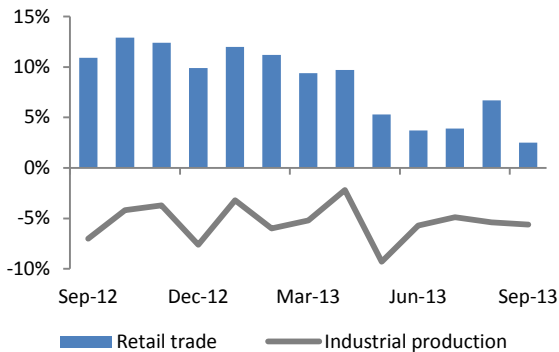


Ukraine Monthly

Economy	█
Key macro data and projections	█
Ukraine's Eurobond universe	█
NDF and CDS	█
Ukrainian equity multiples	█
Stock market summary	█

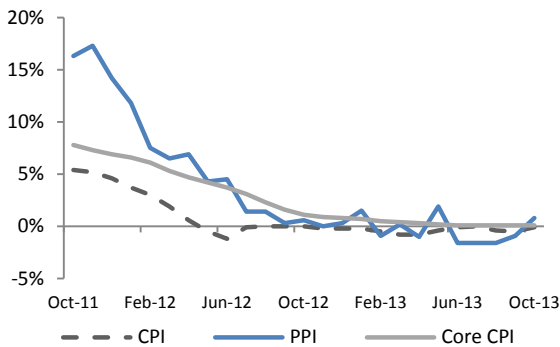


Monthly retail trade and industrial production, chg. yoy



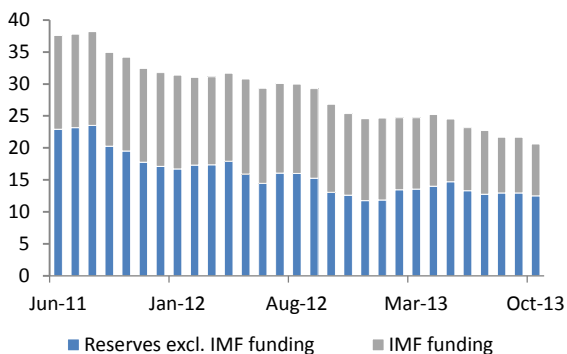
Source: UkrStat

CPI and PPI, yoy



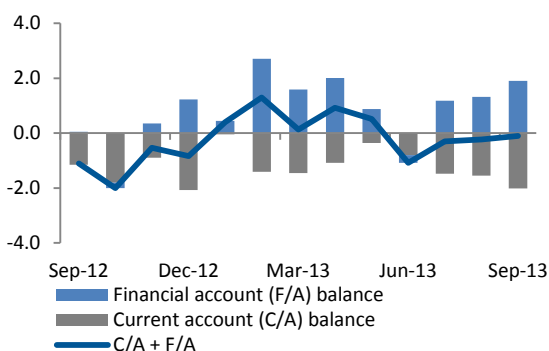
Source: UkrStat

NBU gross international reserves, USD bln



Sources: NBU, Finance Ministry

Monthly balance of payments, USD bln



Source: NBU

Recession to last through 1H14, followed by gradual recovery

3Q GDP declined 1.5% yoy, well below our expectations. We had hoped the bumper harvest would temporarily push 3Q growth into the green, but an extended period of heavy rains in September delayed key crop harvesting and negatively affected the contribution to quarterly GDP. Harvesting activities restarted at the end of September and the positive effect of the bumper harvest will therefore spill into 4Q13. Nevertheless, this changes nothing fundamentally. The ongoing decline in industrial output deepened and hit -5.2% yoy in 9M13. Data for cargo transportation turnover (-7.8% yoy in 9M13) and the construction sector (-16.2% yoy) also remain discouraging.

In view of the above, we cut our 2013 GDP growth projection to -1.1% yoy from -0.5%. With no clear signs of an improvement in fundamentals, we believe growth is unlikely to pick up in the coming months. We expect GDP will remain on a downward trend through 1H14 before picking up gradually, primarily on an increase in social outlays ahead of the presidential election in 1Q15 and stronger commodity exports. We remain conservative in our outlook for 2014 and see just 0.2% yoy GDP growth.

