

Stock Market Update

Equity

Ukrainian equities were on the rise last week, boosted by better-than-expected earnings results and a global rally in commodities, including iron ore and steel. Additional positive background was provided by preliminary data that said the Ukrainian economy grew by 2.5% YoY in 1H17.

The UX index advanced by 3.7% to 1121 points, its highest level since early 2015. Electricity stocks CentrEnergO (CEEN) and DonbasEnergO (DOEN) outperformed the market. CentrEnergO (CEEN) added 7.0% to UAH 11.50 after the company posted an impressive UAH 5.47 earnings per share for 1H17. DonbasEnergO (DOEN) has not published its 2Q17 report, but the stock surged by 12% to UAH 14.50 on news that the State Property Fund (SPF) will conduct an auction for the sale of a 25% stake in the company with a starting price of UAH 113 per share. We think that the SPF has overestimated DonbasEnergO's fair value, given that the company's most valuable asset, the Starobeshivska power plant, has been seized by pro-Russian separatists. Meanwhile, UkrNafta (UNAF) had a rather muted reaction to news that the company posted EPS of UAH 23 for 2Q17. The stock edged up 1.1% to UAH 127 per share.

In London trading, Ferrexpo (FXPO) enjoyed a rebound in iron ore prices, which topped USD 70 per tonne, with the stock rallying by 7.5% to GBP 232. Warsaw-listed Ukrainian names were mixed, with Kernel (KER) declining 1.7% to PLN 63.80 and Astarta (AST) picking up 6.1% to PLN 69.00 after a report that the company's sugar sales volume increased by 8% YoY in 2Q17.

On the currency front, the hryvnia inched down 0.2% to close at 25.93 UAH/USD. The National Bank said it did not intervene in the market over the week.

Highlights

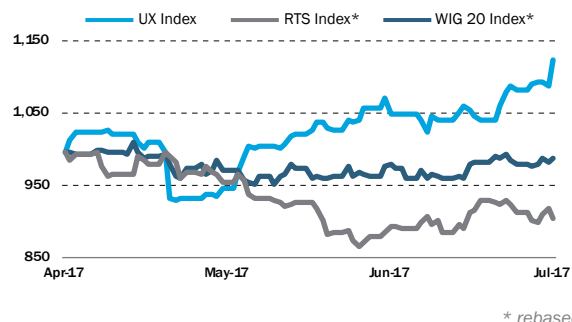
POLITICS AND ECONOMICS

- > Saakashvili: Poroshenko, Avakov Split Ukraine Among Themselves
- > June Industrial Output Grew 3.8% YoY On Machinery Sector Recovery

STOCKS IN THE NEWS

- > Motor Sich 1H Profit Jumps 78% YoY to UAH 1100 Per Share
- > CentrEnergO Profit Surges 3-Fold to UAH 1.2bn in 2Q17

STOCK MARKET PERFORMANCE

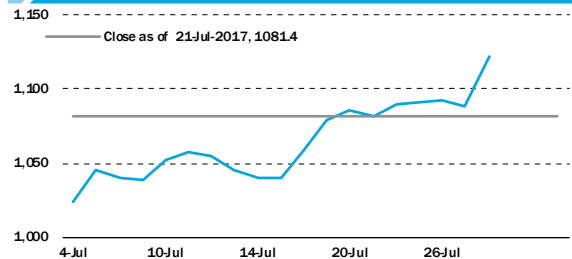


*rebased

MARKET INDEXES

| | Last | 1W ch | 1M ch | YTD |
|---------|--------|-------|-------|--------|
| UX | 1121.9 | 3.7% | 7.1% | 41.0% |
| RTS | 1014.4 | -1.0% | 1.1% | -12.0% |
| WIG20 | 2360.4 | 0.7% | 0.7% | 21.2% |
| MSCI EM | 1063.0 | 0.3% | 4.6% | 23.3% |
| S&P 500 | 2472.1 | 0.0% | 2.2% | 10.4% |

UX 1M PERFORMANCE



FIXED INCOME

| | Last | 1W ch | 1M ch | YTD |
|--------------|-------|-----------|-----------|-----------|
| EMBI+Global | 326 | 0.2% | -0.2% | -10.8% |
| NBU Key Rate | 12.5% | 0.0 p.p. | 0.0 p.p. | -1.5 p.p. |
| Ukraine-19 | 5.6% | -1.9 p.p. | -2.3 p.p. | -1.8 p.p. |
| Ukraine-27 | 8.0% | 0.1 p.p. | -0.1 p.p. | -0.7 p.p. |
| MHP-20 | 5.4% | -0.2 p.p. | -0.5 p.p. | -4.1 p.p. |
| UZ Rail-21 | 8.1% | -0.1 p.p. | -0.9 p.p. | -3.6 p.p. |

CURRENCY

| | Last, UAH | 1W ch | 1M ch | YTD |
|-----|-----------|-------|-------|-------|
| USD | 25.93 | 0.2% | -0.6% | -5.0% |
| EUR | 30.47 | 1.0% | 3.0% | 7.7% |
| RUB | 0.44 | -0.3% | -0.8% | -1.2% |

COMMODITIES

| | Last | 1W ch | 1M ch | YTD |
|---------------|--------|-------|-------|-------|
| Wheat, USD/t* | 175.0 | 0.0% | 3.9% | 1.2% |
| Steel, USD/t | 505.0 | 8.0% | 14.8% | 2.0% |
| Oil, USD/bbl | 52.5 | 9.3% | 11.9% | -7.6% |
| Gold, USD/oz | 1269.7 | 1.2% | 1.8% | 10.2% |

