

Stock Market Update

Equity

News that the IMF mission reached a staff-level agreement with the Ukrainian government on policies needed to complete the second review of the bailout program had a largely neutral effect on the local equity market last week, with the UX index edging up 0.9% to close at 647 points on Friday (May 20). The latest agreement raises the chance that the country will finally get the long-delayed third IMF loan tranche of USD 1.7bn. Actual disbursement of the tranche will probably be pushed back to July after the IMF Executive Board's consideration of the review, despite previous expectations that it could arrive in June.

On the upside, Raiffeisen Bank Aval (BAVL) rose 3.5% to 7.90 kopecks and CentrEnergO (CEEN) added 2.1% to UAH 6.91 per share. Motor Sich (MSICH) continued to show little movement, remaining stuck at the UAH 1985 level. UkrNafta (UNAF) underperformed the market, slipping 1.3% to near UAH 96.7, as there was more discussion in the press about the inefficiency of the company's management.

In London trading, MHP (MHPC) advanced by a solid 8.6% to USD 9.94 after the company reported an increase in its export sales in 1Q16. Investors appeared to be satisfied with MHP's financial results for the quarter despite a drop in the company's EBITDA by 28% YoY to USD 89mn in the period. Ferrexpo (FXPO) extended its slide, losing 5.3% to close at GBP 31.25 as iron ore price dynamics provided little new optimism for the sector. Warsaw-listed Kernel (KER) traded at PLN 51.50, with stock avoiding (for now) any negative effects from a search and seizure conducted by the Ukrainian Security Service of Ukraine against the company's Kyiv headquarters.

On the interbank currency market, the hryvnia strengthened by 1.2% against the dollar to close at 25.20 UAH/USD. The NBU said it was purchasing the hard currency on the market in a move that we assume was intended to prevent additional short-term hryvnia appreciation.

Highlights

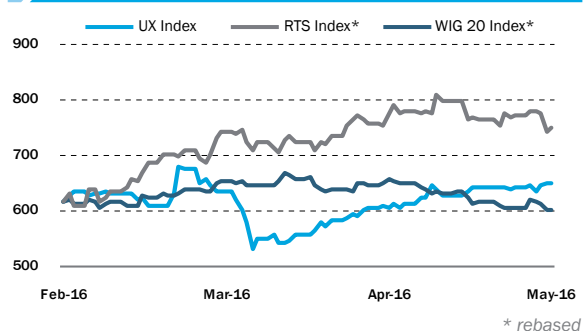
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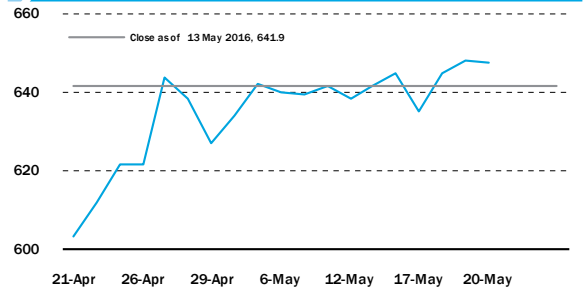
STOCK MARKET PERFORMANCE



MARKET INDEXES

	Last	1W ch	1M ch	YTD
UX	647.8	0.9%	7.2%	-5.5%
RTS	893.1	-3.1%	-3.6%	18.0%
WIG20	1806.4	-0.5%	-8.1%	-2.8%
MSCI EM	785.3	-1.4%	-7.9%	-0.8%
S&P 500	2052.3	0.3%	-2.3%	-0.5%

UX 1M PERFORMANCE



FIXED INCOME

	Last	1W ch	1M ch	YTD
EMBI+Global	420.0	0.8%	2.2%	-4.9%
CDS 5Y UKR	1050.0	0.0%	0.0%	0.0%
Ukraine-19	9.4%	0.6 p.p.	0.0 p.p.	-0.4 p.p.
Ukraine-27	9.1%	0.3 p.p.	-0.3 p.p.	-0.6 p.p.
MHP-20	10.8%	0.1 p.p.	-1.2 p.p.	-1.3 p.p.
UZ Rail-21	13.0%	0.0 p.p.	-0.9 p.p.	

CURRENCY

	Last, UAH	1W ch	1M ch	YTD
USD	25.05	-1.8%	-1.5%	4.3%
EUR	28.12	-2.5%	-2.6%	7.0%
RUB	0.38	-3.8%	-2.8%	14.8%

COMMODITIES

	Last	1W ch	1M ch	YTD
Wheat, USD/t*	174.0	1.8%	4.5%	-4.7%
Steel, USD/t	477.5	0.0%	12.4%	89.1%
Oil, USD/bbl	48.7	1.9%	11.1%	32.1%
Gold, USD/oz	1252.2	-1.6%	0.2%	18.0%

*Ukraine FOB

Source: Bloomberg, Ukrainian Exchange

EU's Russia Sanctions Likely to be Extended; Azov Marches on Parliament

by Will Ritter
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NEWS

The European Union's economic & trading sanctions against Russia for its role in sponsoring the war in Eastern Ukraine are likely to be extended beyond their current end-of-July expiration, according to a corresponding statement made last week by EU foreign minister Federica Mogherini. She said the EU has judged Moscow not to be in full compliance with last year's Minsk peace deal in terms of halting hostilities in the Donbass conflict zone. Meanwhile, Ukraine appeared to have some success in convincing the West that elections in occupied territories should be further delayed, due the inability to fairly monitor the vote. In Kyiv on Friday (May 20), around 2,000 members of the Azov Battalion (the most prominent of several so-called "volunteer battalions" fighting on the front line that are not under explicit government control) held a march on Parliament at which they burned torches and demanded that the government not allow Donbass elections under any circumstances. The elections are a key obligation of Ukraine under the Minsk deal, and are likely to result in victory for pro-Russian political forces.