FX pressures set to mount, expect 5% UAH depreciation by year-end

September dashed all hopes of at least a minor improvement in Ukraine's C/A deficit this year. Driven by surging energy imports, the C/A gap widened to USD 2.0 bln in September (USD 1.2 bln a year ago), taking the 9M13 shortfall to USD 10.2 bln (USD 9.6 bln in 9M12). The economy is on pace to post a full-year C/A gap of about 8.0% of GDP, virtually unchanged from 2012.

External capital inflows to the state and private sector have kept the C/A gap fully covered so far, which has translated into calm in FX markets. That stability is shaky, though, as prospects for sizable debt raisings abroad in the coming months are minimal. Domestic demand for FX-denominated T-bills, an important tool used to replenish reserves in 1H13, is negligible, which also poses a problem. On balance, we expect FX market pressures to mount towards the year-end. An imminent Naftogaz issue could be another catalyst for volatility. In a surprise move, Gazprom announced Naftogaz delayed its USD 0.9 bln payment for August gas supplies. That implies Naftogaz will need to buy FX in the market in the coming weeks to repay debt and service current FX obligations.

NBU reserves shrank by USD 1.0 bln (-4.6 % mom) in October to USD 20.6 bln, a new seven-year low. Last month the NBU repaid USD 665 mln to the IMF and c. USD 950 mln in repayments are scheduled for November. Unless the government manages to sell a Eurobond or attract other debt this month or next, international reserves will fall below our current projection of USD 20 bln, a level that implies just 2.5 months of imports coverage.

For now we maintain our end-2013 projection of UAH 8.7/USD vs. the current UAH 8.2/USD, as the NBU's capacity to maintain the hryvnia at the current level remains limited. A 5% weakening of the hryvnia vs. the US dollar would release a lot of pressure and serve to stabilize the FX market, in our view. However, a depreciation of that size would likely not trigger a sizable adjustment in the C/A deficit, which suggests that the prospects for hryvnia stability in 2014 are fully dependent on Ukraine regaining access to global capital markets.

