

Market Update

Equity

Kyiv-listed blue chips were mostly higher on Wednesday (Aug 27) a day after the first bilateral meeting between Presidents Poroshenko and Putin brought unclear results on a roadmap to ending the economically destructive Donbass war in Ukraine's east. Externally, it was a very flat day of trading both in Europe and the US typical of late summer. The UX index added 2.1% to close at 1251 points. UkrNafta jumped 6.2% to UAH 341 as traders pushed up quotes to keep the stock on pace with the devaluing hryvnia, and Motor Sich reversed its recent slide with a big gain of 5.4% on turnover of UAH 3.1mn. Metinvest steelmakers Azovstal and Yenakievo picked up 2.2% and 1.8% respectively, while Raiffeisen Aval was a loser on the day, dropping 0.6%. Outside the UX basket, Poltavsky GOK and Slavutich Brewery added about 6% each. In Warsaw, it was a miserable day for KSG Agro, which lost 52% of its value to PLN 1.45 after the release of the company's long-delayed FY13 financials and the un-freezing of the stock.

Fixed Income

Quotes for Ukrainian sovereign Eurobonds were lower yesterday with long term Ukraine-23s declining by 0.6 p.p. to close at 87.9/89.0 (9.6%/9.4%). In corporate issues, MHP-20s decreased by 0.6 p.p. to 85.6/88.2 (11.8%/11.2%) while Metinvest-18s rose by 1.2 p.p. to 67.5/68.8 (24.8%/23.9%).

Volume Leaders	Ticker	Last, UAH	1D ch	Volume, UAH mn	Number of Trades
Ukrnafta	UNAF	341.40	6.2%	4.4	351
Motor Sich	MSICH	2379.00	5.4%	3.1	219
Centrenerg	CEEN	7.97	0.2%	1.1	133

Growth Leaders

Poltavsky GOK	PGOK	17.02	6.2%	0.35	47
Ukrnafta	UNAF	341.40	6.2%	4.41	351
Slavutych Brewery	SLAV	7.10	6.0%	0.32	14

Loss Leaders

Yasynivsky Coke	YASK	0.60	-8.4%	0.274	29
Raiffeisen Bank Aval	BAVL	0.14	-0.7%	0.284	50
Donbasenergo	DOEN	37.68	-0.6%	0.132	55

Highlights

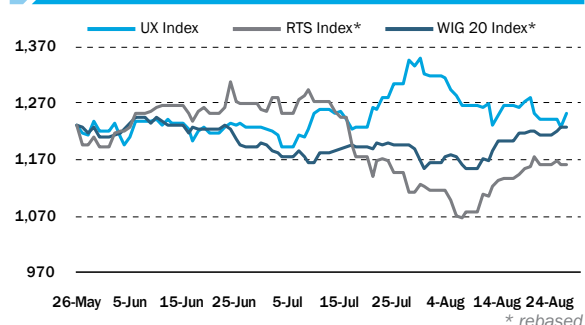
POLITICS AND ECONOMICS

- Ukraine Seeking Temporary Price for Russian Gas

STOCKS IN THE NEWS

- Most Donbass Metallurgy Plants Not Operating Due to War
- MHP Increased EBITDA by 38% YoY in 2Q14
- Auditor: KSG Facing "Going Concern" Risk

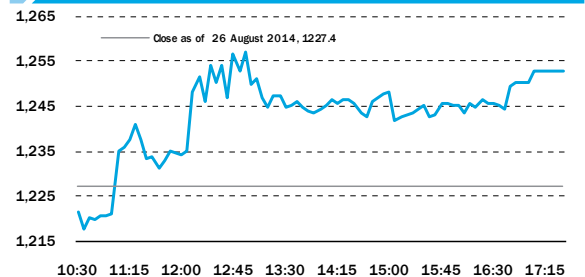
STOCK MARKET PERFORMANCE



MARKET INDEXES

	Last	1D ch	1M ch	YTD
UX	1252.7	2.1%	-4.1%	37.7%
RTS	1260.7	0.1%	1.2%	-12.6%
WIG20	2467.3	-0.1%	2.5%	2.8%
MSCI EM	1093.7	0.5%	1.4%	9.2%
S&P 500	2000.1	0.0%	1.1%	8.6%

UX INTRADAY AUGUST 27, 2014



FIXED INCOME

	Last	1D ch	1M ch	YTD
EMBI+Global	302.8	-0.8%	6.7%	-8.5%
CDS 5Y UKR	991.3	3.5%	20.3%	20.8%
Ukraine-17	9.9%	0.2 p.p.	1.0 p.p.	0.9 p.p.
Naftogaz Ukr-14	40.3%	4.2 p.p.	15.9 p.p.	31.5 p.p.
Ukraine-23	9.5%	0.1 p.p.	1.1 p.p.	2.0 p.p.
Privatbank-16	36.9%	2.6 p.p.	13.1 p.p.	16.5 p.p.

