

Top Picks

April 2011

Equity market view

The UX has corrected 4% to date this April, but remains up 8% YTD thanks to a bullish start to the year (up 11.1% in January-February). The positive global outlook for commodities and acceleration of domestic reforms are key catalysts as we move further into 2Q11. We maintain our view that Ukrainian equities are capable of modest growth of 30-40% in 2011, compared to their 90% rise over 2010.

Macroeconomic view

We anticipate Ukraine's economy to expand at a solid 4.7% in 2011, in line with the Bloomberg consensus, after 4.2% growth in 2010, backed by the favorable conditions on international commodity markets. Inflation accelerated a notch to 7.7% y-o-y in March, from 7.2% y-o-y in February. With utilities set to increase further, our forecast for annual inflation in 2011 at 9%-10% (compared to 9.1% in 2010).

Reform remains political priority

The government is finally set to take up consideration of key reforms in May after postponing voting to persuade the population of the need for further austerity measures, such as raising the retirement age and increasing utilities tariffs. Leading politicians continue to push for change, including further denationalization of key assets and land reform. The government, in our view, will move ahead in order to meet commitments for IMF financing; there is still a year and a half until the next parliamentary elections.

Our top equity picks

We like fundamentally strong commodity-linked stories Northern Iron Ore, Central Iron Ore and Avdiivka Coke. We are also keen on industrial manufacturers Khartsyzsk Pipe and Motor Sich, both of which boast solid order books driven by Russian expansion in oil & gas and aerospace, respectively. With the Ukrainian consumer's resurgence, we also favor the growth stories behind dairy producer Milkiland and fuel retailer Galnaftogaz. We continue to have a bullish view on Centrenergo and Donbasenergo, which should benefit from sector privatization and could see interest from foreign bidders.

Top Picks

Company	Ticker	Sector	MCap, USD mln	FF, USD mln	Target, USD	Upside
Avdiivka Coke	AVDK UK	Basic Materials	355	11.3	3.0	65%
Central Iron Ore	CGOK UK	Basic Materials	997	7.0	1.7	100%
Northern Iron Ore	SGOK UK	Basic Materials	3,456	24.0	2.4	60%
Khartsyzsk Pipe	HRTR UK	Industrial	380	7.4	0.31	119%
Motor Sich	MSICH UK	Industrial	910	219.0	680.0	48%
Centrenergo	CEEN UK	Utilities	758	164.4	2.6	27%
Donbasenergo	DOEN UK	Utilities	194	27.5	18.4	125%
Galnaftogaz	GLNG UK	Consumer	383	95.7	0.027	26%
Milkiland	MLK PW	Consumer	465	104.2	21.6	45%

Source: Bloomberg, Concorde Capital estimates

Report date

26 Apr 2011

Avdiivka Coke

Key investment points

- Stable demand from parent Metinvest-related steel companies
- Secured of 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 stock on the UX (average daily trading volume in last 6M of USD 0.5-1.0 mln)

Key risks

- Growing coking coal prices
- Transfer pricing within Metinvest Group

Business overview

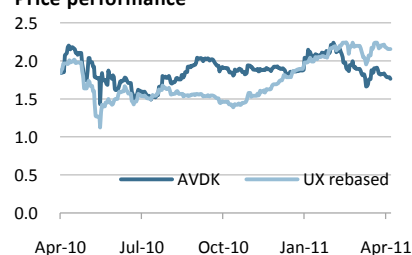
Europe's largest coke maker. Capacity: 6.12 mln mt p.a., nine coke batteries. Processing structure: 80% domestically mined coal (SCM-related mines and the Donetskstal group), 20% of coal is imported. Main consumers: Yenakieve Steel, MMK Illich, Azovstal, and Nikopol Ferroalloy (coke nut). In 2010, increased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

Market information

	AVDK UK
Bloomberg	
Recommendation	BUY
Price, USD	1.82
12M price target, USD	3.00
Upside	65%
No of shares, mln	195.1
Market Cap, USD mln	354.6
52-week performance	-16%
ADT, 12M, USD mln	0.84
Free float, %	3.2%
Free float, USD mln	11.3

