

**Market Update**

**Equity**

Kyiv-listed equities were lower on Friday (Aug 22) as Ukraine's military failed to recapture the separatist-controlled city of Donetsk despite a final push to do so before the country's long Independence Day weekend. Expectations were also low for the weekend visit by German Chancellor Merkel to Kyiv and for today's meeting between Presidents Poroshenko and Putin in Belarus, as the Ukrainian and Russian sides appear to be as far apart as ever on finding a resolution to the 4-month-old war, with hard-liners dominating the conversation in both Kyiv and Moscow. Externally, the S&P 500 inched back from its all-time high, although investor confidence in continued Federal Reserve cheap-money support for the US economy remains strong. The UX index edged down 0.8% to close at 1241 points. Volume leader Motor Sich was the main drag on the benchmark, sliding 3.1% on turnover of UAH 2.6mn, and CentrEnerg and Raiffeisen Aval lost 1.2% each, with the latter ending at 14.02 kopecks. Outside the UX basket, Yasynivsky Coke rebounded by 12%, erasing much of its big loss earlier in the week after fighting shut off power to its main plant.

**Fixed Income**

Quotes for Ukrainian sovereign Eurobonds declined on Friday with Ukraine-23s edging down by 1.5 p.p. to close at 89.4/90.9 (9.3%/9.0%). In corporate issues, quotes for Metinvest-15s fell by 3.5 p.p. to 73.0/78.0 (61.1%/55.1%). UkrEximBank-16s decreased by 2.0 p.p. ending at 68.0/73.0 (41.2%/33.8%).

Volume Leaders	Ticker	Last, UAH	1D ch	Volume, UAH mn	Number of Trades
Motor Sich	MSICH	2340.00	-3.1%	2.4	224
Centrenerg	CEEN	7.94	-1.2%	1.6	94
Ukrnafta	UNAF	315.10	1.0%	0.9	158

**Growth Leaders**

Yasynivsky Coke	YASK	0.65	12.1%	0.03	13
Ukrtelecom	UTLM	0.17	2.9%	0.03	9
Ukrnafta	UNAF	315.10	1.0%	0.91	158

**Loss Leaders**

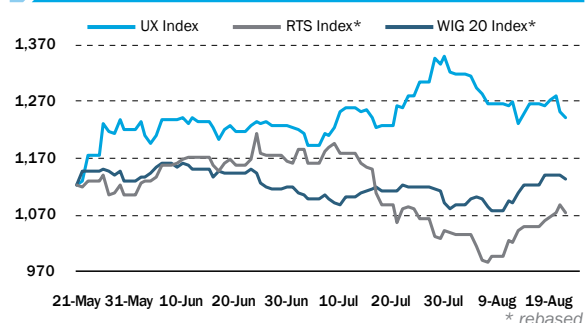
Motor Sich	MSICH	2,340.00	-3.1%	2.412	224
Avdyivka Coke	AVDK	2.96	-1.5%	0.004	12
Alchevsk Steel	ALMK	0.03	-1.5%	0.206	50

**Highlights**

**POLITICS AND ECONOMICS**

- Ukraine Fails to Recapture Donetsk; Merkel Sets Low Expectations for Poroshenko-Putin Meeting
- Poroshenko Dissolves Parliament, Election Expected on Oct 26

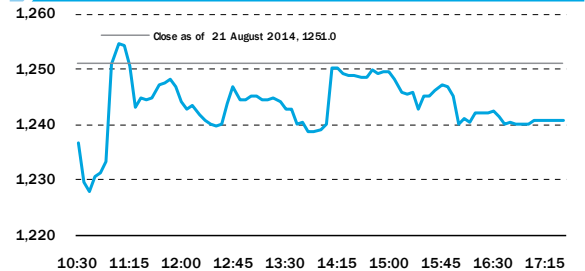
**STOCK MARKET PERFORMANCE**



**MARKET INDEXES**

	Last	1D ch	1M ch	YTD
UX	1241.0	-0.8%	-1.3%	36.4%
RTS	1260.1	-1.2%	-0.5%	-12.7%
WIG20	2439.0	-0.4%	1.1%	1.6%
MSCI EM	1083.1	0.1%	0.8%	8.1%
S&P 500	1988.4	-0.2%	0.2%	8.0%

**UX INTRADAY AUGUST 22, 2014**



**FIXED INCOME**

	Last	1D ch	1M ch	YTD
EMBI+Global	308.6	0.8%	7.6%	-6.7%
CDS 5Y UKR	949.9	1.8%	16.9%	15.8%
Ukraine-17	9.1%	-0.2 p.p.	0.8 p.p.	0.1 p.p.
Naftogaz Ukr-14	33.9%	0.9 p.p.	13.4 p.p.	25.1 p.p.
Ukraine-23	9.2%	0.3 p.p.	0.7 p.p.	1.7 p.p.
Privatbank-16	31.8%	0.6 p.p.	8.2 p.p.	11.4 p.p.