CURRENCY

	Last, UAH	1D ch	1M ch	YTD
USD	13.60	0.0%	14.2%	65.0%
EUR	17.94	0.2%	12.2%	57.8%
RUB	0.38	-1.4%	10.9%	49.7%

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	102.7	0.2%	-5.5%	-7.6%
Gold, USD/oz	1282.6	0.1%	-1.9%	7.2%

*Ukraine FOB

Source: Bloomberg, Ukrainian Exchange

Ukraine Seeking Temporary Price for Russian Gas

by Dmitry Churin
d.churin@eavex.com.ua

NEWS

Ukraine is going to insist on a temporary price for Russian natural gas at a planned new round of Ukraine-EU-Russia talks on the gas issue in September, Interfax reported on Wednesday (Aug 27) citing Ukraine's Energy Minister Yuriy Prodan. The talks with the participation of the Ukrainian, EU and Russian energy ministers might be held on Sept 6, but there is no final agreement on a date. Earlier this week EU Energy Commissioner Gunther Oettinger said the resumption of the consultations would be discussed on Aug 29 in Moscow, where he would meet with Russian Energy Minister Alexander Novak. The EU commissioner also said that the EU had proposed to conclude a provisional agreement on gas between Ukraine and Russia before the Stockholm court's verdict on pending litigation between the two countries.

COMMENTARY

In our opinion, a "temporary price" for Russian gas is the best hope for Ukraine's energy sector ahead of this winter's heating season. However, it's too early to believe that a deal can be reached smoothly, as Gazprom is demanding repayment of Naftogaz's debts for supplies and an advance payment scheme for further deliveries. The amount of the debt is a part of the suit in the Stockholm court. Prodan said Ukraine's position regarding a temporary compromise gas price would be a price between USD 320 per 1,000 cubic meters (t/cu-m) and USD 385 t/cu-m. Ukraine currently has 15.6bn cu-m of gas in its underground storages (as of Aug 25), probably not enough to get through the heating season.

As we reported earlier, Gazprom cut off natural gas supplies to Ukraine in mid-June after two months of fruitless EU-brokered talks between Kyiv and Moscow regarding amendments to the existing gas pricing formula established in 2009. Gazprom estimates Ukraine's debt for previously-supplied gas at USD 4.46bn: USD 1.45 billion for November and December 2013 and USD 3.01bn for April and May 2014. The Ukrainian side has agreed with the debt figure for 2013 but refused to recognize debt accrued since Apr 1, saying the price for this period was not properly determined by Gazprom.

Most Donbass Metallurgy Plants Not Operating Due to War

by Ivan Dzvinka
i.dzvinka@eavex.com.ua

NEWS

Ukrainian steel plants are significantly reducing or even suspending their operating activities this month due to the war in Donbass, we have learned from various reports, due to destruction of infrastructure and direct physical damage to steel and coke makers' facilities. Due to lack of coke supplies, ISD-controlled Alchevsk Steel suspended its operations in mid-August. Meanwhile, Metinvest-owned steel smelter Yenakievo Steel came under artillery attack twice within a week (on Aug 13 and Aug 21), forcing a shutdown the plant due to damage to production facilities as well as an electricity cutoff to the whole city of Yenakievo. Metinvest-controlled pipe maker Khartsyzsk Pipe was also shut down on Aug 18 due to electricity cutoff after an artillery attack by pro-Russian paramilitaries. Metinvest's Avdyivka Coke has also been inoperative since Aug 16 due to problems with electricity supplies related to artillery shelling. The same problem led to stoppage at DonetskSteel-owned Yasynivsky Coke and Metinvest-related Yenakievo Coke while problems with coking coal supply pushed ISD-owned Alchevsk Coke to stop its production as well. Coke makers have been able to organize heating of their coke batteries using natural gas, which is preventing permanent damage to the coke production facilities.

COMMENTARY

The news is negative for all of the mentioned steel and coke makers. As statistics for the first 20 days of August show, average daily steel and coke output in Ukraine fell by 28% compared to July. With the production facilities stoppage at the plants occurring mostly in second part of the month, we could see an unprecedented 33% decline in steel production in August vs. July, with respective adverse effect on domestic industrial output and export revenue. Even more seriously, if the Donbass war is not ended in a matter of weeks, we will likely see a further double-digit decline in metallurgical production in September. While it is hard to project the timing of the end of the war (please see our commentary in Eavex Daily from Aug 26), the obvious point is that a recovery in operations of metallurgy plants in the Donbass region will become possible only after the war is over.

