

Stock Market Update

Equity

Kyiv-listed equities finished in positive territory last week, boosted by the Ukrainian Exchange's decision to simplify access to trading for new brokers. Meanwhile on the economic front, the government reported a national budget surplus of UAH 3.1bn for October thanks to improving revenue target implementation along with moderate spending. The budget surplus in October should help to hit the target of an overall budget deficit of not more than 3.7% of GDP for the year.

The UX index rose by 1.2% for the week to close at 808 points on Friday (Dec 2). Raiffeisen Bank Aval (BAVL) was the most active issue, advancing by 3.9% to 13.00 kopecks. Motor Sich (MSICH) added 1.5% to close at UAH 1889 while CentrEnergO (CEEN) edged down 0.9% to UAH 10.38. UkrNafta (UNAF) was little-changed at UAH 109 per share despite a surge in the Brent oil price benchmark to USD 53/bbl after OPEC reached a deal to cut production by 1.2mn barrels per day in order to raise global prices.

In London trading, Avangard's share price did not react to the company's 3Q16 financial report, with the stock remaining at a distressed level of 47 cents. MHP (MHPC) recovered 2.2% from its recent contraction, climbing back to USD 9.00. Ferrexpo (FXPO) rose 2.8% to GBP 128. Warsaw-listed Kernel (KER) gained 4.5% to PLN 65.29 after the company reported an impressive increase in its net profit for the July-September quarter.

The hryvnia fell 1.0% on the interbank market to close at 26.00 UAH/USD with no action from the NBU to support the currency.

Highlights

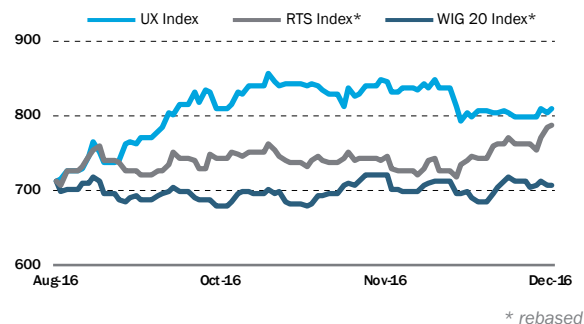
POLITICS AND ECONOMICS

- > Poroshenko Makes First Contact with Trump
- > Fugitive MP Claims He Spent USD 30mn on Yatseniuk Smear Campaign
- > Ukraine's C/A Deficit Shrinks to USD 230mn in Oct from USD 890 in Sept

STOCKS IN THE NEWS

- > Kernel Reports EBITDA Increase of 31% YoY to USD 72mn in Jul-Sept
- > Avangard Posts Small Positive EBITDA of USD 2.5mn for 3Q16

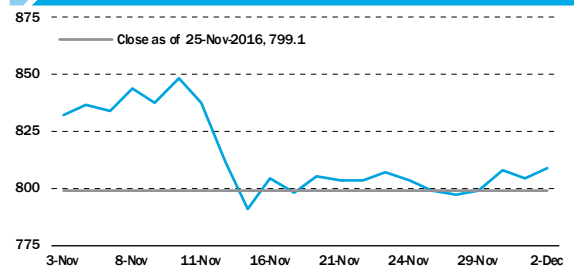
STOCK MARKET PERFORMANCE



MARKET INDEXES

| | Last | 1W ch | 1M ch | YTD |
|---------|--------|-------|-------|-------|
| UX | 808.5 | 1.2% | -4.2% | 17.9% |
| RTS | 1050.2 | 3.1% | 5.4% | 38.7% |
| WIG20 | 1783.6 | -0.7% | -1.7% | -4.1% |
| MSCI EM | 853.1 | -0.3% | -5.5% | 7.8% |
| S&P 500 | 2192.0 | -1.0% | 3.8% | 6.2% |

UX 1M PERFORMANCE



FIXED INCOME

| | Last | 1W ch | 1M ch | YTD |
|-------------|-------|-----------|----------|-----------|
| EMBI+Global | 393 | 1.7% | 6.7% | -11.1% |
| CDS 5Y UKR | 683 | n/a | n/a | n/a |
| Ukraine-19 | 8.7% | -0.5 p.p. | 0.4 p.p. | -1.1 p.p. |
| Ukraine-27 | 9.2% | 0.1 p.p. | 0.7 p.p. | -0.4 p.p. |
| MHP-20 | 9.8% | -0.4 p.p. | 1.0 p.p. | -2.3 p.p. |
| UZ Rail-21 | 12.3% | -0.1 p.p. | 1.1 p.p. | n/a |

CURRENCY

| | Last, UAH | 1W ch | 1M ch | YTD |
|-----|-----------|-------|-------|-------|
| USD | 26.00 | 1.2% | 1.0% | 8.2% |
| EUR | 27.73 | 1.6% | -2.0% | 5.5% |
| RUB | 0.41 | 2.8% | 0.7% | 24.8% |

COMMODITIES

| | Last | 1W ch | 1M ch | YTD |
|---------------|--------|-------|-------|-------|
| Wheat, USD/t* | 171.5 | 0.6% | 2.7% | -6.0% |
| Steel, USD/t | 482.5 | 4.3% | 13.5% | 91.1% |
| Oil, USD/bbl | 54.5 | 12.9% | 11.3% | 47.7% |
| Gold, USD/oz | 1177.3 | -0.6% | -8.6% | 10.9% |

*Ukraine FOB

Source: Bloomberg, Ukrainian Exchange

Poroshenko Makes First Contact with Trump

by Will Ritter
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NEWS

President Poroshenko held his first direct talks with presumed incoming US President Donald Trump via a phone conversation, Poroshenko said at a press conference in Brussels on Nov 24. Poroshenko said he had spoken to Trump about “Russian aggression and the illegal annexation of Crimea” as well as the situation in the occupied Donbass territories. Poroshenko did not reveal the time duration of the conversation, nor anything about what he heard in response from Trump. Poroshenko, who had failed in an attempt to schedule a meeting with Trump at the UN General Assembly in September, was in the European capital for a summit meeting with EU leaders.