Appendix A. Key macro data and projections

	2005	2006	2007	2008	2009	2010	2011	2012	2013E
Business cycle indicators									
Real GDP, % chg yoy	3.0	7.4	7.6	2.3	-14.8	4.1	5.2	0.2	-0.5
Household consumption, % chg yoy	20.1	15.9	17.1	11.8	-14.9	7.1	15.7	11.7	5.5
Investments in fixed capital, % chg yoy	3.9	20.9	23.9	1.6	-50.5	3.9	7.1	0.9	-5.4
Industrial output, % chg yoy	3.1	6.2	7.6	-5.2	-21.9	11.2	7.6	-1.8	-4.1
Nominal GDP, UAH bln	441	544	721	948	913	1,083	1,302	1,409	1,478
Nominal GDP, USD bln	86	108	143	180	117	136	163	176	184
GDP per capita, USD	1,836	2,312	3,078	3,891	2,550	2,982	3,585	3,875	4,035
CPI (eop), %	10.3	11.6	16.6	22.3	12.3	9.1	4.6	-0.2	2.7
CPI average, %	13.5	9.1	12.8	25.2	15.9	9.4	8.0	0.6	0.9
Unemployment (ILO methodology, avg)	7.8%	7.4%	6.9%	6.9%	9.6%	8.8%	8.6%	8.1%	7.9%
Balance of payments									
Current account balance, USD bln	2.5	-1.6	-5.3	-12.8	-1.7	-3.0	-10.2	-14.3	-13.9
% GDP	2.9%	-1.5%	-3.7%	-7.1%	-1.5%	-2.2%	-6.3%	-8.1%	-7.6%
Financial account balance, USD bln	8.2	4.0	14.7	9.7	-12.0	8.0	7.8	10.1	14.5
% GDP	9.5%	3.7%	10.3%	5.4%	-10.2%	5.9%	4.8%	5.8%	7.9%
FDI net, USD bln	7.5	5.7	9.2	9.9	4.7	5.8	7.0	6.6	5.5
% of GDP	8.7%	5.3%	6.5%	5.5%	4.0%	4.2%	4.3%	3.8%	3.0%
Gross NBU reserves (eop), USD bln	19.4	22.4	32.5	31.5	26.5	34.6	31.8	24.5	20.1
Monetary and banking indicators									
Monetary base, UAH bln	83	97	142	187	195	226	240	255	268
Monetary base, % chg yoy	54%	17%	46%	32%	4%	16%	6%	6%	5%
Money supply (M3), UAH bln	194	261	396	515	487	598	683	773	851
Money supply, % chg yoy	54%	35%	52%	30%	-5%	23%	14%	13%	10%
Monetary multiplier (eop M3/MB)	2.3	2.7	2.8	2.8	2.5	2.6	2.8	3.0	3.2
Bank loans, % chg yoy	62%	71%	74%	72%	-2%	1%	10%	2%	5%
Bank deposits, % chg % yoy	60%	39%	52%	28%	-8%	26%	18%	16%	14%
Loan-to-deposit ratio	108%	133%	152%	205%	219%	175%	162%	143%	135%
Exchange rate									
Official UAH/USD (eop)	5.05	5.05	5.05	7.70	7.99	7.96	7.99	7.99	8.70
Official UAH/USD (avg)	5.12	5.05	5.05	5.27	7.79	7.94	7.97	7.99	8.05
Budget and debt indicators									
Consolidated budget revenues, USD bln	26.2	34.0	43.6	56.4	35.0	39.6	50.0	55.7	57.5
% of GDP	30.4%	31.6%	30.5%	31.4%	29.9%	29.1%	30.6%	31.6%	31.3%
Consolidated budget expenditures, USD bln	27.7	34.7	45.1	59.1	39.8	47.6	52.9	62.0	65.7
% of GDP	32.2%	32.2%	31.6%	32.8%	34.0%	34.9%	32.4%	35.2%	35.8%
Consolidated budget balance, USD bln	-1.6	-0.7	-1.5	-2.7	-4.8	-8.0	-2.9	-6.3	-8.3
% of GDP	-1.8%	-0.7%	-1.1%	-1.5%	-4.1%	-5.9%	-1.8%	-3.6%	-4.5%
General budget balance, USD bln*	na	na	na	na	-9.5	-10.1	-7.0	-8.6	-11.6
% of GDP	na	na	na	na	-8.1%	-7.4%	-4.3%	-4.9%	-6.3%
Public debt, USD bln	15.5	15.9	17.6	24.6	39.7	54.3	59.2	64.5	72.1
% GDP	18%	15%	12%	14%	34%	40%	36%	37%	39%

* Includes consolidated budget (central and local budgets), social funds and Naftogaz.

Sources: NBU, UkrStat, Ministry of Finance, SP Advisors.

Appendix B. Ukraine's Eurobond universe (2)