Prices as of Apr. 22, 2011

Price performance



Source: Bloomberg, UX

Key financials, USD mln

	2009	2010E	2011F
Net revenue	476.1	870.0	1,249.0
EBITDA	(22.8)	60.0	95.0
EBITDA margin	-4.8%	6.8%	7.6%
Net income	(74.7)	(3.0)	45.0
Net margin	-15.7%	-0.3%	3.6%
Net debt	2.9	(1.4)	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	1.82	355.0	0.4	0.28	0.26	5.9	3.7	3.2	n/a	7.9	6.9
Ukrainian Coke Producers											
Alchevsk Coke	0.07	211	0.3	0.3	0.2	7.5	16.6	11.8	n/a	211	183
Yasynivsky Coke	0.48	131	0.3	0.3	0.3	7.3	7.0	5.9	14.8	15.4	14.7
ZaporizhCoke	0.37	44	0.1	0.1	0.1	9.4	1.4	1.5	1.1	1.2	1.1
Median			0.3	0.3	0.2	7.5	7.0	5.9	8.0	15.4	14.7
EM Coke Producers											
Sesa Goa	7.2	6,190	12.9	2.4	1.9	29.2	4.2	3.5	43.0	6.7	6.1
Taiyuan Coal	4.0	2,060	4.7	3.0	3.0	24.5	15.1	13.7	49.9	28.6	22.3
China Steel Chemical	5.5	1,298	8.0	4.9	4.3	24.1	17.1	14.7	29.4	20.9	18.4
Gujarat Nre Coke	1.3	628	6.1	2.2	2.0	28.7	6.1	4.1	57.8	8.0	4.4
Sino Hua	0.1	137	0.5	0.3	0.3	2.5	4.8	3.8	3.7	13.1	6.9
Median			4.7	2.4	2.0	24.1	6.1	4.1	43.0	13.1	6.9
<i>Avdiivka Coke price implied by UA peers median</i>			1.27	1.82	1.63	2.15	3.40	3.33	n/m	3.56	3.90
Upside (downside)			-30%	0%	-10%	18%	87%	83%		95%	114%
<i>Avdiivka Coke price implied by EM peers median</i>			21.0	15.3	13.9	1.9	3.0	2.3	n/m	3.0	1.8
Upside (downside)			1052%	739%	661%	4%	64%	27%		66%	1%

Source: Bloomberg, Concorde Capital estimates

Central Iron Ore

Key investment points

- 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

Business overview

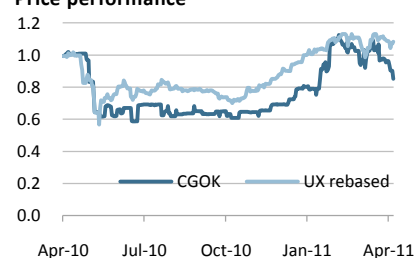
Medium-sized Ukrainian producer of iron ore sinter feed and pellets. Owns the rights to four deposits of iron ore (three exploited). Ore from the Petrovsk mine has 68% iron content – the highest of any Ukrainian producer. Supplies products to steel mills Azovstal and Yenakiiie/Metalen (Metinvest), Alchevsk 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).

Market information

Bloomberg	CGOK UK
Recommendation	BUY
Price, USD	0.85
12M price target, USD	1.70
Upside	100%
No of shares, mln	997.0
Market Cap, USD mln	1030
52-week performance	-11%
ADT, 12M, USD mln	0.03
Free float, %	0.7%
Free float, USD mln	7.0

Prices as of Apr. 22, 2011

Price performance



Source: Bloomberg, UX

Key financials, USD mln

	2009	2010E	2011F
Net revenue	284.9	542.0	767.6
EBITDA	101.6	305.0	406.0
EBITDA margin	35.7%	56.3%	52.9%
Net income	31.2	182.0	280.5
Net margin	11.0%	33.6%	36.5%
Net debt	15.0	0.0	0.0

