

Ukraine Equity Strategy

Top Picks

Top picks – September 2010

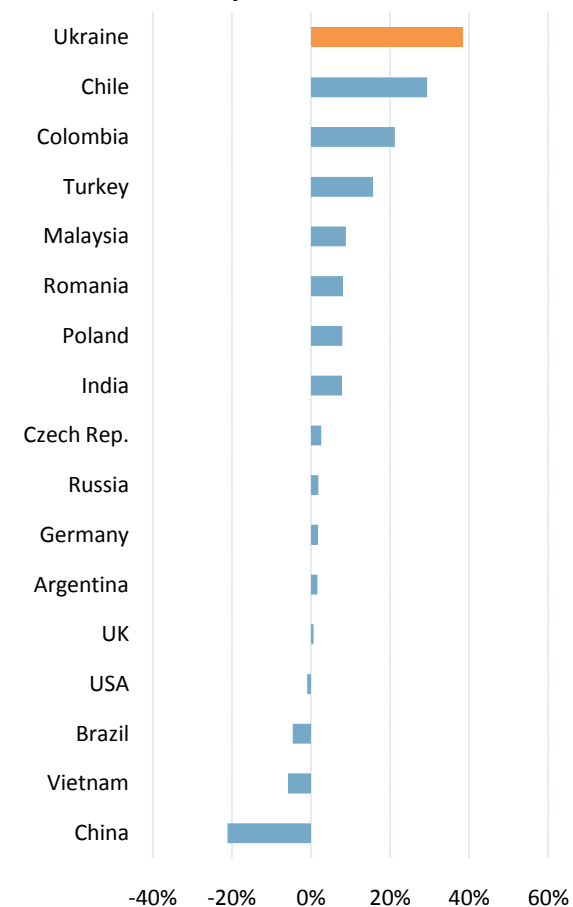
Top equity picks

		Sector	MCap USD mln	FF USD mln	Target USD	Upside
Avdiyivka Coke	AVDK UK	Basic Materials	377	12.5	3.61	84%
Pivnichny Iron Ore	SGOK UK	Basic Materials	2,980	17.9	1.92	50%
Centralny Iron Ore	CGOK UK	Basic Materials	749	5.2	1.28	100%
Myronivsky Hliboproduct	MHPC LI	Agriculture	1,491	332.6	22.8	66%
Avangard	AVGR LI	Agriculture	781	171.9	16.8	34%
Forum Bank	FORM UK	Banking	382	23.7	1.20	39%
Ukrstatsbank	USCB UK	Banking	902	40.6	0.092	30%
Kryukiv Wagon	KVBZ UK	Machinery	406	19.1	5.8	64%
Stakhaniv Wagon	SVGZ UK	Machinery	181	14.5	1.20	51%
Motor Sich	MSICH UK	Machinery	590	140	380	34%
Centrenergo	CEEN UK	Utilities	638	138.5	2.8	61%
Donbasenergo	DOEN UK	Utilities	206	29.2	22.7	161%

Top fixed income picks

	Sector	YTM	Ratings (S/M/F)	Amt. Outstanding	Coup./Freq.	Maturity	Duration (years)
Metinvest'15	Corporate	8.8%	-/B2/B	\$500 mln	10.25% s.a.	May 20, 2015	3.7
DTEK'15	Corporate	8.9%	-/B2/B	\$500 mln	9.5% s.a.	Apr 28, 2015	3.6
VABANK'14	Banking	19.6%	-/Caa1/WD	\$112.5 mln	10.5 quart.	Jun 14, 2014	2.9
Alfa'12	Banking	11.9%	CCC+/-/-	\$840.6 mln	13.0 quart.	Jul 30, 2012	0.9
FIUKR'14	Banking	13.4%	-/B2/-	\$257.4 mln	11.0% quart	Dec 31, 2014	3.3
Privat'12	Banking	9.0%	-/B1/B	\$500 mln	8.0% quart.	Feb 06, 2012	1.3

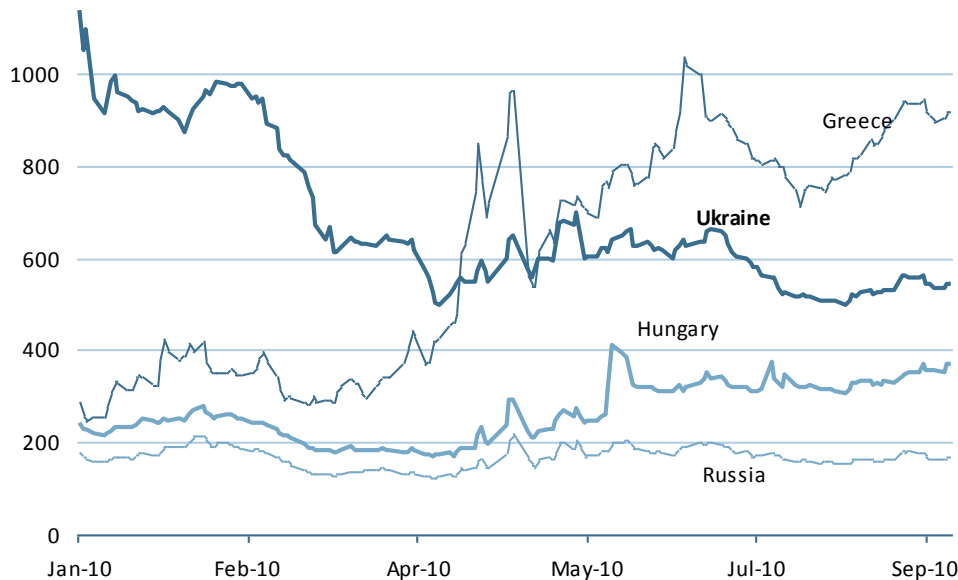
Relative market performance, YTD



Source: Bloomberg

Risk perception improves

Sovereign CDS, 5Y USD, bps



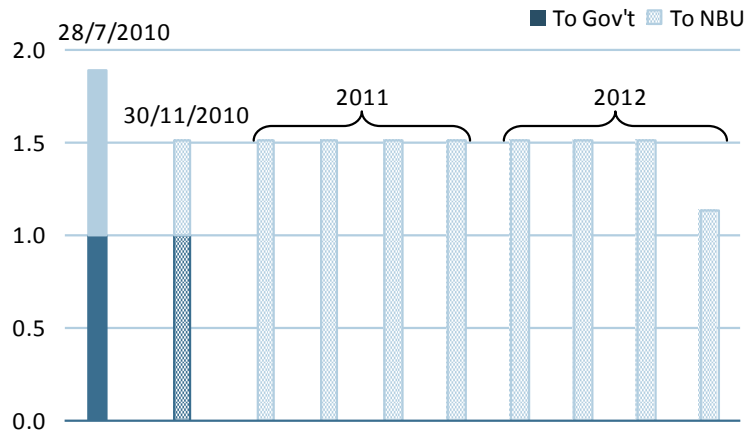
Source: Bloomberg, Moody's, S&P, Fitch

Ukraine's sovereign ratings, outlooks

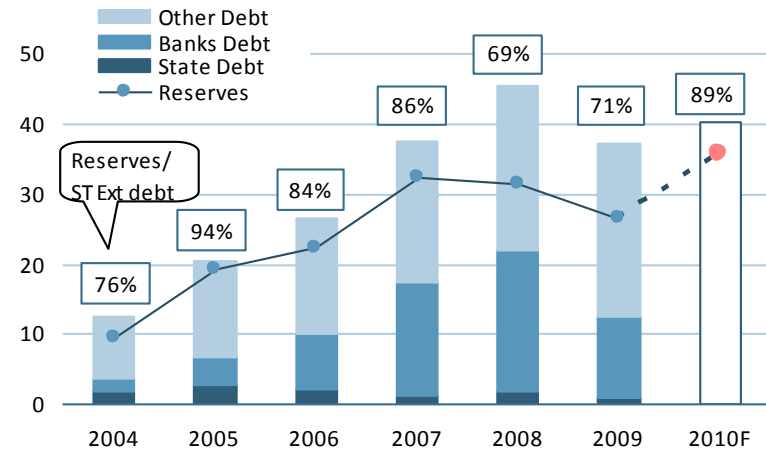
Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa	AA	AA
A	A	A
Baa	BBB	BBB
Ba	BB	BB
B1	B+ (Stable)	B+
B2 (Negative)	B	B (Stable)
B3	B-	B
Caa	CCC	CCC
Ca	CC	CC
C	C	C

IMF deal boosts CB reserves, sovereign ratings

IMF disbursements to the central bank and gov't, USD bln



NBU reserves cover 89% of S-T external debt, USD mln



Recent sovereign rating action

July 6, 2010

Fitch upgraded Rating to B
(Outlook: Stable) from B-

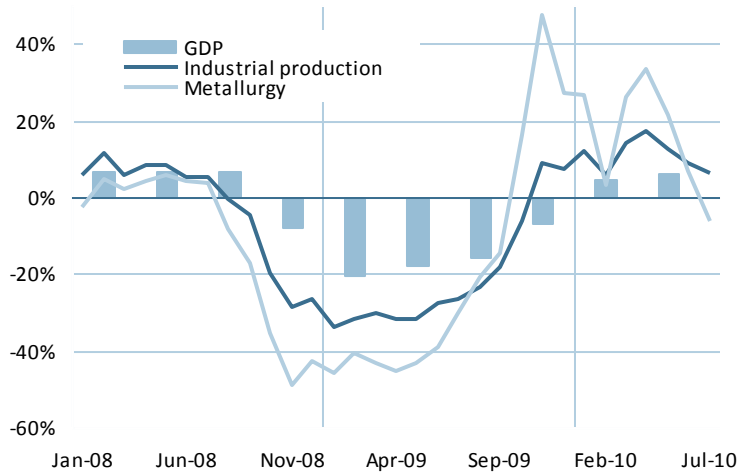
July 29, 2010

S&P upgraded Rating to B+
(Outlook: Stable) from B

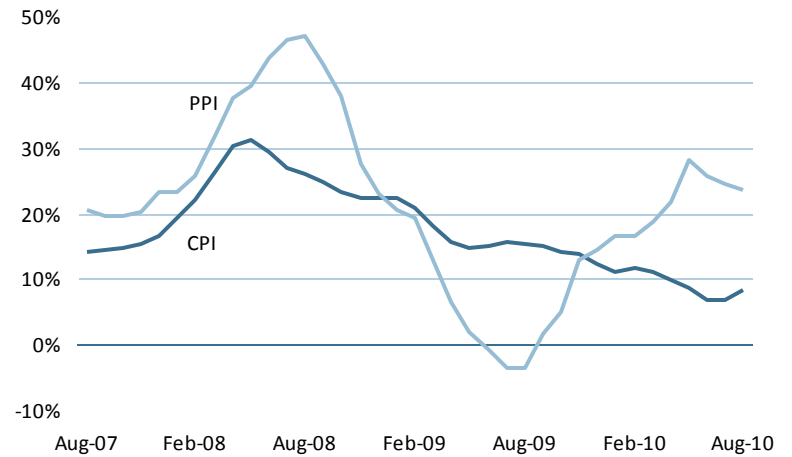
Source: IMF, Moody's, S&P, Fitch, NBU, Concorde capital estimates