COMMENTARY

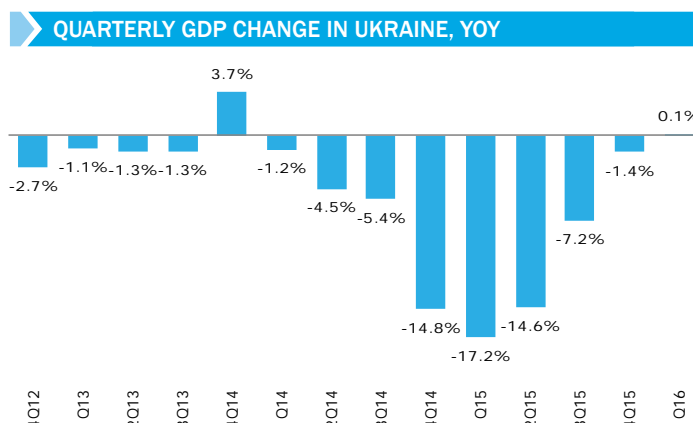
While it is unclear whether the EU sanctions extension will be for another half year or a shorter period, Kyiv has managed to earn a reprieve of several months before the really tough decision-time arrives on what to do about the Donbass quagmire. It had appeared earlier this spring that some EU member states might push to end the sanctions upon their Jul 31 expiration. We suppose that the extension was part of a US-EU deal to wait until the US November presidential election before deciding how the West should proceed further. Although the position of Russia-friendly maverick Republican candidate Donald Trump has improved in the past two months (ironically thanks in part to the effective work of former Yanukovich campaign strategist Paul Manafort), we still do not see any promising path to victory for Trump due to the US state-by-state voting system, and we expect Democrat Hillary Clinton to be elected; this would largely entail a continuation of current US policy on Ukraine. Meanwhile, Friday's show of force by the Azovs highlights the ongoing danger that Ukraine's pro-European politics face from a small but highly aggressive minority in the country who are unwilling to accept the West's position on resolving the conflict in the Donbass via political compromise. These incidents could intensify into a showdown between the Ukrainian militant right and the government later this year as it becomes clear that such groups are equally as anti-Western as they are anti-Russian.

Ukraine Economy Emerges From Contraction as 1Q GDP Inches Up 0.1% YoY

by Dmitry Churin
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NEWS

Ukraine's economy finally emerged from its two-year contraction, with GDP inching up 0.1% YoY in 1Q16, according to preliminary data from the State Statistics Committee (UkrStat) published on May 16. The data also showed that the country's seasonally-adjusted GDP declined by 0.7% on a quarterly basis in the period. Ukraine's GDP fell by 9.9% in 2015, with the deepest contraction of 17.2% YoY registered in 1Q15.



Source: State Statistics Committee, Eavex Research

COMMENTARY

The marginal GDP growth in 1Q is evidence of overall improvement in the real economy in the country, as the comparison base of the pre-war situation in Ukraine have finally rolled off the books. Industrial production rose by a healthy 3.7% YoY in 1Q16 and retail sales increased by 1.6% YoY in the period. A firm boost for Ukraine's economy was provided by a rebound in steel and iron ore prices on global markets. However, it is not clear that commodity prices will maintain their first-quarter momentum. A warm winter this year was also a positive factor for Ukraine, as the country had considerable savings on imported gas in the period. The IMF has confirmed Ukraine's GDP growth forecast of 1.5% YoY for 2016, and for the moment, we leave unchanged our conservative expectation of 0.7% YoY GDP growth for Ukraine this year.

Milkiland's 1Q EBITDA Up 7% YoY on Optimized SG&A Cost

by Ivan Dzvinka
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MILKILAND (MLK PW)

Price: PLN 1.67 Market Cap: USD 13mn

	EV/S	P/E	EV/EBITDA	Div. Yield
2014	0.3	neg	5.6	0%
2015	0.6	neg	11.5	0%

NEWS

Warsaw-listed dairy products manufacturer Milkiland reported a 22% YoY decrease in its revenue to EUR 36.5mn in 1Q16 in figures revealed on Saturday (May 14). The drop in the net revenue mainly stemmed from declining EUR-denominated achieved prices amid the devaluation of the Russian and Ukrainian currencies by 19% and 11% YoY respectively as of end of reporting period. The external revenue of Milkiland's two core segments, cheese/butter and whole milk products (WMP), was down by approximately 20% YoY to EUR 11.2mn and EUR 22.3mn, respectively. The company said it tried to focus on the production of more value-added items in the period at the expense of manufacturing low-margin goods.

Despite a 30% YoY decline in its gross profit, Milkiland finished 1Q16 with EBITDA of EUR 2.0mn, or 7% higher YoY. The improvement is explained by a 28% reduction in "Selling & Administrative Cost" to EUR 6.0mn from EUR 8.3mn in 1Q15. A 2.5x YoY drop in the forex translation loss to EUR 13.3mn in 1Q16 enabled the company to halve its net loss to EUR 16.4mn for the quarter. Milkiland's net operating cash flow before changes in working capital (WC) rose by 17% YoY to EUR 2.3mn. A largely flat working capital in 1Q16 vs. a WC inflow of EUR 3.0mn in 1Q15 led to a 70% decline in net operating cash flow to EUR 920,000. The company's total debt decreased by 6.6% YoY to EUR 103mn as of Mar 31. Still, a 11.5x plunge in cash & equivalents to EUR 890,000 late in the quarter caused net debt to edge up by 2% to EUR 103mn.