COMMENTARY

Despite the lack of details, the news of the opening of direct communication between Poroshenko and Trump is clearly positive news, as Kyiv will need to engage with Trump directly in order have any hope of continuing to receive the type of support that Ukraine got from the Obama administration. Trump had come under fire during the US election campaign for a statement he made in July this year – “[Russian President Putin] is not going into Ukraine” - that was taken out of context and distorted by the mainstream US media to suggest that Trump was ignorant about the situation in Ukraine in regard to Russian aggression. In our view, Trump is actually a potential ally of Ukraine, if the country’s leaders can demonstrate an ability to deliver on specific commitments tied to assistance, but it will be critical to keep Trump personally engaged. It should be noted that the post-election drama in the US has yet to be fully played out, with vote recounting likely to occur in several key states and the outside chance that Trump could meet with some opposition in the formal US “Electoral College” vote scheduled for Dec 19.

Fugitive MP Claims He Spent USD 30mn on Yatseniuk Smear Campaign

by Will Ritter
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NEWS

Fugitive member of the Ukrainian Parliament Olexander Onyschenko, who fled the country in June after the National Anti-Corruption Bureau charged him with embezzling some UAH 1.5bn (USD 60mn) from the state via illegal natural gas schemes, boasted that he spent USD 3mn per month on a 10-month smear campaign to drive down the rating of former Prime Minister Arseniy Yatseniuk. He said he sponsored demonstrations against Yatseniuk featuring radical nationalists and that he paid for television coverage of the events. Onyschenko's claims were published on Friday (Dec 2) in the Russian-owned, London-based newspaper *The Independent*. Onyschenko said he undertook the campaign against Yatseniuk at the behest of an individual which the newspaper alternately [and contradictorily] referred to as "a senior parliamentarian" and "a senior government figure". Onyschenko, who is currently in the United Kingdom, also claimed that he paid the unidentified individual the hryvnia cash equivalent of USD 6mn for his seat in Parliament, and that he paid the individual's intermediaries kickbacks of UAH 2,000 (USD 80) for each 1,000 cubic meters of natural gas that he sold. Onyschenko stands accused of illegally obtaining gas extracted by the state company UkrGazVydobuvannya (a division of Naftogaz) at subsidized prices and then reselling it at market prices. Late last week, Ukraine's Security Service (SBU) announced that it is moving to charge Onyschenko for treason due to his alleged cooperation with the Russian special services in trying to destabilize Ukraine's government.

COMMENTARY

In Onyschenko, a long-time ally of Batkivschyna party leader Yulia Tymoshenko, Ukraine appears to have finally found its first villain who may actually end up being nailed for large-scale criminality. While the cliché that "everyone is dirty" in Ukrainian politics holds more than a grain truth, someone still has to go first. The scam allegedly run by Onyschenko involving the laundering of state-owned natural gas is a textbook example of the kind of corruption that the West has been demanding that Kyiv crack down on in return for continued financial support. Clearly, it is the very real threat of prosecution that has prompted Onyschenko to start "spilling the beans" on other highly-placed actors in order to try and save himself. The credibility of any claims made by such an individual obviously has to be viewed with some skepticism; however, we note that if Onyschenko really did spend USD 30mn on a single media campaign against Yatseniuk, his ill-gotten gains probably vastly exceed the USD 60mn he is charged with embezzling. We suppose that the identity of Onyschenko's alleged "senior government figure" will be revealed sooner rather than later.

Ukraine's C/A Deficit Shrinks to USD 230mn in Oct from USD 890 in Sept

by Dmitry Churin
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NEWS

Ukraine's monthly current account (C/A) deficit shrank to USD 234mn in October from USD 891mn in September, according to the NBU data released on Nov 30. However, the country's total C/A deficit for 2016 (through October) is still 8.4x higher than a year ago at USD 2.54bn. Ukraine's balance of payment (BoP) for 2016 is positive at USD 1.09bn, thanks largely to a turnaround after the arrival of the IMF loan in September and the placement of sovereign bonds under US guarantees. In October alone, the BoP surplus was USD 91mn compared to September's surplus of USD 474mn.