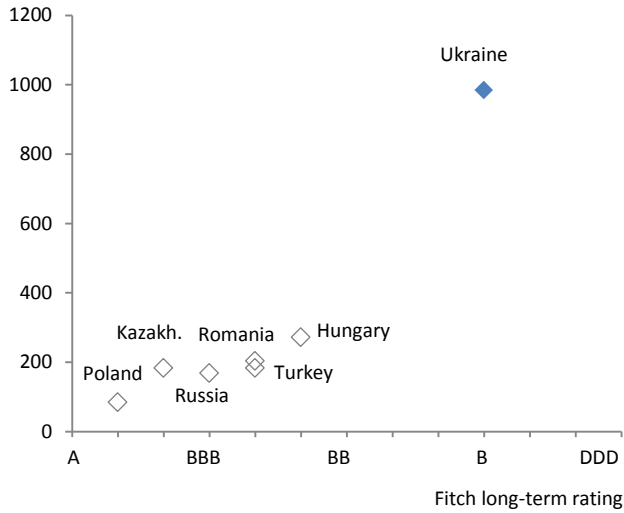
Key parameters of Ukrainian Eurobonds

Name	Currency	Amount mln	Maturity	YTM,%		Mid. YTM change, pp		Rating		
				Mid	Spread	1 M	YTD	Fitch	Moody's	S&P
Sovereign										
Ukraine-14	USD	1,000	05.06.2014	14.15	1.97	0.25	-	B	Caa1 /*-	B-
Ukraine-09/15	USD	500	24.09.2015	11.03	0.80	-1.94	0.88	B	Caa1 /*-	B-
Ukraine-10/15	EUR	600	14.10.2015	8.76	0.62	0.81	-1.87	B	Caa1 /*-	B-
Ukraine-06/16	USD	1,250	18.06.2016	10.14	0.65	-1.30	0.28	B	Caa1 /*-	B-
Ukraine-11/16	USD	1,000	22.11.2016	9.97	0.52	-1.14	0.10	B	Caa1 /*-	B-
Ukraine-07/17	USD	2,600	25.07.2017	10.27	0.34	-0.95	-	B	Caa1 /*-	B-
Ukraine-11/17	USD	700	15.11.2017	9.61	0.49	-0.98	-0.79	B	Caa1 /*-	B-
Ukraine-20	USD	1,500	24.09.2020	9.43	0.32	-0.68	-0.88	B	Caa1 /*-	B-
Ukraine-21	USD	1,500	24.02.2021	9.47	0.26	-0.73	-0.53	B	Caa1 /*-	B-
Ukraine-22	USD	2,250	29.11.2022	9.71	0.18	-0.52	-	B	Caa1 /*-	B-
Ukraine-23	USD	1,250	18.04.2023	9.48	0.18	-0.56	-	B	Caa1 /*-	B-
Infrastr. projects-11/17	USD	568	04.11.2017	11.96	0.61	-1.66	-0.25	-	Caa1 /*-	-
Infrastr. projects-12/17	USD	550	08.12.2017	12.01	0.61	-2.12	-	-	(P)Caa1 /*-	-
Infrastr. projects-18	USD	690	21.04.2018	11.59	0.49	-1.50	-0.82	-	Caa1 /*-	-
Municipal										
City of Kiev-15	USD	250	06.11.2015	14.90	1.95	-0.61	0.25	B-	Caa1 /*-	B-
City of Kiev-16	USD	300	11.07.2016	14.68	1.58	-0.62	-0.86	B-	Caa1 /*-	B-
Banks										
Finance and Credit-14	USD	95	25.01.2014	73.81	57.75	9.58	32.92	-	Caa1 /*-	-
VAB Bank-14	USD	112	14.06.2014	42.16	0.00	-	-	WD	Caa1 /*-	-
FUIB-14	USD	252	31.12.2014	12.11	2.30	-1.68	-4.68	NR	Caa1 /*-	-
Ukreximbank-14	UAH	2,385	03.02.2014	34.57	6.61	7.60	-	B	Caa1 /*-	-
Ukreximbank-15	USD	750	27.04.2015	14.24	0.74	-2.89	1.10	B	Caa1 /*-	-
Ukreximbank-16	USD	125	09.02.2016	16.78	0.64	-0.72	-0.63	CCC	Caa2 /*-	-
Ukreximbank-18	USD	600	22.01.2018	13.65	0.66	-1.32	-	B	Caa1 /*-	-
Oschadbank-16	USD	700	10.03.2016	14.75	0.61	-1.32	0.36	B	Caa1 /*-	-
Oschadbank-18	USD	500	20.03.2018	13.89	0.53	-1.33	-	B	Caa1 /*-	-
Privatbank-15	USD	200	23.09.2015	16.41	1.35	-0.08	-1.48	B	Caa1 /*-	-
Privatbank-16	USD	150	09.02.2016	22.51	4.27	1.15	1.81	-	Caa2 /*-	-
Privatbank-18	USD	175	28.02.2018	15.16	0.89	1.01	-	B	Caa1 /*-	-
Corporate										
Naftogaz-14	USD	1,595	30.09.2014	16.41	1.29	0.00	4.20	B	-	-
Agroton-14	USD	50	14.07.2014	165.16	26.60	56.59	142.83	WD	-	NR
Avangard-15	USD	200	29.10.2015	9.29	0.00	-1.68	-9.98	B	-	-
MHP-15	USD	235	29.04.2015	8.62	0.00	-3.19	-4.55	B	Caa1 /*-	-
MHP-20	USD	750	02.04.2020	11.45	0.00	-1.25	-	B	-	B
DTEK-15	USD	200	28.04.2015	8.55	0.00	-2.01	-3.56	B	Caa1 /*-	-
DTEK-18	USD	750	04.04.2018	10.38	0.00	-1.38	-	B	Caa1 /*-	-
Metinvest-15	USD	500	20.05.2015	9.26	0.00	-2.37	-2.63	B	Caa1 /*-	-
Metinvest-18	USD	750	14.02.2018	10.68	0.00	-2.20	-2.18	B	Caa1 /*-	-
Mriya-16	USD	72	30.03.2016	-	-	-	-	B	-	B
Ferrexpo-16	USD	500	07.04.2016	9.77	0.00	-1.21	-	B	Caa1 /*-	B-
Ukrlandfarming-18	USD	500	26.03.2018	12.99	0.63	-0.37	-	B	-	B-
Ukrainian Railway-18	USD	500	21.05.2018	14.08	0.00	-1.98	-	B-	-	B

