

Top Picks

June 2011

Equity market view

Over the last two months, the UX has erased its bullish start to the year (+11.1% in January-February) and is now down 1.6% YTD. Concerns over the European debt crisis and uneven pace of the overall global economic recovery continue to weigh heavily on sentiment as we move into summer. We maintain our view of that strong fundamentals still underlie Ukrainian equities moving and stick to our forecast growth for the overall market of 30-40% in 2011.

Macro view

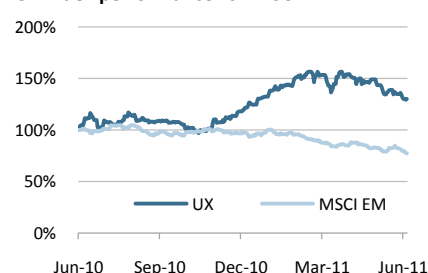
Ukraine's GDP growth (+5.2% y-o-y in 1Q11 vs. 4.2% in 1Q10) should slowdown in the next two quarters, in our view, given the high comparison base and weak external demand for exports. Industrial output is already showing evidence of this – growth in April 2011 slowed to +4.9% y-o-y from March's +8.0% y-o-y. Meanwhile, inflation has continued to accelerate, reaching 11.0% y-o-y in May, following 9.4% YoY in April, driven by increases in utilities and food prices (+23.6% y-o-y and +10.4% y-o-y, respectively).

Our top equity picks

We are still positive on our April top picks, a collection of commodity-linked stories (Northern Iron Ore, Central Iron Ore and Avdiivka Coke), industrial manufacturers tied into Russian expansion (Khartsyzsk Pipe and Motor Sich), consumer plays (Milkiland and Galnaftogaz) and utilities (Centrenerg and Donbasenergo). We add two new ideas, railcar manufacturers Kryukiv and Stakhaniv Wagon, which are uniquely positioned to benefit from Russia's booming transportation industry.

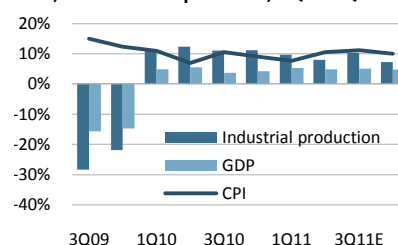
Report date **10 June 2011**

UX index performance vs. MSCI EM



Source: Bloomberg, UX

GDP, Industrial output & CPI, 3Q09-3Q11E



Source: Concorde Capital, State Statistics Committee

Top Picks

Company	Ticker	Sector	MCap, USD mln	FF, USD mln	Target, USD	Upside
Avdiivka Coke	AVDK UK	Basic Materials	299	9.6	3.0	95%
Central Iron Ore	CGOK UK	Basic Materials	956	6.7	1.7	108%
Northern Iron Ore	SGOK UK	Basic Materials	3,183	22.3	2.4	73%
Khartsyzsk Pipe	HRTR UK	Industrial	388	7.8	0.31	107%
Kryukiv Wagon	KVBZ UK	Industrial	358	16.8	5.79	85%
Motor Sich	MSICH UK	Industrial	780	181.7	680.0	77%
Stakhaniv Wagon	SVGZ UK	Industrial	201	10.3	1.61	79%
Centrenerg	CEEN UK	Utilities	607	131.4	2.6	58%
Donbasenergo	DOEN UK	Utilities	150	21.3	18.4	190%
Galnaftogaz	GLNG UK	Consumer	424	107.4	0.027	26%
Milkiland	MLK PW	Consumer	438	98.1	21.6	54%

Source: Bloomberg, Concorde Capital estimates

Avdiivka Coke

Key investment points

- Increased net sales and net income to USD 341.6 mln (+79.3% y-o-y) and USD 16.3 mln (+132% y-o-y) in 1Q11
- Stable demand from parent Metinvest-related steel companies
- Secures 90% of coking coal supply from Metinvest-related coal mines
- Production to grow by 25% y-o-y in 2011, according to our estimates, given new exclusive coke supply relationship with MMK Illich, acquired by Metinvest in 2010
- We expect net revenue to increase 44% y-o-y in 2011 to USD 1,249 mln, EBITDA to grow 58% y-o-y to USD 95 mln, and net income to total USD 45 mln (vs. a net loss of USD 3 mln in 2010)
- One of the most liquid stocks on the UX (average daily trading volume in last 6M of USD 0.5-1.0 mln)

Key risks

- Growing coking coal prices: Medium
- Transfer pricing within Metinvest Group: Medium

Business overview

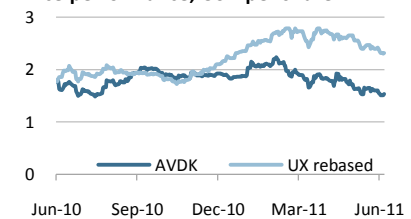
Europe's largest coke maker. Capacity: 6.12 mln mt p.a., nine coke batteries. Processing structure: 80% domestically mined coal (SCM-related mines and the Donetskstal group), 20% of coal is imported. Main consumers: Yenakieve Steel, MMK Illich, Azovstal, and Nikopol Ferroalloy (coke nut). In 2010, increased coke production to 3.585 mln mt (up 28.1% y-o-y, share in Ukrainian production of 19.3%).

Market information

Bloomberg	AVDK UK
Recommendation	BUY
Price, USD	1.53
12M price target, USD	3
Upside	95%
No of shares, mln	195
Market Cap, USD mln	299
52-week performance	-14%
ADT, 12M, USD mln	0.86
Free float, %	3.2%
Free float, USD mln	9.6

Prices as of June 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	870.0	1,249.0	1373.9
EBITDA	60.0	95.0	109.3
EBITDA margin	6.8%	7.6%	7.9%
Net income	(3.0)	45.0	51.8
Net margin	-0.3%	3.6%	3.8%
Net debt	(1.4)	0.0	0.0

