



CONCORDE CAPITAL

Ukraine / Fixed income

Naftogaz of Ukraine

New gas dispute poses risks?

April 13, 2009

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This morning local daily Kommersant wrote that Gazprom sent official fine claim to Naftogaz of Ukraine. The reason was that Naftogaz bought less than a half of 2 bcm of natural gas it was obliged to purchase in March under the Naftogaz-Gazprom agreement. The newspaper says that the fine may amount up to USD 530 mln.

Naftogaz faces fine by Gazprom for underconsumption of gas

According to Kommersant, on Friday Gazprom sent official claim to Naftogaz to pay USD 530 mln for underconsumption of gas in March within a take-or-pay agreement between the two. Naftogaz reportedly bought 2.5 bcm out of contracted 5 bcm of natural gas in 1Q09 and 0.95 bcm out of contracted 2 bcm in March.

We expect the issue to be resolved without Naftogaz paying the fine

We see the fines imposed by Gazprom as a mechanism of political pressure. On March 23, Ukraine signed declaration with the European Union on modernizing gas-transport system, which did not take into account Russian interest. We think this could be a likely reason for Gazprom raising the issue of fining Naftogaz for gas underconsumption. Earlier, both Russian prime minister Vladimir Putin and Gazprom's deputy CEO Valery Golubev said that Gazprom would not fine Naftogaz. We expect that Naftogaz will end up not paying the penalty and that the issue will be resolved via Ukraine-Russia negotiations.

Tickers

Bloomberg	NAFTO
ISIN	XS0202078688

Ratings

Moody's	B1
Fitch	B-

Issue details

Amt of issue	USD 500 mln
Coupon	8.125%
Maturity date	Sept. 30, 2009

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