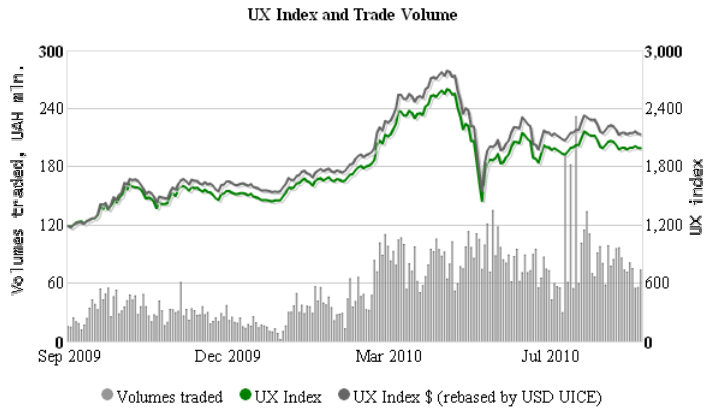


MARKET COMMENT

On Thursday, September 9, the Ukrainian stock indicators closed with growth on the back of positive statistics. According to the trading results, the UX Index rose by 0.15% and the PFTS Index increased by 0.47%. Among the leaders of trading on the UX in terms of volume was Stirol (UAH 14.5) mln, while among the leaders of growth was machinery - LuAZ (+1.76), Kryukiv Railcar (+4.25), Stakhaniv Railcar Works (+4.13). Asian stocks rose for the first time in three days after Australian employers added more workers than estimated and an improving appetite for European government debt eased concerns over the region's budget deficit crisis. European stocks rose after positive statistics from the U.S. were published. Initial jobless claims dropped by 27,000 to 451,000 last week, Labor Department figures showed, trailing the median economists' estimate of 470,000 in a Bloomberg survey. The overall U.S. trade deficit narrowed to \$42.8 billion from \$49.8 billion in June. Influenced by this news, American stocks opened with an increase. Today, at the opening, the attention will be drawn not only to the situation in the U.S. market but also to the data on the trade balance from China 2Q10 and the revised GDP from Japan 2Q10. At 3.30 PM Kiev time, statistics on wholesale sales in the U.S. will also be issued.



Source: UX data

UAH CURRENCY EXCHANGE

Currency	NBU rate	UICE bid	UICE ask
US dollar [USD/UAH]	7.90	7.92	7.92
EURO [EUR/UAH]	10.04	10.06	10.07
Russian ruble [RUB/UAH]	0.25	0.25	0.25

CURRENCIES

Currency Pair	Rate	Δ day, %
EURO/US dollar [EUR/USD]	1.27	-0.06
English pound sterling/US dollar [GBP/USD]	1.54	-0.17
US dollar/Japanese yens [USD/JPY]	83.82	-0.11
US dollar/Swiss franc [USD/CHF]	1.01	0.32

COMMODITY MARKETS

Commodity	Price	Change	Δ %
Gold 100 Oz (COMEX) (USD/oz.)	1207.70	-4.10	-0.34
ICE Brent Crude Oil (USD/bbl.)	71.65	-0.28	-0.39
SBB HRC world price USD/t.	686.83	20.00	0.00
Wheat (CBT) (cents/bushel)	503.00	15.40	3.16

WORLD INDICES ON 2010-09-10 07:30:00

Share index	Value	Δ day	Δ Ytd
PFTS index [PFTSI]	810.30	0.47%	+41.44%
Ukrainian exchange index [UXI]	1991.80	-0.25%	+36.85%
RTS index [RTSI]	1454.61	0.27%	+0.69%
Dow Jones 30 Industrials [DJI]	10387.01	0.45%	-0.39%
SnP 500 Index [SPX]	1098.87	0.64%	-1.46%
UK FTSE 100 [FTSE]	5429.74	0.41%	+0.31%
Germany DAX [DAX]	6164.44	0.76%	+3.48%
Japan Nikkei 225 [NIKKEI]	9098.39	0.82%	-13.73%
Warsaw Stock Exchange [WIG20]	2530.63	2.09%	+5.94%
Hong Kong Hang Seng [HSI]	21167.27	0.37%	-3.22%

