

Trends

Ukraine's sovereign Eurobonds were little changed last week after initial worries that the latest natural gas disagreement between Kyiv and Moscow could lead to serious problems faded away with the end of freezing weather. An early March cold snap, the harshest of this year's winter in Ukraine, led Russia's Gazprom to threaten Ukraine that it would terminate its gas contracts due to unauthorized fuel siphoning. Any such move by Gazprom would also negatively affect gas flows to Europe. The issue of Kyiv's access to extra supplies during winter cold snaps is the source of a long-running dispute that prompted Russia to suspend gas exports to Europe through Ukraine twice already, during the winters of 2005-06 and 2008-09.

An encouraging piece of business news was the successful auction for 4G licenses in the 1800 MHz band. The country's three largest mobile operators acquired the licenses from the state for a total sum of UAH 5.4bn (USD 200mn); this should lead to a marked improvement in Ukraine's national telecommunications infrastructure.

The longest outstanding Ukrainian Eurobonds, Ukraine-32s, were unchanged at 96.7/97.4 (7.8%/7.7%), while quotes for medium-term Ukraine-23s inched down 0.1% to 104.2/104.9 (6.8%/6.7%). The generally more volatile the VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) were flat at 67.8/68.8 cents on the dollar.

MHP-24s did not react to publication of the company's FY17 financials, which implied a Net Debt-to-EBITDA ratio of 2.25x at the end of 2017. The bonds had quotes of 108.3/108.8 (6.1%/6.0%). DTEK-24s edged up 0.6% to 107.0/107.8 (9.3%/9.1%) after the group said it will pay the upcoming coupon due in July fully in cash (the bond was restructured back in 2016, allowing for payment of only around half of the 2018 coupon at the 10.75% rate in cash, with the remaining amount to be capitalized).

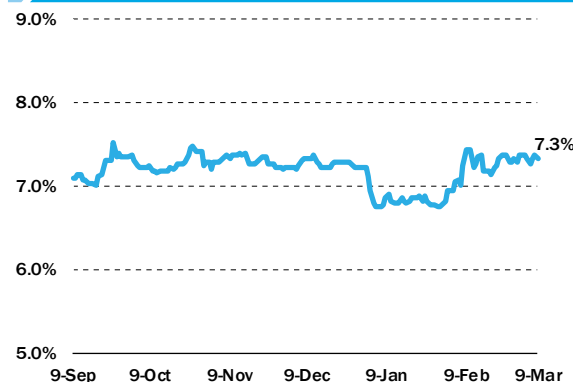
Quasi-sovereign UkrEximBank-25s fell by 0.6% to 107.4/107.7 (8.3%/8.2%).

The yield on the government's 1-year UAH-denominated treasuries was at bid/ask of 17.00%/16.00%.

The hryvnia expanded its strengthening momentum, spurred by the previous week's rise in the National Bank's key policy rate from 16.00% to 17.00%, gaining another 2.2% to 26.00 UAH/USD. Confidence in the currency was partly supported by information that the NBU's foreign currency reserves did not lose any ground in February, remaining steady at USD 18.4bn.

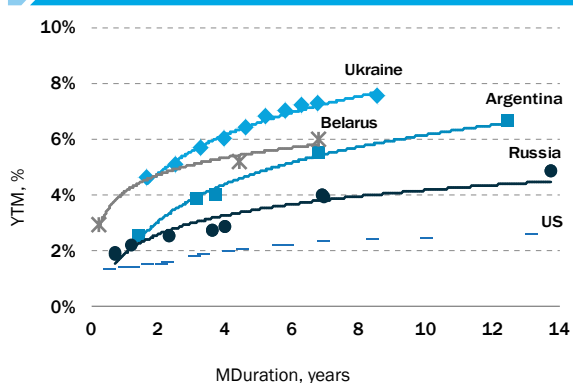
You can receive additional details about developments in Ukrainian fixed income from the Eavex Sales Team at sales@eavex.com.ua.

