

**Market Update**

**Equity**

Kyiv-listed equities were sharply higher in morning trading on Friday (Jun 27) before giving up the gains around noon and ending the session mostly in negative territory ahead of the long Constitution Day weekend. Monday (Jun 30) trading on the main global bourses was flat to mixed in line with the recent pattern of water-treading, as markets wait to see how the escalation of conflict in Iraq plays out. The UX index edged down 0.6% to close at 1227 points after hitting an intraday high above 1250. Among the top liquid names, UkrNafta was the loss leader on a 3.2% decline to near UAH 247, while Motor Sich and CentrEnergO fell by 1.0% and 1.2% respectively, with the former finishing at UAH 2421. On the upside, DonbasEnergO and Azovstal edged higher by about half a percent each. Outside the UX basket, Mariupol Heavy Machinery continued to swing wildly, falling by 17% after a large gain earlier in the week. In Warsaw-listed agro stocks on Monday, cheese producer Milkiland sold off by 3.1% to PLN 6.96, while crop grower IMC slipped 0.9% to PLN 10.24.

**Fixed Income**

Ukrainian sovereigns were sluggish on Friday with Ukraine-23s down by 0.5p.p. closing at 94.0/95.0 (8.5%/8.3%). The corporate universe was mixed. MHP-15s improved by 0.3p.p. to 103.0/103.8 (8.0%/6.8%) while Ferrexpo-16s declined by 0.5p.p. finishing at 96.1/98.1 (11.3%/9.8%).

Volume Leaders	Ticker	Last, UAH	1D ch	Volume, UAH mn	Number of Trades
Motor Sich	MSICH	2420.00	-1.0%	16.9	148
CentrEnergO	CEEN	7.33	-1.2%	4.4	338
Ukrnafta	UNAF	245.40	-3.3%	1.9	158

**Growth Leaders**

UkrSotsbank	USCB	0.17	1.8%	1.53	20
Yasynivsky Coke	YASK	0.72	1.4%	0.47	7
Bank Forum	FORM	0.26	0.7%	0.05	12

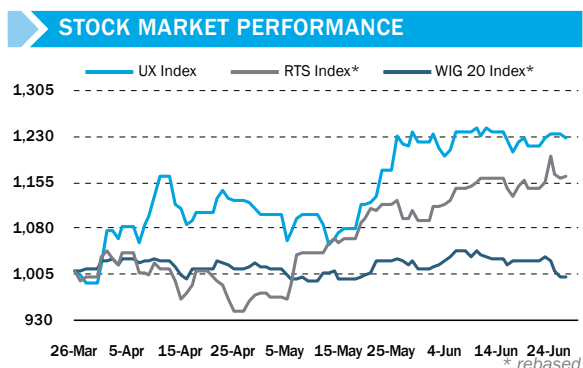
**Loss Leaders**

Mariupol Heavy Machine	MZVM	0.11	-17.2%	0.304	41
Ukrnafta	UNAF	245.40	-3.3%	1.892	158
Yenakievo Steel	ENMZ	44.68	-2.2%	0.645	68

**Highlights**

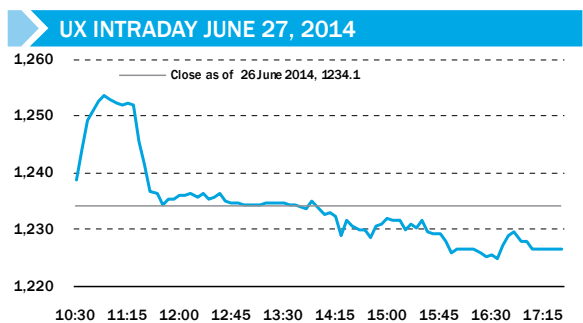
**POLITICS AND ECONOMICS**

- Ukraine, Moldova, Georgia Sign EU Free Trade Deals
- Poroshenko Ends Ceasefire, Announces Donbass Military Offensive



**MARKET INDEXES**

	Last	1D ch	1M ch	YTD
UX	1226.7	-0.6%	0.7%	34.8%
RTS	1379.8	0.2%	6.3%	-4.4%
WIG20	2399.6	-0.1%	-2.6%	-0.1%
MSCI EM	1046.2	-0.1%	1.3%	4.4%
S&P 500	1961.0	0.2%	2.6%	6.5%



**FIXED INCOME**

	Last	1D ch	1M ch	YTD
EMBI+Global	281.2	0.1%	-6.4%	-15.0%
CDS 5Y UKR	838.9	-0.8%	-7.2%	2.3%
Ukraine-17	8.0%	0.0 p.p.	-0.3 p.p.	-1.0 p.p.
Naftogaz Ukr-14	17.9%	0.1 p.p.	-3.6 p.p.	9.2 p.p.
Ukraine-23	8.4%	0.1 p.p.	-0.3 p.p.	0.9 p.p.
Privatbank-16	23.4%	0.0 p.p.	-6.3 p.p.	-1.3 p.p.

**CURRENCY**

	Last, UAH	1D ch	1M ch	YTD
USD	11.75	-1.1%	-1.3%	42.6%
EUR	16.04	-0.9%	-1.2%	41.0%
RUB	0.35	-1.3%	0.7%	38.7%

**COMMODITIES**

	Last	1D ch	1M ch	YTD
Wheat, USD/t*	250.4	-0.3%	-7.7%	-12.9%
Steel, USD/t	537.5	0.0%	0.0%	0.0%
Oil, USD/bbl	113.3	0.1%	3.6%	1.9%
Gold, USD/oz	1316.2	0.0%	4.1%	10.0%

\*Ukraine FOB

Source: Bloomberg, Ukrainian Exchange

## Ukraine, Moldova, Georgia Sign EU Free Trade Deals

by Will Ritter  
w.ritter@eavex.com.ua

### NEWS

President Poroshenko signed the free trade portion of Ukraine's historic Association Agreement with the European Union on Friday (Jun 27). The document, the political portion of which was signed back in March, slashes trade barriers with the EU and requires the country to implement an ambitious program of economic and regulatory reforms. Also signing their own EU deals simultaneously along with Ukraine were Georgia and Moldova.