UPCOMING EVENTS

- EGM Odesaoblenergo (September 10)
- AGM Cherkasyoblenergo (September 14)
- AGM Nikopol Ferroalloys (September 22)
- EGM Myronivskyi Khliboprodukt (September 24)
- AGM Marganetskyi GOK (September 24)
- EGM Galychyna (24 September)

RECENT REPORTS

- Banking sector update. Mildly positive 1H2010
- LUAZ – Stuck In a Market Jam
- Luhanskteplovoz – at the wave of privatization
- Ukrainian VAT-bonds at crouch start
- Astarta – Non-stop sugar
- Landkom – Site visit impressions
- Ukrainian grain producers: ready to pump investments
- Power distributing companies: valuation update
- Sumy Frunze – century-long success story
- Svitlo Shakhtarya – deep digging value
- Motor Sich – faster, higher, stronger
- Time to collect stones
- Zaporizhtransformator – high voltage upside
- Turboatom – generating value
- Creativ – on the wings of success
- Ukraine's coke - back on track
- This is a democracy

Sources: PFTS, UKRAINIAN EXCHANGE, RBC, FTN Monitor LTD

NEWS HIGHLIGHTS

Ukraine maintains a special regime for taxation of agriculture

According to Vice Prime Minister Viktor Slauta, a special tax regime for agricultural companies and the fixed agricultural tax will be retained. [Read...](#)

Bogdan increases production by 3% in 8M2010

During January-August 2010, Bogdan Motors [LUAZ UZ] increased its production of cars by 3% YoY to 11,328 units. The MoM production increase in August accounted for 26%. The company downgraded its production predictions from 22,000 to 20,000 cars. [Read...](#)

DAILY MOVERS

Top performers	Last price, USD	Δ day, %	Δ week, %	Δ month, %	
Khersonoblenergo	HOEN	0.25	11.11	11.11	33.33
Dakor West	DAKOR	5.62	6.38	7.67	2.87
Dniprovsky Iron and Steel Integrated Wor	DMKD	0.05	5.00	0.00	-4.54
Krukivsky Carriage Works	KVBZ	3.93	4.25	12.58	10.85
Avdiivka Cokery Plant	AVDK	2.04	3.21	6.18	13.03
Bottom performers	Last price, USD	Δ day, %	Δ week, %	Δ month, %	
Khmelnitskoblenergo	HMON	0.25	-42.86	-42.86	-42.86
Dniprometiz	DMPO	88.33	-10.55	-10.55	-10.55
Dniprospetsstal	DNSS	180.44	-7.44	-7.44	-50.69
Concern Galnaftogas	GLNG	0.02	-4.55	-2.76	-4.85
Krymenergo	KREN	0.39	-4.31	-4.31	-4.31

UX data (09-09-2010), Sokrat estimates.

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Ukraine maintains a special regime for taxation of agriculture

According to Vice Prime Minister Viktor Slauta, a special tax regime for agricultural companies and the fixed agricultural tax will be retained.

Our view:

This decision is POSITIVE for agriculture companies. Farmers will be able to save about UAH 11.2 bln (USD 1.4 bln) per annum. This year, agriculture companies will pay about UAH 140 mln (USD 17.6 mln) in fixed agriculture tax, whereas in the case of its absence, they would be forced to pay about UAH 3 bln (USD 377.8 mln) in corporate income taxes (25% tax rate).

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Bogdan increases production by 3% in 8M2010

During January-August 2010, Bogdan Motors [**LUAZ UZ**] increased its production of cars by 3% YoY to 11,328 units. The MoM production increase in August accounted for 26%. The company downgraded its production predictions from 22,000 to 20,000 cars.

Our view:

Growth of production by Bogdan Motors has fallen slightly below our expectations. We consider production in September will demonstrate higher growth as the seasonal decline in sales and output ends. We downgrade our prediction for Bogdan production in 2010 to around 18,000 and maintain our recommendation to SELL LUAZ.