Source: Company data, Concorde Capital

Peer multiples

	Price USD	MCap USD mln	EV/S			EV/EBITDA			P/E		
			10E	11E	12F	10E	11E	12F	10E	11E	12F
Avdiivka Coke	1.53	295.8	0.3	0.24	0.22	4.9	3.1	2.7	n/a	6.6	5.7
Ukrainian Coke Producers											
Alchevsk Coke	0.05	151.8	0.2	0.2	0.2	5.6	12.4	8.5	n/a	151.8	132.
Yasynivsky Coke	0.27	73.8	0.2	0.2	0.2	4.8	4.4	3.4	8.5	8.9	8.4
ZaporizhCoke	0.41	48.6	0.1	0.1	0.1	10.5	1.6	1.6	1.3	1.3	1.3
Median			0.2	0.2	0.2	5.6	4.4	3.4	4.9	8.9	8.4
EM Coke Producers											
Sesa Goa	6.4	5,589.0	11.6	2.1	1.6	26.4	3.7	3.0	38.8	6.0	5.5
Taiyuan Coal	3.8	1,940.4	4.4	2.9	2.8	23.1	14.2	12.9	47.0	26.9	21.0
China Steel Chemical	5.6	1,325.3	8.2	5.1	4.4	24.6	17.5	15.0	30.0	21.4	18.7
Gujarat Nre Coke	1.1	611.8	5.9	2.2	1.9	28.0	6.0	4.1	56.3	7.8	4.3
Sino Hua	0.1	121.0	0.4	0.2	0.2	2.2	4.2	3.3	3.3	11.5	6.1
Median			5.2	2.2	1.9	23.9	6.0	4.1	42.9	16.5	12.4
<i>Avdiivka Coke price implied by UA peers median</i>											
Upside (downside)			0.82	1.17	1.17	1.37	2.15	1.91	n/m	2.04	2.24
			-46%	-23%	-23%	-11%	41%	25%		33%	46%
<i>Avdiivka Coke price implied by EM peers median</i>											
Upside (downside)			23	14	13.6	1.8	2.9	2.3	n/m	3.80	3.30
			14x	819%	793%	22%	92%	49%		148%	116%

Source: Bloomberg, Concorde Capital estimates

Central Iron Ore

Key investment points

- Increased net income 4.1x y-o-y to USD 71.8 mln in 1Q11
- Stable demand from parent Metinvest-related steel makers
- Iron ore spot prices skyrocketed 200% from lows in mid-2009, we expect 15% y-o-y growth in 2011
- World contract prices increased 20% q-o-q in 2Q11 to USD 175 per mt, the highest level since mid-2008
- In October 2009, Metinvest launched deliveries to China. We expect it will increase such deliveries in 2011 due to substantial net price premium in China of USD 30 mt (30%-35%) over local market (total premium USD 60-70/mt, transportation cost USD 30-40/mt)
- All domestic prices are set in USD (actual payments are made in UAH at current USD/UAH rate)
- We expect net sales to increase 40% y-o-y to USD 768 mln in 2011, EBITDA to grow 45% y-o-y to USD 406 mln, and net income to rise by 70% y-o-y to USD 280 mln

Key risk

- Decrease in iron ore prices: Medium

Business overview

Medium-sized Ukrainian producer of iron ore sinter feed and pellets. Owns the rights to four deposits of iron ore (three exploited). Ore from the Petrovsk mine has 68% iron content – the highest of any Ukrainian producer. Supplies products to steel mills Azovstal and Yenakiiyev/Metalen (Metinvest), Alchevsk Iron & Steel, DMK Dzerzhinskogo (both IUD group). In 2010, produced 2.21 mln mt of pellets (down 0.7% y-o-y, 10% of Ukrainian production), and 6.072 mln mt of iron ore concentrate (up 21.3% y-o-y, 9.5% of Ukrainian production)

Peer multiples

	Price		MCap	EV/S			EV/EBITDA			P/E		
	USD	USD mln		10	11E	12F	10	11E	12F	10	11E	12F
Central Iron Ore	0.83	967.93		1.8	1.3	1.3	3.2	3.2	2.9	5.3	5.1	4.8
Iron Ore Peers												
BHP Billiton	37.5	226,391		3.9	3.2	2.8	8.3	6.0	4.9	14.7	10.1	8.6
Vale Do Rio Doce	27.9	159,667		3.0	3.0	2.9	8.9	4.1	3.8	12.1	6.2	6.2
Rio Tinto	67.5	138,116		3.3	2.0	1.9	9.3	4.1	3.8	37.6	7.0	7.2
Antofagasta	20.8	20,484		9.4	3.1	2.5	17.8	4.6	3.6	12.0	9.9	8.8
Ferrexpo	7.7	4,523		2.1	6.5	4.4	5.1	12.6	8.8	15.5	7.8	7.3
Median				3.3	3.1	2.8	8.9	4.6	3.8	14.7	7.8	7.3
<i>Central Iron Ore price implied by peers median</i>				<i>1.04</i>	<i>1.65</i>	<i>1.81</i>	<i>2.58</i>	<i>1.64</i>	<i>1.36</i>	<i>2.85</i>	<i>1.27</i>	<i>1.27</i>
Upside (downside)				26%	100%	120%	213%	99%	65%	245%	54%	54%

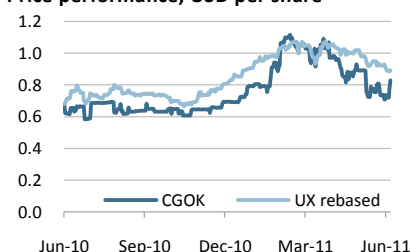
Source: Bloomberg, Concorde Capital estimates

Market information

Bloomberg	CGOK UK
Recommendation	BUY
Price, USD	0.83
12M price target, USD	1.7
Upside	108%
No of shares, mln	1171.8
Market Cap, USD mln	956
52-week performance	19%
ADT, 12M, USD mln	0.03
Free float, %	0.7%
Free float, USD mln	6.7

Prices as of June 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	542.0	735.6	772.4
EBITDA	305.0	320.6	336.0
EBITDA margin	56.3%	52.9%	43.5
Net income	182.0	191.5	200.6
Net margin	33.6%	36.5%	25.9%
Net debt	0.0	0.0	0.0

Source: Company data, Concorde Capital

Northern Iron Ore

Key investment points

- Net income grew 2.9x y-o-y to USD 177.7 mln in 1Q11
- Stable demand from parent Metinvest-related steel makers
- Iron ore spot prices skyrocketed 200% from lows in mid-2009, we expect 15% y-o-y growth in 2011
- World contract prices increased 20% q-o-q in 2Q11 to USD 175 per mt, the highest level since mid-2008
- In October 2009, Metinvest launched deliveries to China. We expect it will increase such deliveries in 2011 due to substantial net price premium in China of USD 30 mt (30%-35%) over local market (total premium USD 60-70/mt, transportation cost USD 30-40/mt)
- All domestic prices are set in USD (actual payments are made in UAH at current USD/UAH rate)
- Plans to increase capacity of iron ore concentrate production by 750 ths mt (5% y-o-y) to 15.7 mln mt in 2011
- Targets raising quality of iron ore concentrate to Fe 66% (current price premium of USD 40-50/mt (25-30%) over Fe 64%)
- We forecast net sales of USD 1,732 mln (+40% y-o-y) in 2011, EBITDA of USD 1,088 mln (up 45% y-o-y), and net income of USD 700 mln (vs. USD 333 mln in 2010)

