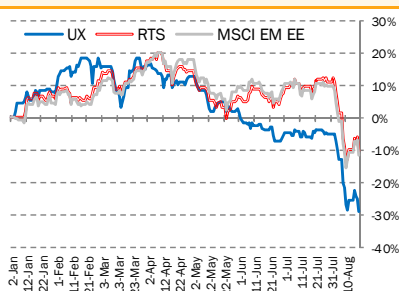


FRIDAY, AUGUST 19, 2011

UX: 1738.4 **5.1%**
PFTS: 685.3 **4.1%**
NBU rate: 7.9710/USD

Regional indices: Ukraine, Russia, East Europe



New Europe markets

Index	Level	1 day	1 mo.	YTD	12 mo.
Ukraine UX	1738.4	-5.1%	-24.1%	-28.9%	-24.1%
Russia RTS	1584.2	-4.8%	-16.8%	-10.5%	8.6%
Poland WIG20	2248.5	-5.8%	-16.0%	-22.9%	-9.3%
Czech PX	1005.8	-1.6%	-15.2%	-17.9%	-15.1%
MXME	209.7	-5.3%	-16.4%	-11.7%	3.4%

Most traded stocks

Stock	Volume UAH m	Close price	Change d-o-d
Motor Sich	13.920	2315	-5.9%
Alchevsk Steel	13.713	0.133	-8.0%
Centrenergo	11.332	9.749	-4.7%
Azovstal	7.807	1.594	-6.2%
Avdiyivka Coke	5.239	7.550	-6.2%

Latest Research

- XXI Century Investments alert note—BUY (August 5)
- Ferrexpo update—BUY (July 25)
- Motor Sich update—BUY (July 14)
- Myronivsky Hliboproduct update—BUY (July 11)
- Ukraine Investment Strategy (June 29)
- Railroad Machinery sector review (June 7)
- Foyil Investment Summit review (May 26)
- Khartsyzsk Pipe update—BUY (May 26)

Ukrainian Commentator

MARKET ROUNDUP

Ukrainian indexes under influence

Once again the Ukrainian indexes were slammed by poor showing of their global peers and stats from the U.S. The UX index dropped 5.06%, the PFTS index - 4.05%. Trading volumes were low on both bourses. The biggest losers on the UX were railcar maker Stakhanov Carriage (SVGZ, Buy, -10.98%), steel giant Alchevsk Steel (ALMK, Sell, -8.02%), GenCo Donbasenergo (DOEN, Buy, -6.37%), iron ore producer Northern GOK (SGOK, Buy, -6.31%), and coke producer Avdiyivka Coke (AVDK, u/r, -6.21%). With the U.S. and Asia down over night and a weekend ahead, we expect the Ukrainian indexes to continue descending on low volumes.

Companies

► MSICH continues powering Russian aircraft

The Ukrainian maker of aviation engines Motor Sich (MSICH, Buy) signed an agreement with Russia's Beriev Aircraft Company to produce twelve D-436TP engines for Be-200 amphibian airplanes, Aviation Explorer reported. The value of the contract has not been disclosed. Some other contracts announced at the Moscow Airshow will also benefit Motor Sich. In particular, UT-Air is signing a contract for 40 Mi-171 helicopters powered by MSICH's TVZ-117 engine, and Volga-Dnepr Group is declaring intentions to invest up to USD 600m into modernization of An-124 cargo planes powered by MSICH's D-18T engine. **Our view:** In our estimation, the contract with Beriev Aircraft Company will bring Motor Sich around USD 24m in sales revenue, which is only 3% of the company's top line for 2012. The top estimate for 80 engines for Mi-171 helicopters is USD 95m. As the general plan of the Russian Helicopters Holding for the next five years is already known, as the company is preparing for an IPO, the implications for MSICH have already been included in our model. We maintain our Buy rating for the stock, as we expect the company to weather the current turbulence on global markets well.

