

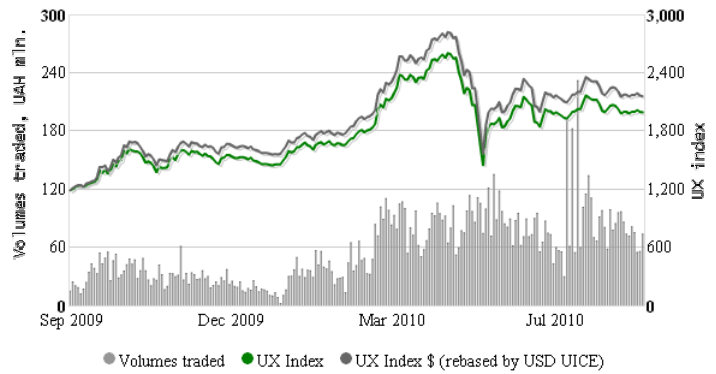
September 13, 2010

UX: 2003.72 -0.62% PFTS: 805.25 -0.62%

## MARKET COMMENT

On Friday, September 10, on the back of a negative environment, Ukrainian stock indicators closed in the red zone. As a result of trades, the UX index fell by 0.52% and the PFTS index slid 0.62%. The leader in growth was Avdiivka Coke (UAH 8.7 mln). According to last week's results, the leader in growth was Stirol, whose shares increased within the week by 12%, against confirmation of the rumors about the sale of the company. In addition, the company launched its second unit for the production of ammonia, which strengthens its fundamental attractiveness. Asian stocks rose for a second consecutive week as employment reports in the U.S. spurred optimism. Most European indexes on Friday traded in the red zone against the expected tightening of capital requirements for banks from the international banking regulator. At the beginning of next week, the issue of the European banking system would again be relevant, as the new requirements of the "Basel II" agreement, which should enhance the stability of the financial system of the euro area, was formulated on the last weekend. The coming week will also be rich in macroeconomic data from the U.S. - retail sales and industrial production are expected to confirm the slowdown in the economy.

UX Index and Trade Volume



Source: UX data

## NEWS HIGHLIGHTS

### Ukraine's electricity consumption up 10.2% in 8M2010

In August Ukraine's electricity consumption rose 2.1% MoM to 14.4 bln kWh, bringing 8M consumption to 119.8 bln kWh (+10.2% YoY).

[Read...](#)

### The Government of Ukraine does not intend to restrict grain exports

According to the Prime Minister of Ukraine, Nikolay Azarov, the Government has no plans to impose restrictions on grain exports. Earlier, the Government had indicated an intention to set quotas for export at a level of 1 mln tonnes for barley, 1.5 mln tonnes for wheat, and 0.01 mln tonnes for rye.

[Read...](#)

### Ukrnafta's oil output down 13.5%, natural gas output down 17.7%, in 8M2010

Ukrnafta's oil and gas condensate production fell by 13.5% in 8M2010, to 1.7 mln t, while its natural gas output dropped 17.7%, to 1.7 bln cm. At the same time, Ukraine's total oil and gas condensate production declined 11.3% to 2.4 mln t, and natural gas output fell 6.1% to 13.3 bln cm.

[Read...](#)

### Zaporizhyya Automobile Plant launches the ZAZ Forza in 2011

Zaporizhyya Automobile Plant [ZAZA UZ] announced its plans to start production of a new C class car named the ZAZ Forza in January 2011. The first series of 1.5 liter hatchbacks and sedans is to be produced during November. The price of a new car will start at USD 10.6 thsd. Forza is based on the platform of the Chery A13 and is to be produced in cooperation with Chery Co.

[Read...](#)

## UAH CURRENCY EXCHANGE

Currency	NBU rate	UICE bid	UICE ask
US dollar [USD/UAH]	7.90	7.92	7.92
EURO [EUR/UAH]	10.05	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	0.40
English pound sterling/US dollar [GBP/USD]	1.53	0.16
US dollar/Japanese yens [USD/JPY]	84.35	0.18
US dollar/Swiss franc [USD/CHF]	1.01	0.00

## 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 2010-09-13 07:30:00

Share index	Value	Δ day	Δ YTD
PFTS index [PFTSI]	805.25	-0.62%	+40.55%
Ukrainian exchange index [UXI]	1991.80	-0.25%	+36.85%
RTS index [RTSI]	1454.61	0.27%	+0.69%
Dow Jones 30 Industrials [DJI]	10415.24	0.27%	-0.12%
Snp 500 Index [SPX]	1104.18	0.48%	-0.98%
UK FTSE 100 [FTSE]	5494.16	1.19%	+1.50%
Germany DAX [DAX]	6221.52	0.93%	+4.43%
Japan Nikkei 225 [NIKKEI]	9239.17	1.55%	-12.39%
Warsaw Stock Exchange [WIG20]	2535.85	0.21%	+6.16%
Hong Kong Hang Seng [HSI]	21257.39	0.43%	-2.81%

