



Ukraine's sovereign credit: recent developments & post-election outlook

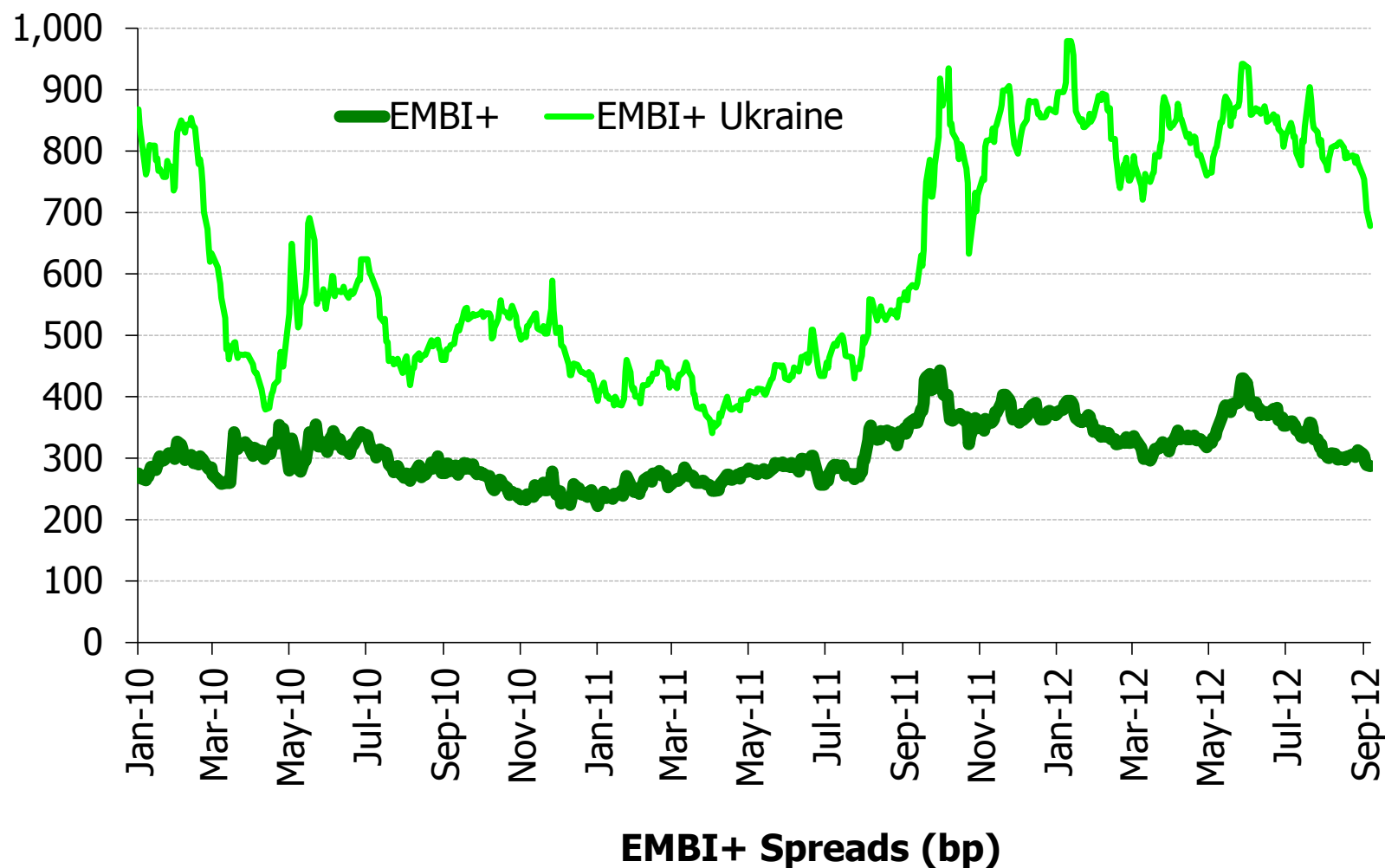
Cbonds Fixed Income Conference:

Russia, CIS & CEE

Sep 13-14, 2012

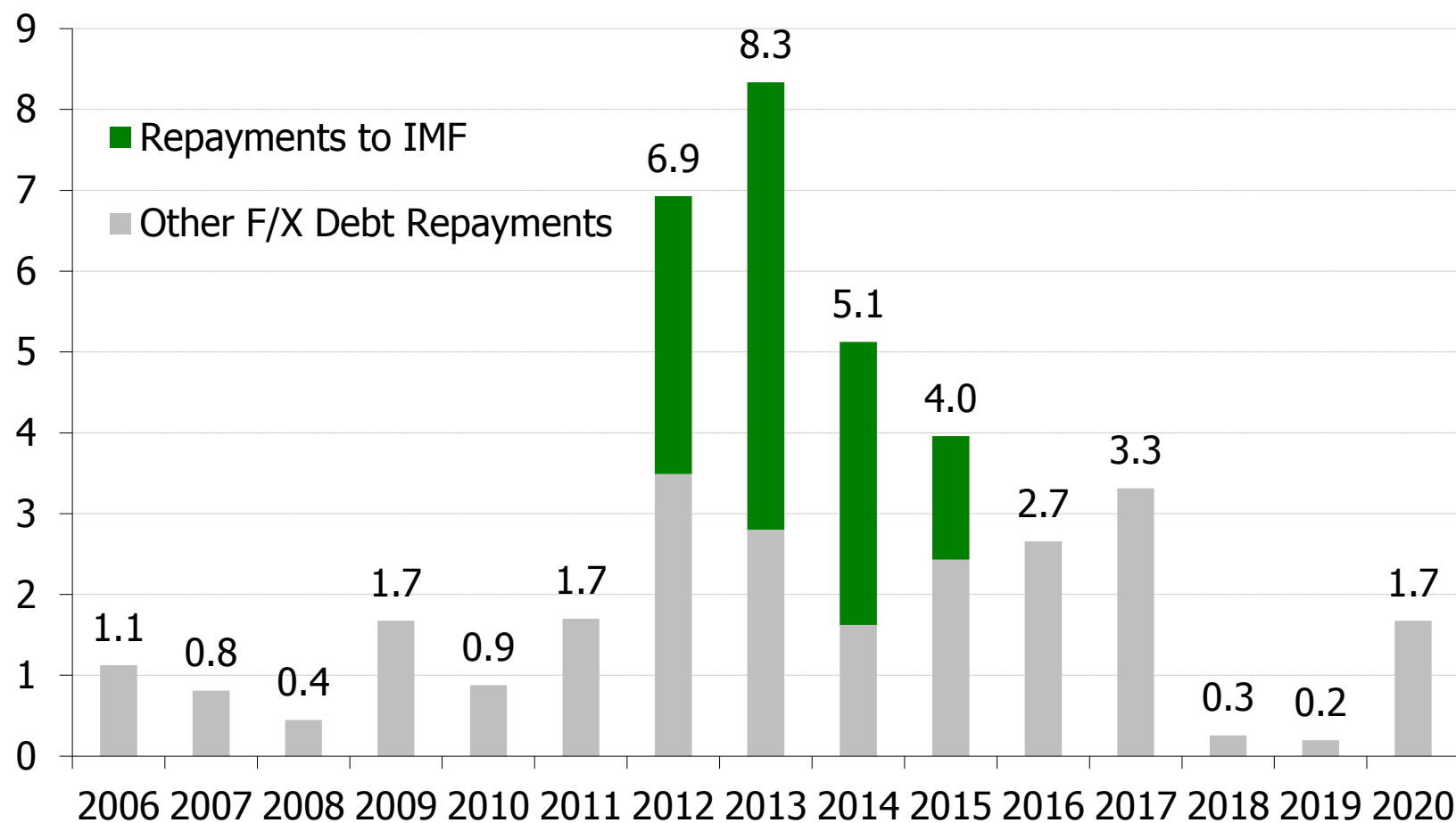
London, UK

Ukraine Sovereign Credit: High Yield & High Beta