UKRAINE 10-YEAR BOND YIELD



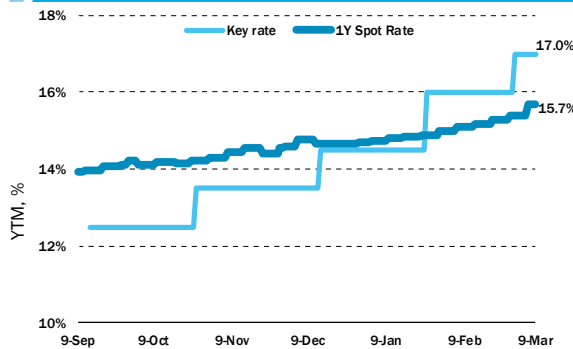
Source: Bloomberg, Eavex Capital

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

KEY INTEREST RATE vs SPOT RATE



Source: Bloomberg, Eavex Capital

Highlights

- > Poroshenko Tries to Score Points with NATO Membership Plan
- > MHP Reports FY17 Profit of USD 2.18/Share Despite 4Q FX Loss

CURRENCY

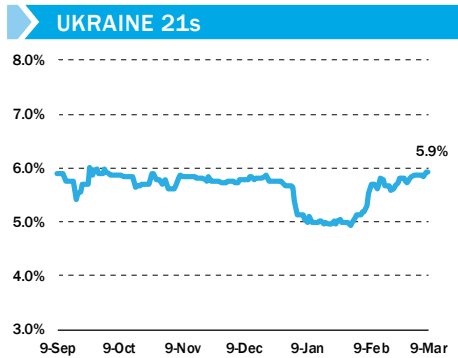
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	26.03	-2.2%	-4.0%	-7.4%
EUR/UAH	32.11	-2.1%	-4.6%	-4.7%
EUR/USD	1.23	-0.1%	0.4%	2.5%

Source: Bloomberg, Eavex Capital

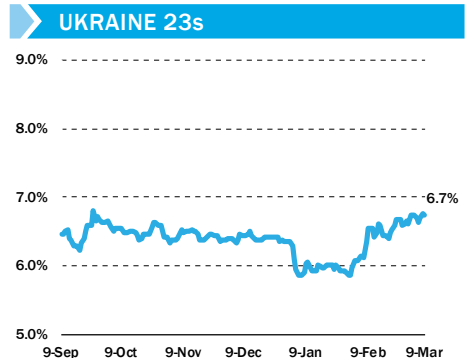
Selected Sovereign Issues



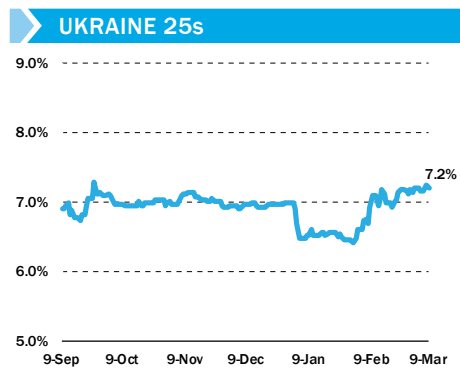
Source: Bloomberg, Eavex Research



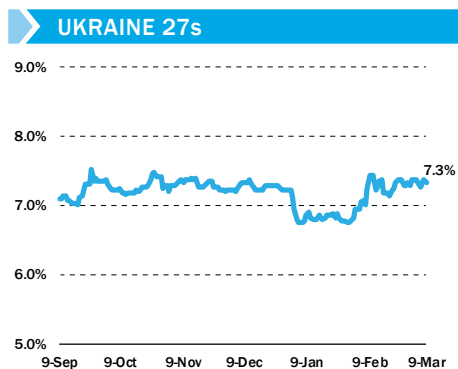
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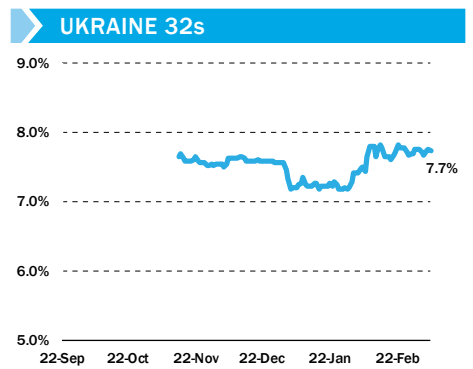
Source: Bloomberg, Eavex Research