### COMMENTARY

Although the signing of the AA/DCFTA was the number one issue for Ukraine as recently as 8 months ago, today it has only a symbolic significance, with the actual implementation of the deal - especially the new Ukrainian government's promises of wide-ranging energy sector reforms - far more important. We think it is imperative that ongoing trilateral Ukraine-Russia-EU talks to discuss the economic impact of the AA/DCFTA not be allowed to influence the timetable for implementation, as Moscow will surely be seeking to delay the effectuation of the agreement. Further, the deal may actually be negative for Ukrainian exports in the short term, as the initial modest expected gains in EU-related export of revenue of around EUR 500mn per year will probably be more than offset by new restrictions on Ukrainian exports to Russia. We have no doubt that in the medium and long terms, the AA/DCFTA will be positive for Ukraine's economy, but only if significant parts of it are truly implemented. With the current military conflict in Eastern Ukraine showing few signs of a near-term resolution, we fear that President Poroshenko may not be able to devote sufficient attention to launching serious reforms; therefore, wide-ranging implementation of the conditions for Ukraine attached to the AA/DCFTA, or indeed adherence to the requirements of Ukraine's new IMF standby loan, cannot be taken for granted going forward.

## Poroshenko Ends Ceasefire, Announces Donbass Military Offensive

by Will Ritter  
w.ritter@eavex.com.ua

### NEWS

President Poroshenko said he is ordering Ukraine's military to ramp up operations against pro-Russian rebels in areas of Donetsk and Lugansk provinces following the expiration of a 10-day unilateral government ceasefire at 22:00 on Monday (Jun 30) evening. The President made the announcement last night in a nationally televised address shortly following the expiration, saying, "We will attack and free our lands... the defense of Ukraine's territorial integrity, of the security and lives of peaceful citizens, demands not just defensive but offensive action against the terrorist militants." On Sunday (Jun 29), Poroshenko had come under heavy criticism from hard-line Ukrainian nationalists at a large protest in Kyiv's Independence Square, who demanded that he end negotiations with the rebels, renew military attacks, and declare martial law. Monday also marked an EU deadline for Russian President Putin to take action to halt the flow of weapons and mercenaries from Russian territory into Ukraine, after which EU leaders said Moscow would face additional economic penalties. However, in practice, it appears that the EU will not take any action until a ministerial summit meeting set for Jul 16. If what was presented to the EU as a concession, Russian Foreign Minister Sergey Lavrov offered to allow Ukrainian border guards onto Russian territory for what he said would be joint patrols to secure the frontier. Lavrov offered no explanation for why Ukraine should have to accept any responsibility for Russian internal border security.

### COMMENTARY

The situation in the Donbass is playing out more or less according to our previous expectations, as we did not view Poroshenko's ceasefire as a serious attempt to de-escalate the conflict, given that pro-Russian paramilitaries had little or no incentive to abide by it. If the Ukrainian army now renews its offensive operations, we assume that the pro-Russian mercenaries will react by turning the conflict further into partisan warfare, increasing their use of civilians as shields against pro-government attacks and thus worsening the psychological damage being done to the region by the war. We suppose that Poroshenko is betting that Moscow will limit its assistance to the rebels in order to ward off new Western sanctions, allowing the Ukrainian army to make substantial gains without paying too high a price. Still, we remain highly skeptical that the rebels can be defeated militarily without a total shut-off of Russian support, and we see no military solution to the main political issue facing the Donbass, i.e. how and under what conditions the region, which is characterized by strong electoral opposition to the European vector, can remain part of an unambiguously pro-European Ukraine. We do not believe that over the longer term (beyond a few more months), the moderate Ukrainian electorate which voted Poroshenko into office will continue to support an extended war to "liberate" the Donbass, leading to a split in society between Ukraine's radical nationalist minority and the less politically active but far more numerous moderate majority. Such a scenario suits the Kremlin, which is trying to prolong the Donbass conflict and use it as an instrument to retard and undermine Poroshenko's European integration agenda.

