

Stock Market Update

This is the final issue of the Ukraine Market Monitor for 2016.
We at Eavex Capital extend our Greetings to you for the New Year holidays!
Weekly coverage will resume on Jan. 10.

Equity

Ukrainian stocks listed in Kyiv made an impressive recovery from the preceding week's speculative slump. Besides the technical rebound factor, there was also positive news that the country's industrial production accelerated in November, giving more grounds to expect a broader economic recovery in 2017. The government is forecasting 3% GDP growth next year. Also, we are pleased to note that the shock nationalization of the country's largest bank, PrivatBank, has come off quite smoothly, defying the pessimistic scenario of a hard landing for the bank with widespread financial system turmoil.

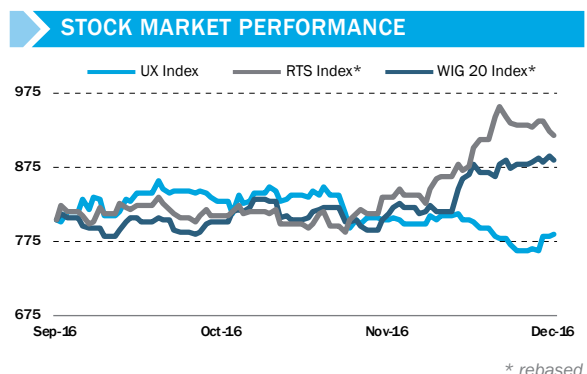
The UX index gained back 3.0% to close at 785 points on Friday (Dec 23). Raiffeisen Aval (BAVL) advanced 5.6% to 12.70 kopecks thanks to expectations that the nationalization of PrivatBank will bring the bank a spillover windfall of retail and corporate clients. UkrNafta (UNAF) gained 0.5% to UAH 103 on encouraging news for the company that Parliament cut the production tax for oil for 2017. CentrEnergy (CEEN) returned to UAH 10.30 on a 2.7% gain, while London-listed Ferrexpo (FXPO) slipped 3.1% to GBp 134 despite a rally in iron ore prices that saw the benchmark Fe-62% spot price reach USD 80 per tonne. MHP (MHPC) was little-changed near USD 8.72, while in Warsaw trading, Kernel (KER) tumbled 7.5% to PLN 60.50 after the government's last-minute decision to eliminate the preferential VAT regime for the agro sector in the budget bill.

The hryvnia was untouched by the developments with PrivatBank, ending the week at 26.30 UAH/USD after briefly dropping to 26.50 UAH/USD on Dec 19, the first trading day after the nationalization was announced.

Highlights

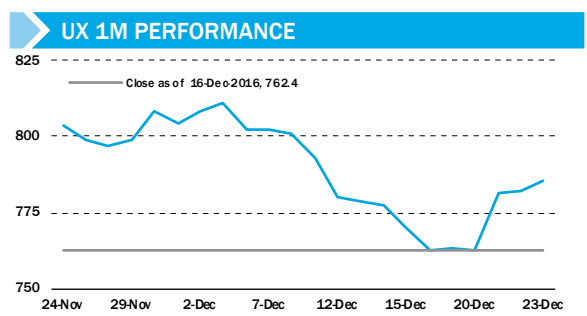
POLITICS AND ECONOMICS

- > EU, US Maintain Russia Sanctions Ahead of Trump Inauguration
- > PrivatBank Eurobonds Destroyed by Nationalization
- > Ukraine's 2017 Budget Passed with 3% Deficit in All-Night Session
- > UkrStat: Industrial Output Growth Accelerated to 3.7% YoY in November



MARKET INDEXES

| | Last | 1W ch | 1M ch | YTD |
|---------|--------|-------|-------|-------|
| UX | 785.4 | 3.0% | -2.3% | 14.5% |
| RTS | 1117.9 | -1.6% | 9.9% | 47.7% |
| WIG20 | 1933.6 | 0.8% | 8.9% | 4.0% |
| MSCI EM | 841.6 | -1.7% | -1.8% | 6.3% |
| S&P 500 | 2263.8 | 0.3% | 2.8% | 9.7% |