Real growth 4.3%, inflation 10% in 2010E

Real growth could slow in 2H10



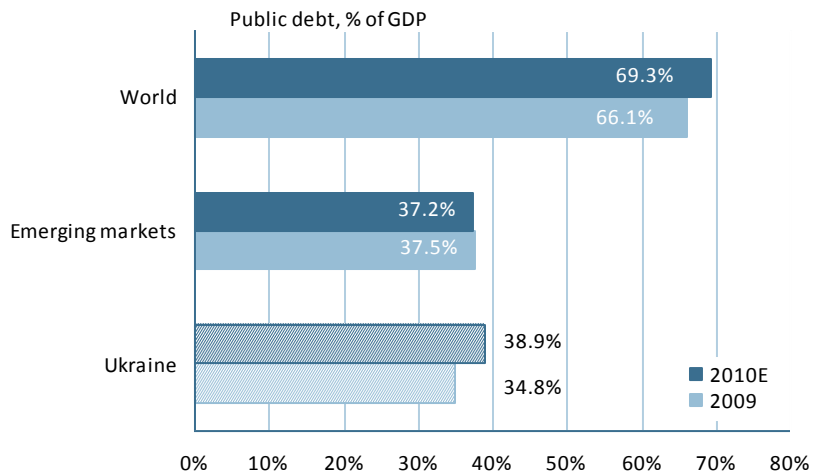
Inflation expected to be 10% in 2010, down from 12.3% in 2009



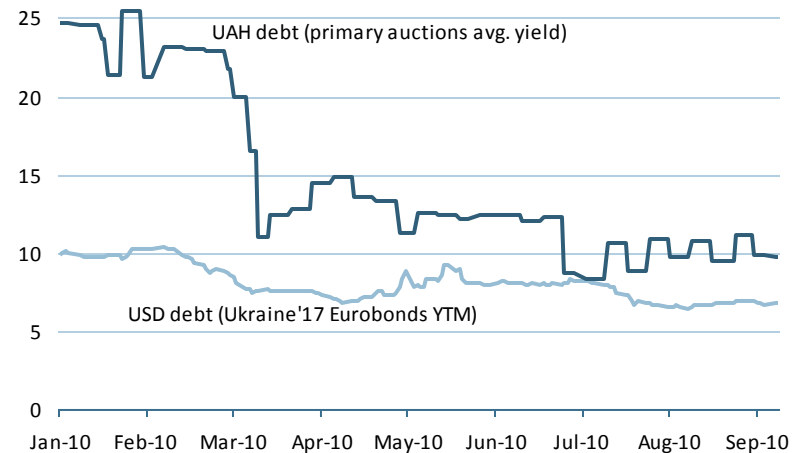
Source: State Statistics Committee of Ukraine

Public debt size is in check, cost declines

Public debt size expected to be manageable 39% of GDP in 2010



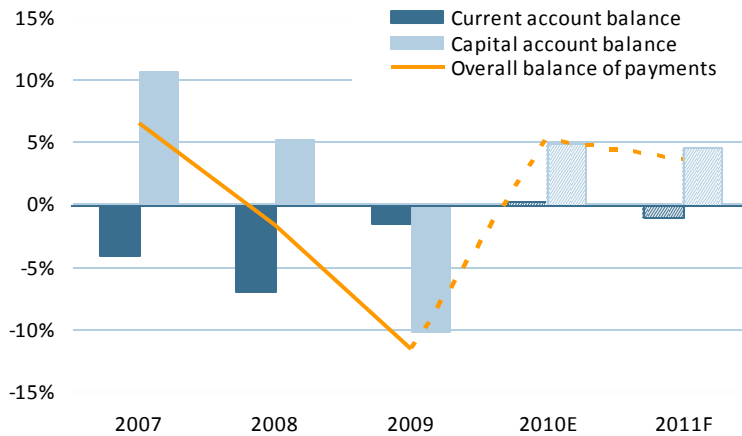
Cost of public debt declines in 2010, %



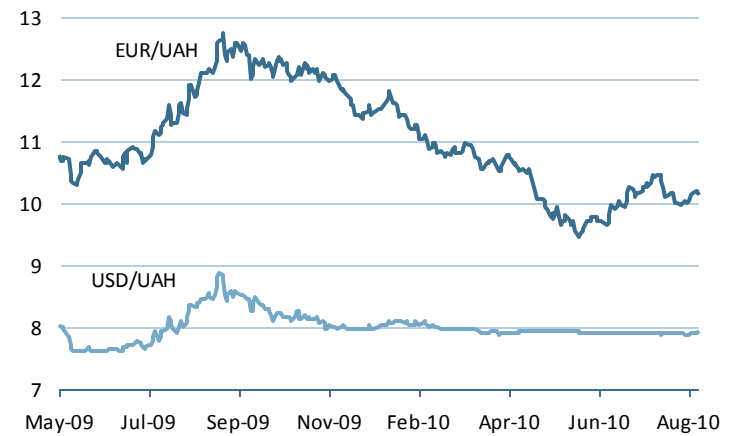
Source: State Statistics Committee of Ukraine, National Bank of Ukraine, IMF, Finance Ministry, Bloomberg, Concorde Capital estimates

USD/UAH stable and BoP improves in 2010

BoP: from double deficit to double surplus (% of GDP)



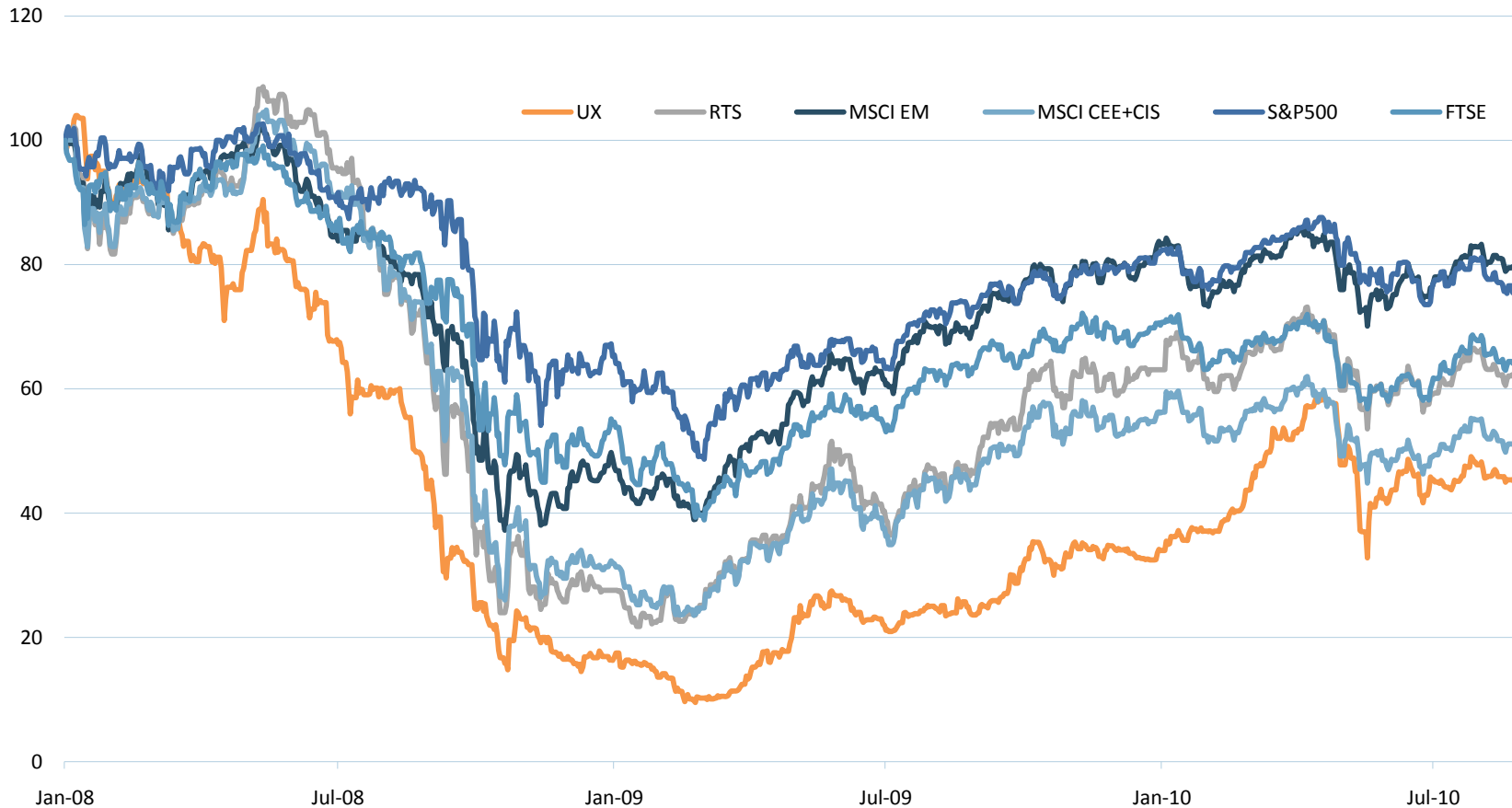
USD/UAH is stable at 7.9-8.1 starting since November



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

Ample room for regaining 2008-09 losses

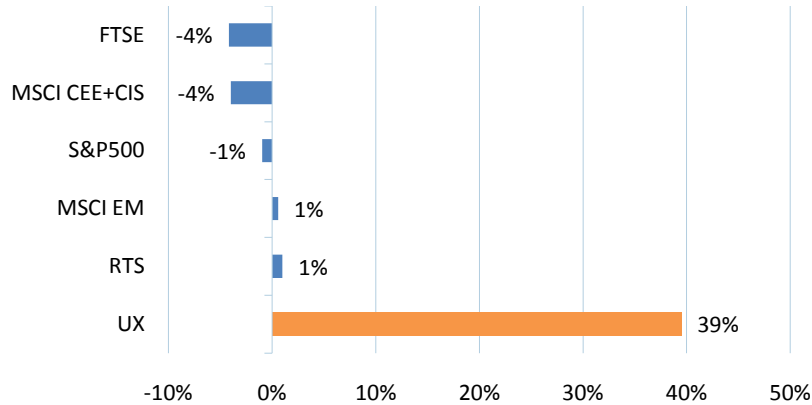
UX vs. global index performance, January 2008 to present



