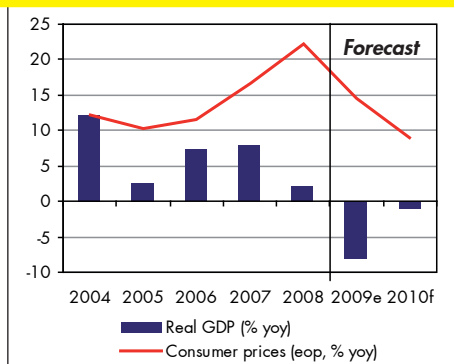


# Ukraine

## Adjustments and risks

9 June 2009

### Real GDP and inflation



Source: State Statistics Committee of Ukraine, Raiffeisen RESEARCH

### Ukraine sovereign ratings

	S&P	Moody's	Fitch
<b>Foreign currency</b>			
Long-term	CCC+	B2	B
Short-term	C	...	B
Outlook	Negative	Negative	Negative
<b>local currency</b>			
Long-term	B-	B2	B
Short-term	C	...	...
Outlook	Negative	Negative	Negative
Latest assessment	25/02/09	12/05/09	12/02/09

Source: Fitch, S&P, Moody's

### Highlights

- The first five months of 2009 show us how **Ukraine is adapting to the new economic realities**: On a positive note, the trade balance deficit largely disappeared, depreciation expectations have tapered off and the currency has stabilised. Inflation has fallen quickly. Also, after intense negotiations an agreement with the IMF was reached and the Stand-By programme continued. Finally, parent banks and companies have supported their subsidiaries by largely rolling over short-term debt.
- Nevertheless, the recently achieved stability still looks extremely fragile in the light of **several negative factors that pose major risks for the economy**: The country is in the midst of a deep recession with industrial output having fallen by almost a third. A severe and prolonged decline in output may have extremely negative consequences including mounting loan and bond defaults, and a sharp fall in fiscal revenues and rising unemployment, thus endangering economic and social stability. The political landscape remains exceptionally messy in light of the upcoming presidential elections in early January 2010. Also, if global financial markets experience another round of turbulence, Ukraine is likely to face a substantially higher external financing gap than currently expected.
- Given Ukraine's extremely high share of exports in GDP and the absence of domestic economic stimulus, the **short-term economic outlook for Ukraine is strongly dependent on global economic trends in the next 6-12 months**. We will likely witness strongly negative GDP growth from Q1 to Q3. Then, the statistical "low base effect" will positively affect the growth figure in Q4. In 2010, the deep recession will be over – we expect economic stagnation with growth rates around zero.

### Key economic figures and forecasts

	2005	2006	2007	2008	2009e	2010f
Nominal GDP (EUR bn)	69.6	86.1	104.6	123.0	81.4	99.9
Real GDP (% yoy)	2.6	7.3	7.9	2.1	-8.0	-1.0
Industrial output (% yoy)	3.1	6.2	10.2	-3.1	-17.0	0.5
Unemployment rate (avg, %)	7.2	6.8	6.4	6.4	11.3	12.0
Nominal wages (% yoy)	36.6	29.2	29.7	33.7	8.0	12.0
Producer prices (avg, % yoy)	16.7	9.6	19.5	35.5	8.0	12.0
Consumer prices (avg, % yoy)	13.5	9.1	12.8	25.2	17.8	11.0
Consumer prices (eop, % yoy)	10.3	11.6	16.6	22.3	14.6	9.0
General budget (% of GDP)	-1.8	-0.7	-1.1	-1.5	-1.0	-1.0
Current account (% of GDP)	2.9	-1.5	-3.7	-7.2	-0.4	0.0
Official FX reserves (EUR bn)	16.1	16.6	21.7	22.2	16.0	16.4
EUR/UAH (avg)	6.34	6.32	6.89	7.73	12.10	11.00
USD/UAH (avg)	5.10	5.03	5.03	5.26	8.50	7.60

Source: wiiw, State Statistics Committee of Ukraine, National Bank of Ukraine, Raiffeisen RESEARCH

#### Analysts

**Raiffeisen Bank Aval, Kiev**

Dimitry Sologoub

dmytro.sologoub@aval.ua

#### RZB, Vienna

Andreas Schwabe

andreas.schwabe@raiffeisenresearch.at

## Riders on the Storm

After several years of buoyant growth, the Ukrainian economy plunged into a deep recession beginning in the fourth quarter of 2008. The trigger was a sharp deterioration in external conditions: prices for key export goods such as steel and chemicals fell, while major trade partners in the EU and Russia began to experience an economic slowdown and they themselves eventually slipped into recession as well. Structural weaknesses – such as a high degree of political instability, an enlarged current account deficit, fast external credit growth and a boom in bank lending – came to the forefront, and country risks were reassessed by market participants. In the light of falling export commodity prices, the local currency proved to be overvalued and depreciated dramatically, plunging by 50% from September to January. The local banking sector was shaken by a couple of bank runs, massive outflows of deposits, a reversal of capital flows and a deterioration in external funding conditions due to the global credit crunch after the bankruptcy of Lehman Brothers on September 15.