FIXED INCOME

| | Last | 1W ch | 1M ch | YTD |
|-------------|-------|-----------|-----------|-----------|
| EMBI+Global | 363 | -0.7% | -5.3% | -17.8% |
| CDS 5Y UKR | 683 | n/a | n/a | n/a |
| Ukraine-19 | 7.6% | -1.6 p.p. | -1.5 p.p. | -2.3 p.p. |
| Ukraine-27 | 8.8% | -0.4 p.p. | -0.2 p.p. | -0.8 p.p. |
| MHP-20 | 9.5% | -0.3 p.p. | -0.8 p.p. | -2.6 p.p. |
| UZ Rail-21 | 11.8% | -0.1 p.p. | -0.7 p.p. | n/a |

CURRENCY

| | Last, UAH | 1W ch | 1M ch | YTD |
|-----|-----------|-------|-------|-------|
| USD | 26.30 | 0.2% | 2.6% | 9.4% |
| EUR | 27.48 | 0.3% | 0.8% | 4.6% |
| RUB | 0.43 | 1.3% | 6.4% | 31.1% |

COMMODITIES

| | Last | 1W ch | 1M ch | YTD |
|---------------|--------|-------|-------|-------|
| Wheat, USD/t* | 174.0 | 0.0% | 2.1% | -4.7% |
| Steel, USD/t | 499.0 | 3.4% | 7.9% | 97.6% |
| Oil, USD/bbl | 55.2 | -0.1% | 10.1% | 49.6% |
| Gold, USD/oz | 1134.0 | -0.1% | -6.5% | 6.8% |

*Ukraine FOB Source: Bloomberg, Ukrainian Exchange

EU, US Maintain Russia Sanctions Ahead of Trump Inauguration

by Will Ritter
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NEWS

The United States and the European Union both took measures last week to maintain their sanctions against Russia for its military aggression against Ukraine. The EU's European Council executive body moved forward on Dec 19 with a 6-month extension of the sanctions regime (which would have expired on Jan 31), citing Moscow's failure to meet the terms of the February 2015 Minsk peace agreement to resolve the conflict in the Donbass region of Eastern Ukraine. Meanwhile, the next day on Dec 20, the US Treasury Department toughened its sanctions related to Russia's March 2014 forceful takeover of Crimea, adding new names and Russian businesses to the penalty list.

COMMENTARY

This looks like a clear coordination between the outgoing Obama administration, which leaves office on Jan 20, and the EU executive body. We suppose that President Obama's goal is to make it as difficult as possible for Trump to start his presidency on a conciliatory tone with the Putin regime; due to widespread Republican party support for the Russia sanctions, Trump will likely find it politically damaging to dismantle the sanctions quickly. This implies that most US punitive measures could remain in place for as long as the first full year of the Trump presidency. Prior to Trump's surprise upset of Democrat Hillary Clinton last month, we saw a possibility that the EU might decline to renew its own Russia sanctions, due to complaints from member-states that Kyiv is refusing to meet its obligations to implement the political parts of Minsk. However, Trump's win appears to have had a sobering effect on the establishment governments still in power in France and Germany, who probably understand that they now bear a heavier responsibility in curbing Russian aggression with a Moscow-friendly US president coming into office. Having said all this, the day when the West's Russia sanctions will be relaxed is coming, and Kyiv needs to prepare for the likelihood that neither Crimea nor the occupied Donbass will have been returned to Ukrainian control by the time this occurs in 2H17 or the following year. Indeed, the worst option for Kyiv would be a peace-for-sanctions-relief deal brokered by Trump whereby Ukraine would be forced to re-integrate Donetsk and Lugansk on the Kremlin's onerous terms. Such a deal would set Ukraine back by at least 5 years in its European aspirations.

PrivatBank Eurobonds Destroyed by Nationalization

by Dmitry Churin
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NEWS

Ukraine's largest bank by assets, PrivatBank, which was owned by the business group of industrialist Igor Kolomoysky until being nationalized last week, has declared that its outstanding Eurobonds have been wiped from the balance sheet, new state-appointed CEO Olexander Shlapak told Interfax on Dec 22. He said that the decision to "bail in" the Eurobonds by converting them into PrivatBank equity was made by the NBU. PrivatBank has three outstanding Eurobond issues for a total par value of USD 555mn.