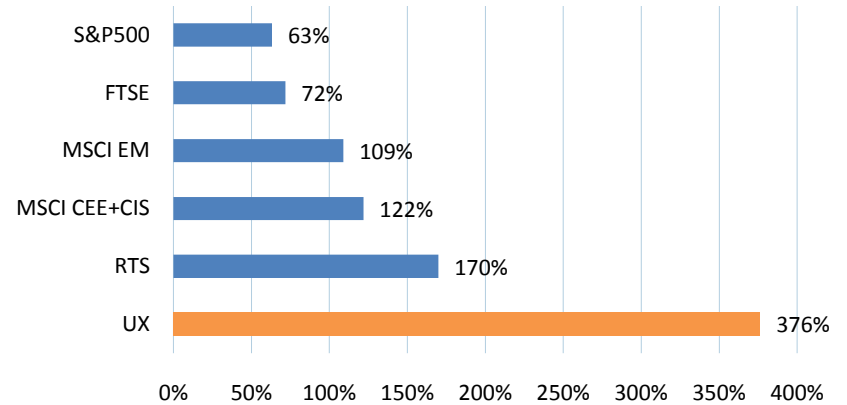
Source: UX, Bloomberg

UX still outperforming peers

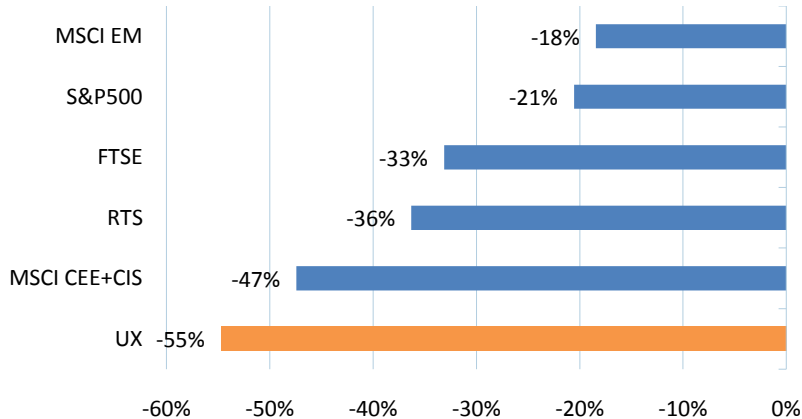
YTD



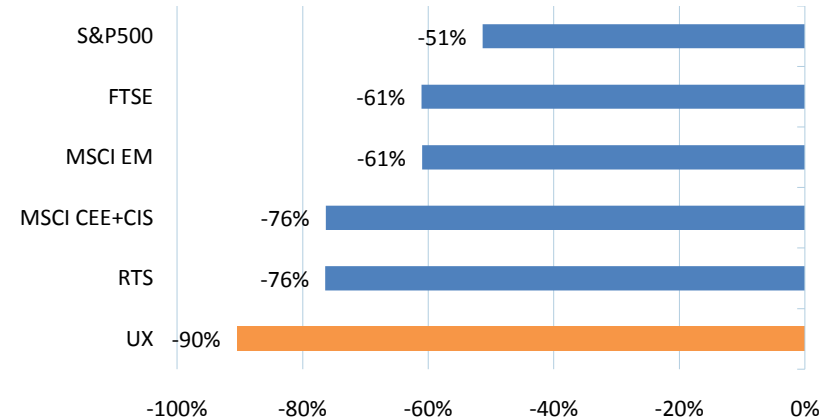
March 2009 (trough) to present



January 2008 (peak) to present



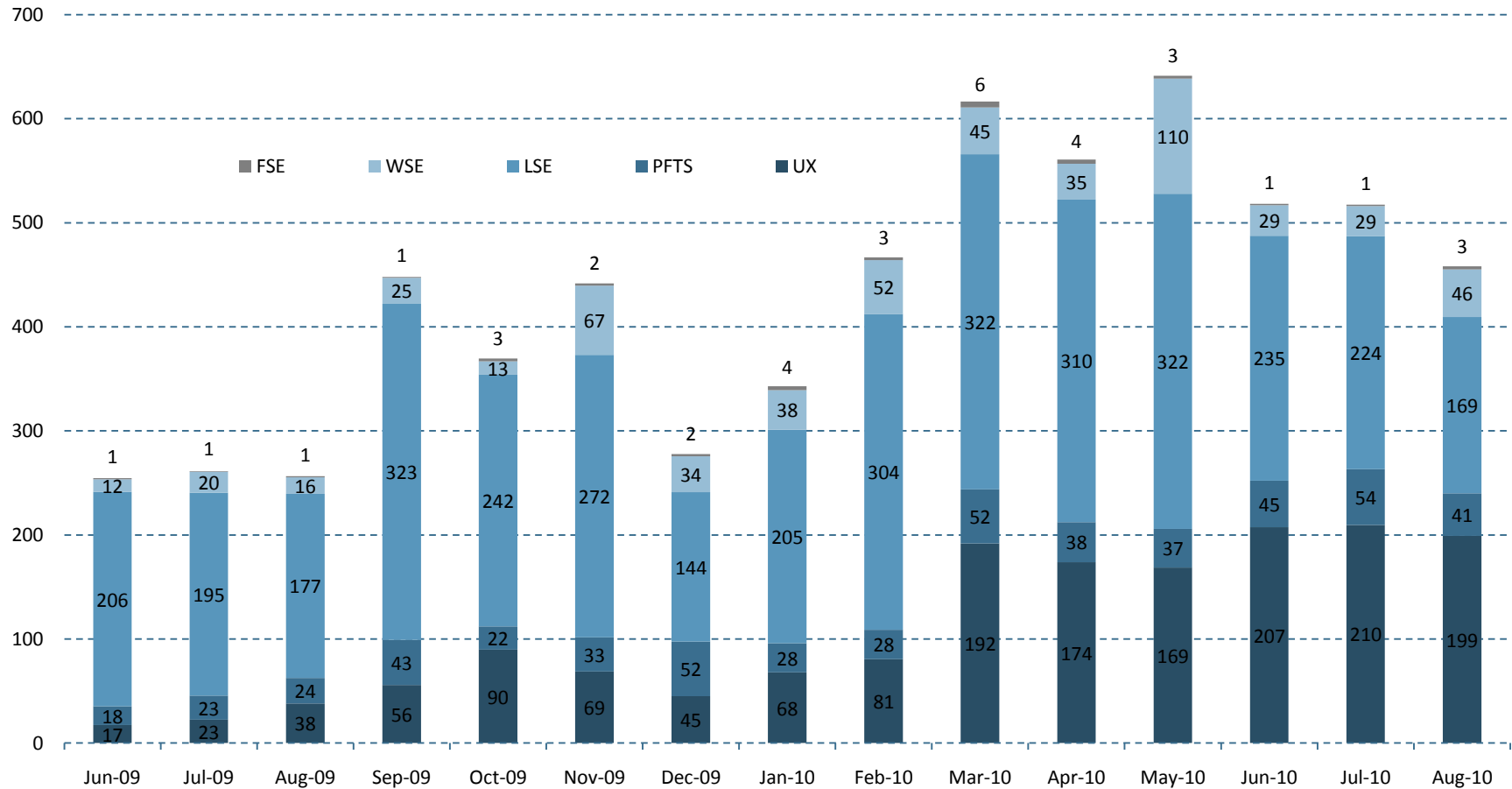
January 2008 (peak) to March 2009 (trough)



Source: UX, Bloomberg

Liquidity improving despite traditional summer lull

Equity turnover, USD mln



Source: UX, PFTS, Bloomberg

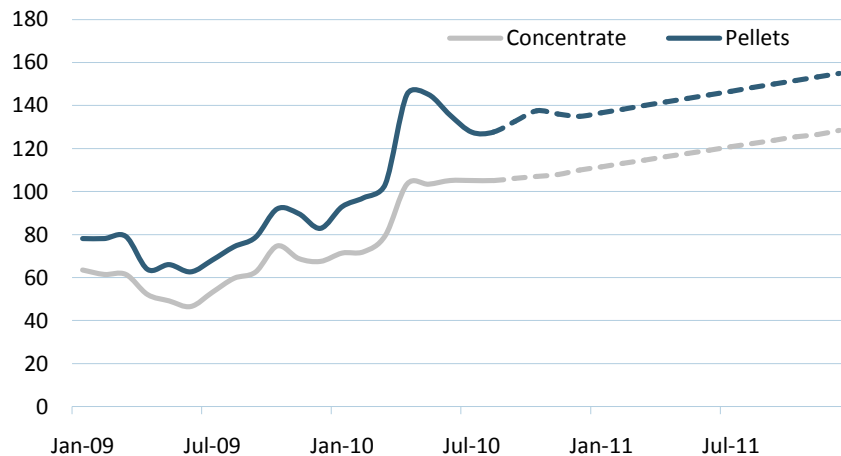
Sector barometer

Machinery	outperform	Dependent on external demand, mainly from Russia, with whom relations are improving. Railcar producers have been recovering the fastest: capacity utilization reached 80-100% in recent months.	Consumer/ Retail	under- perform	Recovery in domestic demand expected to be slow and deleveraging painful. Fundamentally this sector will see only marginal improvement in 2010. Respective stocks (illiquid small caps en masse) are set to underperform.
Agriculture	outperform	High grain prices expected to offset crop losses, while the government is likely to maintain stronger control over exports. Select vertically integrated companies are expected to show strong financial results. Cancellation of the moratorium on sale of agricultural land not likely in near term. Blue chips in the sector expected to outperform in 2010.	Oil & Gas	market perform	We note the government's traditionally high attention to the sector. Specific cases carry higher sensitivity: Cadogan Petroleum (license dispute) and Ukrnafta (wrestling for control between the government and Privat group).
Metals & Mining	market perform	We expect domestic steel and iron ore output to grow by 13% and 25-30% respectively in 2010. Exports are reviving, prices are up. We prefer iron ore due to strong financials, high margins and favorable price outlook, and then liquid names in steel.	Real Estate	under- perform	Fundamentals remain weak. Stagnation in construction continues; property prices for all segments will remain low. Demand depressed due to lack of mortgage lending and bank loans, slow pace of economic recovery.
Utilities	outperform	Strong top line growth and margin improvement among GenCos thanks to higher-than-expected growth in electricity tariffs (29% y-o-y in August vs. 15% expected). Privatizations in 4Q10-1Q11 should be stock triggers.	Banks	market perform	Depends on rate of recovery in the real economy and the regulatory environment (i.e. FX lending restrictions, tight monetary policy). Banks still have high share of NPLs (20-25%) but abundant short-term liquidity.

