearend.
- No bubble so far.** Ukraine's macro background is sound: economic growth is highest in three years; half-year corporate profitability is at an all-time high; last week the IMF upgraded 2007-08 macro forecasts for Ukraine; UNCTAD included Ukraine in Top-20 most attractive destinations for FDI. The rate of stock appreciation will abate shortly; we see relatively slow growth through yearend. In the longer term, factors supporting attractive returns are: strong economic prospects, reduction in the still-large shadow sector and increasing corporate profitability, gradual relief of typical Ukrainian risks (minority mistreatment and poor disclosure), pending sovereign rating upgrades.
- Election results.** Ukrainian political process is widely recognized as democratic, posing only minimal added risk. The September poll brought Yulia Tymoshenko 8% more votes than a year ago – ensuring an *Orange* coalition with majority in parliament. Outlook (with Tymoshenko as PM): tough gas negotiations with Russia; cracking down on shady schemes; big privatizations including UTEL; better prospects for Privat-related companies. The Party of Regions demands for a broader coalition were in vain, their initially bellicose rhetoric has changed to constructive. Watch negotiations on formation of the new government.
- Metinvest/Smart Group Merger** in late September became a bifurcation point for the Ukrainian steel industry, and introduced a powerful domestic factor to the stock market. From the merger, Metinvest enhanced its immense market power, now controlling 2/3 of domestic iron ore production. Divestitures are sure to follow - look at Zaporizhstal, MMK Illicha, Donetsk Steel Rolling. Privat is up to divest its steel assets. Even IUD is under pressure.
- Recommended action:** To get the most from the current rally, we recommend to overweigh coal, coke, machinery, real estate, steel, food & beverages. Marketweigh: GenCos & Oblenergos, banks, UTEL. Underweigh: UNAF and pipes. Downside risk is most pronounced in steel.

PFTS relative performance

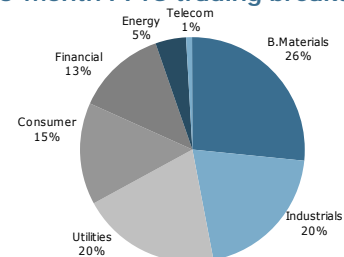


Source: Bloomberg, PFTS

3-month Sector performance



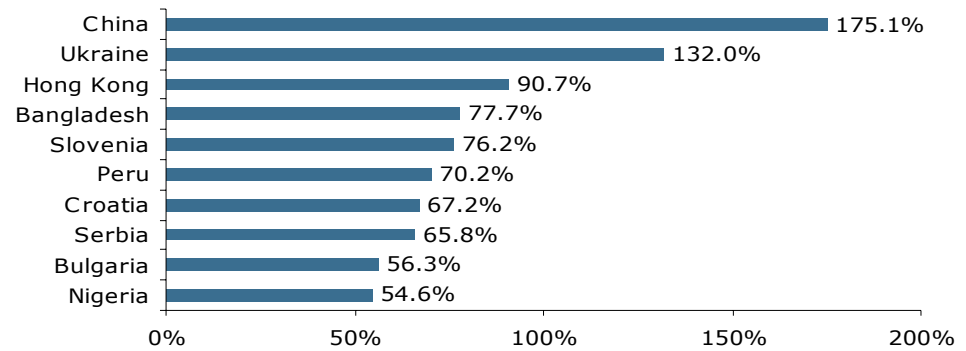
3-month PFTS trading breakdown



BUYING SPREE

After a four-week correction of 14.6%, Ukrainian equities are back on record-breaking track - year to date the PFTS index is the second best performing globally.

World's top performing stock markets, YTD



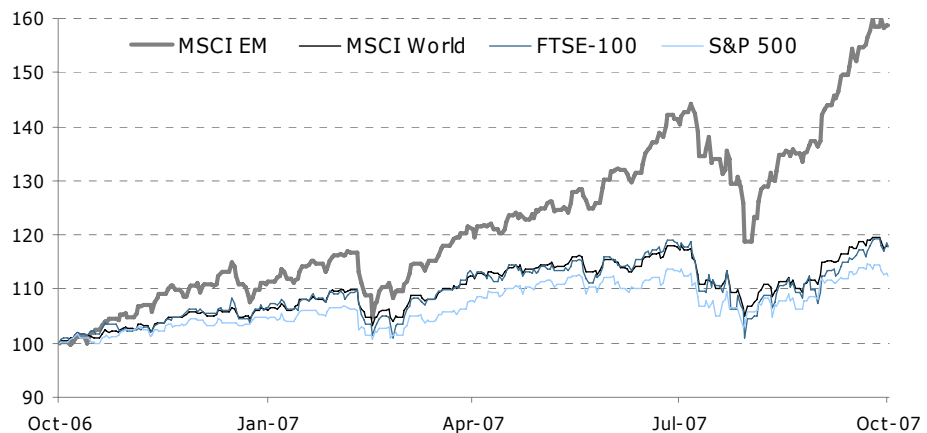
Note: data as of Oct. 19
Source: Bloomberg.

Along with other emerging markets, Ukraine has become a recipient of funds fleeing subprime plagued venues. According to Emerging Portfolio Fund Research, over the past seven weeks net outflows from equity funds were:

Europe (ex East-European funds): USD 6.9 bln
United States: USD 6.3 bln
Japan: USD 3.9 bln

The same period saw net inflows of USD 24 bln into emerging market equity funds. The direct effect is clearly seen in the chart below:

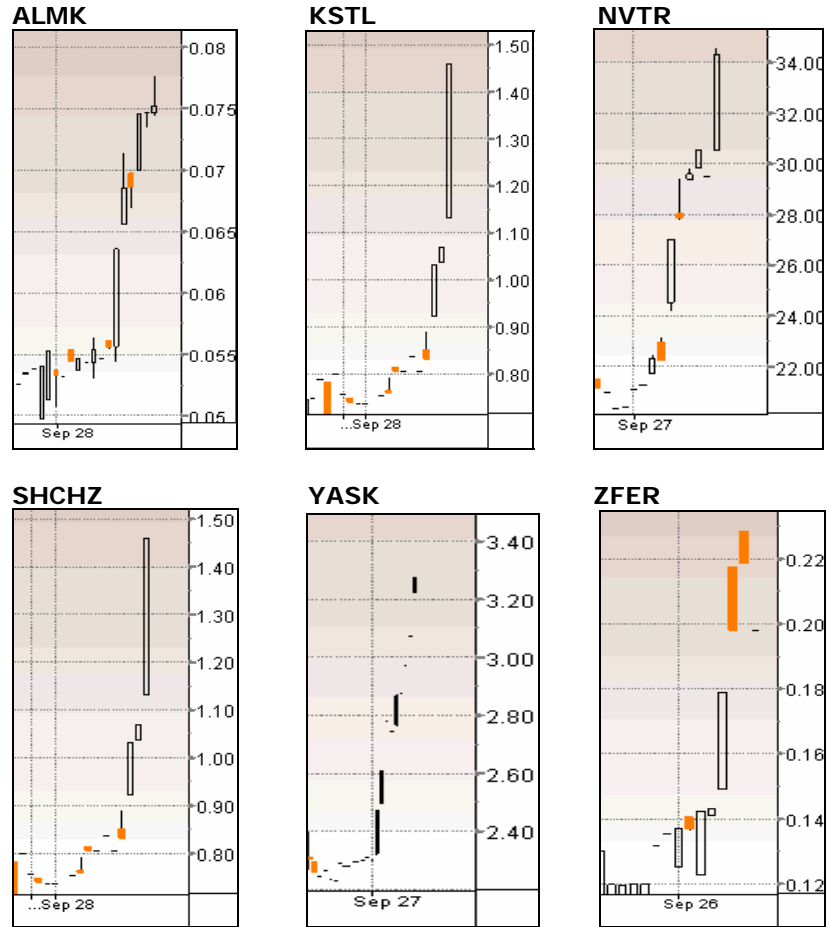
Major world equity indices



Source: Bloomberg

The general perception seems to be spreading of emerging markets, including Ukraine, as a safe haven. With their confidence in developed markets evaporating, investors are ready to start pricing Ukrainian-specific risks: depressed (for the most part artificially) profitability, low transparency, and disregard of minority rights.

The PFTS has made +21.3% since its September bottom. Nevertheless, most of breathtaking growth remained outside of the country index. Stocks from the second and third tiers made comparable dashes in the span of just a few days:



Source: Bloomberg

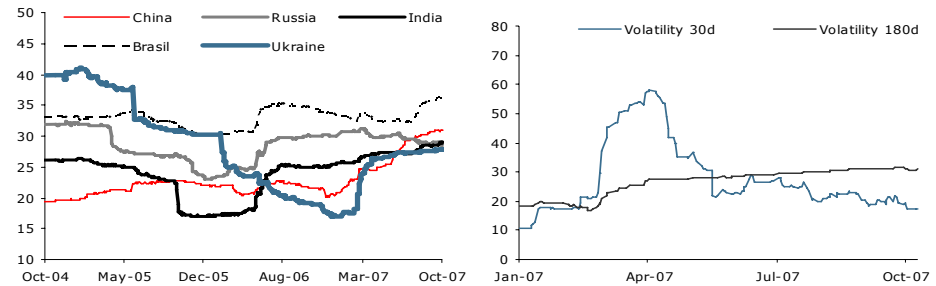
Last week saw so many stocks jump 10% or more during a trading session that we had to revise our Top Picks list several times: in a matter of days angry bulls had gobbled up most of the upsides.

CAN UKRAINE HARBOR THE BIG DOLLAR?

Ukraine as a diversification tool

While with other emerging markets, the current boom might raise concerns, Ukraine's extraordinary performance this year has just prolonged an extended period of above average returns: Over the last three years the PFTS index grew 700%, almost doubling every twelve months – a difficult thing to find elsewhere. Importantly, these returns come with a decreasing risk profile: Over the three-year span, 360d volatility of the Ukrainian market reduced from 40% to 28%. Ukraine is now on par with Russia, China and India, and less than Brazil.

360d volatility: Ukraine vs BRIC,% Short-term volatility: Ukraine



Source: Bloomberg, PFTS, Concorde Capital

With such a profile, Ukraine, in our view is increasingly attractive for diversifying global portfolios. You can find a deeper discussion of this issue and an illustration on how Ukraine can extend the efficient frontier of BRIC portfolios in our research of April 16.

No bubble

The question is whether the market is capacious enough to accept the new money without turning into a bubble. To a certain extent, investors will be willing to pay higher multiples for Ukrainian assets, eliminating possible discounts to other markets. Sovereign upgrades from rating agencies would do a good job at relaxing the risk perception. Upgrades this fall would be logical, since none of the negative expectations named by agencies as reasons to preserve the current ratings ever came true. In particular, they obviously overestimated political risks.