Additionally, persistent political turmoil – basically a fierce fight between President Viktor Yushchenko and Prime Minister Yulia Tymoshenko – reduced policy-makers' ability to tackle the economic crisis. Thus, Ukraine was one of the first countries in CEE to turn to the IMF for assistance, which was followed by the approval of a USD 16.5 bn Stand-By Arrangement in early November 2008. However, disagreement over the implementation of reforms and the size of the budget deficit led to suspension of the programme in February and fears that it is "off track". Spreads on Ukrainian sovereign credit default swaps, which insure against a default of the country on government Eurobonds, rose to unprecedented levels, several times surpassing the ones for neighbouring countries by several times and implying a strong likelihood of (imminent) government default.

After the initial months of the economic crisis in Q4 2008 when the economy seemed to be in freefall, a look at the developments in the first five months of 2009 gives us an idea of how the country is adapting to the new economic realities.

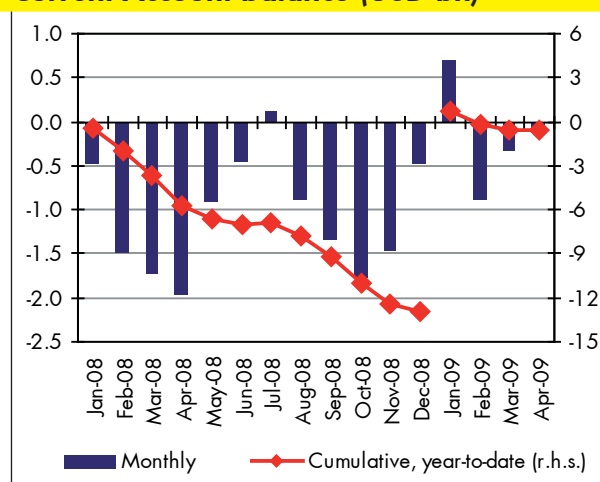
## Positive developments

### Trade balance adjustment

Over the last three years, the mounting current account deficit was seen as one of the major sources of external imbalance in the Ukrainian economy, as it reached USD 12.9 bn or 7.2% of GDP in 2008.

Thanks to the steep fall in the value of the UAH and the slump in domestic demand, the merchandise trade balance, which was the source of the deficit, adjusted faster than expected in Q1 2009. Although exports dropped by 40% yoy in the first four months in 2009 (metallurgy -62%, engineering -43%, chemical industry -48%), imports contracted even faster, falling by 53% (driven by a nose-dive in machinery imports). In USD terms, the merchandise trade balance in Jan-Apr 2009 shrank to USD 1 bn from USD 6.6 bn a year earlier. The balance of services, which is positive due to energy transport revenues, amounted to a surplus of USD 550 mn. Together, this led to a reduction of the current account deficit from a shortfall of USD 5.5 bn in Jan-Apr 2008 to a mere USD 600 mn in 2009.

### Current Account balance (USD bn)



Source: State Statistics Committee of Ukraine

### Capital inflows - parent funding and high rollover ratios

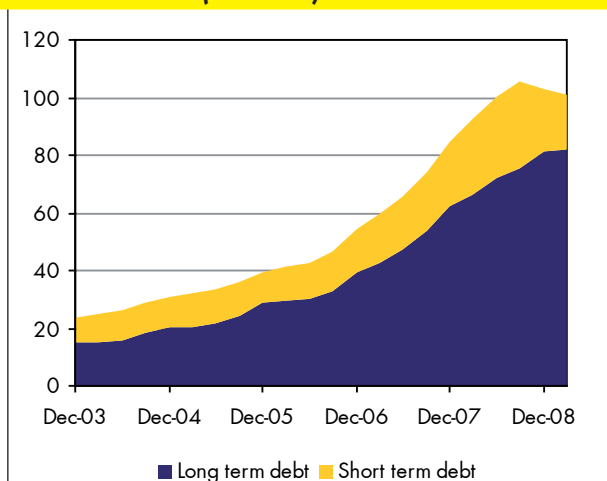
Another major concern in the wake of the financial crisis was a stop or even reversal of capital flows to Ukraine.

During the last three years, the country's private sector borrowed lavishly abroad, driving the external debt of banks up 6.5 times to almost USD 40 bn since end-2005. At the same time, the corporate sector doubled its foreign debt to slightly above USD 40 bn. At the end of Q3 2008, external short term debt<sup>1</sup> peaked at USD 28.5 bn or almost 30% of overall debt.

In the last quarter 2008, banks and companies were forced to reduce their external short-term debt by almost 30% to USD 19 bn, mainly due to a squeeze in trade finance and short-term debt repayment of banks.

<sup>1</sup> Here the term external short term debt is defined as debt with an original maturity less than 12 months. Maturing medium and long term debt is not included.

### External debt (USD bn)



Source: National Bank of Ukraine

Nonetheless, overall external debt only slightly decreased in Q4 2008-Q1 2009. The level of short-term debt stabilised and fell by just 10% in Q1 2009. The positive development was underpinned by National Bank data on debt rollover rates: in the first four months 79.8% of private sector external borrowings were rolled over – 72% in the banking sector and 103.2% in other sectors. Obviously, the strong commitment of foreign parent banks to their Ukrainian subsidiaries, which account for 50% of the local banking sector, facilitated the high rollover ratio in the banking sector. Moreover, FDI inflows picked up in April (USD 720 mn) as parent banks started to re-capitalise their Ukrainian subsidiaries (total amount committed is estimated at nearly USD 1 bn).