Alex Nekrasa

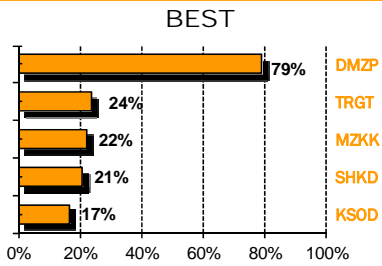
► Stakhanov Carriage claims VAT problems

The management of Stakhanov Carriage (SVGZ, Buy), a large Ukrainian maker of freight railcars, reported in a press release that the government's failure to compensate VAT in the amount of UAH 400m (USD 50m) has led to the shortage of working capital, which interferes with the company's ability to do normal business. **Our view:** The problem is not new as earlier this year SVGZ reported delays in VAT reimbursement. In our view, the nature of the problem is political as the government is continuing to put pressure on businesses that have supported the former PM and current opposition leader Yulia Tymoshenko. Earlier this year the company reported visits from the state tax administration but no charges were pressed. We think that the company's long-term stability is not compromised by the current situation as VAT will be reimbursed.

Alex Nekrasa

Stock performance MTD

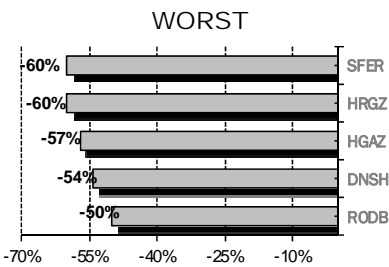
Companies



► **MHP ends 2Q with USD 67m income**

One of the largest Ukrainian poultry producers, Myronivsky Hliboproduct (MHP LI, Buy), posted a net income of USD 67m for 2Q 2011, the company reported in its news release on LSE. For 1H 2011, the company's revenues increased 25% y/y to USD 527m, EBITDA improved by 19% y/y to USD 158m, and net income increased 16% y/y to USD 86m. **Our view: The growth comes on the back of a 14% y/y increase in sales in natural terms and growth in poultry prices by 9% compared to 1Q and 2% y/y. These figures are in line with our expectations and we maintain our Buy rating for the stock.**

Alex Nekrasa

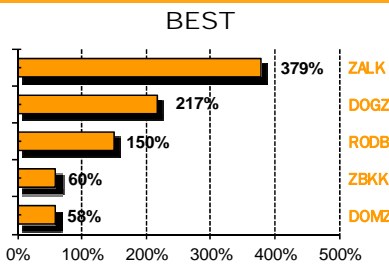


► **Telecommunications sector revenues increase 1.1% y/y**

The Ukrainian Statistical Agency informed that in January-July the overall revenues in the telecommunications sector were up 1.1% y/y to UAH 28.5bn. Revenues for the same period from fixed-line operations were UAH 4.65bn (-4.75% y/y), revenues from cell-phone services were UAH 17.44b (+0.1% y/y), and revenues from Internet services were UAH 2.44bn (+16.3% y/y). **Our view: This is neutral for Ukrtelecom (UTLM, u/r). The released information does not show any change in the market trends we saw in 1H 2011. Revenues from fixed-line services are falling due to lack of competitive advantages over mobile services, while the mobile services market is highly saturated and competition among mobile operators is fierce, which keeps the rates for mobile services low. Internet service is a rapidly growing segment in UTLM's operations in terms of revenues; however it cannot offset losses from fixed-line services.**

Alex Slashchin

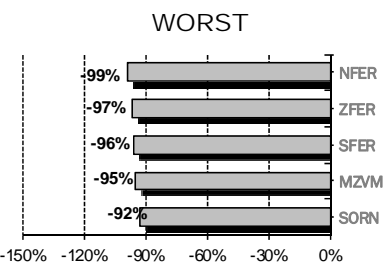
Stock performance YTD



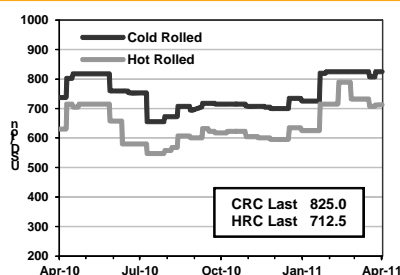
► **State Property Fund allows Ukrtelecom to separate Utel**