Basic materials: Look to inputs

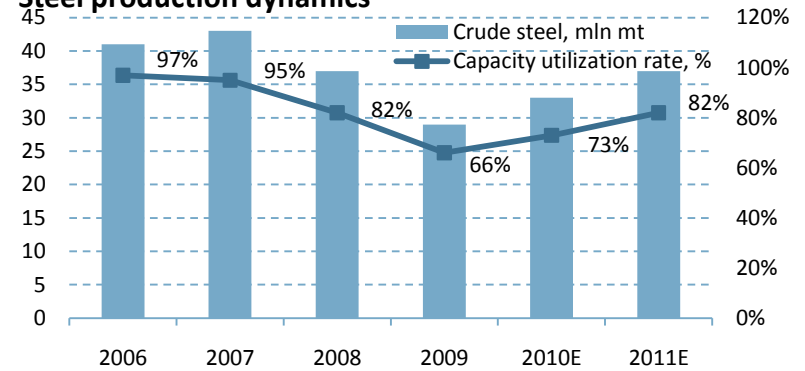
- In 1H10, Ukrainian steelmakers increased output 13.9% y-o-y to 19.2 mln mt, while iron ore output grew 30% y-o-y
- Steel prices gained 30-40% YTD and 20%-25% over the last three months. We expect growth of another 5% by yearend
- Iron ore and pellets prices jumped 50% and 75% YTD respectively and gained 150%-200% from their lows in 2009
- Coke prices have risen 25-35% YTD to USD 350/mt

Price outlook, pellets, concentrate (local, incl. VAT) USD per mt



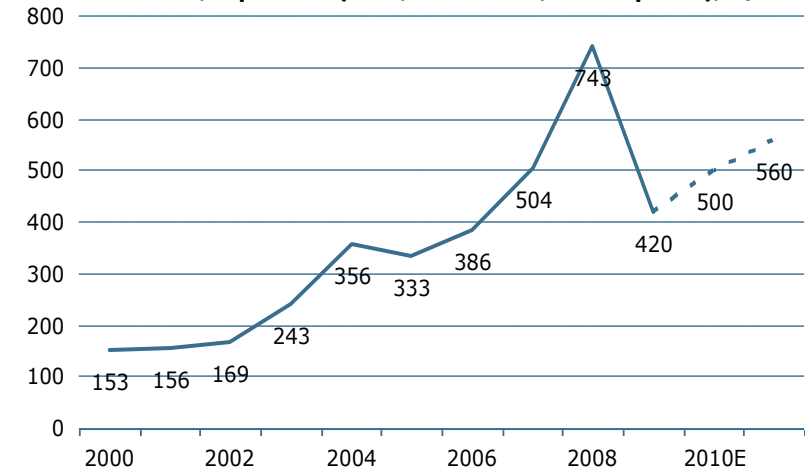
Source: Company data, Concorde Capital projections

Steel production dynamics



Source: Company data, Concorde Capital projections

Price outlook, sq. billet (FOB, Black Sea, CIS exports), \$/mt

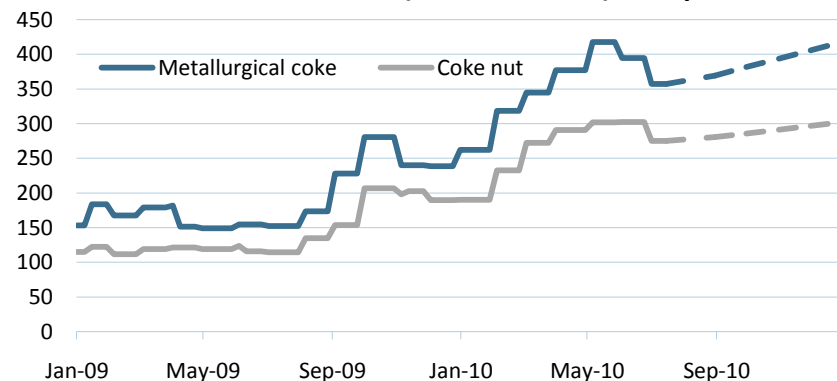


Source: Bloomberg, Concorde Capital projections

Avdiyivka Coke

PFTS/UX ticker:	AVDK	<ul style="list-style-type: none"> • Backed by SCM, Ukraine's largest business group
MCap, USD mln:	377.6	<ul style="list-style-type: none"> • Stable demand from parent Metinvest-related steel companies
FF, %:	3,3%	<ul style="list-style-type: none"> • In 1H10 sales grew 50% y-o-y (to USD 481 mln), EBITDA and net income amounted to USD 76 mln and USD 36 mln respectively (vs. negative USD 6.1 mln and USD 33.7 mln in 1H10); EBITDA margin 19%, net margin 8%
FF, USD mln:	12,5	<ul style="list-style-type: none"> • Plans to increase production by 30%-40% y-o-y by end-2010 given new exclusive coke supply relationship with MMK Illicha, recently acquired by Metinvest
Last price, USD:	1,96	<ul style="list-style-type: none"> • One of the most liquid stocks on the UX (avg. daily tr. vol. was USD 1 mln in August)
Target price, USD:	3,61	
Upside:	84%	
Net Debt/EBITDA10E	0.0x	
Net debt/Equity 10E:	0.0x	

Price outlook, coke, coke nut (local, incl. VAT) USD per mt



Source: Company data, Concorde Capital

Peer multiples

	Mcap USD mln	EV/EBITDA		P/E	
		10F	11E	10F	11E
UKRAINE					
Avdiyivka Coke	377.6	2.6	2.0	5.9	4.5
Ukrainian Coke Producers					
Alchevsk Coke	156.2	12.6	10.7	175.5	148.7
Yasynivskiy Coke	126.9	6.7	5.9	10.3	10.8
ZaporizhCoke	50.7	1.1	1.1	2.0	2.1
Median		6.7	5.9	6.2	6.4
EM Coke Producers					
Sesa Goa Ltd	5,844.1	3.9	3.2	6.3	5.7
Taiyuan Coal Gasification -A	1,291.2	9.5	8.7	17.9	14.0
China Steel Chemical Corp	752.8	9.6	8.1	12.1	10.6
Gujarat Nre Coke Ltd	690.8	6.5	4.3	8.8	4.9
Sino Hua-an International	124.1	4.3	3.4	11.8	6.3
Median		6.5	4.3	12.0	8.5
AVDK Price					
Implied by UA peers median, USD/share		4.94	5.69	2.02	2.75
Implied by EM Coke peers median, USD/share		4.79	4.18	3.93	3.65
Upside/Downside to UA peers median					
		152%	191%	3%	40%
Upside/Downside to EM Coke peers median					
		145%	114%	101%	84%

Source: Bloomberg, Company data, Concorde Capital

Pivnichny, Centralny Iron Ore

Pivnichny Iron Ore

PFTS/UX ticker:	SGOK
MCap, USD mln:	2,980
FF, %:	0.6%
FF, USD mln:	17.9
Last price, USD:	1.28
Target price, USD:	1.92
Upside:	50%
Net Debt/EBITDA10E	0.2x
Net debt/Equity 10E:	0.1x

- Stable demand from parent Metinvest-related steel makers
- Solid dividends expected in March-April 2011: (USD 0.24/share or dividend yield of 20% at the current price)
- In 1H10 net income surged to USD 203 mln (+164% y-o-y), sales grew 90% y-o-y to USD 620 mln
- In 7M10, increased iron ore and pellets output by 14% and 30% y-o-y, respectively
- Iron ore prices skyrocketed 150%-200% from lows in mid-2009
- In October 2009, launched deliveries to China where iron ore trades at 15-20% premium to Ukrainian prices
- Plans to increase pellet production capacity by 17% in 2H10 to 14 mln mt/year
- One of most liquid Ukrainian metals & mining stocks (avg. daily trading volume of USD 100,000-200,000 in June-Aug.)

Centralny Iron Ore

PFTS/UX ticker:	CGOK
MCap, USD mln:	749
FF, %:	0.7%
FF, USD mln:	5.2
Last price, USD:	0.64
Target price, USD:	1.28
Upside:	100%
Net Debt/EBITDA10E	0.0x
Net debt/Equity 10E:	0.0x

- Stable demand from parent Metinvest-related steel makers
- Solid dividends expected in March-April 2011: (USD 0.14/share or dividend yield of 21% at the current price)
- In 1H10 net income rose to 79 mln (+134% y-o-y), sales increased 108% y-o-y to USD 248 mln
- In 7M10, increased iron ore output by 43% y-o-y, respectively
- Iron ore prices skyrocketed 150%-200% from lows in mid-2009
- We expect CGOK to increase its sales by 91% to USD 544 mln and triple EBITDA (to USD 304 mln) in 2010

Peer multiples

	Mcap USD mln	EV/S		EV/EBITDA	
		10E	11E	10E	11E
UKRAINE					
Centralny Iron Ore	749.1	1.4	1.2	2.5	2.1
Pivnichny Iron Ore	2,980.4	1.9	1.6	3.4	2.8
Average		2.1	1.8	4.2	3.4
DEVELOPED MARKETS					
BHP Billiton Plc	184,011.3	2.8	2.5	5.1	4.6
Vale Do Rio Doce	142,950.1	3.5	2.5	6.0	4.1
Rio Tinto Plc	124,419.7	2.5	2.2	5.4	4.5
Anglo American Plc	51,195.3	2.1	1.8	5.4	4.1
Xstrata Plc	50,045.9	2.1	1.8	5.6	4.2
Antofagasta Plc	16,634.9	3.5	2.2	5.6	3.3
Vedanta Resources	8,271.7	1.2	0.7	3.1	1.7
Average		2.5	2.0	5.2	3.8

CGOK price

Implied by Ukrainian peers avg., USD/share	0.98	0.97	1.08	1.02
Implied by developed peers avg., USD/share	1.16	1.06	1.33	1.15

Up/Downside to Ukrainian avg	53%	52%	69%	60%
Up/Downside to Dev. Mkt. avg	81%	66%	108%	80%

SGOK price

Implied by Ukrainian peers avg., USD/share	1.41	1.43	1.62	1.57
Implied by DM peers avg., USD/share	1.68	1.57	2.01	1.77

Up/Downside to Ukrainian avg	9%	12%	26%	22%
Up/Downside to DM avg	30%	22%	56%	38%

Source: Bloomberg, Company data, Concorde Capital

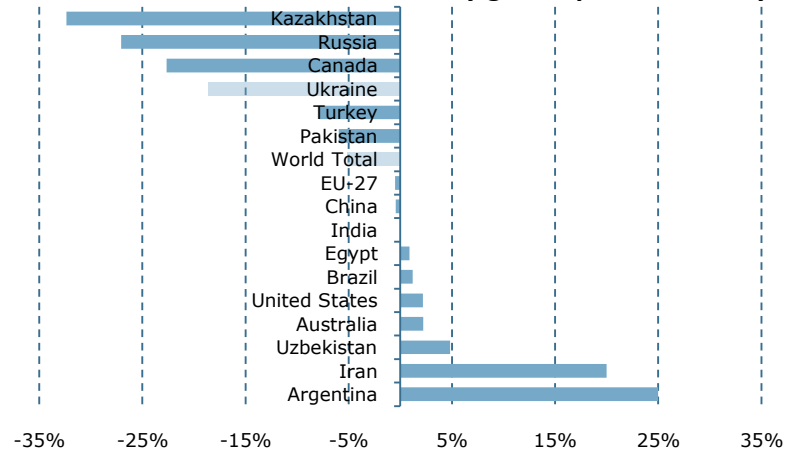
Basic materials: Key financials

<i>USD mln</i>	2008	2009	2010E	2011E
Avdiyivka Coke				
Net Revenues	1,375.8	476.6	878.1	908.9
EBITDA	217.9	-22.6	145.0	169.8
EBITDA Margin	15.8%	-4.7%	16.5%	18.7%
NI	143.1	-77.3	64.0	77.0
Net Margin	10.4%	-16.2%	7.3%	8.5%
Shareholder Equity	805.2	690.2	754.2	852.1
Net Debt	-0.8	2.9	2.8	3.0
Pivnichny Iron Ore				
Net Revenues	2,067.6	844.1	1,595.3	1,912.7
EBITDA	922.6	322.3	925.3	1,109.4
EBITDA Margin	44.6%	38.2%	58.0%	58.0%
NI	683.4	163.8	546.7	601.4
Net Margin	33.1%	19.4%	34.3%	31.4%
Shareholder Equity	1,193.1	1,458.2	2,005.0	2,606.3
Net Debt	683.4	163.8	150.0	120.0
Centralny Iron Ore				
Net Revenues	901.8	284.9	543.5	639.7
EBITDA	465.7	101.6	304.3	358.2
EBITDA Margin	51.6%	35.7%	56.0%	56.0%
NI	362.5	31.2	136.0	180.0
Net Margin	40.2%	11.0%	25.0%	28.1%
Shareholder Equity	556.9	872.5	1008.5	1188.5
Net Debt	43.4	15.0	10.0	5.0