COMMENTARY

There had been concerns that Ukraine's C/A deficit would widen in October, but the NBU's data showed the opposite. The statistics said that the main explanation for the improvement in the C/A was a 12% MoM increase in agriculture exports to USD 1.44bn and a decline in services imports by 15% to USD 889mn in the period. Nevertheless, there is no certainty that the C/A deficit will not worsen in November-December due to ongoing seasonal natural gas imports. This means that there is still a risk of the BoP turning negative for the year, putting additional pressure on the hryvnia exchange rate. The official UAH/USD exchange rate has increased by 7.9% YtD to 25.90 UAH/USD. The cash UAH/USD exchange rate, which is distorted by a 2% pension tax, has reached 27.00 UAH/USD. The government has a target of keeping the official UAH/USD exchange rate at an average level of 27.40 UAH/USD during 2017. At this time, we have no reason to deviate our own forecast from the government target, although we acknowledge that there are political risks to Ukraine's currency stability.

Kernel Reports EBITDA Increase of 31% YoY to USD 72mn in Jul-Sept

by Dmitry Churin
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KERNEL (KER PW)

Price: PLN 65.30 Market Cap: USD 1,230mn

| | P/B | EV/S | P/E | EV/EBITDA | Div. Yield |
|--------|-----|------|-----|-----------|------------|
| 2016FY | 1.2 | 0.8 | 5.5 | 4.4 | 2% |
| 2017FY | 1.2 | 0.7 | 4.4 | 4.0 | 2% |

NEWS

Kyiv-based, Warsaw-listed sunflower oil giant and crop grower Kernel reported an increase in its EBITDA by 31% YoY to USD 72mn in the Jul-Sept quarter (1Q17), according to financials published on Nov 30. Kernel's net revenue edged up by 1.7% YoY to USD 384mn while net profit advanced by 2.6x to USD 63mn. The company's financial year runs from July to June. On the balance sheet side, Kernel's net debt decreased by 16% YoY, to USD 326mn as of 30 Sept 2016, implying a Net Debt/EBITDA ratio of 0.9x. The company's total assets grew by 11% YoY to USD 1.65bn.

KERNEL FINANCIAL RESULTS

| USD mn | 1Q17FY | 1Q16FY | YoY |
|---------------|--------|--------|------------|
| Net revenue | 384 | 378 | 1.7% |
| EBITDA | 72 | 55 | 31.4% |
| EBITDA margin | 18.8% | 14.6% | +4.3 p.p. |
| Net Income | 63 | 24 | 163.2% |
| Net margin | 16.4% | 6.3% | +10.0 p.p. |

Source: Company data.

COMMENTARY

Kernel said its EBITDA and bottom line improved in Jul-Sept thanks to a higher contribution from the infrastructure and farming divisions, which compensated for a weaker performance in the group's core sunflower oil business in the period. The sunflower oil segment's revenue declined by 7.8% YoY to USD 176mn in the quarter as a result of lower achieved prices, which were partially offset by an increase in sales volumes. The company benefited from an above-average grain harvest this year, increasing its farming segment revenue by 2.6x YoY and associated EBITDA by 3.4x YoY. We forecast that Kernel will boost its net profit by 25% YoY to USD 282mn in FY17. Our forecast implies that the stock currently trades at P/E of 4.0x. The increase in quarterly profitability had a positive effect on Kernel's share price on the Warsaw Stock Exchange, where it advanced by 4.5% last week to a 3-year high of PLN 65.30.

Avangard Posts Small Positive EBITDA of USD 2.5mn for 3Q16

by Dmitry Churin
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AVANGARDCO (AVGR LI)

Price: USD 0.47 Market Cap: USD 30mn

| | EV/S | P/E | EV/EBITDA | Div. Yield |
|-------|------|-----|-----------|------------|
| 2015 | 1.6 | neg | neg | 0% |
| 2016E | 2.1 | neg | neg | 0% |

NEWS

Avangard, Ukraine's largest egg product maker and exporter, posted EBITDA of USD 2.5mn for 3Q16 compared to EBITDA of 13.2mn for 3Q15, according to a financial statement published on Nov 30. The company's revenue was down by 16% YoY to USD 46mn in 3Q16 while the bottom line showed a net loss of USD 6.1mn in the period, compared to net profit of USD 1.1mn in 3Q15. The company also said it had negative EBITDA of USD -10.0mn in 9M16, compared to negative EBITDA of USD -84.3mn in 9M15. The net loss for 9M16 was USD 38.8mn compared to a net loss of USD 150.5mn a year ago. Avangard's export sales fell by 32% YoY to USD 48mn in 9M16, but nonetheless accounted for 43% of total revenue.

On the balance sheet side, the company's net debt was USD 348mn as of 30 Sept 2016, and total assets were USD 548mn.

| AVANGARD FINANCIALS | | | | | | |
|---------------------|------|------|----------|-------|--------|------|
| USD mn | 3Q16 | 3Q15 | chg | 9M16 | 9M15 | chg |
| Net revenue | 46 | 55 | -16% | 111 | 177 | -37% |
| EBITDA | 2.5 | 13.2 | -81% | -10.0 | -84.3 | -/- |
| margin | 5% | 24% | -19 p.p. | -9% | -48% | -/- |
| Net Income | -6.1 | 1.1 | +/- | -38.8 | -150.5 | -/- |
| net margin | -13% | 2% | -15 p.p. | -35% | -85% | -/- |

Source: Company data.