COMMENTARY

The NBU's main argument for "bailing in" PrivatBank's Eurobonds was its conclusion that the lion's share of these bonds are in fact held by Kolomoysky and his related parties. Even after the bonds' conversion into capital, Privat's book value remained heavily negative. The NBU estimates the capital gap at UAH 116bn (USD 4.4bn) after UAH 32bn (USD 1.2bn) of Privat's liabilities are bailed in. MinFin said it has issued sovereign bonds worth UAH 43bn (USD 1.6bn) as part of the first phase of the recapitalization. The NBU says Kolomoysky has agreed to restructure loans paid to related parties by 1 Jul 2017, while Finance Minister Olexander Danyliuk said the bank will be re-privatized as soon as possible. Unfortunately for minority (non-Kolomoysky) bondholders, we do not see a scenario for recovering any cash, as the government has taken a harsh IMF-mandated approach to scratching out PrivatBank's liabilities to its previous owners, even though minority bondholders are also being hit. Obviously, we do not rule out that the bondholders could try to file a lawsuit against Ukraine for the de-facto write-off of the bonds. Technically, PrivatBank was first declared insolvent and transferred to the administration of the Deposit Guarantee Fund (DGF), and then 100% of the bank was sold for UAH 1 to the Finance Ministry, making it more difficult for bondholders to demand compensation. The larger issue at play here is how much money Ukraine will be able to recover from Kolomoysky, who effectively stole Privat's deposits by lending money to himself, with the DGF left to pick up the tab.

PRBANK-18s saw their value collapse by 75% last week to 15 cents on the dollar, reflecting the market's lack of preparedness for the nationalization.

Ukraine's 2017 Budget Passed with 3% Deficit in All-Night Session

by Dmitry Churin
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NEWS

Ukraine's Parliament approved a 2017 national budget featuring a deficit 3.0% of GDP compared to a deficit of 3.7% of GDP in 2016, according to an official statement on the Parliament website published on Dec 21. The budget bill was passed with 274 votes in favor (out of 226 required; Parliament has a total of 423 MPs with 27 seats vacant).

The main parameters of the budget are the following:

- forecasted GDP growth of 3.0% YoY;
- nominal GDP of UAH 2.59tn (USD 95bn);
- total budget income of UAH 721bn;
- total budget expenses of UAH 790bn;
- forecasted consumer inflation of 8.1% YoY;
- a public + guaranteed debt ceiling at 89% of GDP;
- a defense budget at 5% GDP.

The document prescribes a UAH 3,200 (USD 120) national minimum monthly wage.

The bill was supported by most of the MPs from the two coalition parties, the Poroshenko Bloc and the People's Front, which together gave 196 votes. The balance was achieved by obtaining votes from the nationalist opposition Radical party and small non-aligned groups in Parliament. The Russian-leaning Opposition Bloc and Yulia Tymoshenko's Batkivschyna party gave no votes in favor of the bill.

COMMENTARY

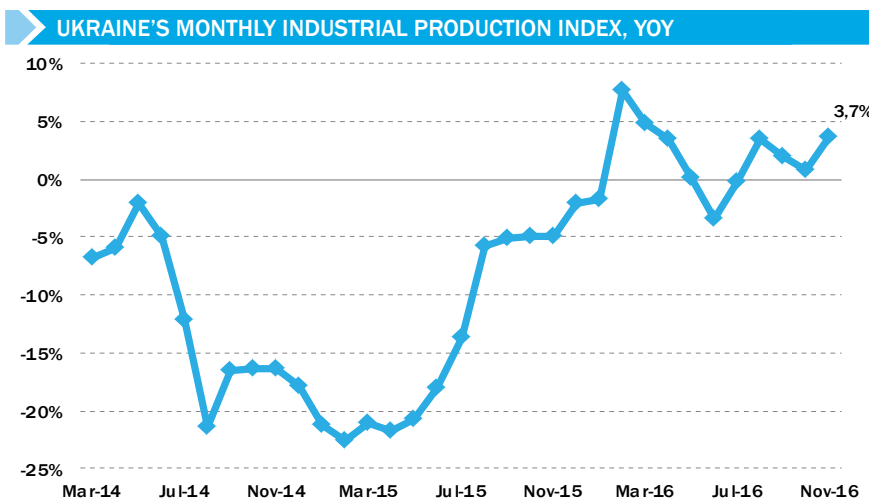
A historical problem for Ukraine's national budget is that it always goes through Parliament in an emergency mode. Just as in previous years, the 2017 budget bill was passed in the overnight hours as lawmakers tried to insert amendments to the document until the final moment of voting. Another common problem for the national budget bill is its optimistic bias, with the forecasted yearly GDP growth not having been reached since 2011. In absolute figures, the 2017 national budget foresees an 18% YoY increase in expenses and a 21% YoY increase in income in nominal UAH terms, and it is hard to believe that these targets will be achieved in a low-inflation environment. Also, year after year, the government forecasts overstated proceeds from privatization. For 2017, the privatization proceeds are estimated at UAH 17.1bn (USD 650mn). We think that unless the government manages to sell its 78% stake in electricity generation company CentrEnergO, the privatization income forecast will once again turn out to be totally unrealistic.