Agriculture: Grain prices soar on crop jitters

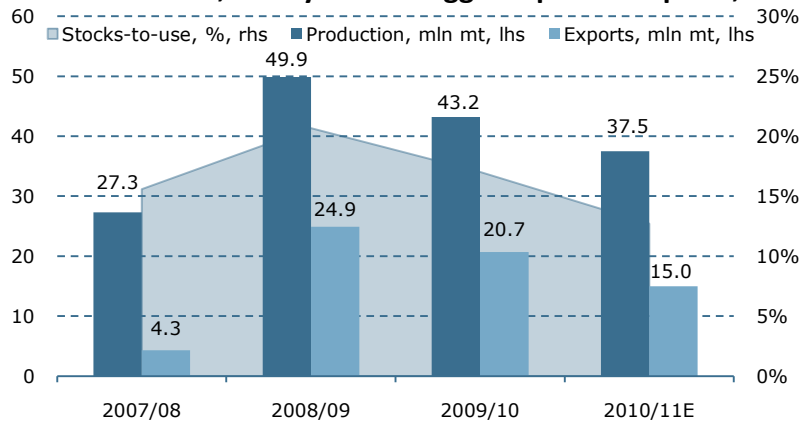
- We forecast domestic grain harvest of 39.6 mln mt in 2010/11E (down 14% y-o-y) as a result of cold winter and summer heat wave
- Since Ukraine's internal grain needs are up to 25 mln mt p.a., we estimate 2010 domestic export potential at 15 mln mt (-29% y-o-y)
- Given Ukraine's self-sufficiency in grains, export quotas are unlikely, though we do not rule out stricter government control
- Export demand and reduced harvest outlook spurred local wheat, corn & barley price growth of 83%, 50% and 89% y-o-y respectively
- We expect domestic grain prices to stay at current levels in next 5-6 months, fully offsetting harvest losses this year

Wheat harvests in 2010/11E of key global producers, % y-o-y



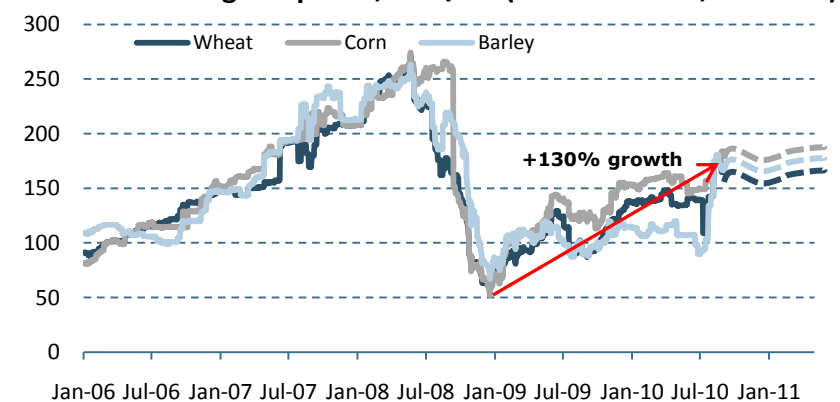
Source: USDA, Concorde Capital calculations

Domestic wheat, barley & corn agg. output vs. exports, mln mt



Source: USDA, Concorde Capital calculations

Ukrainian feed grain prices, USD/mt (FOB Black Sea, incl. VAT)

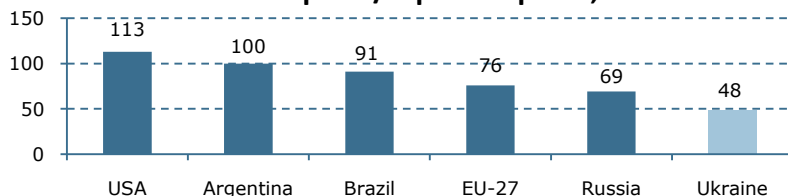


Source: Bloomberg, Concorde Capital calculations

Myronivsky Hliboproduct

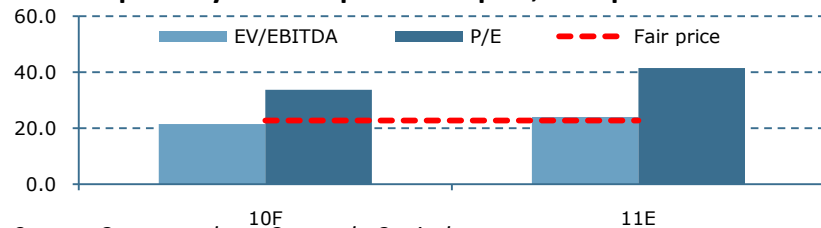
PFTS/UX ticker:	MHPCLI	• Largest domestic poultry producer: 1H10 output of 170,000 mt (+45% y-o-y) , 52% market share
MCap, USD mln:	1491.3	• Vertically integrated: 83% sufficient in fodder needs , fully sufficient in hatching eggs and chicken meat processing
FF, %:	22,3%	• Sunflower oil export sales of USD 130 mln (+28% y-o-y) in 2010E hedge forex risks
FF, USD mln:	332.6	• Strong operating efficiency secures EBITDA margin of 31-34% in 2010-11E vs. 13% median for EM peers
Last price, USD:	13.8	• Issued USD 330 mln Eurobonds & extended current USD 250 mln notes in May (both now mature in 2015)
Target price, USD:	22.8	• Building factory in Vinnytsya, which will add 17% to total capacity by 2013E; plans to grow land bank by 75% to 350,000 ha by 2013E
Upside:	66%	• Second most liquid Ukrainian agricultural stock with an avg. daily turnover of USD 1.45 mln in the last six months
Net Debt/EBITDA10E	0.88x	
Net debt/Equity 10E:	1.97x	

Ukraine meat consumption/capita vs. peers, 2009



Source: Company data, Concorde Capital calculations

Price implied by median peer multiples, USD per share



Source: Company data, Concorde Capital

Peer multiples

	Mcap USD mln	EV/EBITDA		P/E	
		10F	11E	10F	11E
UKRAINE					
Myronivsky Hliboproduct	1,491.3	7.2	5.5	8.5	5.6
Emerging Market poultry & meat					
BRF - BRASIL FOODS SA	11,428.2	11.0	8.4	33.5	19.2
CHINA YURUN FOOD GROUP LTD	6,314.7	17.4	14.2	22.1	18.5
CHAROEN POKPHAND FOODS PUB	6,251.6	11.2	10.5	14.8	14.0
UNIVERSAL ROBINA CORP	1,558.9	7.0	6.5	12.6	12.0
CHEKIZOVO GROUP-GDR REG S	994.9	7.1	5.7	7.7	6.3
RAINBOW CHICKEN LTD	746.9	4.8	4.2	10.3	9.3
Median		9.0	7.4	13.7	13.0

Emerging Market agriculture

WILMAR INTERNATIONAL LTD	29,559.8	13.2	11.3	16.5	14.5
ASTRA AGRO LESTARI TBK PT	3,482.0	9.6	8.0	16.0	13.2
PP LONDON SUMATRA INDONES PT	1,451.9	8.4	7.4	13.6	12.3
SAO MARTINHO SA	1,090.7	6.3	5.9	22.0	30.5
SLC AGRICOLA SA	901.5	15.7	10.8	55.9	33.1
Median		9.6	8.0	16.5	14.5

MHP Price

Implied by P&M EM peer avg., USD/share	20.39	23.28	27.30	32.31
Upside/Downside to EM avg	48%	69%	99%	135%
Implied by Agri EM peer avg., USD/share	22.65	24.77	40.24	50.68
Upside/Downside to DM avg	65%	80%	193%	269%

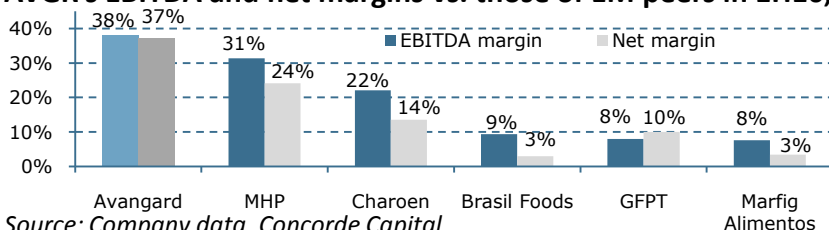
Source: Bloomberg, Company data, Concorde Capital

Avangard

PFTS/UX ticker:	AVGR LI
MCap, USD mln:	781.3
FF, %:	22.0%
FF, USD mln:	171.9
Last price, USD:	12.5
Target price, USD:	16.8
Upside:	34%
Net Debt/EBITDA10E	0.26x
Net debt/Equity 10E:	1.39x

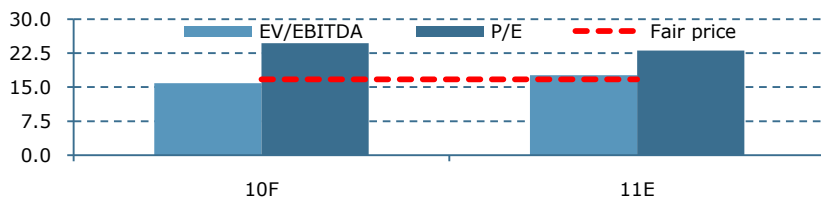
- Ukraine's largest shell egg and egg products producer (market shares: 23% and 52% respectively as of 2009)
- Vertically integrated: 100% sufficient in hatching & egg laying capacity, 6 fodder mills & an egg processing plant
- Low sensitivity to volatile grain prices: secured 600,000 mt of grains for approximately nine months of operations at USD 110/mt (35% below current price) via forwards
- Signed export contracts for 1.2 bln shell-eggs (up 3.7x y-o-y) in 2010
- Targets 22% increase in 2010E egg output to 4.4 bln, implying USD 401 mln (+25% y-o-y) sales for this year
- Plans to increase egg-laying capacity by 31% to 24.9 mln heads in 2011E
- Solid 1H10 results: sales: USD 166 mln (+68% y-o-y), EBITDA: USD 64 mln (+47% y-o-y)