Aleksandr Ryabchenko, the agency's chairman, announced that Ukrtelecom (UTLM, u/r) was allowed to separate UTLM's mobile division into a single legal entity; however, in case of selling this division, Ukrtelecom has to receive a new permission from the government agency. **Our view: This is positive for Ukrtelecom (UTLM, u/r) because the process of UTLM's restructuring keeps going, which will allow the company to receive the needed cash from the sale of its mobile division by the end of 2011.**

Alex Slashchin



CIS steel prices

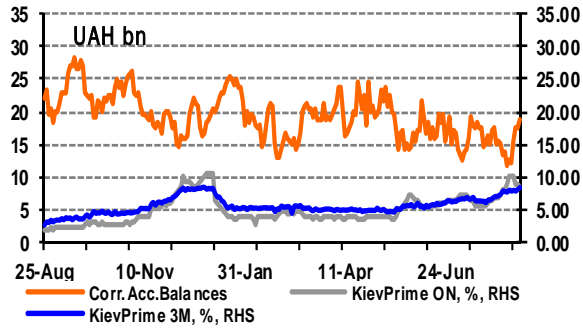


Stock data

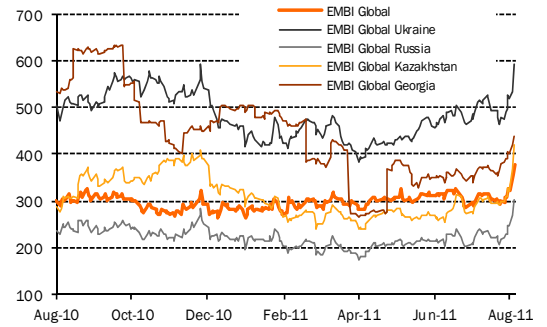
Issuer	Ticker	Recom'd	Opening UAH	Closing UAH	1 Day	MOM	YTD	12 month	YTD rel to UX	12m rel to UX	Mcap (USD m)	EPS (UAH) 2010	EPS (UAH) 2011	P/E 2010	P/E 2011	P/Book 2010	P/Book 2011	EV/EBITDA 2010	EV/EBITDA 2011
1. Achevsk Steel	ALMK	Sell	0.14	0.13	-8.0%	-31%	-40%	-28%	-16%	-5%	430	-0.04	0.02	NMF	6.9	3.7	2.0	n/a	7.7
2. Andriyivka Coke	ANDK	Buy	8.05	7.55	-6.2%	-36%	-48%	-46%	-29%	-29%	185	-0.11	2.34	NMF	3.2	0.3	0.2	2.7	1.5
3. Izovstal	AZST	Sell	1.70	1.59	-6.2%	-31%	-44%	-46%	-22%	-29%	841	-0.04	0.22	NMF	7.1	0.4	0.4	36.3	4.5
4. Raiffeisen Bank Avial	BAVL	Sell	0.23	0.22	-4.7%	-26%	-44%	-52%	-21%	-37%	835	0.00	0.02	168.9	9.2	1.0	0.9	n/a	n/a
5. Centrenergo	CEEN	Buy	10.23	9.75	-4.7%	-22%	-34%	-31%	-7%	-9%	452	0.03	1.00	374.5	9.8	2.0	1.6	19.3	5.6
6. Donbasenergo	DOEN	Buy	34.55	32.35	-6.4%	-31%	-55%	-54%	-37%	-39%	96	-6.26	-3.05	NMF	NMF	1.1	1.8	n/a	6.1
7. Enakivye Steel	ENMZ	Sell	78.30	73.60	-6.0%	-42%	-58%	-64%	-41%	-52%	97	-73.79	-41.86	NMF	NMF	1.9	-1.0	n/a	n/a
8. Motor Sich	MSICH	Buy	2,461.00	2,315.00	-5.9%	-25%	-22%	2%	9%	34%	604	600.59	820.99	3.9	2.8	1.3	0.9	3.0	2.6
