ECONOMIC OUTLOOK AND EMERGING MARKETS TOP PICKS: 1Q18

02 JANUARY 2018

Overview: Getting Political – Dr. Walter Molano, PhD.
EM Corporate Highlights– Corporate Research
Top Picks for 1Q18 – Corporate Research

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OVERVIEW: GETTING POLITICAL

Latin America is in campaign mode. With the dust settling on the Argentine midterm and Venezuelan gubernatorial elections, all eyes are now on the Chilean presidential race. The first round is scheduled for November 19. Leading the pack is former President Sebastian Piñera. This is a repeat from the previous election, when former President Bachelet returned to office after having held the presidency between 2006 and 2010. She was replaced by Piñera, and she subsequently replaced him again. Now, it looks like he will follow her one more time. However, the sequencing may be coming to an end, since Bachelet has said that she does not intend to run for the presidency again. Piñera is leading the way, with 32.8% of the intended vote. Next up is center-left Senator Alejandro Guillier, which has 13.8% of the intended vote. Guillier is a well-known journalist, having had a career in television and radio. Failure of any candidate to secure a clear majority means that the election will move into a second round. The next presidential election will be in Colombia. It is scheduled for May 2018. Sergio Fajardo is leading the pack, with 21% of the vote. A mathematician by training, the center-left former Governor of Antioquia is an ally former Bogota Mayor and former presidential candidate Antanas Mockus. He is closely allied with the Green Party and is well known for his successful tenure as governor. Many important public works were completed, and Medellin is one of the leading cities in the entire region. German Vargas Lleras, who served as President Santos' Vice President, is a distant second, with 12.5% of the intended vote. The rest of the field is populated with a large group of independent and right wing candidates. However, the most notable contender is Rodrigo Londoño. Better known by his nom de guerre, Timonchenko, he was the last leader of the FARC. As part of the peace of agreement, the guerrilla organization was allowed to incorporate itself into the political system. Therefore, expect more of this.

One of the two more controversial elections of the year will be held on July 1st, 2018. This is when Mexicans go to the polls. Leading the field is former Mexico City Mayor Andres Manuel Lopez Obrador (AMLO). The leftist leader of MORENA is backed by a group of hard-left followers who admire the economic models of Cuba and Venezuela. However, his strong nationalist rhetoric is what engenders much of his support. President Enrique Peña Nieto has been perceived to be very weak in front of President Donald Trump's endless tirades and insults. The next contender is Margarita Zavala. She is the wife of former President Felipe Calderon. Charismatic and a lawyer by training, she recently broke away from the right-wing PAN Party to launch her candidacy. Many compare her to Hillary Clinton, but the similarities are superficial. They are limited to her gender and training. She seems to have a much better sense of the country's pulse. The second controversial race of the year will be in Brazil. The two leading contenders are former President Luiz Inacio Lula da Silva and Rio de Janeiro Congressman Jair Bolsonaro. The former is a convicted criminal and the second is a Carioca reincarnation of Donald Trump. A former paratrooper, Bolsonaro is a rabid nationalist, homophobe and misogynist. Unfortunately, most political pundits are placing their bets on him. Lula's rejection rate is so high, that he has little chance of winning in a runoff. Even, if he is allowed to run.

Although many of the leading contenders are hailing from the left and the right, the common theme across the presidential contests is the absence of the traditional political parties. After decades of endless corruption and abuse of power, most of the Latin American electorate has had it with the mainstream parties. This has led to the rise of independents. Advances in technology have also facilitated the process. Social media platforms allow politicians to connect directly with voters, without having to rely on costly advertising budgets. As a result, the political parties have been disintermediated. Some political scientists could argue that this produces a more representative form of democracy, but it also has its drawbacks. Parties help anchor the political spectrum, producing stable political, social and economic positions and views. They also provide a back bench of experienced technocrats and administrators who are ready to move into government if their party wins. More importantly, direct interaction between the leader and the electorate can lead to demagoguery. By appealing to popular prejudices and desires, leaders can incite the darkest aspects of a society—as is clearly occurring in the United States. Candidates, such as AMLO and Bolsonaro, could push two of the largest countries in the region in that general direction. Therefore, it is time to become attuned to what is happening in Latin America. The region is about to get very political.

Dr. Walter Molano, Ph.D.

November 13, 2017

EM CORPORATE HIGHLIGHTS 4Q'17

Argentina

- Macri supported candidates win Oct-17 mid-term elections, including a victory over Cristina Kirchner in the Province of Buenos Aires
- Cristina is charged with homeland treason related to a memorandum signed with Iran. Cristina's arrest blocked by her immunity as current senator
- Boudou (Cristina's former vice-president), Zanini (former FPV vice-president candidate), Julio de Vido (former Minister of Planning and Public Investment under Cristina) are jailed. Hector Timmerman (former Cristina's Chancellor) in home detention. In total, 21 former executives and businessmen tied to the Kirchners now in jail
- After severe civil protests, Argentine government passes social security reform bill, followed by a tax reform bill
- Governors of all provinces, excluding San Luis, agree to a major pact aimed to reduce fiscal deficits
- Province of Buenos Aires drops claim for the Fondo del Conurbano while obtaining billions of direct transfers in exchange
- Two new issuers: Rio Negro US$300mm (Province) and Tecpetrol US$500mm (O&G corporate)

Brazil

- Pension Reform's debate and voting postponed to February 2018
- Central Bank cut Selic rate two times, lowering from 8.25% to 7%
- Oi creditors approved the judicial restructuring plan, after a court decision gave the new CEO full power to present the plan, without Board's consent
- Marfrig's subsidiary, Keystone, had its IPO postponed to 2018
- CSN released audited results for 2016, 1Q17, 2Q17 and 3Q17
- Rumor of LyondellBasell interest in Braskem (ODBR's affiliate company)
- Vale announced that Samarco's renegotiation of claims in the Federal Court was postponed to April 20th, 2018
- Samarco obtained preliminary environmental license for "Alegria do Sul"
- Former CEO of Odebrecht, Marcelo Odebrecht, was released from jail after 2.5 years to continue his sentence for corruption under house arrest
- New issuances from Braskem, Gerdau, Banco do Brasil, Azul, Banco Votorantim, Cemig, Itau, Minerva, Gol and Banco BTG Pactual

