

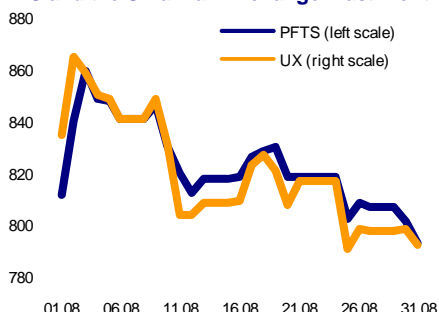
# UKRAINIAN STOCK MARKET



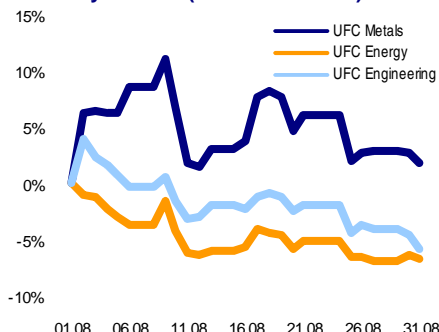
## Daily review

September 1, 2010

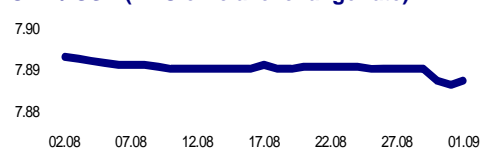
PFTS and the Ukrainian Exchange: Last month



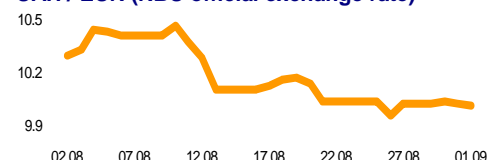
UFC family indices (01.08.2010 = 0%)



UAH / USD (NBU official exchange rate)



UAH / EUR (NBU official exchange rate)



## STRATEGY

### UFC Capital daily market view

**Equity market.** Throughout the last trading session of the summer, the UX Index was well below zero and the only attempt to rise to zero took place close to the end of the trading day, though it was unsuccessful. As a result, the main Ukrainian index dropped to 1979.53 points, losing 0.8%. For about three weeks now, the index has been close to the 2000-point mark, demonstrating some negative dynamics. If this tendency persists until the end of the week, it will be possible to confirm that this level has been penetrated in a downward direction.

Trading volume rose moderately on Tuesday, up to UAH 89.0 mln hryvnia, due to an increase in the trading volume on the futures market by more than two times, reaching UAH 18.2 mln hryvnia. On the order-driven market, the best performing shares were those characterized by low liquidity – Dzerzhinsky Iron and Steel (DMKD; BUY), which grew 8.75%, Galnaftogaz (GLNG), which rose 4.95%, and several other securities. Among the worst performers on the order-driven market were Zhytomyroblenergo (ZHEN), which fell by 3.50%, Dakor West (DAKOR), down 3.43% and Luganskteplovoz (LTPL; SELL), which shed 3.41%. On the quote-driven market, there was a remarkable drop in quotations for Zaporizhstal (ZPST; SELL), by 7.92% on Tuesday.

The trading volume for Avdiivka Coke (AVDK; SELL) declined from 22.8 mln hryvnia on August 30 to 9.5 mln hryvnia on August 31. However, these stocks are still the most traded on the market.

We also note the listing of four companies on the UX: Shostka City Milk Plant (SHMK), Zhydachiv Pulp & Paper (ZCPK), Dnipropetrovsk Switches (DSTR), and Dnepropetrovsk Steelwork Plant named after Babushkin (DZMK).