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Steel&amp;Pipes</b>						
Azovstal	AZST	0.78	0.56	-29%	SELL	Non-transparent reporting practices detrimentally affect Azovstal's reported earnings.
<b>Iron Ore</b>						
Ferrexpo	FXPO LN	131.0	125.0	-5%	SELL	Ferrexpo's lower production cost due to UAH devaluation in 2014 together with a 8% increase in output will not be sufficient to offset a projected 13% drop in the group's achieved iron ore pricing.
Pivnichny GOK	SGOK	8.10	U/R	na	U/R	On its EGM on 14 Feb 2014, SGOK's shareholders approved additional issue of 14.75mn of new shares implying 0.64% of the company's share capital.
Centralny GOK	CGOK	6.95	U/R	na	U/R	On its EGM on 19 Feb 2014, CGOK's shareholders made a decision on additional issue of 14.73mn of new shares implying 1.26% of the company's share capital.
<b>Coke</b>						
Avdyivka Coke	AVDK	3.24	6.2	92%	BUY	AVDK's order book is secure thanks to its integration with Metinvest, Ukraine's largest M&M holding.
Yasynivsky Coke	YASK	0.72	U/R	na	U/R	Yasynivsky Coke reported net loss of UAH 22mn for FY13 which was the first negative bottom line since 2004.
<b>Coal</b>						
Pokrovske Mine	SHCHZ	0.74	2.9	298%	BUY	We expect Pokrovske Mine to double its coking coal extraction to 9.5mn tonnes over 2010-15.
<b>Railcar Manufacturing</b>						
Krukiv Wagon	KVBZ	18.8	U/R	--	U/R	
LuganskTeplovoz	LTPL	1.40	5.2	274%	BUY	LuganskTeplovoz's incorporation into TransMashHolding should help it to exploit its already-dominant position on the Russian market for diesel locomotives.
<b>Specialized Machinery</b>						
Motor Sich	MSICH	2421	5250	117%	BUY	Motor Sich should see its sales grow with a 2012-2016E CAGR of 9%, reaching USD 1.2bn. For 2012-2016, we forecast an average EBITDA margin of 35% and a net margin of 28%.
Turboatom	TATM	5.00	8.9	78%	BUY	We model Turboatom's revenue as increasing at 18% CAGR over 2012-2015. Deliveries of hydro and steam turbines to export markets will remain the company's key revenue drivers.
<b>Oil &amp; Gas</b>						
Concern Galnaftogaz	GLNG	0.15	0.24	60%	BUY	Galnaftogaz is pursuing a plan to aggressively expand its filling station network.
Regal Petroleum	RPT	8.8	42.0	380%	BUY	We assume that Regal will be able to produce 5,200 boepd in 2014, generating USD 116mn in sales.
JKX Oil & Gas	JKX	57.8	120	108%	BUY	The launch of extraction at JKX's Russian gas field has lifted output, but the company's higher-margin Ukrainian operations continue to lag behind expectations.
<b>Power Utilities</b>						
DonbasEnerg	DOEN	39.5	72.0	82%	BUY	DonbasEnerg is expected to pay a significant dividend from its FY13 profit that could amount to as much as UAH 5.0 per share, implying a dividend yield of 20%.
CenterEnerg	CEEN	7.33	15.00	105%	BUY	CenterEnerg's privatization has been postponed, but the company retains a strong fundamental value due to its large installed electricity generation capacity.
<b>Consumer</b>						
MHP	MHPC	15.0	15.65	4%	BUY	The company is set to reach full capacity utilisation at its greenfield Vinnytsia project in late 2014 on the back of favorable export and domestic markets demand for its poultry.
Astarta	AST	44.0	90.0	105%	BUY	Astarta's business leans on three pillars: sugar beet cultivation/processing, grain cultivation, and cattle farming. With sugar prices depressed since 2011, a favorable market for grain should continue to drive the company's profitability.
AvangardCo	AVGR	9.9	U/R	--	U/R	
Ovostar Union	OVO	73.0	58.74	-20%	SELL	Ovostar is one of the hardest-hit Ukrainian public companies from this year's UAH devaluation as some 70% of its production cost is linked to USD while only 7% of revenue earned in hard currency. Capacity expansion project for 2014-16 will likely be delayed, according to the management.
<b>Banks</b>						
Raiffeisen Bank Aval	BAVL	0.154	0.24	56%	BUY	We base our valuation on an assumption of the bank's fair value at 0.9x of its book value, the level at which Italian lender Intesa Sanpaolo sold its Ukrainian subsidiary in early 2014.