COMMENTARY

We like Milkiland's successful efforts toward optimization of its operating costs as well as the focus on value-added products, which allowed the company to increase its EBITDA margin to 5.5% in 1Q16 from 4.0% in 1Q15. We note however, that the reduction in operating cost was partially attributed to the devaluation of the ruble/hryvnia, since a large chunk of that cost is domestic currency-linked labor expenses. In addition, we think that Milkiland's focus on only three markets (Russia/Ukraine/Poland) should be expanded in order to generate earnings in more dependable major foreign currencies, and also purely for diversification purposes. Despite having received a green light for exports to China last autumn, Milkiland has shed no light on its progress in generating sales accounts to the world's largest country in terms of population.

CORRECTION: in our news on Milkiland's FY15 results earlier this month, we relied on market sources in stating that the company's majority owner Mr. Anatoliy Yurkevich is also the owner of the Ukrainian Professional Bank (Milkiland was holding some EUR 8.0mn in cash in this bank when the bank was declared insolvent in 2015). We must admit, however, that Mr. Yurkevich is, de jure, not a major shareholder of the bank, since he has less than a 0.001% stake in the institution, according to legal documents.

MHP's 1Q EBITDA Down 28% YoY; Netherlands Plant Now Operational

by Ivan Dzvinka
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MHP (MHPC LI)

Price: USD 9.94 Market Cap: USD 1,050mn

	EV/S	P/E	EV/EBITDA	Div. Yield
2015	1.9	neg	5.0	8%
2016E	1.7	nm	5.6	4%

NEWS

MHP, Ukraine's largest poultry producer, reported a drop in EBITDA by 28% YoY to USD 89mn in 1Q16, according to financials released on Thursday (May 19). The drop was due to a 29% reduction in poultry segment earnings to USD 80mn on the back of a 47% drop in EBITDA/kg of poultry and a lower government VAT subsidy. MHP's income from the VAT subsidy was down by 61% YoY to USD 5.2mn in 1Q following the change in Ukraine's VAT legislation effective from 1 Jan 2016. An EBITDA drop of 44% YoY in the crop growing segment to USD 5.0mn in 1Q16 amid lower external grain sales was largely offset by a 2.5x surge in EBITDA of the meat processing division to USD 5.0mn from USD 2.0mn in 1Q15. MHP's net revenue edged up by 0.9% YoY to USD 244mn in 1Q16, while the bottom line was negative USD 71mn over the reporting quarter (USD -292mn in 1Q15). Adjusted for the forex translation loss, the bottom line was down by 65% YoY to positive USD 35mn (USD +102mn in 1Q15). Despite the lower operating earnings, MHP managed to increase its net operating cash flow by 72% to USD 98mn thanks to reduced working capital usage (WC). WC inflow amounted to USD 51mn in 1Q16 (USD -43mn in 1Q15).

MHP's total debt inched down by 0.7% YoY to USD 1.31bn as of Mar 31, but net debt increased by 11% to USD 1.23bn due to a 62% decline in the cash position to USD 81mn. As a result, the poultry producer's Net Debt/EBITDA ratio amounted to 2.9x on Mar 31, up notably from 1.9x a year earlier and just above the company's Eurobond covenant of 3.0x.

Together with a Dutch partner company, MHP established a meat processing plant in the Netherlands during 1Q16, and said it has invested around USD 3.5mn into two cutting production lines. The entity is now operating in a trial mode.

On outlook, MHP intends to increase its full-year poultry output by 40,000 tonnes in 2016 (vs. 567,000 tonnes in FY15). Poultry export sales volume is projected to increase to 180,000 tonnes, or 36% higher YoY. Also, the group plans to reach 100% self sufficiency in hatching eggs thanks to expanded internal production.

COMMENTARY

MHP's reported EBITDA per kg of poultry (USD 43 cents) in 1Q16 turned out to be its worst result over the last 5 years, as the company was adversely hit by the hryvnia devaluation. The latter typically reduces the company's domestic sales in USD-denominated terms as well as inflates its production cost with some time lag. As a result, the poultry cash operating cost jumped by 85% to USD 0.72 per kg in 1Q16 vs. 1Q15. According to our estimates, some 70% of MHP's poultry production cost is linked to USD/EUR while only 47% of its revenue was in those currencies in 1Q16.

While the company's target on poultry export volume of 180,000 tonnes (+36% YoY) would definitely reduce its exposure to devaluation risk, the realization of this figure is far from a sure thing. With actual export sales of 32,000 tonnes of poultry in 1Q16, the annualized figure is only 128,000 tonnes. Apart from that, probable inflation of production cost in the following quarters will force the company to raise domestic prices to avoid a further decline in earnings. MHP's EBITDA margin was 36% in 1Q16 vs. 51% in 1Q15 and 39% in FY15.

Astarta Likely to Raise USD 20mn Loan from EBRD

by Ivan Dzvinka
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ASTARTA (AST PW)

Price: PLN 42.0 Market Cap: USD 270mn

	EV/S	P/E	EV/EBITDA	Div. Yield
2015	1.2	15.2	2.9	0%
2016E	1.3	3.6	3.9	0%

NEWS

The European Bank for Reconstruction and Development (EBRD) is nearing a decision on providing a USD 20mn debt facility to Astarta, Ukraine's largest sugar producer, the Bank reported on Wednesday (May 18). The funds will be used to finance the company's program on energy efficiency and modernization of sugar refineries. The loan to Astarta will be considered at an EBRD meeting on Jun 22. Interest rate and maturity details have not been revealed.

COMMENTARY

The news is encouraging for Astarta since it kills two rabbits with the one stone. First, it reinforces the strong credit image of the sugar maker. Second, the raised funds will contribute to the reduction of the weighted average debt cost of the company. Astarta ended 1Q16 with net debt of EUR 139mn, suggesting a Net Debt/EBITDA ratio of 1.06x. With additional debt of USD 20mn, the company's leverage will not rise to more than 1.5x. This is still a comfortable level, in our view. We confirm our positive outlook for Astarta, although we reiterate our HOLD recommendation.