COMMENTARY

Although Avangard continued its 2-year-long struggle with declining revenue and profitability in 3Q16, we saw a few bright spots in the company's business. Achieved pricing for shell eggs rose by 12% YoY in UAH terms in 9M16, which moderately outperformed the hryvnia devaluation in the period. Also, Avangard increased its production of dry egg products by 31% YoY to 8,600 tonnes in 9M16. On the downside, production of shell eggs slumped by 31% YoY to 1.91bn units in the period, mainly as a result of a decrease in the laying hen headcount by 23% YoY to 10.6mn hens. Among other positive developments for the company, it reached a restructuring agreement with state-owned OschadBank on prolonging the maturity of an outstanding loan until 2022, with a grace period until 2018. However, despite this deal with the government, Avangard majority owner Oleg Bakmatiuk still faces the risk of asset recovery actions by the Ukrainian authorities in connection with the recent liquidation of his two banks, VAB and Financial Initiative. All in all, Avangard is still in rough shape; even if the company reverses the decline in its shell egg production, it will not be easy to grab back the previous dominant market share. We also remain skeptical about the company's ability to return its EBITDA margin back above 30%, a level which Avangard consistently exceeded in the years prior to 2014.

Avangard's London-listed low-liquidity stock was quoted at USD 0.47 as of Friday (Dec 2). Meanwhile, the company's Eurobonds due in 2018 recently appreciated in price from their distressed level of less than 20 cents on the dollar to near 28 cents.

EAVEX RECOMMENDATIONS

| Name | Ticker | Price, per share | Target price, per share | Upside, % | Rating | Commentary |
|------------------------------|---------|------------------|-------------------------|-----------|--------|--|
| Agriculture | | | | | | |
| Kernel | KER PW | 65.3 | 61.80 | -5% | 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 | 9.0 | 17.96 | 100% | BUY | 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 | 53.1 | 44.98 | -15% | 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 | 7.2 | 13.02 | 81% | 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 | 0.5 | 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 | 87.5 | 117.65 | 34% | 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 | 128.3 | 82.0 | -36% | 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. |
| Specialized Machinery | | | | | | |
| Motor Sich | MSICH | 1889 | 5250 | 178% | 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 | 3.7 | U/R | -- | U/R | Regal has repeatedly missed its production targets since 2012. |
| JKX Oil & Gas | JKX | 17.3 | 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 | | | | | | |
| DonbasEnerg | DOEN | 11.0 | U/R | -- | U/R | The Donetsk separatist government has nationalized DonbasEnerg's Starobeshevo power plant, which previously accounted for about 70% of the company's installed power-generating capacity. |
| CenterEnerg | CEEN | 10.38 | 15.00 | 45% | BUY | CentrEnerg'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 | 0.130 | 0.24 | 84% | 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 has purchased a 30% 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 | 808.51 | 861.78 | 525.66 | 1.2% | -4.2% | 11.6% | 17.9% | 0.0% | 0.0% | 0.0% | 0.0% |
| Steel | | | | | | | | | | | | |
| Alchevsk Steel | ALMK | 0.008 | 0.017 | 0.004 | 3.7% | 5.0% | 33.3% | -24.3% | 2.5% | 9.2% | 21.8% | -42.2% |
| Coke | | | | | | | | | | | | |
| Yasynivsky Coking | YASK | 0.230 | 0.330 | 0.100 | 0.0% | 15.0% | 15.0% | 0.0% | -1.2% | 19.2% | 3.4% | -17.9% |
| Iron Ore Mining | | | | | | | | | | | | |
| Ferrexpo | FXPO | 128.25 | 136.25 | 14.00 | 2.8% | 21.9% | 93.6% | 496.5% | -2.4% | 1.6% | 26.0% | 478.6% |
| Railcar Manufacturing | | | | | | | | | | | | |
| Kryukiv Wagon | KVBZ | 8.85 | n/a | n/a | 2.4% | 4.1% | 51.3% | 11.9% | 1.3% | 8.3% | 39.7% | -6.0% |
| Specialized Machinery | | | | | | | | | | | | |
| Motor Sich | MSICH | 1889 | 2130 | 1663 | 1.5% | -1.6% | 2.9% | -4.5% | 0.3% | 2.6% | -8.7% | -22.4% |
| Turboatom | TATM | 9.00 | 12.25 | 4.00 | 0.0% | -3.2% | -3.2% | 100.0% | -1.2% | 0.9% | -14.8% | 82.1% |
| Telecom | | | | | | | | | | | | |
| Ukrtelecom | UTLM | 0.140 | 0.168 | 0.092 | -6.7% | -10.8% | -3.2% | 16.8% | -7.8% | -6.6% | -14.8% | -1.1% |
| Oil & Gas | | | | | | | | | | | | |
| Regal Petroleum | RPT | 3.74 | 4.30 | 1.75 | 0.0% | 2.3% | 14.9% | -0.4% | -0.5% | -1.2% | 6.5% | -18.3% |
| JKX Oil | JKX | 17.25 | 28.00 | 16.00 | 0.0% | 1.5% | -10.4% | -36.7% | -0.5% | -1.2% | 5.6% | -54.6% |
| Ukrnafta | UNAF | 109.6 | 190.0 | 70.5 | 0.1% | -10.2% | 15.2% | -38.1% | -1.1% | -6.1% | 3.7% | -56.0% |
| Power Utilities | | | | | | | | | | | | |
| Centrenergy | CEEN | 10.38 | 11.24 | 4.12 | -0.9% | -7.4% | 14.6% | 127.5% | -2.0% | -3.3% | 3.0% | 109.6% |
| Donbasenergo | DOEN | 11.03 | n/a | n/a | 0.4% | 3.4% | -13.1% | -30.0% | -0.8% | 7.5% | -24.7% | -47.9% |
| Zakhidenergo | ZAEN | 60.90 | n/a | n/a | 0.2% | 1.5% | 2.0% | -27.5% | -1.0% | 5.7% | -9.6% | -45.4% |
| Consumer | | | | | | | | | | | | |
| Agroton | AGT | 3.10 | 3.69 | 0.80 | 1.6% | 3.3% | -9.1% | 206.9% | 1.1% | 0.5% | 7.5% | 189.0% |
| Astarta | AST | 53.10 | 54.89 | 28.02 | 4.1% | 0.7% | -0.2% | 53.9% | -0.9% | 2.9% | 4.8% | 36.0% |
| Avangardo | AVGR | 0.47 | 1.59 | 0.26 | 0.0% | -4.1% | -6.0% | -62.4% | -0.5% | -1.2% | 0.1% | -80.3% |
| Industrial Milk Company | IMC | 7.20 | 7.90 | 5.70 | -1.1% | 0.8% | 2.9% | 20.6% | 0.2% | -2.3% | 5.0% | 2.7% |
| Kernel | KER | 65.29 | 65.29 | 41.00 | 4.5% | 3.9% | 10.5% | 35.7% | -0.2% | 3.3% | 8.0% | 17.9% |
| MHPC | MHPC | 8.99 | 10.10 | 7.10 | 2.2% | -4.8% | -4.4% | -3.3% | 0.3% | 1.0% | -0.6% | -21.2% |
| Milkiland | MLK | 1.74 | 2.55 | 1.13 | -2.8% | -2.8% | -7.9% | 22.5% | 0.1% | -4.0% | 1.4% | 4.7% |
| Ovostar Union | OVO | 87.50 | 98.50 | 86.05 | -2.8% | -3.7% | -4.9% | -3.3% | -0.5% | -4.0% | 0.5% | -21.2% |
| Banks | | | | | | | | | | | | |
| Raiffeisen Bank Aval | BAVL | 0.130 | 0.136 | 0.059 | 3.9% | 0.2% | 22.5% | 72.9% | 2.7% | 4.3% | 10.9% | 55.0% |