Source: Eavex Research

**PRICES AND QUOTES**

Name	Ticker	Today, UAH*	52 high, UAH*	52 low, UAH*	Absolute performance				Performance relative to the UX index			
					1d	1w	1m	ytd	1d	1w	1m	ytd
UX Index	UX	1226.69	1254.58	799.72	-0.6%	0.9%	0.7%	34.8%	0.0%	0.0%	0.0%	0.0%
<b>Steel</b>												
Alchevsk Steel	ALMK	0.037	0.06	0.02	0.5%	1.9%	8.8%	-4.4%	1.1%	1.0%	8.1%	-39.2%
Azovstal	AZST	0.78	0.95	0.40	0.6%	2.1%	-0.5%	16.9%	1.2%	1.2%	-1.2%	-17.9%
Dniprospezstal	DNSS	1,300	n/a	n/a	0.0%	0.0%	n/a	0.0%	0.6%	-0.9%	n/a	-34.8%
Enakievo Steel	ENMZ	44.7	52.0	17.0	-2.2%	0.4%	19.2%	39.6%	-1.6%	-0.5%	18.5%	4.8%
Arcelor Mittal KR	KSTL	4.00	n/a	n/a	0.0%	0.0%	n/a	247.8%	0.6%	-0.9%	n/a	213.0%
Mariupol Ilyicha	MMKI	0.16	n/a	n/a	0.0%	-20.0%	0.0%	60.0%	0.6%	-20.9%	-0.7%	25.2%
<b>Coke</b>												
Avdivka Coke	AVDK	3.24	4.80	1.46	-0.3%	-0.6%	-0.4%	9.5%	0.3%	-1.5%	-1.1%	-25.3%
Yasnyivsky Coking	YASK	0.72	0.84	0.30	1.4%	-12.2%	12.5%	35.8%	2.0%	-13.1%	11.8%	1.1%
<b>Iron Ore Mining</b>												
Centralny GOK	CGOK	6.95	n/a	n/a	-0.7%	-0.7%	-6.0%	6.9%	-0.1%	-1.6%	-6.6%	-27.9%
Ferrexpo	FXPO	2.23	3.20	2.02	1.1%	7.6%	-3.5%	-29.3%	1.7%	6.7%	-4.2%	-64.1%
Pivnichny GOK	SGOK	8.10	10.00	4.50	1.1%	-2.4%	-8.5%	1.3%	1.7%	-3.3%	-9.1%	-33.5%
<b>Coal Mining</b>												
Pokrovske Mine	SHCHZ	0.74	0.75	0.10	0.0%	29.8%	13.8%	85.0%	0.6%	28.9%	13.2%	50.2%
Komsomolets Donbasa	SHKD	0.90	n/a	n/a	0.0%	-8.2%	-10.0%	45.2%	0.6%	-9.1%	-10.7%	10.4%
Energy Coal	CLE	0.41	0.96	0.31	-4.3%	-5.4%	-5.7%	18.4%	-3.7%	-6.3%	-6.4%	-16.4%
<b>Mining Machinery</b>												
Svitlo Shakhtara	HMBZ	0.44	n/a	n/a	-2.2%	2.3%	n/a	-4.3%	-1.6%	1.4%	n/a	-39.1%
<b>Pipe Manufacturing</b>												
Khartsyzk Pipe	HRTR	0.88	1.01	0.30	0.0%	0.0%	3.5%	46.7%	0.6%	-0.9%	2.9%	11.9%
Interpipe NMPP	NVTR	0.39	n/a	n/a	0.0%	0.0%	30.0%	85.7%	0.6%	-0.9%	29.3%	50.9%
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	18.8	29.0	10.0	0.7%	4.0%	14.4%	8.7%	1.3%	3.1%	13.8%	-26.1%
Luhanskeplovoz	LTPL	1.40	2.20	1.04	2.9%	2.9%	-9.7%	-6.7%	3.5%	2.0%	-10.3%	-41.5%
Stakhanov Wagon	SVGZ	1.15	n/a	n/a	0.0%	-2.5%	11.7%	-11.5%	0.6%	-3.5%	11.0%	-46.3%
<b>Specialized Machinery</b>												
Bogdan Motors	LUAZ	0.06	0.08	0.02	0.8%	-1.6%	8.0%	128.3%	1.4%	-2.5%	7.4%	93.5%
Motor Sich	MSICH	2,421	3,000	1,303	-0.9%	4.1%	13.4%	32.7%	-0.3%	3.2%	12.7%	-2.1%
Summy Frunze Engineering	SMASH	5.99	n/a	n/a	0.0%	38.0%	57.6%	139.6%	0.6%	37.1%	57.0%	104.8%
Turboatom	TATM	4.60	n/a	n/a	0.0%	0.0%	2.2%	31.4%	0.6%	-0.9%	1.6%	-3.4%
WESTA ISIC	WES	0.14	0.26	0.13	0.3%	-3.8%	-12.4%	8.5%	0.9%	-4.7%	-13.0%	-26.3%
<b>Telecom</b>												
Ukrtelecom	UTLM	0.18	0.19	0.09	0.0%	-0.8%	-7.2%	59.1%	0.6%	-1.8%	-7.8%	24.3%
<b>Oil &amp; Gas</b>												
Regal Petroleum	RPT	0.14	0.27	0.12	1.6%	8.2%	-4.3%	-32.3%	2.2%	7.3%	-4.9%	-67.1%
JKX Oil	JKX	0.98	1.21	0.78	-2.5%	-2.5%	-2.2%	-17.0%	-1.9%	-3.4%	-2.9%	-51.8%
Ukrnafta	UNAF	246	271	80	-3.2%	-4.5%	-4.9%	126.2%	-2.6%	-5.4%	-5.6%	91.4%
<b>Power Utilities</b>												
Centrenerg	CEEN	7.33	8.00	2.50	-1.2%	0.6%	4.2%	53.8%	-0.6%	-0.3%	3.5%	19.0%
Donbasenergo	DOEN	39.5	50.2	11.0	0.8%	-0.6%	-16.8%	43.2%	1.4%	-1.5%	-17.5%	8.4%
Zakhidenergo	ZAEN	142.0	157.0	64.0	-1.4%	-3.4%	2.2%	57.1%	-0.8%	-4.3%	1.5%	22.3%
<b>Consumer</b>												
Agroton	AGT	0.96	1.8	0.43	2.0%	5.6%	5.3%	48.7%	2.6%	4.7%	4.6%	13.9%
Astarta	AST	14.4	24.4	12.1	1.0%	-3.0%	-3.4%	-35.4%	1.6%	-4.0%	-4.0%	-70.2%
Avangardo	AVGR	9.9	13.0	8.26	0.0%	9.2%	10.0%	-15.7%	0.6%	8.2%	9.3%	-50.5%
Industrial Milk Company	IMC	3.39	5.14	2.49	3.6%	1.9%	4.2%	-16.1%	4.2%	1.0%	3.6%	-50.9%
Kernel	KER	11.0	17.7	7.6	2.5%	0.4%	14.9%	-12.9%	3.1%	-0.5%	14.2%	-47.7%
Mriya Agro Holding	MAYA	6.14	8.2	5.53	0.0%	2.9%	-9.8%	-17.6%	0.6%	2.0%	-10.5%	-52.4%
MHPC	MHPC	14.7	18.7	11.00	-0.5%	1.2%	4.4%	-13.8%	0.1%	0.3%	3.7%	-48.6%
Milkiland	MLK	2.36	4.7	1.71	1.4%	6.2%	6.7%	-43.3%	2.0%	5.3%	6.0%	-78.1%
Ovostar Union	OVO	23.9	33.3	19.4	0.0%	1.9%	7.4%	-28.2%	0.6%	0.9%	6.7%	-63.0%
Sintal	SNPS	n/a	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MCB Agricole	4GW1	n/a	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Chemicals</b>												
Stirol	STIR	12.5	n/a	n/a	0.0%	-3.3%	-18.6%	0.2%	0.6%	-4.2%	-19.3%	-34.6%
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.154	0.188	0.077	-0.4%	0.4%	-5.9%	35.9%	0.2%	-0.5%	-6.5%	1.2%
UkrSotsbank	USCB	0.168	0.257	0.120	1.8%	0.4%	-5.1%	-10.6%	2.4%	-0.6%	-5.8%	-45.4%