IMC Appoints Director Responsible for Improving Stock Liquidity

by Ivan Dzvinka
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IMC (IMC PW)

Price: PLN 7.14 Market Cap: USD 57mn

	EV/S	P/E	EV/EBITDA	Div. Yield
2015	1.0	4.1	2.2	0%
2016E	1.0	1.7	2.5	0%

NEWS

Central Ukraine-based crop grower Industrial Milk Company (IMC) announced on Wednesday (May 18) that it has appointed Polish national Kamil Goworecki to the position of non-executive director of the Board. Goworecki will be charged with, among other things, increasing the turnover of the IMC stock on the Warsaw Stock Exchange as well as to "improve and develop communication services with investors". The director is expected to begin work on June 1.

COMMENTARY

The persistently weak turnover of the IMC stock has historically discouraged potential investors, in our view. The WSE reports that on average, the issue saw 9 trades per day in 2015, while its free float turnover was only about 10% last year, and these official figures likely over-state the actual volume of trading. The lack of turnover led us to assign a double-digit discount to our target EV/EBITDA multiple when valuing IMC's stock with the comparison approach. If Goworecki's relationship with Polish traders is able to substantially increase turnover in the stock (admittedly, not an easy task), we would see this as a trigger to push the shares of the crop grower higher, given its strong corporate governance and effective business model. IMC's political risk is small since the company's assets are located in Central Ukraine.

EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
Agriculture						
Kernel	KER PW	51.5	68.29	33%	BUY	With some 95% of its revenue linked to major foreign currencies, hryvnia devaluation is positive for Kernel, and recent changes in Ukraine's tax regime should also benefit the group. With on-demand borrowing access, Kernel is well placed to further consolidate its position in the oilseed crushing industry.
MHP	MHPC LI	9.9	8.73	-12%	HOLD	MHP is adversely affected by both hryvnia devaluation and the 2016 changes in Ukraine's VAT regime. The group's strategy is focused on penetrating into the lucrative EU market and expanding sales in other foreign markets. MHP is a generous dividend play, with a DPS for FY15 approved at 75 cents.
Astarta	AST PW	42.0	44.98	7%	HOLD	The new VAT regime for agro producers will be largely neutral for Astarta, in our view, while recovery of sugar prices bode well for the company's earnings. Astarta is focused on business diversification and cost optimization via improving its energy and operational efficiency.
IMC	IMC PW	7.1	13.02	82%	BUY	The recent changes in Ukraine's tax legislation are positive for IMC, which is focused growing exportable crops; some 95% of the company's revenue is tied to the dollar. Land bank is targeted to expand by 50% over 2015-20. A high standard of corporate governance makes the stock an attractive play in spite of its low liquidity.
AvangardCo	AVGR LI	0.9	nm	nm	SELL	Ukraine's new VAT regime for agro producers is negative for Avangard, as its subsidy reimbursements will be reduced. Large room for cost optimization provides a theoretical upside to earnings, but the company's highly volatile financial results have rendered forecasting unreliable.
Ovostar Union	OVO PW	98.5	140.65	43%	BUY	The company has a strong focus on domestic branded egg sales and successfully expands its export sales to mitigate negative effect from devaluation. Ovostar is in the midst of a long-term expansion that will ultimately see egg output triple over 2012-18E.
Iron Ore						
Ferrexpo	FXPO LN	31.3	26.0	-17%	SELL	An impressive reduction in the production and other operating cost were not enough to offset the slide in iron ore prices over 2015 which pushed the group's EBITDA down by 37% YoY to USD 313mn for the year. Gloomy outlook for 2016 suggests even more depressed earnings in 2016.
Steel						
Azovstal	AZST	0.27	U/R	--	Susp.	Non-transparent accounting practices overseen by majority owner Metinvest detrimentally affect Azovstal's reported earnings.
Coke						
Avdyivka Coke	AVDK	0.87	U/R	--	Susp.	Avdyivka Coke's facilities are located on the front line of the Donbass separatist-occupied territory, and the plant has been experiencing periodic artillery shelling since August 2014. However, the company continues to operate, albeit at reduced capacity.
Specialized Machinery						
Motor Sich	MSICH	1990	5250	164%	BUY	Motor Sich should see its revenue 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%.
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	2.5	U/R	--	U/R	Regal has repeatedly missed its production targets since 2012.
JKX Oil & Gas	JKX	22.0	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	14.0	U/R	--	U/R	The Donetsk separatist government has nationalized DonbasEnergO's Starobeshevo power plant, which previously accounted for about 70% of the company's installed power-generating capacity.
CenterEnergO	CEEN	6.91	15.00	117%	BUY	CenterEnergO's privatization has been postponed, but the company retains a strong fundamental value due to its large installed electricity generation capacity.
Banks						
Raiffeisen Bank Aval	BAVL	0.079	0.24	204%	BUY	Raiffeisen Aval has a conservative risk policy, and we therefore assume it will manage to weather the current banking crisis in Ukraine and start to generate profits starting from 2016. The EBRD is expected to purchase a stake in the institution.