UkrStat: Industrial Output Growth Accelerated to 3.7% YoY in November

by Dmitry Churin
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NEWS

The State Statistics Committee (UkrStat) reported that Ukraine’s industrial production growth accelerated to 3.7% YoY in November, compared to a moderate increase of 0.8% YoY for October, according to data released on Dec 21. The growth figure after adjusting for the number of weekend calendar days was 2.3% YoY in November. On a month-on-month basis, UkrStat’s industrial index rose 0.8%. For January- November, total industrial output has increased by 2.1% YoY, with the manufacturing sector demonstrating an increase of 3.4% YoY while the extraction sector’s output contracted by 0.4% YoY.



Source: State Statistics Committee

COMMENTARY

The industrial data for November came as a positive surprise for us, with a notable contribution to overall output growth coming from troubled sectors like oil/gas extraction and coal production. Natural gas extraction jumped by 13.2% YoY in November to 1.61bn cubic meters, and coal production increased by 12.7% YoY to 2.7mn tonnes, a similar production figure to October.

Meanwhile, an improvement in machinery sector output by 6.9% YoY in November is, in our view, attributable to modernization programs related to energy savings amid the IMF-mandated increase in heating tariffs in the country.

For December, we expect a further increase in UkrStat’s industrial index, especially given a calendar that sees five Thursdays and five Fridays during the month. We believe the full-year 2016 industrial production growth in Ukraine will be close to our expectation of 2.5%.

In a separate report last week, UkrStat said that retail sales increased by 3.7% YoY in 11M16.