Source: JPMorgan

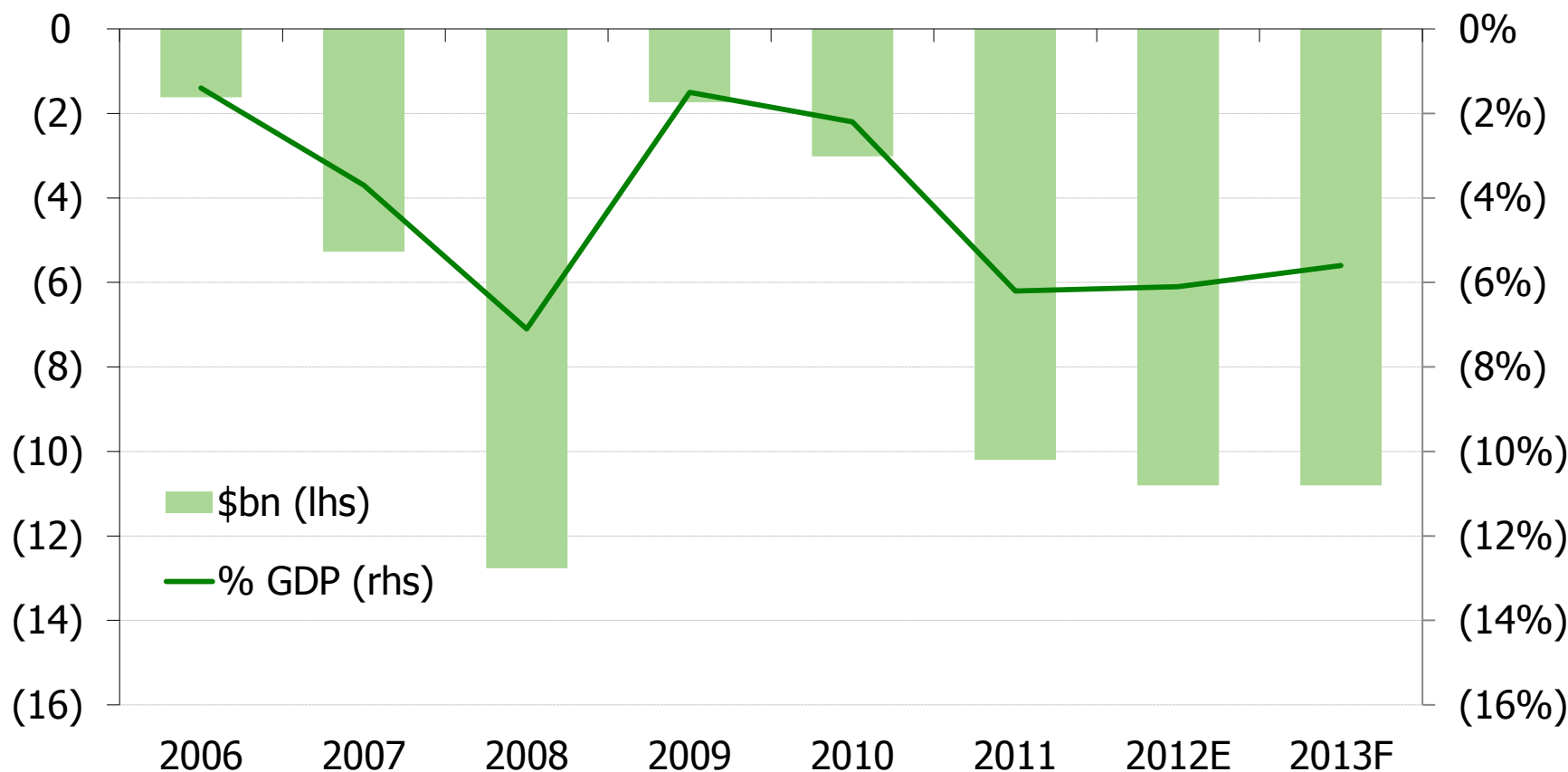
Key Concern: Large F/X Debt Redemptions...