Source: Eavex Research

PRICES AND QUOTES

Name	Ticker	Today, UAH*	52 high, UAH*	52 low, UAH*	Absolute performance				Performance relative to the UX index			
					1W	1M	3M	YtD	1W	1M	3M	YtD
UX Index	UX	647.81	1043.87	525.66	0.9%	7.2%	2.3%	-5.5%	0.0%	0.0%	0.0%	0.0%
Steel												
Alchevsk Steel	ALMK	0.007	0.017	0.004	13.1%	25.5%	-46.1%	-37.8%	12.2%	18.3%	-48.3%	-32.3%
Azovstal	AZST	0.273	0.853	0.185	8.3%	29.4%	-7.5%	-31.8%	7.4%	22.2%	-9.7%	-26.2%
Enakievo Steel	ENMZ	9.60	18.39	5.00	17.8%	21.1%	-23.4%	-31.4%	16.9%	13.9%	-25.6%	-25.9%
Coke												
Avdyivka Coke	AVDK	0.87	1.60	0.60	0.9%	4.6%	-23.3%	-21.0%	0.0%	-2.6%	-25.5%	-15.4%
Yasnyivsky Coking	YASK	0.130	0.360	0.064	0.0%	-7.1%	-38.1%	-43.5%	-0.9%	-14.3%	-40.3%	-37.9%
Iron Ore Mining												
Centralny GOK	CGOK	3.75	n/a	n/a	0.0%	50.0%	-6.3%	-12.0%	-0.9%	42.8%	-8.5%	-6.4%
Ferrexpo	FXPO	31.25	79.50	14.00	-5.3%	-4.6%	52.4%	45.3%	0.9%	-6.2%	-11.7%	50.9%
Pivnichny GOK	SGOK	3.60	8.09	2.20	-2.7%	20.0%	2.9%	-32.0%	-3.6%	12.8%	0.6%	-26.5%
Coal Mining												
Pokrovske Mine	SHCHZ	0.120	n/a	n/a	0.0%	-78.2%	-40.0%	-47.8%	-0.9%	-85.3%	-42.3%	-42.3%
Pipe Manufacturing												
Khartsyzk Pipe	HRTR	0.090	0.270	0.029	80.0%	50.0%	-25.0%	-50.0%	79.1%	42.8%	-27.3%	-44.5%
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	5.79	11.39	3.75	11.6%	18.9%	-29.9%	-26.8%	10.6%	11.7%	-32.2%	-21.3%
Luhanskteplovoz	LTPL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Specialized Machinery												
Motor Sich	MSICH	1990	2817	1663	0.4%	-4.0%	11.1%	0.6%	-0.6%	-11.2%	8.9%	6.1%
Turboatom	TATM	7.50	n/a	n/a	-16.2%	-4.5%	25.0%	66.7%	-17.1%	-11.6%	22.7%	72.2%
Telecom												
Ukrtelecom	UTLM	0.122	0.180	0.091	-11.6%	-4.3%	-27.4%	1.7%	-12.5%	-11.5%	-29.6%	7.2%
Oil & Gas												
Regal Petroleum	RPT	2.45	6.50	1.75	5.4%	-2.0%	-18.3%	-34.7%	30.7%	4.5%	-9.2%	-29.1%
JKX Oil	JKX	22.25	30.75	15.50	6.0%	6.0%	-11.0%	-18.3%	4.8%	5.0%	-1.2%	-12.8%
Ukrnafta	UNAF	96.7	299.7	70.5	-1.3%	-0.7%	-35.1%	-45.4%	-2.3%	-7.9%	-37.4%	-39.8%
Power Utilities												
Centrenergo	CEEN	6.91	7.99	4.12	2.1%	13.9%	52.9%	51.4%	1.2%	6.7%	50.6%	56.9%
Donbasenergo	DOEN	13.98	23.49	9.04	-2.8%	16.5%	-5.1%	-11.3%	-3.7%	9.3%	-7.3%	-5.7%
Zakhidenergo	ZAEN	48.00	170.00	31.00	0.0%	4.3%	-36.0%	-42.9%	-0.9%	-2.8%	-38.3%	-37.3%
Consumer												
Agroton	AGT	1.14	1.40	0.80	-2.6%	-10.9%	17.5%	12.9%	-0.8%	-3.5%	-18.1%	18.4%
Astarta	AST	42.00	49.00	24.39	-3.2%	-6.7%	44.8%	21.7%	-3.3%	-4.1%	-13.8%	27.3%
Avangardo	AVGR	0.91	2.70	0.23	-2.2%	-9.0%	21.3%	-27.2%	2.3%	-3.1%	-16.2%	-21.7%
Industrial Milk Company	IMC	7.14	7.26	4.38	0.6%	2.0%	15.2%	19.6%	2.1%	-0.4%	-5.2%	25.1%
Kernel	KER	51.50	57.48	36.75	-0.5%	-1.7%	7.3%	7.1%	-2.4%	-1.4%	-8.8%	12.6%
Mriya Agro Holding	MAYA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MHPC	MHPC	9.94	11.90	7.10	8.6%	15.4%	30.8%	6.9%	1.8%	7.7%	8.3%	12.4%
Milkiland	MLK	1.67	2.37	0.89	-4.0%	-15.7%	18.4%	17.6%	1.3%	-4.9%	-22.8%	23.2%
Ovostar Union	OVO	98.50	98.50	75.00	2.4%	3.8%	8.2%	8.8%	0.1%	1.5%	-3.4%	14.4%
Chemicals												
Stirol	STIR	1.83	n/a	n/a	0.0%	4.6%	-54.3%	-69.2%	-0.9%	-2.6%	-56.5%	-63.7%
Banks												
Raiffeisen Bank Aval	BAVL	0.079	0.096	0.059	3.5%	16.7%	11.7%	4.9%	2.6%	9.5%	9.5%	10.5%
UkrSotsbank	USCB	0.067	0.145	0.060	-3.6%	-2.2%	-19.3%	-32.2%	-4.5%	-9.4%	-21.5%	-26.6%