EAVEX RECOMMENDATIONS

| Name | Ticker | Price, per share | Target price, per share | Upside, % | Rating | Commentary |
|------------------------------|---------|------------------|-------------------------|-----------|--------|--|
| Agriculture | | | | | | |
| Kernel | KER PW | 60.6 | U/R | -- | 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 | 8.7 | 17.96 | 106% | 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 | 54.0 | U/R | -- | 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 | 8.5 | 13.02 | 54% | 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 | U/R | -- | 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 | 84.0 | 117.65 | 40% | 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 | 134.5 | U/R | -- | 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 | 1842 | 5250 | 185% | 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 | 3.5 | U/R | -- | U/R | Regal has repeatedly missed its production targets since 2012. |
| JKX Oil & Gas | JKX | 30.5 | 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 | 10.5 | 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 | 10.28 | 15.00 | 46% | BUY | CenterEnerg'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 | 0.127 | 0.24 | 89% | 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 | 785.40 | 861.78 | 525.66 | 3.0% | -2.3% | -3.5% | 14.5% | 0.0% | 0.0% | 0.0% | 0.0% |
| Steel | | | | | | | | | | | | |
| Alchevsk Steel | ALMK | 0.009 | 0.017 | 0.004 | 1.2% | 1.2% | -4.4% | -22.5% | -1.8% | 3.4% | -0.9% | -37.0% |
| Coke | | | | | | | | | | | | |
| Yasynivsky Coking | YASK | 0.270 | 0.270 | 0.100 | 22.7% | 17.4% | 35.0% | 17.4% | 19.7% | 19.6% | 38.5% | 2.9% |
| Iron Ore Mining | | | | | | | | | | | | |
| Ferrexpo | FXPO | 134.50 | 151.00 | 15.75 | -3.1% | 7.0% | 65.0% | 525.6% | -3.3% | -6.1% | 9.2% | 511.1% |
| Railcar Manufacturing | | | | | | | | | | | | |
| Kryukiv Wagon | KVBZ | 8.40 | n/a | n/a | 2.4% | -6.1% | 20.3% | 6.2% | -0.6% | -3.9% | 23.9% | -8.3% |
| Specialized Machinery | | | | | | | | | | | | |
| Motor Sich | MSICH | 1842 | 2130 | 934 | 2.0% | -2.0% | -2.5% | -6.9% | -1.0% | 0.3% | 1.0% | -21.4% |
| Turboatom | TATM | 9.49 | 12.25 | 4.00 | 3.8% | 3.2% | -11.6% | 110.9% | 0.8% | 5.4% | -8.1% | 96.4% |
| Telecom | | | | | | | | | | | | |
| Ukrtelecom | UTLM | 0.130 | n/a | n/a | 0.0% | -13.3% | -10.2% | 8.5% | -3.0% | -11.0% | -6.7% | -6.0% |
| Oil & Gas | | | | | | | | | | | | |
| Regal Petroleum | RPT | 3.49 | 4.30 | 1.75 | -3.5% | -6.7% | 0.7% | -7.1% | -0.5% | -6.5% | -4.4% | -21.6% |
| JKX Oil | JKX | 30.50 | 31.75 | 16.00 | 2.5% | 79.4% | 60.5% | 11.9% | -0.5% | -0.5% | 81.7% | -2.6% |
| Ukrnafta | UNAF | 103.0 | 190.0 | 70.5 | 0.5% | -3.9% | -17.8% | -41.8% | -2.5% | -1.7% | -14.3% | -56.3% |
| Power Utilities | | | | | | | | | | | | |
| Centrenergy | CEEN | 10.28 | 11.24 | 4.12 | 2.7% | -4.0% | 0.7% | 125.5% | -0.4% | -1.8% | 4.2% | 110.9% |
| Donbasenergo | DOEN | 10.51 | n/a | n/a | 6.7% | -0.8% | -22.7% | -33.3% | 3.7% | 1.4% | -19.1% | -47.8% |
| Zakhidenergo | ZAEN | 60.00 | n/a | n/a | 0.0% | 0.0% | 0.2% | -28.6% | -3.0% | 2.3% | 3.7% | -43.1% |
| Consumer | | | | | | | | | | | | |
| Agroton | AGT | 3.88 | 4.33 | 0.80 | -9.6% | 18.7% | 10.9% | 284.2% | -3.7% | -12.6% | 20.9% | 269.6% |
| Astarta | AST | 53.99 | 54.89 | 28.02 | 0.9% | 2.5% | 3.6% | 56.5% | 1.6% | -2.1% | 4.7% | 42.0% |
| Avangardo | AVGR | 0.45 | 1.48 | 0.26 | -4.3% | -4.3% | -6.2% | -64.0% | -0.5% | -7.3% | -2.0% | -78.5% |
| Industrial Milk Company | IMC | 8.45 | 8.45 | 5.70 | 2.5% | 15.8% | 28.0% | 41.5% | 0.1% | -0.5% | 18.0% | 27.0% |
| Kernel | KER | 60.58 | 65.80 | 41.00 | -7.5% | -3.2% | -3.8% | 25.9% | -3.1% | -10.5% | -1.0% | 11.4% |
| MHPC | MHPC | 8.72 | 10.10 | 7.10 | -0.3% | -1.5% | -6.2% | -6.2% | -0.5% | -3.4% | 0.8% | -20.7% |
| Milkiland | MLK | 1.92 | 2.55 | 1.13 | 1.6% | 9.7% | -9.4% | 35.2% | -0.5% | -1.4% | 12.0% | 20.7% |
| Ovostar Union | OVO | 84.00 | 98.50 | 84.00 | 0.0% | -6.4% | -9.7% | -7.2% | -0.5% | -3.0% | -4.1% | -21.7% |
| Banks | | | | | | | | | | | | |
| Raiffeisen Bank Aval | BAVL | 0.127 | 0.136 | 0.059 | 5.6% | 0.6% | 10.4% | 68.9% | 2.5% | 2.9% | 14.0% | 54.4% |