MHP Increased EBITDA by 38% YoY in 2Q14

by Ivan Dzvinka
i.dzvinka@eavex.com.ua

MHP (MHPC LI)

Price: USD 12.0 Market Cap: USD 1,268mn

	EV/S	P/E	EV/EBITDA	Div. Yield
2013	1.6	7.8	6.1	6.3%
2014E	1.6	neg	5.0	0.0%

NEWS

MHP, Ukraine's largest poultry producer, reported improvement in operating earnings and decline in the top and bottom lines for 2Q14, according to the company's financial report released this morning (Aug 28). The group's net revenue was down by 7% YoY to USD 329mn in 2Q14 mainly due to devaluation of Ukrainian hryvnia which pushed USD-reflected poultry selling price of the company down by 25% YoY to USD 1.53/kg. This was, however, to large extent compensated with a 23% YoY increase in selling volume of poultry to 140,000 tonnes. Meanwhile, the group's EBITDA improved by 38% YoY to USD 166mn in 2Q14. The bottom line dropped by 14% YoY to USD 46mn mainly due to USD 88mn of currency translation loss in light of 7.9% devaluation in hryvnia vs. USD over 2Q14 vs 1Q14.

The company's net debt stood at USD 1.15bn as of end 2Q14, or flat QoQ. Net debt to LTM EBITDA ratio improved to 2.45x vs. 2.62 as of end March 2014.

COMMENTARY

We treat the company's earnings as robust and thus see the news as positive for the company's stock. While drop in revenue was expected due to devaluation of hryvnia and lion's share of the company's sales concentrated in Ukraine, material growth in EBITDA was a positive surprise to us. Rise in EBITDA was mainly a result of 64% YoY increase in gain from revaluation in biological assets to USD 64mn (in poultry and grain growing business) as well as lower production cost. Drop in cost of sales stemmed from two factors: drop in market prices for oilseeds in 2Q14 and use in reporting standards the fixed price for grains over the most recent harvest time. We remind that over 4Q13 corn and wheat prices were depressed due to record high harvest. We stick to our target price of USD 15.7 for MHP stock suggesting an upside of 30%.

Auditor: KSG Facing “Going Concern” Risk

by Ivan Dzvinka
i.dzvinka@eavex.com.ua

NEWS

Dnipropetrovsk-based crop grower KSG Agro reported its audited financial results for full-year 2013 earlier this week. Net revenue was up by 57% YoY to USD 58mn as lower selling prices last year were offset by higher sales volume of crops on the back of an 80% YoY increase in the harvest last season. Still, a 28% YoY drop in gain from revaluation of biological assets together with a 74% YoY increase in production cost led to a 75% YoY drop in gross profit to USD 5.0mn. A 3.5x surge in other operating expenses to USD 7.3mn and a 50% YoY increase in SG&A cost led to an operating loss of USD 6.3mn vs. Operating profit of USD 18.2mn in 2012. EBITDA was down by 90% YoY to USD 2.6mn. KSG reported net loss of USD 28.6mn compared to net profit of USD 11.7mn for FY12.

KSG is preparing documents for registration in the disputed territory of Crimea, where it has about 30% of its crop-growing business. Management said it is now preparing the Crimea assets for sale.

The total debt of the company as of end-2013 stood at USD 103mn, with cash at a negligible USD 130,000. The company said it is in the process of negotiations with the banks to restructure its debt.

COMMENTARY

KSG's audited top and bottom lines are largely in line with the unaudited figures reported in late June. Independent auditor Baker Tilly stated a “going concern” risk for KSG reflecting its likely ability to refinance its debts. Given the high 58% share of short-term loans in the company's debt, a significant deterioration in corporate governance, and sharply-worsening market sentiment toward providing financing to Ukrainian companies after the recent problems of agro giant Mriya, we presume that the concern of Baker Tilly is definitely justified.

Following the release of KSG's FY13 financials, the Warsaw Stock Exchange un-froze trading of the KSG stock on Monday (Aug 26). The stock, which was at near PLN 4.50 during the two-month trading freeze, has plunged to PLN 1.55 in the two days since trading resumed, representing a loss of nearly two thirds of the stock's value.

EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
Steel&Pipes						
Azovstal	AZST	0.88	0.56	-37%	SELL	Non-transparent reporting practices detrimentally affect Azovstal's reported earnings.
Iron Ore						
Ferrexpo	FXPO LN	136.4	108.0	-21%	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	--	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	6.92	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.
Coke						
Avdyivka Coke	AVDK	3.00	U/R	--	Susp.	Avdyivka Coke was forced to shut down operations amid military conflict in the region.
Yasynivsky Coke	YASK	0.60	U/R	--	U/R	Yasynivsky Coke reported net loss of UAH 22mn for FY13 which was the first negative bottom line since 2004.
Coal						
Pokrovske Mine	SHCHZ	0.62	2.9	376%	BUY	We expect Pokrovske Mine to double its coking coal extraction to 9.5mn tonnes over 2010-15.
Railcar Manufacturing						
Krukiv Wagon	KVBZ	16.4	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.
Specialized Machinery						
Motor Sich	MSICH	2379	5250	121%	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.
Oil & Gas						
Concern Galnaftogaz	GLNG	0.15	0.24	60%	BUY	Galnaftogaz is pursuing a plan to aggressively expand its filling station network.
Regal Petroleum	RPT	7.0	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	44.9	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.
Power Utilities						
DonbasEnergO	DOEN	37.7	72.0	91%	BUY	DonbasEnergO is expected to continue practice of 30% dividend payout in a medium term.
CenterEnergO	CEEN	7.97	15.00	88%	BUY	CentrEnergO's privatization has been postponed, but the company retains a strong fundamental value due to its large installed electricity generation capacity.
Consumer						
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	37.7	90.0	139%	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	8.9	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	71.0	58.74	-17%	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.
Banks						
Raiffeisen Bank Aval	BAVL	0.138	0.24	74%	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	1252.69	1368.76	799.72	2.1%	-2.1%	-4.1%	37.7%	0.0%	0.0%	0.0%	0.0%
Steel												
Alchevsk Steel	ALMK	0.034	0.06	0.02	-0.9%	-2.3%	-6.6%	-12.6%	-2.9%	-0.2%	-2.5%	-50.3%
Azovstal	AZST	0.88	0.95	0.35	2.7%	-0.9%	1.6%	31.9%	0.6%	1.2%	5.7%	-5.7%
Dniprospeztstal	DNSS	250	n/a	n/a	0.0%	0.0%	-58.5%	-80.8%	-2.1%	2.1%	-54.4%	-118.4%
Enakievo Steel	ENMZ	38.2	65.0	17.0	1.8%	-7.9%	-12.4%	19.3%	-0.3%	-5.8%	-8.4%	-18.3%
Arcelor Mittal KR	KSTL	4.00	n/a	n/a	0.0%	0.0%	0.0%	247.8%	-2.1%	2.1%	4.1%	210.2%
Mariupol Ilyicha	MMKI	0.10	n/a	n/a	0.0%	-9.1%	-28.6%	0.0%	-2.1%	-7.0%	-24.5%	-37.7%
Coke												
Avdiyivka Coke	AVDK	3.00	4.80	1.46	-0.2%	1.2%	-4.6%	1.2%	-2.2%	3.2%	-0.5%	-36.5%
Yasynivsky Coking	YASK	0.60	0.84	0.30	-7.7%	-14.3%	-13.0%	13.2%	-9.8%	-12.2%	-9.0%	-24.4%
Iron Ore Mining												
Centralny GOK	CGOK	6.92	n/a	n/a	0.0%	6.5%	-1.1%	6.5%	-2.1%	8.5%	2.9%	-31.2%
Ferrexpo	FXPO	136.4	199.0	121.8	1.0%	-2.4%	-3.3%	-28.6%	-1.0%	-0.3%	0.7%	-66.2%
Pivnichny GOK	SGOK	8.10	10.00	4.50	-2.4%	-2.4%	1.3%	1.3%	-4.5%	-0.3%	5.3%	-36.4%