Public Sector F/X Debt Repayments Burden (\$bn)

Sources: Finance Ministry, IMF, Dragon Capital estimates

...In a Combination with Sizeable C/A Deficit

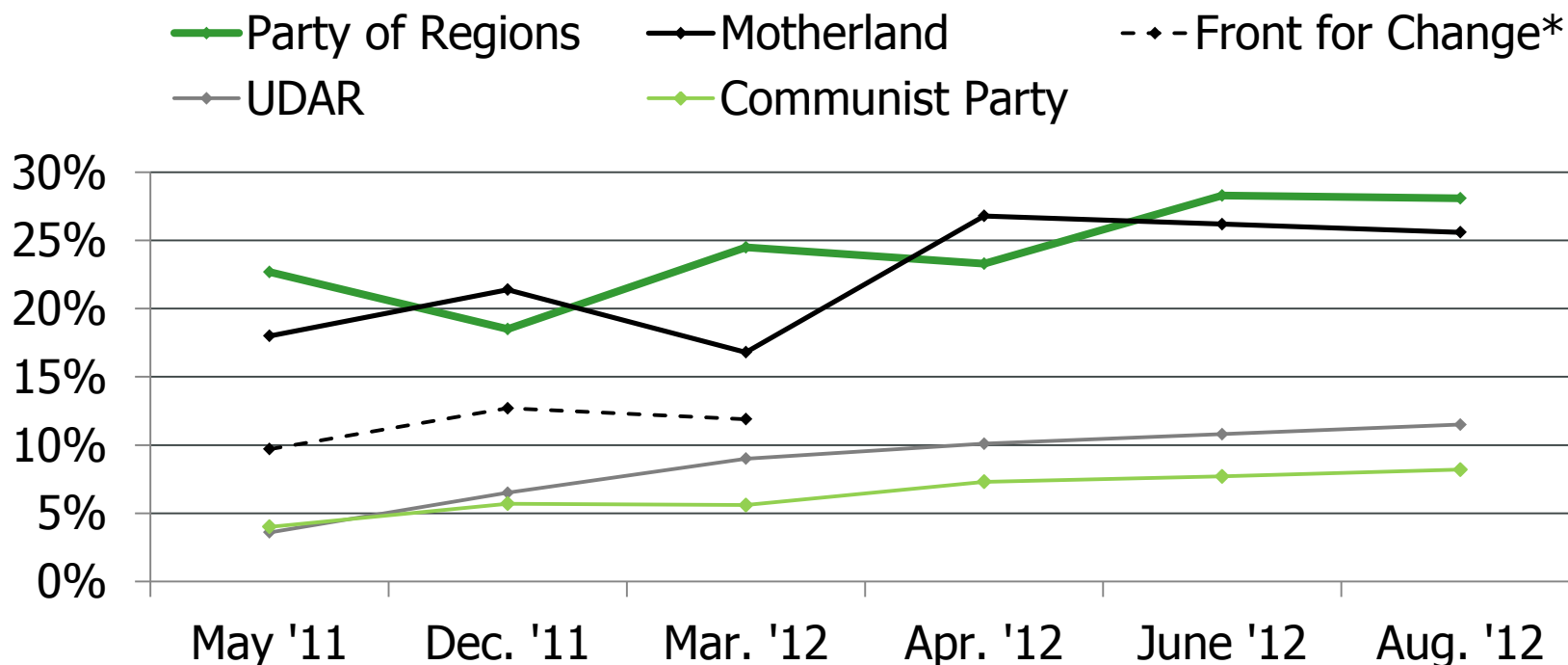


Current Account Balance

Sources: NBU, Dragon Capital estimates and forecasts

Elections Will Not Change the Political Set Up...