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 | 9 | 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 | 3 | 9.0% 0 | 3 | neg | neg | neg | neg | neg | neg | 0.0 | 0.0 | 0.0 | |
| Iron Ore Mining | | | | | | | | | | | | | | |
| Ferrexpo | FXPO | 972 | 24.0% 233 | 1,722 | 5.3 | >30 | 5.4 | 3.5 | 5.5 | 5.7 | 1.2 | 1.8 | 1.8 | |
| Railcar Manufacturing | | | | | | | | | | | | | | |
| Kriviw Wagon | KVBZ | 37 | 5.0% 2 | 32 | neg | neg | neg | neg | neg | neg | 0.2 | 0.8 | 0.5 | |
| Specialized Machinery | | | | | | | | | | | | | | |
| Turboatom | TATM | 57 | 5.8% 3 | -29 | 1.1 | 0.8 | 2.0 | -0.4 | -0.3 | -0.8 | -0.2 | -0.2 | -0.3 | |
| Motor Sich | MSICH | 147 | 24.0% 35 | 98 | 1.1 | 0.9 | 1.6 | 0.3 | 0.4 | 0.5 | 0.1 | 0.1 | 0.1 | |
| Telecom | | | | | | | | | | | | | | |
| Ukrtelecom | UTLM | 94 | 7.2% 7 | 184 | 5.1 | 10.1 | 22.5 | 2.2 | 2.5 | 3.2 | 0.4 | 0.7 | 0.9 | |
| Oil & Gas | | | | | | | | | | | | | | |
| Ukrnafta | UNAF | 214 | 3.0% 6 | 204 | 2.0 | neg | 6.7 | 0.5 | neg | 1.8 | 0.1 | 0.2 | 0.2 | |
| Regal Petroleum | RPT | 14 | 21.6% 3 | -11 | 2.4 | neg | n/a | -0.7 | -1.1 | -1.1 | -0.3 | -0.5 | -0.7 | |
| JKX Oil & Gas | JKX | 64 | 50.4% 32 | 173 | neg | neg | neg | 3.8 | 10.2 | 6.0 | 1.2 | 2.0 | 2.2 | |
| Electric Utilities | | | | | | | | | | | | | | |
| CentrEnerg | CEEN | 146 | 21.7% 32 | 113 | 24.8 | >30 | 7.3 | 4.4 | 8.7 | 3.0 | 0.2 | 0.4 | 0.3 | |
| DonbasEnerg | DOEN | 10 | 14.2% 1 | 23 | 1.1 | neg | 4.6 | 1.2 | neg | 3.7 | 0.1 | 0.1 | 0.1 | |
| Consumer | | | | | | | | | | | | | | |
| MHP | MHPC | 921 | 34.1% 314 | 2,081 | neg | neg | 7.1 | 4.1 | 4.5 | 5.2 | 1.5 | 1.8 | 1.6 | |
| Kernel | KER | 1,146 | 61.8% 708 | 1,449 | 11.4 | 5.1 | 4.1 | 3.7 | 4.2 | 3.8 | 0.6 | 0.7 | 0.7 | |
| Astarta | AST | 320 | 37.0% 119 | 479 | neg | 18.1 | 3.1 | 3.0 | 3.3 | 3.0 | 1.0 | 1.4 | 1.5 | |
| Avangardco | AVGR | 29 | 22.5% 6 | 363 | neg | neg | neg | 2.8 | neg | neg | 0.9 | 1.6 | 2.1 | |
| Ovostar | OVO | 120 | 25.0% 30 | 125 | 4.6 | 3.7 | 3.4 | 4.3 | 3.6 | 3.1 | 1.7 | 1.6 | 1.5 | |
| Banks | | | | | P/E | | | P/Book | | | P/Assets | | | |
| Raiffeisen Bank Aval | BAVL | 300 | 1.8% 5 | | neg | neg | 2.5 | 0.8 | 1.1 | 0.9 | 0.10 | 0.15 | 0.15 | |

