

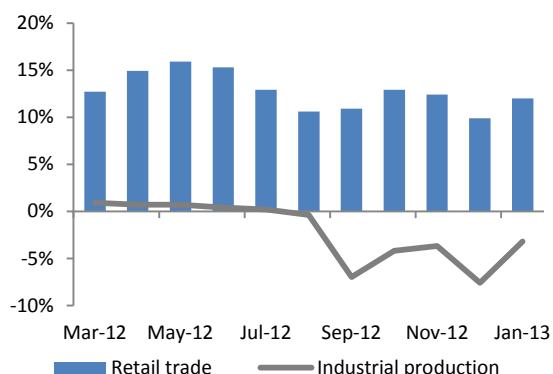
Ukraine Monthly

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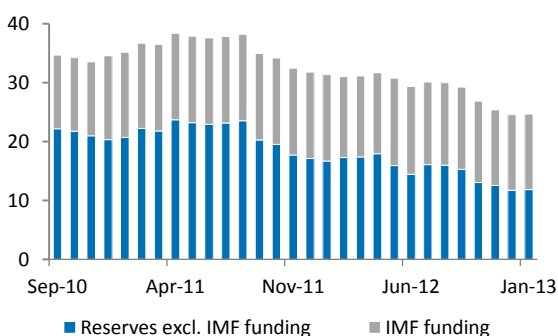
Economy

Monthly retail trade and industrial production, chg. y/y



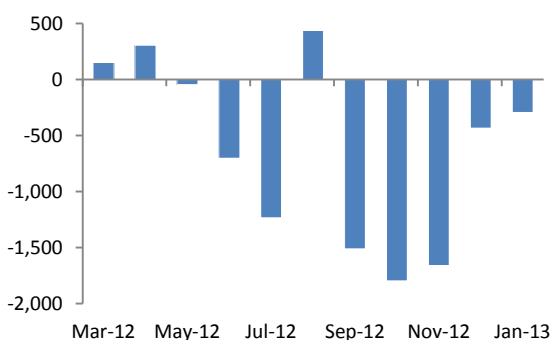
Source: UkrStat

NBU gross international reserves, USD bln



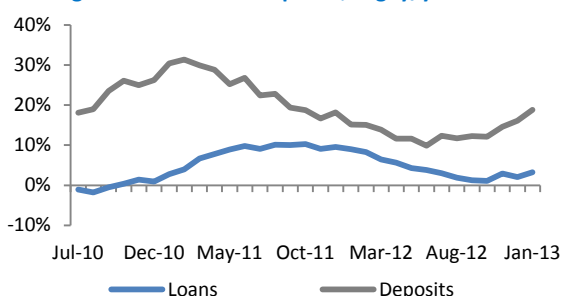
Source: NBU, SP Advisors

Net NBU interventions, USD mln*



* negative numbers indicate net FX sales
Source: NBU

Banking sector loans and deposits, chg. y/y



Source: NBU

The economy remains weak, no turnaround expected in the short-term

January data for key sectors show GDP remains on a negative trend. Industrial production declined 3.2% yoy last month as export-oriented – metallurgy contracted 8.6% and machine-building was down 7.8%. As before, weak external demand remains the key drag on economic growth. Cargo transportation turnover fell 13% yoy and construction declined 15.2%. The top gainers in January were agriculture (+5.6% yoy) and retail trade (+12%). The NBU tentatively estimated Ukraine's GDP to have declined 0.5% yoy in January. We project the full-year GDP decline will also be close to 0.5%.

Hryvnia to stay stable in coming months on sizable debt inflows

The FX market remained relatively calm YTD but this is typical for the start of the year. We estimate that C/A stayed deeply negative in 2M13 but the government and private sector were successful in raising debt abroad to patch up the C/A gap. Conditions in global debt markets have been favorable for borrowers so far. In early February, the government raised USD 1.0 bln via sale of a Eurobond due in 2022 at a 7.625% yield. Privatbank, Ukraine's largest lender, recently raised USD 175 mln at 10.975%. On top of that Donetskstal said it plans to attract USD 500 mln and the state-owned railway monopoly, Ukrzaliznytsia, is rumored to have plans to tap the market.