*Ukraine FOB

Source: Bloomberg, Ukrainian Exchange

Saakashvili: Poroshenko, Avakov Split Ukraine Among Themselves

by Will Ritter
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NEWS

Former Odessa provincial governor Mikhail Saakashvili, who was deprived of his Ukrainian citizenship last week, accused President Poroshenko and Interior Minister Arseniy Avakov of “dividing the country among themselves” in an interview with the Ukrayinska Pravda news site published on Saturday (Jul 29). Saakashvili, who also previously lost his Georgian citizenship, was fingered by Ukraine’s State Migration Service for allegedly submitting false information on his citizenship application. His interview with UP contained a number of bombshell accusations, including that he had a two-hour meeting with Poroshenko in March that was “full of blackmail and threats” from the President. He said that Poroshenko “made an outrageous deal with Avakov... on control of mineral resources, state assets, and customs (revenue) flows”, and that Poroshenko complained during the meeting that Saakashvili’s criticism was focused on himself rather than on Avakov or Batkivschyna opposition party leader Yulia Tymoshenko. Saakashvili called Poroshenko and Avakov “temporary allies who hate each other.”

COMMENTARY

If Saakashvili’s sudden acceptance of Ukrainian citizenship two years ago as a “silver bullet reformer” was a bit ridiculous, this equally abrupt termination of his citizenship appears even more absurd. Saakashvili never recovered from his highly-publicized vulgar confrontation with Avakov at a December 2015 Cabinet meeting, even if at the time, Avakov seemed to have come off the worse. The hard fact here is that Avakov, despite his authoritarian tendencies and the numerous corruption accusations against him, is one of the key political cogs that holds Ukraine together, while Saakashvili is not. It is clear to us that Saakashvili and his small team were destined to fail in Odessa, first of all because the corruption there vastly exceeded anything he faced in Georgia. Secondly, Ukraine’s major Russian-speaking cities - Odessa, Kharkiv, Mariupol, and Dnipro - are dominated by local oligarchic groups that have made non-public power-sharing agreements with Poroshenko and the national authorities in Kyiv, and Saakashvili simply lacked the clout to break up this arrangement. He increasingly became a “one-man show” in politics, quarreling with his former prominent allies in Parliament Serhiy Leschenko and Mustafa Nayem and splitting their once-joint reform movement. Although many analysts have wondered why Poroshenko saw it necessary to move against such a weakened figure, Saakashvili was still probably capable of bringing a few thousand people out into the streets, attracting media coverage, and fomenting instability, particularly in cooperation with other populist groups. The good news for Saakashvili is that he remains untarnished by any serious allegations of personal corruption, and his extensive connections in the United States should allow him to set up shop there and continue his political activity at it relates to both Ukraine and Georgia from abroad. We doubt, however, that he could exert a major influence on Ukraine’s upcoming 2019 election cycle. From his side, Poroshenko will certainly pay a price in terms of his image in Western capitals for this arbitrary exercise of power, and it may also further weaken his domestic standing among reform-minded voters.

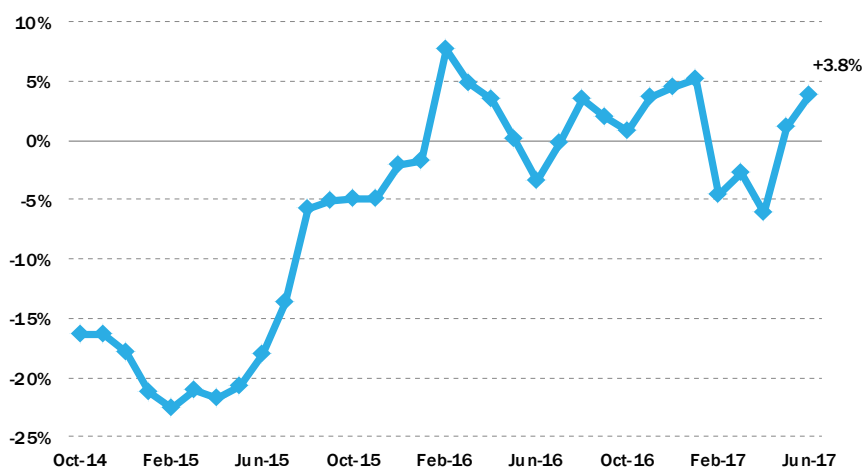
**June Industrial Output Grew 3.8%
YoY On Machinery Sector Recovery**

by Dmitry Churin
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NEWS

Ukraine's industrial output increased by 3.8% YoY in June on significant 15.9% YoY growth in output in the machinery sector, according to data from the State Statistics Committee released last week. On a month-on-month basis, the UkrStat's industrial index inched up 0.1% MoM in June. For the full 1H17 period, the index declined by 0.4% YoY, with the weakness attributed mainly to the trade blockade of the Donbass occupied territories. Until this March, there were large enterprises on the occupied territories which were controlled by Ukrainian industrial groups and their output was included in the overall statistical data. For 1H17, the extraction sector an output increase was 0.5% YoY and the manufacturing sector was up by 3.6% YoY. However, the utility sector, which reflects energy supplies to large industrial consumers, suffered a drop of 5.6% YoY.

UKRAINE'S MONTHLY INDUSTRIAL PRODUCTION INDEX, YOY



Source: State Statistics Committee

COMMENTARY

We were a bit surprised by the high industrial output figures for June, and we attribute the 15.9% YoY jump in the machinery sector to military orders. Meanwhile, evidence of a broader recovery in industrial production was a rise of 10.8% YoY in textiles and of 4.3% YoY in the food processing. The steel sector, which accounts for around 25% of the country's merchandise exports, showed a mixed performance, with output rising by 1.8% YoY in June but coming in 2.7% YoY lower overall for the first half.