AVGR's EBITDA and net margins vs. those of EM peers in 1H10, %



Source: Company data, Concorde Capital

Price implied by median peer multiples, USD per share



Source: Company data, Concorde Capital

Peer multiples

	Mcap USD mln	EV/EBITDA		P/E	
		10F	11E	10F	11E
UKRAINE					
AVANGARDCO INVESTMENTS PUBLIC	781.3	7.3	5.9	6.8	5.7
Emerging Market eggs, poultry & meat					
BRF - BRASIL FOODS SA	11,430.8	11.0	8.4	33.5	19.2
CHINA YURUN FOOD GROUP LTD	6,280.5	17.3	14.1	22.0	18.4
CHAROEN POKPHAND FOODS PUB	6,249.6	11.2	10.5	14.8	14.0
MARFRIG ALIMENTOS SA	3,385.7	7.2	5.7	16.5	10.9
MHP SA -GDR REG S	1,491.3	7.2	5.5	8.5	5.6
GFPT PUBLIC CO LTD	362.7	6.5	5.6	9.7	8.0
Median		9.1	7.0	15.6	12.4

Ukraine agriculture peers

KERNEL HOLDING SA	1,447.1	7.3	6.7	8.9	7.6
MRIYA AGRO HOLDING -GDR REGS	831.1	10.4	8.6	10.8	8.6
ASTARTA HOLDING NV	543.5	6.7	6.8	8.0	8.9
SINTAL AGRICULTURE-REG S GDR	138.3	7.1	6.1	9.6	8.0
Median		7.2	6.7	9.2	8.3

AVGR Price

Implied by EM Egg peer median, USD/share	16.45	15.83	32.34	27.99
Up/Downside to EM Oil peer median	32%	27%	159%	124%
Implied by UA peer median, USD/share	15.33	19.46	17.09	18.22
Up/Downside to UA peer median	23%	56%	37%	46%

Source: Bloomberg, Company data, Concorde Capital

Agriculture: Key financials

Myronivsky Hliboproduct

<i>USD mln</i>	2009	2010E	2011E
Net Revenues	711.0	911.3	1,099.4
EBITDA	271.0	283.9	377.9
<i>EBITDA Margin</i>	38%	31%	34%
Net Income	160.0	176.0	265.2
<i>Net Income Margin</i>	23%	19%	24%
Shareholder Equity	494.4	639.4	873.8
Net Debt	490.6	559.9	589.6
Net debt/EBITDA	1.81x	1.97x	1.56x
Net debt/Equity	0.99x	0.88x	0.67x

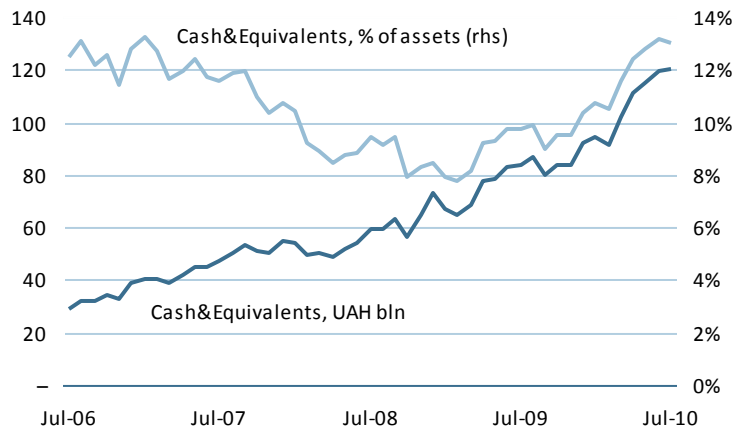
Avangard

<i>USD mln</i>	2009	2010E	2011E
Net Revenues	320.0	400.8	551.9
EBITDA	152.0	133.1	180.6
<i>EBITDA Margin</i>	48%	33%	33%
Net Income	133.7	115.7	137.9
<i>Net Income Margin</i>	42%	29%	25%
Shareholder Equity	360.6	720.0	857.9
Net Debt	254.4	185.2	281.1
Net debt/EBITDA	1.67x	1.39x	1.55x
Net debt/Equity	0.71x	0.26x	0.33x

Banks: Stabilization continues

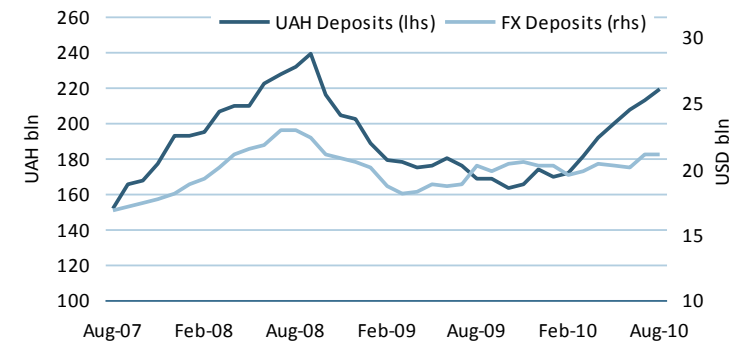
- Banks continue to enjoy deposit inflow (+14.8% in 8M10). Importantly, UAH deposits (+26% YTD) grew faster than forex deposits (+2.8% YTD)
- Banks are still reluctant to lend: gross assets rose 4% in 7M10 due to poor asset quality (average system NPLs stand at 20-25% of loan portfolios) and high economic uncertainty
- With loan portfolios shrinking and deposit inflows, bank liquidity is improving. Total cash & equivalents reached 13% of assets in June-July vs. avg. 9.2% over 2009. With cash in hand and economic/political stabilization, banks are set to restart lending in coming months

Banking system liquidity, UAH bln



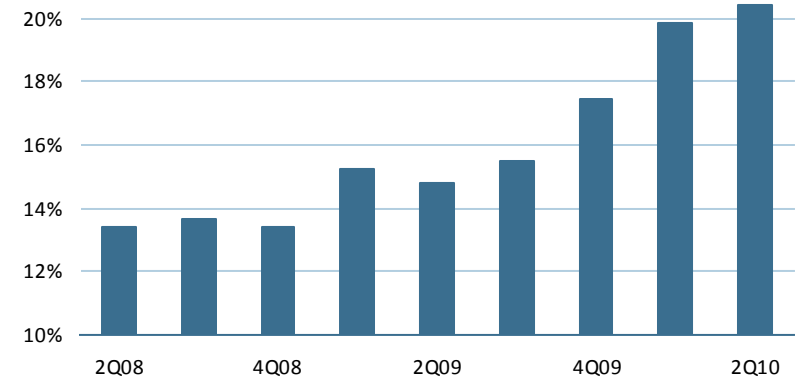
Source: NBU

Deposits recover



Source: National Bank of Ukraine

Regulatory capital to RWA ratio (CAR), system average



Source: Company data, Concorde Capital projections

Bank Forum, Ukrsotsbank

Bank Forum (Commerzbank Group)

PFTS/UX ticker:	FORM	<ul style="list-style-type: none"> Shareholders approved USD 275 mln (2 times) charter fund increase in March 2010 (FORM's CAR should go up to 29% from 17.3% as of end-1Q10). This was accompanied by Commerzbank consolidation of 94% stake (up from 63%) Retail deposit inflow of +15.3% in 1H10, vs. sector average of +13.8%. Loans/Deposits ratio dropped to 188% as of end-1H10 (230% at end-2009) Low interest rate margin (3.1% in 2H09-1H10) as a downside of attracting relatively expensive (vs. loans from parent) retail deposits Launched operating cost optimization program (C/I of 124% in 2H09-1H10) 6M ADT of USD 178,000
MCap, USD mln:	382	
FF, %:	6.2%	
FF, USD mln:	23.7	
Last price, USD:	0.86	
Target price, USD:	1.20	
Upside:	39%	

UkrSotsbank (UniCredit Group)

PFTS/UX ticker:	USCB	<ul style="list-style-type: none"> Supported by parent UniCredit Group (~50% of liabilities), which has not been a recipient of government support Strong retail deposit inflow of 18.9% in 1H10 vs. system average of +13.8% CAR of 20% at end-1Q10; recipient of USD 100 mln subordinated loan from EBRD One of the best Cost/Income ratios in the sector: 34% in 2H09-1H10 Most liquid local banking stock (6M ADT of USD 521,000)
MCap, USD mln:	902	
FF, %:	4.5%	
FF, USD mln:	40.6	
Last price, USD:	0.071	
Target price, USD:	0.092	
Upside:	30%	

Peer multiples

	Country	MCap USD mln	P/B	
			2010E	2011F
Domestic peer group				
UkrSotsbank (Unicredit group)		902	1.38	1.16
Raiffeisen Bank Aval		1,335	1.82	1.44
Forum (Commerzbank group)		382	1.28	1.10
International peer group				
Bank Pekao	Poland	13,268	2.07	1.95
PKO BP	Poland	15,916	2.17	1.98
BZ WBK	Poland	4,535	2.21	1.98
ING BSK	Poland	3,313	1.86	1.69
Bank Millennium	Poland	1,747	1.30	1.18
Getin Holding	Poland	2,288	1.60	1.40
Komerčni Banka	Czech Republic	7,749	2.10	1.95
OTP Bank	Hungary	5,876	0.97	0.89
Sberbank	Russia	56,126	1.97	1.53
VTB	Russia	28,557	1.52	1.41
Bank of Moscow	Russia	5,645	1.47	1.27
Vozrozhdenie	Russia	831	1.50	1.26
Bank St Petersburg	Russia	939	1.35	1.09
Halyk Bank		2,712	1.80	1.49
Kazkommertsbank		2,085	0.95	0.82
Akbank		32,600	1.97	1.76
Garanti Bank		31,920	2.05	1.73
Median			1.80	1.49
FORM Price, USD				
Implied by international peer median			1.21	1.18
Upside/Downside			40%	37%
USCB Price, USD				
Implied by international peer median			0.093	0.092
Upside/Downside			31%	30%

Source: Concorde Capital

Banks: Key financials

Bank Forum (Commerzbank Group)

	2008	2009	2010E	2011F
Total Assets	2,423	2,167	1,923	2,039
Clients' Deposits	823	926	1,103	1,268
Subordinated Debt	50	135	136	136
Total Liabilities	2,162	2,079	1,623	1,689
Equity	261	88	300	350
Net Interest Income	142	98	76	80
NII After Provisions	(32)	(157)	14	115
Net Income	(70)	(175)	(57)	50
LLP/Total Loans	-6.6%	-18.0%	-23.0%	-20.0%
Loans/Deposits	269.4%	228.7%	176.4%	162.6%
Interest Rate Margin	6.8%	4.5%	3.7%	4.0%
Cost/Income	70.0%	83.6%	100.0%	70.0%
RoA (annualized)	-2.9%	-7.6%	-2.8%	2.5%
RoE (annualized)	-53.8%	-100.4%	-29.2%	15.4%