The situation in the retail segment has also remained stable. In January, net FX purchases by the population stood at just USD 201 mln, in line with December, and substantially below the USD 1.5 bln in November. Going forward, February data is also unlikely to bring any negative surprises. Tiny FX outflows to the cash segment along with the growing share of hryvnia deposits in banks' retail funding base clearly point to the fact that hryvnia depreciation expectations remain muted.

We don't see any near-term shocks that may prompt a material impact on the FX market. Meanwhile, we stress that the current stability is due in great part to the sizable debt inflows to the country. Should any interruptions in the smooth influx of borrowings emerge, pressures in the local FX market may reappear in a matter of weeks. We stick with our longer-term view that the hryvnia is set to weaken through the year and project end-2013 rate of UAH 9.0/USD.

Resumption of the IMF program is unlikely until 2H13

Following completion of its work in Kyiv, the IMF mission made a relatively positive statement on prospects of further cooperation with Ukraine. The fund noted "significant progress toward reaching an understanding with the authorities has been made, but at the same time many important policy issues remain outstanding". However, claims by Ukrainian officials following the meeting damped some of our optimism. President Viktor Yanukovich told at a press-conference that an adjustment in utility tariffs for households will not take place despite this being IMF's cornerstone requirement.

This statement clearly indicates that at the moment the Ukrainian authorities feel relatively comfortable in terms of budget liquidity and the level of NBU reserves, and don't see any critical need for IMF funding.

It remains to be seen how negotiations will proceed in March when the IMF mission returns to Kyiv, but we now don't think resumption of Ukraine's cooperation with the IMF is possible before 2H13.

Industry/Company news digest

News

Privatbank sells USD 175 mln Eurobond

Privatbank, Ukraine's largest bank, placed a USD 175 mln five-year Eurobond at 10.975 %. The deal was closed last week.

Ferrexpo postpones sale of Eurobond

Ferrexpo decided not to proceed with placement of a Eurobond citing widening in credit spreads since the beginning of February, its current robust liquidity position and availability of other sources of financing. The company said it intends to maintain a long term dialogue with investors and will continue to review the international debt capital markets as a potential source of financing subject to market conditions.

EBRD exits Cadogan

EBRD sold a 5.2% stake in Cadogan Petroleum at end-January. The institution bought 5.2% of Cadogan Petroleum for EUR 18.3 mln in February 2007.

Stocks / Bonds affected

Privatbank (PRBANK)

Ferrexpo (FXPO)

Cadogan (CAD)