## UPCOMING EVENTS

- AGM Cherkasyoblenergo (September 14)
- AGM Nikopol Ferroalloys (September 22)
- EGM Myronivsky Khliboproduct (September 24)
- AGM Marganetsky 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

## DAILY MOVERS

Top performers	Last price, USD	Δ day, %	Δ week, %	Δ month, %	
Dniproshyina Tyre Factory	DNSH	2.78	22.22	22.22	-1.65
Concern Galnaftogas	GLNG	0.02	1.87	-0.94	-3.07
Mostobud	MTBD	45.97	0.92	0.65	-1.00
Luganskteplovoz	LTPL	0.51	0.62	0.49	-9.46
AvtoKRAZ	KRAZ	0.02	0.49	-0.06	0.49
Bottom performers	Last price, USD	Δ day, %	Δ week, %	Δ month, %	
Krymenergo	KREN	0.21	-45.46	-47.81	-47.81
Dakor West	DAKOR	5.62	-3.00	3.49	4.51
Dniprovsky Iron and Steel Integrated Wor	DMKD	0.05	-2.38	-3.53	-3.44
Ukrainian Automobile Corporation	AVTO	16.40	-2.26	4.82	-1.52
Dnipropetsstal	DNSS	176.66	-2.10	-9.38	-51.72

UX data (10-09-2010), Sokrat estimates.

## Investment Group Sokrat

BC "Parus", 2 Mechnikova St., Kyiv 01601, Ukraine

tel/fax: +38-044-207-0100; <http://www.sokrat.com.ua>

Research tel: +38-044-498-4914

[analysts@sokrat.kiev.ua](mailto:analysts@sokrat.kiev.ua)

Head of Equity Sales Constantine Lisnychy:

[lisnychyy@sokrat.kiev.ua](mailto:lisnychyy@sokrat.kiev.ua)

tel +38-044-207-0100 mob +38-050-310-0819

Brokerage service Vladimir Ponomarenko: tel: +38-044-498-4912

[ponomarenko@sokrat.kiev.ua](mailto:ponomarenko@sokrat.kiev.ua)

**Ukraine's electricity consumption up 10.2% in 8M2010**

In August Ukraine's electricity consumption rose 2.1% MoM to 14.4 bln kWh, bringing 8M consumption to 119.8 bln kWh (+10.2% YoY).

**Our view:**

This was the second consecutive month of growth in Ukraine's electricity consumption and it was attributed to extremely hot weather in August, when the temperature exceeded its 130Y record. By the year's end we expect energy consumption to grow by 8% YoY, to 182.6 bln kWh. This amount is just slightly below the pre-crisis consumption level reached in 2007 and 2008.

[Back to page 1](#)

**The Government of Ukraine does not intend to restrict grain exports**

According to the Prime Minister of Ukraine, Nikolay Azarov, the Government has no plans to impose restrictions on grain exports. Earlier, the Government had indicated an intention to set quotas for export at a level of 1 mln tonnes for barley, 1.5 mln tonnes for wheat, and 0.01 mln tonnes for rye.

**Our view:**

We estimate that Ukraine consumes 26 mln tonnes of grain per season, and by comparing the projected harvest of crops (40-41 million tons), could export about 14-15 million tonnes of grain in the current marketing year, which will be 31-27% less than last season. It is expected that exports will be about 6.4 mln tonnes for wheat, 3.5 mln tonnes for barley, and 4.8 mln tonnes for corn. This may result in a modest reduction in world prices. Domestic prices would remain at current levels or could rise slightly.

[Back to page 1](#)

**Ukrnafta's oil output down 13.5%, natural gas output down 17.7%, in 8M2010**

Ukrnafta's oil and gas condensate production fell by 13.5% in 8M2010, to 1.7 mln t, while its natural gas output dropped 17.7%, to 1.7 bln cm. At the same time, Ukraine's total oil and gas condensate production declined 11.3% to 2.4 mln t, and natural gas output fell 6.1% to 13.3 bln cm.