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UX INDEX														
Company	Sector	Value, USD			Δ day, %			Δ week, %			Δ month, %			MCap, USD mln
		Bid	Ask	Last	Bid	Ask	Last	Bid	Ask	Last	Bid	Ask	Last	
Alchevsk Metallurgical Plant	ALMK Metallurgy	0.02	0.02	0.02	1.54	0.70	0.94	7.25	-1.32	1.00	0.00	0.00	0.00	559.62
Avdiivka Cokery Plant	AVDK Coke	2.03	2.04	2.04	7.25	3.57	3.21	7.17	4.68	6.18	0.00	0.00	0.00	397.81
Azovstal Iron and Steel Works	AZST Metallurgy	0.36	0.36	0.36	10.38	0.10	-0.04	10.38	-0.69	0.91	0.00	0.00	0.00	1531.01
Raiffeisen Bank Aval	BAVL Banking	0.06	0.06	0.06	10.12	0.39	0.55	10.12	-3.80	1.19	0.00	0.00	0.00	1677.39
Centerenergo	CEEN Electricity	1.69	1.70	1.69	2.98	-0.30	-0.74	2.98	-0.67	-0.60	0.00	0.00	0.00	625.47
Enakievo Metallurgical Plant	ENMZ Metallurgy	24.10	24.28	24.10	5.89	6.67	-0.50	2.83	-8.55	-1.63	0.00	0.00	0.00	254.29
Forum Bank	FORM Banking	0.87	0.88	0.88	6.31	1.61	2.19	6.31	2.81	3.42	0.00	0.00	0.00	198.87
Motor Sich	MSICH Machinery	283.00	283.50	283.13	4.58	0.13	0.17	4.58	-0.44	0.63	0.00	0.00	0.00	588.33
Sumy Frunze Machine Building Plant	SMASH Machinery	5.83	6.01	6.01	3.54	1.07	1.13	2.46	-6.88	-6.25	0.00	0.00	0.00	426.88
Stirol	STIR Chemical	12.61	12.63	12.64	0.00	0.00	0.00	10.82	5.16	10.25	0.00	0.00	0.00	358.40
Ukrnafta	UNAF Oil & Gas	34.21	34.36	34.36	8.20	-0.11	-0.17	8.20	1.38	0.97	0.00	0.00	0.00	1863.12
Ukrsotsbank	USCB Banking	0.07	0.07	0.07	0.21	-0.37	-0.67	2.54	3.65	1.24	0.00	0.00	0.00	906.83
Ukrtelecom	UTLM Telecom	0.07	0.07	0.07	1.92	0.86	1.22	2.08	-22.32	1.52	0.00	0.00	0.00	1361.34
Yasnyivka Cokery Plant	YASK Coke	0.45	0.45	0.45	0.93	0.73	-0.20	7.92	-1.88	-2.16	0.00	0.00	0.00	123.96
Zakhidenergo	ZAEN Electricity	67.78	68.35	67.78	0.19	0.18	-0.56	2.68	3.35	1.85	0.00	0.00	0.00	866.91