**CURRENCY**

	Last, UAH	1D ch	1M ch	YTD
USD	13.55	2.5%	16.1%	64.4%
EUR	17.94	2.1%	14.2%	57.8%
RUB	0.38	1.1%	12.4%	49.3%

**COMMODITIES**

	Last	1D ch	1M ch	YTD
Wheat, USD/t*	235.3	0.0%	-6.3%	-18.1%
Steel, USD/t	542.5	0.0%	1.4%	0.9%
Oil, USD/bbl	102.3	-0.3%	-5.0%	-8.0%
Gold, USD/oz	1280.1	0.3%	-2.0%	7.0%

\*Ukraine FOB

Source: Bloomberg, Ukrainian Exchange

## Ukraine Fails to Recapture Donetsk; Merkel Sets Low Expectations for Poroshenko-Putin Meeting

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

### NEWS

Following her meeting with President Poroshenko in Kyiv on Saturday (Aug 23), German Chancellor Angela Merkel told the German media that “no breakthrough should be expected” on ending the Donbass war when and if Poroshenko meets Russian President Putin today (Aug 26) at a CIS economic summit in Belarus. No precise information has been released on whether Putin and Poroshenko will hold face-to-face bilateral talks today. In regard to the results of her own meeting with the Ukrainian president, Merkel made the curious statement that “Ukraine can go to the Eurasian Union if it wants”, the Internet news outlet EU-Observer reported. Merkel also repeated her long-running demand that President Putin seal the Russian side of the border to stop logistical military support from flowing to the separatist forces. Meanwhile, in war-related news, pro-Russian paramilitaries managed to make it past Ukraine’s Independence Day without giving up their control of the city of Donetsk, despite Kyiv’s claims over the past two weeks that it has the city surrounded. The Ukrainian government also said on Monday (Aug 25) that Russian armored columns opened a new front in southern Donetsk province along the Azov Sea on the road to Mariupol, but claimed that the army had repelled the attack.

### COMMENTARY

We suppose the comment from Merkel about Ukraine going to the Eurasian Union is a signal to put pressure on Poroshenko to offer serious concessions at today’s meeting, as Poroshenko has never, ever indicated that joining this Moscow-led grouping is of any interest to him. We think that the concessions which Merkel is pushing for include a permanent cease-fire, a de-facto drawing up of a border in Eastern Ukraine demarcating separatist-controlled territory from that held by the government, and the start of peace talks with the separatists on “federalizing” the two Donbas provinces, i.e. providing them with specific self-governing rights which Ukraine’s highly centralized system of government has up to now not offered its provinces. However, we are highly skeptical that Poroshenko will agree publicly to such proposals, as he appears increasingly beholden to Ukraine’s hard-line nationalists and paramilitary groups; the situation on Putin’s end looks similar, as Putin is probably more concerned about the reaction of Russian hard-liners to a perceived retreat on Ukraine than he is about new Western economic sanctions. This implies that in the near term, the war will continue to escalate, but we still think that Germany and the US will eventually be able to leverage the Western financial aid being provided to Kyiv to force Poroshenko into a peace deal, as the economic and social costs of the war look unbearable for Ukraine over any significant length of time.

## Poroshenko Dissolves Parliament, Election Expected on Oct 26

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

### NEWS

President Poroshenko announced on Monday (Aug 25) on social media that he has used his constitutional right to dissolve Ukraine's Parliament, setting a 60-day campaign and a date of Oct 26 to elect a new legislature. Parliament had gone 30 days without a governing coalition, opening the door to its dissolution. The election is expected to eliminate the format of single-mandate geographic constituencies used to choose 225 MPs in the 2012 voting, with all 450 seats chosen via party lists, as was the case in the 2006 and 2007 elections.