Source: Bloomberg

\* companies listed abroad are in USD

**MAIN FINANCIAL FORECASTS, USD mn**

Name	Ticker	Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E
<b>Steel</b>																
Alchevsk Steel	ALMK	1,783	1,729	1,730	-5	-62	-14	neg	neg	neg	-127	-214	-35	neg	neg	neg
Enakievo Steel	ENMZ	1,578	1,531	1,561	-84	22	33	neg	1.5%	2.1%	9	-185	-29	0.5%	neg	neg
Azovstal	AZST	2,814	1,926	1,976	-181	-31	35	neg	neg	1.8%	-333	-308	-24	neg	neg	neg
<b>Coke</b>																
Avdyivka Coke	AVDK	1,090	914	784	-112	46	29	neg	5.0%	3.8%	-137	-6	-24	neg	neg	neg
Yasynivsky Coking	YASK	432	367	333	27	29	19	6.4%	7.8%	5.7%	8	-3	5	1.9%	neg	1.4%
<b>Iron Ore Mining</b>																
Centralny GOK	CGOK	610	679	634	232	312	279	38.0%	46.0%	44.1%	95	194	163	15.6%	28.6%	25.7%
Pivnichny GOK	SGOK	1,416	1,630	1,506	750	914	816	53.0%	56.1%	54.2%	436	548	460	30.8%	33.7%	30.5%
Ferrexpo	FXPO	1,424	1,581	1,542	402	506	447	28.2%	32.0%	29.0%	216	264	198	15.1%	16.7%	12.8%
<b>Coal Mining</b>																
Komsomolets Donbasa	SHKD	273	220	234	125	92	94	45.9%	41.8%	40.1%	7	17	17	2.6%	7.6%	7.3%
Coal Energy	CLE	165	126	101	63	21	9	38.0%	16.8%	8.9%	38	-17	-24	23.2%	neg	neg
<b>Pipe Manufacturing</b>																
Khartsyzk Pipe	HRTR	480	310	319	52	31	30	10.8%	10.1%	9.5%	34	5	5	7.0%	1.5%	1.5%
<b>Railcar Manufacturing</b>																
Luhanskteplovoz	LTPL	216	329	367	29	36	38	13.4%	10.8%	10.4%	5	19	23	2.2%	5.9%	6.1%
Kryukiv Wagon	KVBZ	891	424	158	135	65	15	15.2%	15.3%	9.7%	95	42	-5	10.7%	9.8%	neg
Stakhanov Wagon	SVGZ	311	172	150	7	6	5	2.3%	3.4%	3.6%	1	1	0	0.2%	0.3%	0.3%
<b>Specialized Machinery</b>																
Turboatom	TATM	160	214	280	51	90	96	32.2%	42.1%	34.4%	38	72	69	23.8%	33.5%	24.8%
Motor Sich	MSICH	979	1,000	950	309	274	260	31.6%	27.4%	27.4%	200	169	167	20.4%	16.9%	17.5%
<b>Telecom</b>																
Ukrtelecom	UTLM	838	791	611	206	190	174	24.5%	24.0%	28.5%	45	17	26	5.4%	2.2%	4.3%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	2,554	2,589	2,713	454	286	307	17.8%	11.1%	11.3%	176	23	114	6.9%	0.9%	4.2%
Regal Petroleum	RPT	41	37	45	21	-146	26	52.2%	neg	57.0%	12	-127	2	28.3%	neg	4.4%
JKX Oil	JKX	203	181	199	136	66	68	67.1%	36.7%	34.3%	-11	7	8	neg	3.6%	3.9%
<b>Electric Utilities</b>																
Centrenergo	CEEN	1,119	915	816	69	94	86	6.2%	10.3%	10.5%	29	60	56	2.6%	6.5%	6.8%
Donbasenergo	DOEN	574	656	585	32	72	51	5.6%	11.0%	8.8%	4	65	46	0.7%	9.9%	7.8%
<b>Consumer</b>																
MHP	MHPC	1,408	1,496	1,466	468	391	479	33.2%	26.1%	32.7%	311	162	-44	22.1%	10.8%	neg
Kernel	KER	2,157	2,797	2,480	322	291	175	14.9%	10.4%	7.1%	211	105	47	9.8%	3.8%	1.9%
Astarta	AST	456	491	559	110	91	138	20.2%	15.5%	20.5%	58	34	82	10.6%	5.8%	12.2%
Avangardco	AVGR	629	661	785	280	301	373	44.5%	45.6%	47.5%	228	238	300	36.3%	36.0%	38.3%
Agroton	AGT	88	81	90	20	8	3	23.2%	9.2%	3.9%	7	-6	-1	7.7%	neg	neg
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	5,962	5,333	5,074	793	888	846	679	723	542	4	90	32	0.5%	10.1%	3.7%
Ukrsotsbank	USCB	4,854	5,283	4,439	957	1,064	911	451	318	400	1	1	18	0.1%	0.1%	2.0%