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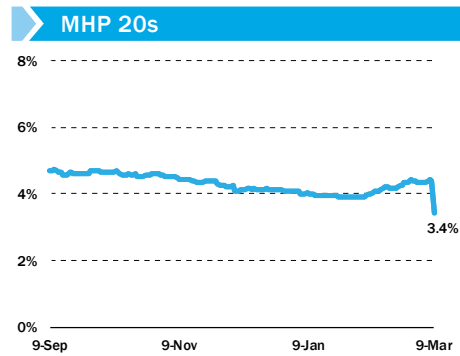


Source: Bloomberg, Eavex Research

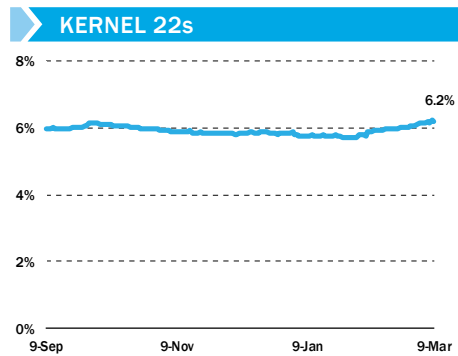


Source: Bloomberg, Eavex Research

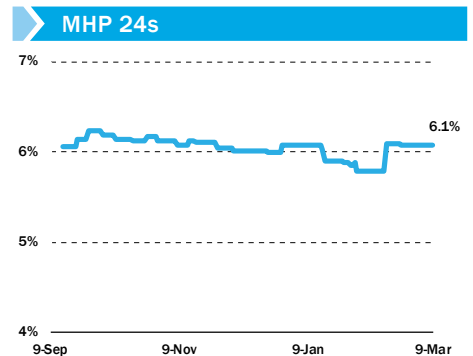
Selected Corporate Issues



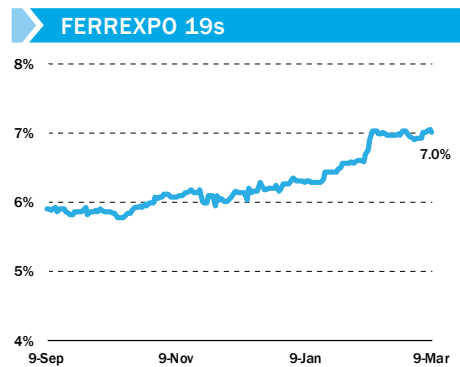
Source: Bloomberg, Eavex Research



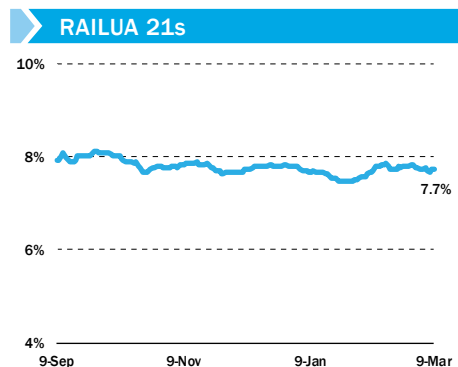
Source: Bloomberg, Eavex Research



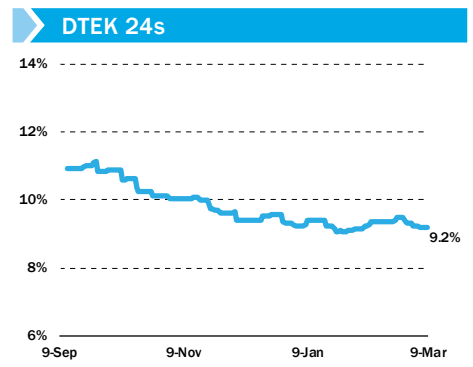
Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