### COMMENTARY

The upcoming election is wide-open with the two biggest parties of 2012 and 2007, Yulia Tymoshenko's Batkivschyna and Viktor Yanukovich's Party of Regions, now in tatters. For us, the key question is how well Ukraine's hard-line, pro-war nationalist parties will do vis-à-vis pro-economic reform moderates who are likely to favor ending the war; a critical determinant in how the election goes will be which group(s) Poroshenko throws his own weight behind. Importantly, the Donbass war, which is concentrated in the most heavily populated areas of Donetsk and Lugansk provinces, will depress the turnout there, allowing a Parliament to be elected with far less representation of pro-Russian/anti-Ukrainian MPs than in any previous convocation of the Verkhovna Rada. The situation for the pro-Russian electorate is further complicated by the recent banning of the Communist Party, the organizational collapse of the Party of Regions, and the secession of the pro-Russian stronghold of Crimea. Large groupings of pro-Russian MPs in Parliament have been a constant drag on all previous Ukrainian presidents who, at least nominally, were trying to move Ukraine toward a more European strategic orientation.

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Steel&amp;Pipes</b>						
Azovstal	AZST	0.87	0.56	-36%	SELL	Non-transparent reporting practices detrimentally affect Azovstal's reported earnings.
<b>Iron Ore</b>						
Ferrexpo	FXPO LN	138.0	108.0	-22%	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	8.30	U/R	--	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	6.50	U/R	--	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	2.96	U/R	--	Susp.	Avdyivka Coke was forced to shut down operations amid military conflict in the region.
Yasynivsky Coke	YASK	0.65	U/R	--	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	0.57	2.9	414%	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	16.8	U/R	--	U/R	
LuganskTeplovoz	LTPL	1.20	U/R	--	U/R	LuganskTeplovoz was forced to shut down operations amid military conflict in the region.
<b>Specialized Machinery</b>						
Motor Sich	MSICH	2340	5250	124%	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	6.8	U/R	--	U/R	We assume that Regal will be able to produce 5,200 boepd in 2014, generating USD 116mn in sales.
JKX Oil & Gas	JKX	45.4	U/R	--	U/R	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>						
DonbasEnergO	DOEN	38.1	72.0	89%	BUY	DonbasEnergO is expected to continue practice of 30% dividend payout in a medium term.
CenterEnergO	CEEN	7.94	15.00	89%	BUY	CenterEnergO'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	12.0	15.65	30%	HOLD	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	37.6	90.0	140%	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	9.0	8.93	-1%	HOLD	The company's FY14 results will be hit by the hryvnia devaluation, while next year's likely elimination of the special VAT regime for large agro producers bodes poorly for FY15 earnings.
Ovostar Union	OVO	69.4	58.74	-15%	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	0.140	0.24	71%	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	1240.95	1368.76	799.72	-0.8%	-1.9%	-1.3%	36.4%	0.0%	0.0%	0.0%	0.0%
<b>Steel</b>												
Alchevsk Steel	ALMK	0.034	0.06	0.02	-1.4%	-2.3%	-6.3%	-12.1%	-0.6%	-0.4%	-5.0%	-48.5%
Azovstal	AZST	0.87	0.95	0.35	1.3%	-3.9%	2.2%	29.6%	2.1%	-2.0%	3.6%	-6.8%
Dniprospeztstal	DNSS	250	n/a	n/a	0.0%	0.0%	-80.8%	-80.8%	0.8%	1.9%	-79.4%	-117.1%
Enakievo Steel	ENMZ	38.7	65.0	17.0	-0.1%	-7.6%	-11.3%	20.9%	0.8%	-5.7%	-10.0%	-15.5%