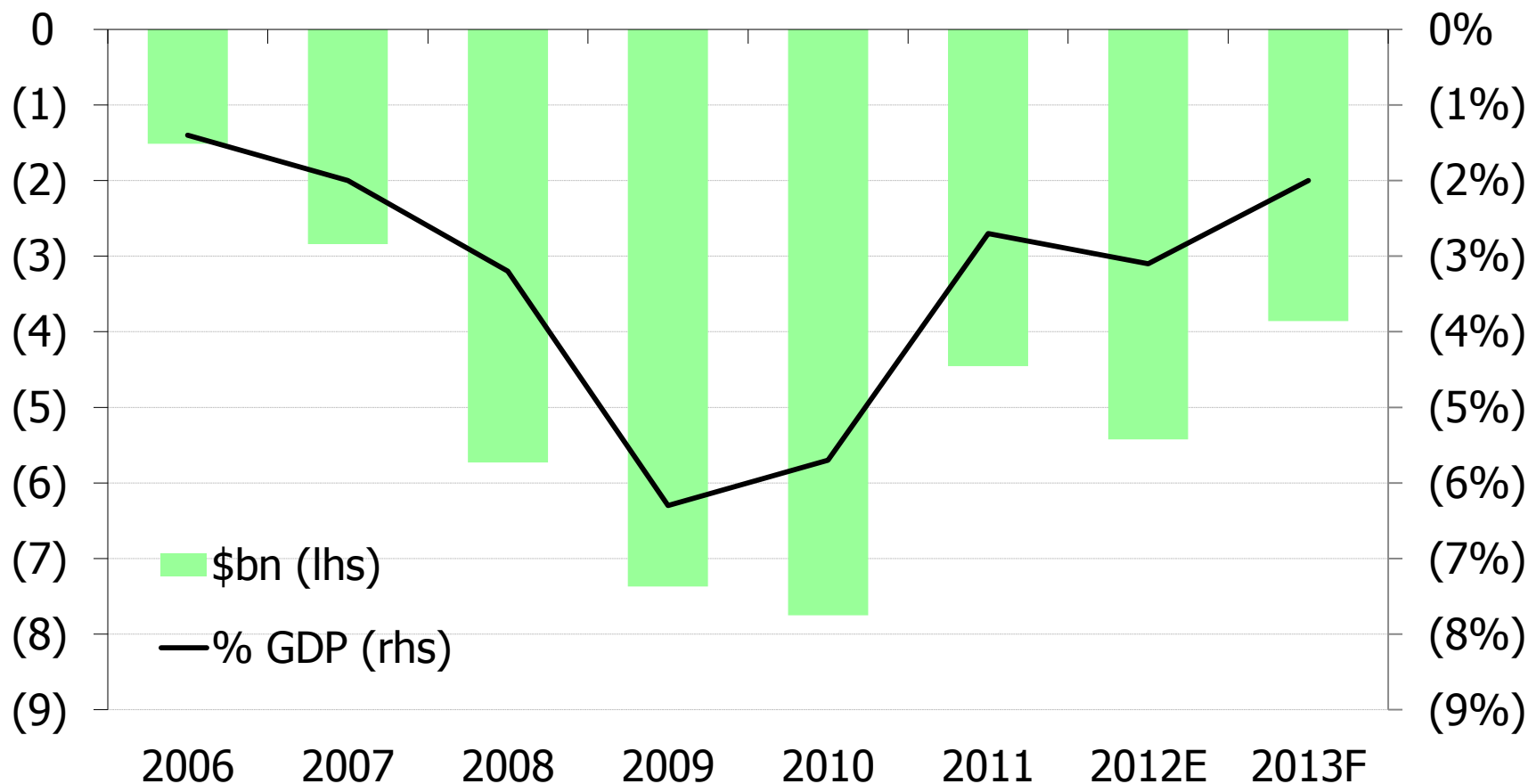
- The elections will be held based on a 50/50 mixed system combining single-member constituencies and party lists.
- Despite low approval rating the ruling Party of Regions is very likely to retain a *de-facto* majority by a stronger showing in single-seat districts.



...But Give More Leeway For Economic Policies

Measures to Improve External Position	Likelihood
Fiscal Consolidation	Very Likely
New IMF Program	Likely
Currency Devaluation	Possible, not inevitable
Gas Deal With Russia	Unlikely