Coal Mining												
Pokrovske Mine	SHCHZ	0.62	0.79	0.10	0.0%	-4.6%	-4.6%	55.0%	-2.1%	-2.6%	-0.5%	17.3%
Komsomolets Donbasa	SHKD	0.75	n/a	n/a	0.0%	0.0%	-20.2%	21.0%	-2.1%	2.1%	-16.1%	-16.7%
Energy Coal	CLE	0.86	2.86	0.86	-5.5%	-7.5%	-21.1%	-18.1%	-7.6%	-5.5%	-17.0%	-55.7%
Mining Machinery												
Svitlo Shakhtara	HMBZ	0.30	n/a	n/a	0.0%	0.0%	-31.8%	-34.8%	-2.1%	2.1%	-27.7%	-72.4%
Pipe Manufacturing												
Khartsyzk Pipe	HRTR	0.53	1.01	0.30	0.0%	-24.3%	-22.1%	-11.7%	-2.1%	-22.2%	-18.0%	-49.3%
Interpipe NMPP	NVTR	0.30	n/a	n/a	0.0%	0.0%	-23.1%	42.9%	-2.1%	2.1%	-19.0%	5.2%
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	16.4	26.0	10.0	-2.4%	-1.5%	-15.2%	-5.2%	-4.4%	0.6%	-11.2%	-42.9%
Luhanskeplovoz	LTPL	1.20	2.20	0.85	0.0%	17.6%	-11.1%	-20.0%	-2.1%	19.7%	-7.0%	-57.7%
Stakhanov Wagon	SVGZ	0.93	n/a	n/a	0.0%	0.0%	-11.4%	-28.5%	-2.1%	2.1%	-7.4%	-66.1%
Specialized Machinery												
Bogdan Motors	LUAZ	0.05	0.08	0.02	0.0%	-5.5%	-7.4%	88.7%	-2.1%	-3.4%	-3.3%	51.0%
Motor Sich	MSICH	2,379	3,000	1,303	5.6%	-4.2%	-12.4%	30.4%	3.5%	-2.1%	-8.3%	-7.2%
Summy Frunze Engineering	SMASH	3.00	n/a	n/a	0.0%	0.0%	-33.3%	20.0%	-2.1%	2.1%	-29.3%	-17.7%
Turboatom	TATM	3.00	n/a	n/a	0.0%	0.0%	-25.0%	-14.3%	-2.1%	2.1%	-20.9%	-51.9%
WESTA ISIC	WES	0.27	0.80	0.27	-3.6%	-6.9%	-15.6%	-32.5%	-5.6%	-4.8%	-11.6%	-70.2%
Telecom												
Ukrtelecom	UTLM	0.20	0.20	0.09	11.1%	19.8%	12.5%	81.8%	9.0%	21.8%	16.6%	44.2%
Oil & Gas												
Regal Petroleum	RPT	7.00	17.25	4.88	3.7%	27.3%	-23.3%	-45.1%	1.6%	29.3%	-19.2%	-82.8%
JXX Oil	JKX	44.88	75.00	36.00	-0.8%	-0.3%	-3.5%	-37.5%	-2.9%	1.8%	0.6%	-75.1%
Ukrnafta	UNAF	341	370	54	6.4%	5.5%	15.6%	214.4%	4.3%	7.6%	19.7%	176.7%
Power Utilities												
Centrenerg	CEEN	7.97	8.70	2.50	0.3%	-2.0%	0.9%	67.2%	-1.8%	0.1%	5.0%	29.5%
Donbasenergo	DOEN	37.7	50.2	11.0	0.4%	-2.6%	-6.2%	36.6%	-1.7%	-0.6%	-2.1%	-1.1%
Zakhidenergo	ZAEN	138.2	157.0	64.0	0.0%	5.5%	-5.5%	52.9%	-2.1%	7.6%	-1.5%	15.2%
Consumer												
Agroton	AGT	2.10	5.5	1.95	-1.4%	-6.7%	-22.2%	7.7%	-3.5%	-4.6%	-18.1%	-30.0%
Astarta	AST	37.7	73.7	34.5	-0.2%	-1.5%	-3.7%	-43.7%	-2.2%	0.6%	0.4%	-81.3%
Avangardo	AVGR	8.9	13.0	8.36	5.8%	2.1%	-3.3%	-24.4%	3.7%	4.1%	0.8%	-62.0%
Industrial Milk Company	IMC	8.80	15.50	7.60	4.3%	0.6%	5.1%	-27.6%	2.2%	2.6%	9.2%	-65.2%
Kernel	KER	27.6	53.9	23.2	0.3%	1.7%	-7.8%	-27.6%	-1.7%	3.8%	-3.7%	-65.2%
Mriya Agro Holding	MAYA	1.90	6.0	1.44	14.4%	14.5%	-59.2%	-64.8%	12.3%	16.5%	-55.2%	-102.5%
MHPC	MHPC	12.0	18.5	11.00	-0.2%	-7.0%	-5.8%	-29.5%	-2.2%	-4.9%	-1.7%	-67.1%
Milkiland	MLK	4.61	14.2	4.59	0.4%	-1.9%	-20.5%	-63.1%	-1.6%	0.1%	-16.4%	-100.8%
Ovostar Union	OVO	71.0	103.0	59.4	0.0%	1.6%	1.4%	-29.0%	-2.1%	3.6%	5.5%	-66.7%
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
Chemicals												
Stirol	STIR	12.5	n/a	n/a	0.0%	8.7%	18.9%	0.0%	-2.1%	10.8%	23.0%	-37.7%
Banks												
Raiffeisen Bank Aval	BAVL	0.138	0.188	0.077	-0.6%	-3.2%	-6.6%	21.4%	-2.7%	-1.2%	-2.5%	-16.2%
UkrSotsbank	USCB	0.175	0.257	0.090	5.3%	1.7%	-2.1%	-6.7%	3.2%	3.8%	1.9%	-44.3%