Source: Eavex Research

**MAIN TRADING MULTIPLES**

Ticker	MCap USD mn	Free Float % USD mn	EV USD mn	P/E			EV/EBITDA			EV/Sales			EV/Output			Units		
				2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2013E			
<b>Steel</b>																		
Alchevsk Steel	ALMK	81	3.9%	3	1,430	neg	neg	neg	neg	neg	neg	0.8	0.8	0.8	370	345	335	\$/tonne
Yenakievo Steel	ENMZ	40	8.8%	4	36	4.7	neg	neg	neg	1.6	1.1	0.0	0.0	0.0	13	12	12	\$/tonne
Azovstal	AZST	280	3.0%	8	265	neg	neg	neg	neg	neg	7.5	0.1	0.1	0.1	58	59	58	\$/tonne
<b>Coke</b>																		
Avdyivka Coke	AVDK	54	6.8%	4	51	neg	neg	neg	neg	1.1	1.7	0.0	0.1	0.1	12	13	14	\$/tonne
Yasynivsky Coke	YASK	17	9.0%	2	18	2.0	neg	3.6	0.6	0.6	0.9	0.0	0.0	0.1	0.6	0.6	0.9	\$/tonne
<b>Iron Ore Mining</b>																		
Centralny GOK	CGOK	693	0.3%	2	692	7.3	3.6	4.3	3.0	2.2	2.5	1.1	1.0	1.1				
Pivnichny GOK	SGOK	1,588	0.4%	6	1,582	3.6	2.9	3.5	2.1	1.7	1.9	1.1	1.0	1.1				
Ferrexpo	FXPO	1,305	24.0%	313	1,984	6.1	4.9	6.6	4.9	3.9	4.4	1.4	1.3	1.3				
<b>Coal Mining</b>																		
Komsomolets Donbasa	SHKD	26	5.4%	1	128	3.6	1.5	1.5	1.0	1.4	1.4	0.5	0.6	0.5	31	30	28	\$/tonne
Coal Energy	CLE	19	25.0%	5	129	0.5	neg	neg	2.1	6.1	14.3	0.8	1.0	1.3	2.1	6.1	14.3	\$/tonne
<b>Pipe Manufacturing</b>																		
Khartsyzk Pipe	HRTR	195	2.0%	4	240	5.8	>30	>30	4.6	7.7	7.9	0.5	0.8	0.8	381	632	601	\$/tonne
<b>Railcar Manufacturing</b>																		
LuganskTeplovoz	LTPL	26	24.0%	6	63	5.4	1.3	1.2	2.2	1.8	1.7	0.3	0.2	0.2				
Krukiv Wagon	KVBZ	184	5.0%	9	184	1.9	4.4	neg	1.4	2.8	12.0	0.2	0.4	1.2				
Stakhanov Wagon	SVGZ	22	8.0%	2	55	>30	>30	>30	7.6	9.3	10.0	0.2	0.3	0.4				
<b>Specialized Machinery</b>																		
Turboatom	TATM	126	5.8%	7	60	3.3	1.8	1.8	1.2	0.7	0.6	0.4	0.3	0.2				
Motor Sich	MSICH	428	24.0%	103	451	2.1	2.5	2.6	1.5	1.6	1.7	0.5	0.5	0.5				
<b>Telecom</b>																		
Ukrtelecom	UTLM	279	7.2%	20	582	6.2	16.4	10.6	2.8	3.1	3.4	0.7	0.7	1.0				
<b>Oil &amp; Gas</b>																		
Ukrnafta	UNAF	1,133	3.0%	34	1,125	6.4	>30	9.9	2.5	3.9	3.7	0.4	0.4	0.4	n/a	n/a	n/a	\$/boe
Regal Petroleum	RPT	46	21.6%	10	21	3.9	neg	22.9	1.0	neg	0.8	0.5	0.6	0.5	n/a	n/a	n/a	\$/boe
JKX Oil & Gas	JKX	169	50.4%	85	277	neg	26.0	21.6	2.0	4.2	4.1	1.4	1.5	1.4	51	38	37	\$/boe
<b>Electric Utilities</b>																		
CentrEnergO	CEEN	230	21.7%	50	310	8.0	3.9	4.1	4.5	3.3	3.6	0.3	0.3	0.4	17	22	19	\$/MWh
DonbasEnergO	DOEN	79	14.2%	11	145	20.8	1.2	1.7	4.5	2.0	2.8	0.3	0.2	0.2	18	19	18	\$/MWh
<b>Consumer</b>																		
MHP	MHPC	1,550	34.1%	529	2,678	5.0	9.6	neg	5.7	6.8	5.6	1.9	1.8	1.8				
Kernel	KER	879	61.8%	543	1,585	4.2	8.4	18.7	4.9	5.5	9.1	0.7	0.6	0.6				
Astarta	AST	359	37.0%	133	693	6.2	10.5	4.4	6.3	7.6	5.0	1.5	1.4	1.2				
Avangardco	AVGR	632	22.5%	142	740	2.8	2.7	2.1	2.6	2.5	2.0	1.2	1.1	0.9	167	127	120	\$/mneggs
Agroton	AGT	21	26.2%	5	70	3.1	neg	neg	3.4	9.3	20.1	0.8	0.9	0.8	n/a	n/a	n/a	
<b>Banks</b>																		
							P/E			P/Book				P/Assets				
Raiffeisen Bank Aval	BAVL	394	3.5%	14		>30	4.4	12.5	0.5	0.4	0.5	0.07	0.07	0.08				
Ukrsotsbank	USCB	263	0.7%	2		>30	>30	17.9	0.3	0.2	0.3	0.07	0.06	0.07				