Source: Eavex Research

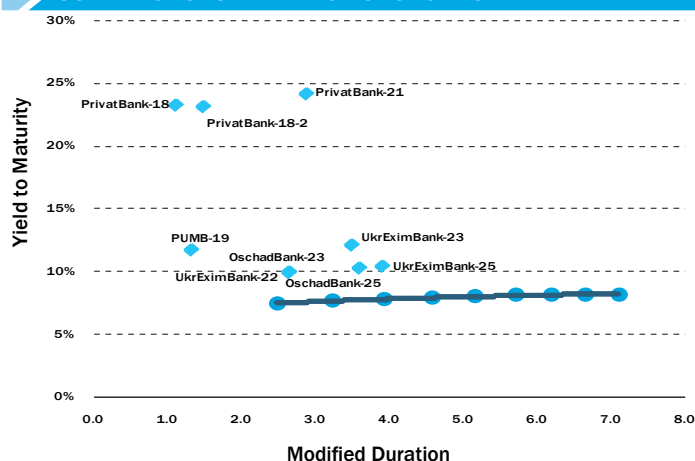
UKRAINIAN EUROBONDS

| 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 | 100.0 | 100.8 | 7.7% | 7.4% | 7.2% | 2.3 | 7.75% | S/A | 1 Sept 2019 | 1,744 | Caa3/B-/B- |
| Ukraine, 2020 | 98.8 | 99.5 | 8.1% | 7.9% | 7.2% | 3.1 | 7.75% | S/A | 1 Sept 2020 | 1,780 | Caa3/B-/B- |
| Ukraine, 2021 | 97.1 | 98.1 | 8.5% | 8.2% | 6.5% | 3.8 | 7.75% | S/A | 1 Sept 2021 | 1,409 | Caa3/B-/B- |
| Ukraine, 2022 | 96.1 | 97.1 | 8.6% | 8.4% | 6.6% | 4.4 | 7.75% | S/A | 1 Sept 2022 | 1,384 | Caa3/B-/B- |
| Ukraine, 2023 | 94.8 | 95.5 | 8.8% | 8.6% | 6.1% | 5.0 | 7.75% | S/A | 1 Sept 2023 | 1,355 | Caa3/B-/B- |
| Ukraine, 2024 | 93.5 | 94.5 | 8.9% | 8.7% | 5.8% | 5.5 | 7.75% | S/A | 1 Sept 2024 | 1,339 | Caa3/B-/B- |
| Ukraine, 2025 | 93.0 | 94.0 | 8.9% | 8.7% | 5.8% | 6.0 | 7.75% | S/A | 1 Sept 2025 | 1,329 | Caa3/B-/B- |
| Ukraine, 2026 | 92.6 | 93.6 | 8.9% | 8.7% | 6.3% | 6.4 | 7.75% | S/A | 1 Sept 2026 | 1,318 | Caa3/B-/B- |
| Ukraine, 2027 | 92.4 | 93.4 | 8.9% | 8.7% | 6.6% | 6.8 | 7.75% | S/A | 1 Sept 2027 | 1,307 | Caa3/B-/B- |
| Ukraine, GDP-linked (VRI) | 30.0 | 31.0 | n/a | n/a | -25.2% | n/a | 0.00% | S/A | 31 May 2040 | 3,214 | /B-/ |
| Corporate Eurobonds | | | | | | | | | | | |
| Agroton, 2019 | 14.0 | 25.9 | 135.2% | 82.7% | 73.4% | 1.4 | 6.00% | S/A | 14 Jul 2019 | 18 | // |
| MHP, 2020 | 96.0 | 97.0 | 9.7% | 9.3% | 10.4% | 2.7 | 8.25% | S/A | 2 Apr 2020 | 750 | /B-/B- |
| Avangardco, 2018 | 24.8 | 30.7 | 112.5% | 94.0% | -45.6% | 1.1 | 10.00% | S/A | 29 Oct 2018 | 206 | // |
| UkrLandFarming, 2018 | 29.8 | 33.1 | 150.8% | 135.2% | -37.1% | 0.6 | 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 | 82.3 | 84.6 | n/a | n/a | 101.1% | n/a | 10.375% | S/A | 28 Mar 2018 | 160 | Ca//C |
| DTEK, 2018 | 82.3 | 83.8 | n/a | n/a | 86.5% | n/a | 7.88% | S/A | 4 Apr 2018 | 750 | Ca//C |
| Metinvest, 2016 | 91.3 | 93.2 | n/a | n/a | 62.6% | n/a | 10.25% | S/A | 31 Jan 2016 | 85 | //C |
| Metinvest, 2017 | 91.7 | 93.6 | n/a | n/a | 104.3% | n/a | 10.50% | S/A | 28 Nov 2017 | 290 | //C |
| Metinvest, 2018 | 91.5 | 93.6 | n/a | n/a | 108.0% | n/a | 8.75% | S/A | 14 Feb 2018 | 750 | //C |
| Ferrexpo, 2019 | 99.8 | 101.4 | 10.4% | 9.7% | 83.9% | 1.6 | 10.375% | S/A | 07 Apr 2019 | 186 | Caa3/CCC/CC |
| Ferrexpo, 2019 | 91.5 | 93.6 | 10.3% | 9.5% | 76.4% | 1.6 | 10.375% | S/A | 07 Apr 2019 | 161 | Caa3/CCC/CC |
| UZ Rail, 2021 | 94.3 | 96.0 | 11.5% | 11.0% | 10.7% | 2.5 | 9.88% | S/A | 15 Sept 2021 | 500 | /CC+/CCC |
| Interepipe, 2017 | 25.0 | 30.0 | 469.4% | 374.2% | -8.3% | 0.2 | 10.25% | S/A | 2 Aug 2017 | 200 | IN DEFAULT |
| JKX Oil&Gas, 2018 | 81.9 | 83.9 | 41.7% | 39.1% | 15.1% | 0.1 | 8.00% | S/A | 19 Feb 2018 | 16 | // |
| Bank Eurobonds | | | | | | | | | | | |
| Fin&Credit Bank, 2019 | 0.0 | 2.0 | n/a | n/a | -89.0% | n/a | 9.25% | S/A | 25 Jan 2019 | 100 | IN DEFAULT |
| PUMB, 2018 | 99.4 | 102.1 | 11.3% | 9.8% | 35.9% | 1.2 | 11.00% | Q | 31 Dec 2018 | 275 | // |
| Nadra Bank, 2018 | 0.4 | 1.5 | n/a | n/a | -86.9% | n/a | 6.25% | A | 31 Jul 2018 | 60 | IN DEFAULT |
| PrivatBank, 2018-2 | 14.5 | 19.5 | 331.9% | 261.9% | -77.6% | 1.5 | 10.25% | S/A | 23 Jan 2018 | 200 | Ca//CC |
| PrivatBank, 2021 | 10.5 | 15.5 | 122.7% | 92.8% | -80.6% | 1.2 | 11.00% | S/A | 09 Feb 2021 | 220 | Ca//CC |
| PrivatBank, 2018 | | | | | | 0.9 | 10.88% | S/A | 28 Feb 2018 | 175 | Ca//CC |
| UkrEximBank, 2022 | 97.6 | 98.6 | 10.2% | 10.0% | 9.4% | 2.6 | 9.625% | S/A | 27 Apr 2022 | 750 | Caa3//B- |
| UkrEximBank, 2023 | 81.1 | 83.9 | 12.9% | 12.1% | 11.4% | 3.5 | 7.51% | S/A | 9 Feb 2023 | 125 | Caa3//CCC |
| UkrEximBank, 2025 | 94.3 | 95.1 | 10.8% | 10.7% | 8.4% | 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 | 97.0 | 98.1 | 10.0% | 9.8% | 9.6% | 2.5 | 8.25% | S/A | 10 Mar 2023 | 700 | Caa3//B- |
| Oschadbank, 2025 | 93.8 | 95.1 | 10.8% | 10.5% | 7.6% | 3.4 | 8.88% | S/A | 20 Mar 2025 | 500 | Caa3//B- |
| Municipal Eurobonds | | | | | | | | | | | |
| City of Kyiv, 2015 | 70.3 | 82.8 | n/a | n/a | -8.4% | n/a | 8.00% | S/A | 6 Nov 2015 | 101 | IN DEFAULT |