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 | 361 | 340 | 248 | 127 | 96 | 19.7% | 35.2% | 28.3% | na | -1,076 | -404 | na | -298.2% | -118.9% |
| Coke | | | | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | | | | |
| Ferrexpo | FXPO | 1,388 | 961 | 950 | 496 | 313 | 300 | 35.8% | 32.6% | 31.6% | 184 | 31 | 180 | 13.2% | 3.3% | 18.9% |
| 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 | 668 | 342 | 237 | 184 | 38.9% | 33.9% | 27.5% | 129 | 168 | 92 | 14.7% | 24.2% | 13.8% |
| 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 | 1,319 | 920 | 380 | -101 | 116 | 16.4% | -7.7% | 12.6% | 105 | -250 | 32 | 4.5% | -18.9% | 3.5% |
| Regal Petroleum | RPT | 35 | 22 | 17 | 15 | 10 | 10 | na | 45.5% | 58.8% | 6 | -1 | 0 | na | -4.5% | 0.0% |
| 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 | | | | | | | | | | | | | | | | |
| Centrenergo | CEEN | 630 | 315 | 340 | 26 | 13 | 37 | 4.1% | 4.2% | 11.0% | 6 | 3 | 20 | 0.9% | 1.0% | 5.9% |
| Donbasenergo | DOEN | 458 | 190 | 178 | 20 | -12 | 6 | 4.4% | -6.5% | 3.5% | 8 | -9 | 2 | 1.8% | -4.6% | 1.2% |
| Consumer | | | | | | | | | | | | | | | | |
| MHP | MHPC | 1,379 | 1,183 | 1,305 | 510 | 459 | 404 | 37.0% | 38.8% | 30.9% | -412 | -126 | 130 | -29.9% | -10.6% | 10.0% |
| Kernel | KER | 2,330 | 1,989 | 2,128 | 397 | 346 | 381 | 17.0% | 17.4% | 17.9% | 101 | 225 | 282 | 4.3% | 11.3% | 13.2% |
| Astarta | AST | 468 | 349 | 324 | 159 | 144 | 159 | 34.0% | 41.4% | 49.1% | -90 | 18 | 104 | -19.3% | 5.1% | 32.0% |
| Avangardco | AVGR | 420 | 230 | 170 | 129 | -69 | -1 | 30.9% | -158 | -45 | -27 | -158 | -45 | -6.4% | -158 | -45 |
| Ovostar | OVO | 75 | 76 | 84 | 29 | 35 | 40 | 38.9% | 32 | 35 | 26 | 32 | 35 | 34.5% | 32 | 35 |
| Banks | | | | | | | | | | | | | | | | |
| | | Total Assets | | | Total Equity | | | Total Income | | | Net Profit | | | Return on Equity | | |
| Raiffeisen Bank Aval | BAVL | 2,869 | 1,958 | 1,984 | 390 | 261 | 332 | 327 | 216 | 204 | -87 | -66 | 118 | -22.2% | -25.3% | 35.5% |