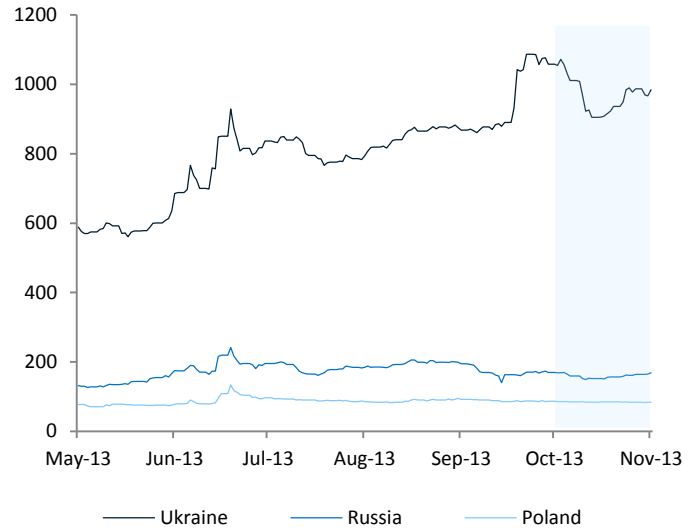
*as of Nov. 06, 2013. Source: Bloomberg

Appendix C. NDF and CDS

5Y CDS vs. Fitch long-term rating*



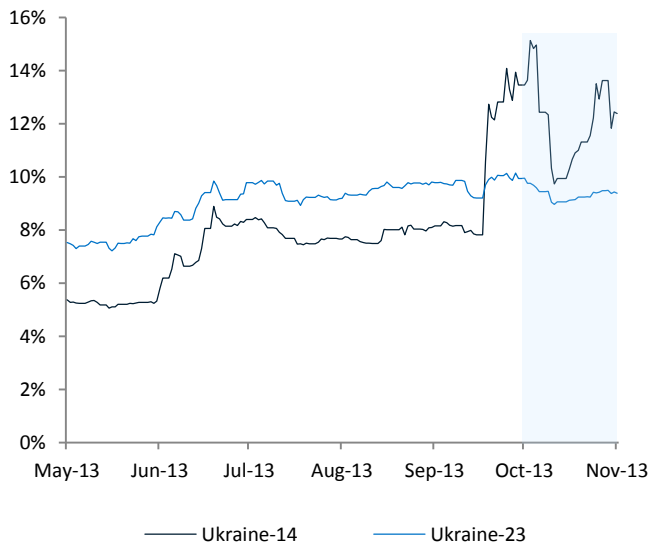
5Y CDS, 6-m development



* data as of Nov. 06, 2013
Source: Bloomberg

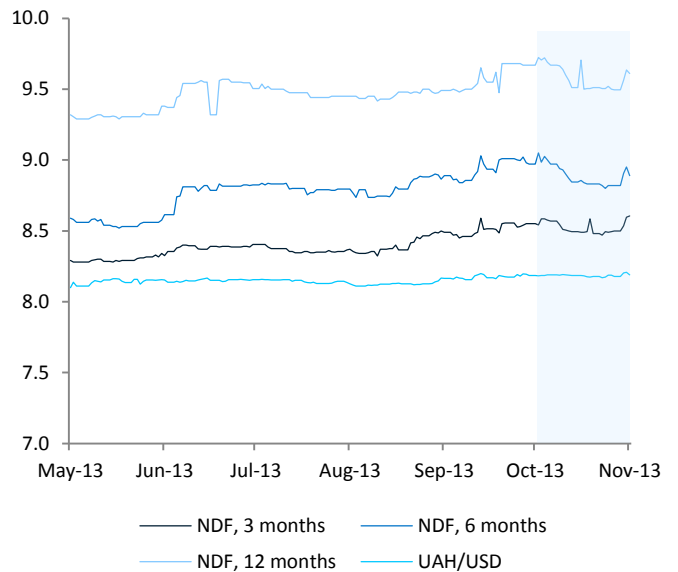
Source: Bloomberg

Ukraine sovereign Eurobond yields, 6-m development



Source: Bloomberg

Hryvnia spot and NDF rates, 6-m development



Source: Bloomberg

Appendix D. Ukrainian equity multiples

Ukrainian stock multiples*

Sector / Company	Ticker	MCap, USD mln	EV/EBITDA		EV/Sales		P/B		P/E		Net Debt / Book Value	
			2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Agriculture												
Kernel	KER PW	1,126	5.6	4.2	0.7	0.6	0.8	0.7	8.1	5.2	0.48	0.32
MHP	MHPC LI	1,657	6.4	4.8	1.9	1.5	1.3	1.2	7.3	5.3	0.92	0.67
Mriya	MAYA GR	683	5.0	3.0	2.9	2.1	-	-	6.8	3.2	-	-
Astarta	AST PW	512	6.9	4.8	1.7	1.3	1.0	0.8	8.5	4.5	0.64	0.49
IMC	IMC PW	138	7.8	3.0	2.1	1.0	0.9	0.7	5.9	3.0	0.67	0.31
KSG Agro	KSG PW	57	6.5	3.0	1.7	1.2	-	-	3.2	2.5	-	-
Agroton	AGT PW	16	-	-	-	-	-	-	-	-	-	-
Sintal Agriculture	SNPS AV	3	-	-	-	-	-	-	-	-	-	-
Median		325	6.5	3.6	1.8	1.3	0.9	0.7	7.0	3.9	0.65	0.40