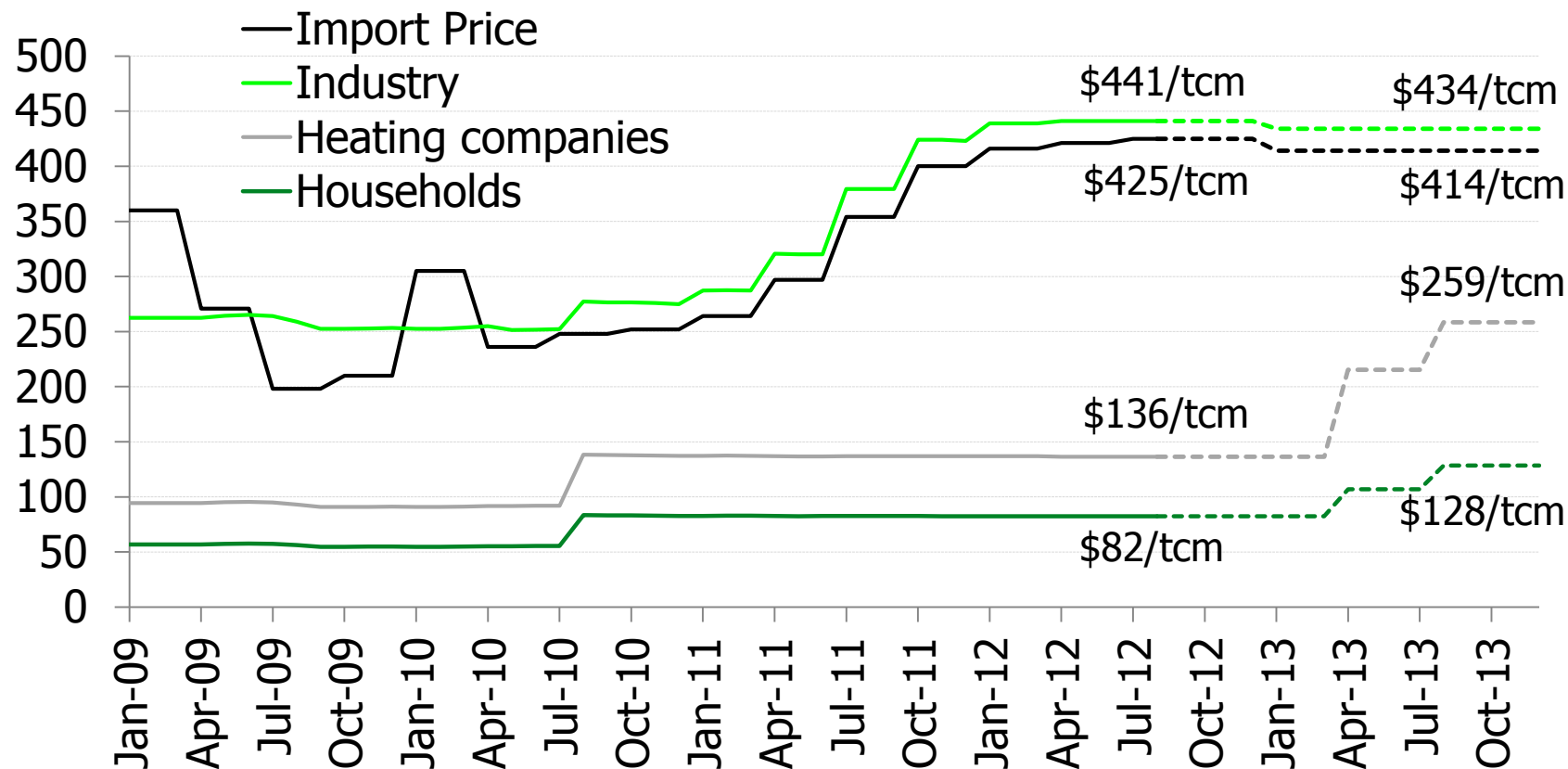
Fiscal Consolidation is Set to Gain Momentum