Key risks

- Decrease in iron ore prices: Medium

Business overview

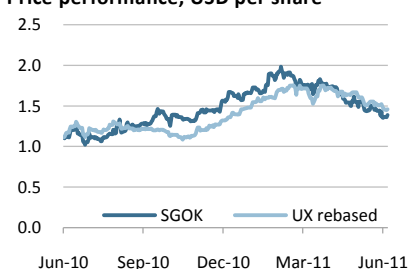
Largest producer of pellets in Ukraine. Capacity: 25 mln mt of iron ore, 15 mln mt of sinter feed, and 9.6 mln mt of pellets. Main domestic customers are MMK Illich Steel, Azovstal, Yenakieve Steel, Donetsk Steel and DMK Dzerzhinskogo. Major export markets: Poland, China, Slovakia. Increased concentrate production by 3.3% y-o-y to 14.2 mln mt and pellet production by 4.9% y-o-y to 9.9 mln mt in 2010.

Market information

	SGOK UK
Bloomberg	
Recommendation	BUY
Price, USD	1.46
12M price target, USD	2.4
Upside	73%
No of shares, mln	2304
Market Cap, USD mln	3183
52-week performance	23%
ADT, 12M, USD mln	0.12
Free float, %	0.7%
Free float, USD mln	22.3

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	1,302.0	1,732.1	1882.3
EBITDA	805.3	1,088.6	1175.7
EBITDA margin	56.3%	62.8%	60.2%
Net income	333.3	600.6	648.6
Net margin	25.6%	40.4%	34.4%
Net debt	0.0	0.0	0.0

Source: Company data, Concorde Capital

Peer multiples

	Price		M/Cap	EV/S			EV/EBITDA			P/E		
	USD	USD mln		10E	11E	12F	10E	11E	12F	10E	11E	12F
Northern Iron Ore	1.36	3,186.90		2.4	1.8	1.7	4.0	4.0	2.7	9.6	5.3	4.9
Iron Ore Peers												
BHP Billiton	37.5	226,391		3.9	3.2	2.8	8.3	6.0	4.9	14.7	10.1	8.6
Vale Do Rio Doce	27.9	159,667		3.0	3.0	2.9	8.9	4.1	3.8	12.1	6.2	6.2
Rio Tinto	67.5	138,116		3.3	2.0	1.9	9.3	4.1	3.8	37.6	7.0	7.2
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Ferrexpo	7.7	4,523		2.1	6.5	4.4	5.1	12.6	8.8	15.5	7.8	7.3
Median				3.3	3.1	2.8	8.9	4.6	3.8	14.7	7.8	7.3
<i>Northern Iron Ore price implied by peers median</i>				2.5	2.6	2.2	3.5	3.0	2.5	2.1	2.1	2.3
Upside (downside)				80%	93%	63%	155%	119%	87%	56%	57%	69%

Source: Bloomberg, Concorde Capital estimates

Khartsyzsk Pipe

Key investment points

- Net income rose to USD 13.6 in 1Q11 vs. a net loss of USD 5.6 mln in 1Q10
- Part of Metinvest Group, stable supply of inputs from Metinvest-related MMK Illicha and Azovstal
- Thanks to new order from Transneft, increased production in 1Q11 by 5x y-o-y to 150 ths mt of pipes. We expect production to increase 2x y-o-y in 2011 due to contracts with Transneft and demand from EU and Asia pipeline projects
- Ukraine's Minister of Energy Yuriy Boyko said Ukraine will start modernization of its gas transportation system in 2H11 at an overall cost of USD 9 bln (over 7 years), including ~USD 2.5 bln in pipes. Khartsyzsk Pipe is the only producer of long-diameter (LD) pipes in Ukraine
- Only LD pipe producer in CIS licensed by the EU
- We expect net sales to increase 102% y-o-y to USD 659 mln, EBITDA to grow 139% y-o-y to USD 120 mln, and net income to rise 264% y-o-y to USD 87 mln

Key risks

- Dependences on large contracts from gas/oil pipe projects: Medium

Business overview

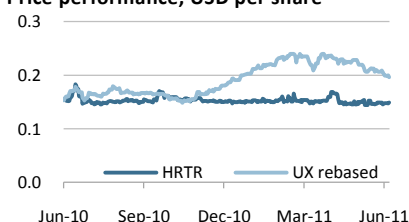
Ukraine's third largest pipe maker in terms of production volume, with 308.7 ths mt of pipes in 2010 (down 41% yoy, share in Ukrainian production 17.6%). Capacity: 1.5 mln mt of pipes p.a. Product portfolio consists of over 500 items. Core product - large diameter steel pipes with corrosion-proof coating used for the construction of oil and gas-main pipelines. Pipes are locally and API-certified. Exports over 80% of its total output, mainly to Russia.

Market information

Bloomberg	HRTR UK
Recommendation	BUY
Price, USD	0.15
12M price target, USD	0.31
Upside	107.41%
No of shares, mln	2599
Market Cap, USD mln	388
52-week performance	-4%
ADT, 12M, USD mln	0.01
Free float, %	2.00%
Free float, USD mln	7.76

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	326.98	659.0	626.0
EBITDA	50.19	136.0	129.2
EBITDA margin	15.3%	20.6%	20.6%
Net income	23.93	98.6	93.67
Net margin	7.3%	14.9%	14.9%
Net debt	1.0	1.0	1.0

Source: Company data, Concorde Capital

Peer multiples

	Price USD	MCap USD mln	EV/S			EV/EBITDA			P/E		
			10E	11E	12F	10E	11E	12F	10E	11E	12F
Khartsyzsk Pipe	0.15	381.32	1.2	0.6	0.6	7.6	2.8	3.0	15.9	3.9	4.0
Global Peers											
Tenaris	47.68	28,144	3.1	2.8	2.3	9.0	10.2	8.1	14.6	18.5	14.1
National Oilwell Varco	71.22	30,132	3.0	2.0	1.6	12.9	8.5	7.9	22.5	17.3	13.7
Vallourec	119.65	14,113	1.6	1.9	1.5	5.7	8.8	5.8	10.4	16.7	10.8
TMK	19.20	4,500	1.4	1.1	0.9	6.6	6.4	3.3	9.2	10.9	8.3
Maruichi Steel Tube	25.22	2,371	1.8	1.2	1.1	9.2	6.7	7.7	19.7	17.1	15.6
Tubacex	4.40	585	0.9	1.3	1.1	5.8	12.3	5.3	7.5	21.3	10.9
Median			1.7	1.6	1.3	7.8	8.6	6.7	12.5	17.1	10.9
<i>Khartsyzsk Pipe price implied by peers median</i>			<i>0.21</i>	<i>0.41</i>	<i>0.32</i>	<i>0.15</i>	<i>0.45</i>	<i>0.33</i>	<i>0.79</i>	<i>4.43</i>	<i>2.67</i>
Upside (downside)			46%	176%	116%	2%	207%	127%	436%	2921%	1722%