Source: Eavex Research

MAIN TRADING MULTIPLES

| Name | Ticker | MCap USD mn | Free Float % USD mn | EV USD mn | P/E | | | EV/EBITDA | | | EV/Sales | | | |
|------------------------------|--------|----------------|------------------------|--------------|------------|------|-------|---------------|------|-------|-----------------|------|-------|--|
| | | | | | 2014 | 2015 | 2016E | 2014 | 2015 | 2016E | 2014 | 2015 | 2016E | |
| Steel | | | | | | | | | | | | | | |
| Alchevsk Steel | ALMK | 8 | 3.9% 0 | 2,578 | n/a | neg | neg | 10.4 | 20.3 | 26.9 | 2.1 | 7.1 | 7.6 | |
| Coke | | | | | | | | | | | | | | |
| Yasynivsky Coke | YASK | 2 | 9.0% 0 | 2 | neg | neg | neg | neg | neg | neg | 0.0 | 0.0 | 0.0 | |
| Iron Ore Mining | | | | | | | | | | | | | | |
| Ferrexpo | FXPO | 959 | 24.0% 230 | 1,709 | 5.2 | >30 | 5.3 | 3.4 | 5.5 | 5.7 | 1.2 | 1.8 | 1.8 | |
| Railcar Manufacturing | | | | | | | | | | | | | | |
| Krukiv Wagon | KVBZ | 39 | 5.0% 2 | 34 | neg | neg | neg | neg | neg | neg | 0.2 | 0.8 | 0.5 | |
| Specialized Machinery | | | | | | | | | | | | | | |
| Turboatom | TATM | 58 | 5.8% 3 | -28 | 1.1 | 0.8 | 2.0 | -0.4 | -0.3 | -0.8 | -0.2 | -0.2 | -0.3 | |
| Motor Sich | MSICH | 153 | 24.0% 37 | 104 | 1.2 | 0.9 | 1.7 | 0.3 | 0.4 | 0.6 | 0.1 | 0.1 | 0.2 | |
| Telecom | | | | | | | | | | | | | | |
| Ukrtelecom | UTLM | 102 | 7.2% 7 | 193 | 5.6 | 11.1 | 24.6 | 2.3 | 2.7 | 3.3 | 0.5 | 0.8 | 0.9 | |
| Oil & Gas | | | | | | | | | | | | | | |
| Ukrnafta | UNAF | 231 | 3.0% 7 | 221 | 2.2 | neg | 7.2 | 0.6 | neg | 1.9 | 0.1 | 0.2 | 0.2 | |
| Regal Petroleum | RPT | 15 | 21.6% 3 | -10 | 2.6 | neg | n/a | -0.6 | -1.0 | -1.0 | -0.3 | -0.4 | -0.6 | |
| JKX Oil & Gas | JKX | 38 | 50.4% 19 | 146 | neg | neg | neg | 3.2 | 8.6 | 5.0 | 1.0 | 1.6 | 1.8 | |
| Electric Utilities | | | | | | | | | | | | | | |
| CentrEnerg | CEEN | 149 | 21.7% 32 | 117 | 25.3 | >30 | 7.5 | 4.5 | 8.9 | 3.1 | 0.2 | 0.4 | 0.3 | |
| DonbasEnerg | DOEN | 10 | 14.2% 1 | 24 | 1.2 | neg | 4.9 | 1.2 | neg | 3.8 | 0.1 | 0.1 | 0.1 | |
| Consumer | | | | | | | | | | | | | | |
| MHP | MHPC | 950 | 34.1% 324 | 2,110 | neg | neg | 7.3 | 4.1 | 4.6 | 5.2 | 1.5 | 1.8 | 1.6 | |
| Kernel | KER | 1,228 | 61.8% 759 | 1,532 | 12.2 | 5.5 | 4.4 | 3.9 | 4.4 | 4.0 | 0.7 | 0.8 | 0.7 | |
| Astarta | AST | 313 | 37.0% 116 | 472 | neg | 17.7 | 3.0 | 3.0 | 3.3 | 3.0 | 1.0 | 1.4 | 1.5 | |
| Avangardco | AVGR | 30 | 22.5% 7 | 364 | neg | neg | neg | 2.8 | neg | neg | 0.9 | 1.6 | 2.1 | |
| Ovostar | OVO | 124 | 25.0% 31 | 129 | 4.8 | 3.9 | 3.5 | 4.4 | 3.7 | 3.2 | 1.7 | 1.7 | 1.5 | |
| Banks | | | | | P/E | | | P/Book | | | P/Assets | | | |
| Raiffeisen Bank Aval | BAVL | 311 | 1.8% 6 | | neg | neg | 2.6 | 0.8 | 1.2 | 0.9 | 0.11 | 0.16 | 0.16 | |