Arcelor Mittal KR	KSTL	4.00	n/a	n/a	0.0%	0.0%	0.0%	247.8%	0.8%	1.9%	1.3%	211.5%
Mariupol Ilyicha	MMKI	0.10	n/a	n/a	0.0%	-9.1%	11.1%	0.0%	0.8%	-7.2%	12.4%	-36.4%
<b>Coke</b>												
Avdyivka Coke	AVDK	2.96	4.80	1.46	-1.5%	-3.8%	-2.5%	-0.2%	-0.7%	-1.9%	-1.2%	-36.5%
Yasnyivsky Coking	YASK	0.65	0.84	0.30	12.1%	-7.1%	-5.8%	22.6%	12.9%	-5.3%	-4.5%	-13.7%
<b>Iron Ore Mining</b>												
Centralny GOK	CGOK	6.50	n/a	n/a	0.0%	0.0%	6.6%	0.0%	0.8%	1.9%	7.9%	-36.4%
Ferrexpo	FXPO	138.0	199.0	121.8	0.1%	2.4%	-1.6%	-27.7%	1.0%	4.3%	-0.2%	-64.1%
Pivnichny GOK	SGOK	8.30	10.00	4.50	0.0%	0.0%	6.1%	3.8%	0.8%	1.9%	7.5%	-32.6%
<b>Coal Mining</b>												
Pokrovske Mine	SHCHZ	0.57	0.79	0.10	0.0%	-12.3%	-24.0%	42.5%	0.8%	-10.4%	-22.7%	6.1%
Komsomolets Donbasa	SHKD	0.75	n/a	n/a	0.0%	-6.3%	-12.8%	21.0%	0.8%	-4.4%	-11.5%	-15.4%
Energy Coal	CLE	0.92	2.86	0.91	-1.1%	-2.1%	-13.2%	-12.4%	-0.3%	-0.2%	-11.9%	-48.7%
<b>Mining Machinery</b>												
Svitlo Shakhtara	HMBZ	0.30	n/a	n/a	0.0%	0.0%	-31.8%	-34.8%	0.8%	1.9%	-30.5%	-71.1%
<b>Pipe Manufacturing</b>												
Khartsyzk Pipe	HRTR	0.60	1.01	0.30	0.0%	-14.3%	-7.7%	0.0%	0.8%	-12.4%	-6.4%	-36.4%
Interpipe NMPP	NVTR	0.30	n/a	n/a	0.0%	0.0%	-23.1%	42.9%	0.8%	1.9%	-21.8%	6.5%
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	16.8	26.0	10.0	0.9%	0.9%	-11.6%	-2.9%	1.7%	2.8%	-10.3%	-39.3%
Luhanskeplovoz	LTPL	1.20	2.20	0.85	14.3%	12.1%	-17.2%	-20.0%	15.1%	14.0%	-15.9%	-56.4%
Stakhanov Wagon	SVGZ	0.93	n/a	n/a	0.0%	2.2%	-19.1%	-28.5%	0.8%	4.1%	-17.8%	-64.8%
<b>Specialized Machinery</b>												
Bogdan Motors	LUAZ	0.05	0.08	0.02	0.0%	9.9%	-14.4%	88.7%	0.8%	11.8%	-13.1%	52.3%
Motor Sich	MSICH	2,340	3,000	1,303	-2.9%	-0.1%	-7.2%	28.3%	-2.1%	1.7%	-5.9%	-8.1%
Summy Frunze Engineering	SMASH	3.00	n/a	n/a	0.0%	0.0%	-33.3%	20.0%	0.8%	1.9%	-32.0%	-16.4%
Turboatom	TATM	3.00	n/a	n/a	0.0%	0.0%	-25.0%	-14.3%	0.8%	1.9%	-23.7%	-50.6%
WESTA ISIC	WES	0.29	0.80	0.29	0.0%	0.0%	-6.5%	-27.5%	0.8%	1.9%	-5.1%	-63.9%
<b>Telecom</b>												
Ukrtelecom	UTLM	0.17	0.19	0.09	3.0%	6.1%	1.2%	56.4%	3.8%	8.0%	2.5%	20.0%
<b>Oil &amp; Gas</b>												
Regal Petroleum	RPT	6.75	17.25	4.88	12.5%	17.4%	-26.0%	-47.1%	13.3%	19.3%	-24.7%	-83.4%
JKX Oil	JKX	45.38	75.00	36.00	-0.3%	3.7%	-9.3%	-36.8%	0.5%	5.6%	-7.9%	-73.1%
Ukrnafta	UNAF	315	370	54	1.0%	1.0%	21.0%	190.1%	1.8%	2.9%	22.3%	153.8%
<b>Power Utilities</b>												
Centrenerg	CEEN	7.94	8.70	2.50	-1.1%	-1.3%	0.8%	66.5%	-0.3%	0.6%	2.1%	30.2%
Donbasenergo	DOEN	38.1	50.2	11.0	0.8%	-5.0%	-1.4%	38.1%	1.6%	-3.1%	-0.1%	1.7%
Zakhidenergo	ZAEN	138.2	157.0	64.0	0.0%	5.5%	8.0%	52.9%	0.8%	7.4%	9.3%	16.5%
<b>Consumer</b>												
Agroton	AGT	2.22	5.5	1.95	-1.3%	6.7%	-19.3%	13.8%	-0.5%	8.6%	-18.0%	-22.5%
Astarta	AST	37.8	74.8	34.5	0.3%	0.3%	-4.3%	-43.5%	1.1%	2.1%	-3.0%	-79.8%
Avangardo	AVGR	9.0	13.0	8.36	-0.1%	3.6%	-5.3%	-23.4%	0.8%	5.4%	-4.0%	-59.8%
Industrial Milk Company	IMC	8.60	15.50	7.60	0.0%	3.7%	2.4%	-29.2%	0.8%	5.6%	3.7%	-65.6%
Kernel	KER	27.5	53.9	23.2	-1.4%	1.5%	-5.3%	-27.7%	-0.6%	3.4%	-3.9%	-64.1%
Mriya Agro Holding	MAYA	1.66	6.0	1.44	0.0%	15.0%	-62.3%	-69.3%	0.8%	16.9%	-61.0%	-105.6%
MHPC	MHPC	12.0	18.5	11.00	-3.8%	-1.9%	-19.3%	-29.3%	-3.0%	0.0%	-18.0%	-65.7%
Milkiland	MLK	4.75	14.2	4.70	-5.9%	-8.3%	-16.5%	-62.0%	-5.1%	-6.4%	-15.2%	-98.4%
Ovostar Union	OVO	70.0	103.0	59.4	0.3%	0.7%	0.1%	-30.0%	1.1%	2.6%	1.4%	-66.4%
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%	8.7%	10.3%	0.0%	0.8%	10.6%	11.6%	-36.4%
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.140	0.188	0.077	-1.2%	-0.6%	-4.8%	23.5%	-0.4%	1.3%	-3.4%	-12.8%
UkrSotsbank	USCB	0.172	0.257	0.090	0.0%	-2.7%	0.7%	-8.3%	0.8%	-0.8%	2.0%	-44.6%