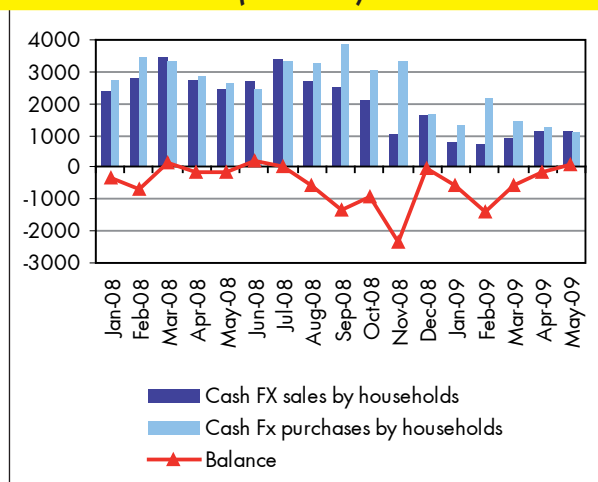
### Depreciation expectations taper off

With the seemingly uncontrolled depreciation at the end of 2008, fears of further currency weakening prevailed in early 2009. Two temporary weaknesses of the UAH, spikes in the USD/UAH rate in mid-January and late February, additionally upset the market. Exporters restricted their conversion of exports proceeds to the minimum needed to sustain their companies' operations, while the general public continued to change more cash from the local currency to foreign exchange than vice versa.

However, since March the "capital flight" seen among households slowed gradually down and in mid-May there was reportedly even some reversal to minor net capital inflows. In our view, the fall in cash FX demand by households is mostly due to the recent currency stability and introduction of special currency auctions by the NBU.<sup>2</sup>

<sup>2</sup> To reduce cash FX rate volatility and stabilize exchange rate expectations, the National Bank few months ago set up regular FX auctions selling currency to the benefit of private individuals for the service and repayment of foreign-denominated debt.

### Cash FX market (USD mn)



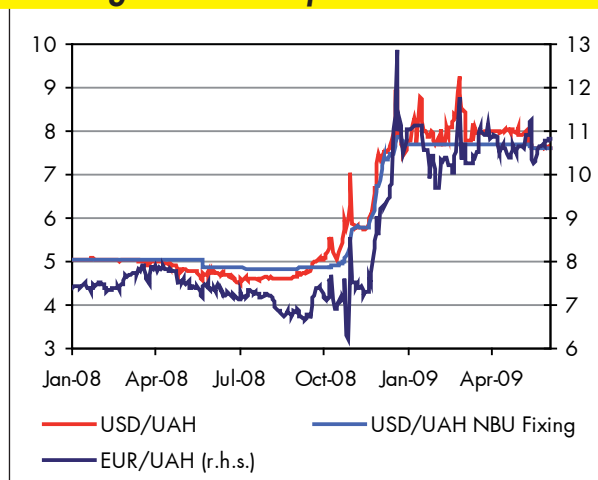
Source: National Bank of Ukraine

Although we cannot be sure that the capital outflow by the public has already and definitely ended, we see a positive trend in recent developments, which indicates that depreciation expectations are tapering off.

### Hryvnia stability in recent months

After depreciating by 50% in Q4 2008, the USD/UAH exchange rate has been relatively stable in Jan-Apr 2009 and started to appreciate gradually in May gaining nearly 5% in the last four weeks. As mentioned above, the trade balance saw a major adjustment, capital flows have developed less adversely so far than widely expected and depreciation expectations seem to be tapering off recently. At the same time, administrative measures and FX market interventions by the National Bank were another factor behind the stabilisation of the rate since March.

### Exchange rate development



Source: Reuters

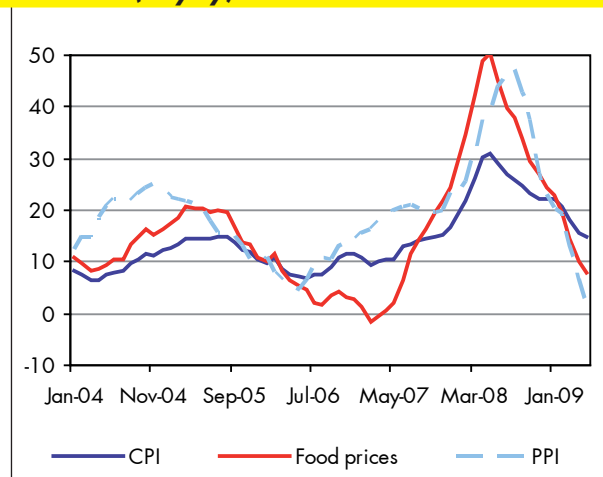
Specifically, the NBU provided FX almost on a daily basis to the market and held regular currency auctions to the benefit of special groups like individual and SME foreign currency debtors as well as importers. In January-May 2008, the NBU's FX interventions balance constituted USD minus 5.6 bn, while gross FX reserves fell from USD 31.5 bn to USD 27.8 bn (including a USD 1.3 bn tranche from the IMF).