In other important macroeconomic data, UkrStat reported that the agriculture production index declined by 2.1% YoY in 1H17, while the construction index advanced 24.6% YoY in the period.

Motor Sich 1H Profit Jumps 78% YoY to UAH 1100 Per Share

by Dmitry Churin
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MOTOR SICH (MSICH UK)

Price: UAH 2,480 Market Cap: USD 199mn

| | P/B | EV/S | P/E | EV/EBITDA | Div. Yield |
|-------|-----|------|-----|-----------|------------|
| 2016 | 0.3 | 0.4 | 2.6 | 1.0 | 1.0% |
| 2017E | 0.3 | 0.4 | 2.7 | 1.1 | 1.1% |

NEWS

Zaporizhia-based aircraft engine producer Motor Sich boosted its net profit by 78% YoY to UAH 2.29bn (USD 87mn) in 1H17, which corresponds to UAH 1100 per share, according to financials released on Jul 26. The company's revenue rose by 35% YoY to UAH 6.82bn in the period while EBITDA jumped by 73% YoY to UAH 2.98bn. In 2Q17 alone, Motor Sich earned UAH 831mn in net profit on sales of UAH 3.39bn, with the top line increasing by 14% YoY. The company's report said that only 40% of its revenue in 1H17 came from engine sales, which implies that nearly 60% of sales came from engine servicing and repair. On the balance sheet side, Motor Sich reported total debt of UAH 1.09bn and available cash of UAH 2.07bn as of 30 Jun 2017.

MOTOR SICH FINANCIAL RESULTS

| UAH mn | 2Q17 | 2Q16 | 1Q17 | QoQ | YoY | 1H17 | 1H16 | YOY |
|---------------|-------|-------|-------|------------|-----------|-------|-------|-----------|
| Net revenue | 3,389 | 2,963 | 3,430 | -1.2% | +14.4% | 6,819 | 5,063 | +34.7% |
| EBITDA | 1248 | 1023 | 1730 | -27.9% | +22.0% | 2977 | 1726 | +72.5% |
| EBITDA margin | 36.8% | 34.5% | 50.4% | -13.6 p.p. | +2.3 p.p. | 43.7% | 34.1% | +9.6 p.p. |
| Net Income | 831 | 979 | 1,457 | -42.9% | -15.1% | 2,288 | 1,284 | +78.3% |
| Net margin | 24.5% | 33.0% | 42.5% | -18.0 p.p. | +8.5 p.p. | 33.6% | 25.4% | +8.2 p.p. |

Source: Company data,

COMMENTARY

Motor Sich's financials for 1H17 look so impressive that we have to wonder whether the company is managing to circumvent Ukraine's ban on sales of military-related aircraft engines to Russia via intermediary sales to third parties. The net profit figure for 2Q17 beat our expectations, and the fact that the company has been able to increase its revenue after "closure" of the Russian market is very surprising. On the other hand, investors still can not ignore the risk that Motor Sich's order book might suddenly start to shrink, and this is the reason for the very low valuation for the MSICH stock, which currently trades at P/E of 2.7x and EV/EBITDA of 1.1x.

Although from the financial point of view Motor Sich looks great, there are new risks appearing around the company. The Ukrainian prosecutor's office has opened a case against Motor Sich's top management involving money laundering of UAH 350mn (USD 14mn), as well as a separate case to investigate the company's non-transparent ownership structure. There is only one publicly identified Motor Sich shareholder with a stake exceeding 10%, while some 70% of shares are distributed among various offshore entities. Longtime CEO (until 2015) Viacheslav Boguslaev, who was the Soviet-era director of the company, has always been assumed to be the controlling shareholder, but it is not clear that this is still the case. The Ukrainian Exchange lists Motor Sich's official free float at 20%; in practice, the low trading volume of the stock implies that the actual free float is considerably smaller.

CentrEnergO Profit Surges 3-Fold to UAH 1.2bn in 2Q17

by Dmitry Churin
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CENTRENERGO (CEEN UK)

Price: UAH 11.50 Market Cap: USD 164mn

| | P/B | EV/S | P/E | EV/EBITDA | Div. Yield |
|-------|-----|------|------|-----------|------------|
| 2016 | 0.5 | 0.2 | 10.8 | 1.7 | 2.8% |
| 2017E | 0.5 | 0.2 | 3.2 | 1.1 | 9.4% |

NEWS

CentrEnergO, Ukraine's second largest thermal electricity generator by installed capacity, reported a three-fold increase in its net profit to UAH 1.17bn (USD 44mn) in 2Q17, according to financials published on Jul 28. On the top line, the company's net revenue rose 9.7% YoY to UAH 2.87bn, while EBITDA jumped from UAH 546mn in 2Q16 to UAH 1.53bn in 2Q17. For the 1H17 period, CentrEnergO's net revenue grew by 18% YoY to UAH 6.03bn, EBITDA surged 2.9x YoY to UAH 2.68bn, and net profit was UAH 2.02bn compared to net profit of UAH 686mn a year ago. On the balance sheet side, the company reported available cash of UAH 2.26bn (USD 87mn) and no interest bearing debt as of 30 June 2017.