Food												
Avangard	AVGR LI	798	3.1	2.5	1.3	1.0	0.6	0.5	3.6	3.4	0.08	-0.03
Ovostar	OVO PW	196	6.6	5.4	2.7	2.3	1.6	1.3	7.3	6.0	0.14	0.25
Milkiland	MLK PW	137	5.8	5.6	0.6	0.5	-	-	16.7	12.3	-	-
UkrProduct	UKR LN	8	3.2	2.2	0.2	0.2	0.2	0.2	4.4	2.7	0.39	0.24
Median		167	4.5	3.9	0.9	0.7	0.6	0.5	5.8	4.7	0.14	0.24
Oil & Gas												
JKX Oil & Gas	JKX LN	207	2.2	2.2	1.1	1.0	0.4	0.4	4.6	3.7	0.02	0.01
Kulczyk Oil	SEN PW	312	4.9	2.9	2.5	1.7	2.5	2.0	18.4	9.2	-0.21	-0.26
Regal Petroleum	RPT LN	75	-	-	-	-	-	-	15.0	-	-	-
Cadogan Petroleum	CAD LN	47	-	-	-	-	-	-	-	-	-	-
Median		141	3.5	2.6	1.8	1.3	1.4	1.2	15.0	6.4	-0.09	-0.13
Mining												
Coal Energy	CLE PW	33	-	-	-	-	-	-	-	-	-	-
Sadovaya Group	SGR PW	15	-	-	-	-	-	-	-	-	-	-
Median		24	-	-	-	-	-	-	-	-	-	-
Metals & Mining												
Ferrexpo	FXPO LN	1,875	5.4	6.1	1.6	1.6	1.1	1.0	7.7	9.2	0.34	0.35
Median		1,875	5.4	6.1	1.6	1.6	1.1	1.0	7.7	9.2	0.34	0.35
Real Estate												
TMM	TR61 GR	20	-	-	-	-	-	-	-	-	-	-
Median		20	-	-	-	-	-	-	-	-	-	-
Industrials												
Westa ISIC	WES PW	10	-	-	-	-	-	-	-	-	-	-
Median		10	-	-	-	-	-	-	-	-	-	-
Transportation												
KDM Shipping	KDM PW	95	-	-	-	-	-	-	-	-	-	-
Median		95	-	-	-	-	-	-	-	-	-	-