Vladimir Landa

Major indices			
	31.08	30.08	Change
UX index	1979.53	1995.47	-0.80%
PFTS index	792.82	801.61	-1.10%
UFC index	187.05	188.37	-0.70%
UC Metals	225.25	227.21	-0.87%
UFC Energy	421.73	423.13	-0.33%
UFC Engineering	151.69	153.81	-1.38%

Foreign exchange rates			
	01.09	31.08	Change
UAH/USD	7.88670	7.88610	0.01%
UAH/EUR	10.00034	10.01535	-0.15%
UAH/RUR	0.25551	0.25718	-0.65%

General meetings			
01.09.2010	SUNI	Sun InBev Ukraine	
01.09.2010	PREN	Prykarpattiaoblenergo	
01.09.2010	SUNI	Sun InBev Ukraine	
02.09.2010	ZPST	Zaporizhstal	
02.09.2010	-	Illich Steel	
02.09.2010	MMKI	Mariupol Illich Iron and Steel	
03.09.2010	SHCHZ	Pokrovskoe Coalmine	
03.09.2010	LVON	Lvivoblenergo	
07.09.2010	DNSS	Dnipropetsstal	
09.09.2010	FARM	Farmak	
10.09.2010	ODEN	Odesaoblenergo	
14.09.2010	CHON	Cherkasyoblenergo	
17.09.2010	CHVO	Cherkasy Khimvolokno	
17.09.2010	UGZB	Ukrghazbank	

Other events			
02.09.2010	-	ECB Meeting	
07.09.2010	-	BoY Meeting	
09.09.2010	-	Bank of England Meeting	

Most important expected statistics					
Date	Time (+02:00 GMT)	Country / Region	Indicator	Period	Bloomberg survey
01.09	14:00	USA	MBA Mortgage Applications	Week ending August 27	-
02.09	8:30	France	ILO Unemployment Rate	2Q	10.0%
02.09	8:30	France	ILO Mainland Unemployment Rate	2Q	9.6%
02.09	11:00	Italy	PPI (MoM)	July	0.4%
02.09	11:00	Italy	PPI (YoY)	July	4.3%
02.09	12:00	Eurozone	Euro-Zone GDP s. a. (QoQ)	2Q P	1.0%
02.09	12:00	Eurozone	Euro-Zone GDP s. a. (YoY)	2Q P	1.7%
02.09	12:00	Eurozone	PPI (MoM)	July	0.3%
02.09	12:00	Eurozone	PPI (YoY)	July	4.0%
02.09	14:45	Eurozone	ECB Announces Interest Rates	September 2	1.00%
02.09	15:30	USA	Initial Jobless Claims	Week ending August 28	475K
02.09	15:30	USA	Continuing Claims	Week ending August 21	4440K
02.09	17:00	USA	Factory Orders	July	0.3%
02.09	17:00	USA	Pending Home Sales MoM	July	-1.0%
02.09	17:00	USA	Pending Home Sales YoY	July	-

## FIXED INCOME MARKET

### VAT bonds: the fourth and last tranche?

On August 31, the Ministry of Finance of Ukraine issued the fourth tranche of the VAT bonds in the amount of 6.04 bln hryvnia.

The ISIN of the new VAT bonds tranche is ISIN UA4000083059. The interest and amortization payments for this security will be made as follows: on March 1 and August 30, 2011; February 28 and August 28, 2012; February 26 and August 27, 2013; February 25 and August 26, 2014; February 24 and August 25, 2015.

As a result of the fourth tranche, the total volume of VAT bonds comes to a total of 16.4 bln hryvnia, which corresponds to the preliminary estimates of the government. Thus, the entire VAT bonds issue has effectively been completed. However, we do not rule out the possibility that, after some revision of the register, MinFin may implement additional tranches for an insignificant amount.

In our opinion, despite the current strong demand from market participants, such a quick issue of VAT bonds, amounting to UAH 16.4 bln within the past three working days, will increase the discount on these bonds from the current 20% to 25% and possibly higher.

