



# UKRAINIAN EQUITY MARKET: WEEKLY OVERVIEW

Market Research Department

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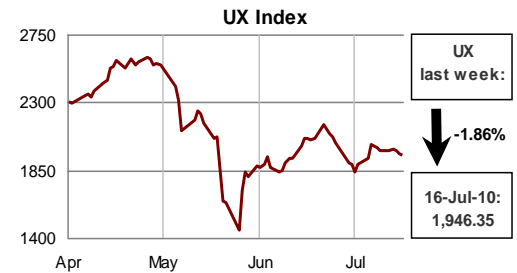
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## Equity Market

Last week, the Ukrainian stock market demonstrated a sideways trend amid disappointing US economic data and weak second-quarter revenue reports from bellwether US corporations. For the period, the UX index slid down 1.86%, to close at 1,946.35 points. All index components but Raiffeisen Bank Aval (+2.7%) closed lower.

In the **utilities sector**, *Donbass Fuel and Energy Company (DTEK)* announced plans to invest up to UAH 500m in two state-owned coal mines - Rovenkianratsyt and Sverdlovanratsyt. According to the announcement, the Coal Ministry has already approved DTEK's five-year investment proposal, under which the company will provide UAH 300m for Rovenkianratsyt and UAH 200m for Sverdlovanratsyt. The main part of the funds will be used for the companies' capital construction, which will allow the mines to prepare over 30 new longwalls by the end of 2010. Overall, the annual output of the state-owned enterprises is planned to increase by 3m tonnes by 2014. The news is considered to be positive for DTEK as cooperation with Rovenkianratsyt and Sverdlovanratsyt will help cover the needs of DTEK's generating companies for anthracite coal.

In the **agricultural sector**, *Myronivsky Khliboproduct (MHP)*, Ukraine's largest poultry producer, announced trading update for 2Q10 and 1H10. In 2Q10, external sales of poultry increased by 30% y/y to 85.5ths tonnes primarily due to the launch of the second production line at its Myronivka poultry farm in June 2009. Over 1H10, chicken meat sales were up 45% y/y to 168.5ths tonnes. The company benefited from robust demand for poultry in 1H10 as consumers continued substituting poultry for more expensive meats. As a result, MHP was able to sell close to 100% of the chicken produced to third parties. According to the announcement, the average chicken meat price remained flat y/y in 2Q10 at UAH 13.82 per kg of adjusted weight (excluding VAT). For 1H10, the company's average chicken meat price was down 1% y/y to UAH 13.11 per kg. MHP also



informed its sunflower oil sales grew by 59% y/y in 2Q10 and by 61% in 1H10 mainly due to the launch of a new sunflower crushing plant at the company's Katerynopilsky facility in September 2009. The average sunflower oil prices were reported to be \$809 per tonne in 2Q10 (+22.5% y/y) and \$830 in 1H10 (+26.5% y/y).

In the related news, *MHP* released it had signed a \$50m worth loan agreement with *the European Bank for Reconstruction and Development (EBRD)*. According to the release, the loan proceeds will be used to replenish the company's working capital associated with expanding operations (reportedly \$35m) as well as to finance energy efficiency improvements at the existing production facilities (\$15m).

In the **banking sector**, *Forum Bank*, the 14-th largest Ukrainian bank by assets as at end-1Q10, announced that its EGM had approved the results of the subscription for 217.5m new shares, which were issued at par value of UAH 10 apiece, or nearly 57% above the stock's market price. Therefore, the bank's share capital was increased by 96% to UAH 4.4b.

*Forum Bank* also published its UAS results for 1H10, disclosing a net loss of UAH 1.48b, down from UAH 283m of losses in 1H09. The poor financial performance of the bank in 1H10 is attributed to a surge in loan loss provisions: Forum's end-1H10 loan loss reserve reached 17.8% of gross loans vs. 9.9% as of end-2009.

UX index slid down  
1.86% during the  
week

## Economics and Politics

The State Statistic Committee announced Ukraine's industrial output shrank by 0.5% m/m in June 2010, being down for a third month in a row. On a y/y basis, the industrial production growth slowed to 8.9% from 12.7% in May, bringing the 1H10 growth to 12.0% y/y. Last month, the decline in the industrial output was caused mostly by an 11% m/m slump in metallurgy and 10.1% m/m fall in production of coke and refined petroleum products. Most other industries, however, recorded improvement in June: machine engineering gained 7.6% m/m, food processing added 2.7% m/m, whereas chemicals and mining were down only 3.1% m/m and 2.7% m/m respectively.

The National Energy Regulating Commission (NERC) approved a 50% gas price increase for households

and heating companies starting August 1. The increase in gas tariffs was considered the last key requirement of the IMF for the approval of a new \$14.9b loan for Ukraine. Therefore, now the Ukrainian government has to present a letter of intent to the IMF, which should lead to approval of the deal by the IMF Board and the unlocking of a first tranche of credit, possibly in August.

The Finance Ministry of Ukraine announced that, due to availability of funding sources and liquidity, it had decided to delay its new Eurobond issue worth \$2b.

On July 15, Ukrainian President Viktor Yanukovich signed a law on the fundamental principles of the country's domestic and foreign policy, stipulating the country's non-aligned status.

Industrial output  
down for third  
month in a row

## Weekly Leaders / Laggards

Largest Gainers			Largest Losers			Largest Turnover	
Issuer	Change	Price	Issuer	Change	Price	Issuer	Turnover, USD
Regal Petroleum	21.43%	0.34 GBP	Dniproenergo	-9.09%	1 000 UAH	JKX Oil&Gas	32.9m
AgroGeneration	6.11%	2.43 EUR	Sumy Frunze Machine Engineering	-8.43%	53.11 UAH	Ferrexpo	15.4m
Landkom International	5.17%	0.08 GBP	Mriya Agro Holding	-6.67%	4.90 EUR	Regal Petroleum	14.0m
Ukrprodukt	4.11%	0.38 GBP	Ferrexpo	-6.22%	2.53 GBP	Ukrnafta	3.4m
Avangardco	4.00%	13.00 USD	Mariupol Illich Iron and Steel	-5.48%	3.00 UAH	Kernel Holding	3.3m

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