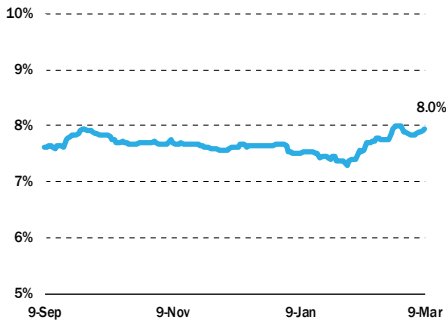
Source: Bloomberg, Eavex Research



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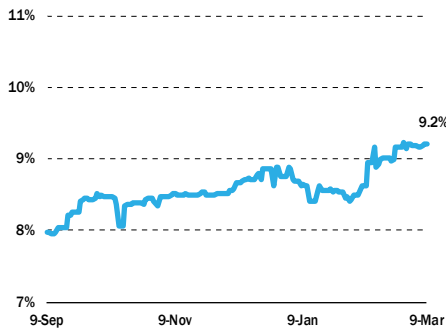
Selected Banking Issues

OSCHADBANK 23s



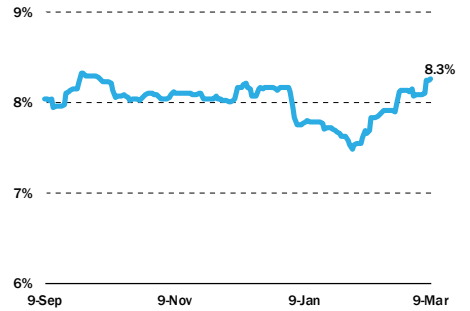
Source: Bloomberg, Eavex Research

UKREXIMBANK 23s



Source: Bloomberg, Eavex Research

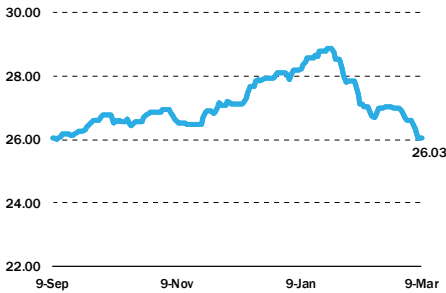
OSCHADBANK 25s



Source: Bloomberg, Eavex Research

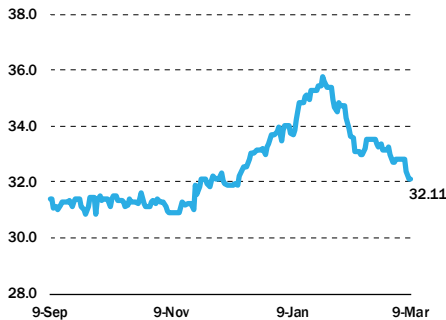
Currency

USD/UAH



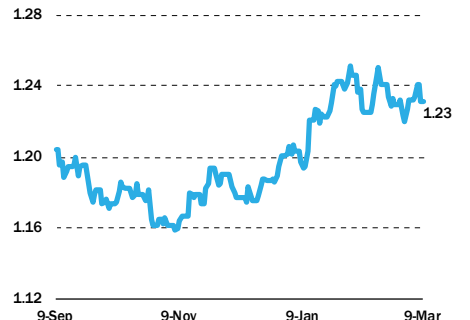
Source: Bloomberg, Eavex Research

EUR/UAH



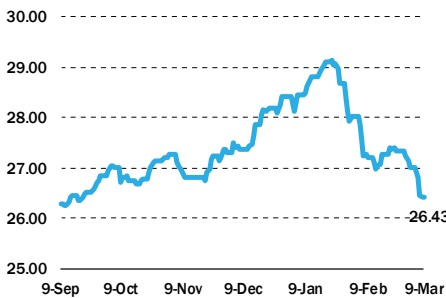
Source: Bloomberg, Eavex Research

EUR/USD



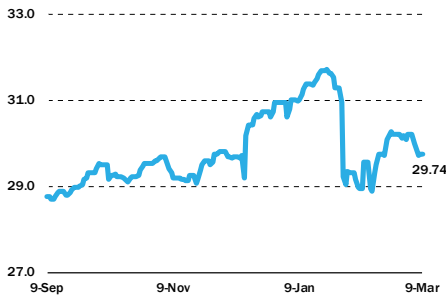
Source: Bloomberg, Eavex Research

1M NDF



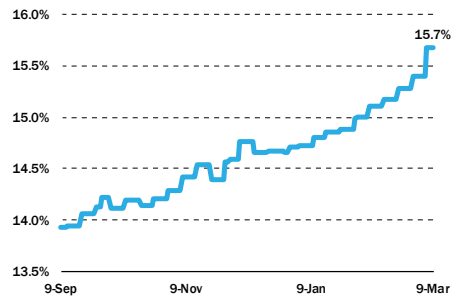
Source: Bloomberg, Eavex Research

12M NDF



Source: Bloomberg, Eavex Research

12M NDF IMPLIED YIELD



Source: Bloomberg, Eavex Research

Poroshenko Tries to Score Points with NATO Membership Plan

by Will Ritter
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NEWS

The official website of the North Atlantic Treaty Organization (NATO) added Ukraine to the short list of nations aspiring to membership last week. However, an alliance spokesman, quoted by the US-funded RFE/RL news service, said that the addition was only a reflection of Ukraine's interest, and does not represent a change in NATO policy, according to which no invitations have been extended to Kyiv. President Poroshenko then stated on his social media page on Saturday (Mar 10) that he is seeking a so-called "membership action plan" to put Ukraine on a path to joining the alliance. "This is what my letter to Jens Stoltenberg [NATO General Secretary] in February was about, where, with reference to Article 10 of the North Atlantic Treaty, I officially fixed Ukraine's aspirations to become a member of the alliance," Poroshenko wrote. The other three countries on the membership aspirant list are Bosnia, Georgia and Macedonia.

COMMENTARY