9. Sirol Concern	STR	n/r	38.60	36.50	-5.4%	-34%	-54%	-63%	-35%	-51%	124	-24.24	5.49	NMF	6.6	1.0	0.4	n/a	2.5
10. Stakhaniv Carriage	SVGZ	Buy	6.65	5.92	-11.0%	-23%	-36%	-7%	-10%	22%	168	1.15	1.55	5.1	3.8	2.0	1.3	4.3	4.6
11. Ukrafta	UNMF	u/r	690.00	664.75	-3.7%	-16%	12%	14.5%	57%	223%	4,522	48.80	40.26	13.6	16.5	4.4	2.7	8.1	9.3
12. Ukrstobank	USCB	Buy	0.30	0.29	-4.3%	-26%	-48%	-48%	-27%	-31%	463	0.00	0.04	100.3	8.0	0.6	0.6	n/a	n/a
13. Ukrtelcom	UTLM	u/r	0.48	0.46	-4.0%	-22%	-16%	-25%	18%	-2%	1,071	-0.01	0.02	NMF	26.6	1.4	1.4	8.6	5.5
14. Yasnyiv Coke	YASK	Buy	2.15	2.15	0.0%	0%	-52%	-40%	-33%	-21%	74	0.25	0.87	8.5	2.5	0.6	0.5	5.3	2.4
15. Zakhidenergo	ZAEN	u/r	285.00	263.01	-7.7%	-16%	-43%	-52%	-20%	-37%	422	-14.60	13.25	NMF	19.9	6.5	3.0	46.4	8.8
UX Index			1,831.09	1,736.36	-5.1%	-24.1%	-28.9%	-24.1%			10,384			6.3	13.5	2.9	1.8		
16. Achevsk Coke	ALKZ	u/r	0.30	0.30	0.0%	-21%	-43%	-25%	-20%	-1%	113	-0.01	0.02	NMF	13.7	0.6	0.6	49.5	6.6
17. UKRAVTO	AVTO	Buy	87.50	61.00	-30.3%	-47%	-65%	-53%	-51%	-39%	48	12.04	40.48	5.1	1.5	0.1	0.1	7.3	2.7
18. Dektor West	DAKOR	Buy	11.50	11.68	1.6%	-26%	-68%	-7.1%	-55%	-62%	8	-1.21	26.60	NMF	0.4	0.8	0.2	25.5	0.4
19. Dnipropetroergo	DNEP	Buy	735.00	687.00	-6.5%	-14%	-48%	-34%	-27%	-13%	514	31.70	71.60	21.7	9.6	2.1	1.6	7.1	5.0
20. Dnipropoblenergo	DNON	n/r	169.95	169.95	0.0%	-14%	-31%	-34%	-2%	-14%	128	7.03	29.41	24.2	5.8	0.8	2.2	4.6	3.7
21. Bank Forum	FORM	Sell	2.70	2.50	-7.4%	-33%	-59%	-65%	-42%	-54%	186	-4.55	-0.59	NMF	NMF	1.1	0.6	n/a	n/a
22. Gainatogaz Concern	GLNG	n/r	0.19	0.19	0.0%	3%	27%	18%	78%	55%	465	0.01	0.03	14.5	6.3	1.7	1.3	10.4	6.7
23. Kharsyzsk Pipe	HRTR	Buy	1.04	1.04	-0.5%	-15%	-14%	-16%	21%	11%	337	0.07	0.26	15.7	3.9	2.0	2.2	8.0	2.8
24. Kyivenergo	KIEN	n/r	6.65	6.65	0.0%	-19%	-50%	-60%	-30%	-47%	90	1.45	9.25	4.6	0.7	0.3	0.2	4.2	1.0