Source: Company data, Concorde Capital

Peer multiples

	Price		EV/S			EV/EBITDA			P/E		
	USD	MCap USD mln	10	11E	12F	10	11E	12F	10	11E	12F
Central Iron Ore	0.85	997	2.0	1.5	1.5	4.0	4.0	3.0	6.8	4.0	4.4
Iron Ore Peers											
BHP Billiton	42.2	259,831	5.0	3.7	3.3	10.7	6.9	5.7	20.4	11.7	10.0
Vale Do Rio Doce	30.1	174,326	3.0	3.0	2.9	7.6	4.7	4.3	10.1	7.1	6.6
Rio Tinto	73.9	151,500	2.7	2.2	2.3	6.8	4.5	4.7	10.6	7.9	8.1
Antofagasta	24.1	23,759	4.9	2.7	3.0	7.3	3.8	4.3	22.6	11.2	10.4
Ferrexpo	7.8	4,568	3.6	3.0	2.9	8.0	5.7	5.7	10.8	8.3	7.5
Median			3.6	3.0	2.9	7.6	4.7	4.7	10.8	8.3	8.1
<i>Central Iron Ore price implied by peers median</i>			0.9	1.4	1.9	1.9	1.2	1.7	2.1	1.3	2.0
Upside (downside)			8%	60%	121%	128%	44%	102%	147%	53%	140%

Source: Bloomberg, Concorde Capital estimates

Northern Iron Ore

Key investment points

- 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%) to 15.7 mln mt per year in 2011
- The company plans to increase 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 (+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

Business overview

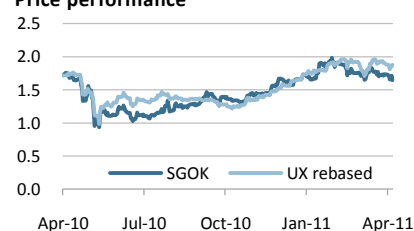
Largest producer of pellets in Ukraine. Capacity: 25 mln mt of iron ore, 15 mln mt of sinter feed, and 9.6 mln mt of pellets. Main domestic customers are MMK Illicha Steel, Azovstal, Yenakiieve Steel, Donetsk Steel and DMK Dzerzhinskogo. Major export markets: Poland, China, Slovakia. Increased concentrate 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	1.5
12M price target, USD	2.40
Upside	60%
No of shares, mln	2,304
Market Cap, USD mln	3,456
52-week performance	-10%
ADT, 12M, USD mln	0.14
Free float, %	0.7%
Free float, USD mln	24.0

Prices as of Apr. 22, 2011

Price performance



Source: Bloomberg, UX

Key financials, USD mln

	2009	2010E	2011F
Net revenue	844.1	1,302.0	1,732.1
EBITDA	322.3	805.3	1,087.5
EBITDA margin	35.7%	56.3%	62.8%
Net income	163.8	333.3	700.0
Net margin	19.4%	25.6%	40.4%
Net debt	163.8	0.0	0.0

Source: Company data, Concorde Capital

Peer multiples

	Price		EV/S			EV/EBITDA			P/E		
	USD	MCap USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Northern Iron Ore	1.50	3,456	2.8	2.0	2.0	4.6	4.6	3.3	10.4	4.9	5.2
Iron Ore Peers											
BHP Billiton	42.2	259,831	5.0	3.7	3.3	10.7	6.9	5.7	20.4	11.7	10.0
Vale Do Rio Doce	30.1	174,326	3.0	3.0	2.9	7.6	4.7	4.3	10.1	7.1	6.6
Rio Tinto	73.9	151,500	2.7	2.2	2.3	6.8	4.5	4.7	10.6	7.9	8.1
Antofagasta	24.1	23,759	4.9	2.7	3.0	7.3	3.8	4.3	22.6	11.2	10.4
Ferrexpo	7.8	4,568	3.6	3.0	2.9	8.0	5.7	5.7	10.8	8.3	7.5
Median			3.6	3.0	2.9	7.6	4.7	4.7	10.8	8.3	8.1
<i>Northern Iron Ore price implied by peers median</i>			1.8	2.1	2.0	2.6	2.4	2.3	1.6	2.8	2.5
Upside (downside)			18%	41%	31%	76%	6%	51%	4%	87%	64%