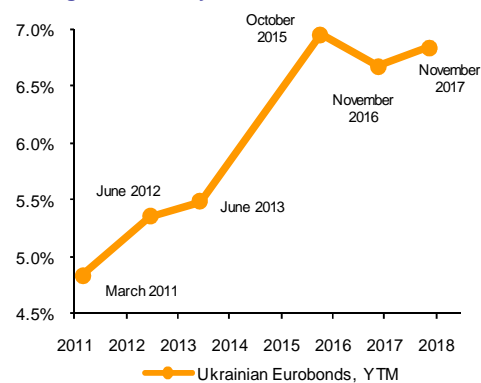
Artem Kost

### VAT bonds no obstacle to OVDP placement

Despite the substantial volume of the second and third tranches of VAT bonds, which were made prior to the OVDP auction on Tuesday, market participants' activity dropped insignificantly. The volume of funds raised amounted to 1.06 bln hryvnia, which is only 13% less than a week earlier.

Traditionally, the main demand at such placements has been short bonds. This time around, nine bids for 850 mln hryvnia were submitted for the series maturing in February 2011, with six of them satisfied for 742 mln hryvnia. The placement

### Sovereign Eurobonds yields curve



### Ukrainian bonds rating (Internal methodology\*)

Corporate		
Agromat, 1-B	OAGMTB	ufcBB
Amstor, 1-E	OAMSE	ufcCCC
Bogdan, 1-B	OLUAZB	ufcBB
Galychina, 1-C	OGLCHC	ufcB
Galnaftogaz, 1-E	ONGNE	ufcBBB
Donetskstal, 1-A	CODSTA	ufcBB
Kirovogradoblenezero, 1-A	OKIONA	ufcB
Konti, 1-B	OKKOB	ufcB
MAUP, 1-A	OMAUPA	ufcB
Sevastopolenergo, 1-A	OSENA2	ufcB
Sumykhimprom, 1-A	OSUMHA	ufcCC
Favorit, 1-B	COFRAB	under review
HARP Trading, 1-B	OHRPTB	ufcBB
Khlibprom, 1-D	OHLPD	ufcB
Financial		
Alfa Bank, 1-F	OALFF	ufcBBB-
Khreschatik Bank, 1-E	OBXRE	ufcBBB
Dongorbank, 3-C	ODGBC2	ufcB
Imexbank, 1-A	OIMEXA	ufcBB
Kreditprombank, 1-F	COKPBF	ufcCC
PUMB, 1-B	OPUMB	ufcA
Raiffeisen Bank Aval, 1-B	OBVLB	ufcA
Rodovid Bank, 1-C	ORODBC	ufcCC
Ukrzazbank, 1-A	OUGZBA	ufcCCC
Ukrzotsbank, 1-D	OUSCD	ufcA
Forum, 1-C	OPRXBC	ufcBBB

\*. Follow the link below to learn about the internal methodology of UFC Capital for corporate bonds' ratings: [http://www.ufc-capital.com/ru/analysis/bonds\\_rate.htm](http://www.ufc-capital.com/ru/analysis/bonds_rate.htm)

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yield was 9%.

The OVDPs maturing in August 2011 attracted ten bids for 179 mln hryvnia. The Ministry of Finance satisfied only four bids at the lowest yields (11%), for a total placement of 68 mln hryvnia.

The three-year special “football” OVDPs, which are used by banks for covering mandatory reserves, attracted three bids for 250 mln hryvnia at an effective yield of 12%. At the same time, the government failed to place any regular three-year OVDPs.

Overall, the first three tranches of VAT bonds has not caused a significant drop in activity at the OVDP placement. Nevertheless, after the fourth tranche comes onto the secondary market, we expect that activity in the primary market will wane.