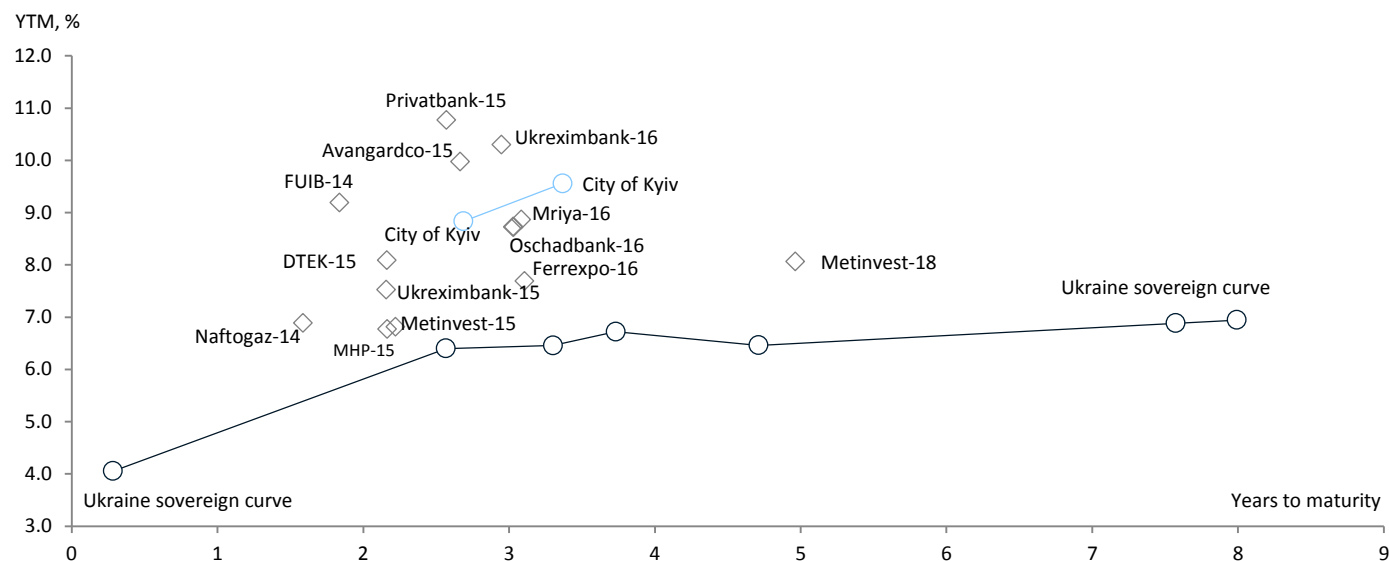
Appendix A. Key macro data and projections

	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	15.0	11.5	8.7
Investments in fixed capital, % chg yoy	3.9	20.9	23.9	1.6	-50.5	3.9	10.1	1.2	-5.4
Industrial output, % chg yoy	3.1	6.2	7.6	-5.2	-21.9	11.2	7.6	-1.8	-2.2
Nominal GDP, UAH bln	441	544	721	948	913	1,083	1,317	1,400	1,537
Nominal GDP, USD bln	86	108	143	180	117	136	165	175	183
GDP per capita, USD	1,836	2,312	3,078	3,891	2,550	2,982	3,625	3,851	4,021
CPI (eop), %	10.3	11.6	16.6	22.3	12.3	9.1	4.6	0.6	6.3
CPI average, %	13.5	9.1	12.8	25.2	15.9	9.4	8.0	-0.2	2.4
Unemployment (ILO methodology, avg), %	7.8%	7.4%	6.9%	6.9%	9.6%	8.8%	8.6%	7.9%	7.9%
Balance of payments									
Current account balance, USD bln	2.5	-1.6	-5.3	-12.8	-1.7	-3.0	-9.0	-14.4	-16.5
% GDP	2.9%	-1.5%	-3.7%	-7.1%	-1.5%	-2.2%	-5.4%	-8.2%	-9.0%
Financial account balance, USD bln	8.2	4.0	14.7	9.7	-12.0	8.0	6.6	10.2	10.5
% GDP	9.5%	3.7%	10.3%	5.4%	-10.2%	5.9%	4.0%	5.8%	5.7%
FDI net, USD bln	7.5	5.7	9.2	9.9	4.7	5.8	7.0	7.0	5.5
% of GDP	8.7%	5.3%	6.5%	5.5%	4.0%	4.3%	4.2%	4.0%	3.0%
Gross NBU reserves (eop), USD bln	19.4	22.4	32.5	31.5	26.5	34.6	31.8	24.5	20.5
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%	11%
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	9.00
Official UAH/USD (avg)	5.12	5.05	5.05	5.27	7.79	7.94	7.97	7.99	8.40
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	58.2
% of GDP	30%	32%	31%	31%	30%	29%	30%	32%	32%
Consolidated budget expenditures, USD bln	27.7	34.7	45.1	59.1	39.8	47.6	52.3	62.0	64.8
% of GDP	32%	32%	32%	33%	34%	35%	32%	30%	30%
Consolidated budget balance, USD bln	-1.6	-0.7	-1.5	-2.7	-4.8	-8.0	-2.3	-6.3	-6.7
% of GDP	-1.8%	-0.7%	-1.1%	-1.5%	-4.1%	-5.9%	-1.4%	-3.6%	-3.6%
General budget balance, USD bln*	na	na	na	na	-9.5	-10.1	-7.0	-8.6	-8.8
% of GDP	na	na	na	na	-8.1%	-7.4%	-4.2%	-4.9%	-4.8%
Public debt, USD bln	15.5	15.9	17.6	24.6	39.7	54.3	59.2	64.5	67.1
% GDP	18%	15%	12%	14%	34%	40%	36%	37%	37%