To explain higher valuations, portfolio managers are already changing their valuation toolkits to include more tolerant metrics, putting aside P/E in favor of "EV to a physical factor" (i.e. EV/Capacity, EV/Reserves etc.). In the electricity sector, this became obvious as early as fall last year. A feasible approach, that implies a longer term look at the market in anticipation of long expected regulatory changes in some industries or better financial disclosure in others.

Interestingly, the PFTS index currently trades at our target level, as derived from individual stock targets:

PFTS index basket

	Weight in basket	Market price, USD	Target	upside	Surprise potential
PFTS index		1,157.30	1,156.75	0%	
DNEN	11.94%	515.35	516.00	1%	+/-
ZAEN	11.56%	121.09	130.40	7%	
MMKI	10.94%	1.37	1.50	10%	+
CEEN	10.42%	5.22	5.43	4%	
UNAF	8.88%	82.08	56.00	-32%	
NITR	7.41%	42.62	36.40	-15%	
UTEL	7.53%	0.23	0.19	-16%	+
BAVL	5.28%	0.22	0.24	10%	
MSICH	4.84%	276.73	285.00	3%	+
AZST	4.18%	1.09	1.35	24%	
USCB	3.50%	0.28	0.32	16%	
DOEN	3.09%	36.88	43.18	17%	
STIR	2.72%	23.07	21.00	-7%	+
LTPL	2.02%	1.54	U/R	0%	
KIEN	2.03%	6.97	7.50	8%	+
PGOK	1.40%	17.12	U/R	0%	
MZVM	1.26%	21.48	20.30	-3%	+
SMASH	1.02%	9.87	9.70	-5%	+

Source: PFTS, Concorde Capital research

As we are nearing earnings season, some companies have reasonably high chances to positively surprise analysts. The conditions for this are already in place: the rate of economic growth is the highest in the last three years and corporate profits are on the rise (see Economic Background chapter).

Thus, up until now, a visible tip in the Ukrainian equity universe will allow for a certain amount of further appreciation.

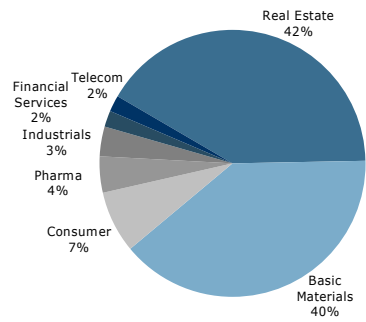
Non-bubble channels to bind the new inflows are:

(1) Third-tier/neglected stocks – we saw numerous examples of this behavior recently. The related risks are low liquidity/high volatility; most of these stocks will be the first candidates for a correction. Many of them are in the metals segment which itself is vulnerable to the threats of the global steel market. Downside risk is the largest here.

(2) Public and private equity placements. Capacity of this channel remains relatively narrow so far, but injections of new equity are on the rise. The market received some USD 250 mln through new placements in 2005, USD 365 mln in 2006, and USD ~1.1 bln to date in 2007. The tendency is obvious: more companies are announcing IPO plans and the average size is growing. The largest placement so far was the USD 420 mln Ferrexpo IPO on the LSE (June 2007), and major Ukrainian business groups (like SCM and Interpipe) are in the process of structuring their assets, with a view to billion dollar-size IPOs on the LSE in 2008-2009.

Another positive of new placements is exposure to sectors that are scarcely presented on the market like insurance, pharmaceuticals, retail, real estate, etc.

Ukr. equity placements breakdown by dollar value, 2007

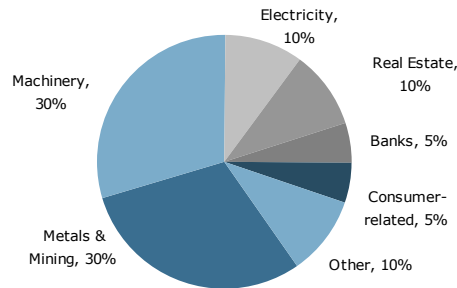


Source: Bloomberg, PFTS, Concorde Capital estimates

Note: Basic Materials is represented by the single but sizeable Ferrexpo IPO

Action

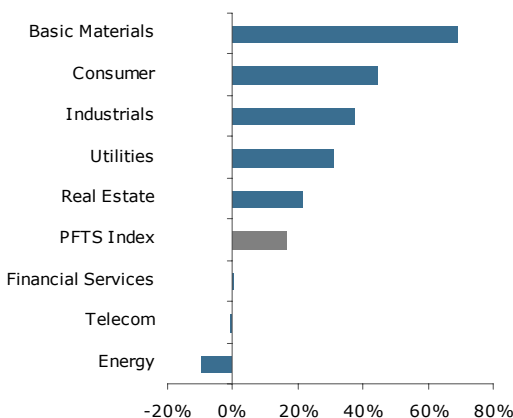
To squeeze the most out of the current market conditions, we recommend the following industry weightings for portfolios in the short-term:



At the first signs of cooling down, the most vulnerable steel share of the portfolio should be swapped in favor of the financial sector, real estate and consumer related industries.

MARKET HIGHLIGHTS

4-M Performance by sector



Investment recommendations

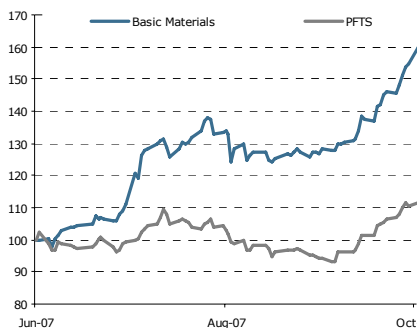
	buy	hold	sell	u/r
Basic Materials	43%	19%	14%	24%
Consumer	71%	14%	0%	14%
Industrials	46%	21%	4%	29%
Utilities	40%	53%	7%	0%
Real Estate	100%	0%	0%	0%
PFTS Index	39%	44%	6%	11%
Financial Services	38%	63%	0%	0%
Telecom	0%	100%	0%	0%
Energy	67%	0%	33%	0%

Source: PFTS, Concorde Capital research
 Note: Sector returns are FF-weighted. The table on the right gives the percentage of the stocks in our coverage universe currently assigned to each rating, by sector. Telecom and Energy are the least populated categories, one and three stocks respectively

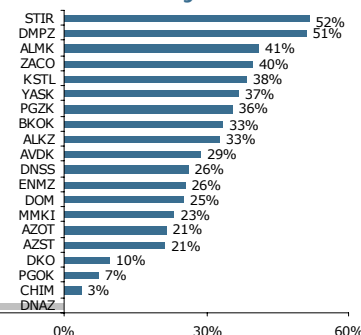
BASIC MATERIALS

This sector has led the recent market rally. Basic materials significantly outperformed the PFTS index (exactly as we forecasted in June), having posted a 69% return over a four-month period.

Basic materials beat the market



1M Performance by stock



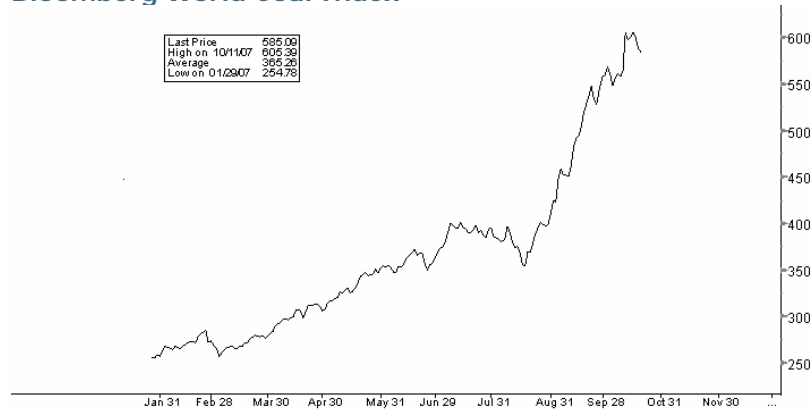
Source: PFTS, Concorde Capital. June 20 through Oct. 19

Metals & Mining

Over the last few weeks, market movement in the Metals & Mining sector was particularly striking, as stocks across all sub-segments and tiers made double-digit returns. Each trading day, a new name surprised the market with a dramatic jump (look back at page 3 for examples).

Our view is that at the moment, **pipes** are fully valued; we recommend buying the three **third-tier steel mills** whose upsides are still not fully realized (Enakievo, DMK Petrovskogo, Donetsk Steel Rolling). Don't miss two top picks: **Avdiyivka Coke** and **Chervonoarmiyska-Zakhidna** coal mine. The market has overlooked the dramatic fundamental changes at Avdiyivka in the course of Metinvest's expansion, and we expect the stock to continue making gains. A fundamentally strong story, Chervonoarmiyska-Zakhidna, doubled in price over the past week, joining its global peers in response to rising global prices for coal:

Bloomberg World Coal Index



Source: Bloomberg

Chervonoarmiyska, due to unique circumstances on the Ukrainian steel market (refer to our sector report of October 19), can easily react even stronger.

A deal that made a difference. The merger between Metinvest & Smart Group was announced on September 25. As part of the merger, Smart Group by the end of 2007 will transfer its metallurgy assets: Inguletsky Iron Ore, Makiyivka Steel Plant and Bulgarian rolling mill Promet Steel, to Metinvest in exchange for a minority stake in the new joint holding. In our opinion, the merger will positively affect Metinvest-related companies [**Enakievo Steel** (ENMZ: BUY); **Azovstal** (AZST: BUY); and **Avdiiivka Coke** (AVDK: BUY)] by strengthening their market position and creating synergies.

We expect further consolidation through mergers and acquisitions in iron ore, steel and coke. We consider **Pivdenny Iron Ore** (PGZK: U/R), controlled jointly by Privat (47.9%) and Smart Group (44.4%) to be Metinvest's next acquisition target. It is also possible that Privat, which suggestively cleaned up the financials of its steel assets in 1H07, may seek to sell all its metallurgy assets (iron ore, coke, steel and pipes) as one block to a CIS major in the mid-term. Under either scenario, Pivdenny Iron Ore's long-term prospects are favorable.

SPECIAL CASE: STIROL

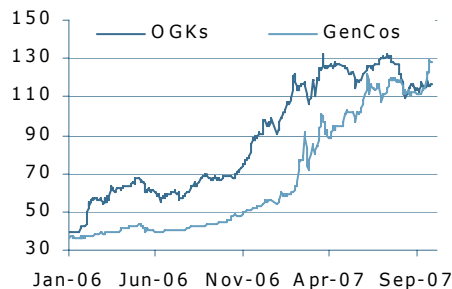
Since August 3, when we upgraded our recommendation for Stiroil to Buy, the stock has appreciated 43.6% and eclipsed our target. The rally is a lagged response to a decision by Stiroil's owner to disclose the real size and profitability of the group's business by consolidating UAS financials. As we only accounted for the consolidation effect with a 50% discount, and the market seems to have grown into the new model, we may loosen our conservatism and revise our target as soon as we receive more affirming signals.