**Artem Kost**

## Liquid shares of the Ukrainian issuers: fundamentals

Ticker	Company	Price \$	MCap \$ mln	EV \$ mln	Sales \$ mln	EBITDA \$ mln	Earnings \$ mln	Book Value \$ mln
<b>Steel</b>								
ALMK	Alchevsk Iron & Steel	0.021	546	1204	1292	54	-114	306
AZST	Azovstal	0.35	1 490	1665	2014	106	-27	1921
DNSS	Dniprospsstal	191.90	206	372	276	18	-15	22
ENMZ	Enakievo Steel	24.21	255	250	786	-89	-110	74
KSTL	ArcelorMittal Kryviy Rih	0.96	3 711	3798	2357**	75	-15	1451
MMKI	Mariupol Illich Iron and Steel	0.15	1 860	1822	1712	43	-33	1469
ZPST	Zaporizhstal	0.60	1 576	1745	1150	33	-37	788
<b>Iron ore</b>								
PGOK	Poltava Mining	5.37	1 026	1160	514	73	22	427
PGZK	Southern Mining	0.74	1 586	1610	273	5	-9	477
SGOK	Northern Mining	1.23	2 838	2860	753	331	160	1459
<b>Coke</b>								
ALKZ	Alchevsk Coke	0.052	156	182	507	32	9	198
AVDK	Avdiivka Coke	1.93	377	380	477	-23	-64	706
YASK	Yasinovka Coke	0.46	127	157	272	22	11	112
<b>Pipes</b>								
DTRZ	Dnipropetrovsk Pipes	11.50	12	30	62**	-10	-15	32
HRTR	Khartsyzsk Pipes	0.15	389	385	620	123	76	204
NITR	Nizhnedniprovsky Pipe Rolling	1.14	457	602	472**	22	-46	380
NVTR	Novomoskovsk Pipes	0.37	74	77	143**	19	-4	107
<b>Coal</b>								
SHCHZ	Chervonoarmiyska-Zakhidna Coalmine #1	0.64	543	557	278	44	3	160
SHKD	Komsomolets Donbasa Coalmine	0.49	166	267	140	42	-10	91
<b>Oil</b>								
UNAF	Ukrnafta	33.94	1 840	1855**	1841**	442**	303**	896**
<b>Power Generation</b>								
CEEN	Centrenerg	1.67	616	704**	674**	22**	-3**	236**
DNEN	Dniproenergo	132.09	788	858**	634**	50**	13**	264**
DOEN	Donbasenergo	8.51	201	244**	364**	8**	-17**	82**
ZAEN	Zakhidenergo	66.26	847	934**	567**	-4**	-28**	114**
<b>Power Distribution</b>								
DNON	Dniprooblenergo	35.08	210	175**	1208**	32**	12**	34**
KIEN	Kyivenergo	1.91	207	262**	947**	-38**	-126**	154**
KREN	Krymenergo	0.41	71	73**	202**	14**	4**	15**
<b>Fertilizers</b>								
STIR	Stirol	11.52	313	274	244	-31	-42	294
<b>Machine engineering</b>								
AVTO	Ukravto	15.96	101	206	213	15	1	321
AZGM	Azovzagalmash	1.69	79	245	250	-2	-26	-43
DRMZ	Druzhkivka Machine Engineering	0.19	39	38	80	-5	-10	12
KVBZ	Kryukiv Railcar	3.51	403	401	182	18	9	154
LTPL	Luganskteplovoy	0.51	111	121**	47**	-7**	-14**	-6**
LUAZ	Bogdan Motors	0.024	105	469**	185**	-1**	-37**	155**
MSICH	Motor Sich	281.72	585	619**	561**	180**	115**	375**
MZVM	Mariupol Heavy Machine Engineering	2.69	41	125	137	-3	-21	13
SMASH	Sumy Frunze Machine Engineering	6.42	457	614	424	111	52	141
SVGZ	Stakhanov Railcar	0.78	176	176	59	6	-7	50
TATM	Turboatom	0.62	263	241**	114**	33**	25**	142**
<b>Abrasives</b>								
ZABR	Zaporizhzhya Abrasives	0.23	7	12*	40	4	1	30*
<b>Food industry</b>								
SLAV	Slavutych Brewery and Beverages	0.34	319	400	268	75	28	156
SSOL	Slavuta Malt	1.48	37	50**	53**	9**	5**	14**
SUNI	Sun InBev Ukraine	0.047	447	465	423	120	50	195
<b>Construction</b>								
MTBD	Mostobud	45.19	26	44	90	7	0	54
<b>Telecommunications</b>								
UTLM	Ukrtelecom	0.072	1 356	1682**	880**	183**	-36**	863**
<b>Financial services</b>								
BAVL	Raiffeisen Bank Aval	0.055	1 658	-	-	-	-113**	811**
USCB	Ukrsotsbank	0.069	880	-	-	-	10**	765**
FORM	Forum	0.86	402	-	-	-	-235**	354**