Source: Bloomberg, Concorde Capital estimates

Khartsyzsk Pipe

Key investment points

- Part of Metinvest Group, stable supply of inputs from Metinvest related MMK Ilichka and Azovstal
- Thanks to new order from Transneft increased its production in 1Q2011 by 5x y-o-y to 150 ths mt of pipes
- 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 pipes producer in CIS licensed by EU
- We expect production to increase 2x y-o-y in 2011 due to contracts with Transneft and demand from EU and Asia pipeline projects
- 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

Business overview

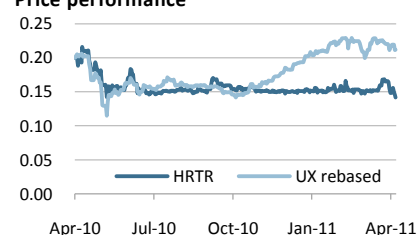
Ukraine's third largest pipe maker in terms of production volume, with 308.7 ths mt of pipes in 2010 (down 41% yoy, share in Ukrainian production 17.6%). Boosted output by 5x yoy in 1Q11 to 155 ths mt. Capacity: 1.5 mln mt of pipes p.a. Product portfolio consists of over 500 items. Core product - large 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	106%
No of shares, mln	2,598.5
Market Cap, USD mln	380.0
52-week performance	-29%
ADT, 12M, USD mln	0.01
Free float, %	2%
Free float, USD mln	7.4

Prices as of Apr. 22, 2011

Price performance



Source: Bloomberg, UX

Key financials, USD mln

	2009	2010E	2011F
Net revenue	606.27	326.98	659.0
EBITDA	119.20	50.19	120.0
EBITDA margin	19.7%	15.3%	18.2%
Net income	76.27	23.93	87.0
Net margin	12.6%	7.3%	13.2%
Net debt	-4.4	1.0	1.0

Source: Company data, Concorde Capital

Peer multiples

	Price		EV/S			EV/EBITDA			P/E		
	USD	MCap USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Khartsyzsk Pipe	0.14	380.0	1.2	0.6	0.6	7.9	3.3	1.8	16.6	4.6	4.8
Global Peers											
Tenaris	50.30	29,690	2.7	2.7	2.5	8.1	9.1	8.7	14.4	15.4	14.9
National Oilwell Varco	79.96	33,668	1.9	1.8	1.9	7.8	7.2	9.2	16.0	15.4	15.4
Vallourec	121.03	14,274	1.6	1.3	1.6	6.3	4.9	5.9	11.7	9.1	11.1
TMK	20.85	4,887	1.2	1.1	1.1	6.7	5.5	3.6	12.0	8.4	11.8
Maruichi Steel Tube	23.40	2,199	1.1	1.0	1.0	6.0	5.2	8.3	17.0	15.8	16.9
Tubacex	4.30	572	1.1	1.1	1.1	8.7	8.7	5.3	11.1	11.1	10.9
Median	0.17	431.4	1.4	1.2	1.3	7.2	6.4	7.1	13.2	11.1	11.8
<i>Khartsyzsk Pipe price implied by peers median</i>			0.18	0.31	0.32	0.14	0.25	0.60	0.79	2.43	2.46
Upside (downside)			15%	102%	108%	-9%	92%	292%	418%	15x	15x

Source: Bloomberg, Concorde Capital estimates

Motor Sich

Key investment points

- Motor Sich's sales were USD 630.1 bln in 2010, up 31% y-o-y; net income amounted to a record-high USD 151.2 bln, net margin of 24%. We expect revenue to increase at a strong 8% CAGR in 2011-2020
- Key trigger is a potential new 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
- Management plans to sign a new contract with China for AI-222-25F engines in 1H11. We expect the volume of this 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 the 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
- Motor Sich opened a new 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

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

Business overview

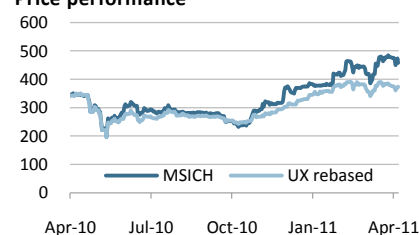
One of the world's largest producers of aircraft and helicopter engines and the only one in Ukraine. Product mix consists of up to 50 different types of aircraft engines for small and mid-size planes, along with engines for the world's largest aircraft, Mriya and Ruslan. Non-aircraft related products: gas turbines, gas pumping equipment, motor cultivators, separators and board engines (13-17% of sales). Exports was about 90% in 2009.