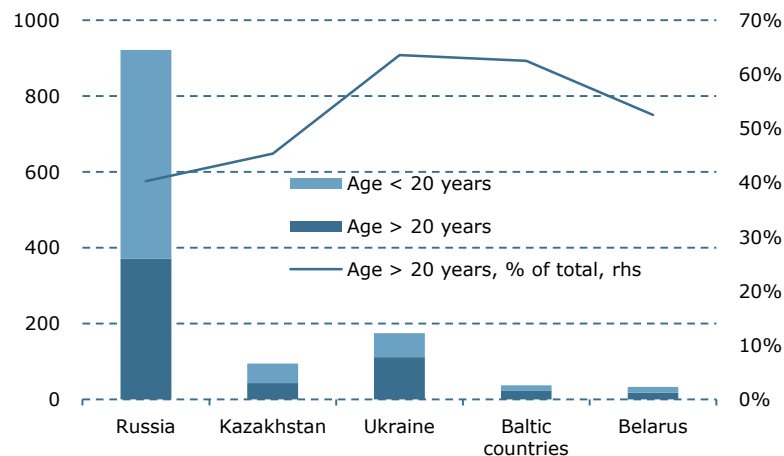
Ukrsotsbank (UniCredit Group)

	2008	2009	2010E	2011F
Total Assets	6,412	5,406	4,747	4,884
Clients' Deposits	1,855	1,548	1,789	2,003
Subordinated Debt	150	254	253	253
Total Liabilities	5,776	4,677	4,098	4,113
Equity	636	729	649	771
Net Interest Income	402	357	367	318
NII After Provisions	219	79	13	249
Net Income	126	22	(47)	122
LLP/Total Loans	-4.4%	-10.5%	-18.5%	-19.0%
Loans/Deposits	311.0%	325.5%	266.6%	249.9%
Interest Rate Margin	7.6%	6.6%	7.5%	6.5%
Cost/Income	47.1%	33.0%	34.0%	40.0%
RoA (annualized)	2.0%	0.4%	-0.9%	2.5%
RoE (annualized)	20.4%	3.3%	-6.8%	17.2%

Railcar manufacturers: Loaded up

- In 1H10, Ukrainian railcar manufacturers produced 1.2 times the historical high output of 2007-2008
- More than half of railcars in the CIS are older than 20 years
- Approximately 450,000 replacement railcars will be needed in the CIS in 2010-2015, another 150,000 to satisfy cargo growth
- Ukrainian manufacturers increased market share to 43% of CIS and Baltics in 1H10
- 2H10 financials reveal 12-13% EBITDA margins

CIS rolling stock in need of replacement, ths units



Note: Service life for a railcar varies from 22-28 years

Source: Bloomberg, Company data, Concorde Capital projections

Peer multiples

	MCap USD mln	EV/EBITDA		P/E	
		2010E	2011E	2010E	2011E
Kryukiv Wagon	406	5.1	4.7	7.8	6.9
Stakhaniv Wagon	180	5.8	5.1	9.9	8.8
Average		5.8	4.6	7.7	6.8
Global peers		2010E	2011E	2010E	2011E
American Railcar Industries	263	13.6	4.8	n/m	256.7
Freightcar America	286	n/m	11.9	n/m	45.1
Greenbrier Companies	267	8.5	6.8	n/m	18.4
Trinity Industries	1,444	8.2	7.1	25.4	14.8
Const Y Auxiliar De Ferr	1,530	5.2	4.7	10.1	9.6
United Group	2,208	8.5	7.7	14.5	13
China Motor Corp	854	9.7	8.6	22.8	17.4
Jinxi Axle Company Ltd	533	22.9	17.3	59.9	39.6
lochpe Maxion	1,061	7.3	6.2	12.4	10.6
Taiyuan Heavy Industry	1,448	9.9	n/m	14.6	12.3
Peer median		8.5	7.1	14.6	16.1

KVBZ price, USD per share

Implied by Global peer median	5.81	5.31	6.61	8.26
Upside/Downside to peer average	64%	50%	87%	134%

SVGZ price, USD per share

Implied by Global peer median	1.22	1.14	1.18	1.47
Upside/Downside to peer average	53%	43%	48%	84%

Source: Bloomberg, Company data, Concorde Capital projections

Kryukiv, Stakhaniv Wagon

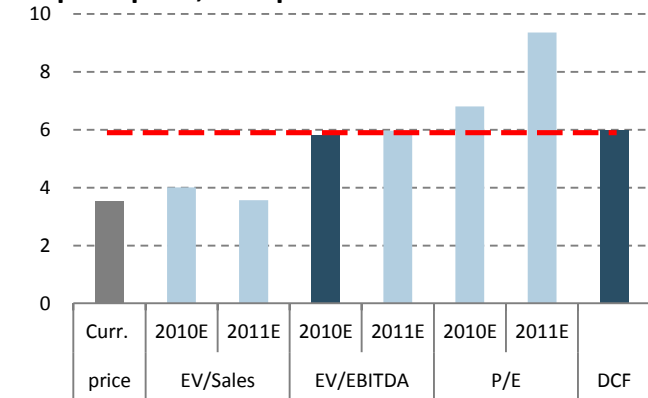
Kryukiv Wagon

PFTS/UX ticker:	KVBZ	•Railcar output increased by 5.6 times y-o-y in 7M10, and over the past five months output of freight railcars is higher than historical monthly maximum
MCap, USD mln:	406	•EBITDA margin at 13% in 1H10, yet lower than 19-23% in 2008 but up from 2-7% in 1Q-3Q09
FF, %:	4.7%	•Sales up 4x y-o-y to USD 230 mln in 1H10
FF, USD mln:	19.1	•The only producer of passenger railcars in Ukraine with currently idle capacities; renewal of purchases from Ukrzalyznytsya or new orders from CIS may boost output by 1.5x through 2015. WATCH: Ukrzalyznytsya debt issuance
Last price, USD:	3.54	•Entered the subway car market in 2H09; received its first order for 30 cars from Kyiv Metro, ~15% of 2009 sales. The segment could increase to up to ~25% of sales in two-five years, subject to Kyiv city debt issuance
Target price, USD:	5.8	
Upside:	64%	
Net Debt/EBITDA10E	-0.1x	
Net debt/Equity 10E:	0x	

Stakhaniv Wagon

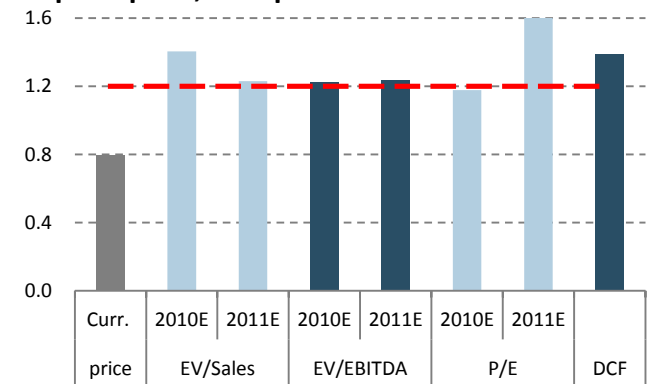
PFTS/UX ticker:	SVGZ	•Output of freight railcars up 10x y-o-y in 1H10, monthly output in 2010 equals pre-crisis highs of 2008
MCap, USD mln:	181	•EBITDA margin at 12% in 1H10, in line with highs posted in 2008
FF, %:	8%	•Likely to get an order for approximately 5,000 railcars from Brunswick Rail (~90% of 2010E output). The latter is planning to place an order for c. 7,000 railcars with Ukrainian plants in 2010-12
FF, USD mln:	14.5	•Most liquid stock among Railway Machinery: avg monthly trading volume at USD 3.6 mln in last 6M
Last price, USD:	0.80	•Stock included in UX basket since 15 September 2010
Target price, USD:	1.20	
Upside:	64%	
Net Debt/EBITDA10E	0.9x	
Net debt/Equity 10E:	0.5x	

Implied price, USD per share



Source: Concorde Capital

Implied price, USD per share

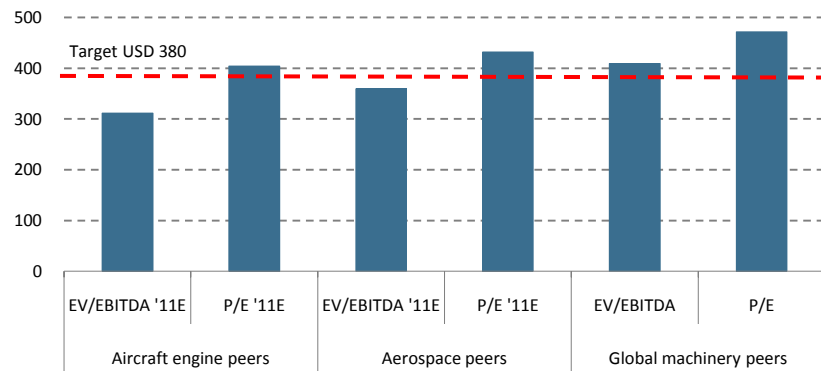


Source: Concorde Capital

Motor Sich

PFTS/UX ticker:	MSICH	<ul style="list-style-type: none"> • Posted impressive 51% y-o-y sales growth in 1H10
MCap, USD mln:	590	<ul style="list-style-type: none"> • EBITDA margin remains strong at 30% in 1H10, twice the peer median
FF, %:	34%	<ul style="list-style-type: none"> • Offers a new generation of jet and helicopter engines that fit Russian state sponsored programs
FF, USD mln:	140	<ul style="list-style-type: none"> • Three of four new Russian/Ukrainian regional passenger jets (An-140, An-148 and Tu-334) require Motor Sich engines (TV3-117, D-436)
Last price, USD:	284	<ul style="list-style-type: none"> • USD-denominated sales hedge against forex risks related to USD-denominated debt
Target price, USD:	380	<ul style="list-style-type: none"> • Disappointing 1% dividend payout after strong 2009
Upside:	34%	
Net Debt/EBITDA10E	0.1x	
Net debt/Equity 10E:	0.3x	

Price implied by 11E median peer multiples, USD per share



Source: Bloomberg, Company data, Concorde Capital

Peer multiples

	MCap USD mln	EV/EBITDA		P/E	
		10E	11E	10E	11E
Motor Sich	590	3.8	5.1	5.9	8.1
Aircraft engine peers					
IHI Corporation	2,750	6.0	5.2	14.7	10.9
Ufimskiy Motors	n/a	n/a	n/a	n/a	n/a
Magellan Aerospace Corp	48	3.2	2.8	2.6	2.1
Sichuan Chengfa	453	20.0	17.3	46.2	37.2
MTU Aero Engines	3,035	6.7	6.0	14.3	12.0
Median		6.4	5.6	14.5	11.5