Data for 2009.\* - data for April 2009 - March 2010; \*\* - data for July 2009 – June 2010.

## Liquid shares of the Ukrainian issuers: market multiples

Ticker	Company	EV/S	P/S	EV/ EBITDA	P/ E	P/BV
<b>Steel</b>		<b>1.13</b>	<b>1.01</b>	<b>45.08</b>	<b>neg.</b>	<b>1.60</b>
ALMK	Alchevsk Iron & Steel	0.93	0.42	22.10	neg.	1.79
AZST	Azovstal	0.83	0.74	15.66	neg.	0.78
DNSS	Dniprospsststal	1.35	0.75	20.32	neg.	9.24
ENMZ	Enakievo Steel	0.32	0.32	neg.	neg.	3.44
KSTL	ArcelorMittal Kryviy Rih	1.61	1.57	50.48	neg.	2.56
MMKI	Mariupol Illich Iron and Steel	1.06	1.09	42.39	neg.	1.27
ZPST	Zaporizhstal	1.52	1.37	53.41	neg.	2.00
<b>Iron ore</b>		<b>3.66</b>	<b>3.54</b>	<b>13.78</b>	<b>31.60</b>	<b>2.31</b>
PGOK	Poltava Mining	2.26	2.00	15.95	46.54	2.40
PGZK	Southern Mining	5.90	5.81	312.80	neg.	3.33
SGOK	Northern Mining	3.80	3.77	8.65	17.75	1.95
<b>Coke</b>		<b>0.57</b>	<b>0.53</b>	<b>23.34</b>	<b>neg.</b>	<b>0.65</b>
ALKZ	Alchevsk Coke	0.36	0.31	5.76	16.65	0.79
AVDK	Avdiivka Coke	0.80	0.79	neg.	neg.	0.53
YASK	Yasinovka Coke	0.58	0.47	7.21	11.96	1.13
<b>Pipes</b>		<b>0.84</b>	<b>0.72</b>	<b>7.14</b>	<b>89.29</b>	<b>1.29</b>
DTRZ	Dnipropetrovsk Pipes	0.49	0.20	neg.	neg.	0.38
HRTR	Khartsyzsk Pipes	0.62	0.63	3.13	5.15	1.91
NITR	Nizhnedniprovsky Pipe Rolling	1.28	0.97	27.45	neg.	1.20
NVTR	Novomoskovsk Pipes	0.53	0.51	4.11	neg.	0.69
<b>Coal</b>						
SHCHZ	Pokrovskoe Coalmine	2.01	1.96	12.57	189.64	3.39
SHKD	Komsomolets Donbasa Coalmine	1.91	1.19	6.36	neg.	1.82
<b>Oil</b>						
UNAF	Ukrnafta	1.01	1.00	4.20	6.07	2.05
<b>Power Generation</b>		<b>1.22</b>	<b>1.10</b>	<b>36.13</b>	<b>neg.</b>	<b>3.53</b>