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	2013	2014E	2012	2013	2014E	2012	2013	2014E	2012	2013	2014E	2012	2013	2014E
Steel																
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
Coke																
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%
Iron Ore Mining																
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%
Coal Mining																
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
Pipe Manufacturing																
Khartsyzk Pipe	HRTR	480	310	271	52	31	26	10.8%	10.1%	9.5%	34	5	4	7.0%	1.5%	1.5%
Railcar Manufacturing																
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%
Specialized Machinery																
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%
Telecom																
Ukrtelecom	UTLM	838	791	611	206	190	174	24.5%	24.0%	28.5%	45	17	26	5.4%	2.2%	4.3%
Oil & Gas																
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%
Electric Utilities																
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%
Consumer																
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
Banks																
		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	2013	2014E	2012	2013	2014E	2012	2013	2014E	2012	2013	2013E			
Steel																		
Alchevsk Steel	ALMK	64	3.9%	2	1,413	neg	neg	neg	neg	neg	neg	0.8	0.8	0.8	365	340	331	\$/tonne
Yenakievo Steel	ENMZ	30	8.8%	3	26	3.5	neg	neg	neg	1.2	0.8	0.0	0.0	0.0	10	9	9	\$/tonne
Azovstal	AZST	273	3.0%	8	258	neg	neg	neg	neg	neg	7.3	0.1	0.1	0.1	56	57	57	\$/tonne
Coke																		
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	12	9.0%	1	13	1.4	neg	2.6	0.5	0.5	0.7	0.0	0.0	0.0	0.5	0.5	0.7	\$/tonne
Iron Ore Mining																		
Centralny GOK	CGOK	596	0.3%	1	595	6.3	3.1	3.7	2.6	1.9	2.1	1.0	0.9	0.9				
Pivnichny GOK	SGOK	1,372	0.4%	5	1,366	3.1	2.5	3.0	1.8	1.5	1.7	1.0	0.8	0.9				
Ferrexpo	FXPO	1,324	24.0%	318	2,003	6.1	5.0	4.8	5.0	4.0	4.1	1.4	1.3	1.4				
Coal Mining																		
Komsomolets Donbasa	SHKD	18	5.4%	1	120	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	39	25.0%	10	149	1.0	neg	neg	2.4	7.1	16.6	0.9	1.2	1.5	2.4	7.1	16.6	\$/tonne
Pipe Manufacturing																		
Khartsyzk Pipe	HRTR	101	2.0%	2	147	3.0	21.5	24.7	2.8	4.7	5.7	0.3	0.5	0.5	233	387	367	\$/tonne
Railcar Manufacturing																		
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				
Kruiiv Wagon	KVBZ	138	5.0%	7	138	1.5	3.3	neg	1.0	2.1	9.0	0.2	0.3	0.9				
Stakhanov Wagon	SVGZ	15	8.0%	1	48	26.3	29.1	>30	6.7	8.2	8.8	0.2	0.3	0.3				
Specialized Machinery																		
Turboatom	TATM	109	5.8%	6	49	2.9	1.5	1.7	0.9	0.5	0.7	0.3	0.2	0.2				
Motor Sich	MSICH	363	24.0%	87	354	1.8	2.2	1.9	1.1	1.3	1.4	0.4	0.4	0.4				
Telecom																		
Ukrtelecom	UTLM	275	7.2%	20	579	6.1	16.2	10.5	2.8	3.0	3.3	0.7	0.7	0.9				
Oil & Gas																		
Ukrnafta	UNAF	1,361	3.0%	41	1,353	7.7	>30	8.5	3.0	4.7	4.2	0.5	0.5	0.5	n/a	n/a	n/a	\$/boe
Regal Petroleum	RPT	37	21.6%	8	12	3.2	neg	18.6	0.6	neg	0.5	0.3	0.3	0.3	n/a	n/a	n/a	\$/boe
JKX Oil & Gas	JKX	128	50.4%	64	236	neg	19.7	16.4	1.7	3.6	3.5	1.2	1.3	1.2	43	32	31	\$/boe
Electric Utilities																		
CentrEnerg	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
DonbasEnerg	DOEN	66	14.2%	9	131	17.1	1.0	1.6	4.1	1.8	2.9	0.2	0.2	0.3	16	17	16	\$/MWh
Consumer																		
MHP	MHPC	1,268	34.1%	432	2,396	4.1	7.8	neg	5.1	6.1	5.0	1.7	1.6	1.6				
Kernel	KER	691	61.8%	427	1,397	3.3	6.6	14.7	4.3	4.8	8.0	0.6	0.5	0.6				
Astarta	AST	296	37.0%	110	618	5.1	8.7	3.6	5.6	6.8	4.5	1.4	1.3	1.1				
Avangardco	AVGR	568	22.5%	128	675	2.5	2.4	3.5	2.4	2.2	2.9	1.1	1.0	1.1	153	116	109	\$/mneqgs
Agroton	AGT	14	26.2%	4	63	2.1	neg	neg	3.1	8.4	18.2	0.7	0.8	0.7	n/a	n/a	n/a	
Banks																		
							P/E			P/Book				P/Assets				
Raiffeisen Bank Aval	BAVL	304	3.5%	11		>30	3.4	neg	0.4	0.3	0.5	0.05	0.06	0.08				
Ukrsotsbank	USCB	237	1.0%	2		>30	>30	21.1	0.3	0.2	0.3	0.07	0.06	0.08				