Market information

	MSICH UK
Bloomberg	
Recommendation	BUY
Price, USD	460
12M price target, USD	680
Upside	48.0%
No of shares, mln	2.0
Market Cap, USD mln	910
52-week performance	33%
ADT, 12M, USD mln	2.38
Free float, %	24%
Free float, USD mln	219

Prices as of Apr. 22, 2011

Price performance



Source: Bloomberg, UX

Key financials, USD mln

	2009	2010E	2011F
Net revenue	479.8	630.1	772.3
EBITDA	156.9	236.7	264.5
EBITDA margin	32.7%	37.6%	34.2%
Net income	95.1	151.2	226.3
Net margin	19.8%	24.0%	29.3%
Net debt	58.4	50.8	(15.9)

Source: Company data, Concorde Capital

Peer multiples

	Price		EV/S			EV/EBITDA			P/E		
	USD	MCap USD mln	10E	11E	12F	10E	11E	12F	10E	11E	12F
Motor Sich	460	910	1.51	1.16	0.97	4.1	3.4	3.0	5.9	4.0	3.8
Aircraft engine peers											
IHI Corporation	2.4	3,488	0.5	0.5	0.5	7.5	6.2	6.3	26.3	13.7	12.1
Ufimskiye Motors	0.7	185	1.2	1.0	0.9	7.3	4.6	5.0	23.2	4.0	3.0
Magellan Aerospace	4.3	80	0.4	0.4	0.4	4.3	3.4	3.2	n/a	n/a	2.9
Sichuan Chengfa	3.6	481	2.8	2.5	2.1	18.9	18.5	16.6	47.2	32.4	27.6
MTU Aero Engines	70.9	3,686	1.1	0.9	0.8	7.4	6.5	5.6	16.0	14.3	12.3
Median		3,487	1.1	0.9	0.8	7.4	6.2	5.6	24.7	14.0	12.1
<i>Motor Sich price implied by peers median</i>			314	368	394	857	833	833	1925	1600	1465
Upside (downside)			-32%	-20%	-14%	86%	81%	81%	319%	248%	218%

Source: Bloomberg, Concorde Capital estimates

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
- Privatization delays mean insufficient CapEx to modernize assets at relatively cheap prices for equipment and keep the company from returning to double digit margins

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 Ulegorsk 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	2.05	758	59.4	19.7	5.3	199	120	58.0	57.7	52.4	
Ukrainian GenCos											
Dniproenergo	140	815	11.2	7.2	4.4	172	121	57.9	52.0	44.4	
Donbasenergo	8.47	194	n/m	60.6	7.5	110	110	29.0	34.4	33.6	
Zakhidenergo	46.9	583	57.4	20.2	8.1	153	153	55.7	53.9	48.3	
Harmonic mean			18.7	14.6	6.2	139.8	125.6	43.0	44.9	41.1	
Russian GenCos											
OGK-1	0.035	2,316	8.0	5.9	5.1		239	69.5	65.5	65.0	
OGK-2	0.054	1,778	8.3	8.1	7.1		332	50.0	52.9	55.4	
OGK-3	0.048	2,262	12.4	7.1	4.1		239	54.9	61.5	63.9	
OGK-4	0.097	6,123	11.9	6.9	5.1		668	111	97.1	88.5	
Enel OGK-5	0.093	3,295	11.7	7.4	5.5		472	99.7	90.7	81.1	
OGK-6	0.046	1,498	11.3	7.2	7.1		243	70.6	69.0	73.8	
Harmonic mean			10.3	7.0	5.5		313.9	69.9	69.5	69.6	
<i>Centrenerg price implied by Russian peers median</i>			0.2	0.5	2.1		3.5	6.0	2.5	2.6	2.9
Upside (downside)			-93%	-77%	3%		69%	192%	23%	24%	39%