25. AvtoKAZ	KRAZ	Buy	0.19	0.19	0.0%	0%	-7%	0%	31%	32%	53	0.01	0.03	13.1	5.7	0.3	0.3	17.5	10.6
26. Krymenergo	KREN	n/r	1.90	1.50	-21.1%	-25%	-49%	-54%	-29%	-39%	33	0.26	0.29	5.8	5.2	1.7	1.3	9.5	8.3
27. Kryukiv Carriage	KVBZ	Buy	19.23	18.78	-2.3%	-21%	-47%	-35%	-26%	-15%	270	3.26	4.26	5.8	4.4	1.4	1.0	4.0	3.1
28. Luganskteplovoz	LTPV	Buy	2.70	2.75	1.9%	-6%	-35%	-41%	-9%	-22%	76	0.11	0.38	25.1	7.3	17.2	4.0	10.9	5.6
29. Bogdan Motors	LUAZ	u/r	0.23	0.22	-3.7%	-20%	6%	15%	49%	52%	120	-0.06	0.02	NMF	12.6	0.9	0.8	55.9	9.4
30. Mariupol'yich Steel	MIMK	Hold	0.44	0.44	0.0%	-4%	-53%	-66%	-34%	-55%	683	-0.03	0.08	NMF	5.5	0.4	0.5	12.1	3.1
31. Nyzhnodynprovs'k Pipe	NITR	u/r	3.65	3.65	0.0%	-14%	-57%	-64%	-40%	-52%	183	-0.65	-0.81	NMF	NMF	0.5	0.6	8.4	7.6
32. Poltava GOK	PGOK	u/r	20.38	20.00	-1.9%	-37%	-54%	-56%	-35%	-42%	459	4.04	6.39	5.0	3.1	0.9	0.7	3.4	2.7
33. Northern GOK	SGOK	Buy	10.46	9.80	-6.3%	-18%	-26%	-5%	4%	26%	2,833	1.15	1.68	8.5	5.8	2.3	2.6	3.8	3.3
34. Pokrovska Coal Mine	SHCHZ	u/r	1.75	1.75	0.0%	0%	-61%	-66%	-45%	-56%	187	-0.09	-0.05	NMF	NMF	1.1	1.4	2.8	2.9
35. Komsomlets Donbasu Coal Mine	SHKD	Buy	2.98	2.90	-2.7%	4%	-42%	-27%	-18%	-4%	122	-0.08	0.02	NMF	140.8	1.4	1.3	4.9	4.2
36. Slavutych Brewery	SLAV	Buy	2.73	2.73	0.0%	-8%	-4%	1%	35%	33%	325	0.45	0.54	6.1	5.1	1.6	1.2	4.2	3.4
37. Naasenergomash	SNEM	Buy	3.80	3.80	0.0%	-5%	-34%	-49%	-8%	-33%	15	1.91	2.56	2.0	1.5	0.6	0.4	1.6	1.4
38. Sum Interbrew Ukraine	SUNI	Buy	0.22	0.22	0.0%	-10%	-17%	-46%	17%	-29%	259	0.05	0.05	4.7	4.2	1.1	0.8	2.4	2.3
39. Zaporizh Coke	ZACO	u/r	2.12	2.12	0.0%	-35%	6%	-37%	49%	-17%	32	1.14	1.37	1.9	1.6	0.3	0.2	1.3	1.1
40. Zaporizhtransformator	ZATR	Buy	1.35	1.35	0.0%	-4%	-36%	-44%	-10%	-26%	374	0.15	0.20	9.2	6.8	6.3	3.3	6.6	5.2