ELECTRICITY GENERATION

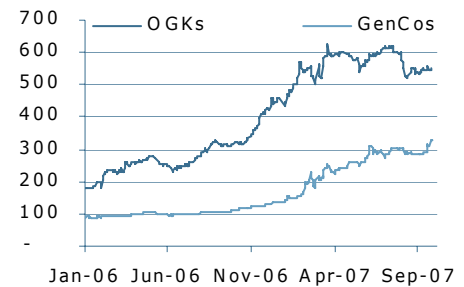
This sector represents an example of where the market has lived with a new valuation paradigm for a year now. Profitability based metrics have been useless tools since then – investors aggressively measure GenCos by EV/El.Output and EV/Capacity multiples.

Overall, generation stocks have gained 125%-490% YTD and reduced their discount to Russian OGKs by EV/Capacity from 70% at the beginning of the year to 40%. The current discount reflects the lower load of GenCos' power plants. Still, as one unit of GenCos' capacity generates the same cash flow as a unit of OGK capacity, we expect the discount to shrink further. For those that are faint-hearted, EV/Electricity will provide a good excuse to stop buying, as GenCos have fully converged to their Russian peers on this metric.

EV/Electricity Output, USD/MWh



EV/Capacity, USD/kW



Source: PFTS, RTS, Concorde Capital research

We consider **Donbasenergo** (DOEN) and **Kyivenergo** (KIEN) as retaining the highest short-term upside potential, as well as being the sector's most reliable long-term investments. Donbasenergo remains the cheapest GenCo (partially due to the fact that it is the only generator without a DR program). Commissioning a new efficient power unit scheduled in March 2008 could be a good catalyst. Meanwhile, Kyivenergo's power distribution segment will benefit from tariff reform expected in 2009, which is likely to boost its distribution segment profits by up to four times. A short term catalyst would be if the company manages to get full compensation of losses from its heating business (the law has obligated the city of Kyiv to do so since January 2007).

INDUSTRIALS: POWER ENGINEERING

With the recent adoption of long-term investment programs by major energy market players in Ukraine and Russia totaling over USD 650 bln, we expect demand for energy equipment in these markets to triple in the next two-four years. With insufficient Russian capacity to meet domestic energy infrastructure needs, Ukrainian power engineering companies have an opportunity to fully load capacity and invest in expansion.

In this regard, we recommend two relatively liquid mid-cap stocks, **Sumy Frunze** (SMASH) and **Turboatom** (TATM), as well as two small caps, **Sumy Nasosenergomash** (SNEM), and **Constar** (KNST). Bulls are stealing upsidest faster than you can say "Mister Bernanke", but nevertheless SMASH and TATM remain fundamentally attractive long-term stories.

SPECIAL CASE: MOTOR SICH

Since fresh free float was injected into the marketplace in May-June, the stock appreciated 68.9%. Currently, the stock trades at what we believe is close to fair. We recommend keeping a sizeable position in the stock, as we expect announcements about new contracts and positive surprises in reported financials. The stock was included into the PFTS index basket since August 1, and continues to be among top five most traded on the PFTS.

SPECIAL CASE: UKRNAFTA

Our choice to stay away from Ukrnafta let us miss out on a painful correction since our last strategy report was released (June 21). Ukrnafta dragged down the performance of the whole energy sector (see the chart on page 7), due to its overwhelming 90% share in the total free float of the sector.

The stock, in our view, remains fundamentally overvalued, with some 30% downside. Still we doubt it will fall to its fair level (except in the event of a prevailing bear market) thanks to its quasi-government and blue chip status; the stock is in all indices that represent the Ukrainian market as well as in almost all portfolios with Ukrainian exposure.

This said, we believe Ukrnafta has lost its magic as the undisputed proxy for the Ukrainian market: there have appeared a lot of alternatives for exposure to Ukraine, while remaining liquid. Historically, the PFTS index moved along with Ukrnafta, but look at how the stock has lost its way this year since late February (the PFTS index made more than 50% during that time):

UNAF traded without direction

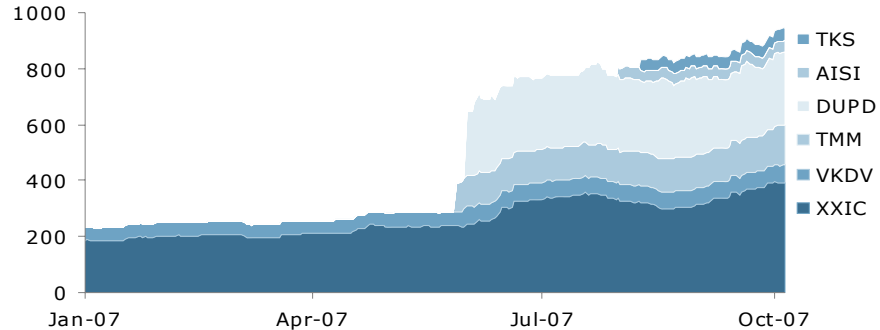


Source: Bloomberg

REAL ESTATE: SECTOR MATURED OVER THE YEAR

Since its IPO in the late 2005, XXI Century had remained virtually the only publicly traded Ukrainian real estate stock. TMM's Frankfurt placement in May 2007 provided additional liquidity to the market and was followed by a series of other placements.

Total free float of Ukrainian real estate sector, USD mn



Source: Bloomberg, Concorde Capital

Ukrainian real estate stock market

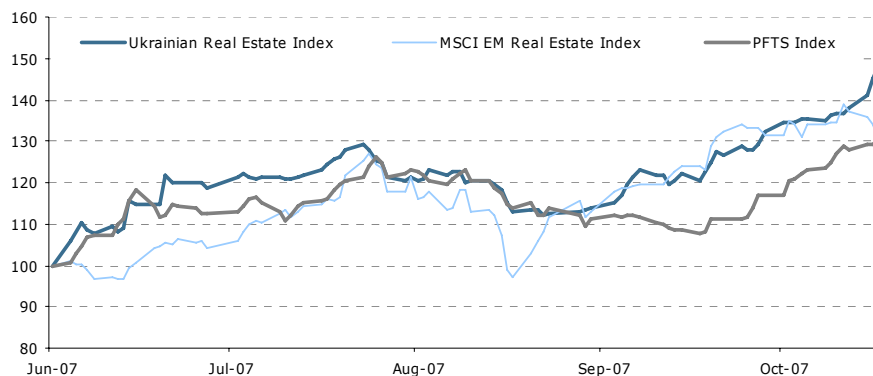
Company	Placem't date	Equity raised, USD mln	Stake offered	Stock Exchange	Constructed to date, ths m ²	Area in the pipeline, ths m ²
XXI Century	Dec'05	139	36%	AIM	45	4 296
Sablink	Jun'06	35	73%	n/a	n/a	n/a
VK Development	Nov'06	23	37%	PFTS	0	451
TMM	May'07	105	13%	DB FV	360	1 323
DUPD	May'07	208	100%	AIM	0	n/a
Karavan RE	Jun'07	55	<10%	n/a	47	n/a
TKS Managem't	Jul'07	40	22%	DB FV	68	150
AISI Realty Publ	Aug'07	33	30%	AIM	0	241

Source: Bloomberg, Concorde Capital

More share placements are slated to come to the marketplace by yearend. Fundamental drivers in the sector (lack of high quality office space, shortage of retail space, etc.) bode well for the offerings. A typical Ukrainian placement is based on a portfolio of projects at a very early stage. As independent appraisals are as a rule overly conservative, and normally a few projects in the pipeline are not included into portfolios at all during the initial offerings, investors can seize hold of massive appreciation, as the examples of XXI Century and TMM recently demonstrated.

We can now establish that a new segment of the market has come about. Over the last four months, five real estate companies were floated. Now this sector, with its billion dollar free float, accounts for 11% of the total free float in Ukrainian equities (including stocks listed outside Ukraine). Since June 1, Ukrainian real estate outperformed the PFTS and real estate in Emerging Markets globally. And we expect Ukrainian real estate stocks to again outperform the PFTS index over the next 12 months.

Ukrainian real estate vs. benchmarks



Source: Bloomberg, Concorde Capital

BANKING SECTOR

At the moment, we see the largest upside in the sector in **Rodovid Bank (RODB)**. It is one of the most rapidly growing banks in Ukraine with the most aggressive expansion into retail (fourfold growth in retail loans in 1H07; triple-digit increases both in assets and revenues). Expected strong 3Q financials could be a short-term catalyst, while the strategic sale of Rodovid Bank, which is likely in the next 12 months, will be a longer-term booster.

The Ukrainian banking sector continues to post strong performance. In 9M07 sector profits rose 1.4 times yoy to USD 970 mln, while revenues climbed 60% yoy to USD 9.2 bln. The net assets of banks rose 77% yoy, vs. last year's 56% yoy. Loan portfolios expanded 79% yoy (vs. 64% yoy growth in 9M06).

Despite some skepticism, global players continue to enter the market regardless of high valuations: nine acquisitions have taken place since the beginning of the year, bringing the total YTD volume of M&A deals in Ukraine's banking sector close to USD 4 bln; none of big banks was sold at P/B below 4x.

M&A deals in the Ukrainian banking sector, 2007 YTD

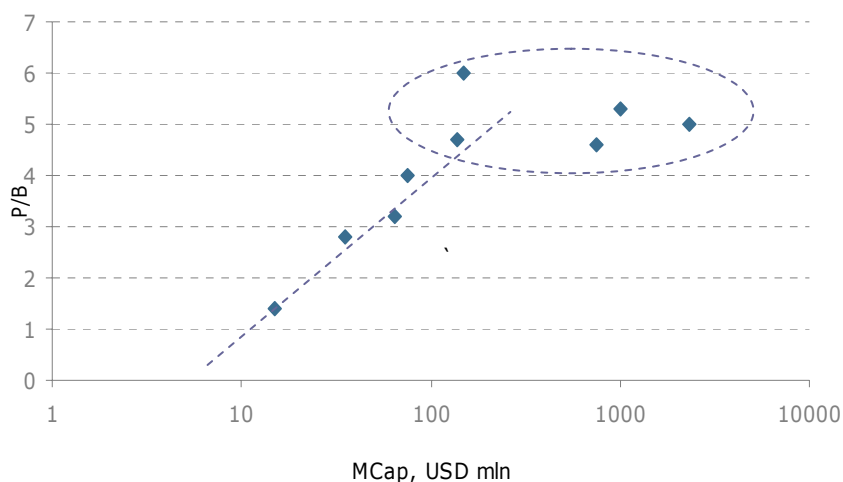
Date	Buyer	Target	Stake	Deal value	P/B
Sep-07	Commerzbank (Germany)	Forum	60%	USD 600 mln	5.3
Jul-07	UniCredit Group (Italy)	Ukrsotsbank	95%	USD 2.2 bln	5.0
Jun-07	Societe General (France)	Ikar Bank	100%	USD 35 mln	2.8
May-07	Piraeus Bank (Greece)	International Comercial Bank	78%	USD 50 mln	3.2
Mar-07	Marfin Popular Bank (Greece)	Marine Transport Bank	100%	USD 137 mln	4.7
Jun-07	Sberbank (Russia)	NRB-Ukraine	100%	USD 150 mln	6.0
Feb-07	KIT-Finance (Russia)	Radabank	<50%	USD 7.5 mln	1.4
Jan-07	Swedbak (Sweden)	TAS-Commertzbank	~100%	USD 753 mln	4.6
Jan-07	Volksbanken (Austria)	Bank Electon	98%	USD 74 mln	4.0

Note: Book value as of the last reported quarter

Source: National Bank of Ukraine, Concorde Capital

The evidence is that buyers are able to effectively bargain the price for smaller (up to USD 100 mln MCap) banks - in proportion to the logarithm of MCap. Valuation of larger banks is sticky - no matter what the size, they are sold at P/B 4.6x and above - so screen for imminent takeover targets, with a benchmark deal P/B of some 4.5x.