Source: Bloomberg

\* companies listed abroad are in traded currency

**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	1,449	402	506	492	28.2%	32.0%	33.9%	216	264	277	15.1%	16.7%	19.1%
<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	271	52	31	26	10.8%	10.1%	9.5%	34	5	4	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	196	51	90	73	32.2%	42.1%	37.3%	38	72	65	23.8%	33.5%	33.0%
Motor Sich	MSICH	979	1,000	950	309	274	260	31.6%	27.4%	27.4%	200	169	188	20.4%	16.9%	19.7%
<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	2,543	454	286	323	17.8%	11.1%	12.7%	176	23	161	6.9%	0.9%	6.3%
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	714	69	94	44	6.2%	10.3%	6.1%	29	60	21	2.6%	6.5%	2.9%
Donbasenergo	DOEN	574	656	512	32	72	45	5.6%	11.0%	8.8%	4	65	40	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	594	280	301	234	44.5%	45.6%	39.5%	228	238	164	36.3%	36.0%	27.6%
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	3,966	793	888	610	679	723	460	4	90	-40	0.5%	10.1%	-6.6%
Ukrspotsbank	USCB	4,854	5,283	3,777	957	1,064	775	451	318	400	1	1	15	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	65	3.9%	3	1,414	neg	neg	neg	neg	neg	neg	0.8	0.8	0.8	365	341	331	\$/tonne
Yenakievo Steel	ENMZ	30	8.8%	3	27	3.5	neg	neg	neg	1.2	0.8	0.0	0.0	0.0	10	9	9	\$/tonne
Azovstal	AZST	269	3.0%	8	254	neg	neg	neg	neg	neg	7.2	0.1	0.1	0.1	55	56	56	\$/tonne
<b>Coke</b>																		
Avdyivka Coke	AVDK	43	6.8%	3	40	neg	neg	neg	neg	0.9	1.4	0.0	0.0	0.1	9	10	11	\$/tonne
Yasynivsky Coke	YASK	13	9.0%	1	14	1.6	neg	2.8	0.5	0.5	0.7	0.0	0.0	0.0	0.5	0.5	0.7	\$/tonne
<b>Iron Ore Mining</b>																		
Centralny GOK	CGOK	562	0.3%	1	561	5.9	2.9	3.4	2.4	1.8	2.0	0.9	0.8	0.9				
Pivnichny GOK	SGOK	1,411	0.4%	6	1,405	3.2	2.6	3.1	1.9	1.5	1.7	1.0	0.9	0.9				
Ferrexpo	FXPO	1,339	24.0%	322	2,018	6.2	5.1	4.8	5.0	4.0	4.1	1.4	1.3	1.4				
<b>Coal Mining</b>																		
Komsomolets Donbasa	SHKD	19	5.4%	1	121	2.6	1.1	1.1	1.0	1.3	1.3	0.4	0.5	0.5	29	28	27	\$/tonne
Coal Energy	CLE	42	25.0%	10	152	1.1	neg	neg	2.4	7.2	16.9	0.9	1.2	1.5	2.4	7.2	16.9	\$/tonne
<b>Pipe Manufacturing</b>																		
Khartsyzk Pipe	HRTR	115	2.0%	2	161	3.4	24.5	28.0	3.1	5.1	6.2	0.3	0.5	0.6	255	423	402	\$/tonne
<b>Railcar Manufacturing</b>																		
LuganskTeplovoz	LTPL	19	24.0%	5	57	4.0	1.0	0.9	1.9	1.6	1.5	0.3	0.2	0.2				
Kruiw Wagon	KVBZ	142	5.0%	7	142	1.5	3.4	neg	1.1	2.2	9.3	0.2	0.3	0.9				
Stakhanov Wagon	SVGZ	16	8.0%	1	48	26.4	29.2	>30	6.7	8.2	8.8	0.2	0.3	0.3				
<b>Specialized Machinery</b>																		
Turboatom	TATM	109	5.8%	6	49	2.9	1.5	1.7	1.0	0.5	0.7	0.3	0.2	0.3				
Motor Sich	MSICH	359	24.0%	86	349	1.8	2.1	1.9	1.1	1.3	1.3	0.4	0.3	0.4				
<b>Telecom</b>																		
Ukrtelecom	UTLM	238	7.2%	17	541	5.2	14.0	9.0	2.6	2.8	3.1	0.6	0.7	0.9				
<b>Oil &amp; Gas</b>																		
Ukrnafta	UNAF	1,261	3.0%	38	1,253	7.2	>30	7.8	2.8	4.4	3.9	0.5	0.5	0.5	n/a	n/a	n/a	\$/boe
Regal Petroleum	RPT	36	21.6%	8	11	3.1	neg	18.0	0.5	neg	0.4	0.3	0.3	0.2	n/a	n/a	n/a	\$/boe
JKX Oil & Gas	JKX	129	50.4%	65	238	neg	19.9	16.6	1.7	3.6	3.5	1.2	1.3	1.2	43	33	32	\$/boe
<b>Electric Utilities</b>																		
CentrEnergO	CEEN	216	21.7%	47	285	7.5	3.6	10.4	4.1	3.0	6.5	0.3	0.3	0.4	16	21	18	\$/MWh
DonbasEnergO	DOEN	66	14.2%	9	132	17.4	1.0	1.7	4.1	1.8	2.9	0.2	0.2	0.3	16	17	16	\$/MWh
<b>Consumer</b>																		
MHP	MHPC	1,270	34.1%	433	2,398	4.1	7.8	neg	5.1	6.1	5.0	1.7	1.6	1.6				
Kernel	KER	692	61.8%	428	1,398	3.3	6.6	14.7	4.3	4.8	8.0	0.6	0.5	0.6				
Astarta	AST	298	37.0%	110	620	5.1	8.8	3.6	5.6	6.8	4.5	1.4	1.3	1.1				
Avangardco	AVGR	575	22.5%	129	682	2.5	2.4	3.5	2.4	2.3	2.9	1.1	1.0	1.1	154	117	110	\$/mneggs
Agroton	AGT	15	26.2%	4	64	2.2	neg	neg	3.1	8.5	18.5	0.7	0.8	0.7	n/a	n/a	n/a	
<b>Banks</b>																		
Raiffeisen Bank Aval	BAVL	311	3.5%	11		>30	3.5	neg	0.4	0.3	0.5	0.05	0.06	0.08				
Ukrsotsbank	USCB	234	1.0%	2		>30	>30	21.1	0.3	0.2	0.3	0.07	0.06	0.08				