* as of Nov. 06, 2013. Source: Bloomberg

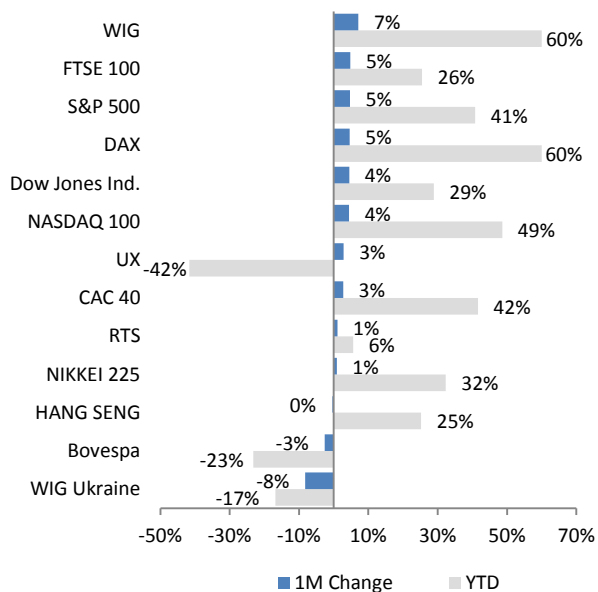
Median values for peer companies*

Sector / Company	EV/EBITDA		EV/Sales		P/B		P/E		Net Debt / Book Value	
	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Oil & Gas										
Emerging markets (4)	3.8	3.8	0.1	0.1	1.0	0.9	4.6	3.7	0.76	0.61
Mature markets (6)	4.5	4.5	1.0	1.0	1.8	1.7	11.2	10.4	0.18	0.21
Metals & Mining										
Emerging markets (11)	6.2	5.7	1.0	1.0	1.0	0.9	9.6	10.2	0.88	1.07
Mature markets (5)	7.9	6.3	0.5	0.5	1.5	1.5	-8.1	16.3	1.26	1.12
Food										
Emerging markets (4)	19.4	11.7	1.5	1.3	5.8	5.2	28.4	25.4	0.18	0.06
Mature markets (10)	10.5	9.9	2.0	1.9	3.8	3.4	17.1	16.2	1.06	0.89
Agriculture										
Emerging markets (5)	6.7	4.0	1.0	1.1	0.5	0.4	98.7	6.8	0.11	0.25
Mature markets (4)	9.8	7.1	0.3	0.3	1.4	1.3	18.0	12.9	0.17	0.11