* 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

Ukraine Eurobond yield map*



*as of Feb. 27. 2013
Source: Bloomberg

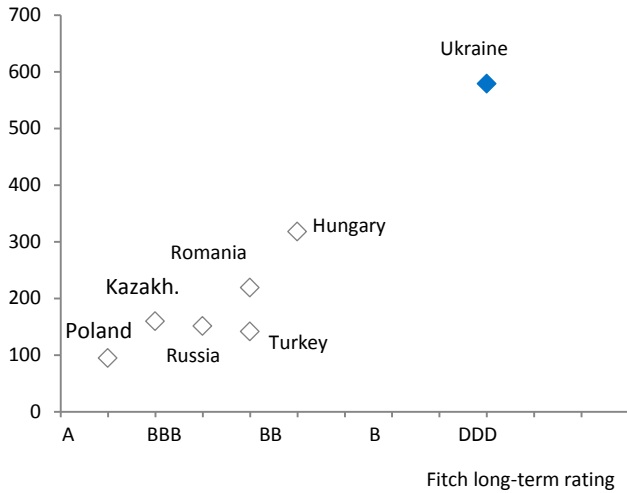
Key parameters of Ukraine Eurobond issuers

Name	Currency	Amount mln	Maturity	YTM,%		Mid. YTM change, pp		Rating		
				Mid	Spread	1 M	YTD	Fitch	Moody's	S&P
Sovereign										
Ukraine-13	USD	1,000	11.06.2013	4.05	1.39	-0.84	-5.69	B	B3	B
Ukraine-09/15	USD	500	23.09.2015	6.40	0.32	0.23	-3.75	B	B3	B
Ukraine-10/15	EUR	600	13.10.2015	5.46	0.64	0.01	-5.18	B	B3	B
Ukraine-06/16	USD	1,250	17.06.2016	6.46	0.26	0.41	-3.40	B	B3	B
Ukraine-11/16	USD	1,000	21.11.2016	6.72	0.15	0.35	-3.15	B	B3	B
Ukraine-17	USD	700	14.11.2017	6.46	0.22	-0.01	-3.94	B	B3	B
Ukraine-20	USD	1,500	23.09.2020	6.88	0.13	-0.01	-3.43	B	B3	B
Ukraine-21	USD	1,500	23.02.2021	6.94	0.13	0.11	-3.06	B	B3	B
Ukraine-22	USD	2,250	28.11.2022	7.36	0.07	-0.05	-	B	B3	B
Municipal										
City of Kiev-15	USD	250	06.11.2015	8.83	0.82	0.20	-5.82	B-	B3	B-
City of Kiev-16	USD	300	11.07.2016	9.56	0.53	-0.29	-5.99	B-	B3	B-
Banks										
Finance and Credit-14	USD	100	25.01.2014	52.25	7.18	-	11.37	-	Caa1	-
VAB Bank-14	USD	125	14.06.2014	41.23	0.00	-	-	WD	Caa1	-
FUIB-14	USD	275	31.12.2014	9.19	1.06	-0.20	-7.61	NR	B3	-
Ukreximbank-14	UAH	2,385	03.02.2014	28.80	6.40	-1.41	-	B	B3	-
Ukreximbank-15	USD	750	27.04.2015	7.52	0.48	-0.04	-5.62	B	B3	-
Ukreximbank-16	USD	125	09.02.2016	10.29	0.78	-0.40	-5.01	CCC	Caa1	-
Ukreximbank-18	USD	700	10.03.2016	8.72	0.41	0.07	-5.67	B	B3	-
Oschadbank-16	USD	200	23.09.2015	10.77	0.79	-0.38	-7.13	B	B3	-
Privatbank-15	USD	150	09.02.2016	14.31	1.07	-0.83	-6.39	-	B3	-
Privatbank-16	USD	100	25.01.2014	52.25	7.18	-	11.37	-	Caa1	-
Privatbank-18	USD	175	28.02.2018	-	-	-	-	B	-	-
Corporate										
Naftogaz-14	USD	1,595	30.09.2014	6.88	0.47	-0.22	-5.33	B	-	-
Avangardco-15	USD	200	29.10.2015	9.97	0.00	-0.01	-9.29	B	-	-
Agroton-14	USD	50	14.07.2014	38.18	8.86	4.79	-	B-	-	CCC+
MHP-15	USD	585	29.04.2015	6.77	0.00	-0.95	-6.41	B	B3	-
DTEK-15	USD	500	28.04.2015	8.08	0.00	0.75	-4.03	B	B3	-
Metinvest-15	USD	500	20.05.2015	6.81	0.00	-0.68	-5.09	B	B3	-
Metinvest-18	USD	750	14.02.2018	8.06	0.24	-0.15	-4.80	B	B3	-