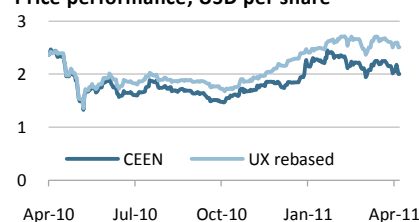
Source: Bloomberg, Concorde Capital estimates

Market information

Bloomberg	CEEN UK
Recommendation	BUY
Price, USD	2.05
12M price target, USD	2.6
Upside	27%
No of shares, mln	369.4
Market Cap, USD mln	757.7
52-week performance	-16%
ADT, 12M, USD mln	0.89
Free float, %	21.7%
Free float, USD mln	164.4

Prices as of Apr. 22, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financials, USD mln

	2010E	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
- Privatization delays mean insufficient CapEx to modernize assets at relatively cheap prices for equipment and keep the company from returning to double digit margins

Business overview

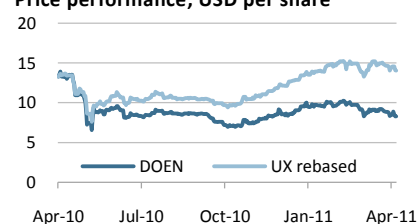
Smallest thermal generation company - operates two power units located in Donetsk region: Starobeshev TPP (installed capacity 1.78 GW) and Slaviansk TPP (0.88 GW, a single working power unit). Launched reconstructed power unit #4 at Starobeshev – this is the first unit in Ukraine to use CFB technology 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).

Market information

Bloomberg	DOEN UK
Recommendation	BUY
Price, USD	8.19
12M price target, USD	18.4
Upside	125%
No of shares, mln	23.6
Market Cap, USD mln	193.6
52-week performance	-35%
ADT, 12M, USD mln	0.18
Free float, %	14.2%
Free float, USD mln	27.5

Prices as of Apr. 22, 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

Peer multiples

	Price		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	8.19	194	n/m	60.6	7.5	110	110	29.0	34.4	33.6	
Ukrainian GenCos											
Centrenergo	2.05	758	59.4	19.7	5.3	199	120	58.0	57.7	52.4	
Dniproenergo	136.6	815	11.2	7.2	4.4	172	121	57.9	52.0	44.4	
Zakhidenergo	45.6	583	57.4	20.2	8.1	153	153	55.7	53.9	48.3	
Harmonic mean			24.2	12.5	5.6	172.6	129.9	57.2	54.4	48.1	
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OGK-1	0.035	2,316	8.0	5.9	5.1		239	69.5	65.5	65.0	
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OGK-6	0.046	1,498	11.3	7.2	7.1		243	70.6	69.0	73.8	
Harmonic mean			10.3	7.0	5.5		313.9	69.9	69.5	69.6	
<i>Donbasenergo price implied by Russian peers median</i>			<i>n/m</i>	<i>n/m</i>	<i>4.6</i>		<i>31.1</i>	<i>31.1</i>	<i>22.2</i>	<i>20.8</i>	<i>22.0</i>
Upside (downside)			<i>n/m</i>	<i>n/m</i>	<i>-46%</i>		<i>69%</i>	<i>192%</i>	<i>162%</i>	<i>146%</i>	<i>160%</i>

Source: Bloomberg, Concorde Capital estimates

Galnaftogaz

Key investment points

- 2010 net income increased by 132% y-o-y to \$38m
- After a 55% y-o-y sales growth in 2010 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)
- Network expansion supported by affordable long-term financing from the IFC and EBRD with a weighted-average interest rate 6.17% in 2010; IFC and EBRD currently discussing opening a new USD 160 mln facility with an expected effective rate of LIBOR +4%
- 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: Ukrainian's disposable income growing by +8% in 2011 will boost gasoline demand by approx. 4% in 2011 according to our estimates