CENTRENERGO'S FINANCIAL RESULTS

| UAH mn | 2Q17 | 2Q16 | 1Q17 | QoQ | YoY | 1H17 | 1H16 | YoY |
|---------------|-------|-------|-------|-----------|-----------|-------|-------|------------|
| Net revenue | 2,867 | 2,614 | 3,167 | -9.5% | +9.7% | 6,034 | 5,126 | +17.7% |
| EBITDA | 1,529 | 546 | 1,148 | +33.2% | +180.1% | 2,677 | 915 | +193% |
| EBITDA margin | 53.3% | 20.9% | 36.2% | +17.1p.p. | +32.4p.p. | 44.4% | 17.8% | +26.5 p.p. |
| Net Income | 1,168 | 417 | 851 | +37.2% | +180.5% | 2,019 | 686 | +194% |
| Net margin | 40.7% | 15.9% | 26.9% | +13.9p.p. | +24.8p.p. | 33.5% | 13.4% | +20.1 p.p. |

Source: Company data,

COMMENTARY

CentrEnergO's profit for 1H17 implies earnings per share of UAH 5.47. The electricity tariffs that wholesale operator EnergoRynok pays to thermal generation companies has risen by 20% since the start of the year. On the other hand, CentrEnergO historically sees a weak financial performance in the fourth quarter. We are raising our forecast for CentrEnergO's FY17 net profit from UAH 700mn to UAH 1.4bn, which, despite the conservative estimate, still implies that the company trades at a very low P/E of 3.2x. Moreover, with a net cash position of USD 87mn, the company's EV/EBITDA for this year is just 1.1x, and if the company continues to enjoy favorable market expectations this year (against our expectations), the P/E could fall to a similar level. We assume that the government tries to make CentrEnergO's financials look as attractive as possible ahead of the company's eventual privatization.

The CEEN stock rose 7.0% last week to close at UAH 11.50 per share. We confirm our BUY recommendation for the stock with a target price of UAH 15 per share, which implies a 30% upside.

EAVEX RECOMMENDATIONS

| Name | Ticker | Price, per share | Target price, per share | Upside, % | Rating | Commentary |
|------------------------------|---------|------------------|-------------------------|-----------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agriculture | | | | | | |
| Kernel | KER PW | 63.8 | 80.0 | 25% | HOLD | 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 | 10.0 | 14.0 | 40% | BUY | MHP could start process of deleveraging which in turn would boost the company's MCap. Also the company has a declared strategy to expand its presence on the MENA and EU markets. MHP continued to increase its export sales, which accounted for 51% of total revenue in 9M16 compared to 45% a year ago. |
| Astarta | AST PW | 69.0 | 70.0 | 1% | 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. |
| Agroton | AGT PW | 6.46 | 12.0 | 86% | BUY | Agroton unveiled a strategy to increase its land bank from 122,000 ha to 200,000 ha by mid-2019 securing additional lease rights and by acquiring companies that control land plots in Luhansk and Kharkiv region. |
| IMC | IMC PW | 10.2 | 13.0 | 28% | 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 | 0.6 | 0.3 | -50% | 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 | 112.3 | 110.0 | -2% | HOLD | 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 | 232.3 | -- | -- | U/R | An impressive reduction in the production and other operating cost led to higher profitability. A separate positive factor was an upward price trend for iron ore and steel on global markets. |
| Specialized Machinery | | | | | | |
| Motor Sich | MSICH | 2478 | 5250 | 112% | BUY | The reported profit for FY16 represents UAH 1052 per share, which means the stock is still valued at P/E of barely more than 2.0x. Our base case scenario forecast for Motor Sich's net profit for FY17 is UAH 2.0bn, implying EPS of UAH 960. |
| Oil & Gas | | | | | | |
| UkrNafta | UNAF | 128 | 270 | 112% | BUY | UNAF stock has been in a local upward trend since December after Parliament cut the production tax for oil for 2017. |
| Concern Galnaftogaz | GLNG | 0.15 | 0.24 | 60% | BUY | Galnaftogaz is pursuing a plan to aggressively expand its filling station network. |
| Regal Petroleum | RPT LN | 3.6 | 15.0 | 314% | BUY | Taking into account that Regal acquired PEP's assets for an estimated value of USD 6.8/boe of 2P reserves, we assume that Regal's potential enterprise value could be as much as USD 92mn. |
| JKX Oil & Gas | JKX LN | 17.0 | -- | -- | U/R | The company's balance sheet looks healthy after it successfully restructured its Eurobonds. An overall demand for natural gas in Ukraine remains strong. |
| Power Utilities | | | | | | |
| DonbasEnerg | DOEN | 14.5 | 9.0 | -38% | SELL | 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 | 11.50 | 15.00 | 30% | 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 | 0.260 | 0.27 | 4% | HOLD | Raiffeisen Aval's 1Q17 net profit was at a record high UAH 1.45bn (USD 54mn), implying earnings per share of 2.36 kopecks. We forecast that the bank will post a net profit of UAH 3.50bn in FY17 and will pay a 5.40 kopeck dividend next year. |