* numbers in brackets indicate number of peer companies. Source: Bloomberg

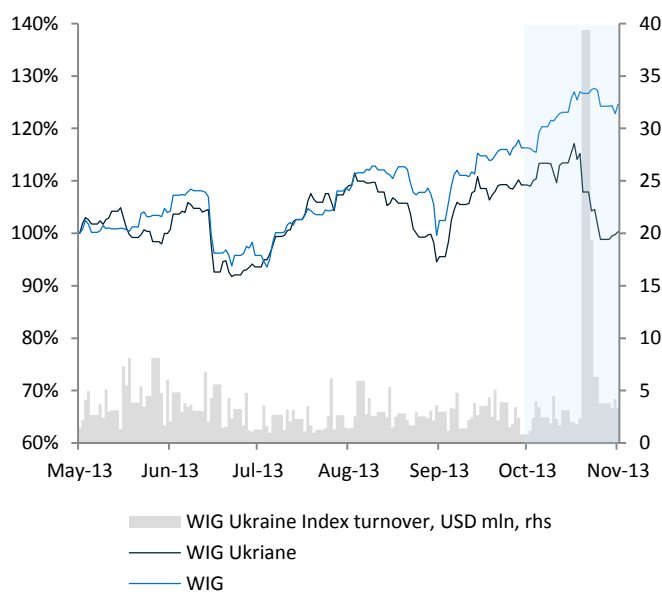
Appendix E. Stock market summary

Ukraine indexes (UX, WIG Ukraine) vs. global majors



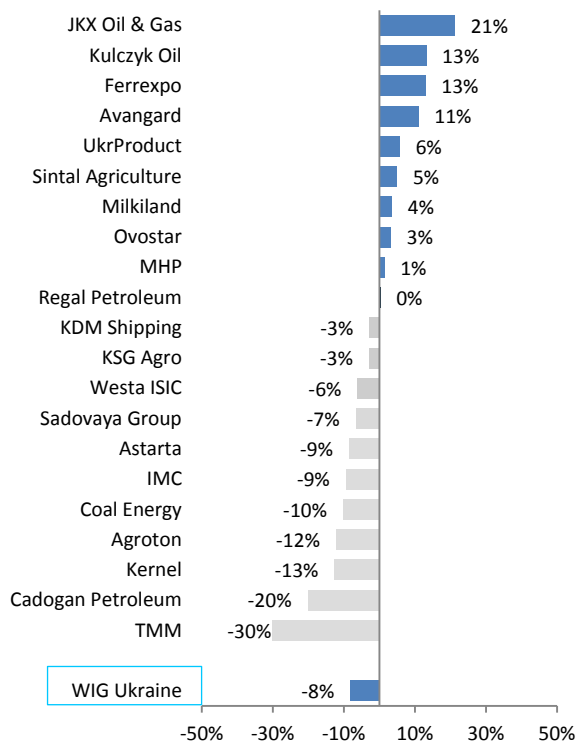
Data as of Nov. 06, 2013
Source: Bloomberg

WIG Ukraine, 6-month development



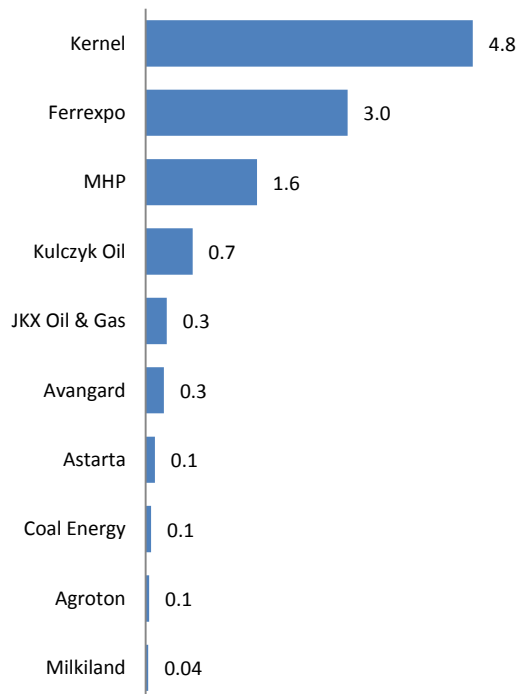
Source: Bloomberg

Ukrainian stock price change, mom*



* as of Nov. 06, 2013
Source: Bloomberg

Average daily trading in Ukrainian stocks, USD mln*



* Only top-10 stocks are shown, data are on Oct. 06, 2013 - Nov. 06, 2013
Source: Bloomberg

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