Key risks

- Government plans to introduce tariffs on imported oil products which would stall sales and hurt margins, are currently suspended due to high in global oil prices but could resume with the stabilization of global oil markets
- Government attempts to impose price controls through fines

Business overview

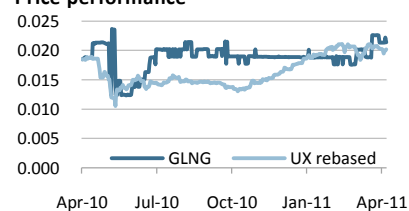
Ukraine's second-largest automobile fuel retailer, with 12.1% of the total sales of fuel retailed in Ukraine in 2010. Significant presence in Western regions of Ukraine and plans to expand to Southern and Eastern regions. Operates 319 fuel stations (as of April 1, 2011), more than 90% of which are high-quality 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	0.021
12M price target, USD	0.027
Upside	26.4%
No of shares, mln	19,526
Market Cap, USD mln	383
52-week performance	16%
ADT, 12M, USD mln	0.005
Free float, %	25%
Free float, USD mln	95.7

Prices as of Apr. 15, 2011

Price performance



Source: Bloomberg, UX

Key financials, USD mln

USD mln	2009	2010	2011E
Net revenue	702.9	1090.4	1308.4
EBITDA	55.7	79.2	120.7
EBITDA margin	8%	7%	9%
Net income	16.6	38.5	71.5
Net margin	2%	4%	5%
Net debt	269.5	281.6	300.0

Source: Company data, Concorde Capital

Peer multiples

	Current Price USD	Mcap USD mln	EV/S			EV/EBITDA			P/E		
			10	11F	12F	10	11E	12F	10	11E	12F
GALNAFTOGAZ	0.021	419	0.6	0.5	0.5	8.9	6.0	5.4	11.0	5.9	5.1
Oil & Gas Peers											
REPSOL YPF SA	35.44	43,266	0.7	0.6	0.6	3.5	3.2	2.9	9.9	11.8	10.1
GALP ENERGIA SGPS SA-B SHRS	22.71	18,836	1.2	1.0	0.8	10.8	11.3	8.9	17.7	26.8	19.5
OMV AG	46.25	13,819	0.7	0.5	0.5	3.1	2.0	2.0	6.4	6.7	6.3
POLSKI KONCERN NAFTOWY ORLEN	20.98	8,974	0.5	0.4	0.4	4.7	5.3	5.2	10.2	15.3	12.5
BHARAT PETROLEUM CORP LTD	13.66	4,939	0.3	0.3	0.3	4.8	5.6	4.7	10.4	14.1	12.2
STATOIL FUEL	11.59	3,478	0.3	0.3	0.3	12.3	5.4	5.2	n.m	12.1	11.1
PETROL OFIS-A SH	4.57	2,637	0.3	0.2	0.2	5.3	6.1	6.7	11.0	17.2	13.6
AYGAZ AS	6.54	1,961	0.9	0.5	0.5	9.8	8.7	8.6	5.8	9.9	9.9
PETROL DD LJUBLJANA	361.89	755	0.5	0.4	0.4	7.6	5.4	5.2	10.3	11.4	11.2
PARKLAND FUEL CORP	12.74	741	0.5	0.2	0.2	7.1	6.1	5.8	9.8	26.0	19.0
Median			0.5	0.4	0.4	6.2	5.5	5.2	10.2	13.1	11.7
Consumer Goods Retail Peers											
TESCO PLC	6.50	52,287	0.7	0.6	0.6	7.4	6.1	5.6	14.1	12.0	10.7
MAGNIT-CLS	136.00	12,101	1.2	0.9	0.9	13.4	9.7	9.7	29.4	21.4	20.2
X 5 RETAIL GROUP NV-REGS GDR	40.50	10,999	1.2	0.9	0.7	12.3	8.8	8.9	40.2	28.1	26.8
BIM BIRLESIK MAGAZALAR AS	35.60	5,405	1.2	1.0	0.8	22.8	19.7	16.7	33.1	28.8	23.7
SEVENTH CONTINENT-CLS	9.15	686	0.3	0.5	0.4	4.9	4.4	3.1	14.7	9.9	10.4
EMPERIA HOLDING SA	40.07	606	0.4	0.3	0.3	10.2	8.5	8.6	18.9	21.4	23.3
Median			1.0	0.8	0.6	11.3	8.7	8.7	24.1	21.4	21.8

