



CONCORDE CAPITAL

Ukraine / Fixed income

Naftogaz of Ukraine

Bondholders grant 2007 IFRS extension

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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 |

NAFTO Market implied ratings

| | Rating | Gap* |
|--------------|--------|------|
| Bond-implied | - | - |
| CDS-implied | Caa1 | -3 |

*Notches versus Moody's Senior Unsecured Rating. Source: Moody's

NAFTO '09 YTM, %



Source: Bloomberg

EMBI + Ukraine spread, bps



Source: CBonds

- **Naftogaz of Ukraine Eurobond holders agreed to give the company a waiver on the publication of its 2007 IFRS audited financial reports until the end of 2008**
- **We don't exclude the possibility that the company will not meet the deadline again and expect another waiver in 2009**

Naftogaz gets extension on 2007 IFRS publication, as expected

Naftogaz Eurobond holders, at a meeting on November 11 in London, allowed Naftogaz to postpone the publication of its 2007 consolidated IFRS accounts until end-2008, according to Standard Bank statement posted on the Luxemburg Stock Exchange. Naftogaz had been in technical breach of its bond covenants since it failed to publish the FY07 financial results by July 31.

After its bondholder meeting failed to convene on October 28, Naftogaz management told us that they reached an agreement with its Eurobond holders to avert early redemption (see our October 30 flash note).

2007 IFRS results could be delayed again

With the new waiver, Naftogaz has until the end of 2008 to publish its 2007 IFRS results, a delay the issuer had sought to secure since before the October 28 bondholder meeting. Naftogaz attributed the major reason for delays to the shuttering of 50% held Ukgaz-Energo, but we suspect that there are a number of other issues that may lead Naftogaz to request another waiver and postpone the publication until 1H09.

State guarantees improbable

No state guarantees on Naftogaz external debt are included in the 2009 state budget law that has been submitted to Ukrainian parliament, and we have not learned of any plans to include such a provision. The clause in the 2008 state budget helped little this year as the government required counter-guarantees in order to issue guarantees on Naftogaz' external debt, a requirement the company says is practically impossible to meet.

FLASH NOTE

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