Source: Eavex Research

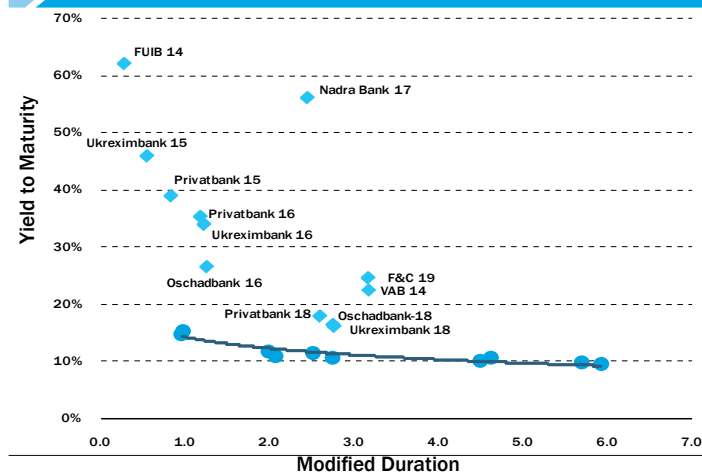
UKRAINIAN EUROBONDS

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Price chg. (YTD)	Modified Duration	Coupon	Coupon Period	Maturity Date	Volume USD mn	Ratings ¹
Sovereign Eurobonds											
Naftogaz Ukraine, 2014	97.2	98.0	45.4%	35.2%	-2.9%	0.1	9.50%	S/A	30 Sept 2014	1,595	//
Ukraine, 2015 (EUR)	91.5	93.7	15.8%	12.9%	-3.5%	0.9	4.95%	A	13 Oct 2015	600*	Caa3/CCC/CCC
Ukraine, 2015	93.6	95.6	16.4%	13.6%	-3.2%	0.9	6.875%	S/A	23 Sept 2015	500	Caa3/CCC/CCC
Ukraine, 2016	91.0	93.0	12.0%	10.8%	-2.1%	1.9	6.58%	S/A	21 Nov 2016	1,000	Caa3/CCC/CCC
Ukraine, 2016-2	91.7	93.2	11.0%	10.2%	-2.0%	2.0	6.25%	S/A	17 Jun 2016	1,250	Caa3/CCC/CCC
Ukraine, 2017	90.7	92.5	10.7%	10.0%	-1.2%	2.7	6.75%	S/A	14 Nov 2017	700	Caa3/CCC/CCC
Ukraine, 2017-2	96.0	96.8	11.6%	11.2%	-2.8%	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	89.2	90.5	12.2%	11.6%	14.5%	2.9	7.40%	S/A	20 Apr 2018	690	Caa3//
Ukraine, 2020	90.4	92.4	10.3%	9.8%	-1.8%	4.5	7.75%	S/A	23 Sept 2020	1,500	Caa3/CCC/CCC
Ukraine, 2021	90.8	92.8	10.1%	9.7%	-2.0%	4.8	7.95%	S/A	23 Feb 2021	1,500	Caa3/CCC/CCC
Ukraine, 2022	89.9	92.4	9.7%	9.2%	0.1%	5.7	7.80%	S/A	28 Nov 2022	1,250	Caa3/CCC/CCC
Ukraine, 2023	87.9	89.0	9.6%	9.4%	-2.3%	5.9	7.50%	S/A	17 Apr 2023	1,250	Caa3/CCC/CCC
Corporate Eurobonds											
Agroton, 2019	29.1	35.8	80.4%	59.7%	-37.9%	1.7	8.00%	S/A	14 Jul 2019	50	//RD
MHP, 2015	97.5	100.0	14.3%	10.2%	-4.6%	0.6	10.25%	S/A	29 Apr 2015	235	Caa2//CCC
MHP, 2020	85.6	88.2	11.8%	11.2%	-2.8%	4.1	8.25%	S/A	2 Apr 2020	750	/CCC/CCC
Avangardco, 2015	89.0	89.0	28.8%	28.8%	-9.2%	0.9	10.00%	S/A	29 Oct 2015	200	/CCC/
UkrLandFarming, 2018	80.0	81.5	18.8%	18.2%	-10.5%	2.6	10.88%	S/A	26 Mar 2018	275	/CCC/CCC
Mriya, 2016	37.0	47.0	110.0%	82.3%	-58.1%	na	10.95%	S/A	30 Mar 2016	72	/SD/C
Mriya, 2018	39.5	39.5	48.5%	48.5%	-54.6%	2.0	9.45%	S/A	19 Apr 2018	400	/SD/C
DTEK, 2015	68.6	70.0	79.3%	75.1%	-32.2%	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	75.0	80.0	57.2%	45.8%	-24.4%	0.6	10.25%	S/A	20 May 2015	500	Caa2//CCC