Source: Eavex Research



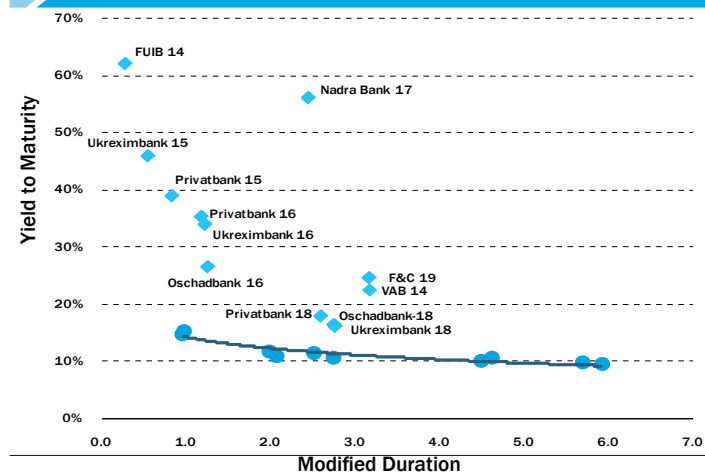
## UKRAINIAN EUROBONDS

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	97.3	98.1	38.4%	29.4%	-2.8%	0.1	9.50%	S/A	30 Sept 2014	1,595	//
Ukraine, 2015 (EUR)	92.5	94.5	14.4%	11.8%	-2.6%	0.9	4.95%	A	13 Oct 2015	600*	Caa3/CCC/CCC
Ukraine, 2015	94.4	95.9	15.1%	13.1%	-2.5%	0.9	6.875%	S/A	23 Sept 2015	500	Caa3/CCC/CCC
Ukraine, 2016	93.3	94.3	10.7%	10.1%	-0.3%	2.0	6.58%	S/A	21 Nov 2016	1,000	Caa3/CCC/CCC
Ukraine, 2016-2	93.0	94.5	10.2%	9.4%	-0.6%	2.0	6.25%	S/A	17 Jun 2016	1,250	Caa3/CCC/CCC
Ukraine, 2017	93.0	94.0	9.8%	9.3%	0.8%	2.7	6.75%	S/A	14 Nov 2017	700	Caa3/CCC/CCC
Ukraine, 2017-2	97.2	98.0	11.0%	10.6%	-1.6%	2.5	9.25%	S/A	24 Jul 2017	2,000	Caa3/CCC/CCC
Ukraine, 2017 Infr. projects	94.0	95.5	11.9%	11.2%	14.7%	2.6	8.375%	S/A	3 Nov 2017	568	Caa3//
Ukraine, 2018 Infr. projects	88.4	90.5	12.5%	11.6%	13.9%	2.9	7.40%	S/A	20 Apr 2018	690	Caa3//
Ukraine, 2020	91.5	93.0	10.0%	9.6%	-0.9%	4.5	7.75%	S/A	23 Sept 2020	1,500	Caa3/CCC/CCC
Ukraine, 2021	92.0	93.0	9.8%	9.6%	-1.3%	4.9	7.95%	S/A	23 Feb 2021	1,500	Caa3/CCC/CCC
Ukraine, 2022	90.9	92.9	9.5%	9.1%	0.9%	5.7	7.80%	S/A	28 Nov 2022	1,250	Caa3/CCC/CCC
Ukraine, 2023	89.4	90.9	9.3%	9.0%	-0.3%	5.9	7.50%	S/A	17 Apr 2023	1,250	Caa3/CCC/CCC
<b>Corporate Eurobonds</b>											
Agroton, 2019	29.1	35.8	80.0%	59.6%	-37.9%	1.7	8.00%	S/A	14 Jul 2019	50	//RD
MHP, 2015	98.5	100.5	12.6%	9.4%	-3.9%	0.6	10.25%	S/A	29 Apr 2015	235	Caa2//CCC
MHP, 2020	86.9	88.8	11.5%	11.0%	-1.7%	4.1	8.25%	S/A	2 Apr 2020	750	/CCC/CCC
Avangardco, 2015	89.0	89.0	28.6%	28.6%	-9.2%	0.9	10.00%	S/A	29 Oct 2015	200	/CCC/
UkrLandFarming, 2018	80.1	80.1	18.7%	18.7%	-11.2%	2.6	10.88%	S/A	26 Mar 2018	275	/CCC/CCC
Mriya, 2016	43.9	43.9	88.5%	88.5%	-56.2%	na	10.95%	S/A	30 Mar 2016	72	//C
Mriya, 2018	43.8	43.8	43.2%	43.2%	-49.7%	2.2	9.45%	S/A	19 Apr 2018	400	//C