Source: Eavex Research

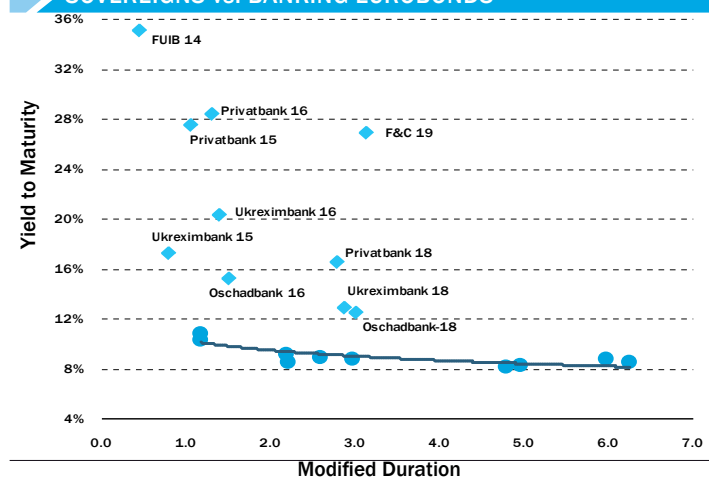
**UKRAINIAN EUROBONDS**

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Price chg. (YTD)	Modified Duration	Coupon	Coupon Period	Maturity Date	Volume USD mn	Ratings <sup>1</sup>
<b>Sovereign Eurobonds</b>											
Naftogaz Ukraine, 2014	97.6	98.3	19.5%	16.4%	-2.6%	0.2	9.50%	S/A	30 Sept 2014	1,595	//
Ukraine, 2015 (EUR)	94.9	96.4	10.3%	8.8%	-0.4%	1.1	4.95%	A	13 Oct 2015	600*	Caa3/CCC/CCC
Ukraine, 2015	97.8	99.0	9.9%	8.6%	0.8%	1.1	6.875%	S/A	23 Sept 2015	500	Caa3/CCC/CCC
Ukraine, 2016	96.5	97.5	8.6%	8.1%	3.2%	2.1	6.58%	S/A	21 Nov 2016	1,000	Caa3/CCC/CCC
Ukraine, 2016-2	96.5	97.5	8.1%	7.7%	2.8%	2.2	6.25%	S/A	17 Jun 2016	1,250	Caa3/CCC/CCC
Ukraine, 2017	95.7	96.9	8.5%	8.1%	3.8%	2.9	6.75%	S/A	14 Nov 2017	700	Caa3/CCC/CCC
Ukraine, 2017-2	101.5	102.1	9.0%	8.8%	2.6%	2.5	9.25%	S/A	24 Jul 2017	2,000	Caa3/CCC/CCC
Ukraine, 2017 Infr. projects	90.8	92.3	13.0%	12.3%	10.7%	2.7	8.375%	S/A	3 Nov 2017	568	Caa3//
Ukraine, 2018 Infr. projects	91.0	92.1	11.1%	10.7%	16.6%	3.1	7.40%	S/A	20 Apr 2018	690	Caa3//
Ukraine, 2020	95.9	96.9	8.9%	8.6%	3.5%	4.7	7.75%	S/A	23 Sept 2020	1,500	Caa3/CCC/CCC
Ukraine, 2021	95.7	97.2	8.9%	8.6%	3.0%	4.9	7.95%	S/A	23 Feb 2021	1,500	Caa3/CCC/CCC
Ukraine, 2022	94.7	95.4	8.8%	8.6%	4.4%	5.9	7.80%	S/A	28 Nov 2022	1,250	Caa3/CCC/CCC
Ukraine, 2023	94.0	95.0	8.5%	8.3%	4.4%	6.2	7.50%	S/A	17 Apr 2023	1,250	Caa3/CCC/CCC
<b>Corporate Eurobonds</b>											
Agroton, 2014	29.8	33.9	70.4%	59.6%	-39.0%	1.7	8.00%	S/A	14 Jul 2019	50	/CCC/RD
MHP, 2015	103.0	103.8	8.0%	7.4%	-0.1%	0.8	10.25%	S/A	29 Apr 2015	235	Caa2//CCC
MHP, 2020	91.0	92.3	10.4%	10.0%	2.5%	4.3	8.25%	S/A	2 Apr 2020	750	/CCC/CCC
Avangardco, 2015	96.0	96.0	15.8%	15.8%	-2.0%	1.2	10.00%	S/A	29 Oct 2015	200	//B-
UkrLandFarming, 2018	90.5	90.5	14.2%	14.2%	0.3%	2.8	10.88%	S/A	26 Mar 2018	275	/CCC/CCC
Mriya, 2016	92.4	93.5	19.2%	18.1%	-7.3%	1.4	10.95%	S/A	30 Mar 2016	72	/CCC/CCC
Mriya, 2018	79.3	81.1	17.1%	16.3%	-7.9%	2.9	9.45%	S/A	19 Apr 2018	400	/CCC/CCC
DTEK, 2015	94.4	95.6	23.1%	20.4%	-7.1%	0.7	9.50%	S/A	28 Apr 2015	200	Caa2//CCC
DTEK, 2018	83.5	84.5	13.6%	13.2%	-10.9%	3.0	7.88%	S/A	4 Apr 2018	750	Caa2//CCC
Metinvest, 2015	96.5	97.8	18.9%	16.6%	-4.8%	0.8	10.25%	S/A	20 May 2015	500	Caa2//CCC
Metinvest, 2018	87.1	88.8	13.9%	13.2%	-7.4%	2.8	8.75%	S/A	14 Feb 2018	750	Caa2//CCC
Ferrexpo, 2016	96.1	98.1	11.3%	9.8%	-0.9%	1.6	7.875%	S/A	07 Apr 2016	500	/CCC/CCC
UZ Rail, 2018	87.5	89.3	13.7%	13.1%	-3.6%	3.1	9.50%	S/A	21 May 2018	500	/CCC/CCC
Interpipe, 2017	77.3	78.8	22.2%	20.7%	0.4%	2.2	10.25%	S/A	2 Aug 2017	200	//
JKX Oil&Gas, 2018	105.7	107.7	9.8%	9.2%	-3.9%	3.0	8.00%	S/A	19 Feb 2018	40	
<b>Bank Eurobonds</b>											
Fin&Credit Bank, 2019	55.0	65.0	27.0%	21.7%	-27.7%	3.1	9.25%	S/A	25 Jan 2019	100	Caa3//
PUMB, 2014	90.5	90.5	31.5%	31.5%	-8.1%	0.4	11.00%	Q	31 Dec 2014	275	Caa3//
Nadra Bank, 2017	60.0	65.0	48.1%	40.6%	-22.4%	2.6	8.00%	A	22 Jun 2017	175	//
PrivatBank, 2015	88.0	88.0	26.8%	26.8%	n/a	1.0	9.38%	S/A	23 Sept 2015	200	Caa3//
PrivatBank, 2016	75.0	80.0	27.8%	22.5%	10.2%	1.3	8.75%	S/A	9 Feb 2016	150	Caa3//
PrivatBank, 2018	85.5	90.9	16.3%	14.1%	5.4%	2.7	10.88%	S/A	28 Feb 2018	175	Caa3//CCC
UkrEximBank, 2015	94.0	96.0	21.3%	17.3%	-1.5%	0.7	8.38%	S/A	27 Apr 2015	750	Caa3//CCC
UkrEximBank, 2016	81.0	83.0	23.0%	20.9%	-3.9%	1.3	8.40%	S/A	2 Sept 2016	125	Caa3//CCC
UkrEximBank, 2018	90.1	91.6	12.3%	11.7%	1.8%	2.8	8.75%	S/A	22 Jan 2018	500	Caa3//CCC
VAB Bank, 2014	n/a	n/a	n/a	n/a	n/a	n/a	10.50%	Q	14 Jun 2014	125	Caa3//WD
Oschadbank, 2016	90.0	91.7	17.4%	15.8%	-2.4%	1.4	8.25%	S/A	10 Mar 2016	700	Caa3//CCC
Oschadbank, 2018	87.0	89.2	13.5%	12.6%	-1.0%	2.9	8.88%	S/A	20 Mar 2018	500	Caa3//CCC
<b>Municipal Eurobonds</b>											
City of Kyiv, 2015	91.3	93.0	17.6%	15.7%	-0.9%	1.2	8.00%	S/A	6 Nov 2015	250	Caa3/CCC/
City of Kyiv, 2016	89.0	92.0	15.9%	14.0%	-2.7%	1.7	9.375%	S/A	30 Jun 2016	300	Caa3/CCC/