Acquisition multiples, 2007



Note: MCap axis on a logarithmic scale

Source: Concorde Capital research

The demand for Ukrainian banking assets remains unsatisfied. The latest deal was concluded just last month - Commerzbank announced its acquisition of a 60% stake in **Bank Forum** for USD 600 mln (MCap of USD 1 bln), implying a 2007E P/B of 4.0x (or 5.3x price to book for the last reporting quarter). We expect further acquisitions at P/B of 5.0x and above (on a trailing 4Q basis; or P/B above 4.0x on forward looking multiples). The traded banks to keep an eye on include **Rodovid Bank, Factorial Bank, Megabank** and **Ukrghazbank**.

First additional share issues conducted at market prices. Until recently, investors into Ukrainian banking stocks felt uncomfortable being forced to participate in numerous capital increases in order not to be diluted in the course of additional share issues conducted at deep discounts to market. **Rodovid Bank** in June and **Raiffeisen Bank Aval** in August conducted their additional share issues at just a small discount to market - the underlying value of shares was thus not diluted, and those not willing to build up larger positions could sleep well. This procedure became possible thanks to legislative improvements that came into force at the beginning of the year. The next big share issue of about USD 500 mln, with a high probability to be at market, is expected from **Ukrsotsbank** in 2008.

First banking IPO. On October 3, **Nadra Bank** (NADR) President Igor Gilenko announced that the bank would hold an IPO on a foreign stock exchange in late 2007 or early 2008 depending on the situation on international markets.

POLITICAL NOTES

The September 30 parliamentary elections passed almost like an ordinary event, with the main positive that the smooth electoral process added another bit of confidence to the market. The major surprise was the convincing advance of the Yulia Tymoshenko Bloc. She received 8% more in the final vote breakdown than one year ago. This enabled a two-party *Orange* coalition to secure a slim majority in the legislature, which was not possible in the previous Rada.

Election Results:

March 2006

	Votes	Mandates
Party of Regions	32.14%	186
BYT	22.29%	129
Our Ukraine	13.95%	81
SPU	5.69%	33
Communist Party	3.66%	21
Other	12.22%	

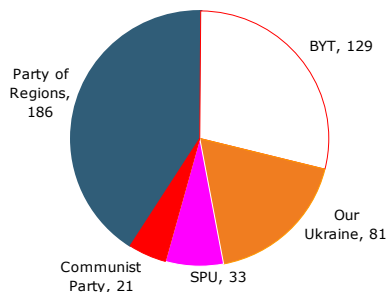
Source: www.cvk.gov.ua

September 2007

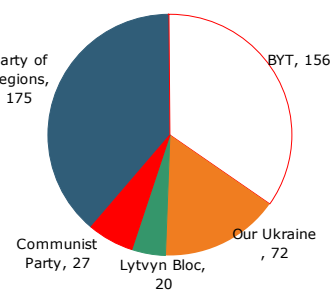
	Votes	Mandates
Party of Regions	34.37%	175
BYT	30.71%	156
Our Ukraine	14.15%	72
Lytvyn Bloc	3.96%	20
Communist Party	5.39%	27
Other	8.41%	

Seats in Rada

2006



2007



Source: www.cvk.gov.ua

Following official announcement of the election results, the Yulia Tymoshenko Bloc and Yushchenko's Our Ukraine announced they signed a coalition agreement to form a new government. The agreement contains reassuring language to the investor's ear, stating among other goals increasing transparency of the stock market, bolstering improvements in corporate governance, and development of market infrastructure. More importantly, the document promises that any privatization to a strategic investor will be preceded by the placement of 5-10% stakes on local stock exchanges in a series of small lots. The coalition agreement also introduces plans to conduct IFRS audits for all strategic enterprises controlled by the government.

Other results of the election could be: (1) tough negotiations with Russia on gas; (2) a renewed crusade against the shadow economy and transfer pricing (which Tymoshenko spearheaded during her previous term in the government); (3) higher chance for revaluation of the national currency (due to weakened export lobby of the Party of Regions). Mr Stelmakh, head of the NBU, has already declared that he sees "economic reasons for about a 2% revaluation."

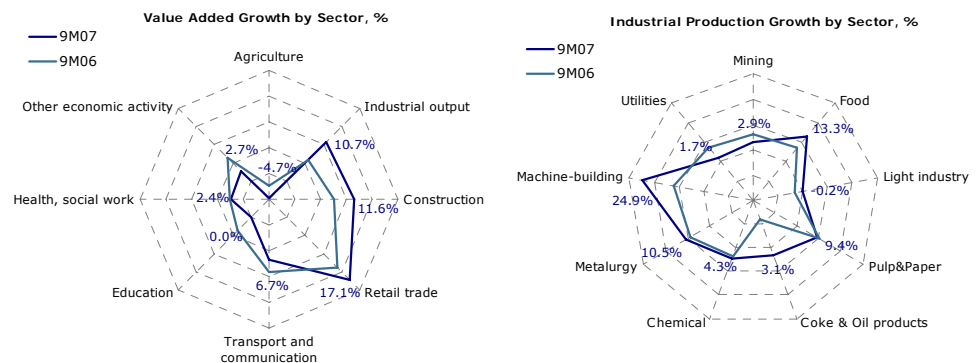
In a month's time, the Rada must open its first session. In an effort to get the Party of Regions to accept a role in opposition, both orange parties are trying to put together legislation concerning the opposition that would give Regions the right to have a role in most of the government's activities, including the positions of vice-PM, vice-speaker of the Verkhovna Rada and deputy heads of regional administrations.

Yanukovich's recent rhetoric hints that his Party is not going to disrupt parliament by refusing to accept their seats in the new Rada, but will seek ways to get a maximum foothold in the new government. We'll be watching what the negotiation process will result in.

ECONOMIC BACKGROUND

Solid economic prospects continue to back the appreciation of Ukrainian equities. In line with our forecasts, the economy is demonstrating its highest growth in the last three years. During the first nine months of 2007, real GDP rose 7.3% yoy, and industrial production expanded 10.7% yoy.

We expect the fastest growing contributors this year will be retail trade, industrial production and construction. Within the industrial group, we foresee machine-building, food and metallurgy exhibiting the fastest growth as they enjoy favorable external conditions and rapidly increasing domestic demand. Overall, robust growth in industrial production is on track to beating our annual forecast of 9%.



Source: State Statistic Committee

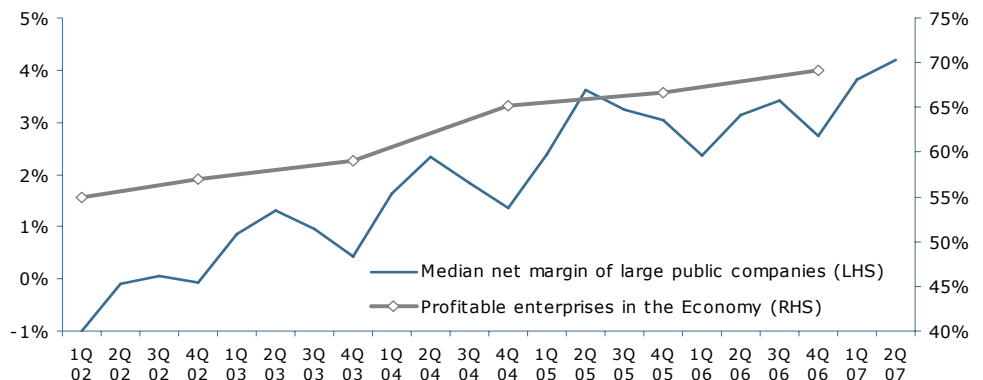
IMF positive on Ukraine

The International Monetary Fund announced last week in its World Economic Outlook report that it has upgraded its forecasts for GDP and CPI growth in Ukraine for 2007 and 2008. The IMF's new 2007 forecast for GDP growth was revised to 6.7% from 5.0% (vs. our estimate of 7.3%); and average yearly inflation to 11.5% from 11.3% (vs. our projection of 12.0%). For 2008 the IMF is now forecasting a 5.4% rise in GDP and CPI to increase by 10.6%, compared to our forecasts of 6.8% and 9.0%, respectively. In contrast, in the report, the IMF's view on Russian and global economic growth next year lowered, and it dropped its 2008 GDP growth estimate for the Russian Federation from 6.8% to 6.5% and global forecast from 5.2% to 4.8%. The IMF also improved its projection for Ukraine's 2007 current account deficit from 4.1% of GDP to 3.5%, which is in line with our forecast.

CORPORATE NET MARGINS BEAT ANOTHER HISTORIC RECORD

Along with our expectations, continuing progress in the business environment and improved reporting standards led to another historic record in the margins of larger Ukrainian companies, as of the half-year data for 2007.

Corporate profitability in secular uptrend



Note: Sample of large public companies consists of open JSCs with sales of USD 50 mln or more. Quarterly net margins are cumulative; data on percentage of profitable enterprises is available on an annual basis. Source: State Statistics Committee, www.stockmarket.gov.ua, Concorde Capital

Corporate profitability feeds state budget revenues

Tax revenues, being the main part of budget income, demonstrated a benign 25.8% yoy growth rate in 8M07, due to the improved profitability of Ukrainian enterprises. Our forecast for the 2007 state budget deficit is USD 3 bln, 1.9% of GDP.

Big privatizations to be postponed until 2008

Escalating tax revenues should cover the shortage of privatization proceeds. We don't see how the privatization of Ukrtelecom, Odesa Portside and blocking stakes in Oblenergos (initially planned for this year) is possible in the remaining two months, but expect to see them next year. Our estimation of this year privatization proceeds is USD 500 mln (vs. the government's USD 2 bln plan) and we expect it to be at least USD 3 bln in 2008.