In addition, the central bank tightened its regulatory grip on the market with the objective of discouraging speculation and increasing foreign currency supply. First, commercial banks were pressed not to quote a weaker UAH than the average market rates of the previous day. Secondly, the National Bank introduced a number of changes to FX regulations, such as the exclusion of loan loss provisions on FX loans and off-balance sheet accounts from the calculation of bank's open FX position and the temporary ban (until 1 January 2010) on all FX transactions with a settlement date later than one day after the transaction (i.e. spot and forward deals). Apparently, the regulator was aiming to boost FX supply on the market (as the banks have to sell FX to bring their FX position in compliance with the new rules) and to eliminate potential loopholes in the FX regulations in order to prevent banks' speculative operations which generated substantial depreciation pressure on the hryvnia during the last 6 months.

### Falling inflation

With the overheating of the economy, headline consumer price inflation shot up to 30% in May 2008. However in 2009, despite the UAH devaluation, the price level increased more moderately against the background of weaker domestic demand, falling real wages and frozen retail lending. In the first five months of the year, the CPI rose by a cumulated total of 7.4% and the yearly figure came down to 14.7% by the end of May (from 22.3% yoy at the end of 2008). Important factors for further price developments will be the results of this year's harvest, as food items account for more than one-half of the CPI basket composition and potential increases in retail gas tariffs. Under the conditions of the agreement with the IMF, the Ukrainian authorities are obliged to raise retail gas tariffs to cost recovery levels (which implies at least a 40-50% increase in tariffs this year), but so far the government has not followed through with this politically painful decision, in the light of approaching presidential elections.

### Inflation (% yoy)



Source: State Statistics Committee of Ukraine

### Agreement with the IMF

In late April, following two months of intense negotiations, the IMF and the Ukrainian authorities finally reached an agreement on the main parameters for economic policy. The IMF loan programme was resumed and USD 2.8 bn was released. Breaking with standard IMF practices, half of the tranche is to be used for covering the fiscal deficit. This unorthodox decision by the IMF points to the Fund's concerns regarding diminished budget revenues. The IMF said the next tranche of its loan programme would be worth SDR 2.125 bn (about USD 3 bn) and subject to endorsement by the IMF Board after mission's visit to Kiev in mid-June.

To comply with the IMF requirements, the Ukrainian authorities have adopted a number of fiscal consolidation measures (including increasing the revenues of the Pension Fund and adopting the financial plan of Naftogas) worth nearly 1% of GDP and have moved forward with banking sector recapitalisation efforts. The authorities also committed to completing the first wave of bank recapitalisation by end-June, to amending banking legislation in the issues of bank insolvency, mergers and acquisitions, identification of ultimate controllers of the bank etc., and to gradually phasing out the restrictions on FX market operations and multiple exchange rate practices. On their part, the IMF Board waived a number of previous conditions, allowing authorities to continue with exchange rate restrictions, multiple currency practices and the imposition of import restrictions, and allowed for a budget deficit of 4% of GDP in 2009, as opposed to an initial demand for a balanced budget.

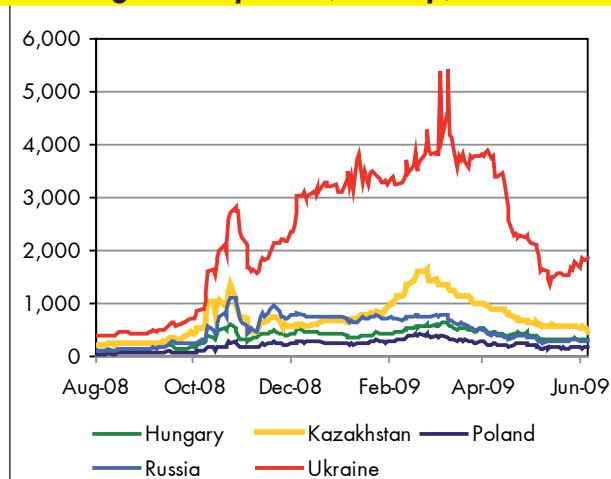
The resumption of IMF loan programme is definitely positive news for the Ukrainian economy, and dispated concerns about the immediate default of the Ukraine state. However, we think that the unstable

political situation and in particular the approaching presidential elections may complicate proper implementation of the IMF conditions in the future.

## Improved global sentiment

Taken together, the aforementioned positive developments contributed to the strong performance of the country's financial markets. The PTFS stock market index rallied since March 2009 and has more than doubled in less than 3 three months (although from a depressed level). Yields on Ukrainian sovereign Eurobonds have fallen sharply since early March, declining from more than 30% ytm to currently 13-20% ytm. Also, the price for protection against sovereign Eurobond default decreased from its peak around 5500bp to around 1800bp (5-year CDS spread).