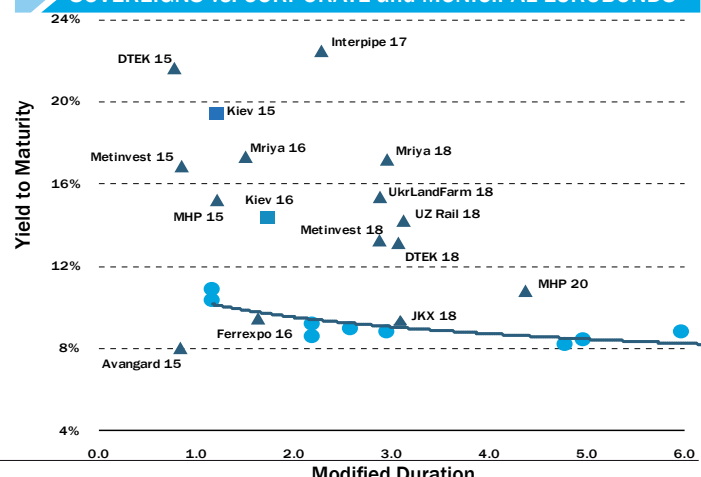
<sup>1</sup> Moody's/S&P/Fitch; \* EUR

Source: Bloomberg, Cbonds, Eavex Research

**SOVEREIGNS vs. BANKING EUROBONDS**



**SOVEREIGNS vs. CORPORATE and MUNICIPAL EUROBONDS**





**UKRAINIAN DOMESTIC BONDS**

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Modified Duration	Coupon	Coupon Period	Maturity Date	Volume mn USD
<b>UAH denominated Bonds</b>									
UA4000141592			17.0%	13.5%	n/a	14.30%	S/A	20 May 2015	31
UA4000142665			18.0%	14.5%	n/a	14.30%	S/A	24 May 2017	184
<b>USD denominated Bonds</b>									
UA4000142699	n/a	n/a	18.0%	17.0%	n/a	9.45%	S/A	22 Apr 2015	312
UA4000141071	n/a	n/a	18.0%	17.0%	n/a	9.45%	S/A	27 May 2015	152
UA4000142673	n/a	n/a	18.0%	17.0%	n/a	4.50%	S/A	17 Jun 2015	175
<b>EUR denominated Bonds</b>									
UA4000142681	n/a	n/a	18.0%	14.0%	n/a	4.80%	S/A	6 May 2015	40
<b>VAT Bonds</b>									
UA4000082531			17.5%	16.0%	n/a	5.50%	S/A	21 Aug 2015	141
UA4000082622			17.5%	16.0%	n/a	5.50%	S/A	24 Aug 2015	571
UA4000083059			17.5%	16.0%	n/a	5.50%	S/A	25 Aug 2015	415

Source: Bloomberg, Cbonds, Eavex Research

**Eavex Capital**

12, Ezhena Pottier str.  
Kiev 03057  
Ukraine

Telephone: +38 044 590 5454

Facsimile: +38 044 590 5464

E-mail: office@eavex.com.ua

Web-page: www.eavex.com.ua

Yuriy Yakovenko

**Chairman of the Board**

yuriy.yakovenko@eavex.com.ua

**SALES & TRADING**

Pavel Korovitskiy

**Managing Director**

**Equity and Fixed Income**

p.korovitsky@eavex.com.ua

Alexander Klymchuk

**Equity and Fixed Income**

a.klymchuk@eavex.com.ua

Eugene Klymchuk

**Fixed Income Sales and Trading**

e.klymchuk@eavex.com.ua

Serhiy Scherbaniuk

**Equity Trading**

s.shcherbaniuk@eavex.com.ua

Nazar Malinyak

**Online Trading**

n.malinyak@eavex.com.ua

**RESEARCH**

Dmitry Churin

**Head of Research**

d.churin@eavex.com.ua

Ivan Dzvinka

**Research Associate**

i.dzvinka@eavex.com.ua

Will Ritter

**Research editor**

w.ritter@eavex.com.ua