DTEK, 2015	69.4	70.9	75.4%	71.0%	-31.4%	0.5	9.50%	S/A	28 Apr 2015	200	Caa2//CCC
DTEK, 2018	61.0	63.0	24.9%	23.7%	-34.2%	2.6	7.88%	S/A	4 Apr 2018	750	Caa2//CCC
Metinvest, 2015	73.0	78.0	61.1%	49.4%	-26.3%	0.6	10.25%	S/A	20 May 2015	500	Caa2//CCC
Metinvest, 2018	67.1	67.1	25.0%	25.0%	-29.3%	2.6	8.75%	S/A	14 Feb 2018	750	Caa2//CCC
Ferrexpo, 2016	95.0	97.0	12.9%	11.1%	-2.0%	1.4	7.875%	S/A	07 Apr 2016	500	/CCC/CCC
UZ Rail, 2018	78.0	79.9	17.8%	17.0%	-13.9%	2.8	9.50%	S/A	21 May 2018	500	/CCC/CCC
Interpipe, 2017	73.5	74.5	25.9%	24.4%	-4.5%	2.2	10.25%	S/A	2 Aug 2017	200	//
JKX Oil&Gas, 2018	92.6	94.5	14.4%	13.8%	-15.7%	2.9	8.00%	S/A	19 Feb 2018	40	
<b>Bank Eurobonds</b>											
Fin&Credit Bank, 2019	55.0	65.0	27.4%	22.0%	-27.7%	3.1	9.25%	S/A	25 Jan 2019	100	Caa3//
PUMB, 2014	71.3	71.3	126.9%	126.9%	-27.7%	0.2	11.00%	Q	31 Dec 2014	275	Caa3//
Nadra Bank, 2018	55.0	60.0	62.6%	52.6%	-28.6%	2.4	6.25%	A	31 Jul 2018	60	//
PrivatBank, 2015	82.0	84.0	52.2%	44.3%	-6.9%	0.8	9.38%	S/A	23 Sept 2015	200	Caa3//
PrivatBank, 2016	70.5	72.5	37.3%	34.5%	-5.9%	1.1	8.75%	S/A	9 Feb 2016	150	Caa3//
PrivatBank, 2018	81.0	83.3	18.5%	17.5%	-1.9%	2.7	10.88%	S/A	28 Feb 2018	175	Caa3//CCC
UkrEximBank, 2015	88.0	89.0	62.6%	52.8%	-8.2%	0.5	8.38%	S/A	27 Apr 2015	750	Caa3//CCC
UkrEximBank, 2016	68.0	73.0	48.2%	38.1%	-17.4%	1.1	8.40%	S/A	2 Sept 2016	125	Caa3//CCC
UkrEximBank, 2018	82.0	83.7	15.8%	15.0%	-7.1%	2.7	8.75%	S/A	22 Jan 2018	500	Caa3//CCC
VAB Bank, 2019	72.0	75.0	24.0%	22.2%	-14.0%	2.1	9.00%	Q	14 Jun 2019	88	//WD
Oschadbank, 2016	84.5	85.5	25.5%	24.3%	-8.7%	1.2	8.25%	S/A	10 Mar 2016	700	Caa3//CCC
Oschadbank, 2018	80.3	82.8	16.2%	15.2%	-8.4%	2.7	8.88%	S/A	20 Mar 2018	500	Caa3//CCC
<b>Municipal Eurobonds</b>											
City of Kyiv, 2015	84.3	85.8	30.5%	28.0%	-8.6%	1.0	8.00%	S/A	6 Nov 2015	250	Caa3/CCC/
City of Kyiv, 2016	84.5	85.5	19.7%	18.9%	-8.2%	1.6	9.375%	S/A	30 Jun 2016	300	Caa3/CCC/