*as of Feb. 27. 2013
Source: Bloomberg

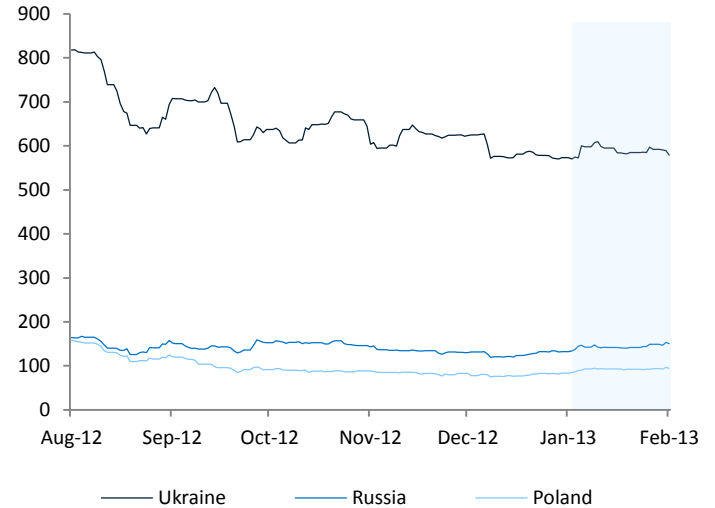
Appendix C. NDF and CDS

CDS vs. Fitch long-term rating*



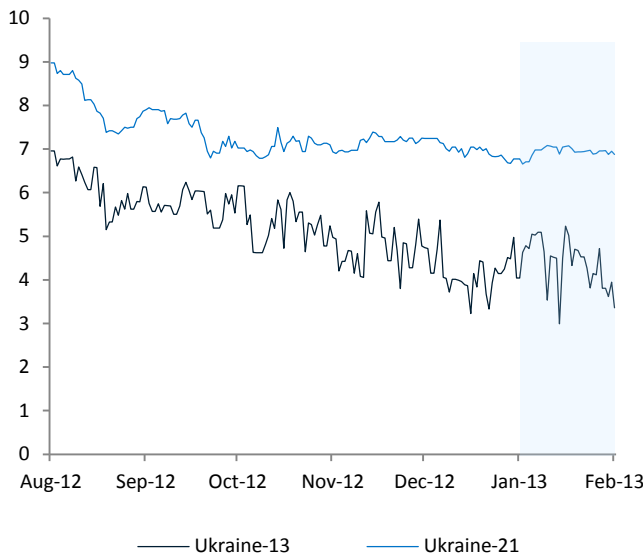
* data as of Feb. 27, 2013
Source: Bloomberg