Source: Bloomberg, Concorde Capital estimates

Kryukiv Wagon

Key investment points

- Net revenue grew by 1.7x y-o-y in 1Q11 of USD 170 mln, EBITDA by 1.9x y-o-y to USD 26 mln and net income by 2.9x y-o-y to USD 22 mln, according to UAS financials. Our estimates for 2011E are net revenue of UAH 695 mln, EBITDA of UAH 128 mln and net income of USD 93 mln
- Announced new contracts with Chinese and USA producers of steel casting. Management did not disclose its actual suppliers or contracted volumes, but said imported casting would be cheaper than Ukrainian analogues by an average of 20%
- Produced more than 3.8 ths freight railcars in 5M11, up 72% y-o-y. Production equaled UAH 2.4 bln in monetary terms, up 13% y-o-y. Exports accounted for 86% of output. We estimate 2011E output at 8,500 freight railcars, which is more conservative than management's target of 9,000
- Management plans to complete construction of a new passenger railcar workshop by end-2H11, which would increase annual capacity to 300 passenger railcars. Management said production could additionally be increased by another 30% by working in three shifts

Key risks

- Growth of prices for castings: High
- Ukrzaliznytsya does not buy high-speed passenger trains (unit costs estimated at USD 20-25 mln) for Euro-2012 from Kryukiv Wagon, which would then have to finance a planned prototype at its own expense: Medium
- Increased competition in Russia from Chinese railcars if they are certified for operation there: Low

Business overview

Only manufacturer in Ukraine that makes both passenger and freight wagons. Production capacity: 200 passenger and 8 ths freight wagons p.a. Exports ~70% of its output to the CIS and Iran. Pursuing a strategy of diversifying its product line (into cargo wagons, passenger wagons, subway cars, escalators). In 2010, produced a total of 9,090 (up 2.7x y-o-y) railcars of 11 different types, including 38 passenger cars (up 52% y-o-y).

Peer multiples

	Price	M/CAp	EV/S			EV/EBITDA			P/E		
	USD	USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Kryukiv Wagon	3.12	357	0.7	0.5	0.5	5.0	5.0	2.6	9.4	3.8	3.7
Railcar peers											
American Railcar Industries	21.0	449	0.2	0.8	0.5	1.9	10.1	5.1	12.1	n/a	21.5
Freightcar America	25.6	305	3.0	3.0	2.9	1.6	33.4	6.6	11.5	n/a	20.3
Greenbrier companies inc	21.8	543	0.8	n/a	n/a	7.9	n/a	n/a	24.7	34.7	10.3
Construccy aux de Ferrocar	577.7	1980	1.3	0.7	0.6	11.2	5.6	4.9	16.5	10.0	9.1
Ugl Ltd	15.5	2570	1.4	0.6	0.5	19.7	8.6	7.6	35.3	14.6	12.8
China Motor	0.99	1370	1.8	1.3	1.1	11.2	4.9	4.2	18.8	7.8	6.8
Jinxi Axle	2.55	770	3.0	3.0	2.9	16.2	6.0	5.3	13.5	n/a	7.5
Taiyuan Heavy Industries	1.51	2443	3.8	1.4	1.1	35.1	27.7	25.1	52.9	16.8	11.9
Median			1.6	1.3	1.1	11.2	8.6	5.3	17.6	14.6	11.1
<i>Kryukiv Wagon price implied by peers median</i>			7.6	7.7	6.5	7.1	9.5	6.0	5.8	11.8	9.2
Upside (downside)			147%	150%	112%	133%	210%	96%	88%	285%	200%

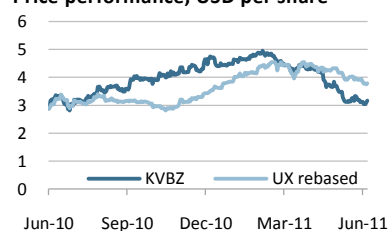
Source: Bloomberg, Concorde Capital estimates

Market information

Bloomberg	KVBZ UK
Recommendation	BUY
Price, USD	3.12
12M price target, USD	5.79
Upside	85%
No of shares, mln	114.7
Market Cap, USD mln	357.5
52-week performance	7%
ADT, 12M, USD mln	0.07
Free float, %	4.7%
Free float, USD mln	16.8

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	548.2	694.7	686.1
EBITDA	72.9	128.4	127.5
EBITDA margin	13.3%	18.5%	18.5%
Net income	37.5	92.8	95.3
Net margin	6.8%	13.4%	13.9%
Net debt	(38.1)	6.0	(1.9)

Source: Company data, Concorde Capital

Motor Sich

Key investment points

- Net revenue grew by 10% y-o-y in 3M11 to USD 134 mln, EBITDA by 33% y-o-y to USD 47 mln and net income by 9% y-o-y to USD 28 mln, according to UAS financials. Financials were below our expectations, but we believe that company will improve its financial results in upcoming quarters
- Key trigger is orders for An-148/158s. We estimate new engine deliveries of D-436-148 engines could bring in up to USD 2.4 bln in sales for Motor Sich in 2011-2020
- Signed a contract to supply the new AI-225-25F engine for China's L-15 aircraft through 2012. The company estimates it will supply "several dozen" engines under the contract. The Chinese are also discussing the possibility of assembling engines in China after 2012. We expect the volume of the L-15 contract to be USD 200 mln over three-four years
- Following possible creation of joint enterprise in 2011 by Russia's United Aircraft Corporation and Ukraine's Antonov, we expect renewal of serial production of the An-124 cargo plane within two years, which uses Motor Sich's D-18T engines. We estimate this to bring in USD 3.4 bln in sales in 2011-2020
- Opened a helicopter engine maintenance plant in Russia in 4Q10. This project will support to Motor Sich's ability to get new orders from Russia's Ministry of Defense

Key risks

- Dependence on demand from Russian helicopter producers which bought about 70% of Motor Sich's production in 2010: High
- Growth in prices for metals and alloys, which account for approximately 40% of Motor Sich's costs: Medium

Business overview

One of the world's largest producers of aircraft and helicopter engines and the only one in Ukraine. Product mix consists of up to 50 different types of aircraft engines for small and mid-size planes, along with engines for the world's largest aircraft, Mriya and Ruslan. Non-aircraft related products: gas turbines, gas pumping equipment, motor cultivators, separators and board engines (13-17% of sales).