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 | 1121.94 | 1126.17 | 670.15 | 3.7% | 7.1% | 9.8% | 41.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Iron Ore Mining | | | | | | | | | | | | |
| Ferrexpo | FXPO | 232.30 | 236.50 | 42.00 | 7.5% | 16.8% | 46.9% | 72.7% | -4.9% | 3.8% | 9.7% | 31.7% |
| Railcar Manufacturing | | | | | | | | | | | | |
| Kryukiv Wagon | KVBZ | 9.03 | n/a | n/a | -2.4% | -9.2% | -5.9% | 2.6% | -6.1% | -16.2% | -15.7% | -38.4% |
| Specialized Machinery | | | | | | | | | | | | |
| Motor Sich | MSICH | 2478 | 2697 | 934 | 1.2% | -4.7% | 14.5% | 33.4% | -2.5% | -11.8% | 4.7% | -7.6% |
| Turboatom | TATM | 10.93 | n/a | n/a | -1.1% | -10.0% | -11.5% | 16.9% | -4.8% | -17.1% | -21.3% | -24.1% |
| Telecom | | | | | | | | | | | | |
| Ukrtelecom | UTLM | 0.130 | n/a | n/a | 0.0% | -4.3% | 0.2% | -21.1% | -3.7% | -11.3% | -9.6% | -62.1% |
| Oil & Gas | | | | | | | | | | | | |
| Regal Petroleum | RPT | 3.63 | 5.50 | 2.73 | 0.0% | -11.7% | -4.1% | -2.9% | -3.1% | -3.7% | -18.8% | -43.9% |
| JKX Oil | JKX | 17.00 | 33.50 | 16.50 | 1.5% | -13.9% | -12.8% | -43.8% | -3.1% | -2.3% | -21.0% | -84.8% |
| Ukrnafta | UNAF | 127.5 | n/a | n/a | 1.1% | 8.9% | 26.2% | 23.5% | -2.6% | 1.8% | 16.4% | -17.4% |
| Power Utilities | | | | | | | | | | | | |
| Centrenerg | CEEN | 11.50 | 12.00 | 7.54 | 7.0% | 9.1% | 7.9% | 11.1% | 3.2% | 2.0% | -1.9% | -29.9% |
| Donbasenerg | DOEN | 14.50 | n/a | n/a | 11.9% | 15.5% | 21.3% | 38.0% | 8.1% | 8.5% | 11.6% | -3.0% |
| Zakhidenerg | ZAEN | 116.00 | 164.00 | 55.00 | -5.7% | -3.3% | 58.9% | 85.6% | -9.4% | -10.4% | 49.1% | 44.6% |
| Consumer | | | | | | | | | | | | |
| Agroton | AGT | 6.46 | 7.70 | 2.04 | 8.0% | 7.8% | -11.5% | 59.5% | -2.2% | 4.3% | 0.8% | 18.5% |
| Astarta | AST | 69.00 | 72.00 | 48.99 | 6.1% | 6.1% | -4.2% | 27.7% | -2.6% | 2.4% | -0.9% | -13.3% |
| Avangardo | AVGR | 0.60 | 1.00 | 0.26 | 0.0% | -7.7% | -40.0% | 71.4% | -3.1% | -3.7% | -14.8% | 30.5% |
| Industrial Milk Company | IMC | 10.19 | 10.98 | 6.50 | 2.4% | -2.6% | -1.8% | 26.6% | -3.1% | -1.3% | -9.7% | -14.4% |
| Kernel | KER | 63.82 | 80.00 | 57.50 | -1.7% | -4.3% | -7.5% | 0.0% | -2.8% | -5.5% | -11.4% | -41.0% |
| MHPC | MHPC | 10.00 | 10.50 | 8.54 | -0.5% | 0.1% | -2.9% | 13.8% | -2.3% | -4.2% | -7.0% | -27.2% |
| Milkiland | MLK | 1.74 | 2.80 | 1.69 | 3.0% | 0.0% | -19.8% | -13.0% | -3.1% | -0.8% | -7.1% | -54.0% |
| Ovostar Union | OVO | 112.30 | 128.05 | 84.00 | -1.5% | -12.3% | 18.9% | 29.8% | 1.3% | -5.2% | -19.4% | -11.1% |
| Banks | | | | | | | | | | | | |
| Raiffeisen Bank Aval | BAVL | 0.260 | n/a | n/a | 2.9% | 15.1% | 1.7% | 97.3% | -0.8% | 8.0% | -8.1% | 56.4% |