EM CORPORATE HIGHLIGHTS 4Q'17

Colombia

- US$300mm private placement raised by LifeMiles, AVH's subsidiary
- Avianca's pilots strike came to an end on November 10th, after Colombia's Minister of Labor opened a tribunal to resolve the conflict

Mexico

- NAFTA renegotiation was pushed to 2018 after five slow rounds. Although there was some progress, the current stalemate regarding the rules of origin, employee wages and Chapter 19 have risen tensions between the three countries prior to the sixth round scheduled for January 2018
- Mexican negotiators wish to conclude NAFTA renegotiations by March 2018 before the presidential election, whilst AMLO is pushing for resolution after the election
- The 2018 presidential election is looking like a three-candidate race between AMLO, Anaya and Meade. AMLO, Morena's candidate and regarded as a non-market friendly populist, is currently leading polls. Anaya, former PAN president, emerged from an unlikely alliance between two traditionally large parties with opposite fundamentals – PAN and PRD. Meade, former secretary of Finance and unaffiliated with any political party, is the PRIs candidate in their latest bid to cleanse their reputation
- In December, Diaz de Leon was appointed to lead Banxico after Augustin Carstens. During his first weeks in office, Diaz de Leon raised Banxico's interest rate to 7.25%. This latest hike was primarily due to continued high inflation in Mexico, which reached 6.63% in November
- Carlos Treviño, former administrative director, was appointed as the new CEO of Pemex. This move came as the former Pemex CEO, Gonzalez Anaya, was appointed as Secretary of Finance to replace Meade as he was appointed as the PRI's presidential candidate
- Treviño's main challenge during his tenure in Pemex will be to increase production as the issuers credit fundamentals have improved due to better downstream pricing
- The government of Chihuahua arrested Alejandro Gutierrez, a former PRI secretary. This marks one of the latest PRI corruption scandals, some including several former governors, which combined have led to the PRI loosing various governorships in traditional PRI states

Venezuela

- Government called for major restructuring of outstanding debt debt
- Rating agencies downgraded the sovereign and PDVSA to 'D'; yet the issuer continues to attempt to service interest. No accelerations have occurred.

EM CORPORATE HIGHLIGHTS 4Q'17

Asia

- Noble Group Limited was granted another covenant waiver for its US$1.1bn senior-secured revolving credit facility, extended to to May 2018 (facility maturity), and after US$380mm in senior unsecured bonds mature in March
- Fitch raises Indonesia's sovereign rating to BBB with stable outlook, following S&P's move to IG in May 2017
- The Chinese Yuan climbed 5%+ against USD in 2017, compared to 11% decline in previous 2 years
- Meanwhile, the Hong Kong dollar reached a 2-year low against USD, with blame falling on central bank's reluctance to issue exchange fund bills
- The Reserve Bank of India released its Financial Stability Report, anticipating banking sector NPAs could rise to 10.8% by March 2018
- New issues: ANTOIL, KAISAG

Russia

- November 7, 2017, marked 100th anniversary of Great October Revolution (October 25th on the Julian calendar used in Imperial Russia, hence the name).
- In December 2017, the International Olympic Committee (IOC) banned Russian Olympic team from the 2018 Winter Olympic Games in Pyeongchang, South Korea.
- President Vladimir V. Putin, 65, announced in early December 2017 that he would seek a fourth term as president of Russia in a March 2018 election; a full, six-year term (until 2024) would make his tenure (including his years as PM) – the longest by a Russian leader since Joseph Stalin.
- In mid-December 2017, the Central Bank of Russia (CBR) nationalized Promsvyazbank, owned by the Ananiev brothers; previously, the CBR has already rescued Otkritie and B&N Banks.
- The US Treasury is due to deliver a report to Congress by early February 2018, which may result further tightening of the sanctions (one of them is rumored to be the exclusion from Swift). Under existing sanctions, Russian state banks cannot raise debt on western markets with a maturity of more than 14 days.
- At the end of December 2017, Sistema and Rosneft reached an agreement, according to which, all sides will recall all their lawsuits and abandon all claims against each other, and Sistema will be obliged to pay (using own and borrowed funds) Bashneft RUB 100 billion by March 30, 2018

EM CORPORATE HIGHLIGHTS 4Q'17

Kazakhstan

- In October 2017, Kazakhstan's President Nursultan Nazarbayev, 77, ordered to change the country's official alphabet to a Latin-based from a Cyrillic one; the change is the third one in less than 100 years.
- On December 15, 2017, Mr. Umirzak Shukeyev, ex CEO of Samruk-Kazyna, has been appointed as deputy prime minister and agriculture minister. On December 23, 2017, Kazakhstan's Sovereign Wealth Fund got a new CEO, Mr. Akhmetzhan Yessimov, former Chairman of Astana Expo-2017, as the fund is preparing for IPOs for some of its largest companies: Air Astana, the country's national carrier, and Kazatomprom, the world's largest uranium miner.
- Recently, President Nazarbayev said that the country is considering merging its US$23 billion state pension fund with the US$57 billion national oil fund to streamline their management. The state pension fund is dealing with an image crisis as earlier this year its former CEO Ruslan Yerdenayev and other managers were charged with embezzlement over a purchase of bonds issued by a local company in exchange for bribes.

Ukraine

- UK Court froze US$2.5 billion worth of assets of ex-owners of Privatbank, Messrs. Igor Kolomoisky and Gennady Bogolyubov, as the Ukrainian government seeks to recoup its bailout of the country's largest bank, which was nationalized in December 2016.
- Ukrainian Deputy Minister of Economic Development, Mr. Mykhailo Titarchuk, said that the ministry expects a 13.4% inflation rate in the country at the end-2017
- At end-December 2017, the US State Department announced a decision to sell anti-tank missiles to the Ukrainian government; the decision is expected to be approved by President Trump, before its presentation to Congress for a customary 30-day review.
- On December 27, 2017, before the New Year and Orthodox Christmas, Ukrainian and Eastern Ukrainian authorities conducted a massive prisoner exchange (307 people), the largest since the start of the conflict.