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		
		2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E
Steel																
Alchevsk Steel	ALMK	1,254	527	477	248	-50	-50	19.7%	-9.6%	-10.5%	na	-1,076	-388	na	-204.2%	-81.4%
Enakievo Steel	ENMZ	916	642	482	6	18	12	0.6%	2.8%	2.4%	-33	-37	-38	-3.6%	-5.7%	-8.0%
Azovstal	AZST	1,885	1,157	868	183	70	41	9.7%	6.0%	4.7%	77	-84	-37	4.1%	-7.3%	-4.3%
Coke																
Avdyivka Coke	AVDK	533	294	238	-60	49	28	na	16.8%	11.8%	-67	14	6	-12.5%	4.9%	2.3%
Yasynivsky Coking	YASK	162	83	66	-12	-9	-10	-7.3%	na	-14.6%	-19	-11	-10	-11.5%	-13.9%	-15.7%
Iron Ore Mining																
Centralny GOK	CGOK	523	307	223	261	164	118	49.9%	53.5%	53.0%	64	-1	-7	12.3%	-0.4%	-3.3%
Pivnichny GOK	SGOK	1,048	615	447	571	251	140	54.5%	40.8%	31.3%	129	-2	-15	12.3%	-0.4%	-3.3%
Ferrexpo	FXPO	1,388	961	806	496	313	234	35.8%	32.6%	29.0%	184	31	151	13.2%	3.3%	18.7%
Pipe Manufacturing																
Khartsyzk Pipe	HRTR	193	92	75	43	18	12	22.6%	19.3%	15.8%	23	2	1	11.7%	2.0%	1.1%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	179	41	68	-17	-15	-3	-9.3%	-37.1%	-5.0%	-22	-19	-4	-12.3%	-46.3%	-5.9%
Specialized Machinery																
Turboatom	TATM	164	128	104	73	87	35	44.6%	67.9%	34.0%	53	75	29	32.4%	58.3%	28.0%
Motor Sich	MSICH	879	697	693	342	237	191	38.9%	33.9%	27.5%	129	168	75	14.7%	24.2%	10.8%
Telecom																
Ukrtelecom	UTLM	412	254	207	85	72	58	20.6%	28.5%	28.0%	18	9	4	4.4%	3.6%	2.0%
Oil & Gas																
Ukrnafta	UNAF	2,324	1,327	928	380	7	116	16.4%	0.5%	12.5%	105	-225	32	4.5%	-17.0%	3.4%
Regal Petroleum	RPT	37	35	22	-146	15	10	na	44.5%	45.5%	-127	6	-1	na	16.6%	-4.5%
JKX Oil	JKX	146	89	80	46	17	29	31.5%	19.1%	36.3%	-80	-82	-20	-54.4%	-92.1%	-25.0%
Electric Utilities																
Centrenerg	CEEN	630	315	353	26	13	31	4.1%	4.2%	8.8%	6	3	21	0.9%	1.0%	5.9%
Donbasenergo	DOEN	458	190	178	20	-12	6	4.4%	-6.5%	3.5%	8	-16	2	1.8%	-8.5%	1.2%
Consumer																
MHP	MHPC	1,379	1,183	1,305	510	459	404	37.0%	38.8%	30.9%	-412	-126	48	-29.9%	-10.6%	3.6%
Kernel	KER	2,393	2,330	2,215	223	397	401	9.3%	17.0%	18.1%	-107	101	208	-4.5%	4.3%	9.4%
Astarta	AST	468	349	327	159	144	108	34.0%	41.4%	32.9%	-90	18	74	-19.3%	5.1%	22.7%
Avangardco	AVGR	420	230	274	129	-69	49	30.9%	-158	6	-27	-158	6	-6.4%	-158	6
Ovostar	OVO	75	76	96	29	35	49	38.9%	32	44	26	32	44	34.5%	32	44
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	2,869	1,958	2,128	390	261	282	327	216	208	-87	-66	48	-22.2%	-25.3%	17.0%
Ukrsotsbank	USCB	2,730	1,833	1,976	518	333	278	150	86	77	-42	-415	-50	-8.0%	-124.4%	-17.9%