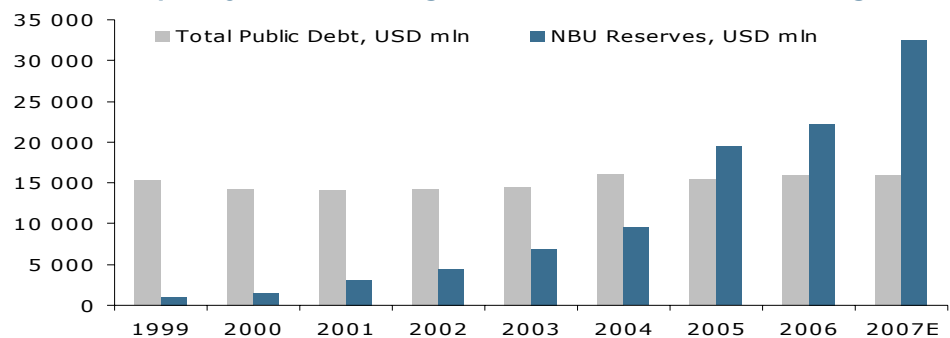
Accelerating FDI fuels NBU reserves

We upgrade our yearend FX reserve forecast to USD 32.5 bln and net FDI estimate from USD 5.5 bln to USD 6.5 bln as we see mounting foreign investments into the banking sector and real estate (please see more on FDI in a special chapter on page 19). The total volume of announced foreign acquisitions this year has already reached USD 6.7 bln, banks leading with USD 4 bln in deals. Robust capital inflows allowed the NBU to cover the current account deficit, and to further accumulate FX reserves. In 9M07 NBU reserves grew by USD 8.4 bln to USD 30.6 bln.

Lower sovereign borrowings

We lower our forecast for yearend total public debt from USD 17.5 bln to USD 16 bln as the Yanukovich government has fallen short of its borrowing plan and the new *Orange* government is unlikely to increase state debt this year (Tymoshenko allies criticized Yanukovich for his intention to issue more debt).

External liquidity of Ukrainian government was never so strong

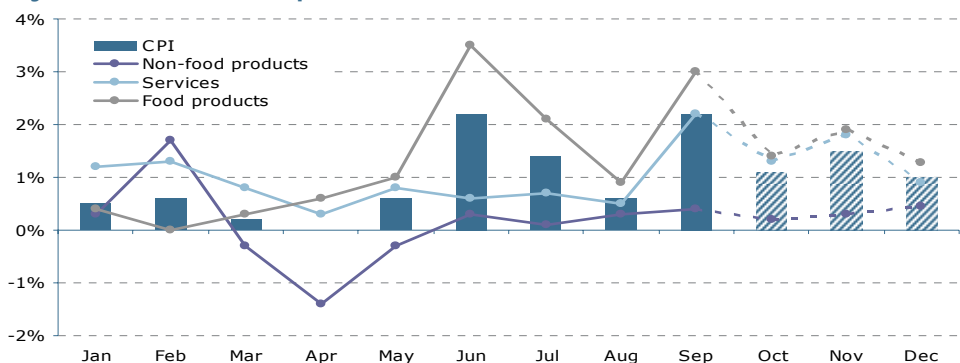


Source: NBU, Ministry of Finance, Concorde Capital estimates

Inflation will remain high until the end of the year

In September, inflation was 2.2% mom; since the beginning of the year consumer prices went up 8.6%, burying the government's 7.5% forecast for the year.

Dynamics of CPI components in 2007, mom



Source: State Statistic Committee, Concorde Capital estimates

We increase our CPI forecast from 10.5% to 12.5% in 2007, as we see the following inflation boosters staying in place until the end of the year:

- Rising food prices, caused by increasing costs after this year's poor grain crop, rising producer prices and growing global food prices;
- Continuing strong growth in disposable income (28% yoy nominal, 11.5% yoy in real terms, as of 8M07);
- Possible lagged effects of the NBU's intervention in the summer, in an effort to prevent hryvnia revaluation.

Gas issue: The last battle over transit

Gazprom's claim immediately after the election that Ukraine allegedly owed a USD 1.3 bln gas debt marked the start of this year's gas negotiations. We expect tough talks given Russia's designs on Ukraine's transit pipeline and the fact that there is only one opportunity for a large price increase: small increments won't do the job. In our most likely scenario, an *orange* coalition means another gas price hike. The good news is that businesses are now better prepared for an increase than two years ago and there is no threat of price doubling like in 2006.

We have expected a moderate gas price increase next year to USD 140-160/tcm. A higher price will affect fertilizer producers, electricity generators with significant gas exposure (the only listed is Kyivenergo) and those steel producers reliant on open-hearth technology (Zaporizhstal). For other sectors, the increase will be relatively less painful. Steel makers are generally prepared to shift to coal-injection technology, and power generators have already slashed their gas usage by two to three times.

Key economic data

	2003	2004	2005	2006	2007E	2008F
Real Indicators						
GDP real growth, %	9.4	12.1	2.6	7.1	7.3	6.8
Nominal GDP, USD bln	49.5	65.0	81.7	106.1	134.8	160.0
GDP per Capita, USD	1,040	1,376	1,670	2,275	2,909	3,470
Industrial output growth, %	15.7	12.5	3.1	6.2	9.0	7.5
CPI (eop), %	8.2	12.3	10.3	11.6	12.5	9.0
PPI (eop), %	11.1	24.1	9.5	14.1	18.5	11.0
Foreign economic activity						
FDI inflow, USD mln	1,323	2,253	7,851	5,336	6,500	8,000
FDI (Cumulative since 1991), USD mln	6,794	9,047	16,898	21,186	27,686	35,686
Current Account Balance, % GDP	5.9	10.5	3.1	-1.5	-3.5	-5.0
Total Exports, USD mln	27,328	37,980	40,421	45,872	57,373	71,716
Export Growth, %	24.2%	39.0%	6.4%	13.5%	25.1%	25.0%
Total Imports, USD mln	24,409	31,004	39,052	48,846	63,595	81,720
Import Growth, %	34.4%	27.0%	26.0%	25.1%	30.2%	28.5%
Trade Balance, USD mln	2,919	6,976	1,369	-2,974	-6,222	-10,004
Debt						
Total Public Debt, USD mln	14,543	16,096	15,474	15,950	16,000	17,000
NBU Reserves, USD mln	6,940	9,525	19,395	22,256	32,500	35,000
Social indicators						
Population, mln	47.6	47.4	46.9	46.6	46.3	46.1
Unemployment (ILO)	9.1	8.6	7.2	6.8	6.6	6.2
Monetary indicators						
Monetary Base (M0), USD mln	6,211	7,681	11,764	15,838	27,921	34,221
Broad Money (M2), USD mln	17,714	23,494	37,724	51,369	72,658	89,280
Economy Monetization M2/GDP	35%	36%	44%	48%	54%	56%
Money Supply (M3), USD mln	17,823	23,593	37,905	51,696	73,465	90,000
Money Supply Growth, %	46.3	32.1	60.7	36.4	42.1	22.5
UAH/USD (eop)	5.33	5.31	5.05	5.05	5.05	5.00
UAH/USD (avg)	5.33	5.32	5.12	5.05	5.05	5.00
State Budget, % GDP						
Revenues (incl. credits)	20.6%	20.4%	23.9%	25.1%	23.2%	25.0%
Expenses (incl. credits)	21.0%	23.0%	25.6%	25.8%	25.1%	27.0%
Budget Balance	-0.4%	-3.0%	-1.8%	-0.7%	-1.9%	-2.0%
Retail turnover growth (in real terms), %	20.5%	20.0%	23.0%	25.3%	24.0%	23.0%
Total Assets of Banks growth, %	57%	35%	67%	59%	55%	45%
Construction Growth,%	26.5%	17.2%	-6.6%	9.9%	12.0%	12.0%

Source: Finance Ministry, State Statistics Committee, NBU, Concorde Capital estimates

FDI TO STEP UP

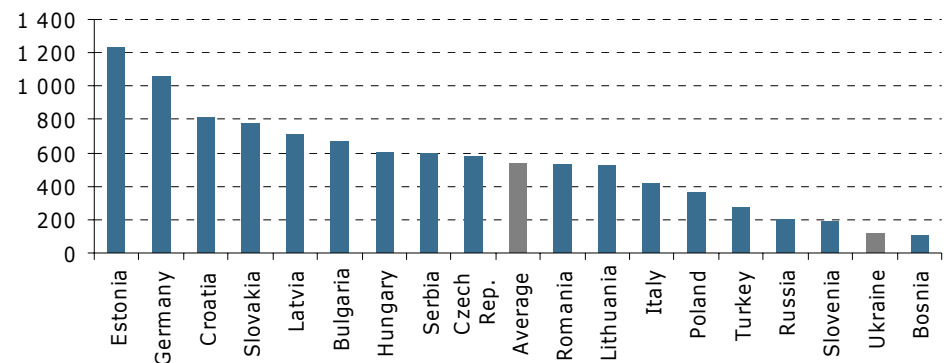
UNCTAD's recent World Investment Prospects Survey ranked Ukraine 18th on the list of 20 countries that are considered most attractive for FDI in 2007-2009. The survey is based on 192 respondents among the largest transnational corporations.

Most attractive economies for FDI, 2007-2009

Rank	Country	Rank	Country
1	China	11	Germany
2	India	12	Thailand
3	United States	13	France
4	Russian Federation	14	Malaysia
5	Brazil	15	Indonesia
6	Vietnam	16	Singapore
7	United Kingdom	17	Italy
8	Australia	18	Ukraine
9	Mexico	19	Japan
10	Poland	20	Canada

Source: United Nations Conference on Trade and Development

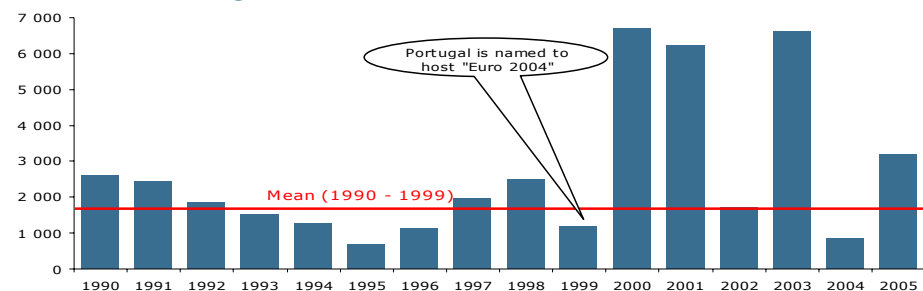
CEE countries FDI per capita, 2006, USD



Source: Bank Austria Creditanstalt

Euro-2012 will be an important driver for the mid-term. Being home to the European football championship will bring considerable economic benefits, forcing substantial capital investments in a limited time span. We expect a notable increase in foreign direct investments into the country, as we believe Ukraine in general will follow the route of Portugal with FDI more than doubling in the year after the announcement that Portugal would be host to Euro-2004.