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 | | |
|------------------------------|--------|--------------|-------|-------|--------------|------|-------|---------------|-------|-------|------------|------|-------|-------------------|--------|-------|
| | | 2015 | 2016 | 2017E | 2015 | 2016 | 2017E | 2015 | 2016 | 2017E | 2015 | 2016 | 2017E | 2015 | 2016 | 2017E |
| Iron Ore Mining | | | | | | | | | | | | | | | | |
| Ferrexpo | FXPO | 961 | 986 | 1,282 | 313 | 375 | 495 | 32.6% | 38.0% | 38.6% | 31 | 189 | 255 | 3.3% | 19.2% | 19.9% |
| Railcar Manufacturing | | | | | | | | | | | | | | | | |
| Kryukiv Wagon | KVBZ | 41 | 67 | 55 | -15 | 1 | 6 | -37.1% | 0.9% | 11.0% | -19 | -4 | 2 | -46.3% | -5.9% | 3.3% |
| Specialized Machinery | | | | | | | | | | | | | | | | |
| Turboatom | TATM | 128 | 98 | 99 | 87 | 33 | 35 | 67.9% | 34.0% | 35.2% | 75 | 27 | 28 | 58.3% | 28.0% | 27.8% |
| Motor Sich | MSICH | 697 | 414 | 426 | 237 | 166 | 151 | 33.9% | 40.1% | 35.3% | 158 | 77 | 74 | 22.6% | 18.6% | 17.2% |
| Oil & Gas | | | | | | | | | | | | | | | | |
| Ukrnafta | UNAF | 1,319 | 885 | 1,162 | -101 | 116 | 151 | -7.7% | 13.1% | 13.0% | -250 | -343 | 74 | -18.9% | -38.7% | 6.3% |
| Regal Petroleum | RPT | 22 | 25 | 27 | 10 | 10 | 15 | 45.5% | 40.4% | 55.6% | -1 | 0 | 1 | na | 0.0% | 3.7% |
| JKX Oil | JKX | 89 | 80 | 95 | 17 | 29 | 34 | 19.1% | 36.3% | 35.8% | -82 | -20 | 3 | -92.1% | -25.0% | 3.2% |
| Electric Utilities | | | | | | | | | | | | | | | | |
| Centrenergy | CEEN | 315 | 419 | 492 | 12 | 46 | 69 | 3.7% | 11.1% | 14.1% | 3 | 15 | 51 | 1.0% | 3.6% | 10.5% |
| Donbasenergo | DOEN | 190 | 157 | 147 | 8 | 7 | 5 | 4.3% | 4.4% | 3.3% | -9 | -2 | 1 | -4.6% | -1.1% | 1.0% |
| Consumer | | | | | | | | | | | | | | | | |
| MHP | MHPC | 1,183 | 1,135 | 1,400 | 459 | 415 | 490 | 38.8% | 36.6% | 35.0% | -126 | 59 | 170 | -10.6% | 5.2% | 12.1% |
| Kernel | KER | 2,330 | 1,989 | 2,128 | 397 | 346 | 381 | 17.0% | 17.4% | 17.9% | 101 | 225 | 270 | 4.3% | 11.3% | 12.7% |
| Astarta | AST | 349 | 402 | 445 | 144 | 167 | 170 | 41.4% | 41.6% | 38.1% | 18 | 90 | 113 | 5.1% | 22.4% | 25.3% |
| Avangardco | AVGR | 230 | 191 | 180 | -69 | 1 | 22 | -30.2% | 0.4% | 12.2% | -158 | -57 | 2 | -68.9% | -29.6% | 1.1% |
| Ovostar | OVO | 76 | 84 | 90 | 35 | 40 | 43 | 46.0% | 47.7% | 48.2% | 32 | 35 | 37 | 42.3% | 41.8% | 41.1% |
| Banks | | | | | | | | | | | | | | | | |
| | | Total Assets | | | Total Equity | | | Total Income | | | Net Profit | | | Return on Equity | | |
| Raiffeisen Bank Aval | BAVL | 1,958 | 2,113 | 2,080 | 261 | 381 | 347 | 216 | 204 | 228 | -66 | 150 | 228 | -25.3% | 39.4% | 65.7% |

Source: Eavex Research

MAIN TRADING MULTIPLES

| Name | Ticker | MCap USD mn | Free Float % USD mn | EV USD mn | P/E | | | EV/EBITDA | | | EV/Sales | | | |
|------------------------------|--------|----------------|------------------------|--------------|-------|------|-------|-----------|------|--------|----------|------|----------|------|
| | | | | | 2015 | 2016 | 2017E | 2015 | 2016 | 2017E | 2015 | 2016 | 2017E | |
| Iron Ore Mining | | | | | | | | | | | | | | |
| Ferrexpo | FXPO | 1,793 | 24.0% | 431 | 2,543 | >30 | 9.5 | 7.0 | 8.1 | 6.8 | 5.1 | 2.6 | 2.6 | 2.0 |
| Railcar Manufacturing | | | | | | | | | | | | | | |
| Krukiv Wagon | KVBZ | 40 | 5.0% | 2 | 35 | neg | neg | 21.7 | neg | >30 | 5.7 | 0.8 | 0.5 | 0.6 |
| Specialized Machinery | | | | | | | | | | | | | | |
| Turboatom | TATM | 57 | 5.8% | 3 | -29 | 0.8 | 2.1 | 2.1 | -0.3 | -0.9 | -0.8 | -0.2 | -0.3 | -0.3 |
| Motor Sich | MSICH | 199 | 24.0% | 48 | 161 | 1.3 | 2.6 | 2.7 | 0.7 | 1.0 | 1.1 | 0.2 | 0.4 | 0.4 |
| Oil & Gas | | | | | | | | | | | | | | |
| Ukrnafta | UNAF | 267 | 3.0% | 8 | 261 | neg | neg | 3.6 | neg | 2.2 | 1.7 | 0.2 | 0.3 | 0.2 |
| Regal Petroleum | RPT | 15 | 21.6% | 3 | -4 | neg | n/a | 15.2 | n/a | n/a | n/a | n/a | n/a | n/a |
| JKX Oil & Gas | JKX | 38 | 50.4% | 19 | 147 | neg | neg | 12.8 | 8.7 | 5.1 | 4.3 | 1.7 | 1.8 | 1.5 |
| Electric Utilities | | | | | | | | | | | | | | |
| CentrEnergO | CEEN | 164 | 21.7% | 36 | 76 | >30 | 10.8 | 3.2 | 6.5 | 1.6 | 1.1 | 0.2 | 0.2 | 0.2 |
| DonbasEnergO | DOEN | 13 | 14.2% | 2 | 27 | neg | neg | 9.0 | 3.4 | 3.9 | 5.7 | 0.1 | 0.2 | 0.2 |
| Consumer | | | | | | | | | | | | | | |
| MHP | MHPC | 1,057 | 34.1% | 360 | 2,217 | neg | 17.8 | 6.2 | 4.8 | 5.3 | 4.5 | 1.9 | 2.0 | 1.6 |
| Kernel | KER | 1,402 | 61.8% | 866 | 1,728 | 13.9 | 6.2 | 5.2 | 4.4 | 5.0 | 4.5 | 0.7 | 0.9 | 0.8 |
| Astarta | AST | 476 | 37.0% | 176 | 623 | 26.9 | 5.3 | 4.2 | 4.3 | 3.7 | 3.7 | 1.8 | 1.5 | 1.4 |
| Avangardco | AVGR | 38 | 22.5% | 9 | 370 | neg | neg | 19.2 | neg | >30 | 16.8 | 1.6 | 1.9 | 2.1 |
| Ovostar | OVO | 186 | 25.0% | 46 | 191 | 5.8 | 5.3 | 5.0 | 5.5 | 4.7 | 4.4 | 2.5 | 2.3 | 2.1 |
| Banks | | | | | | | | | | | | | | |
| | | | | | | | P/E | | | P/Book | | | P/Assets | |
| Raiffeisen Bank Aval | BAVL | 617 | 1.8% | 11 | | neg | 4.1 | 4.8 | 2.4 | 1.6 | 1.8 | 0.32 | 0.29 | 0.30 |