CEEN	Centrenergo	1.04	0.91	31.83	neg.	2.61
DNEN	Dniproenergo	1.35	1.24	17.22	59.64	2.99
DOEN	Donbasenergo	0.67	0.55	32.43	neg.	2.46
ZAEN	Zakhidenergo	1.65	1.49	neg.	neg.	7.43
<b>Power Distribution</b>		<b>0.22</b>	<b>0.21</b>	<b>57.13</b>	<b>neg.</b>	<b>2.39</b>
DNON	Dniproblenergo	0.15	0.17	5.46	17.89	6.11
KIEN	Kyivenergo	0.28	0.22	neg.	neg.	1.34
KREN	Krymenergo	0.36	0.35	5.00	19.47	4.65
<b>Fertilizers</b>						
STIR	Stirol	1.12	1.28	neg.	neg.	1.06
<b>Machine engineering</b>		<b>1.45</b>	<b>1.05</b>	<b>9.47</b>	<b>27.37</b>	<b>1.80</b>
AVTO	Ukravto	0.97	0.48	13.87	150.30	0.31
AZGM	Azovzagalmash	0.98	0.31	neg.	neg.	neg.
DRMZ	Druzhkivka Machine Engineering	0.47	0.50	neg.	neg.	3.25
KVBZ	Kryukiv Railcar	2.20	2.21	21.96	43.94	2.61
LTPL	Luganskteplovoy	2.56	2.34	neg.	neg.	neg.
LUAZ	Bogdan Motors	2.54	0.57	neg.	neg.	0.68
MSICH	Motor Sich	1.10	1.04	3.45	5.09	1.56
MZVM	Mariupol Heavy Machine Engineering	0.91	0.30	neg.	neg.	3.29
SMASH	Sumy Frunze Machine Engineering	1.45	1.08	5.54	8.83	3.24
SVGZ	Stakhanov Railcar	3.00	3.01	31.79	neg.	3.55
TATM	Turboatom	2.12	2.32	7.36	10.40	1.85
<b>Abrasives</b>						
ZABR	Zaporizhzhya Abrasives	0.31	0.18	3.00	10.14	0.23
<b>Food industry</b>						
SLAV	Slavutych Brewery and Beverages	1.49	1.19	5.32	11.19	2.04
SSOL	Slavuta Malt	0.94	0.69	5.83	7.90	2.62
SUNI	Sun InBev Ukraine	1.10	1.06	3.88	8.96	2.29
<b>Construction</b>						
MTBD	Mostobud	0.49	0.29	6.72	180.47	0.49
<b>Telecommunications</b>						
UTLM	Ukrtelecom	1.91	1.54	9.17	neg.	1.57
<b>Financial services</b>					<b>neg.</b>	<b>1.52</b>
BAVL	Raiffeisen Bank Aval	x	x	x	neg.	2.04
USCB	Ukrsotsbank	x	x	x	84.10	1.15
FORM	Forum	x	x	x	neg.	1.14

