

Trends

Ukrainian Eurobonds Under Pressure as Ukrzaliznytsia Warns of Mounting Losses

Ukraine's sovereign Eurobonds remained under pressure, with wide bid-ask spreads reflecting uncertainty around market direction. The Ukraine 2029 notes traded near 68 cents on the dollar, implying a yield to maturity of about 20.5%. The long-term benchmark Ukraine-2035 inched down by 0.2% to 55.2 (15.5% YTM).

Ukrzaliznytsia's Eurobonds (RAILUA-2026) fell sharply, dropping 7.3% to 75 cents, pushing implied yields to around 46%. The state railway operator warned its passenger transport losses may reach UAH 22bn (USD 520mn) this year.

The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) edged up 0.8% to close at 84.0 cents on the dollar.

On the interbank currency market, the hryvnia stabilized at 42.0 UAH/USD as the National Bank sold USD 692mn from the FX reserves to fill the demand for the hard currency.

In the war developments, the energy ministers of the Group of Seven nations (G7) have issued a joint statement condemning Russia's attacks on Ukraine's energy system, after authorities in Kyiv described Moscow's most recent barrage as akin to "nuclear terrorism". The G7 statement said it continues to support the reconstruction of Ukraine's energy sector "through direct financial assistance, credit facilities, risk insurance, policy and resource alignment, as well as setting conditions for long-term private sector investment".

On Friday, Ukraine's Ministry of Foreign Affairs denounced what it said were "targeted strikes" by Russian forces on substations critical to supplying external power for Ukraine's nuclear power stations.

Highlights

- > Kernel's Oilseed Processing Down 18% YoY in Jul-Sept Quarter

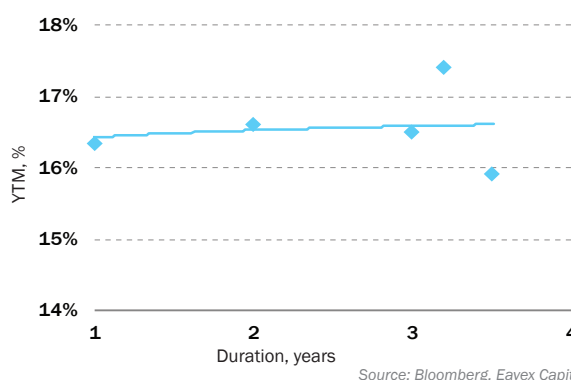
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

www.bank.gov.ua/en/about/support-the-armed-forces

The National Bank also opened fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine

UAH-DENOMINATED BOND YIELD CURVE



FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	15.5%	0.0 p.p.	2.0 p.p.
UAH 1-year bond yield	16.4%	0.0 p.p.	0.0 p.p.
Ukraine-2029 yield	20.5%	0.9 p.p.	4.6 p.p.
Ukraine-2036 yield	15.4%	0.1 p.p.	1.0 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W chg.	YTD
USD/UAH	42.07	-0.3%	-0.4%
EUR/UAH	48.80	-1.2%	10.2%

Source: Eavex Capital

Kernel's Oilseed Processing Down 18% YoY in Jul-Sept Quarter

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KERNEL (KER PW)

Price: PLN 19.16 Market Cap: USD 1,524mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
FY25	0.7	0.4	6.4	3.6	0.0%
FY26E	0.0	0.4	6.1	4.2	0.0%

NEWS

Kernel Holding, Ukraine's largest grain and sunflower oil exporter, reported mixed operational results for the July-September quarter, with the company's grain exports dropping by 15% YoY to 1.25mn tonnes in the period while sunflower oil sales increased by 18% YoY to 316,000 tonnes.

Kernel's sunflower seed processing decreased by 18% YoY to 559,000 tonnes. The company blamed a lower volumes processed under tolling agreements (16,000 tonnes compared with 132,000 tonnes in the corresponding period of the previous year). Sunflower seeds accounted for the majority of the volume processed, with smaller volumes of soybeans and rapeseeds contributing to the total throughput.

KERNEL OPERATIONAL UPDATE

Volume	1Q FY25	1Q FY26	Change
Grain exports, tonnes	1,477,000	1,252,000	-15%
Sunflower oil sales, tonnes	269,000	316,000	+18%
Oilseed crush, tonnes	684,000	559,000	-18%
Export terminals throughput, tonnes	2,199,000	1,820,000	-17%

Source: Companies' data

COMMENTARY

We view Kernel's operational results for the quarter as unimpressive. Although there were advance signals that the company's sunflower oil processing segment was facing lower profitability and lower volumes, we had assumed that the seed-crushing volume would not decrease by more than 10% YoY.

On the grain segment side, we had projected higher export volumes, so the 15% YoY decline fell well below our expectations.

Nevertheless, among encouraging information in the update, there was a higher sunflower oil sales volume supported by the sale of vegetable oil inventories accumulated at the end of the previous financial year.

The Warsaw-traded KER stock showed only a minor reaction to the operational update release, rising by 0.8% on Friday to PLN 19.16.

Kernel-2027 Eurobonds increased by 0.9% last week to close at 90.0 cents on the dollar, implying 12.8% yield to maturity.

SELECTED UKRAINIAN EURO BONDS

Issue	Indicative Price	Price change in one week	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2029	68.0	-1.7%	20.5%	4.50%	1 Feb 2029	1,168	USD	Ca/SD/RD
Ukraine, 2030 (B)	52.5	0.2%	16.4%	-	1 Feb 2030	531	USD	Ca/SD/RD
Ukraine, 2034	55.4	-0.2%	16.1%	4.50%	1 Feb 2034	3,150	USD	Ca/SD/RD
Ukraine, 2035	55.2	-0.2%	15.5%	4.50%	1 Feb 2035	2,946	USD	Ca/SD/RD
Ukraine, 2036	54.0	-0.2%	15.4%	4.50%	1 Feb 2036	2,456	USD	Ca/SD/RD
Ukraine, GDP-linked	84.0	0.8%			31 May 2040	3,239	USD	//
Corporate Eurobonds								
MHP, 2026	94.5	0.1%	21.0%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	90.0	0.9%	12.8%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	68.7	0.6%	28.0%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	88.8	0.1%	36.0%	8.50%	23 Apr 2026	648	USD	Caa3//CCC
Metinvest, 2029	74.9	-0.7%	17.0%	7.75%	17 Oct 2029	500	USD	Caa3//CCC
NaftoGaz, 2026	78.9	0.0%	17.2%	7.625%	8 Nov 2026	500	USD	//
Ukrainian Railways, 2026	75.0	-7.3%	46.7%	8.25%	9 Jul 2026	500	USD	/CC/C

¹ Moody's/S&P/Fitch

Source: Boerse-Berlin, Boerse-Stuttgart. TR Data, Eavex Research

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