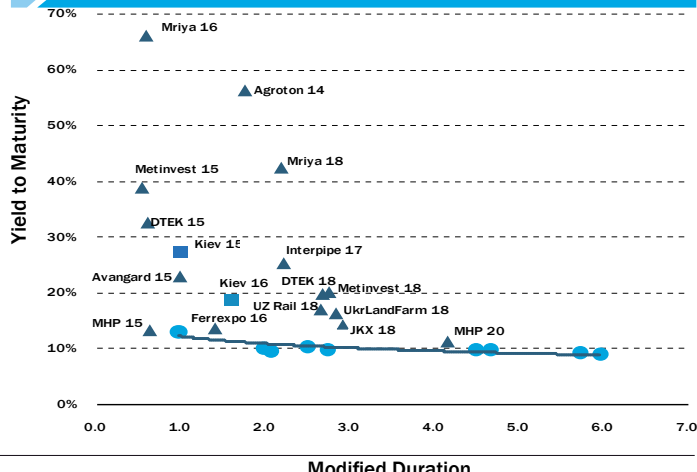
<sup>1</sup> Moody's/S&P/Fitch; \* EUR

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			16.0%	14.5%	n/a	14.30%	S/A	20 May 2015	31
UA4000142665			18.0%	15.5%	n/a	14.30%	S/A	24 May 2017	184
<b>USD denominated Bonds</b>									
UA4000142699	n/a	n/a	13.5%	13.0%	n/a	9.45%	S/A	22 Apr 2015	312
UA4000141071	n/a	n/a	13.5%	13.0%	n/a	9.45%	S/A	27 May 2015	152
UA4000142673	n/a	n/a	13.5%	13.0%	n/a	4.50%	S/A	17 Jun 2015	175
<b>EUR denominated Bonds</b>									
UA4000142681	n/a	n/a	14.0%	12.0%	n/a	4.80%	S/A	6 May 2015	40
<b>VAT Bonds</b>									
UA4000082531			16.0%	15.5%	n/a	5.50%	S/A	21 Aug 2015	141
UA4000082622			16.0%	15.5%	n/a	5.50%	S/A	24 Aug 2015	571
UA4000083059			16.0%	15.5%	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