Note: Multiples are estimated, based on the latest available data. Periods for which recent data are available are listed in the table "Liquid shares of Ukrainian issuers: fundamentals."

## Eurobonds

Issuer	bid	ask	Yield (bid)	Yield (offer)	Coupon	Z-Spread* (bid/offer)	Volume, mln	Currency	Maturity
Ukraine, 2011	100.50	101.00	5.85%	4.84%	6.875%	534/ 483	600	USD	04.03.2011
Ukraine, 2012	101.25	101.75	5.64%	5.35%	6.385%	493/ 464	500	USD	26.06.2012
Ukraine, 2013	105.00	105.50	5.67%	5.48%	7.650%	477/ 458	1 000	USD	11.06.2013
Ukraine, 2015	91.00	91.50	7.08%	6.95%	4.950%	538/ 525	600	EUR	13.10.2015
Ukraine, 2016	99.00	99.50	6.78%	6.68%	6.580%	495/ 485	1 000	USD	21.11.2016
Ukraine, 2017	99.00	99.50	6.93%	6.84%	6.750%	480/ 471	700	USD	14.11.2017
IUD, 2010	20.00	40.00	-	-	9.250%	N/A	150	USD	23.09.2010
Azovstal, 2011	100.00	100.50	9.22%	8.15%	9.125%	861/ 701	175	USD	28.02.2011
Kyiv, 2011	99.00	100.25	9.83%	8.30%	8.625%	907/ 754	200	USD	15.07.2011
UkrSibbank, 2011	101.50	102.25	7.52%	6.67%	9.250%	672/ 587	250	USD	04.08.2011
Ukreximbank, 2011	100.50	101.00	7.13%	6.61%	7.650%	626/ 574	500	USD	07.09.2011
UkrSibbank, 2011	100.50	101.00	7.33%	6.92%	7.750%	652/ 611	500	USD	21.12.2011
Privatbank, 2012	97.50	98.25	9.91%	9.33%	8.000%	913/ 854	500	USD	06.02.2012
Alfa Bank (Ukraine), 2012	101.00	101.50	12.38%	12.08%	13.000%	1135/1056	841	USD	30.07.2012
Ukreximbank, 2012	99.00	99.50	7.32%	7.06%	6.800%	662/ 636	250	USD	04.10.2012
Kyiv, 2012	96.75	97.50	9.90%	9.51%	8.250%	915/ 876	250	USD	26.11.2012
Finance and Credit, 2014	82.50	86.00	17.54%	15.99%	10.500%	1648/1493	100	USD	25.01.2014
VAB Bank, 2014	73.00	76.50	21.21%	19.56%	10.500%	1987/1825	125	USD	14.06.2014
Naftogaz of Ukraine, 2014	109.50	110.00	6.79%	6.66%	9.500%	553/ 546	1 595	USD	30.09.2014
PUMB, 2014	91.00	93.50	13.82%	13.00%	11.000%	1248/1167	275	USD	31.12.2014
Ukreximbank, 2015	103.00	103.50	7.59%	7.47%	8.375%	616/ 604	500	USD	27.04.2015
DTEK, 2015	100.75	101.50	9.29%	9.09%	9.500%	787/ 767	500	USD	28.04.2015
MHP, 2015	102.00	102.75	9.70%	9.50%	10.250%	829/ 809	585	USD	29.04.2015
Metinvest, 2015	103.50	104.50	9.31%	9.05%	10.250%	781/ 762	500	USD	20.05.2015
Kyiv, 2015	90.00	91.00	10.55%	10.28%	8.000%	899/ 871	250	USD	06.11.2015
Privatbank, 2016	93.25	94.75	10.40%	10.02%	8.750%	2568/2158	150	USD	09.02.2016
Ukreximbank, 2016	95.50	97.25	9.48%	9.05%	8.400%	785/ 742	125	USD	09.02.2016