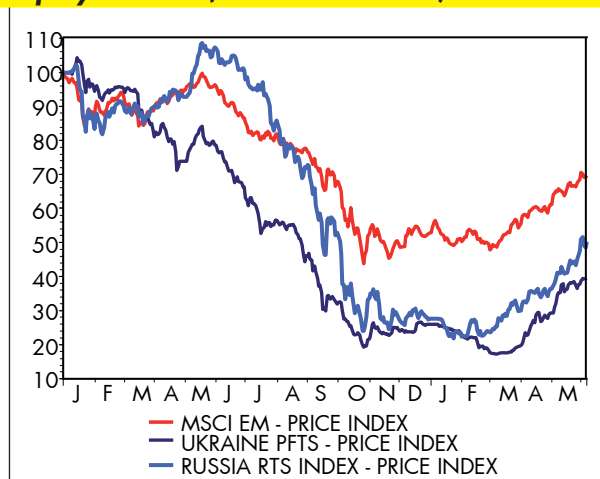
## Sovereign CDS spread (5YR, bp)



Source: Thomson Financial Datastream

However, the positive performance of Ukrainian financial assets must not be seen as an isolated phenomenon. A major part of the recovery can be attributed to a decrease in risk aversion on global markets and a consecutive rally on global equity markets. In the USA and in Europe, the turnaround in important leading economic indicators point to a deceleration of the recession in these countries. Thus, risky Emerging Markets such as Ukraine profited from the general sense of relief as market participants begin to grasp that the global economic system has survived this crisis and that the likelihood of a deep, long depression has declined. Nonetheless, an overshooting of this sentiment-based recovery on the financial markets cannot be ruled out.

## Equity indices (Jan 2008 = 100)



Source: Thomson Financial Datastream

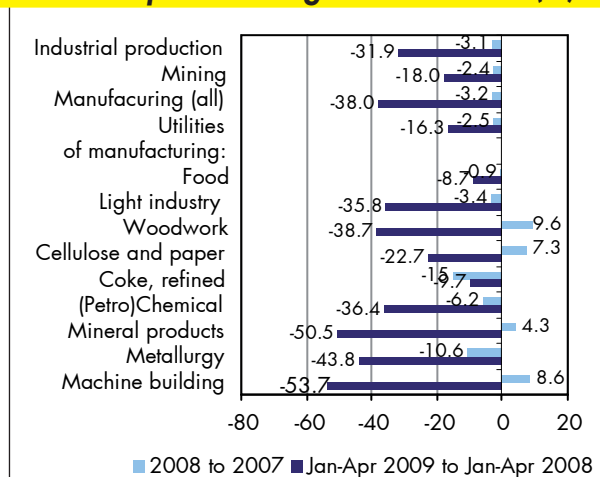
## Main macroeconomic risks

Hence, after the massive shock in Q4 2008 the macroeconomic situation in Ukraine has improved substantially in the first months of this year. Nevertheless, the recently achieved stability still looks extremely fragile in the light of several negative factors that pose major risks for the economy.

## Real sector slump

Domestic production has been in freefall since October 2008 following a sharp contraction in external and domestic demand. Industrial output nose-dived by 31.9% in January-April 2009 against the background of severe output slump across all sectors of the economy. Export-oriented industries such as the steel and chemicals industries, and machine building were hit the hardest, while the sectors oriented to domestic demand such as the food industry were less affected.

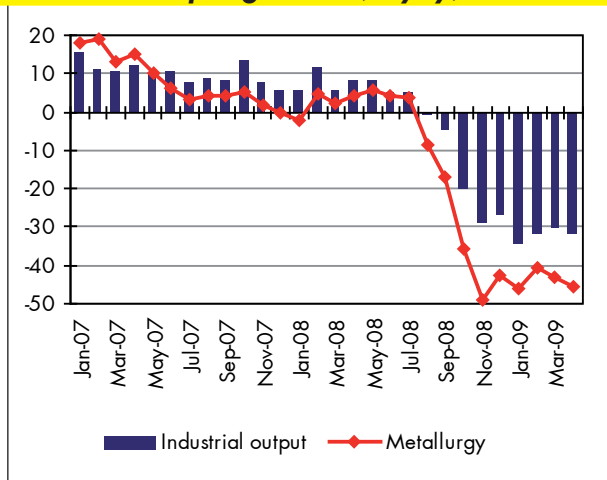
## Industrial production growth - sectors (%)



Source: State Statistics Committee of Ukraine

The much steeper output decline in Ukraine compared to other countries is explained by high openness of the economy (export accounts for almost 50% of GDP) and the non-diversified export structure (the export of metals constitutes 42% of total exports, while more than a quarter of exports are concentrated on a single country – Russia). At the same time, the crisis was exacerbated by domestic factors – sharp hryvnia depreciation and frozen credit activity depressed domestic demand, while persistent political stalemate hampered policymakers' ability to tackle the economic crisis.

## Industrial output growth (% yoy)



Source: State Statistics Committee of Ukraine

The severe and prolonged output decline may have extremely negative consequences for the Ukrainian economy including mounting loan and bond defaults, a sharp fall in fiscal revenues and rising unemployment, thus endangering economic and social stability in the country.