Source: Eavex Research

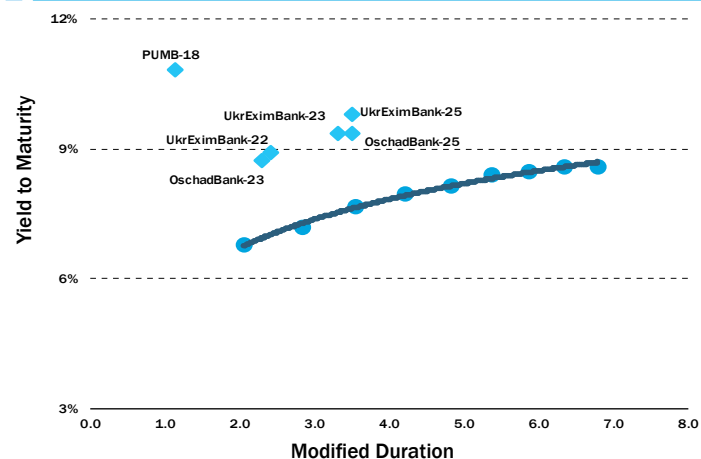
UKRAINIAN EUROBONDS

| 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 | 104.0 | 104.5 | 5.7% | 5.4% | 3.2% | 1.9 | 7.75% | S/A | 1 Sept 2019 | 1,744 | Caa3/B-/B- |
| Ukraine, 2020 | 103.8 | 104.5 | 6.4% | 6.1% | 5.0% | 2.6 | 7.75% | S/A | 1 Sept 2020 | 1,780 | Caa3/B-/B- |
| Ukraine, 2021 | 103.3 | 103.8 | 6.8% | 6.7% | 5.6% | 3.4 | 7.75% | S/A | 1 Sept 2021 | 1,409 | Caa3/B-/B- |
| Ukraine, 2022 | 102.4 | 103.0 | 7.2% | 7.0% | 5.9% | 4.0 | 7.75% | S/A | 1 Sept 2022 | 1,384 | Caa3/B-/B- |
| Ukraine, 2023 | 101.3 | 101.9 | 7.5% | 7.4% | 5.9% | 4.7 | 7.75% | S/A | 1 Sept 2023 | 1,355 | Caa3/B-/B- |
| Ukraine, 2024 | 100.1 | 100.8 | 7.7% | 7.6% | 5.7% | 5.2 | 7.75% | S/A | 1 Sept 2024 | 1,339 | Caa3/B-/B- |
| Ukraine, 2025 | 99.3 | 99.9 | 7.9% | 7.8% | 5.9% | 5.7 | 7.75% | S/A | 1 Sept 2025 | 1,329 | Caa3/B-/B- |
| Ukraine, 2026 | 98.4 | 99.0 | 8.0% | 7.9% | 5.3% | 6.2 | 7.75% | S/A | 1 Sept 2026 | 1,318 | Caa3/B-/B- |
| Ukraine, 2027 | 98.1 | 98.8 | 8.0% | 7.9% | 5.3% | 6.7 | 7.75% | S/A | 1 Sept 2027 | 1,307 | Caa3/B-/B- |
| Ukraine, GDP-linked (VRI) | 43.8 | 44.5 | n/a | n/a | 44.7% | n/a | 0.00% | S/A | 31 May 2040 | 3,214 | /B-/ |
| Corporate Eurobonds | | | | | | | | | | | |
| Agroton, 2019 | 14.0 | 18.4 | 157% | 130% | -19.1% | 1.0 | 6.00% | S/A | 14 Jul 2019 | 18 | // |
| Kernel, 2022 | 109.2 | 109.5 | 6.4% | 6.3% | 9.3% | 3.7 | 8.75% | S/A | 31 Jan 2022 | 500 | /B/B+ |
| MHP, 2020 | 106.8 | 107.1 | 5.5% | 5.3% | 10.7% | 2.3 | 8.25% | S/A | 2 Apr 2020 | 750 | /B-/B- |
| MHP, 2024 | 103.4 | 103.9 | 7.1% | 7.0% | 3.6% | 5.2 | 7.75% | S/A | 10 May 2024 | 500 | // |
| Avangardco, 2018 | 24.9 | 25.9 | 183% | 177% | -14.2% | 0.6 | 10.00% | S/A | 29 Oct 2018 | 206 | // |
| UkrLandFarming, 2018 | 28.4 | 28.9 | 347% | 339% | -6.7% | 0.2 | 10.88% | S/A | 26 Mar 2018 | 500 | /CC/ |
| Mriya, 2016 | 5.0 | 7.0 | n/a | n/a | n/a | n/a | 10.95% | S/A | 30 Mar 2016 | 72 | IN DEFAULT |
| Mriya, 2018 | 5.0 | 7.0 | n/a | n/a | n/a | n/a | 9.45% | S/A | 19 Apr 2018 | 400 | IN DEFAULT |
| DTEK, 2024 | 93.0 | 94.0 | 12.2% | 12.0% | 4.5% | 5.4 | 10.75% | S/A | 31 Dec 2024 | 1,275 | // |
| Metinvest, 2021 | 91.0 | 94.0 | 13.2% | 12.4% | -0.5% | | 9.37% | S/A | 31 Dec 2021 | 1,197 | //B |
| Ferrexpo, 2019 | 105.9 | 106.6 | 6.6% | 6.2% | 5.5% | 1.1 | 10.375% | S/A | 07 Apr 2019 | 186 | Caa3/CCC/CC |