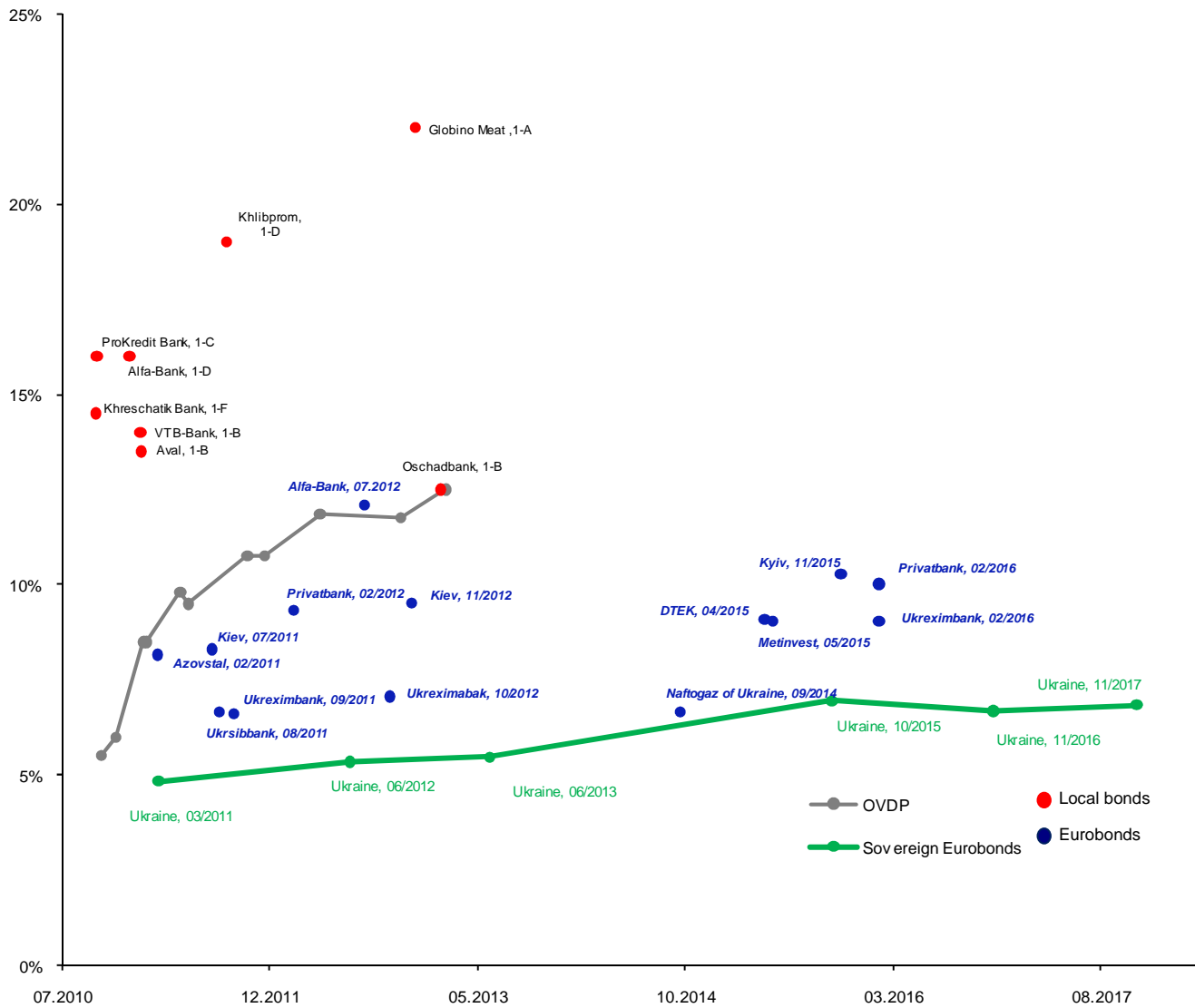
\*- Z-spread over US state bonds

## OVDPs

Issuer, ticker	bid	ask	Yield (bid)	Yield (offer)	Coupon	Maturity
Ukraine, 63309*	991.82	993.56	7.00%	5.50%	-	13.10.2010
Ukraine, 61725*	985.26	987.34	7.00%	6.00%	-	17.11.2010
Ukraine, 63648*	963.85	966.68	9.25%	8.50%	-	26.01.2011
Ukraine, 74173*	961.22	965.16	9.50%	8.50%	-	02.02.2011
Ukraine, 54456	1 128.84	1 133.23	10.50%	9.80%	20.00%	27.04.2011
Ukraine, 66526*	928.87	936.62	10.75%	9.50%	-	18.05.2011
Ukraine, 61089	1 239.21	1 246.79	11.45%	10.75%	25.14%	12.10.2011
Ukraine, 62012	1 151.98	1 160.61	11.50%	10.75%	20.00%	23.11.2011
Ukraine, 53912	1 114.57	1 120.21	12.25%	11.85%	15.70%	11.04.2012
Ukraine, 61451	1 211.48	1 226.07	12.50%	11.75%	20.00%	31.10.2012
Ukraine, 64018	1 246.50	1 262.95	13.25%	12.50%	20.00%	20.02.2013

Note: For issues marked \* simple yields are specified, while for the rest issues – effective yields

## Ukrainian bond yields



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