Peer multiples

	Price	MCap	EV/S			EV/EBITDA			P/E		
	USD	USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Motor Sich	390	780	1.31	0.99	0.83	3.5	2.9	2.6	5.1	3.4	3.2
Aircraft engine peers											
IHI Corporation	2.37	3,471	0.6	0.5	0.4	7.5	6.3	5.6	n/m	11.8	10.0
Ufimskiye Motors	0.63	179	1.3	0.9	0.9	7.3	4.7	5.0	10.7	2.9	2.5
Magellan Aerospace	4.40	80	0.6	0.4	0.5	4.3	3.5	3.6	n/m	2.9	2.2
Sichuan Chengfa	3.34	612	7.4	2.7	2.3	18.9	33.8	32.7	71.2	39.2	30.7
MTU Aero Engines	74.72	3,885	1.2	1.0	0.9	7.4	6.9	5.9	18.4	14.6	12.3
Median			1.2	0.9	0.9	7.4	6.3	5.6	18.4	11.8	10.0
<i>Motor Sich price implied by peers median</i>			362	289	318	857	887	855	1432	1344	1210
Upside (downside)			-7%	-26%	-18%	120%	127%	119%	267%	245%	210%

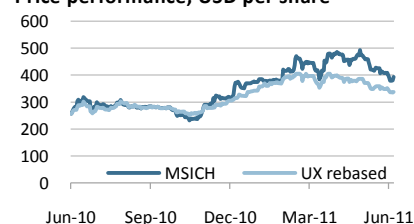
Source: Bloomberg, Concorde Capital estimates

Market information

Bloomberg	MSICH UK
Recommendation	BUY
Price, USD	390
12M price target, USD	680
Upside	77%
No of shares, mln	2.0
Market Cap, USD mln	780
52-week performance	49%
ADT, 12M, USD mln	2.37
Free float, %	23.3%
Free float, USD mln	181.7

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	627.6	772.3	884.4
EBITDA	218.9	264.5	285.2
EBITDA margin	34.9%	34.2%	32.2%
Net income	156.6	226.3	240.2
Net margin	24.9%	29.3%	27.2%
Net debt	13.1	(15.9)	(49.5)

Source: Company data, Concorde Capital

Stakhaniv Wagon

Key investment points

- Net revenue grew by 58% y-o-y in 3M11 to USD 116 mln, but EBITDA and net income fell 15% and 25% y-o-y to USD 9 mln and USD 7 mln respectively, according to UAS financials. Generally financials were below our expectations, but we believe company will improve in 2Q-4Q11
- Management has been in negotiations to acquire casting production plant CKD Kutna Hora in the Czech Republic. We estimate the plant could satisfy up to half of Stakhaniv's need for large casting. The acquisition would increase independence from Russia's VTB Leasing, the primary supplier of Stakhaniv's casting
- Management announced plans to invest UAH 500 mln to increase capacity from 8,000 to 12,000 freight railcars p.a. in 2012 (output in 2010 was 7,434 units). The company is considering issuing local bonds to finance CapEx
- Stakhaniv Wagon produced 1,988 freight railcars (gondola cars only) in 1Q11, up 9% y-o-y. Output totaled 738 railcars in March. The first quarter production figure is in line with our expectations. We expect 2011E output at 7,500 freight railcars (in 2010, it produced 7,084 freight railcars)

Key risks

- Growth of prices for casting: High
- Increased competition in Russia from Chinese railcars if they are certified for operation there: Low

Business overview

Specializes in the production of hopper cars for transporting mineral fertilizers. Also produces other types of freight cars, including gondolas for iron ore (have the highest demand of all railcars in Ukraine and Russia). Finance & Credit took over this distressed asset in 2005. Capacity is over 8,000 wagons and 50,000 mt of metalwork p.a. In 2010, produced over 7,000 railcars. Declared a UAH 500 mln investment program for 2011-2013 to increase production capacities to up to 12,000 wagons annually in 2012.

Peer multiples

	Price	MCap	EV/S			EV/EBITDA			P/E		
	USD	USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Stakhaniv Wagon	0.89	201	0.5	0.3	0.3	4.5	4.5	2.2	6.1	3.4	3.7
Railcar peers											
American Railcar Industries	21.0	449	0.2	0.8	0.5	1.9	10.1	5.1	12.1	n/a	21.5
Freightcar America	25.6	305	3.0	3.0	2.9	1.6	33.4	6.6	11.5	n/a	20.3
Greenbrier companies inc	21.8	543	0.8	n/a	n/a	7.9	n/a	n/a	24.7	34.7	10.3
Construccy aux de Ferrocar	577.7	1980	1.3	0.7	0.6	11.2	5.6	4.9	16.5	10.0	9.1
Ugl Ltd	15.5	2570	1.4	0.6	0.5	19.7	8.6	7.6	35.3	14.6	12.8
China Motor	0.99	1370	1.8	1.3	1.1	11.2	4.9	4.2	18.8	7.8	6.8
Jinxi Axle	2.55	770	3.0	3.0	2.9	16.2	6.0	5.3	13.5	n/a	7.5
Taiyuan Heavy Industries	1.51	2443	3.8	1.4	1.1	35.1	27.7	25.1	52.9	16.8	11.9
Median			1.6	1.3	1.1	11.2	8.6	5.3	17.6	14.6	11.1
<i>Stakhaniv Wagon price implied by peers median</i>			2.5	3.0	2.4	1.8	3.1	2.0	2.5	3.8	2.6
Upside (downside)			185%	235%	169%	105%	253%	123%	187%	329%	196%

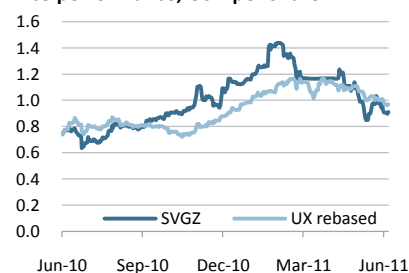
Source: Bloomberg, Concorde Capital estimates

Market information

Bloomberg	SVGZ UK
Recommendation	BUY
Price, USD	0.89
12M price target, USD	1.61
Upside	79%
No of shares, mln	143.3
Market Cap, USD mln	128.8
52-week performance	21%
ADT, 12M, USD mln	0.29
Free float, %	8.0%
Free float, USD mln	10.31