| Ferrexpo, 2019 | 105.8 | 106.5 | 6.7% | 6.3% | 4.9% | 1.1 | 10.375% | S/A | 07 Apr 2019 | 161 | Caa3/CCC/CC |
| UZ Rail, 2021 | 103.4 | 104.2 | 8.9% | 8.6% | 8.8% | 2.1 | 9.88% | S/A | 15 Sept 2021 | 500 | /CCC+/CCC |
| Interepipe, 2017 | 25.0 | 28.0 | n/a | n/a | -3.6% | 0.0 | 10.25% | S/A | 2 Aug 2017 | 200 | IN DEFAULT |
| JKX Oil&Gas, 2018 | 85.0 | 95.0 | 22.8% | 17.2% | 19.8% | 1.9 | 8.00% | S/A | 19 Feb 2018 | 16 | // |
| Bank Eurobonds | | | | | | | | | | | |
| Fin&Credit Bank, 2019 | 0.6 | 1.5 | n/a | n/a | 1.0% | n/a | 9.25% | S/A | 25 Jan 2019 | 100 | IN DEFAULT |
| PUMB, 2018 | 103.5 | 104.3 | 8.3% | 7.8% | 2.3% | 1.1 | 11.00% | Q | 31 Dec 2018 | 275 | // |
| Nadra Bank, 2018 | 0.3 | 1.6 | n/a | n/a | 3.8% | n/a | 6.25% | A | 31 Jul 2018 | 60 | IN DEFAULT |
| PrivatBank, 2018-2 | 19.0 | 22.0 | n/a | n/a | 20.6% | 1.5 | 10.25% | S/A | 23 Jan 2018 | 200 | IN DEFAULT |
| PrivatBank, 2021 | 7.0 | 13.0 | n/a | n/a | -23.1% | 1.2 | 11.00% | S/A | 09 Feb 2021 | 220 | IN DEFAULT |
| PrivatBank, 2018 | 21.0 | 22.6 | n/a | n/a | 63.8% | 0.1 | 10.88% | S/A | 28 Feb 2018 | 175 | IN DEFAULT |
| UkrEximBank, 2022 | 104.8 | 105.1 | 8.4% | 8.3% | 7.1% | 2.2 | 9.625% | S/A | 27 Apr 2022 | 750 | Caa3//B- |
| UkrEximBank, 2023 | 95.6 | 97.3 | 9.5% | 9.1% | 16.8% | 3.5 | 7.51% | S/A | 9 Feb 2023 | 125 | Caa3//CCC |
| UkrEximBank, 2025 | 105.0 | 105.3 | 8.7% | 8.7% | 10.7% | 3.5 | 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 | 104.7 | 105.2 | 8.3% | 8.2% | 7.6% | 2.1 | 8.25% | S/A | 10 Mar 2023 | 700 | Caa3//B- |
| Oschadbank, 2025 | 105.0 | 105.1 | 8.7% | 8.7% | 11.1% | 3.1 | 8.88% | S/A | 20 Mar 2025 | 500 | Caa3//B- |
| Municipal Eurobonds | | | | | | | | | | | |
| City of Kyiv, 2015 | 62.4 | 73.0 | n/a | n/a | -11.8% | n/a | 8.00% | S/A | 6 Nov 2015 | 101 | IN DEFAULT |

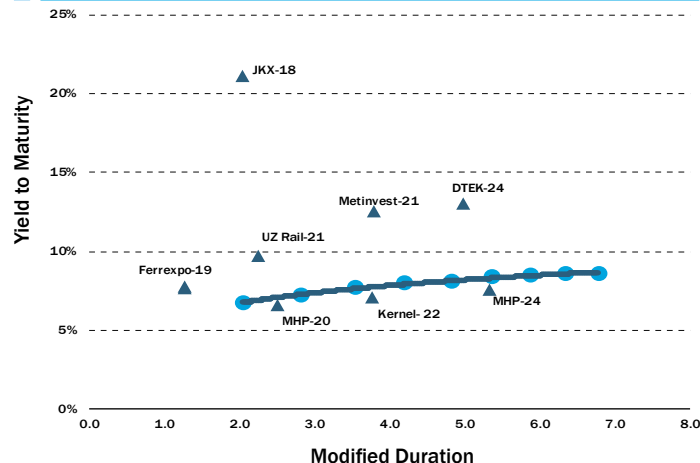
¹ Moody's/S&P/Fitch

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 | | | | | | | | | |
| UA4000194591 | | | 14.90% | 14.40% | n/a | 16.62% | S/A | 11 Jul .2018 | 1,454 |
| VAT Bonds | | | | | | | | | |
| UA4000185151 | | | 15.20% | 14.80% | 1.9 | 9.50% | S/A | 8 Jul 2019 | 3,577 |
| UA4000185557 | | | 15.20% | 14.80% | 1.9 | 9.50% | S/A | 22 Jul 2019 | 2,171 |
| UA4000186159 | | | 15.20% | 14.80% | 1.9 | 9.50% | S/A | 20 Aug 2019 | 955 |

Source: Bloomberg, Cbonds, Eavex Research

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