Joining the NATO military alliance represents neither a short-term nor a medium-term solution to any of Ukraine's problems. In fact, as long as Russia-friendly Donald Trump is President of the United States, NATO looks like a rather toothless organization without the full backing of the country that is its defining member. There are ongoing concerns that NATO is simply too outdated to deal with the new Russian hybrid warfare threat to the West, of which information warfare and cyberwarfare, rather than military maneuvers, are the key components. This challenges NATO's ability to protect its already-existing members, much less a new member as large and vulnerable as Ukraine. We see Poroshenko's return to recycling the tired NATO membership theme as an attempt to score a few cheap political points in an environment that looks increasingly tough for his re-election campaign (the election is due in just over a year). Far more important than NATO is Ukraine's relationship with the European Union, and the news on that front has been a bit more encouraging lately, with the EU having approved a new EUR 1bn worth of assistance and top diplomat Federica Mogherini visiting Kyiv this past weekend in a show of support on the 4th anniversary of the annexation of Crimea.

MHP Reports FY17 Profit of USD 2.18/Share Despite 4Q FX Loss

by Dmitry Churin
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NEWS

London-listed MHP, Ukraine's largest poultry producer, reported an increase in its net profit by 3.3x YoY to USD 230mn (earnings per share of USD 2.18) in full-year 2017, according to financials released on Mar 7. On the top line, revenue grew by 13% YoY to USD 1.28bn in the period and EBITDA rose by 11% YoY to USD 459mn, implying an EBITDA margin of 36%.

In 4Q17 alone, MHP reported revenue of USD 318mn (+2% YoY), EBITDA of USD 88mn (+22% YoY), and a net loss of USD 27mn, which it attributed to a non-cash foreign exchange translation loss of USD 62mn.

On the balance sheet side, MHP said that its debt structure changed, with the share of long-term debt increasing from 80% at end-2016 to 96% at end-2017. The company's total debt amounted to USD 1.16bn as of 31 Dec 2017. The Net Debt/EBITDA ratio was 2.25x on the same date, compared to 2.60x one year earlier.

MHP FINANCIALS

USD mn	4Q17	4Q16	chg	2017	2016	chg
Net revenue	318	313	+2%	1,289	1,135	+13%
EBITDA	88	72	+22%	459	415	+11%
<i>margin</i>	28%	23%	+5 p.p.	36%	37%	-1 p.p.
Net Income (loss)	-27	-28	+/-	230	69	+233%
<i>net margin</i>	-8%	-9%	-4 p.p.	18%	6%	+12 p.p.

Source: Company data.