EM CORPORATE HIGHLIGHTS 4Q'17

Turkey

- US-Turkey row escalates with mutual travel and visa restrictions
- Erdogan is said to ask state banks to lead rates lower
- Banking sector's 9-month net profit received US$10.5bn up 28.6%
- Turkish manufacturing PMI grows for nine consecutive months and hits 52.9 in November
- Turkey becomes fastest-growing economy among G20 nations with 11.1% growth rate in 4Q17
- Turkey's central bank raised its late liquidity window rate by 0.50 basis points to 12.75%
- Akbank was awarded Turkey's Best Bank Award by Global Finance for the 4th consecutive year
- Yapi Kredi Bank sold subsidiary Expobank LLC in Russia
- Credit Europe Bank placed US$150m 10NC5 Tier 2 RegS at 7.25%
- Bank Asya's liquidation began
- Moody's downgraded Halkbank's L-T FC SR debt to B2 from Ba1. The outlook was maintained at negative

OVERVIEW
PRIMARY MARKET 4Q'17

Total New Issue Volume: US$146bn vs. US$123bn 4Q16
# of deals: 185 vs. 119 deals ~ ahead by 66 deals

	2017	%Δ	2016
IG	$67,369	13%	$59,742
HY	$78,399	24%	$63,252
Total	**$145,768**	**19%**	**$122,993**
# deals	185	55%	119

	2017	%Δ	2016
USD	$119,661	18%	$101,558
EUR	$11,763	(32%)	$17,266
Other	$14,344	244%	$4,169

Type	2017		%Δ	2016	
Corps	$49,150	34%	111%	$23,268	19%
Financial	$15,324	11%	145%	$6,252	5%
Quasi	$29,197	20%	(24%)	$38,520	31%
Sov	$49,481	34%	(4%)	$51,582	42%
Supra	$2,616	2%	(22%)	$3,371	3%

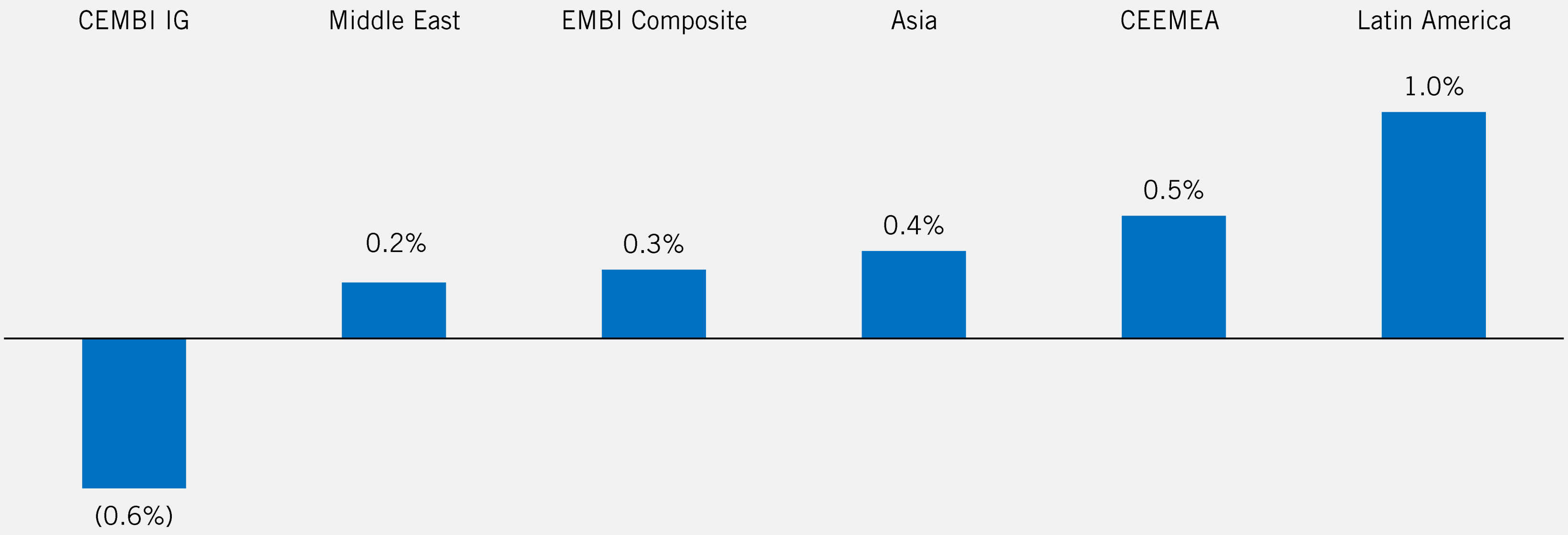
Country	2017		%Δ	2016	
Argentina	$28,362	19%	(18%)	$34,466	28%
Brazil	$30,575	21%	45%	$21,100	17%
Chile	$14,864	10%	278%	$3,932	3%
Colombia	$7,623	5%	81%	$4,205	3%
Mexico	$29,818	20%	(26%)	$40,219	33%
Peru	$9,187	6%	313%	$2,224	2%
Other	$25,339	17%	50%	$16,847	14%

LatAm country top volume:

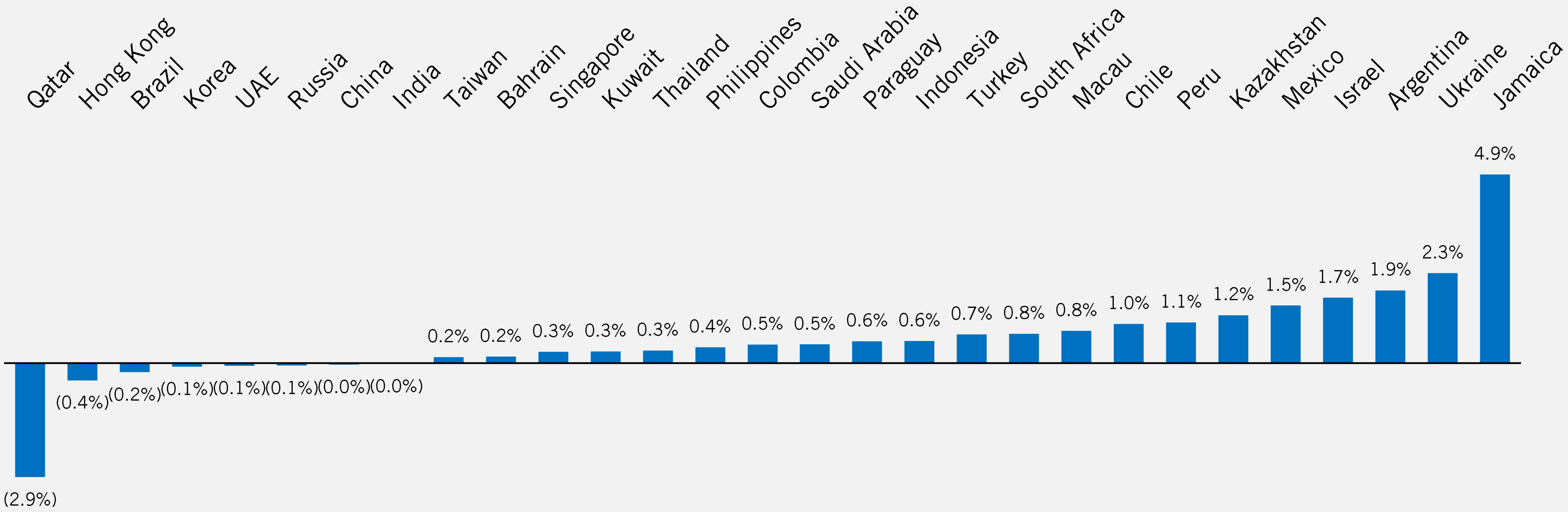
- Argentina decreased to $28bn (19%), versus $34bn (28%)
- Brazil increased to $31bn (21%), versus $21bn (17%)
- Chile increased to $15bn (10%), versus $4bn (3%). +$11bn, +278%
- Colombia increased to $8bn (5%), versus $4bn (3%)
- Mexico decreased to $30bn (20%), versus $40bn (33%)
- Peru increased to $9bn (6%), versus $2bn (2%). +$7bn, +313%
- Others country increased $25bn (17%), versus $17bn (14%). +$8bn, +50%!