5Y CDS, 6-m development



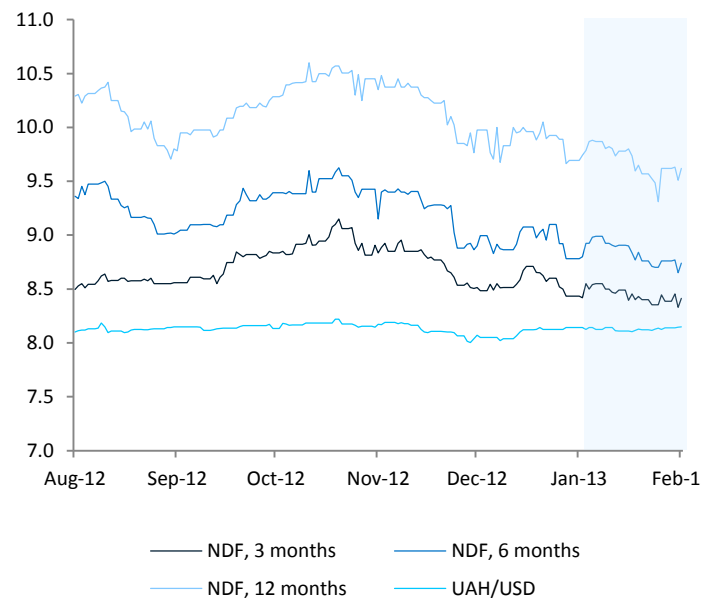
Source: Bloomberg

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	
			2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E
Agriculture												
Kernel	KER PW	1,647	6.3	5.4	0.9	0.8	1.2	1.0	7.4	6.6	0.47	0.34
MHP	MHPC LI	1,928	5.8	5.1	2.0	1.7	1.7	1.4	6.4	6.4	0.75	0.50
Mriya	MAYA GR	655	4.5	4.1	2.8	3.1	-	-	4.6	4.7	-	-
Astarta	AST PW	551	5.3	5.1	1.8	1.5	1.1	0.9	6.3	5.6	0.54	0.41
IMC	IMC PW	160	6.0	3.7	2.4	1.6	1.7	1.2	6.8	4.4	0.63	0.36
KSG Agro	KSG PW	51	-	-	-	-	0.6	0.5	4.4	3.1	-	-
Agroton	AGT PW	68	2.9	2.4	1.0	0.8	0.5	0.4	3.6	2.7	0.21	0.20
Median		551	5.6	4.6	1.9	1.5	1.1	1.0	6.3	4.7	0.54	0.36
Food												
Avangard	AVGR LI	657	3.2	2.7	1.3	1.1	0.6	0.5	3.1	2.9	0.17	0.09
Ovostar	OVO PW	182	6.2	4.5	2.5	1.8	-	-	7.5	5.1	-	-
Milkiland	MLK PW	147	5.7	4.3	0.7	0.6	0.7	0.6	7.4	4.5	0.54	0.45
UkrProduct	UKR LN	9	-	-	-	-	-	-	-	-	-	-
Median		165	5.7	4.3	1.3	1.1	0.6	0.5	7.4	4.5	0.35	0.27
Oil & Gas												
JKX Oil & Gas	JKX LN	169	1.2	1.2	0.7	0.6	0.0	0.0	3.2	4.2	0.00	0.00
Kulczyk Oil	KOV PW	218	5.2	4.6	2.5	2.0	1.2	1.1	11.0	24.6	0.00	-0.13
Regal Petroleum	RPT LN	150	-	-	-	-	-	-	19.2	7.3	-	-
Cadogan Petroleum	CAD LN	46	-	-	-	-	-	-	-	-	-	-
Median		160	3.2	2.9	1.6	1.3	0.6	0.6	11.0	7.3	0.00	-0.07
Mining												
Coal Energy	CLE PW	154	-	2.2	-	0.8	-	1.1	3.8	4.3	-	-0.11
Sadovaya Group	SGR PW	26	8.1	2.6	1.2	0.8	-	-	-	1.4	-	-
Median		90	8.1	2.4	1.2	0.8	-	1.1	3.8	2.8	-	-0.11
Metals & Mining												
Ferrexpo	FXPO LN	2,144	6.0	4.8	1.7	1.6	1.3	1.2	9.5	7.3	0.18	0.16
Median		2,144	6.0	4.8	1.7	1.6	1.3	1.2	9.5	7.3	0.18	0.16
Real Estate												
TMM	TR61 GR	31	-	-	-	-	-	-	1.5	1.0	-	-
Median		31	-	-	-	-	-	-	1.5	1.0	-	-
Industrials												
Westa ISIC	WES PW	8	-	-	-	-	-	-	-	-	-	-
Median		8	-	-	-	-	-	-	-	-	-	-