**Our view:**

Although Ukrnafta's accrual production is declining, which is no surprise to the market, its monthly results are reassuring. In its key profit-making product – oil and gas condensate – Ukrnafta has beaten the national average growth of 2.8% MoM in August by extracting 3.6% more oil than in July. And it was the company's second month of growth in a row. Natural gas extraction also shows signs of recovery. We attribute this remarkable result to Ukrnafta's reinvestment of large cash inflows from successful oil and gas condensate auctions into production recovery. A 50% increase in UNAF's natural gas price is also factored into its production growth. We maintain our conservative annual forecast for UNAF's oil, gas condensate, and natural gas production at the level of -12% this year; however, our forecast of -5% for 2011 could well be revised upward if Ukrnafta sustains its production growth during 2H2010. We currently recommend BUYing Ukrnafta's shares.

[Back to page 1](#)

**Zaporizhya Automobile Plant launches the ZAZ Forza in 2011**

Zaporizhya Automobile Plant [**ZAZA UZ**] announced its plans to start production of a new C class car named the ZAZ Forza in January 2011. The first series of 1.5 liter hatchbacks and sedans is to be produced during November. The price of a new car will start at USD 10.6 thsd. Forza is based on the platform of the Chery A13 and is to be produced in cooperation with Chery Co.

**Our view:**

Renovation of its model range is crucial for the Zaporizhya Automobile Plant if it is to start regaining the market. It is too early to predict the future of this model; however, a new low-cost car, serviced by a corporation with over 400 service centers, will find demand in any market condition.

[Back to page 1](#)

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	6.12	0.00	-0.70	-0.76	-2.30	-0.81	-8.37	-15.00	-10.78	555.71
Avdiivka Cokery Plant	AVDK Coke	2.03	2.03	2.03	18.09	-0.19	-0.42	3.61	4.48	4.76	13.65	9.39	12.55	396.13
Azovstal Iron and Steel Works	AZST Metallurgy	0.36	0.36	0.36	10.00	-0.28	-0.69	10.00	-0.97	-2.39	1.20	-6.48	-4.22	1520.38
Raiffeisen Bank Aval	BAVL Banking	0.06	0.06	0.06	10.07	0.48	0.14	10.07	-3.67	0.25	-8.29	-31.14	-7.88	1679.67
Centerenergo	CEEN Electricity	1.68	1.69	1.69	1.92	-0.42	-0.27	2.31	-1.08	-2.24	-3.27	-21.45	-10.58	623.79
Enakievo Metallurgical Plant	ENMZ Metallurgy	23.86	23.93	23.93	1.79	-0.92	-0.71	1.79	-9.86	-3.15	-11.59	-11.56	-11.35	252.49
Forum Bank	FORM Banking	0.88	0.89	0.88	6.71	0.86	-0.34	6.71	3.40	1.25	-4.99	-17.65	-5.64	198.18
Motor Sich	MSICH Machinery	281.10	282.49	281.10	3.88	-0.36	-0.71	3.88	-0.80	-1.02	1.51	-7.99	-4.47	584.12
Sumy Frunze Machine Building Plant	SMASH Machinery	5.82	5.91	5.92	0.85	-1.52	-1.46	2.24	-8.30	-4.25	-4.15	-24.57	-17.90	420.67
Stirol	STIR Chemical	12.61	12.63	12.64	0.00	0.00	0.00	8.42	5.16	8.64	33.00	-8.35	-5.13	351.23
Ukrnafta	UNAF Oil & Gas	34.18	34.27	34.27	8.12	-0.26	-0.26	8.12	1.12	-0.00	-1.00	-11.28	-0.97	1858.25
Ukrsotsbank	USCB Banking	0.07	0.07	0.07	-0.98	0.18	-0.87	-1.07	2.75	-1.32	1.46	-14.76	-3.28	898.96
Ukrtelecom	UTLM Telecom	0.07	0.07	0.07	-0.05	-0.42	-0.78	9.59	-22.65	0.64	-4.13	-28.48	-7.33	1350.68
Yasnyivka Cokery Plant	YASK Coke	0.45	0.45	0.45	6.84	4.38	-1.00	6.84	-3.19	-1.23	7.16	-9.03	-1.75	122.71
Zakhidenergo	ZAEN Electricity	67.79	68.03	67.79	0.11	0.00	0.02	2.29	2.87	1.53	0.02	-11.80	-1.63	867.08