* - when calculating average P/E for 2010 we exclude ratios that are negative or above 30; the companies are weighted by MCap; when calculating average P/Book we exclude ratios that are above 10

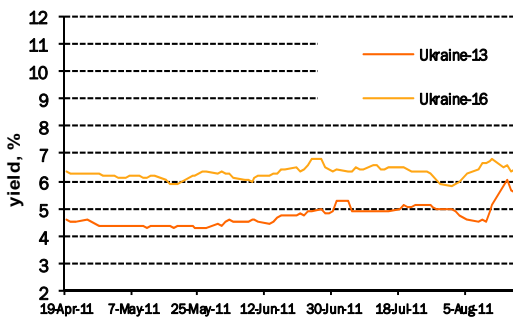
Liquidity indicator



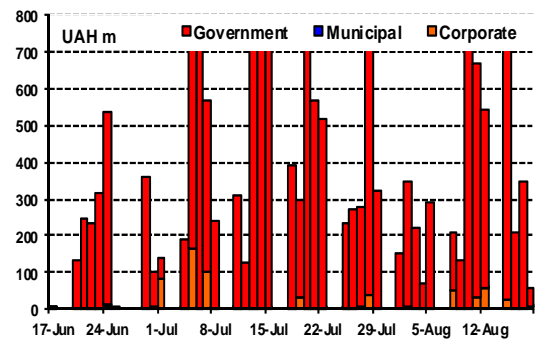
EMBI Index



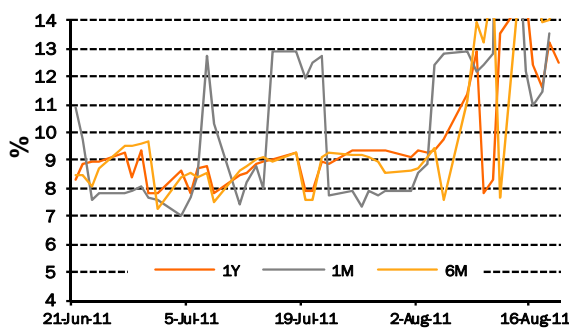
Sovereign Eurobond performance



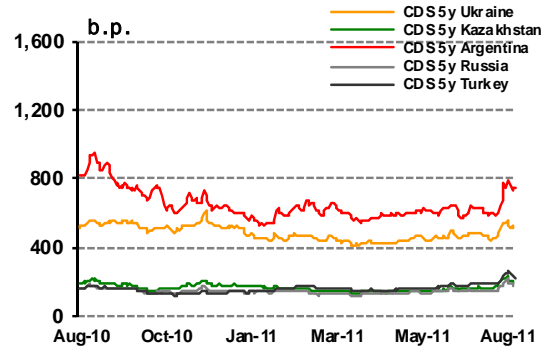
Trades by sector



NDF implied yields



CDS peers



Macroeconomic indicators

	2005	2006	2007	2008	2009	2010	2011e
Domestic Production							
GDP Growth (real) % y-o-y	2.7	7.3	7.9	2.3	-14.8	4.2	4.8
Nominal GDP (local bn) - current prices	441.5	544.2	720.7	948.1	913.4	1,094.6	1,311.3
Nominal GDP (USD bn) - current prices	86.2	107.8	142.7	179.9	117.2	137.9	164.3
GDP per capita (USD)	1,830.8	2,302.6	3,069.1	3,885.6	2,543.3	3,003.5	3,595.7
Labor Market							
Population (m)	47.1	46.8	46.5	46.3	46.1	45.9	45.7
Unemployment Rate (% of labor force)	7.2	6.8	6.4	6.4	8.8	8.1	7.8
Average monthly wage (USD)	151.4	206.2	267.5	342.7	244.7	282.0	336.7
Wages growth y-o-y (local)	36.7	29.2	29.7	33.7	5.5	20.0	20.0
Economic Indicators							
Consumer Price Inflation (% annual chg)	10.3	11.6	16.6	22.3	12.3	9.1	11.9
Producer Price Inflation (% annual chg)	16.7	14.2	23.3	23.0	14.3	18.7	20.9
Industrial Production Growth (real) % y-o-y	3.1	6.2	7.6	(5.2)	(21.9)	11.2	7.9
Agricultural Production Growth (real) % y-o-y	0.1	2.5	-6.5	17.1	(1.8)	-1.0	1.5
Fiscal Information							
Budget Surplus/(deficit) (USD m)	(1,523)	(735)	(1,207)	(2,158)	(4,420)	(6,893)	(5,751)
as % of GDP	(1.8)	(0.7)	(0.8)	(1.2)	(3.8)	(5.0)	(3.5)
Budget Revenues (USD m)	26,211	34,010	43,552	56,517	35,041	42,736	50,940
as % of GDP	31.6	31.6	30.5	31.4	29.9	31.0	31.0
Budget Expenditures (USD m)	27,734	34,745	44,760	58,675	39,461	49,629	56,692
as % of GDP	33.4	32.2	31.4	32.6	33.7	36.0	34.5
Privatization Revenues (local bn)	20.7	0.5	2.0	0.5	0.8	2.1	16.0
Monetary Data							
Exchange Rate (local/USD) - end of year	5.05	5.05	5.05	7.70	7.99	7.96	7.97
Exchange Rate (local/USD) - avg. for year	5.12	5.05	5.05	5.27	7.79	7.94	7.98
Foreign Currency Reserves (USD bn) e-o-p	19.4	22.4	32.5	31.5	26.5	34.6	41.8
as % of GDP	22.5	20.8	22.8	17.5	22.6	25.1	25.4
Money Supply (M3) bn local e-o-p	194.1	261.1	396.2	515.7	487.3	597.9	580.0
Total Debt (local bn) e-o-p	78.1	80.5	88.7	189.4	316.9	432.2	490.0
as % of GDP	18%	15%	12%	20%	35%	39%	37%