Source: Bloomberg

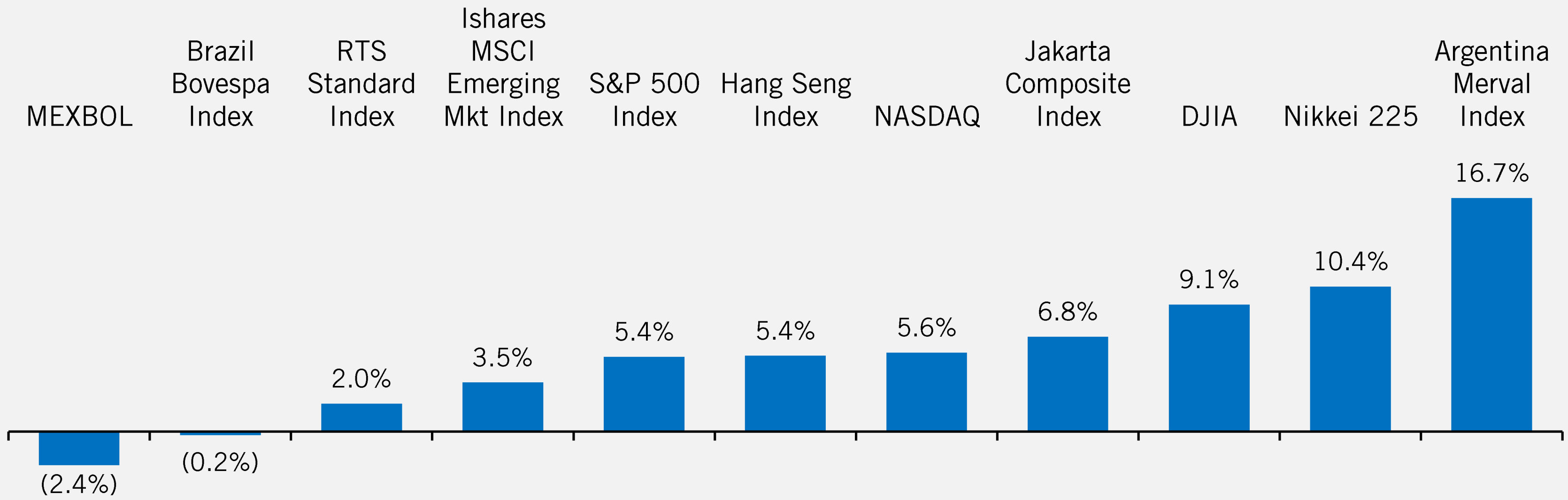
OVERVIEW
EMBI INDEX RETURNS 4Q'17
EMBI BROAD COMPOSITE INDEX REVIEW



OVERVIEW
CEMBI INDEX RETURNS
BY COUNTRY 4Q'17



OVERVIEW
GLOBAL EQUITY INDEX
RETURNS 4Q'17

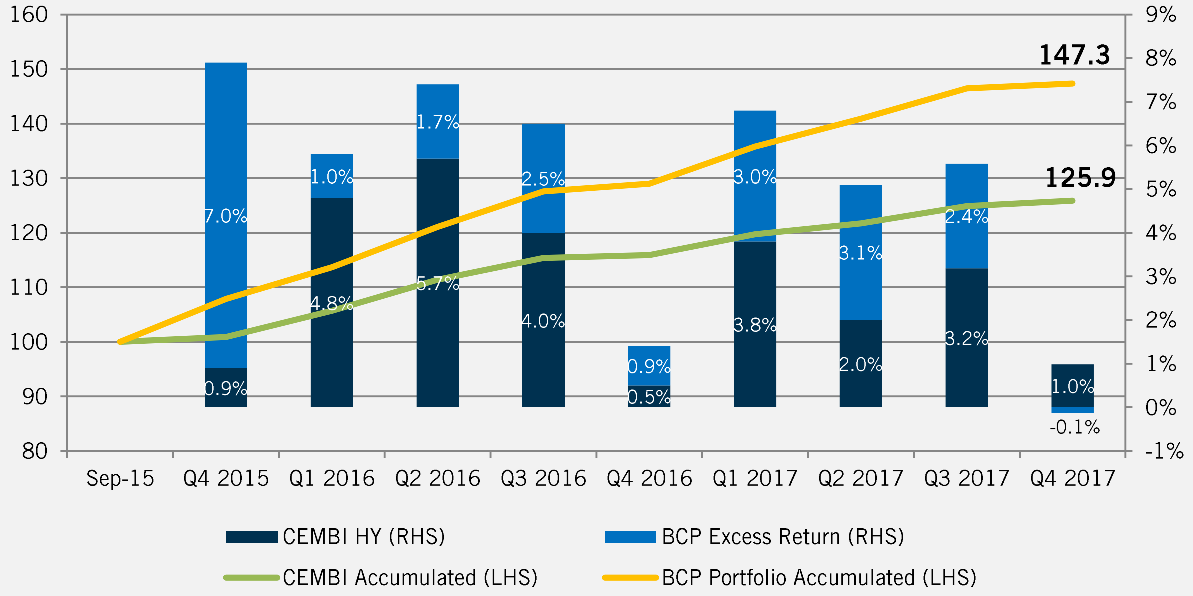


4Q'17 TOP PICKS
PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated negative excess return of 13 bps vs. our CEMBI HY benchmark which rose 1.0% over the period. Outperforms appreciated 3 bps less than the benchmark while Underperforms appreciated 27 bps more than the benchmark. Our swap recommendation underperformed by 13 bps.
- Our top performer was the DTEKUA 24s, with an excess return of 7.8% in USD terms
- CHACO 24s and GOLLBZ 22s were highlights among outperforms, generating 4.1% and 3.3% excess performance, respectively.
- Portfolio performance was most negatively impacted by the KLTXMX 22s, which generated a negative return of 11.6%. Absent this disappointment, our portfolio would have generated 1
- Over the past eight quarters, BCP Top Picks have generated compounded excess return of 14.5% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH DECEMBER 29th 2017



4Q'17 TOP PICKS
PORTFOLIO REVIEW

	Company	Industry	Country	Currency	From	Until	Days	Px at Recomm.	Px End	CPN	Price Appreciation	Total Return	Excess return
OUTPERFORM											**Average Return =**	**0.8%**	**(0.0%)**
CHACO 24	PROVINCIA DEL CHACO	Regional(state/provnc)	Argentina	USD	10/04/17	12/29/17	86	103.0	105.9	9.38%	2.8%	5.1%	4.1%
ECELUP 21	ELDORADO INTL FIN GMBH	Forest Products&Paper	Brazil	USD	10/04/17	12/29/17	86	103.7	103.6	8.63%	(0.1%)	2.0%	1.0%
GOLLBZ 22	GOL LUXCO SA	Airlines	Brazil	USD	10/04/17	11/21/17	48	100.5	102.9	8.88%	2.3%	3.5%	3.3%
KLTXMX 22	GRUPO KALTEX SA DE CV	Textiles	Mexico	USD	10/04/17	11/02/17	29	93.5	82.5	8.88%	(11.8%)	(11.0%)	(11.6%)
AJECBV 22	AJECORP BV	Beverages	Peru	USD	10/04/17	12/29/17	86	93.4	88.5	6.50%	(5.2%)	(3.7%)	(4.7%)
DTEKUA 24	DTEK FINANCE PLC	Coal	Ukraine	USD	10/04/17	12/29/17	86	100.6	106.8	10.75%	6.2%	8.7%	7.8%
UNDERPERFORM											**Average Return =**	**(1.3%)**	**(0.3%)**
YPFDAR 25	YPF SOCIEDAD ANONIMA	Oil&Gas	Argentina	USD	10/04/17	12/29/17	86	115.8	116.3	8.50%	0.4%	(2.4%)	(1.5%)
BRFSBZ 23	BRF SA	Food	Brazil	USD	10/04/17	12/29/17	86	100.0	99.1	3.95%	(0.9%)	(0.1%)	0.9%
MARFRIG 23	MARFRIG HOLDING EUROPE B	Food	Brazil	USD	10/04/17	12/29/17	86	104.0	104.5	8.00%	0.5%	(2.4%)	(1.4%)
YASARH 20	YASAR HOLDING	Food	Turkey	USD	10/04/17	12/29/17	86	104.6	102.5	8.88%	(2.0%)	(0.1%)	0.9%
SWAP											**Average Return =**	**0.9%**	**(0.1%)**
PEMEX 26	PETROLEOS MEXICANOS	Oil&Gas	Mexico	MXN	10/04/17	12/29/17	86	90.8	86.8	7.47%	(4.4%)	(2.6%)	(1.6%)
MBONO 26	MEX BONOS DESARR FIX RT	Sovereign	Mexico	MXN	10/04/17	12/29/17	86	93.2	88.7	5.75%	(4.9%)	3.5%	4.5%
											Total Average Return =	**0.0%**	**(0.1%)**

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI HY	10/04/17	12/29/17	86	424.0	428.2	1.0%

Source: Bloomberg as of 12/29/2017

1Q'18 TOP PICKS
PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	Minimum Denomination	M/ SP/ F	CPN	Maturity	Mid Yield	Mid Price
Outperform											
CHACO 24	PROVINCIA DEL CHACO	Regional(state/provnc)	Argentina	USD	$250	$150,000	B2/ -/ B	9.38%	8/18/2024	8.16%	106.1
ECELUP 21	ELDORADO INTL FIN GMBH	Forest Products&Paper	Brazil	USD	$350	$200,000	-/ B-/ B /*	8.63%	6/16/2021	7.41%	103.6
CMIGBZ 24	CEMIG GERACAO E TRANSM	Electric	Brazil	USD	$1,000	$200,000	-/ B/ B /*-	9.25%	12/5/2024	7.77%	107.8
TPZMAR 22	TOPAZ MARINE SA	Transportation	Dubai	USD	$375	$200,000	B3/ B-/ -	9.13%	7/26/2022	8.19%	103.5
JAVER 21	SERVICIOS CORP JAVER SAP	Home Builders	Mexico	USD	$159	$2,000	B2/ BB-/ BB-	9.88%	4/6/2021	2.94%*	103.4
AJECBV 22	AJECORP BV	Beverages	Peru	USD	$450	$150,000	-/ B-/ B-	6.50%	5/14/2022	9.65%	89.0
DTEKUA 24	DTEK FINANCE PLC	Coal	Ukraine	USD	$1,326	$2,000	-/ -/ C	10.75%	12/31/2024	9.48%	106.8
ANTOIL 20	ANTON OILFIELD SERV GRP/	Oil&Gas Services	China	USD	$300	$200,000	B3/ -/ B-	9.75%	12/5/2020	9.25%	101.3
Underperform											
MARFRIG 23	MARFRIG HOLDING EUROPE B	Food	Brazil	USD	$1,000	$200,000	B2/ B+/ BB-	8.00%	6/8/2023	6.99%	104.5
CENSUD 23	CENCOSUD SA	Food	Chile	USD	$943	$200,000	Baa3/ -/ BBB-	4.88%	1/20/2023	3.38%	106.9
AES 24	AES ARGENTINA GENERACION	Electric	Chile	USD	$300	$150,000	-/ B+/ B+	7.75%	2/2/2024	5.97%	109.0
YASARH 20	YASAR HOLDING	Food	Turkey	USD	$250	$200,000	B2 /*-/ -/ B	8.88%	5/6/2020	7.68%	102.5