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		
				2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E			
Steel																		
Alchevsk Steel	ALMK	7	3.9%	0	2,622	n/a	neg	neg	10.6	neg	neg	2.1	5.0	5.5	678	632	614	\$/tonne
Yenakievo Steel	ENMZ	4	8.8%	0	218	neg	neg	neg	>30	12.3	18.9	0.2	0.3	0.5	80	76	74	\$/tonne
Azovstal	AZST	46	3.0%	1	9	0.6	neg	neg	0.1	0.1	0.2	0.0	0.0	0.0	2	2	2	\$/tonne
Coke																		
Avdyivka Coke	AVDK	7	6.8%	0	5	neg	0.5	1.2	neg	0.1	0.2	0.0	0.0	0.0	1	1	1	\$/tonne
Yasynivsky Coke	YASK	1	9.0%	0	1	neg	neg	neg	neg	neg	neg	0.0	0.0	0.0	n/a	n/a	n/a	\$/tonne
Iron Ore Mining																		
Centralny GOK	CGOK	175	0.3%	0	174	2.7	neg	neg	0.7	1.1	1.5	0.3	0.6	0.8				
Pivnichny GOK	SGOK	331	0.4%	1	325	2.6	neg	neg	0.6	1.3	2.3	0.3	0.5	0.7				
Ferrexpo	FXPO	265	24.0%	64	1,134	1.4	8.4	1.8	2.3	3.6	4.9	0.8	1.2	1.4				
Pipe Manufacturing																		
Khartsyzk Pipe	HRTR	9	2.0%	0	55	0.4	5.1	11.2	1.3	3.1	4.7	0.3	0.6	0.7	138	184	220	\$/tonne
Railcar Manufacturing																		
Krukiv Wagon	KVBZ	27	5.0%	1	21	neg	neg	neg	neg	neg	neg	0.1	0.5	0.3				
Specialized Machinery																		
Turboatom	TATM	59	5.8%	3	-27	1.1	0.8	2.0	-0.4	-0.3	-0.8	-0.2	-0.2	-0.3				
Motor Sich	MSICH	165	24.0%	40	177	1.3	1.0	2.2	0.5	0.7	0.9	0.2	0.3	0.3				
Telecom																		
Ukrtelecom	UTLM	91	7.2%	7	182	5.0	9.9	22.0	2.1	2.5	3.1	0.4	0.7	0.9				
Oil & Gas																		
Ukrnafta	UNAF	209	3.0%	6	202	2.0	neg	6.5	0.5	27.8	1.7	0.1	0.2	0.2	n/a	n/a	n/a	\$/boe
Regal Petroleum	RPT	11	21.6%	2	-14	neg	2.0	neg	neg	-0.9	-1.4	-0.4	-0.4	-0.6	n/a	n/a	n/a	\$/boe
JKX Oil & Gas	JKX	55	50.4%	28	164	neg	neg	neg	3.6	9.7	5.6	1.1	1.9	2.0	30	22	22	\$/boe
Electric Utilities																		
CentrEnerg	CEEN	102	21.7%	22	114	17.3	>30	4.9	4.4	8.7	3.7	0.2	0.4	0.3	7	8	8	\$/MWh
DonbasEnerg	DOEN	13	14.2%	2	27	1.6	neg	6.4	1.3	neg	4.3	0.1	0.1	0.1	3	3	3	\$/MWh
Consumer																		
MHP	MHPC	1,050	34.1%	358	2,275	neg	neg	22.1	4.5	5.0	5.6	1.6	1.9	1.7				
Kernel	KER	1,043	61.8%	644	1,504	neg	10.3	5.0	6.7	3.8	3.7	0.6	0.6	0.7				
Astarta	AST	267	37.0%	99	406	neg	15.1	3.6	2.6	2.8	3.8	0.9	1.2	1.2				
Avangardco	AVGR	58	22.5%	13	356	neg	neg	9.3	2.7	neg	7.2	0.8	1.5	1.3	80	61	58	\$/mneggs
Ovostar	OVO	150	25.0%	38	155	5.8	4.7	3.4	5.3	4.5	3.2	2.1	2.1	1.6	n/a	n/a	n/a	
Banks																		
						P/E			P/Book			P/Assets						
Raiffeisen Bank Aval	BAVL	194	1.8%	3		neg	neg	4.0	0.5	0.7	0.7	0.07	0.10	0.09				
Ukrsotsbank	USCB	207	0.2%	0		>30	>30	>30	0.5	0.6	0.7	0.12	0.17	0.16				