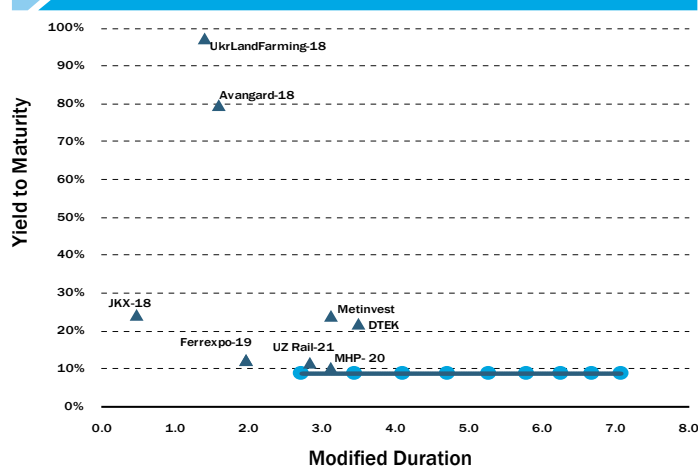
¹ Moody's/S&P/Fitch

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 UAH mn |
|------------------------------|-------------|-------------|-----------|-----------|-------------------|--------|---------------|---------------|---------------|
| UAH denominated Bonds | | | | | | | | | |
| UA4000142665 | | | 17.00% | 16.00% | n/a | 19.50% | S/A | 19 Jul 2017 | n/a |
| VAT Bonds | | | | | | | | | |
| UA4000185151 | | | 17.00% | 16.00% | 1.9 | 9.50% | S/A | 8 Jul 2019 | 3,577 |
| UA4000185557 | | | 17.00% | 16.00% | 1.9 | 9.50% | S/A | 22 Jul 2019 | 2,171 |
| UA4000186159 | | | 17.00% | 16.00% | 1.9 | 9.50% | S/A | 20 Aug 2019 | 955 |

Source: Bloomberg, Cbonds, Eavex Research

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