



UKRAINIAN EQUITY MARKET: WEEKLY OVERVIEW

Market Research Department

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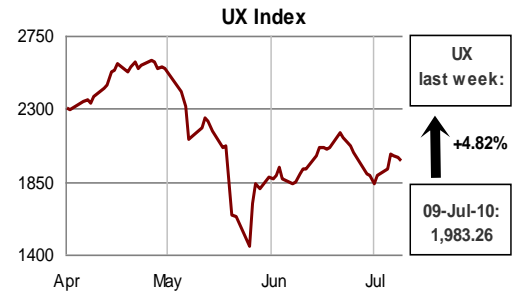
Equity Market

Last week trading in Ukrainian equities kicked off on an upbeat note, buoyed by the news of the IMF program's resumption and favourable tendencies on the global markets. On Monday the UX index gained 2.12%, adding another 4.65% on Tuesday. But then on Wednesday the market slowly began to taper off in order to avoid overheating. In the upshot, the UX benchmark closed out the week with a 4.82% advance.

In the **machine building sector**, the association of Ukrainian automobile producers Ukrautoprom reported that local automakers cut their output in June by 0.1% m/m and 14.2% y/y to 6,780 units, bringing the YTD output to 30,988 (-18.3% y/y). Last month, Ukrainian carmakers produced nearly 5,950 passenger cars (-1.3% m/m; -21.6% y/y), 627 trucks (+15.9% m/m; +163.4% y/y) and 203 buses (-4.7% m/m; +163.6% y/y). *For more detailed data please see the table on the next page.*

According to Auto-Consulting group, sales of passenger cars in Ukraine in June 2010 grew by 22.5% m/m and 24.3% y/y to 14.17ths units. Therefore, the 1H10 car sales reached 67.36ths vehicles, down 18.4% y/y. June's increase in car sales was due mostly to restoring retail car finance market and reduction in the interest rates by banks.

In the **agricultural sector**, *Myronivsky Khlipoproduct (MHP)*, Ukraine's largest poultry producer, announced plans to increase the capacity at its Shakhtarska-Nova Poultry Farm in Donetsk Region to 325m hatching eggs per year by 2015 (currently it is 45m hatching eggs per year). The extension of the farm is planned to be carried out in two stages, ending in 2013 and 2015, and the total cost of project is estimated at UAH 804m. According to the announcement, the planned egg hatching capacity increase is to meet the demands of MHP's new poultry complex, being built in Vinnytsya region. When fully operational, the Shakhtarska-Nova Poultry Farm will be able to supply hatching eggs for the production of 420ths tonnes of poultry annually.



Ukraine's leading sugar producer *Astarta Agroholding* released it had launched the first phase of a modern dairy livestock facility with capacity for 500 head of cattle in Poltava region. The company invested UAH 21m in the project. The second production line, with the same capacity, is planned to be launched in 2011. According to the release, construction of this modern dairy facility is a part of Astarta's diversification strategy that includes organic expansion of the dairy farming operations, which are synergetic with the holding's other businesses related to crops and sugar production.

In the related news, it was announced that the European Bank for Reconstruction and Development (EBRD) had signed a Loan agreement to provide a EUR 10m, 7-year financing to *Astarta*. The loan proceeds are to be used for energy efficiency improvements at the company's sugar production plants. This is the third EBRD's project with Astarta. Two previous loan agreements were signed in 2008 and 2009 for the total amount of EUR 40m.

Agroton, a major Ukrainian agro holding, announced that the company expects to increase its 2010 crop production by 38.7% y/y to 328.3ths tonnes. Separately, the company plans to harvest 106.4ths tonnes of sunflower seeds (+39.1% y/y), 142.3ths tonnes of wheat (+4.5% y/y) and 68.9ths tonnes of corn (+288% y/y).

UX index advanced
4.82% during the
week

Economics and Politics

The State Statistic Committee published inflation data for June. Consumer prices in Ukraine declined for the third consecutive month in June, falling by 0.4% m/m and bringing y/y inflation 6.9%, the lowest level since June 2006. In line with previous months, the key driver of deflation in June was decline in food prices (-0.9% m/m) stemming from seasonal decrease in prices for vegetables, eggs, milk and dairy products. Industrial producers' prices declined by 0.5% m/m in June or by 25.5% yoy (27.9% yoy in May). Last month, the biggest decrease in producers prices was

observed in metallurgy (-4.5% m/m), while the prices of electricity, gas and water suppliers demonstrated the biggest increase (+1.8% m/m).

Last week, Ukraine's parliament adopted key laws needed to meet the IMF's requirements: amendments to the 2010 state budget and a draft of the budget code. The parliamentarians also passed changes to the law on the National Bank of Ukraine aimed to strengthen central bank independence. These laws were required by the IMF for the approval of a new \$14.9b loan.

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Weekly Leaders / Laggards

Largest Gainers			Largest Losers			Largest Turnover	
Issuer	Change	Price	Issuer	Change	Price	Issuer	Turnover, USD
JKX Oil&Gas	22.51%	2.89 GBP	KDD Group	-9.84%	0.28 GBP	Ferrexpo	22.3m
Ferrexpo	12.41%	2.70 GBP	Regal Petroleum	-4.27%	0.28 GBP	MHP	11.7m
Landkom International	11.54%	0.07 GBP	Stirol	-3.96%	69.15 UAH	JKX Oil&Gas	11.5m
Ukrnafta	11.46%	269.0 UAH	Komsomolets Donbasa Coal Mine	-3.05%	4.13 UAH	Regal Petroleum	10.6m
Sintal Agriculture Plc	11.11%	3.00 EUR	Mariupol Illich Iron and Steel	-2.28%	3.18 UAH	Ukrnafta	7.1m

Car Output

Company	Passenger cars				Trucks				Buses				Total			
	June 2010 (units)	% y/y	1H10 (units)	% y/y	June 2010 (units)	% y/y	1H10 (units)	% y/y	June 2010 (units)	% y/y	1H10 (units)	% y/y	June 2010 (units)	% y/y	1H10 (units)	% y/y
ZAZ (UkrAVTO)	3 605	-33.2%	13 936	-47.8%	459	93.7%	1 801	101.2%	34	70.0%	213	200.0%	4 098	-28.0%	15 950	-42.3%
AvtoKrAZ					96	9500%	424	423.5%					96	540.0%	424	423.5%
Lviv Autoplant (LAZ)									0	0.0%	1	+	0	0.0%	1	+
Bohdan Motors	1 852	14.3%	7 149	-7.0%	50	+	338	33700%	99	450%	412	188.1%	2 001	39920%	7 899	0.9%
Boryspil Autoplant					22	+	61	+	15	+	177	+	37	+	238	+
KrASZ	0	-	3 465	168%	0	0.0%	0	-					0	-	3 465	166.3%
Eurocar	493	6943%	2 701	224%									493	360.7%	2 701	224.2%
Automobile Plant AntoRus									2	+	2	+	2	+	2	+
Chasovoyarsky Repair Plant									23	-41.0%	198	-18.2%	23	-42.5%	198	-18.2%
Chernigiv Autoplant									30	+	110	+	30	+	110	+
Total	5 950	-21.6%	27 251	-25.3%	627	163.4%	2 624	165.9%	203	164%	1 113	144.1%	6 780	-14.2%	30 988	-18.3%

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