Net FDI in Portugal, USD mln



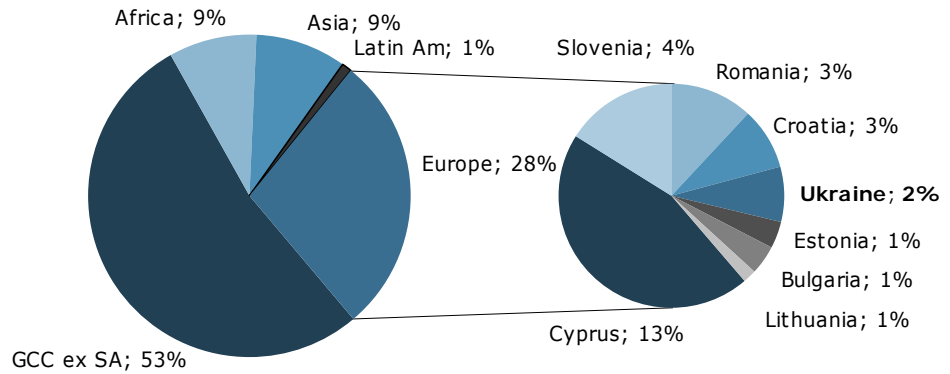
Source: Bloomberg

NEW BENCHMARKS

MSCI FRONTIER MARKETS UKRAINE INDEX

MSCI Barra, a leading global provider of benchmark indices, announced on August 23, that it would consult with the investment community to construct indices for "frontier market" countries. Any potential Frontier Markets Indices would be constructed using a framework similar to that of the Global Investable Market Indices.

Proposed country split in Standard Float Market Index



Source: MSCI-Barra

Aside from the MSCI Frontier Markets Ukraine Index, Ukraine will be included into at least five Frontier Markets Composite Indices:

- Global Frontier Markets Composite Index
- Global Frontier Markets Composite Index ex GCC
- Frontier Markets Europe Index
- Frontier Markets Eastern Europe Index
- Frontier Markets EMEA Index

The possible creation of Emerging Markets and Frontier Markets Composite Index series would secure Ukraine's representation in 11 Indices. As MSCI Barra is a recognized source of benchmarks for replication by a broad category of investors, the inclusion of Ukraine is sure to generate additional demand for the stocks in the index basket. We view the following stocks as the most probable candidates to be chosen by MSCI-Barra:

AZST	Azovstal
MSICH	Motor Sich
CEEN	Centrenerg
ZAEN	Zakhidenergo
UNAF	Ukrnafta
UTEL	Ukrtelecom
BAVL	Raiffeisen Bank Aval
DNEN	Dniproenergo
USCB	Ukrsofsbank
PGOK	Poltava Iron Ore
MMKI	MMK Illicha Steel
NITR	Nyzhnyodniprovsky Pipe

UKRAINIAN TRADED INDEX OF WIENER BÖRSE

The PFTS and Wiener Börse launched the Ukrainian country index, UTX (Ukrainian Traded Index), on September 14. The index is calculated and published in Euros, US Dollars and Ukrainian Hryvnia in real time. Just like all Wiener Börse indices, the UTX has been designed as a tradable index that can serve as an underlier for structured products and derivatives. The starting value of the UTX was fixed at 1,000 points at January 9, 2007.

The UTX currently includes the stocks of ten Ukrainian companies. No company in the index is permitted to have a weighting of more than 25%. The index is reviewed twice a year.

UTX Composition on October 5

Security	Number of stocks	RF	FF	Price local Curr.	Capitalization in USD	Weighting
Azovstal	5.621.805.013	1,00	0,25	5,10	1.416.705.979	19,41 %
Centrenergo	369.407.108	1,00	0,25	23,58	430.579.318	5,90 %
Dniproenergo	3.923.998	1,00	0,25	2.537,50	492.196.981	6,74 %
Interpipe: NITR	53.885.000	1,00	0,25	206,15	549.104.931	7,52 %
Motor-Sich	2.077.990	1,00	0,25	1.264,75	129.912.894	1,78 %
Raiffeisen Bank Aval	20.949.349.754	1,00	0,25	1,10	1.134.972.186	15,55 %
Ukrnafta	54.228.550	1,00	0,25	395,00	1.058.837.234	14,51 %
Ukrsotsbank	10.194.986.050	1,00	0,25	1,40	703.771.528	9,64 %
Ukrtelekom	18.726.248.000	1,00	0,25	1,08	1.002.960.440	13,74 %
Zakhidenergo	12.790.541	1,00	0,25	599,00	378.721.407	5,19 %
Total Capitalization UTX in USD					7.297.762.899	100,00 %

RF=Representation Factor; FF=Float Factor;

Bloomberg tickers of UTX indices: UTXL, UTXEUR, UTXUSD

Source: Wiener Börse

Another tradable basket of Ukrainian stocks launched

Following Deutsche Bank, ABN Amro launched open-end certificates on the ABN Amro Ukraine Index on July 12.

ABN Amro Ukraine Index basket constituents

CEEN	Centrenergo
ZAEN	Zakhidenergo
UNAF	Ukrnafta
UTEL	Ukrtelecom
DNEN	Dniproenergo
USCB	Ukrsotsbank
NITR	Nyzhnyodniprovsky Pipe
DOEN	Donbasenergo

ISIN: CH0032056373; Bloomberg ticker: ABNZUKRP

Source: ABN Amro

BUSINESS GROUP BAROMETER

Major business groups provided more evidence that they are on the way to opening up their businesses. Pronounced advances were made by Rinat Akhmetov, Viktor Pinchuk and Dmitry Firtash.

RINAT AKHMETOV

SCM continued improvements in corporate governance and investor relations. The improvements were especially evident at Metinvest Holding (Azovstal, Avdiyivka Coke, Enakievo Steel, Khartsyzk Pipe, Pivnichny Iron Ore, Centralny Iron Ore). SCM and its sub-holdings continue to make steps aimed at creating a more logical and transparent corporate structure. In this regard, over the last three months:

- SCM transferred 36.33% of Pivnichny Iron Ore (SGOK: N/R) to Metinvest;
- Metinvest passed Pavlogradvuhillya, a non-core steam coal enterprise, to the SCM's energy holding DTEK;
- Main SCM's metals trader, Leman Commodities, was separated into two entities – a wholesaler focusing solely on Metinvest-made products and a retail arm

In our strategy note of June 20, we recommended taking advantage of growing corporate standards at companies belonging to Metinvest - since at that time the FF-weighted basket of Metinvest-related stocks has appreciated 49%, while the PFTS Index returned only 17%.

In separating the real value from the scum brought to the surface during the recent frenzied bull run, the stocks under SCM's wing, are, in our opinion, a good guidance for quality. SCM will proceed with improvements. Their major target is an IPO, and its investor-oriented policy has already yielded fruits. Just two recent examples:

- MCap of Enakievo Steel (part of Metinvest) skyrocketed by an incredible 1,170% YTD;
- In August, Metinvest managed to attract a USD 1.5 bln syndicated loan at a record low rate for Ukraine (LIBOR +1.7%)

DMITRY FIRTASH

Dmitry Firtash in the late June announced the formation of a holding company, Group DF, (GDF) within which he consolidated his portfolio of operating businesses and investments. As of December 31, 2006, GDF had consolidated **revenues of USD 4.6 bln** and approximately 23,500 employees across 11 different countries in Europe and Central Asia. GDF includes three main divisions, broken up by sector:

- **Energy:** Centragas Holdings (90% stake), which in turn controls a 50% stake in RosUkrEnergo, the joint venture with Gazprom, responsible for supplying Turkmenistan's natural gas to Ukraine; EMFESZ Kft, the Hungarian and Polish energy trading company; Zangas, a specialist in the development of gas infrastructure; and EuroNit Kft - a Hungarian wholesale petrol trading company.
- **Chemicals:** ACI Trading (Cyprus), Ostchem Holdings (Austria) and Ostchem Trading (Switzerland) - these companies own a string of Ukrainian chemical enterprises.
- **Real estate:** Includes a number of development projects in the Ukrainian capital and Crimea. Among the most well known are business center "Parus", trading centers "Arena" and "Mandarin Plaza" - all in downtown Kyiv.

In July, GDF's CEO, Robert Shetler-Jones, announced **IPO preparations** separately **for the Chemical and Real Estate divisions** of the holding.

VIKTOR PINCHUK

At the end of September, it was made public that Viktor Pinchuk had consolidated his assets within the London-based **EastOne LLC**. The company's main assets are in four industries:

- Steel (Dniprospectstal);
- Pipes (Interpipe, with a consortium of Merrill Lynch, ABN Amro and Deutsche Bank are working on a USD 1 bln IPO in 1H08);
- Financial (Ukrsotsbank, announced to be sold to UniCredit, deal must be finalized in November 2007)
- Media (mostly private equity)

EastOne's CEO Gennadiy Grishin estimated the value of the holding at USD 10 bln.

EQUITY PLACEMENT MONITOR

After the recent placement of 10% in pharmaceutical producer Darnitsa, total free float injected into the marketplace YTD amounted to USD 1.1 bn. All Ukrainian placements made in 2007, both public and private, are up, the largest advance was contributed by Ferrexpo, which gained 70% YTD since its milestone IPO in June. We expect at least USD 0.3 bln more to be brought to the market in new equity by yearend.

Performance of 2007 Ukrainian placements

	Exchange	Date	Placed USD mln	Current FF MCap USD mln	Performance Placement-to-date
Universalna Insurance	PFTS	11.05.07	15.8	55.4	53.8%
Dakor	PFTS	17.05.07	21.0	22.6	8.5%
TMM	DB FV	29.05.07	105.0	143.3	46.3%
DUPD	AIM	01.06.07	208.0	274.8	21.7%
Motor Sich	PFTS	07.06.07	37.1	127.7	68.9%
Vinnifruit	PFTS	14.06.07	15.9	16.5	11.7%
Ferrexpo	LSE MM	15.06.07	420.9	725.9	70.0%
Ukrros	PFTS	23.07.07	40.1	46.5	15.9%
TKS	DB FV	24.07.07	39.6	43.3	12.0%
AISI	AIM	31.07.07	33.1	40.5	22.5%
Darnitsa	DB FV	05.10.07	48.0	51.7	9.3%

Source: PFTS, Bloomberg, Concorde Capital

Note: Prices are taken as of placement if available, otherwise as of the first trading date

TOP PICKS

Avdiyivka Coke

PFTS	AVDK
XETRA	n/a
Industry	Coke
MCap, \$ mln	791.5
FF, \$ mln	25.3
12m target, \$	6.20

- Additional demand resulting from the recent Metinvest/Smart Group merger will boost coke output 48% by 2012
- 99%-Avdiyivka-owned KrasnodonCoal is expected to increase output by 18% in 2007-2008
- A sea-port acquired by Metinvest early in the year will provide a convenient channel for coking coal imports
- PFTS' liquidity leader over the last 6 months

Chervonoarmiyska-Zakhidna Mine

PFTS	SHCHZ
XETRA	n/a
Industry	Coal
MCap, \$ mln	1,255.2
FF, \$ mln	26.4
12m target, \$	2.50