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	361.4	524.2	539.9
EBITDA	36.7	78.6	81.0
EBITDA margin	10.2%	15.0%	15.0%
Net income	32.7	59.1	53.7
Net margin	9.0%	11.3%	9.9%
Net debt	(34.8)	(19.7)	(21.0)

Source: Company data, Concorde Capital

Centrenerg

Key investment points

- Revenue to grow by 30% in 2011 on the back of expected 8% output increase and 20% electricity price appreciation
- Most likely target for foreign bidder during upcoming privatization expected in 2012-13
- Electricity sector reform, which we expect to start in 2H11-1H12, after Dniproenergo and Zakhidenergo privatization, should increase profitability twofold in 2012-13 and allow for utilization of unused gas-fired power units through tolling schemes with Gazprom
- Output poised to grow at an 8% CAGR in 2010-14 on the back of 4% CAGR in electricity consumption and capped supply of electricity from nuclear and hydro producers which are working close to full capacity utilization
- Secured the cheapest coal supplies for 2011 with a one-year contract price 1-11% below the coal supplied to other GenCos

Key risks

- Lag in electricity reform could limit the list of potential bidders for the state's stake and deter foreign players: High
- Privatization delays mean insufficient CapEx to modernize assets at relatively cheap prices for equipment and keep the company from returning to double digit margins: Medium

Business overview

Operates three power units located in different regions of Ukraine: Trypillia TPP near Kyiv (installed capacity 1.8 GW, 0.6 GW is gas-fired); Zmiiv TPP near Kharkiv (2.18 GW) and Uglegorsk TPP in Donetsk region (3.6 GW, 2.4 GW is gas-fired). Has the largest share of gas-fired power units among Ukrainian electricity generators (almost 40%). Zmiiv TPP's unit #8 is the only fully reconstructed modern unit among Ukrainian electricity generators. In 2010, produced 15.6 TW of electricity (23.1% of total TPP generation and 8.7% of all electricity generation).

Peer multiples

	Price		EV/EBITDA			EV/Capacity, USD per kW		EV/Output, USD per MWh		
	USD	USD mln	10E	11E	12F	Coal-fired	Total	10E	11E	12F
Centrenerg	1.64	607	48.8	16.4	4.4	166	100	47.7	48.1	43.8
Ukrainian GenCos										
Dniproenergo	118.9	710	9.9	6.4	3.9	154	109	51.1	46.5	39.7
Donbasenergo	6.37	151	n/m	51.7	6.5	94	94	23.7	29.3	28.9
Zakhidenergo	39.6	507	50.5	17.9	7.2	136	136	49.0	47.8	43.0
Harmonic mean			16.5	13.0	5.5	122.2	110.1	36.5	39.2	36.1
Russian GenCos										
OGK-1	0.034	2,226	5.4	4.9	5.0		242	66.6	66.2	62.6
OGK-2	0.054	1,681	7.4	7.9	6.9		310	43.4	49.2	53.7
OGK-3	0.050	2,395	13.3	7.6	4.3		247	57.6	63.5	67.8
OGK-4	0.086	5,449	11.0	6.4	4.4		594	98.7	86.4	77.8
Enel OGK-5	0.086	3,032	19.4	7.0	5.2		443	70.4	85.1	75.6
OGK-6	0.042	1,353	10.2	6.3	6.7		226	64.4	64.2	69.5
Harmonic mean			9.4	6.5	5.2		303.2	63.0	66.6	66.8
<i>Centrenerg price implied by Russian peers median</i>			<i>0.1</i>	<i>0.4</i>	<i>2.0</i>		<i>3.3</i>	<i>2.2</i>	<i>2.4</i>	<i>2.7</i>
Upside (downside)			-93%	-75%	22%		103%	37%	48%	66%

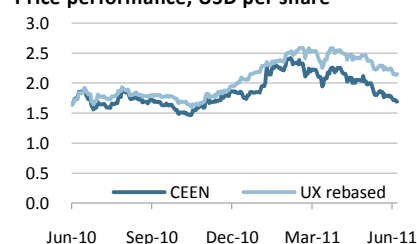
Source: Bloomberg, Concorde Capital estimates

Market information

Bloomberg	CEEN UK
Recommendation	BUY
Price, USD	1.64
12M price target, USD	2.6
Upside	58%
No of shares, mln	369.4
Market Cap, USD mln	607.2
52-week performance	0%
ADT, 12M, USD mln	0.88
Free float, %	21.7%
Free float, USD mln	131.8

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	715.4	927.2	1,142.3
EBITDA	14.3	46.4	171.3
EBITDA margin	2.0%	5.0%	15.0%
Net income	(5.5)	17.4	114.9
Net margin	-0.8%	1.9%	10.1%
Net debt	67.4	153.8	136.2

Source: Concorde Capital

Donbasenergo

Key investment points

- Revenue to grow by 26% in 2011 on the back of expected 5% output increase and 20% electricity price appreciation
- Likely target for foreign bidder during upcoming privatization expected in 2012-13
- Output poised to grow at a 6% CAGR in 2010-14 on the back of 4% CAGR in electricity consumption and capped supply of electricity from nuclear and hydro producers which are working close to full capacity
- Located in close proximity to coal mines, which allows for 7-9% cheaper coal supplies than to Dniproenergo and Zakhidenergo
- Cheapest electricity generating company by EV/Capacity: trades with 112 USD per kW vs. 175 average for Ukrainian peers and 314 for Russian companies

Key risks

- Lag in electricity reform could limit the list of potential bidders for the state's stake and deter foreign players: High
- Privatization delays mean insufficient CapEx to modernize assets at relatively cheap prices for equipment and keep the company from returning to double digit margins: Medium

Business overview

Smallest thermal generation company - operates two power units located in Donetsk region: Starobeshev TPP (installed capacity 1.78 GW) and Slaviansk TPP (0.88 GW, a single working power unit). Launched reconstructed power unit #4 at Starobeshev – this is the first unit in Ukraine to use CFB technology and burn low quality coal and coal refuse. Produced 8 TWh of electricity in 2010 (11.9% of total TPP generation and 4.5% of all electricity generation).