## Widening fiscal gap

Despite the government's success reports on impressive budget performance, the real fiscal picture looks quite gloomy due to diminished budget revenues, large imbalances in the Pension Fund, and problems on the financing side. In the first four months of the year, the government managed to sustain the fiscal situation thanks to administrative efforts and creative accounting measures, including advance tax payments and NBU profit transfer, manipulation of VAT payments on imported gas, etc. Moreover, to cover the widening budget gap the government has actively resorted to NBU financing via the issuance of domestic government bonds. However, we expect the government to face a large, uncovered gap this year against the background of eroded tax revenues (the budget revenues may fall 10-15% short of the year-end target), a gap in the Pension Fund (around

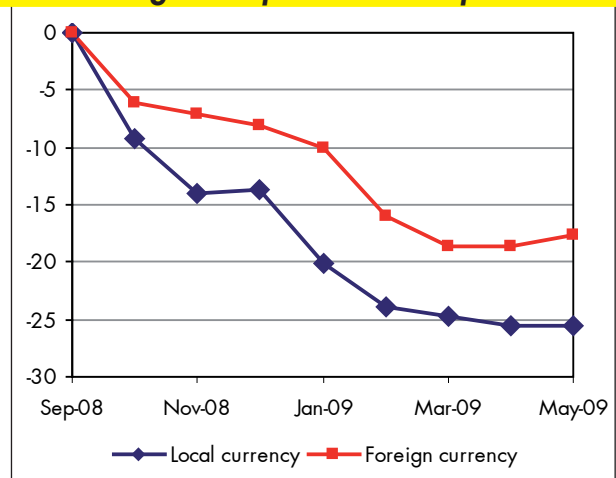
1-1.5% of GDP), the extremely difficult financial position of Naftogas (damaged by the government's reluctance to raise retail gas tariffs before elections) and problems to finance the budget (privatisation stalemate, the blocked access to the international debt markets). Furthermore, due to the upcoming elections the authorities are reluctant to pass corrective fiscal measures that may help to boost revenues and curb unproductive expenditures.

Apparently, the government is relying on financing from international financial institutions (the IMF has already disbursed USD 1.5 bn to the government and two World Bank loans for the total amount of USD 1.25 bn are in the pipeline) and on bilateral loans, and hoping for the economy to gradually recover in the 2nd half of the year, which will improve the revenue situation. Nevertheless, we consider the fiscal situation extremely worrying this year, especially in light of the upcoming presidential elections, which obviously increase the risk of populist policies.

## Banking sector turbulences

The banking system has been under enormous liquidity pressure since October 2008, due to the massive deposit outflow and blocked access to external financing. Specifically, sharp hryvnia depreciation and problems in one of the largest banks provoked a massive run on deposits (the banks lost nearly 25% of deposit base in October-March). Several banks were unable to bear the liquidity pressure and were put under NBU receivership. To protect depositors and restore the confidence in the banking system, the authorities developed a recapitalisation mechanism, under which the state will acquire the majority stake in the ailing systemic banks.

## Total change in deposits since Sep-08\*



\* %, cumulative  
Source: National Bank of Ukraine

Liquidity risk has declined in recent months as deposit flows reversed amid exchange rate stability and the absence of any negative news on the banking sector. At the same time, default risk is clearly on the upside – due to the high share of FX loans to borrowers without income in foreign currency (for example, 80% of mortgage loans are FX-denominated), 60% hryvnia depreciation (coupled with falling real incomes), which has eroded borrowers' ability to repay their FX loans, thus leading to mounting default risks for banks. In recent months, the banks generally managed to get retail loan performance under control (owing to large-scale restructuring processes and reduced exchange rate volatility), but the major risk going forward is loan quality in the corporate segment, taking into account the severe output slump.

Another important issue for banking system stability at the moment is the efficient resolution of problem banks (including systemic banks' recapitalisation by the state, the prevention of assets stripping practices, etc.) to boost public confidence in the system. We expect this process to be quite bumpy, taking into account the web of politically vested interests in the Ukrainian banking system.

### **Persistent political stalemate**

Ukraine's political landscape remains exceptionally messy in light of the upcoming presidential elections (in early 2010). President Yushchenko and Prime Minister Tymoshenko have been engaged in constant fights over various economic and political issues (gas deal with Russia, foreign policy, anti-crisis measures, etc.), while the Parliament is basically dysfunctional given the de-facto absence of a ruling coalition. As a result, the main political players have proven unable to cooperate and develop a comprehensive anti-crisis package (for example, in April the Parliament failed to approve legislative changes necessary for IMF programme resumption and these changes were passed by governmental resolutions on apparently weaker legal grounds). Furthermore, the approaching presidential race raises the risk of an outburst of populist policies that may ruin the country's fragile economic stability. For instance, Parliament recently adopted a law prohibiting the repossession of collateral on mortgage loans. This purely populist document (which has yet to be signed by the President) creates a legal inconsistency in the mortgage lending area and may substantially damage the banking system's operations.