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	132.14	137.70	137.70	-1.41	-0.09	-0.09	6.63	5.31	1.30	-0.47	-6.60	1.77	821.72
Donbasenergo	DOEN Electricity	8.48	8.64	8.64	-1.45	-0.66	-0.72	-2.18	-0.16	-0.50	-2.54	-21.39	-2.35	204.36
Khartsyzsk Tube Works	HRTR Pipes	0.15	0.15	0.15	-0.53	-2.40	-0.82	7.00	-14.28	0.47	0.63	-28.18	0.58	394.30
AvtoKRAZ	KRAZ Machinery	0.02	0.02	0.02	-1.66	0.05	0.49	10.62	-4.68	-0.05	-2.47	-23.43	0.49	52.34
Krukivsky Carriage Works	KVBZ Machinery	3.82	3.97	3.91	-1.24	0.80	-0.51	8.31	-3.23	8.77	9.89	12.52	12.65	449.40
Luganskteplovoz	LTPL Machinery	0.50	0.51	0.51	-0.17	-0.46	0.61	1.31	-6.75	0.49	-11.06	-11.89	-9.46	112.94
LuAZ	LUAZ Machinery	0.02	0.02	0.02	0.00	0.00	0.00	1.20	0.00	1.02	0.51	-23.74	-0.65	107.79
Ilyich Iron and Steel Works	MMKI Metallurgy	0.15	0.15	0.15	-0.81	-0.64	0.40	2.18	2.24	-1.04	21.47	-10.72	-10.40	521.73
Mostobud	MTBD Construction	45.08	46.06	46.06	0.10	-0.45	0.92	3.03	-3.87	0.64	-0.13	-12.42	-0.99	26.72
Mariupol Heavy Machine Building Plant	MZVM Machinery	2.72	2.75	2.75	0.00	0.00	0.00	3.46	-9.66	-0.23	2.42	-9.66	-5.02	46.97
Interpepe Novomoskovsk Pipe-Production Plant	NVTR Pipes	0.35	0.36	0.36	0.00	0.00	0.00	-1.43	-9.93	-1.52	-3.10	-17.11	-0.75	73.34
Poltava Ore Mining and Processing Plant	PGOK Mining	5.41	5.52	5.52	-1.18	-1.32	0.12	4.51	3.69	-1.54	-3.60	-23.41	-3.01	1716.73
North Ore Mining and Processing Plant	SGOK Mining	1.27	1.27	1.27	0.00	0.00	0.00	12.07	-27.77	-0.39	3.55	-5.50	0.60	4092.92
Krasnoarmiyska-Zahidna № 1 Coal Mine	SHCHZ Coal	0.62	0.63	0.62	-0.62	-0.49	-1.00	0.00	-5.12	1.02	-5.71	-19.22	-5.71	890.57
Stahanov Car Production Facility	SVGZ Machinery	0.84	0.84	0.84	0.30	0.15	0.15	7.43	4.18	6.18	4.39	3.55	3.55	50.10

UX data (10-09-2010), 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	35.04	-3.00	12.79	13.90
Nominal GDP (USD bln)	141.6	180.2	118.9	146.6	Automobile	104.06	-2.26	4.82	-1.52
Real Industrial Growth	10.2%	-3.1%	-18.5%	5.0%	Banking	3014.47	0.05	0.22	5.08
Consumer Price Index (YtD)	16.6%	22.3%	13.0%	15.0%	Chemical	222.24	0.00	0.00	-30.12
Unemployment (avg)	6.4%	6.4%	10.5%	9.0%	Coal	900.34	0.00	-1.17	-26.91
Export (USD bln)	64.0	85.6	53.2	68.5	Coke	766.92	-0.22	1.42	7.82
Import (USD bln)	71.9	100.1	54.9	70.0	Construction	46.29	0.53	3.52	-9.39
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	0.00	-4.45
					Electricity	3889.08	-0.98	-1.82	-2.28
					Financials	17.73	0.00	-11.18	0.00
					Industrials	1142.17	0.13	-1.04	-2.07
					Insurance	134.21	0.00	0.00	0.00
					Machinery	2413.28	-0.21	1.30	-3.39
					Metallurgy	9262.24	-0.23	-2.50	-10.90
					Mining	4930.01	-0.53	3.46	-24.86
					Oil & Gas	1591.32	0.00	-2.15	-21.77
					Pharmaceutical	9.83	0.00	0.00	0.00
					Pipes	1154.12	-0.28	-0.80	29.80
					Telecom	1157.93	0.00	0.00	0.00

Source: Sokrat estimates

**Investment Group Sokrat**

BC "Parus", 2 Mechnikova St., Kyiv 01601, Ukraine  
tel/fax: +38-044-207-0100; <http://www.sokrat.com.ua>

Research tel: +38-044-498-4914  
[analysts@sokrat.kiev.ua](mailto:analysts@sokrat.kiev.ua)

Head of Equity Sales Constantine Lisnychy: [lisnychy@sokrat.kiev.ua](mailto:lisnychy@sokrat.kiev.ua)  
tel +38-044-207-0100 mob +38-050-310-0819

Brokerage service Vladimir Ponomarenko: tel: +38-044-498-4912  
[ponomarenko@sokrat.kiev.ua](mailto:ponomarenko@sokrat.kiev.ua)