Source: Eavex Research

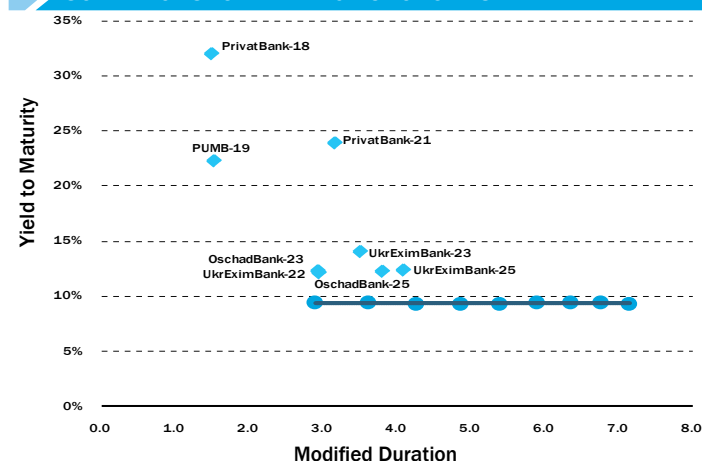
UKRAINIAN EUROBONDS

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											
Ukraine, 2019	95.0	95.8	9.6%	9.3%	1.9%	2.8	7.75%	S/A	1 Sept 2019	1,155	Caa3/B-/CCC
Ukraine, 2020	93.9	94.7	9.5%	9.3%	1.9%	3.5	7.75%	S/A	1 Sept 2020	1,531	Caa3/B-/CCC
Ukraine, 2021	93.5	94.3	9.3%	9.1%	2.5%	4.1	7.75%	S/A	1 Sept 2021	1,378	Caa3/B-/CCC
Ukraine, 2022	92.8	93.5	9.3%	9.1%	2.8%	4.7	7.75%	S/A	1 Sept 2022	1,355	Caa3/B-/CCC
Ukraine, 2023	92.3	93.0	9.2%	9.1%	3.3%	5.3	7.75%	S/A	1 Sept 2023	1,330	Caa3/B-/CCC
Ukraine, 2024	91.8	92.5	9.2%	9.1%	3.7%	5.8	7.75%	S/A	1 Sept 2024	1,315	Caa3/B-/CCC
Ukraine, 2025	91.3	92.0	9.2%	9.0%	3.7%	6.3	7.75%	S/A	1 Sept 2025	1,306	Caa3/B-/CCC
Ukraine, 2026	91.0	91.8	9.1%	9.0%	4.3%	6.7	7.75%	S/A	1 Sept 2026	1,295	Caa3/B-/CCC
Ukraine, 2027	90.5	91.3	9.1%	9.0%	4.3%	7.1	7.75%	S/A	1 Sept 2027	1,286	Caa3/B-/CCC
Ukraine, GDP-linked (VRI)	30.5	31.0	n/a	n/a	-24.5%	n/a	0.00%	S/A	31 May 2040	2,916	/B-/
Corporate Eurobonds											
Agroton, 2019	10.0	12.0	137.0%	119.9%	-4.3%	1.1	8.00%	S/A	14 Jul 2019	50	//
MHP, 2020	91.6	92.7	11.0%	10.6%	5.5%	3.1	8.25%	S/A	2 Apr 2020	750	/B-/CCC
Avangardco, 2018	25.0	30.0	84.5%	73.2%	-46.1%	1.6	10.00%	S/A	29 Oct 2018	206	//
UkrLandFarming, 2018	30.0	32.0	102.1%	96.2%	-38.0%	1.0	10.88%	S/A	26 Mar 2018	500	/CC/
Mriya, 2016			n/a	n/a		n/a	10.95%	S/A	30 Mar 2016	72	IN DEFAULT
Mriya, 2018	n/a	n/a	n/a	n/a	-53.2%	n/a	9.45%	S/A	19 Apr 2018	400	IN DEFAULT
DTEK, 2018	52.0	56.0	57.3%	51.5%	30.1%	1.3	10.375%	S/A	28 Mar 2018	160	Ca//C
DTEK, 2018	52.0	54.0	52.2%	49.4%	19.1%	1.4	7.88%	S/A	4 Apr 2018	750	Ca//C
Metinvest, 2016	66.6	68.6	n/a	n/a	19.2%	n/a	10.25%	S/A	31 Jan 2016	85	Ca//C
Metinvest, 2017	67.2	68.3	n/a	n/a	49.4%	n/a	10.50%	S/A	28 Nov 2017	290	Caa3//C
Metinvest, 2018	66.7	68.7	n/a	n/a	52.1%	n/a	8.75%	S/A	14 Feb 2018	750	Caa3//C
Ferrexpo, 2019	79.6	81.7	20.0%	18.9%	47.5%	1.9	10.375%	S/A	07 Apr 2019	186	Caa3/CCC/CC
Ferrexpo, 2019	66.7	68.7	20.1%	18.9%	40.9%	1.9	10.375%	S/A	07 Apr 2019	161	Caa3/CCC/CC
UZ Rail, 2021	90.5	91.9	12.3%	12.0%	6.1%	2.9	9.88%	S/A	15 Sept 2021	500	/CCC+/CCC
Interepipe, 2017	25.0	35.0	179.8%	128.1%	0.0%	0.7	10.25%	S/A	2 Aug 2017	200	IN DEFAULT
JKX Oil&Gas, 2018	66.0	72.3	45.2%	38.5%	-4.0%	0.5	8.00%	S/A	19 Feb 2018	40	//
Bank Eurobonds											
Fin&Credit Bank, 2019	0.6	2.5	895.5%	333.9%	-83.2%	n/a	9.25%	S/A	25 Jan 2019	100	IN DEFAULT
PUMB, 2018	78.2	82.1	22.3%	20.0%	8.1%	1.4	11.00%	Q	31 Dec 2018	275	//
Nadra Bank, 2018	1.6	11.0	n/a	n/a	-13.6%	n/a	6.25%	A	31 Jul 2018	60	IN DEFAULT
PrivatBank, 2018-2	80.5	82.0	25.3%	24.0%	6.9%	1.5	10.25%	S/A	23 Jan 2018	200	Ca//CC
PrivatBank, 2021	64.5	66.5	23.9%	23.0%	-2.2%	3.1	11.00%	S/A	09 Feb 2021	220	Ca//CC
PrivatBank, 2018	72.0	77.0	33.0%	28.2%	9.5%	1.4	10.88%	S/A	28 Feb 2018	175	Ca//CC
UkrEximBank, 2022	92.4	93.3	11.4%	11.2%	3.6%	3.0	9.625%	S/A	27 Apr 2022	750	Caa3//CCC
UkrEximBank, 2023	75.2	77.5	13.7%	13.1%	3.0%	3.5	7.51%	S/A	9 Feb 2023	125	Caa3//CCC
UkrEximBank, 2025	90.1	90.8	11.6%	11.4%	3.6%	4.0	9.75%	S/A	22 Jan 2025	600	Caa3//CCC
VAB Bank, 2019	n/a	n/a	n/a	n/a	n/a	n/a	9.00%	Q	14 Jun 2019	88	IN DEFAULT
Oschadbank, 2023	90.9	92.0	11.3%	11.1%	2.7%	2.9	8.25%	S/A	10 Mar 2023	700	Caa3//CCC
Oschadbank, 2025	89.9	90.8	11.5%	11.3%	3.0%	3.7	8.88%	S/A	20 Mar 2025	500	Caa3//CCC
Municipal Eurobonds											
City of Kyiv, 2015	78.6	81.1	n/a	n/a	-4.4%	n/a	8.00%	S/A	6 Nov 2015	101	IN DEFAULT

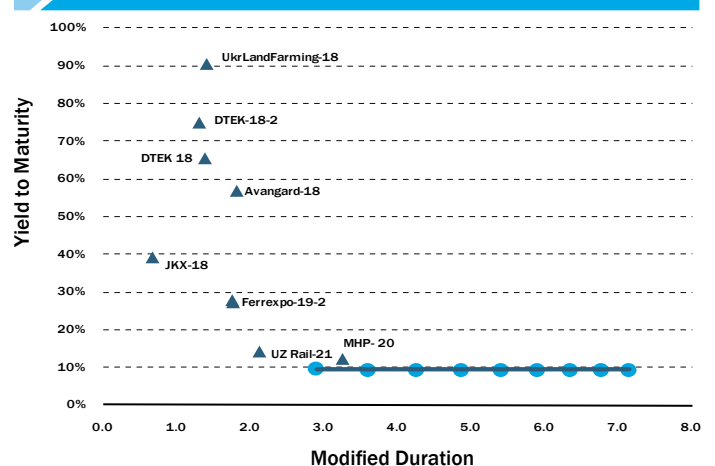
¹ Moody's/S&P/Fitch

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 UAH
UAH denominated Bonds									
UA4000142665			19.50%	18.50%	n/a	14.30%	S/A	24 May 2017	n/a
VAT Bonds									
UA4000185151			19.50%	18.50%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			19.50%	18.50%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			19.50%	18.50%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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