Foreign Debt (local bn) e-o-p	59.0	63.9	69.9	142.7	135.9	181.8	222.9
as % of GDP	13%	12%	10%	15%	15%	17%	17%
Gross External Debt (USD bn)	39.6	54.5	80.0	101.6	103.4	117.3	1088.4
as % of GDP	46%	51%	56%	56%	88%	85%	83%
Balance of Payments							
Merchandise Trade Balance (USD bn)	(1.2)	(5.2)	(10.6)	(16.1)	(4.3)	(8.7)	(16.8)
as % of GDP	(1.4)	(4.8)	(7.4)	(8.9)	(3.7)	(6.3)	(10.2)
Exports of goods and services (USD bn)	35.0	38.9	49.8	67.7	40.4	52.2	68.4
Imports of goods and services (USD bn)	36.2	44.1	60.4	83.8	44.7	60.9	85.2
Current Account surplus/(deficit) (USD bn)	2.5	(1.6)	(5.3)	(12.8)	(1.7)	(2.9)	(9.2)
as % of GDP	2.9	(1.5)	(3.7)	(7.1)	(1.4)	(2.1)	(5.6)
Capital Account Balance (USD bn)	8.00	3.70	15.8	9.7	(11.9)	7.70	7.20
Foreign Direct Investment (USD m)	7,533	5,737	9,218	9,903	4,654	5,759	11,687
FDI (cumulative since 1991, USD m)	16,375	21,186	29,489	35,723	40,027	44,708	56,395
FDI per capita (cumulative since 1991, USD)	347.7	452.7	634.2	771.6	868.3	974.0	1234.0
Interest Rates, Credits & Deposits							
Refinancing (discount) Rate (avg.; % p.a.)	9.2	8.9	8.2	11.3	11.3	9.0	7.8
Corporate Credit Rates (avg.; % p.a.)	14.6	14.1	13.5	16.0	18.3	14.6	13.8
Deposit Rates (avg.; % p.a.)	8.0	6.8	11.0	12.9	15.0	12.5	9.8
Financial System							
Stock Market Capitalization (USD bn) total	29.5	44.3	118.6	14.0	29.0	47.0	64.6
Stock Market Index e-o-p, UX (PFTS before 2010)	353.0	498.9	1174.02	301.4	572.9	2443.7	3400.0
Performance %	35.7	41.3	135	(74)	90	68	39
No. of listed companies	260	315	330	340	280	302	330
Ratings							
Moody's Sovereign Foreign Currency L/T bonds	B1	B1	B1	B1	B2	B2	B2
Moody's Sovereign Domestic Currency L/T bonds	B1	B1	B1	B1	B2	B2	B2
S&P Sovereign Foreign Currency L/T bonds	BB-	BB-	BB-	B	CCC+	B+	B+
S&P Sovereign Domestic Currency L/T bonds	BB	BB	BB	BB-	B-	BB-	BB-
Commodity Prices							
Crude Oil (Dated Brent, USD/bbl end-of-period)	58.9	60.8	92	100.0	77.9	88.00	95.00
Steel (CIS Slab, USD/ton end-of-period)	313	430	542.5	737.0	493.0	590.61	640.00

Source: Government, IMF, Economist Intelligence Unit, Bloomberg, Foyil estimates

Important Disclosures**Foyil Securities****4a Verkhny Val Street, 2nd floor****Kyiv, Ukraine****04071****For direct sales inquiries call: +380-44-393-2309****For general inquiries call: +380-44-393-2313****To fax us: +380-44-393-2314****To email us: research@foyil.com****Or find us on the world wide web at: www.foyil.com****About Foyil Securities**

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