Price MSICH, USD per share

Implied by engines peer median	488.6	311.4	697.7	404.3
Upside/Downside	72%	10%	146%	42%

Aerospace peers

Boeing Co	47,296	8.4	7.1	16.3	13.0
Lockheed Martin	25,636	5.4	5.3	9.2	9.3
Cobham	3,938	6.9	6.3	11.6	10.7
EADS	18,847	5.1	4.3	25.6	16.8
Finmeccanica	6,180	3.8	3.6	7.3	6.7
Meggitt PLC	2,885	7.4	6.5	10.5	9.3
Safran SA	10,897	7.0	5.6	17.5	12.8
Dassault Aviation	7,772	6.3	6.5	18.3	16.9
Textron	5,185	10.9	6.8	31.1	11.7
Zodiac SA	3,405	12.3	9.5	22.6	15.5
Median		7.0	6.4	16.9	12.2

Price MSICH, USD per share

Implied by aerospace peer median	535.1	359.5	812.9	432.2
Upside/Downside	88%	27%	186%	52%

Global machinery peers

United Technologies Corp	63,418	7.7	7.0	14.6	13.0
Honeywell International Inc	33,066	8.6	7.5	16.6	13.7
ABB	47,033	9.6	7.4	17.9	14.5
Siemens	87,166	7.5	6.7	13.4	11.9
Median		8.4	9.4	14.4	15.4

Price MSICH, USD per share

Implied by global peer median	632.7	409.4	750.6	471.4
Upside/Downside	123%	44%	164%	66%

Source: Bloomberg, Company data, Concorde Capital

Industrials: Key financials

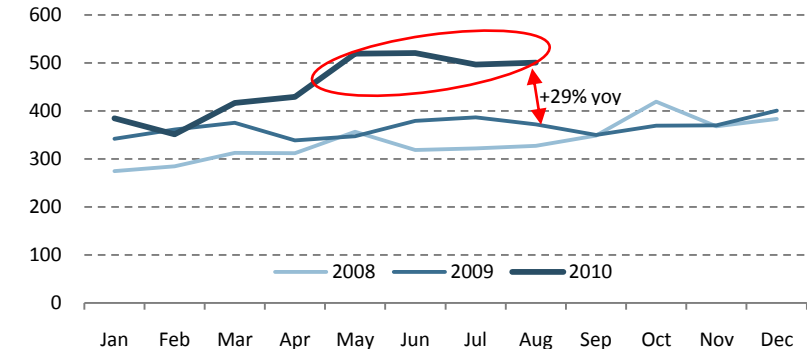
Kryukiv Wagon				Stakhaniv Wagon			
<i>USD mln</i>	2009	2010E	2011E	<i>USD mln</i>	2008	2009	2010E
Net Revenues	182	539	568	Net Revenues	59	360	396
EBITDA	18	77	85	EBITDA	6	36	40
<i>EBITDA Margin</i>	10%	14%	15%	<i>EBITDA Margin</i>	9%	10%	10%
Net Income	9	52	59	Net Income	-7	18	21
<i>Net Margin</i>	5%	10%	10%	<i>Net Margin</i>	-12%	5%	5%
Net Debt	-2	-12	-5	Net Debt	-11	30	23

Motor Sich			
<i>USD mln</i>	2009	2010E	2011E
Net Revenues	480.1	555.2	611.0
EBITDA	156.8	166.6	122.2
<i>EBITDA Margin</i>	32.7%	30.0%	20.0%
Net Income	95.0	100.0	73.3
<i>Net Margin</i>	19.8%	18.0%	12.0%
Shareholder Equity	318.8	413.8	483.5
Net Debt	63.6	48.6	33.6

Electricity Generators: Enjoying high prices

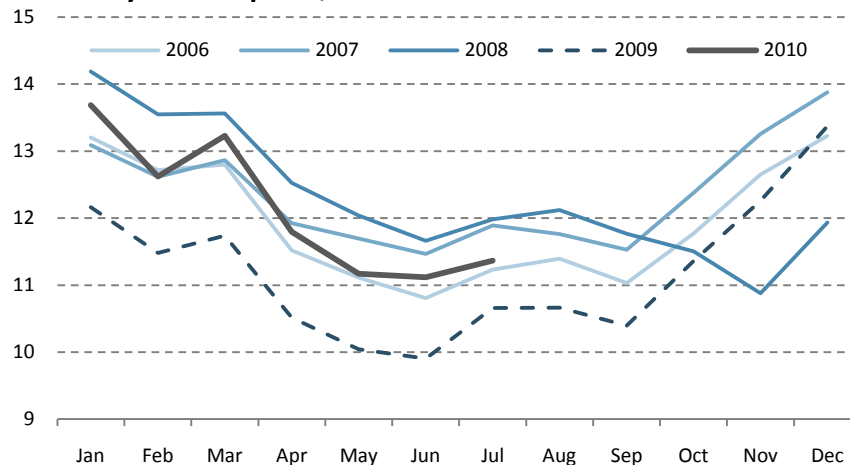
- Since May, thermal generators have been selling electricity at USD 63-65 per MWh, 36% above the avg. 2009 price. Such growth was unexpected; we projected only a 15% y-o-y hike
- Reflecting electricity price growth, GenCos improved their EBITDA margins by 17-21 percentage points in 2Q10 q-o-q
- Listed GenCos are in a prime position to feed domestic demand when it increases in the medium to long-term. We project 11% CAGR in output in 2010-16

Electricity price, UAH per MWh



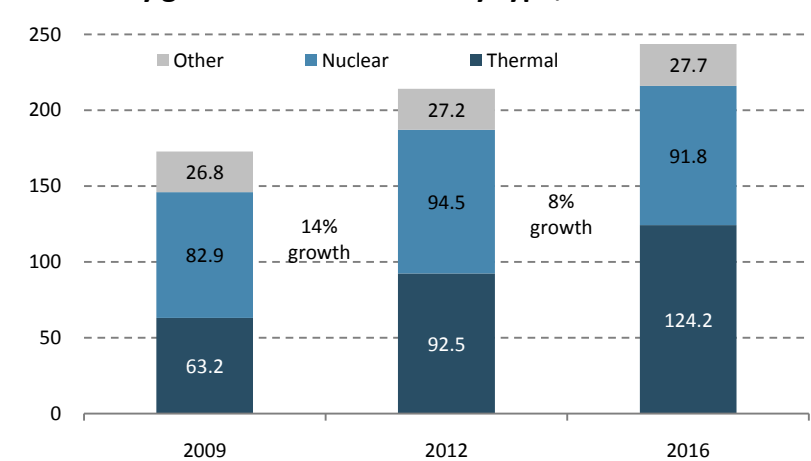
Source: NERC, Concorde Capital projections

Electricity consumption, mln MWh



Source: Energobusiness

Electricity generation in Ukraine by type, mln MWh



Source: Company data, Concorde Capital projections

Centrenergy, Donbasenergo

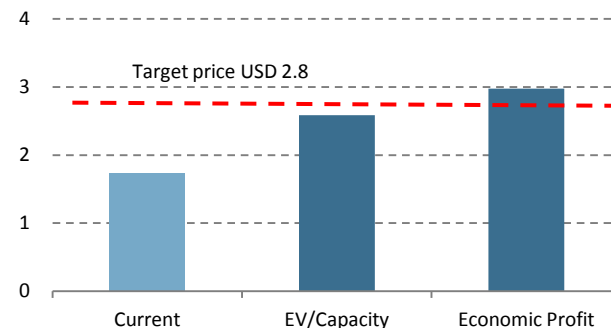
Centrenergy

PFTS/UX ticker:	CEEN	<ul style="list-style-type: none"> • Electricity output grew by 27% y-o-y in 1H10, the highest growth among generation companies (average 13% y-o-y). The company was able to offset a 17% decline in output by Zakhidenergo, which resulted from a shortage of bituminous coal on the market • Revenue grew by 40% y-o-y in 1H10. Both Centrenergy's revenue and output growth rates were the highest in the sector • EBITDA margin improved to 5% in 1H10 from minus 4% in 1Q10 and zero in 2009, thanks to a 29% q-o-q increase in electricity prices • CEEN is the most liquid among the GenCo stocks, average monthly trading volume of USD 13.6 mln
MCap, USD mln:	638.4	
FF, %:	21.7%	
FF, USD mln:	138.5	
Last price, USD:	1.7	
Target price, USD:	2.8	
Upside:	61%	
Net Debt/EBITDA10E	1.0x	
Net debt/Equity 10E:	0.3x	

Donbasenergo

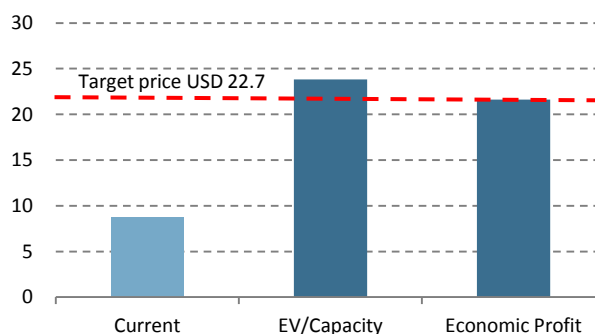
PFTS/UX ticker:	DOEN	<ul style="list-style-type: none"> • Output grew in line with the market in 1H10: 15% y-o-y vs. the 13% y-o-y average • EBITDA margin was minus 5% in 1H10. Profitability suffered due to technical problems with a generating unit, which led to fuel overconsumption and a lower selling price due to instability in production levels • Cheapest stock by EV/capacity: USD 94 vs. 155 median in the sector • Located in close proximity to coal mines, which we estimate should make coal approximately 5% cheaper once the coal market is liberalized over the next four years
MCap, USD mln:	205.5	
FF, %:	14.2%	
FF, USD mln:	29.2	
Last price, USD:	8.7	
Target price, USD:	22.7	
Upside:	161%	
Net Debt/EBITDA10E	4.8x	
Net debt/Equity 10E:	0.2x	

Implied price, USD per share



Source: Concorde Capital

Implied price, USD per share



Source: Concorde Capital

Electricity Generators: Key financials

Centrenergo				Donbasenergo			
<i>USD mln</i>	2009	2010E	2011E	<i>USD mln</i>	2009	2010E	2011E
Net Revenues	574	893	1094	Net Revenues	331	443	543
EBITDA	-0.2	89.3	124.2	EBITDA	12	9	21
<i>EBITDA Margin</i>	<i>0%</i>	<i>10%</i>	<i>11%</i>	<i>EBITDA Margin</i>	<i>4%</i>	<i>2%</i>	<i>4%</i>
Net Income	-32.1	39.3	63.0	Net Income	-4	-14	-7
<i>Net Margin</i>	<i>-6%</i>	<i>4%</i>	<i>6%</i>	<i>Net Margin</i>	<i>-1%</i>	<i>-3%</i>	<i>-1%</i>
Net Debt	90.1	88.7	88.7	Net Debt	72	43	43

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