



Oleksandr Klymchuk  
 ok@concorde.com.ua  
 +380 44 207 5037  
 www.concorde.com.ua  
 Bloomberg: CONR<GO>

## Analyst's Notebook

Ukraine / Fixed Income  
 October 13, 2006

### New Eurobond Issue to Extend the Yield Curve

The government is closer to issuing a long-term Eurobond in 2006 after it selected a syndicate of banks composed of Credit Suisse, Deutsche Bank and UBS as lead-manager.

The underwriters agreed to a relatively small fee, 0.025% of the issue amount, which makes it look like they think it will not be difficult to place the bonds. The fee is three times less than the one paid to the lead manager of Ukraine's 2005 Eurobonds (Moody's: B1, S&P: BB-, Fitch: BB-), which mature in 2015.

#### What will be the issue's amount and maturity?

The government will officially announce the parameters of the issue later. However, as we previously reported, the government wishes to borrow USD 1 bln for 30 years. If realized, the issue will be the longest-term bond ever for a Ukrainian issuer. Unlike Russia and the majority of emerging market countries that issue Eurobonds, Ukraine does not have bonds with maturity dates longer than 12 years. Ukraine's outstanding Eurobonds with the longest maturity dates are the recent privately placed Swiss-Franc Eurobonds, which mature in 2018, and an issue of Euro-denominated bonds which mature in 2015.

#### When will the issue take place?

We expect the Eurobonds to be offered in November. In accordance with Ukrainian legislation, the syndicate of banks can organize the issue immediately after they sign an agreement with the Finance Ministry.

#### Sovereign Eurobonds in circulation

Security	Volume of issue, mln	Amount outstanding, mln	Coupon rate	Date of issue	Maturity
Ukr USD '07	USD 1 588	USD 148	11%	14.04.2000	15.03.2007
Ukr EUR '07	EUR 1 168	EUR 109	10%	14.04.2000	15.03.2007
Ukr USD '09	USD 500	USD 500	Floating*	29.07.2004	05.08.2009
Ukr USD '11	USD 600	USD 600	6.875%	27.02.2004	04.03.2011
Ukr USD '13	USD 1 000	USD 1 000	7.65%	04.06.2003	11.06.2013
Ukr EUR '15	EUR 600	EUR 600	4.95%	06.10.2005	13.10.2015
Ukr CHF '18	CHF 384	CHF 384	3.5%	12.09.2006	15.09.2018
<b>Ukr USD '36</b>	<b>USD 1 000</b>	<b>-</b>	<b>-</b>	<b>x.11.2006</b>	<b>x.11.2036</b>

\* LIBOR 6m+337.5 bps

Source: Finance Ministry, Concorde Capital estimates

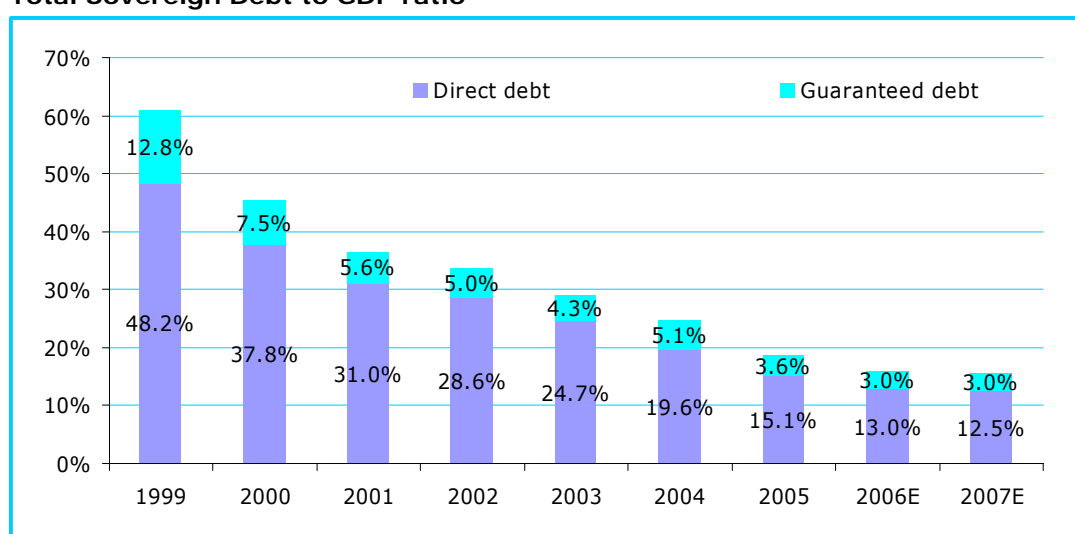
### What about the yield?

We expect the Eurobonds will be offered at 230-250 bps over 30-year UST bonds, which is much higher than the secondary market spreads of 5-year and 7-year Ukrainian Eurobonds (currently traded at 183 bps and 185 bps respectively over comparable UST bonds).

### Will the increased state debt be at a manageable level?

The issue will raise direct state debt to USD 12.7 bln or to 12.6% of estimated 2006 GDP. We expect the ratio to reach a modest 13% by the end of the year, which is historically very low. We also expect the ratio to decrease further in 2007 given the same GDP growth as this year, currency fluctuation in the range of UAH/USD 4.95-5.1, and a net debt increase of USD 2 bln. The Finance Ministry plans to make two issues during the year (the first in 1H07, most likely in Japanese Yen, and another in 2H07 in USD or EUR).

### Total Sovereign Debt to GDP ratio



Source: Finance Ministry, Concorde Capital estimates

### Ukrainian Sovereign Credit Ratings

	Foreign currency liabilities		Local currency liabilities		Outlook
	LT	ST	LT	ST	
Fitch Ratings	BB-	B	BB-	B	Stable
S&P	BB-	B	BB	B	Stable
Moody's	B1	-	B1	-	Stable

Source: Finance Ministry

---

## Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital may have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients may have or have had interests or long or short positions in the securities referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Concorde Capital may act or have acted as market-maker in the securities discussed in this report. The research analysts, and/or corporate banking associates principally responsible for the preparation of this report receive compensations based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

Concorde Capital verifies all the information it receives however, due to the timely nature of this report, the information contained may not have been verified as being entirely accurate and therefore we do not purport this document to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2006 Concorde Capital

---