Source: Eavex Research

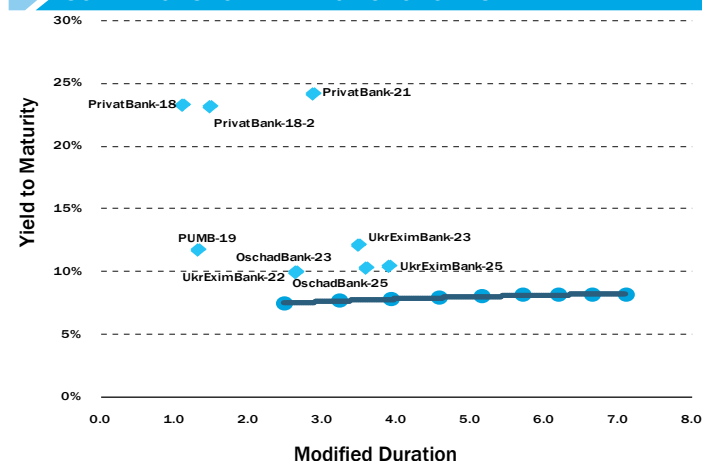
UKRAINIAN EURO BONDS

| 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 | 97.3 | 98.0 | 8.9% | 8.6% | 4.3% | 2.4 | 7.75% | S/A | 1 Sept 2019 | 1,744 | Caa3/B-/B- |
| Ukraine, 2020 | 95.7 | 96.5 | 9.1% | 8.9% | 3.9% | 3.1 | 7.75% | S/A | 1 Sept 2020 | 1,780 | Caa3/B-/B- |
| Ukraine, 2021 | 94.5 | 95.5 | 9.2% | 8.9% | 3.7% | 3.8 | 7.75% | S/A | 1 Sept 2021 | 1,409 | Caa3/B-/B- |
| Ukraine, 2022 | 93.5 | 94.3 | 9.2% | 9.1% | 3.6% | 4.4 | 7.75% | S/A | 1 Sept 2022 | 1,384 | Caa3/B-/B- |
| Ukraine, 2023 | 92.3 | 93.0 | 9.3% | 9.2% | 3.3% | 5.0 | 7.75% | S/A | 1 Sept 2023 | 1,355 | Caa3/B-/B- |
| Ukraine, 2024 | 91.5 | 92.5 | 9.3% | 9.1% | 3.5% | 5.5 | 7.75% | S/A | 1 Sept 2024 | 1,339 | Caa3/B-/B- |
| Ukraine, 2025 | 90.6 | 91.6 | 9.3% | 9.2% | 3.1% | 6.0 | 7.75% | S/A | 1 Sept 2025 | 1,329 | Caa3/B-/B- |
| Ukraine, 2026 | 90.3 | 91.3 | 9.3% | 9.1% | 3.6% | 6.4 | 7.75% | S/A | 1 Sept 2026 | 1,318 | Caa3/B-/B- |
| Ukraine, 2027 | 89.8 | 90.8 | 9.3% | 9.1% | 3.6% | 6.8 | 7.75% | S/A | 1 Sept 2027 | 1,307 | Caa3/B-/B- |
| Ukraine, GDP-linked (VRI) | 29.8 | 30.8 | n/a | n/a | -25.8% | n/a | 0.00% | S/A | 31 May 2040 | 3,214 | /B-/ |
| Corporate Eurobonds | | | | | | | | | | | |
| Agroton, 2019 | 13.6 | 24.3 | 131.7% | 84.3% | 64.7% | 1.4 | 6.00% | S/A | 14 Jul 2019 | 18 | // |
| MHP, 2020 | 95.1 | 96.2 | 10.0% | 9.6% | 9.5% | 2.8 | 8.25% | S/A | 2 Apr 2020 | 750 | /B-/B- |
| Avangardco, 2018 | 25.3 | 30.3 | 108.0% | 92.7% | -45.5% | 1.2 | 10.00% | S/A | 29 Oct 2018 | 206 | // |
| UkrLandFarming, 2018 | 30.0 | 32.0 | 142.3% | 133.5% | -38.0% | 0.7 | 10.88% | S/A | 26 Mar 2018 | 500 | /CC/ |
| Mriya, 2016 | n/a | n/a | n/a | 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 | n/a | n/a | 9.45% | S/A | 19 Apr 2018 | 400 | IN DEFAULT |
| DTEK, 2018 | 80.2 | 81.8 | n/a | n/a | 95.3% | n/a | 10.375% | S/A | 28 Mar 2018 | 160 | Ca//CC |
| DTEK, 2018 | 81.0 | 82.5 | n/a | n/a | 83.7% | n/a | 7.88% | S/A | 4 Apr 2018 | 750 | Ca//CC |
| Metinvest, 2016 | 87.4 | 88.6 | n/a | n/a | 55.2% | n/a | 10.25% | S/A | 31 Jan 2016 | 85 | //C |
| Metinvest, 2017 | 87.3 | 89.2 | n/a | n/a | 94.6% | n/a | 10.50% | S/A | 28 Nov 2017 | 290 | //C |
| Metinvest, 2018 | 87.3 | 89.4 | n/a | n/a | 98.5% | n/a | 8.75% | S/A | 14 Feb 2018 | 750 | //C |
| Ferrexpo, 2019 | 100.0 | 101.0 | 10.4% | 9.9% | 83.7% | 1.6 | 10.375% | S/A | 07 Apr 2019 | 186 | Caa3/CCC/CC |
| Ferrexpo, 2019 | 87.3 | 89.4 | 10.4% | 9.9% | 75.6% | 1.6 | 10.375% | S/A | 07 Apr 2019 | 161 | Caa3/CCC/CC |
| UZ Rail, 2021 | 93.3 | 94.6 | 11.7% | 11.4% | 9.3% | 2.5 | 9.88% | S/A | 15 Sept 2021 | 500 | /CCC+/CCC |
| Interepipe, 2017 | 25.0 | 30.0 | 398.1% | 320.5% | -8.3% | 0.2 | 10.25% | S/A | 2 Aug 2017 | 200 | IN DEFAULT |
| JKX Oil&Gas, 2018 | 92.8 | 94.8 | 27.4% | 25.3% | 30.2% | 0.2 | 8.00% | S/A | 19 Feb 2018 | 16 | // |
| Bank Eurobonds | | | | | | | | | | | |
| Fin&Credit Bank, 2019 | 0.0 | 2.1 | n/a | n/a | -88.6% | n/a | 9.25% | S/A | 25 Jan 2019 | 100 | IN DEFAULT |
| PUMB, 2018 | 99.5 | 101.6 | 11.3% | 10.1% | 35.6% | 1.2 | 11.00% | Q | 31 Dec 2018 | 275 | // |
| Nadra Bank, 2018 | 0.6 | 2.5 | n/a | n/a | -79.0% | n/a | 6.25% | A | 31 Jul 2018 | 60 | IN DEFAULT |
| PrivatBank, 2018-2 | 63.0 | 72.0 | 59.7% | 44.3% | -11.2% | 1.5 | 10.25% | S/A | 23 Jan 2018 | 200 | Ca//CC |
| PrivatBank, 2021 | 42.0 | 60.0 | 41.1% | 27.7% | -23.9% | 2.7 | 11.00% | S/A | 09 Feb 2021 | 220 | Ca//CC |
| PrivatBank, 2018 | 60.0 | 69.8 | 60.8% | 44.8% | -4.6% | 0.9 | 10.88% | S/A | 28 Feb 2018 | 175 | Ca//CC |
| UkrEximBank, 2022 | 94.4 | 95.4 | 11.0% | 10.8% | 5.9% | 2.6 | 9.625% | S/A | 27 Apr 2022 | 750 | Caa3//B- |
| UkrEximBank, 2023 | 79.5 | 81.3 | 13.3% | 12.8% | 8.5% | 3.5 | 7.51% | S/A | 9 Feb 2023 | 125 | Caa3//CCC |
| UkrEximBank, 2025 | 91.0 | 92.3 | 11.5% | 11.2% | 4.9% | 3.7 | 9.75% | S/A | 22 Jan 2025 | 600 | Caa3//B- |
| 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 | 93.8 | 94.7 | 10.8% | 10.5% | 5.8% | 2.5 | 8.25% | S/A | 10 Mar 2023 | 700 | Caa3//B- |
| Oschadbank, 2025 | 91.4 | 92.4 | 11.2% | 11.0% | 4.8% | | 8.88% | S/A | 20 Mar 2025 | 500 | Caa3//B- |
| Municipal Eurobonds | | | | | | | | | | | |
| City of Kyiv, 2015 | 77.1 | 81.3 | n/a | n/a | -5.2% | n/a | 8.00% | S/A | 6 Nov 2015 | 101 | IN DEFAULT |