OTHER COMPANIES														
Company	Sector	Value, USD			Δ day, %			Δ week, %			Δ month, %			MCap, USD mln
		Bid	Ask	Last	Bid	Ask	Last	Bid	Ask	Last	Bid	Ask	Last	
Dniproenergo	DNEN Electricity	134.03	137.83	137.83	8.16	-9.16	1.67	3.41	5.41	2.34	3.31	-9.16	-0.82	822.49
Donbasenergo	DOEN Electricity	8.61	8.70	8.70	0.02	-0.87	-0.02	0.68	0.51	0.51	-2.68	-3.63	-3.63	205.85
Khartsyzsk Tube Works	HRTR Pipes	0.15	0.15	0.15	3.87	-0.83	-0.81	2.27	-12.17	2.53	2.94	-4.68	1.68	397.58
AvtoKRAZ	KRAZ Machinery	0.02	0.02	0.02	12.50	-4.49	-0.54	0.00	-4.74	1.11	20.00	-22.26	-3.95	52.08
Krukivsky Carriage Works	KVBZ Machinery	3.86	3.94	3.93	9.28	-2.50	4.25	10.58	-4.00	12.57	10.27	7.58	10.85	451.72
Luganskteplovoz	LTPL Machinery	0.50	0.51	0.51	0.22	-2.05	-1.69	-0.07	-6.31	0.00	-13.03	-17.95	-15.02	112.25
LuAZ	LUAZ Machinery	0.02	0.02	0.02	1.73	1.54	1.75	0.83	0.00	0.30	1.09	-29.46	-3.85	107.79
Ilyich Iron and Steel Works	MMKI Metallurgy	0.15	0.15	0.15	2.16	-0.48	-0.96	1.23	2.90	1.15	22.47	-17.33	-17.93	519.61
Mostobud	MTBD Construction	45.03	46.28	45.64	2.92	-1.08	-1.16	-0.00	-3.43	-1.09	1.72	-11.79	-2.98	26.47
Mariupol Heavy Machine Building Plant	MZVM Machinery	2.72	2.75	2.75	2.47	-0.46	-0.23	-0.38	-9.66	0.03	1.46	-9.66	-4.81	46.97
Interpipe Novomoskovsk Pipe-Production Plant	NVTR Pipes	0.35	0.36	0.36	6.03	-7.93	0.00	-0.39	-9.93	-1.69	-3.83	-9.09	-2.35	73.34
Poltava Ore Mining and Processing Plant	PGOK Mining	5.48	5.59	5.51	3.17	-5.87	-1.58	5.76	5.08	-0.79	-8.51	-10.80	-10.82	1716.73
North Ore Mining and Processing Plant	SGOK Mining	1.27	1.27	1.27	0.00	0.00	0.00	7.43	-27.77	0.09	-2.96	-25.38	-4.54	4092.92
Krasnoarmiyska-Zahidna № 1 Coal Mine	SHCHZ Coal	0.62	0.63	0.63	0.62	-1.47	-0.95	-0.38	-4.64	0.00	-4.39	-10.26	-9.28	890.57
Stahanov Car Production Facility	SVGZ Machinery	0.83	0.84	0.84	7.80	3.64	4.12	6.48	4.03	7.37	6.08	-3.67	3.16	50.10

UX data (09-09-2010), Sokrat estimates.

ECONOMIC PERFORMANCE					SECTORIAL STATISTICS				
	2007	2008	2009E	2010E	Sector	Σ MCap, USD mln.	Δ day, %	Δ week, %	Δ month, %
Real GDP Growth (YoY)	7.6%	2.1%	-14.5%	3.5%	Agriculture	36.13	6.38	20.98	15.58
Nominal GDP (USD bln)	141.6	180.2	118.9	146.6	Automobile	106.47	-1.48	7.25	-5.67
Real Industrial Growth	10.2%	-3.1%	-18.5%	5.0%	Banking	3012.88	0.45	1.04	17.49
Consumer Price Index (YtD)	16.6%	22.3%	13.0%	15.0%	Chemical	222.24	0.00	2.45	-30.12
Unemployment (avg)	6.4%	6.4%	10.5%	9.0%	Coal	900.34	0.00	1.49	-26.91
Export (USD bln)	64.0	85.6	53.2	68.5	Coke	768.60	1.63	2.05	6.34
Import (USD bln)	71.9	100.1	54.9	70.0	Construction	46.04	0.80	5.21	-9.87
Foreign Direct Investment (USD bln)	7.9	10.7	4.0	4.0	Construction materials	170.88	0.00	0.00	-0.92
UAH/100USD(avg)	505.0	527.0	790.0	805.0	Consumer Goods	1868.30	0.00	0.33	-4.45
					Electricity	3927.74	-0.41	-1.01	-1.91
					Financials	17.73	0.00	-11.18	0.00
					Industrials	1140.66	-1.18	4.52	-2.20
					Insurance	134.21	0.00	0.00	0.00
					Machinery	2418.27	0.93	1.82	-3.55
					Metallurgy	9284.05	-0.11	-1.42	-13.58
					Mining	4956.23	2.44	2.68	-24.88
					Oil & Gas	1591.32	0.00	0.09	-21.77
					Pharmaceutical	9.83	0.00	0.00	0.00
					Pipes	1157.40	-0.28	-0.12	31.30
					Telecom	1157.93	0.00	1.03	0.00

Source: Sokrat estimates

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