* Reflects YTW

Source: Bloomberg as of 01/02/2018

MARKET OUTPERFORM

ARGENTINA
CHACO 9.375% 24s

BRAZIL
ECELUP 8.625% 21s
CMIGBZ 9.25% 24s

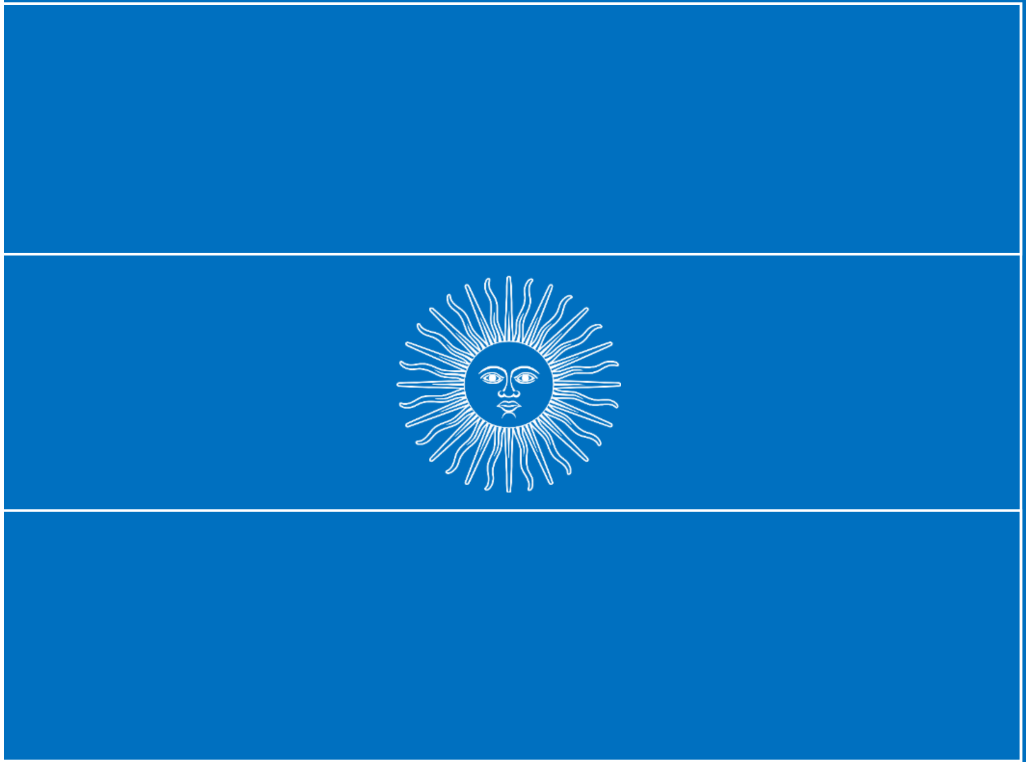
CHINA
ANTOIL 9.75% 20s

DUBAI
TPZMAR 9.125% 22s

MEXICO
JAVER 9.88% 21s

PERU
AJECBV 6.5% 22s

UKRAINE
DTEKUA 10.75% 24s



ARGENTINA

MARKET OUTPERFORM (ARGENTINA):

CHACO 9.375% 24s

The Province of Chaco is situated in the Northern region of Argentina. The current population is 1.2 million. According to INDEC, as of June-17 the province's main urban agglomerate (Gran Resistencia) had a poverty rate of 34.7%, making it one of the highest in the country. Accordingly, its economy is highly dependent on national transfers, though it also has some agriculture production, mainly corn, soy and cotton. The company is governed by Domingo Peppi from the PJ, in opposite alignment with the national government.

Description	AMT (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
CHACO 9.375% 08/18/2024	$250	B2/ -/ B	105.5	8.2%

PROS:

- We believe with Macri in office, provincial risk practically equals national risk based on the following assumptions:
  - Macri finances national deficit with debt, for which he needs rates to remain low and stable
  - The first action of Macri's government was to solve the 2001 default
  - Every province bond issuance has been approved by Macri
  - Main opposition criticism has been on the level of indebtedness. Any provincial default would harm Macri's political stability and image
- Province of Buenos Aires dropping its claim for the Fondo del Conurbano eases concern over other provinces receiving lower transfers
- Recent mid-term elections showed strong support for Macri at national level, giving him good perspective of being relected in 2019
- Recovery in Argentine economy (GDP grew 4.2% in 3Q17 and 2.7% in 2Q17)
- Highest yielding province, at 230bps spread over benchmark (Province of BA)