COMMENTARY

MHP's reported FY17 net profit was below our forecast of USD 300mn, and even excluding the non-cash foreign exchange translation loss of USD 36mn, it was still under our expectations. We attribute this worse than expected result to a weak 4Q17 operating performance. MHP said that both chicken production and chicken exports declined by 5% YoY in the period, although for full-year 2017, the production decrease was just 1%, to 566,000 tonnes. On the other hand, on the EBITDA level, MHP outperformed our forecast by 15% in FY17. Therefore, we can not say that the company's financial results disappointed us. In a segment breakdown, the company's chicken sales brought in 82% of revenue during 2017, while grain growing and other miscellaneous agriculture operations each contributed 9% to the revenue. Exports accounted for 57% of total revenue last year. MHP has three international offices and says that it exports to 63 countries.

In its outlook for 2018, MHP said it plans to increase chicken production by 40,000 tonnes (+7% YoY) thanks to expansion at its Vinnytsa Poultry Complex (Phase 2). The company spent USD 47mn on CapEx in 2017 after spending USD 108mn in 2016.

We forecast that MHP will increase its net profit by 42% YoY to USD 327mn (EPS of 3.09) in FY18.

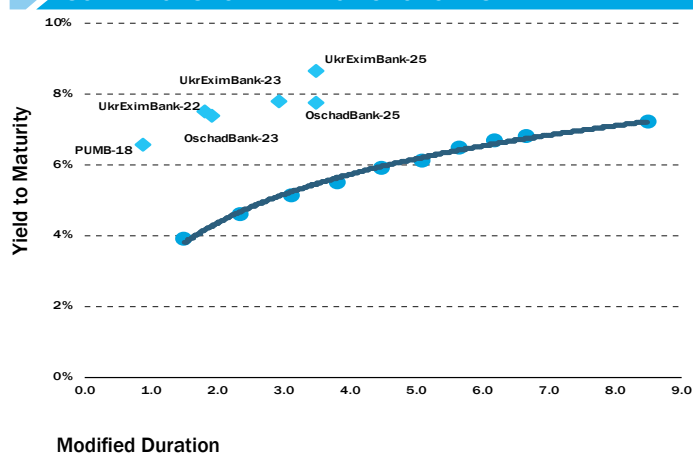
UKRAINIAN EUROBONDS

Issue	Price Bid	Price Ask	Price ch., W/W, %	YTM Bid, %	YTM Ask, %	YTM ch., W/W, bps	MDuration, years	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds												
Ukraine, 2019	104.1	104.6	0.0%	4.8%	4.5%	-4.0	1.4	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	105.2	105.7	0.1%	5.5%	5.3%	-7.1	2.2	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	105.4	105.9	-0.1%	6.0%	5.8%	3.7	3.0	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	105.3	105.8	0.2%	6.4%	6.2%	-5.6	3.8	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	104.2	104.9	-0.1%	6.8%	6.7%	0.9	4.4	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	103.7	104.4	0.3%	7.0%	6.9%	-5.8	5.0	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	102.8	103.5	0.0%	7.3%	7.1%	-0.4	5.6	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	102.7	103.4	0.1%	7.3%	7.2%	-1.4	6.2	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	102.5	103.3	0.3%	7.4%	7.3%	-4.2	6.7	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	96.6	97.4	0.3%	7.8%	7.7%	-3.4	8.2	7.375%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	67.8	68.8	0.0%	n/a	n/a	n/a	na	n/a	31 May 2040	3,214	USD	/B-/
Corporate Eurobonds												
Agroton, 2019	16.0	20.6	0.0%	0%	0%	0	0.6	6.00%	14 Jul 2019	18	USD	//