Implied by Oil & Gas peers med., USD/share

0.01 0.01 0.01 0.01 0.02 0.02 0.02 0.02 0.05 0.05

Implied by food retail peers med., USD/share

0.04 0.03 0.03 0.03 0.04 0.04 0.04 0.05 0.08 0.09

Galnaftogaz implied price

0.030 0.025 0.023 0.023 0.030 0.035 0.036 0.066 0.075

Upside (downside)
38% 18% 8% 7% 42% 61% 69% 209% 247%

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

- Cost base in Ukraine means lower priced milk, while 3/5 of output sold in Russia
- Earned highest EBITDA margin in sector in CIS 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 set to outpace global growth with forecasted 11% and 13% CAGRs in 2010-14 respectively
- Management plans to acquire a cheese production facility in Russia
- As an importer to Russia benefits from 8% YTD ruble appreciation vs. Ukrainian hryvnya
- Fourth largest milk processor in the CIS

Key risks

- Shortage of raw milk supplies could limit growth
- Cheese import ban in Russia, if introduced, will undermine ~20% of company's sales
- 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.

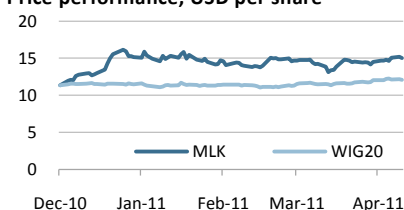
Market information

	MLK PW
Bloomberg	
Recommendation	BUY
Price, USD	14.9
12M price target, USD	21.6*
Upside	45%
No of shares, mln	31.25
Market Cap, USD mln	465.2
4M performance	-14%
ADT, 4M, USD mln	0.17
Free float, %	22.4%
Free float, USD mln	104.2

Prices as of Apr.22, 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

Peer multiples

	Price USD	MCap USD mln	EV/S			EV/EBITDA			P/E		
			10E	11E	12F	10E	11E	12F	10E	11E	12F
Milkiland	14.9	465	1.5	1.2	1.0	8.8	8.6	7.2	8.8	8.6	7.2
EM Dairy Peers											
Danone	61.9	40,143	2.2	1.9	1.7	12.0	10.7	9.8	16.1	16.5	14.8
Saputo	42.2	8,763	1.8	1.6	1.4	9.4	11.7	10.4	26.5	19.7	17.5
Fraser and Neave	4.5	6,416	2.1	1.8	1.7	10.6	9.4	8.6	11.0	13.0	12.4
China Mengniu Dairy	2.8	4,938	0.9	0.8	0.7	11.8	11.1	8.9	26.9	21.0	16.5
Wimm Bill Dann Foods	31.4	5,516	2.3	1.9	n/a	19.6	16.2	n/a	41.5	29.9	n/a
Glanbia	5.9	1,700	0.8	0.8	0.7	8.8	8.1	7.7	n/a	11.8	10.3
Bongrain	90.0	1,390	0.4	0.4	0.3	6.2	6.3	6.0	n/a	13.1	11.6
Pinar Sut Mamulleri Sanayii	8.6	388	1.0	1.0	0.8	10.1	8.5	7.4	9.7	8.0	n/a
Median			0.7	1.0	0.8	10.4	10.0	8.6	16.1	14.8	13.6
<i>Milkiland price implied by EM peers median</i>			6.7	12.7	11.7	19.5	18.2	18.1	16.5	17.9	18.9
Upside (downside)			-55%	-15%	-22%	30%	21%	21%	10%	20%	26%

Source: Bloomberg, Concorde Capital estimates

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