### **External financing risk**

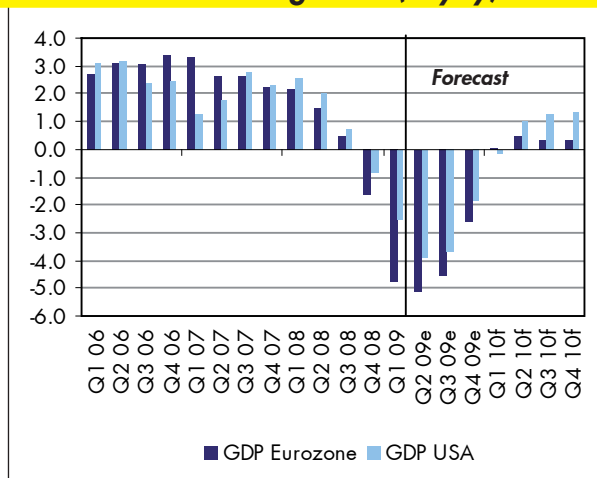
The rally on the global financial markets in the last three months has substantially alleviated the exter-

nal financing risk for Ukraine. As mentioned above, Ukraine still enjoyed some capital inflows in the first quarter (in form of FDI and long-term loans), and rollover ratios in the private sector have been close to 100%. Specifically, the foreign banks provided full support to their subsidiaries operating in Ukraine by injecting liquidity and replenishing capital. However, if global financial markets enter another round of turbulence there may be a decline in capital flows into Ukraine and reduced rollover ratios. In this case, Ukraine is likely to face a substantially higher external financing gap than currently expected.

## **Summary and projections**

Given Ukraine's extremely high share of exports in GDP and the absence of domestic economic stimulus, the recovery of Ukrainian economy is likely to be mostly externally driven. Thus, in our view, the short-term economic outlook for Ukraine is heavily dependent on global economic trends in the next 6-12 months.

### **USA and euro zone growth (% yoy)**



Source: Thomson Financial Datatream, Raiffeisen Research

In 2009, the world economy plummeted into the deepest post-World War II recession by far. The IMF projects global output in 2009 to fall by 1.3%. Moreover the downturn is truly global, including the USA, Western Europe and Japan as well. However, the trough of the economic slump in the advanced economies such as the USA and the euro area is likely already behind us. Improving leading indicators portend stabilisation in economic activity in the second half of 2009, meaning that on the one hand there will be no more major declines in production activity but on the other hand no substantial upswing in business activity. History teaches us that economic downturns in conjunction with financial crises last longer and are more severe. Hence, after the severe

recession in 2009 we expect stagnation in 2010 in these economies. The low capital utilisation will lead to further job losses, and unemployment rates will continue to rise well into 2010.

Emerging economies will likely follow the path of the advanced economies. China may ultimately profit from its fiscal stimulus as well as from an end to the US recession. Russia, although hard hit by falling oil prices, will profit from the (ongoing) rebound as well. In Ukraine, we will likely witness strongly negative GDP growth from Q1 to Q3. Then, the statistical "low base effect" will positively affect the growth figure in Q4. Also, with a decline of over 30% yoy, the slump in the industrial sector of Ukraine has essentially bottomed out. Demand for steel and other export goods will at some point recover from the currently depressed levels due to higher economic activity in other parts of the world, i.e. Emerging Asia. Regarding exports, the country will gain from its increased external competitiveness due to the sharply depreciated currency. In 2010 the deep recession will likely be over – we expect economic stagnation with growth rates around zero.

In the baseline scenario, we expect that the external balances may be sustained this year, and thus large-scale exchange rate adjustment has been complete (albeit exchange rate volatility may increase in the fourth quarter given the approach of the elections and seasonal increase in imports). Specifically, assuming nearly full rollover of parent funding, smooth implementation of the IMF programme and funding from other bilateral and multilateral donors, we expect that the external financing gap (gross external financing requirement minus available funding) will not exceed USD 5-7 bn in 2009 and might be easily financed with NBU FX reserves. However, we should note that these estimates are extremely sensitive to economic and political (in)stability in Ukraine, since another hike in depreciation expectations may trigger massive short-term capital outflows and thus a weaker currency.

## External financing gap 2009 (USD bn)

Current account balance	-0.5
Short-term capital outflow (gross)	-32.0
o/w cash outside banking system	-10.0
Maturing long-term debt	-11.3
o/w public sector	-2.0
<b>External financing requirement</b>	<b>-43.8</b>
FDI	3.0
Private sector short-term loans	15.5
Private sector long-term loans	3.4
IMF funding (2009 tranches)	10.0
IFI's and bilateral loans (w/o IMF)	6.0
<b>External financing sources</b>	<b>37.9</b>
<b>External financing gap</b>	<b>-5.9</b>

Source: National Bank of Ukraine, Raiffeisen Research

In conclusion, we would like to stress the importance of concerted policy actions to overcome the recession and generate sustainable output growth. Unfortunately, at the moment the authorities' strategy looks extremely short-sighted – the focus is on maintaining macroeconomic and social stability in the short term (until the presidential elections), while the main hopes for economic recovery are based on a revival in the global economy. Consequently, long-needed structural reforms have been postponed. However, if global economic growth remains sluggish in the next few years Ukraine faces the risk of falling into a vicious cycle of stagnant growth and high inflation. Therefore, the long-term growth strategy should be based on developing sustainable domestic demand by implementing the set of structural reforms including regulatory, judicial, pension, land ownership and other reforms.