Metinvest, 2018	67.5	68.8	24.8%	23.9%	-28.3%	2.6	8.75%	S/A	14 Feb 2018	750	Caa2//CCC
Ferrexpo, 2016	94.5	95.6	13.4%	12.3%	-3.0%	1.4	7.875%	S/A	07 Apr 2016	500	/CCC/CCC
UZ Rail, 2018	78.2	80.2	17.8%	16.9%	-13.7%	2.8	9.50%	S/A	21 May 2018	500	/CCC/CCC
Interpipe, 2017	73.5	74.5	25.9%	24.5%	-4.5%	2.2	10.25%	S/A	2 Aug 2017	200	//
JKX Oil&Gas, 2018	89.9	91.6	15.5%	14.9%	-18.3%	2.9	8.00%	S/A	19 Feb 2018	40	
Bank Eurobonds											
Fin&Credit Bank, 2019	55.0	65.0	27.5%	22.1%	-27.7%	3.1	9.25%	S/A	25 Jan 2019	100	Caa3//
PUMB, 2014	69.0	69.0	141.8%	141.8%	-29.9%	0.2	11.00%	Q	31 Dec 2014	275	Caa3//
Nadra Bank, 2018	55.0	60.0	63.3%	53.1%	-28.6%	2.4	6.25%	A	31 Jul 2018	60	//
PrivatBank, 2015	80.0	85.0		41.5%	-7.4%		9.38%	S/A	23 Sept 2015	200	Caa3//
PrivatBank, 2016	65.0	70.0	46.5%	38.3%	-11.2%	1.1	8.75%	S/A	9 Feb 2016	150	Caa3//
PrivatBank, 2018	78.0	80.1	19.9%	18.9%	-5.5%	2.7	10.88%	S/A	28 Feb 2018	175	Caa3//CCC
UkrEximBank, 2015	87.5	88.8		56.5%	-8.6%	0.5	8.38%	S/A	27 Apr 2015	750	Caa3//CCC
UkrEximBank, 2016	65.0	70.0	56.7%	44.1%	-20.9%	1.1	8.40%	S/A	2 Sept 2016	125	Caa3//CCC
UkrEximBank, 2018	81.1	83.0	16.2%	15.4%	-8.0%	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	83.0	85.5	27.7%	24.4%	-9.5%	1.2	8.25%	S/A	10 Mar 2016	700	Caa3//CCC
Oschadbank, 2018	80.1	82.6	16.5%	15.6%	-8.6%	2.7	8.88%	S/A	20 Mar 2018	500	Caa3//CCC
Municipal Eurobonds											
City of Kyiv, 2015	84.0	85.1	31.1%	29.2%	-9.0%	1.0	8.00%	S/A	6 Nov 2015	250	Caa3/CCC/
City of Kyiv, 2016	83.5	85.0	20.4%	19.3%	-9.0%	1.6	9.375%	S/A	30 Jun 2016	300	Caa3/CCC/

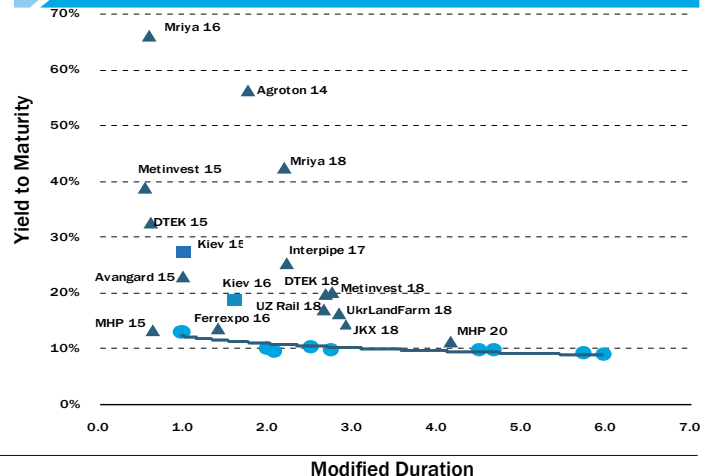
¹ Moody's/S&P/Fitch; * EUR

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
UAH denominated Bonds									
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
USD denominated Bonds									
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
EUR denominated Bonds									
UA4000142681	n/a	n/a	14.0%	12.0%	n/a	4.80%	S/A	6 May 2015	40
VAT Bonds									
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