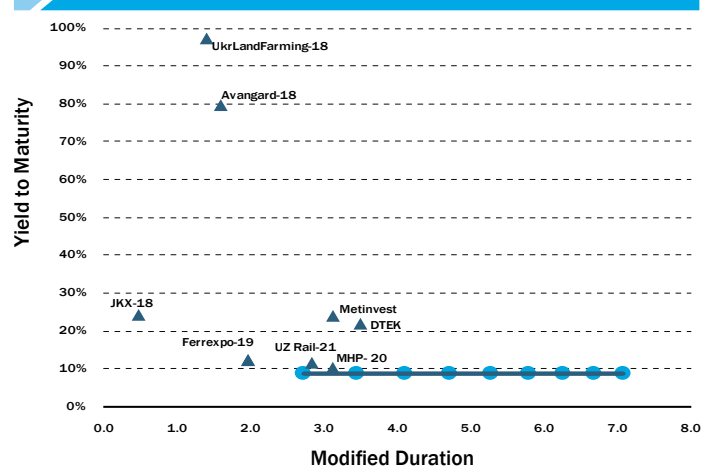
¹ Moody's/S&P/Fitch

Source: Bloomberg, Cbonds, Eavex Research

SOVEREIGNS vs. BANKING EURO BONDS



SOVEREIGNS vs. CORPORATE and MUNICIPAL EURO BONDS



UKRAINIAN DOMESTIC BONDS

| Issue | Price (Bid) | Price (Ask) | YTM (Bid) | YTM (Ask) | Modified Duration | Coupon | Coupon Period | Maturity Date | Volume UAH mn |
|------------------------------|-------------|-------------|-----------|-----------|-------------------|--------|---------------|---------------|---------------|
| UAH denominated Bonds | | | | | | | | | |
| UA4000142665 | | | 16.70% | 16.20% | n/a | 19.50% | S/A | 19 Jul 2017 | n/a |
| VAT Bonds | | | | | | | | | |
| UA4000185151 | | | 16.70% | 16.20% | 1.9 | 9.50% | S/A | 8 Jul 2019 | 3,577 |
| UA4000185557 | | | 16.70% | 16.20% | 1.9 | 9.50% | S/A | 22 Jul 2019 | 2,171 |
| UA4000186159 | | | 16.70% | 16.20% | 1.9 | 9.50% | S/A | 20 Aug 2019 | 955 |

Source: Bloomberg, Cbonds, Eavex Research

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