Kernel, 2022	108.7	109.0	-0.4%	6.2%	6.1%	10	3.3	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	109.3	109.7	1.8%	3.5%	3.3%	-94.6	1.8	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	108.3	108.8	0.0%	6.1%	6.0%	-0.4	4.8	7.75%	10 May 2024	500	USD	//
Avangardco, 2018	20.0	22.1	-0.8%	0%	0%	0	0.1	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	20.1	22.4		0%	0%	0	0.0	10.88%	26 Mar 2018	275	USD	/CC/
Mriya, 2016	6.0	8.0	n/a	n/a	n/a	n/a	n/a	10.95%	30 Mar 2016	72	USD	IN DEFAULT
Mriya, 2018	6.0	8.0	n/a	n/a	n/a	n/a	n/a	9.45%	19 Apr 2018	400	USD	IN DEFAULT
DTEK, 2024	107.0	107.8	0.2%	9.3%	9.1%	-5.4	4.6	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2021	103.1	103.6	-0.5%					9.37%	31 Dec 2021	1,197	USD	//
Ferrexpo, 2019	103.0	103.8	-0.1%	7.4%	6.6%	0.1	0.5	10.375%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	103.1	103.7	-0.1%	7.3%	6.8%	8.3	0.5	10.375%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	106.2	106.7	0.0%	7.8%	7.7%	-0.7	1.6	9.50%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	31.5	33.8	0.0%	n/a	n/a	n/a	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020								14.00%	19 Feb 2020	16	USD	//
Bank Eurobonds												
Fin&Credit Bank, 2019	0.7	1.5	n/a	n/a	n/a	n/a	n/a	9.25%	25 Jan 2019	100	USD	IN DEFAULT
PUMB, 2018	104.0	104.4	0.0%	5.8%	5.3%	-13.8	0.7	11.00%	31 Dec 2018	252	USD	//
Nadra Bank, 2018	0.9	1.4	1.8%	n/a	n/a	n/a	0.0	6.25%	31 Jun 2018	60	USD	IN DEFAULT
PrivatBank, 2018-2	22.0	25.0	-14.5%	n/a	n/a	n/a	n/a	10.25%	23 Jan 2018	200	USD	IN DEFAULT
PrivatBank, 2021	10.0	14.4	7.7%	n/a	n/a	n/a	1.5	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	28.6	31.6	22.1%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	106.0	106.3	-0.4%	7.9%	7.8%	10.7	n/a	9.625%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	99.8	100.5	0.1%	9.3%	9.1%	1.9	4.0	7.51%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	107.4	107.5	-0.6%	8.3%	8.3%	12.4	3.2	9.75%	22 Jan 2025	500	USD	Caa3//CCC
VAB Bank, 2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.00%	14 Jun 2019	88	USD	IN DEFAULT
Oschadbank, 2023	105.5	106.0	-0.4%	8.0%	7.9%	10.7	1.7	8.25%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	107.1	107.3	-0.9%	8.3%	8.2%	16.8	2.7	8.88%	20 Mar 2025	500	USD	Caa3//CCC
Municipal Eurobonds												
City of Kyiv, 2015	85.0	88.6	0.4%	n/a	n/a	n/a	n/a	8.00%	6 Nov 2015	101	USD	IN DEFAULT

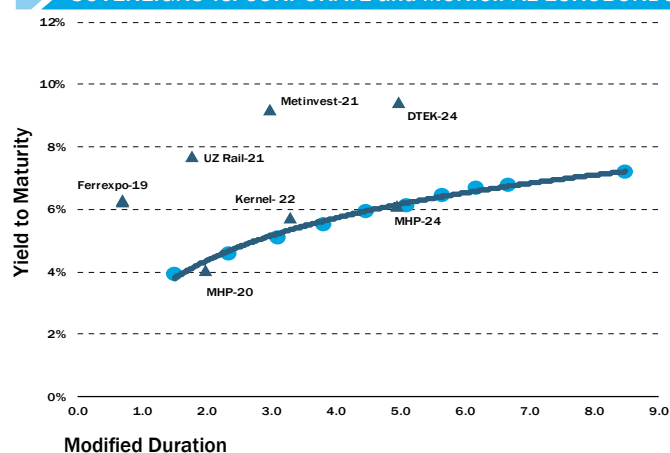
¹ Moody's/S&P/Fitch

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									
UA80426			16.85%	15.90%	n/a	n/a	S/A	10 Apr .2019	n/a
VAT Bonds									
UA4000185151			17.00%	15.75%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			17.00%	15.75%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			17.00%	15.75%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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