### **Raiffeisen Zentralbank Österreich AG, Vienna** **Global Markets**

Head of Sales: Stefan Weiser Tel: +43 1 71707 3974  
Financials Sales: Hans Rettl Tel: +43 1 71707 3300  
Corporate Sales: Wolfgang Kalinka Tel: +43 1 71707 3959

### **Belgrade: Raiffeisenbank a.d. Serbia**

Treasury: Branko Novakovic Tel: +381 11 2207 131

### **Bratislava: Tatra banka, a.s.**

Treasury: Miroslav Paracka Tel: +421 2 5919 1386  
Sales: Milan Cavoječ Tel: +421 2 5919 1212

### **Bucharest: Raiffeisen Bank S.A.**

Treasury: Cristian Sporis Tel: +40 21 306 1210  
Sales: Razvan Szilagyi Tel: +40 21 306 1205

### **Budapest: Raiffeisen Bank Zrt.**

Treasury: Gabor Liener Tel: +36 1 484 4304  
Sales: Zsolt Matolcsi Tel: +36 1 484 4840

### **Kiev: Raiffeisen Bank Aval**

Treasury: Vladimir Kravchenko Tel: +380 44 490 8808  
Sales: Roland Vizner Tel: +380 44 490 8962

### **Maribor: Raiffeisen Krekova banka d.d. Slovenia**

Treasury: Thomas Schindl Tel: +386 1 475 7841

### **Minsk: Priorbank JSC Belarus**

Treasury: Andrey Filazafivich Tel: +375 17 289 9312

### **Moscow: ZAO Raiffeisenbank Austria**

Treasury: Sergei Monin Tel: +7 495 721 9922  
Sales: Arsen Manoukian Tel: +7 495 721 9978

### **RZB London Branch**

Treasury: Paul Underwood Tel: +44 20 7933 8106  
Sales: Stefan Gabriele Tel: +44 20 7933 8104

### **Raiffeisen Centrobank AG, Vienna**

**Equity Capital Markets**  
Head: Wilhelm Celeda Tel: +43 1 515 20 402  
Sales: Klaus della Torre Tel: +43 1 515 20 472

### **Prague: Raiffeisenbank a.s.**

Treasury: Vit Brdlik Tel: +420 221 141 145  
Sales: Michal Michalov Tel: +420 221 141 830

### **Pristina: Raiffeisen Bank Kosovo JSC**

Treasury: Berat Isa Tel: +381 38 226400 129

### **Sarajevo: Raiffeisen BANK d.d. Bosna i Hercegovina**

Treasury: Sanja Korene Tel: +387 33 208 372

### **Sofia: Raiffeisenbank (Bulgaria) EAD**

Treasury: Evelina Miltenova Tel: +359 2 91985 441

### **Tirana: Raiffeisen Bank Sh.a. Albania**

Treasury: Adriana Jorgji Tel: +355 4 222 669 2545

### **Warsaw: Raiffeisen Bank Polska S.A.**

Treasury: Mirosław Winiarczyk Tel: +48 22 585 26 00  
Sales: Adam Pers Tel: +48 22 585 26 26

### **Zagreb: Raiffeisenbank Austria d.d.**

Treasury: Ivan Zizic Tel: +385 1 46 95 076

### **Editor:**

Raiffeisen RESEARCH GmbH  
A-1030 Vienna, Am Stadtpark 9  
Tel.: +43 1 717 07-1521

This report was completed on 9 June 2009.

### **Head of Raiffeisen RESEARCH:**

Peter Brezinschek (1517)

This document does not constitute an offer or invitation to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. Any investment decision with respect to any securities of the respective company must be made on the basis of an offering circular or prospectus approved by such company and not on the basis of this document. RZB may have effected an own account transaction in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. RZB may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security. Information contained herein is based on sources, including annual reports and other material which might have been made available by the entity which is the subject of this document. RZB believes all the information to be reliable, but no representations are made as to their accuracy and completeness. Unless otherwise stated, all views (including statements and forecasts) are solely those of RZB and are subject to change without notice. Investors in emerging markets need to be aware that settlement and custodial risk may be higher than in markets where there is a long established infrastructure and that stock liquidity may be impacted by the numbers of market makers which may therefore impact upon the reliability of any investments made as a result of acting upon information contained in this document. Special regulations for the Republic of Austria: This document does not constitute either a public offer in the meaning of the Kapitalmarktgesetz („KMG“) nor a prospectus in the meaning of the KMG or of the Börsegesetz. Furthermore this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the Wertpapieraufsichtsgesetz. This document shall not replace the necessary advice concerning the purchase or the sale of securities or investments. For any advice concerning the purchase or the sale of securities or investments kindly contact your RAIFFEISENBANK. Special regulations for the United Kingdom of Great Britain and Northern Ireland (UK): Raiffeisen Zentralbank. This publication has been either approved or issued by Raiffeisen Zentralbank Österreich AG (RZB) in order to promote its investment business. RZB is regulated for the conduct of investment business within the UK by the Financial Service Authority (FSA) and a member of the London Stock Exchange. This publication is not intended for investors who are private customers within the meaning of the FSA rules and should therefore not be distributed to them. Neither the information nor the opinions expressed herein constitute or are to be construed as an offer or solicitation of an offer to buy (or sell) investments. RZB may have effected an Own Account Transaction within the meaning of FSA rules in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. RZB may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security. Special regulations for the United States of America (USA) and Canada: This document or any copy hereof may not be taken or transmitted or distributed, in the USA or Canada or their respective territories or possessions nor may it be distributed to any USA-person or person resident in Canada by any means other than via a US Broker Dealer. Any failure to comply with these restrictions may constitute a violation of USA or Canadian securities laws.