* as of Feb. 27, 2013

Source: Bloomberg

Median values for peer companies*

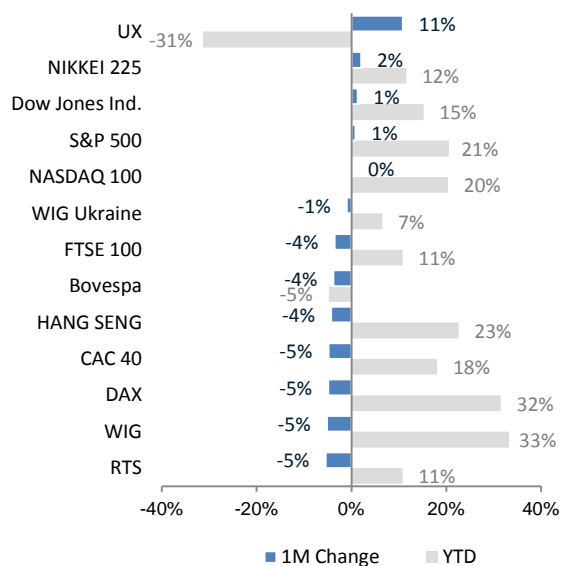
Sector / Company	EV/EBITDA		EV/Sales		P/B		P/E		Net Debt / Book Value	
	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E
Oil & Gas										
Emerging markets (4)	2.8	4.1	0.5	0.5	1.1	1.0	4.3	5.9	0.21	0.22
Mature markets (6)	3.8	3.6	0.9	0.9	1.3	1.2	9.5	8.5	0.19	0.19
Metals & Mining										
Emerging markets (11)	6.1	5.7	1.0	1.0	1.2	1.1	10.4	9.4	0.62	0.56
Mature markets (5)	6.2	4.9	0.4	0.4	1.0	0.9	18.7	11.0	1.06	0.96
Food										
Emerging markets (4)	22.3	10.3	1.6	1.3	5.9	5.3	31.1	25.1	0.12	0.03
Mature markets (10)	10.3	9.2	1.8	1.7	3.6	3.2	16.5	15.1	1.06	0.70
Agriculture										
Emerging markets (5)	4.3	2.5	1.2	0.7	0.5	0.4	18.9	3.7	0.06	0.09
Mature markets (4)	9.1	8.4	1.4	1.3	1.1	1.0	12.9	10.9	0.24	0.19