General Government Balance

Sources: Finance Ministry, IMF, Dragon Capital estimates and forecasts

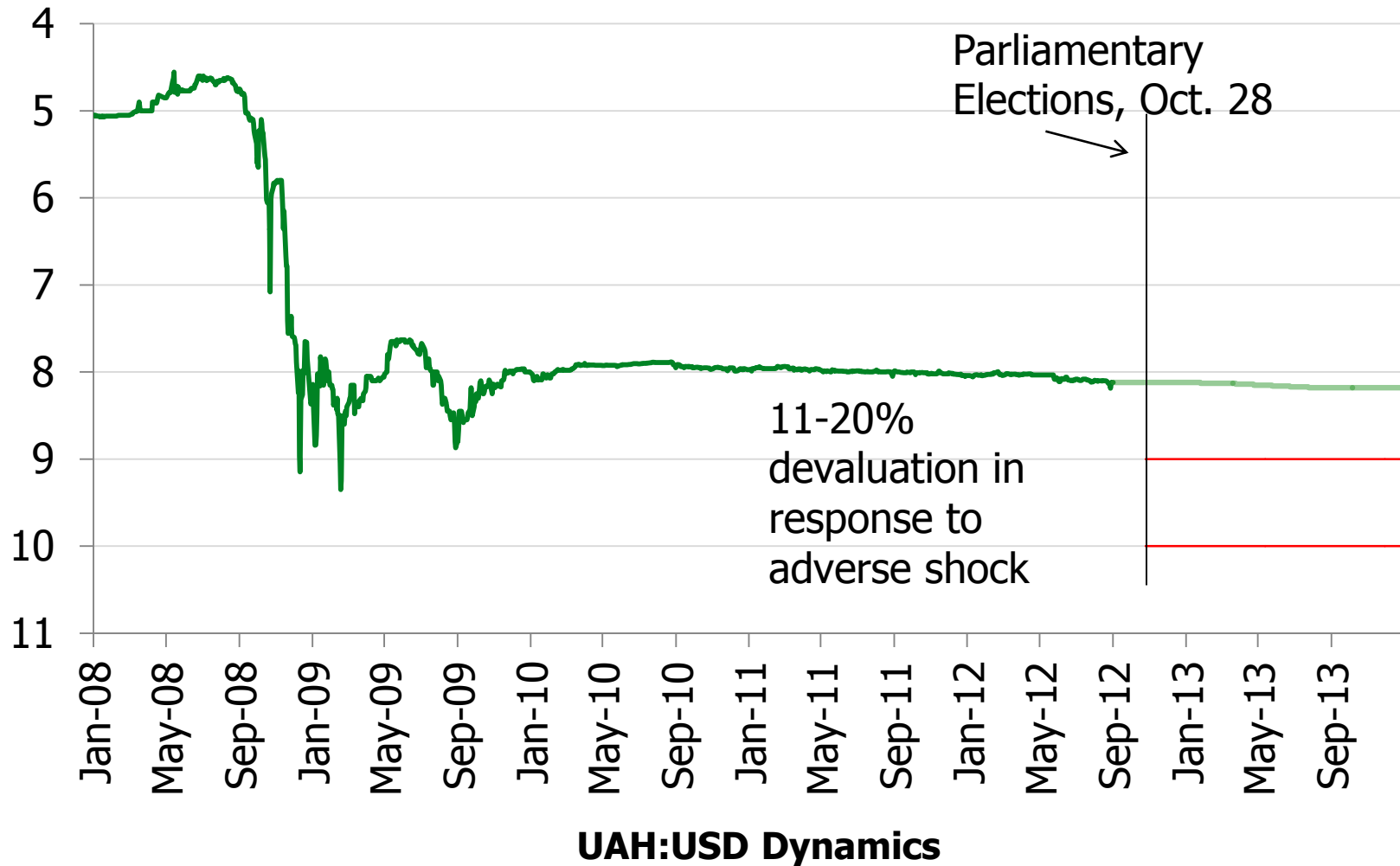
Gas Tariff Hike - Key IMF Requirement



Domestic and Imported Gas Prices (\$/tcm)

Sources: National Authorities, IMF, Dragon Capital estimates and forecasts

Currency Outlook



Sources: UkrDealing, Bloomberg, Dragon Capital estimates and forecasts

Implications for Sovereign Credit

- Sovereign spreads will remain driven mostly by global sentiments
- More room for authorities to respond to worsening external environment in a right way
- More room for sovereign spreads to tighten, but things will likely go worse before they go significantly better

Thank you for your attention!

Dragon Capital

36D Saksahanskoho Street
Kyiv 01030 Ukraine

Tel.: +38 (044) 490-71-20

Tel.: +38 (044) 281-27-27

Fax: +38 (044) 490-71-21

Email: dragon@dragon-capital.com

Web: www.dragon-capital.com