Peer multiples

	Price		MCAp	EV/EBITDA			EV/Capacity, USD per kW		EV/Output, USD per MWh		
	USD	USD mln		10	11E	12F	Coal-fired	Total	10	11E	12F
Donbasenergo	6.37	151		n/m	51.7	6.5	94	94	23.7	29.3	28.9
Ukrainian GenCos											
Centrenergo	1.64	607		48.8	16.4	4.4	166	100	47.7	48.1	43.8
Dniproenergo	118.9	710		9.9	6.4	3.9	154	109	51.1	46.5	39.7
Zakhidenergo	39.6	507		50.5	17.9	7.2	136	136	49.0	47.8	43.0
Harmonic mean				21.2	11.0	4.8	150.8	113.0	49.2	47.5	42.1
Russian GenCos											
OGK-1	0.034	2,226		5.4	4.9	5.0		242	66.6	66.2	62.6
OGK-2	0.054	1,681		7.4	7.9	6.9		310	43.4	49.2	53.7
OGK-3	0.050	2,395		13.3	7.6	4.3		247	57.6	63.5	67.8
OGK-4	0.086	5,449		11.0	6.4	4.4		594	98.7	86.4	77.8
Enel OGK-5	0.086	3,032		19.4	7.0	5.2		443	70.4	85.1	75.6
OGK-6	0.042	1,353		10.2	6.3	6.7		226	64.4	64.2	69.5
Harmonic mean				9.4	6.5	5.2		303.2	63.0	66.6	66.8
<i>Donbasenergo price implied by Russian peers median</i>				n/m	n/m	4.2		29.9	19.8	19.8	20.9
Upside (downside)						-34%		369%	211%	210%	229%

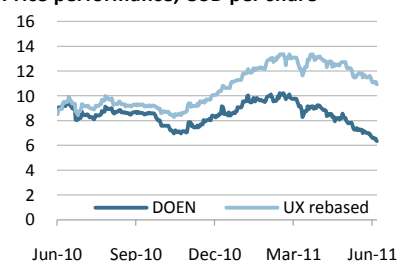
Source: Bloomberg, Concorde Capital estimates

Market information

	DOEN UK
Recommendation	BUY
Price, USD	6.3
12M price target, USD	18.4
Upside	190%
No of shares, mln	23.6
Market Cap, USD mln	150.7
52-week performance	-28%
ADT, 12M, USD mln	0.18
Free float, %	14.20%
Free float, USD mln	21.3

Prices as of June. 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	382.5	481.9	577.5
EBITDA	(1.3)	4.8	40.4
EBITDA margin	-0.3%	1.0%	7.0%
Net income	(16.5)	(9.8)	18.0
Net margin	-4.3%	-2.0%	3.1%
Net debt	44.1	98.3	111.5

Source: Company data, Concorde Capital

Galnaftogaz

Key investment points

- In 1Q11, revenues increased 19% y-o-y to USD 438 mln, in line with our projections; operating income declined 56% y-o-y due to increased oil prices and government pressure on prices. We expect a law signed in April lowering the gasoline excise tax by EUR 50 per mt by July 31, 2011 to loosen the pressure on prices and restore Galnaftogaz' previous margins
- An IPO on the Warsaw Stock Exchange in 2011- 2012 announced by the major shareholder with a target of raising USD 200 mln will be used to finance network expansion without increasing the debt burden
- We estimate sales to grow 20% y-o-y in 2011 to USD 1.3 bln due to dynamic network expansion (200 more stations projected to open by 2016 from current 319; 18 more stations will already open in 2011); we lower our 2011 net income projection to USD 67.5 mln, still +75% y-o-y
- Network expansion supported by affordable long-term financing from the IFC and EBRD with a weighted-average interest rate 6.17% in 2010; IFC recently lent USD 80 mln to be matched by another USD 80 mln in debt and a USD 30 mln equity injection by EBRD (potentially raising its stake in Galnaftogaz to 19%); expected effective rate on the loans of LIBOR+4.5%
- Average daily sales per station grew by 22% y-o-y in 2010 to 7.04 ths mt; projected to grow by further 5% in 2011
- High-margin non-fuel segment revenues amounted to 6.2% of total sales in 2010 and is expected to increase to 7.5% by 2012. Non-fuel segment generates a 25% gross margin vs. 10-14% gross margin on fuel
- Strong market potential: Ukrainians' disposable income growth by +8% in 2011 should boost gasoline demand by approx. 4% in 2011 according to our estimates

Key risks

- Government attempts to impose price controls through fines: Medium
- Introduction of tariffs on imported oil products which would stall sales and hurt margins: Low

Business overview

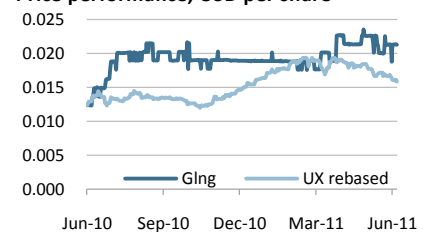
Ukraine's second-largest automobile fuel retailer, with 12.1% of the total sales of fuel retailed in Ukraine in 2010. Significant presence in Western regions of Ukraine and plans to expand to Southern and Eastern regions. Operates 320 fuel stations (as of June 1, 2011), more than 90% of which are high-quality OKKO-branded; Does not have internal refining capacity, flexible in choosing suppliers (in 2010 imported products accounted for 100% of total supplies). Western style management and targeted exit through an IPO; EBRD 10% ownership share promotes transparency and high corporate governance standards.

Market information

Bloomberg	GLNG UK
Recommendation	BUY
Price, USD	0.022
12M price target, USD	0.027
Upside	26.2%
No of shares, mln	19,526
Market Cap, USD mln	424
52-week performance	74%
ADT, 12M, USD mln	0.005
Free float, %	25%
Free float, USD mln	107.4

Prices as of June 7, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

USD mln	2010	2011E	2012F
Net revenue	1090.4	1308.4	1,439.3
EBITDA	79.2	87.5	94.0
EBITDA margin	7%	7%	7%
Net income	38.5	67.5	72.0
Net margin	4%	5%	5%
Net debt	281.6	300.0	285.0