* numbers in brackets indicate number of peer companies

Source: Bloomberg

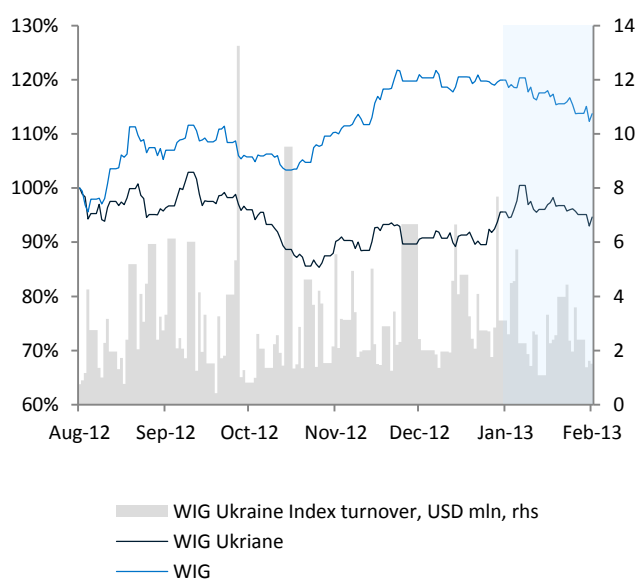
Appendix E. Stock market summary

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



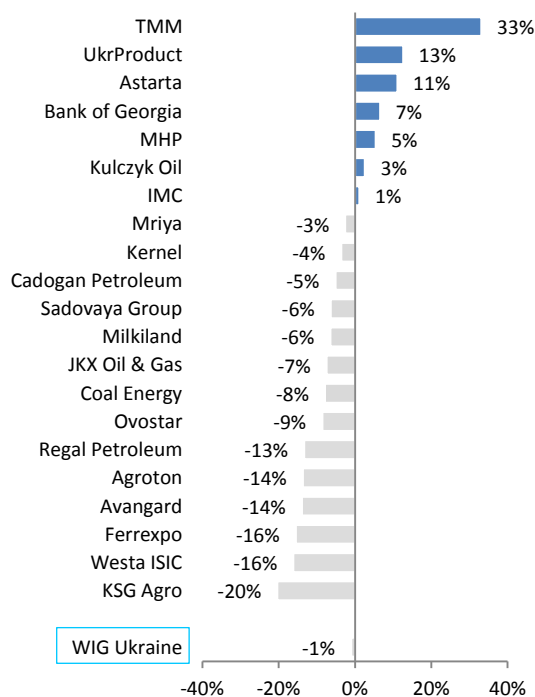
Data as of Feb.27, 2013
Source: Bloomberg

WIG Ukraine, 6-month development



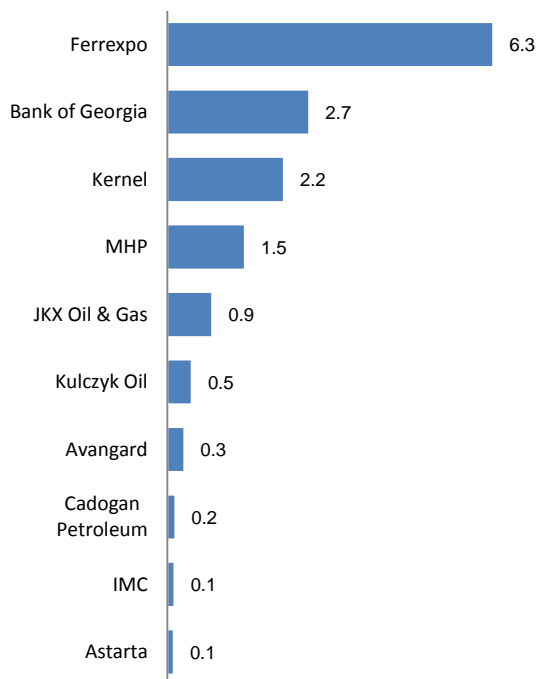
Source: Bloomberg

Ukrainian stock price change, mom*



* as of Feb. 27, 2013
Source: Bloomberg

Average daily trading in Ukrainian stocks, USD mln*



* Only top-10 stocks are shown, data are or Jan. 27, 2013 - Feb. 27, 2013
Source: Bloomberg

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