- As a supplier of quality coking coal, will benefit from the 14-16 mln mt deficit of hard coking coal in Ukraine
- Current investment program will increase coal output 40% by 2009
- Bullish support from global markets: Bloomberg World Coal index has surged 65% since mid August
- Owner is rumored to be in preparations for an IPO; international audit of reserves and financials is planned for 2008

Enakievo Steel

PFTS	ENMZ
XETRA	n/a
Industry	Steel
MCap, \$ mln	685.4
FF, \$ mln	94.6
12m target, \$	120.00

- Sector leader by sales growth: 51.2% yoy in 1H07
- Reported much improved margins for 1H07: EBITDA of 12% (up 6.2 p.p.), net margin of 6% (up 4.0 p.p.)
- One of the most efficient steel makers in Ukraine in terms of gas consumption
- Integration into Metinvest provides immunity from global price hikes on raw materials
- Merger with Metalen planned by the end of 2008 would boost Enakievo's value 25-50%

TMM

PFTS	n/a
XETRA	TR61 GR
Industry	Real Estate
MCap, \$ mln	1,144.4
FF, \$ mln	150.1
12m target, \$	26.04

- Top-five player in Kyiv's booming business/premium residential market with integrated construction capacities, rapidly expanding into untapped regional markets
- Best track record of completed projects among Ukraine's public developers (~360 ths m2)
- Portfolio more than doubled following placement in May 2007

Rodovid Bank

PFTS	RODB
XETRA	n/a
Industry	Banks
MCap, \$ mln	772.2
FF, \$ mln	146.7
12m target, \$	2,300.00

- Most rapidly growing publicly traded Ukrainian bank
- Telling statistics on growth in 1H07: assets +194%, loans +158%, retail loans +277%, total revenues +106%, net income +129%
- Trades at discount to the local peer average
- Heading for strategic sale within the next 12 months

TOP PICKS

Sun InBev

PFTS	SUNI	• With output growth of 19% in 9M07, the company retook leadership of Ukrainian production with a 34.5% market share
XETRA	n/a	• EBITDA margin in 1H07 rose to 33% vs. 24% in 1H06
Industry	Beverages	• Stock price has been slow to respond, expected to join market rally
MCap, \$ mln	1,506.6	• Ukrainian beer market is growing faster than our expectations – last week we revised our 2007 sector growth estimate up 4 pp to 16%
FF, \$ mln	60.3	
12m target, \$	0.19	

Turboatom

PFTS	TATM	• Fourth largest global supplier of turbines to nuclear power plants, will benefit from the upswing in demand for construction/modernization of NPPs in the CIS and Middle East
XETRA	n/a	• Received USD 100 mln order from Rosenergoatom for 2007-2009 - two times more than Turboatom's total sales in 2006
Industry	Machinery	• Expects orders for Russian/Ukrainian NPP projects totaling USD 500 mln over next the ten years
MCap, \$ mln	418.3	• Mid-term catalysts: Privatization of the state's 75.22% stake or IPO of a parent state holding in 2008-2009
FF, \$ mln	13.1	
12m target, \$	1.20	

Dakor

PFTS	DAKOR	• Targets doubling its market share by 2010 as a consolidator in the sugar industry. By 2008 will reach self-sufficiency in sugar beets
XETRA	WI81	• Provides exposure to agricultural land. Rapid land acquisition during 1H07 was higher than our expectations. Total land under lease is now 100 ths ha
Industry	Agriculture, Food	• Trades below peer average and its closest peer, Astarta
MCap, \$ mln	114.3	
FF, \$ mln	22.9	
12m target, \$	26.60	

Donbasenergo

PFTS	DOEN	• Commissioning of a 215MW power unit (up-to-date CFB technology) in March 2008 will boost margins and output
XETRA	n/a	• Another CFB power unit (125 MW) will be commissioned by 2012
Industry	El. Generation	• 1H07 EBITDA margin (15.7%) and yoy growth in EBITDA (+87%) are second largest in the sector
MCap, \$ mln	872.0	• Retains the largest upside of its local peers
FF, \$ mln	123.8	
12m target, \$	43.18	

LATEST REPORTS

Steel Sector Update	19-Oct-07	E. Cherviachenko
Avdiyivka Coke Update	18-Oct-07	E. Cherviachenko, A. Gerus
Sun InBev & Slavutych Upgrade Note	17-Oct-07	O.Pankiv, A. Dudchenko
Darnitsa Initiating Coverage	16-Oct-07	V.Nesterenko
Bank Forum Update Note	16-Oct-07	A.Viktorov
Power Engineering Initiating	10-Oct-07	I.Perepelytsya
Power Generators Update	10-Oct-07	A.Paraschiy
Slavutych Share Issue Alert	8-Oct-07	O.Pankiv
TMM 1H07 Portfolio Valuation Note	5-Oct-07	A.Gostik A.Romanov
Election Results Note	4-Oct-07	N.Piazza
Gas Issue Note	4-Oct-07	V.Nesterenko
Ukrtelecom Speculative BUY Note	3-Oct-07	A.Paraschiy
Kyivenergo Update Note	28-Sept-07	A.Paraschiy
Elections Update Note	28-Sept-07	N.Piazza
Kominmet Share Issue Note	27-Sept-07	E.Cherviachenko
TMM 2006 IFRS Financials Note	25-Sept-07	A.Gostik A.Romanov
Pipes Update	21-Sept-07	E.Cherviachenko
PFTS New Rules Update Note	20-Sept-07	K.Fisun
Corporate Eurobonds Note	20-Sept-07	O.Klymchuk
Stakhaniv Wagon Note	20-Sept-07	I.Perepelytsya
Macro Forecast Review Note	12-Sept-07	P.Khomenko
Power Generators Note	10-Sept-07	A.Paraschiy
FX Tax Reduction Note	07-Sept-07	O.Klymchuk
Electricity Recommendation Review	3- Sept-07	A.Paraschiy
Dniproenergo Note	31-Aug-07	A.Paraschiy
Banking Sector Update	23-Aug-07	A.Viktorov
Oblenergos Update	21-Aug-07	A.Paraschiy
Elections Update Note	21-Aug-07	N.Piazza
TKS Management Initiating	16-Aug-07	A.Gostik, A.Romanov
TMM Real Estate Initiating	09-Aug-07	A.Gostik, A.Romanov
Stirol Upgrade Note	03-Aug-07	V.Nesterenko
New Elections Note	02-Aug-07	N.Piazza
Stakhaniv Wagon Upgrade Note	02-Aug-07	I.Perepelytsya

Highlighted in bold are Concorde's publications that we think you won't want to miss. Full reports are available online (www.concorde.com.ua) or through Concorde Capital's sales desk.