Source: Company data, Concorde Capital

Peer multiples

	Price USD	MCap USD mln	EV/S			EV/EBITDA			P/E		
			10	11F	12F	10	11F	12F	10	11F	12F
GALNAFTOGAZ	0.022	424	0.6	0.6	0.5	8.9	8.3	7.5	11.1	6.3	5.9
Oil & Gas Peers											
REPSOL YPF SA	32.75	39,984	0.7	0.6	0.5	3.3	2.9	2.6	9.1	10.8	9.0
GALP ENERGIA SGPS SA-B SHRS	21.38	17,731	1.2	1.0	0.8	10.8	11.3	8.9	17.7	26.8	19.5
OMV AG	41.07	12,271	0.6	0.4	0.4	2.7	1.8	1.7	5.7	5.8	5.2
POLSKI KONCERN NAFTOWY ORLEN	19.57	8,372	0.5	0.4	0.4	4.7	5.3	5.2	10.2	15.3	12.5
STATOIL FUEL	9.94	2,983	0.3	0.3	0.3	10.6	4.8	4.4	n/m	11.7	9.9
PETROL OFIS-A SH	3.87	2,235	0.3	0.2	0.2	5.3	6.1	6.7	11.0	17.2	13.6
AYGAZ AS	6.80	2,039	0.9	0.5	0.5	9.8	8.7	8.6	5.8	9.9	9.9
PETROL DD LJUBLJANA	319.81	667	0.5	0.4	0.4	7.6	5.4	5.2	10.3	11.4	11.2
Median			0.6	0.4	0.4	6.5	5.3	5.2	10.2	11.6	10.5
Consumer Goods Retail Peers											
TESCO PLC	6.79	54,696	0.8	0.6	0.5	8.5	5.9	5.4	15.4	11.3	10.2
MAGNIT-CLS	143.00	12,723	3.6	1.2	0.9	58.7	14.3	10.1	131.8	29.6	22.4
X 5 RETAIL GROUP NV-REGS GDR	40.37	10,963	2.4	0.9	0.7	22.9	9.0	6.9	76.3	27.7	18.5
BIM BIRLESIK MAGAZALAR AS	32.72	4,967	2.1	0.9	0.8	40.2	18.5	15.6	59.6	27.2	22.6
SEVENTH CONTINENT-CLS	8.00	600	0.6	0.5	0.4	4.1	4.2	3.7	6.0	16.1	10.6
EMPERIA HOLDING SA	40.41	611	0.4	0.3	0.3	10.3	8.2	8.1	19.0	17.0	16.6
Median			1.5	0.7	0.6	16.6	8.6	7.5	39.3	22.1	17.6
<i>Implied by Oil & Gas peers med., USD/share</i>			<i>0.02</i>	<i>0.01</i>	<i>0.01</i>	<i>0.01</i>	<i>0.01</i>	<i>0.01</i>	<i>0.02</i>	<i>0.04</i>	<i>0.04</i>
<i>Implied by food retail peers med., USD/share</i>			<i>0.07</i>	<i>0.03</i>	<i>0.03</i>	<i>0.05</i>	<i>0.02</i>	<i>0.02</i>	<i>0.08</i>	<i>0.08</i>	<i>0.06</i>
<i>GLNG implied price</i>			<i>0.048</i>	<i>0.026</i>	<i>0.024</i>	<i>0.036</i>	<i>0.017</i>	<i>0.017</i>	<i>0.054</i>	<i>0.062</i>	<i>0.054</i>
Upside (downside)			119%	18%	12%	68%	-20%	-22%	148%	185%	151%

Note: Due to lack of pure gasoline retail peers we assign the following weights to the two peer groups: Oil & Gas companies - 40% and Consumer Goods retail - 60%.

Source: Bloomberg, Concorde Capital estimates

Milkiland

Key investment points

- In 1Q11, posted an EBITDA margin of 15%, high despite tight cost pressure
- Cost base in Ukraine gives it an advantage in lower priced milk in Russian market, while 3/5 of output is sold
- Earned highest EBITDA margin in sector among CIS peers of 17% in 2010 thanks to focus on high-margin cheese exports to Russia, the largest dairy importer in the world
- Russian and Ukrainian dairy markets are set to outpace global growth at forecasted CAGRs of 11% and 13% in 2010-14, respectively
- As an importer to Russia, benefits from 10% YTD ruble appreciation vs. Ukrainian hryvnya

Key risks

- Shortage of raw milk supplies could limit growth: Medium
- Cheese import ban in Russia, if introduced, would undermine ~20% of sales: Low
- Upside: Russian ruble appreciation, raw milk price decline

Business overview

Milkiland is the fourth largest milk processor in CIS, responsible for 550,000 mt or approximately 2.4% of combined Ukrainian and Russian annual processed raw milk volume as of 2009. Key products included cheese (44% of sales as of 2009), whole milk products (43%), butter (6%) and dry milk products (5%). The company operates ten production facilities in Ukraine and one in Russia, with a total milk processing capacity of 1.1 mln mt per year.

Peer multiples

	Price		EV/S			EV/EBITDA			P/E		
	USD	MCap USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Milkiland	14.0	438	1.4	1.1	0.9	8.3	8.2	6.8	15.0	12.0	10.0
EM Dairy Peers											
Danone	72.9	47,216	3.6	2.0	1.8	21.9	11.0	9.9	8.2	17.5	15.8
Saputo	47.5	9,862	2.8	1.5	1.4	26.6	10.9	9.8	47.1	18.1	16.0
Fraser and Neave	4.7	6,559	2.9	1.7	1.6	16.4	8.5	7.7	26.6	12.1	11.6
China Mengniu Dairy	3.2	5,584	1.9	0.8	0.7	25.3	11.6	8.9	45.4	18.9	15.2
Glanbia	7.3	2,149	0.8	0.9	0.8	12.3	9.5	8.6	n/m	12.1	11.0
Bongrain	67.7	1,045	0.3	0.3	0.2	6.6	3.9	3.4	n/m	7.9	7.0
Pinar Sut Mamulleri Sanayii	10.2	457	1.3	1.1	0.9	10.7	9.9	8.7	15.0	10.5	9.5
Median			0.8	1.1	0.9	14.3	9.9	8.7	25.5	12.1	11.3
<i>Milkiland price implied by EM peers median</i>			7.2	13.6	14.2	25.3	17.3	18.2	23.8	14.2	15.8
Upside (downside)			-48%	-3%	2%	81%	23%	30%	70%	1%	13%

Source: Bloomberg, Concorde Capital estimates

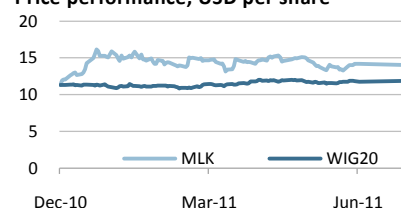
Market information

	MLK PW
Bloomberg	
Recommendation	BUY
Price, USD	14.0
12M price target, USD	21.6*
Upside	54%
No of shares, mln	31.25
Market Cap, USD mln	438.0
4M performance	-15%
ADT, 4M, USD mln	0.17
Free float, %	22.4%
Free float, USD mln	98.1

Prices as of June 7, 2011

*EUR 14.8

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010	2011E	2012F
Net revenue	343.1	448.0	527.6
EBITDA	59.1	60.1	70.8
EBITDA margin	17.2%	13.4%	13.4%
Net income	29.2	36.6	43.7
Net margin	8.5%	8.2%	8.3%
Net debt	55.9	54.6	43.0

Source: Company data, Concorde Capital

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