APPENDIX

	PFTS	Frqn Exch	Rec'	Rec chg	Latest Report	Upside	1m	3m	6m	Return, %	1y	YTD
STEEL												
Alchevsk Iron & Steel	ALMK		HOLD	D	19-Oct	-8%	43.3%	31.5%	102.6%	140.8%	138.5%	
Azovstal	AZST	DZ8	BUY	M	19-Oct	24%	18.5%	17.5%	131.7%	242.3%	239.1%	
Dniprometiz	DMPO		BUY	M	28-Mar	41%	-16.7%	-5.6%	-4.3%	0.0%	61.8%	
Dniprospsstal	DNSS		HOLD	D	19-Oct	1%	22.6%	18.8%	145.2%	380.5%	333.9%	
Donetsk Steel Plant	DOMZ	D2K	SELL	M	19-Oct	-17%	23.2%	-12.9%	31.2%	3.4%	27.1%	
Donetsk Metal Rolling	DMPZ		BUY	M	19-Oct	52%	53.5%	31.1%	152.9%	71.3%	179.5%	
DMK Petrovskogo	DMZP		BUY	U	19-Oct	15%	95.6%	243.5%	501.1%	813.6%	831.3%	
Enakievo Steel	ENMZ		BUY	U	19-Oct	82%	21.4%	57.2%	371.5%	1045.9%	1147.7%	
MMK Ilicha Steel	MMKI	IWD	HOLD	D	19-Oct	10%	16.5%	1.4%	94.8%	162.8%	180.5%	
Arcelor Mittal Kryviy Rih	KSTL		SELL	D	19-Oct	-36%	52.7%	58.6%	141.9%	292.5%	185.8%	
Zaporizhstal	ZPST	UWP	N/R				0.0%	0.0%	0.0%	0.0%	0.0%	
MINING & COKE												
Alchevsk Coke	ALKZ		U/R		28-Feb		32.1%	26.3%	57.9%	158.9%	170.8%	
Avdiyivka Coke	AVDK		BUY	M	18-Oct	52%	65.1%	41.2%	95.1%	68.8%	133.5%	
Baglyi Coke	BKOK		U/R		28-Feb		33.3%	-61.9%	-46.7%	-55.1%	-55.1%	
Chervonoarmiyska Zakhidna	SHCHZ		BUY	M	15-Dec		102.2%	78.7%	164.4%	309.3%	186.2%	
Donetsk Coke	DKOK	D6N	SELL	D	28-Feb	-85%	9.6%	3.8%	4.6%	18.1%	20.8%	
Ferrexpo AG		FXPO LN	N/R				-0.4%	33.1%	n/a	n/a	n/a	
Komsomolets Donbasa	SHKD		BUY	M	24-Apr		58.0%	47.0%	172.3%	492.9%	298.8%	
Pivdenny Iron Ore	PGZK		U/R		22-Jun		42.7%	103.3%	825.2%	211.3%	290.0%	
Poltava Iron Ore	PGOK	UVT	U/R				5.8%	1.7%	60.1%	80.1%	65.6%	
Sukha Balka	SUBA	S6D1	BUY	M	22-Jun	18%	n/a	15.7%	35.0%	70.5%	32.8%	
Yasynivskyi Coke	YASK		U/R		28-Feb		38.9%	35.7%	182.4%	257.4%	219.2%	
ZaporizhCoke	ZACO		BUY	M	28-Feb	35%	52.8%	23.5%	70.7%	62.1%	87.6%	
PIPES												
Dnipropetrovsk Pipe	DTRZ		HOLD	D	21-Sep	-13%	8.0%	-3.9%	9.3%	94.6%	46.9%	
Khartysyz Pipe	HRTR	LBV	SELL	D	21-Sep	-29%	12.5%	10.4%	41.5%	128.4%	134.9%	
Kominmet	DMZK		BUY	U	27-Sep	-2%	27.1%	63.5%	618.5%	140.2%	1002.3%	
Novomoskovsk Pipe	NVTR		U/R		21-Sep		64.3%	61.8%	88.0%	423.0%	266.1%	
Nyzhnyodniprovskyi Pipe	NITR	NYZ	HOLD	D	21-Sep	-15%	11.0%	5.0%	39.3%	223.9%	130.2%	
FERROALLOYS												
Nikopol Ferroalloy	NFER	N4AA	N/R		29-Dec		97.5%	73.7%	98.3%	77.6%	89.8%	
Stakhaniv Ferroalloy	SFER	SSZ1	U/R		9-Feb		113.3%	81.6%	178.3%	172.3%	156.0%	
Zaporizhya Ferroalloy	ZFER	ZL3	U/R		9-Feb		78.2%	59.4%	99.1%	194.4%	194.4%	
NON-FERROUS METALS												
Zaporizhya Aluminum	ZALK		HOLD	M	29-Dec		61.9%	24.8%	202.2%	248.6%	306.0%	
OIL & GAS												
Galychyna Refinery	HANZ		N/R				-0.5%	21.9%	-4.2%	-36.1%	-18.2%	
Ukrnafta	UNAF	UKAA	SELL	M	30-May	-32%	12.3%	-15.5%	14.3%	33.9%	31.4%	
CHEMICALS												
Azot Cherkasy	AZOT	A9T	N/R		8-Sep		21.5%	21.5%	58.8%	18.0%	18.0%	
Chernigiv Khimvolokno	CHIM	CKU	BUY	M	29-Sep	62%	3.4%	3.4%	3.4%	-0.1%	-0.1%	
DniproAzot	DNAZ	UZBA	SELL	M	20-Feb		-27.1%	-44.9%	7.5%	-44.9%	-41.9%	
Stirol	STIR	SVX	BUY	U	3-Aug	-9%	46.5%	41.9%	48.4%	52.3%	63.1%	
UTILITIES: GenCos												
Centrэнерго	CEEN	DBG	HOLD	M	10-Oct	4%	24.6%	22.6%	61.3%	384.9%	294.1%	
Dniproэнерго	DNEN	DPG	HOLD	M	10-Oct	0%	23.2%	40.6%	57.0%	728.8%	501.5%	
Donbasэнерго	DOEN		BUY	U	10-Oct	17%	31.6%	25.6%	80.8%	365.0%	323.3%	
Kyivэнерго	KIEN		BUY	M	28-Sep	8%	28.1%	11.7%	61.0%	425.6%	342.1%	
Zakhidэнерго	ZAEN	WT7	HOLD	M	10-Oct	8%	14.8%	7.4%	45.8%	218.5%	125.4%	
UTILITIES: Oblenergos												
Dniproboblenergo	DNON		HOLD	U	9/31/07	-9%	0.8%	-7.6%	-20.3%	244.2%	80.6%	
Khmelnitskoboblenergo	HMON	KF3A	HOLD	M	21-Aug	-15%	11.9%	39.3%	54.3%	411.4%	152.1%	
Krymenergo	KREN		HOLD	U	21-Aug		35.4%	56.6%	103.4%	486.4%	271.4%	
Prykarpoblenergo	PREN		BUY	M	21-Aug	9%	1.4%	56.8%	78.7%	413.9%	137.2%	
Terнопoblenergo	TOEN		HOLD	D	3-Sep	2%	-1.6%	62.1%	88.8%	540.9%	182.0%	
Zaporizhyaoblenergo	ZAON		SELL	M	21-Aug	-31%	-2.5%	-0.2%	42.9%	262.8%	71.9%	
Zhytomiroblenergo	ZHEN		BUY	U	21-Aug	48%	6.1%	5.2%	21.5%	64.4%	30.1%	
UTILITIES: GasCos												
DonetskOblGaz	DOGZ		BUY	M	22-Aug	59%	11.9%	6.5%	6.5%	0.0%	1.5%	
TELECOM												
Odeskabel	OCAB	O5N1	U/R		7-May		2.7%	72.7%	35.7%	102.1%	102.1%	
Ukrtelecom**	UTEL	UK1	HOLD	M	3-Oct	-16%	19.1%	0.6%	5.8%	26.7%	17.6%	
FINANCIAL SERVICES												
Raiffeisen Bank Aval	BAVL		HOLD	D	22-Aug	10%	1.4%	-11.8%	26.0%	123.7%	79.8%	
Factorial Bank *	FKTB		HOLD	M	22-Aug	-8%	55.6%	n/a	n/a	n/a	n/a	
Forum	FORM	B5F	BUY	M	15-Oct	21%	-3.1%	-10.9%	-0.2%	63.1%	13.8%	
Megabank	MEGA		BUY	M	22-Aug	34%	-2.5%	-16.8%	8.9%	8.9%	27.4%	
Rodovid Bank	RODB		BUY	M	22-Aug	30%	3.3%	-4.4%	22.5%	24.7%	23.8%	
Ukrqazbank	UGZB		HOLD	D	22-Aug	-3%	1.5%	40.6%	88.7%	116.3%	132.9%	
Ukrsotsbank	USCB		HOLD	M	22-Aug	16%	2.8%	-13.7%	4.9%	100.6%	58.8%	
Universalna Insurance	SKUN		HOLD		9-Jul		29.3%	17.2%	45.9%	138.9%	138.9%	
MACHINE BUILDING												
AvtoKRAZ	KRAZ	A6X1	HOLD	M	11-Jul		23.7%	40.8%	93.8%	113.6%	102.2%	
Azovzagalmash	AZGM		BUY	U	17-Jul		61.7%	103.7%	276.3%	280.0%	270.1%	
Dongirmash	DGRM		U/R		25-Jul		21.0%	21.0%	19.4%	-5.1%	1.7%	
Druzhkivka Machinery	DRMZ		BUY	M	25-Jul		27.9%	54.5%	81.5%	107.5%	103.7%	
Kryukiv Wagon	KVBZ		N/R				53.2%	67.7%	212.7%	0.0%	322.4%	
Bohdan Automobile Plant	LUAZ		N/R				36.5%	34.8%	47.9%	34.7%	48.6%	
Luhanskteplovovz	LTPV		U/R		31-Jul		40.9%	105.3%	190.9%	256.2%	241.3%	
Meriupol Heavy Machinery	MZVM	M9X	BUY	M	17-Jul	-6%	43.2%	30.5%	83.7%	111.0%	140.8%	
Motor Sich	MSICH	M7H	BUY	M	26-Jul	3%	17.6%	18.7%	129.1%	254.2%	229.1%	
Stakhaniv Wagon Works	SVGZ		HOLD	M	20-Sep		58.1%	48.5%	-21.0%	118.2%	70.3%	
Sunny Fruite	SMAGH	M9Y1	BUY	M	10-Oct	-2%	30.9%	23.9%	74.6%	170.6%	180.1%	
Svitlo Shakhtyara	HMBZ		U/R		25-Jul		30.0%	27.8%	32.8%	31.7%	38.2%	
Turboatom	TATM		BUY	U	10-Oct	21%	37.2%	33.3%	70.9%	184.1%	156.4%	
Yasynuvatskyi Machinery	YAMZ	WPB1	BUY	M	25-Jul	41%	11.8%	-1.1%	23.6%	20.3%	20.3%	
Zaporizhtransformator	ZATR	YXZ1	HOLD		10-Oct	-1%	10.8%	24.2%	70.8%	257%	159%	
RETAIL												
Ekvin	KVIN		BUY	M	12-Mar	51%	0.0%	0.0%	-2.7%	0.0%	21.0%	
Galnaftogaz	GLNG	C9Z	U/R		21-May		49.3%	47.9%	78.6%	167.4%	129.6%	
CONSUMER GOODS												
Dakor	DAKOR		BUY	M	4-Jul	33%	2.3%	3.7%	0.0%	0.0%	0.0%	
Galakton	GALTN		N/R				10.2%	9.2%	26.2%	77.7%	56.8%	
Khlibrom	HLPB		N/R				12.7%	12.7%	109.1%	146.9%	146.9%	
Slavutych Brewery	SLAV		BUY	M	17-Oct	33%	9.6%	-1.0%	-1.9%	10.0%	32.1%	
Sun Interbrew Ukraine	SUNI		BUY	M	17-Oct	20%	29.0%	19.6%	48.8%	0.0%	67.7%	
REAL ESTATE												
TKS		37W1	BUY	M	16-Aug	7%	5.7%	n/a	n/a	n/a	n/a	
TMM		TR61	BUY	M	25-Sep	18%	24.5%	28.5%	n/a	n/a	n/a	
XXI Century		XXIC LN	N/R				23.6%	29.2%	96.4%	221.1%	140.4%	
OTHER												
Gostomel Glass	GSZK		BUY	M	27-Jun	41%	7.1%	-6.3%	-28.4%	-34.8%	-19.8%	
Mostobud	MTBD		N/R				44.6%	28.7%	282.1%	464.5%	451.0%	

PFTS	Frgn Exch	Rec'	Upside	Target USD	Mid, USD		Avg Monthly Trd Vol (6m), USD mln	Mcap		EV		FF	Share in Sector	EV/Sales		EV/EBITDA		P/E		P/CF		P/B		ROE, %	
					Local	DR		USD mln	USD mln	%	USD mn			07E	08E	07E	08E	07E	08E	07E	08E	07E	08E	07E	08E
OTHER																									
Gostomel Glass	GSKZ	BUY	41%	\$2.10	\$1.49			65.8	122.3	25.0%	16.4			2.0	1.5	7.1	5.2	11.2	7.9	5.6	4.3	1.6	1.3	15.0	17.9
Mostobud	MTBD	N/R		N/R	\$433.17		2.91	251.2	261.2	34.1%	85.7			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
												102.1	2.0	1.5	7.1	5.2	11.2	7.9	5.6	4.3	1.6	1.3	15.0	17.9	

* Bid price
** Short term Speculative BUY

Concorde Rating Universe		
Buy	38	47%
Hold	23	28%
Sell	7	9%
Under Review	13	16%
Total	81	100%

Investment Banking Clients		
Buy	10	83%
Hold	2	17%
Sell	0	0%
Under Review	0	0%
Total	12	100%

WATCH LIST

22.10.2007	Dniproshyna Local Bond Offer
22.10.2007	Boryspil Local Bond Coupon Payment
26.10.2007	Kherson Refinery EGM
26.10.2007	Poltava Iron Ore EGM
02.11.2007	Chernigiv Khimvolokno EGM
05.11.2007	Turboatom EGM
05.11.2007	Official Oct. Household Income Released
05.11.2007	Galnaftogaz EGM
06.11.2007	Official Oct. CPI, PPI Released
08.11.2007	Nikopol Ferroalloy AGM
09.11.2007	Dniprometiz EGM
12.11.2007	Nikopol Ferroalloy EGM
15.11.2007	Official Oct. GDP and Industrial Output Released
16.11.2007	Official Oct. Retail Trade, Foreign Trade Balance Released
17.11.2007	Deadline for first Rada Session
22.11.2007	Nikopol Ferroalloy AGM
23.11.2007	Slavutych Brewery AGM
23.11.2007	Ukrriichflot EGM
27.11.2007	Kherson Refinery EGM
28.11.2007	Official Oct. Unemployment Released
30.11.2007	Zakarpatooblenergo EGM
30.11.2007	Donetsk Metal Rolling AGM
01.01.2008	EBRD Annual Meeting In Ukraine

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