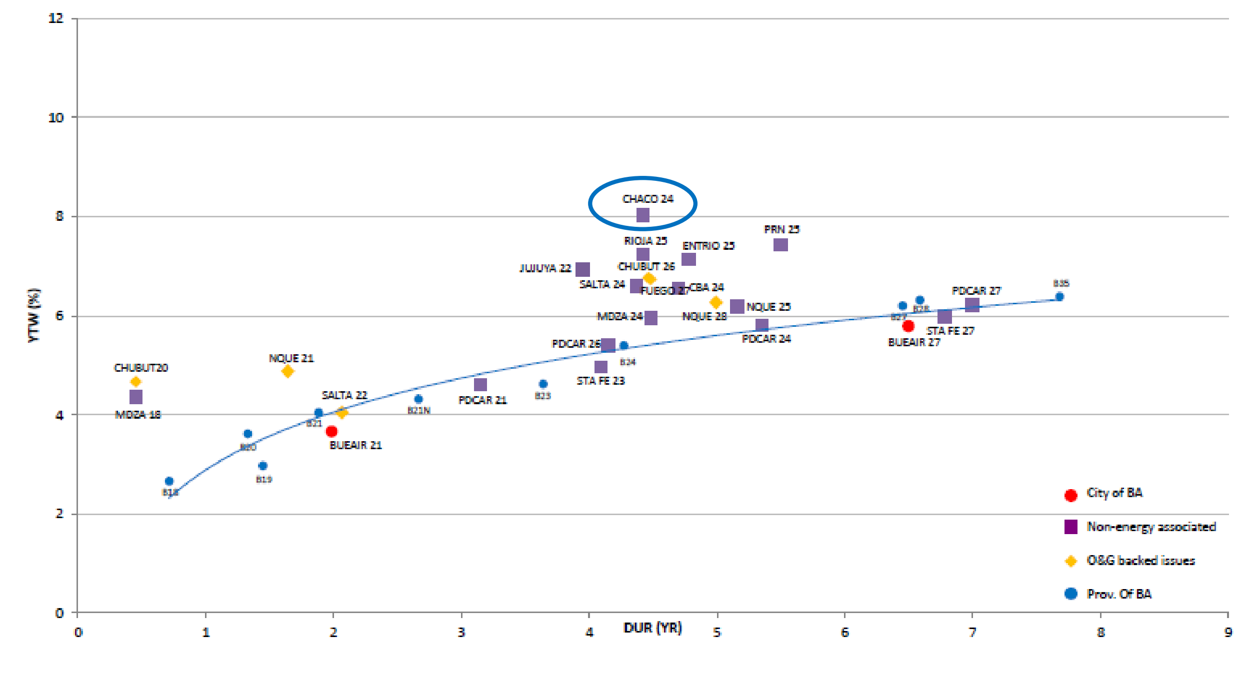
CONS:

- Chaco lacks any USD denominated income
- It is one of the most improverished provinces in the country
- Strongly dependent on the national coparticipation system
- Rulling party opposite with national government
- High fiscal deficit
- A change of national government in 2019 might result in lower support for the provinces bond issuances

MARKET
OUTPERFORM (ARGENTINA):

CHACO 9.375% 24s

Argentine Provinces USD curve



BCP Top Picks/ 01/02/2018

MARKET OUTPERFORM (ARGENTINA):

CHACO 9.375% 24s

Province of Chaco (AR$MM)	6M2017	2018 (budget)	2017 (budget)	2016	2015
Current income	22,236	53,922	44,884	34,121	26,596
Local tax revenues	3,448	Not disclosed	6,485	5,124	3,692
National taxes	16,765	Not disclosed	34,514	26,665	20,833
Current transfers	1,823	Not disclosed	3,538	2,087	2,004
Other current income	201	Not disclosed	223	223	223
Current expenses	(20,234)	(53,213)	(41,693)	(35,679)	(25,045)
Personnel expenses	(13,711)	Not disclosed	(28,160)	(24,384)	(16,312)
Current transfers	(4,633)	Not disclosed	(9,908)	(8,386)	(6,416)
Goods and services	(1,428)	Not disclosed	(3,623)	(2,906)	(2,315)
Capital income	1,343	3,612	6,067	2,572	4,111
Capital expenditures	(3,882)	(8,451)	(11,458)	(5,295)	(5,495)
Primary surplus / (deficit)	**(505)**	**(4,130)**	**(2,200)**	**(4,281)**	**167**
as % of estimated GDP	(0%)	(3%)	(2%)	(4%)	0%
Interest	(462)	Not disclosed	(1,258)	(374)	(140)
Total surplus / (deficit)	**(966)**	**(4,130)**	**(3,458)**	**(4,655)**	**27**
as % of estimated GDP	(1%)	(3%)	(2%)	(4%)	0%

Province of Chaco (AR$MM)	Jun-17	2016	2015
Gross debt	14,246	13,147	6,838
National government	46%	43%	50%
Local market debt	19%	20%	39%
International bonds	29%	30%	0%
Multilateral agencies	6%	11%	8%
ARS	46%	47%	50%
Foreign currencies	54%	53%	50%
Short-term debt	n/a	940	798
Gross debt / Estimated GDP	11%	12%	9%
Gross debt / Current income	32%	39%	26%
Short-term debt / gross debt	n/a	7%	12%
Debt service / Total revenue	2%	1%	1%

We think political stability outweighs fundamentals risk, though we acknowledge weakness as a stand alone credit

BRAZIL

MARKET OUTPERFORM (BRAZIL):

ECELUP 8.625% 21s

Founded in Dec-12, **Eldorado** (ECELUP) is a Brazilian hardwood pulp producer, who derives its product from eucalyptus trees. Its operations consist of a single plant with an installed capacity of 1.7mm tons. Its current major shareholder, J&F, recently entered into a sale agreement with Paper Excellence, who will fully-own ECELUP through share purchases to be completed by 3Q18

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
ECELUP 8.625% 6/16/2021	$350	-/ B-/ B /	103.1	7.4%

PROS:

- Highly efficient production line. Initially projected to produce 1.5mm tons/year, but currently producing 1.7mm tons/year
- One of the lowest cost producers in the world
- Integrated logistics: company operates its own terminal at the port of Santos
- Diversified customer base
- Strong recovery in pulp prices. BHKP increased 50% in 2017, now at a multi-year high
- With the leniency agreement signed, J&F agreed to be the obligor responsible for the payments, which included Eldorado's Greenfield and Sepsis investigations

CONS:

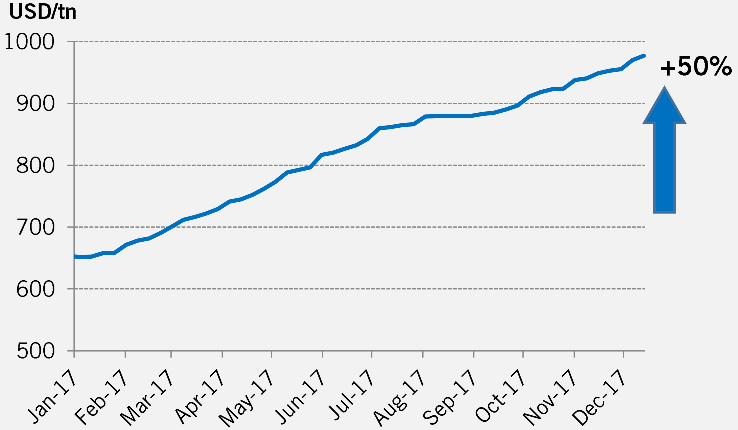
- Bonds deeply subordinated. Nearly 70% of total debt secured by PP&E
- Lack of public information from new shareholders
- Project Vanguarda 2, if Paper Excellence decides to restart, would radically increase leverage
- CEO stepped down after compeletion of the sales agreement
- Uncertainty on how new shareholders will perform, though mitigated by the fact that Paper Excellence is an industry player (softwood producer in Canada)
- Paper Excellence is affiliated with Asia Pulp and Paper, which doesn't enjoy a pristine history of creditor treatment.

MARKET OUTPERFORM (BRAZIL):

ECELUP 8.625% 21s

	Eldorado	Fibria	Suzano	Klabin
Rating	-/B-/B	Baa1/BBB-/BBB-	Ba1/BB+/BB+	-/BB+/BB+
Bond yield	7.54%	3.94%	3.04%	4.52%
Maturity	2021	2024	2021	2024
Spread to sovereign (bps)	466	7	22	64
(US$mn)	3Q17	3Q17	3Q17	3Q17
Revenue	261	899	821	704
EBITDA	160	397	375	237
FCF	62	(74)	72	38
Gross debt	2,552	6,024	4,153	5,960
Net debt	2,408	4,026	2,936	3,725
LQA Gross leverage	4.0x	3.8x	2.8x	6.3x
LQA Net leverage	3.8x	2.5x	2.0x	3.9x

FOEXBHKP Price Evolution in 2017



MARKET OUTPERFORM (BRAZIL):

ECELUP 8.625% 21s

Summary of 3Q17 results:

- Revenue increased 31% y/y to US$261mm driven by higher prices as sales volume remained stable
    - Sequential increase of 2% on higher prices, as sales volume dropped 6% as the company carried out a 10-day scheduled maintenance
- EBITDA, excluding biological fair value results, grew 56% y/y to US$160mm, on higher prices and an 11% decrease in cash-costs
    - Sequential increase of 2%, in line with higher revenue
- Free cash flow generation increased to US$62mm
- Gross debt remained unchanged at US$2.5bn, while annualized net leverage ended at 3.8x, below 3.9x from previous quarter and 5.8x one year ago
- Results were not reviewed by external auditors
- Pulp prices continued its positive momentum, increasing a further 6% since Sep-17
- Eldorado's profitability is above peers, with the highest EBITDA margin (61% followed by Fibria 44%)
- Eldorado reported cash cost US$159/tn vs Fibria US$193/tn, Suzano US$200/tn and Klabin US$215/tn
- We think concerns over J&F leniency signed eased with the recently agreed acquisition by Paper Excellence

ELDORADO (US$ MM)	LTM3Q17	3Q17	2Q17	1Q17	4Q16	3Q16
Revenues	963	261	256	221	224	200
EBITDA (*)	509	160	157	105	87	102
EBITDA margin	53%	61%	61%	48%	47%	41%
Capex	(159)	(33)	(37)	(35)	(54)	(62)
Working Capital	(85)	(24)	(22)	(10)	(30)	(15)
Interest paid	(214)	(41)	(62)	(44)	(67)	(43)
Tax payments	-	-	-	-	-	-
Free cash flow	**51**	**62**	**36**	**17**	**(65)**	**(18)**
Gross debt	2,552	2,552	2,562	2,768	2,785	2,827
Short-term	695	695	675	717	726	728
Long-term	1,857	1,857	1,886	2,050	2,059	2,099
Cash and equivalents	144	144	140	243	321	433
Net debt	2,408	2,408	2,421	2,524	2,464	2,394
Gross leverage	**5.0**	**4.0**	**4.1**	**6.6**	**6.5**	**6.9**
Net leverage	**4.7**	**3.8**	**3.9**	**6.0**	**5.8**	**5.8**

(*) excludes fair value results on land

MARKET OUTPERFORM (BRAZIL):

CMIGBZ 9.25% 24s

State owned, **Companhia Energética de Minas Gerais** (CEMIG) is one of the largest power generators and distributors in Brazil – accounting for 5% of total installed capacity in the country and 12% of national distribution. Minas Gerais' state owns 51% of voting shares and BNDESPar 13%. Listed on three stock exchanges, CEMIG has a market cap of US$2.6bn. Besides having interests in over 220 companies, the company has three main lines of business: Generation (Cemig GT) – 97% from hydroelectric, Transmission (Cemig GT) and Distribution (Cemig D).

We acknowledge the many risks, yet, yielding over 7% with prospects for improved margins as recent energy cost spikes are passed on to consumers and/or decline with improved hydrology, CEMIG appears attractive in today's Brazilian HY environment. We assign a 'Market Outperform' to CMIGBZ 24s, this subsidiary issuance with holdco guarantee.

PROS:

- Successful short term debt maturity extension
- Shareholder's support – R$1bn capital increased
- Lower capex plan and ongoing rising tariffs
- Ambitious asset divestiture process, recently selling its participation (49%) in Transchille Charruá Tranmisíon for US$56mm and 10% of its stake in TAESA for R$772mm
- Regulator approved compensation related to early renewal of licenses made by the government in 2012 to power distribution companies for the next eight years, for which Cemig is expected to receive a total of R$1.8bn (15% of current net debt)

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTW
CMIGBZ 9.25% 12/05/2024	$1,000	-/ B/ B /	107.4	7.8%

CONS:

- Recent strained results, including high level of indebtedness, leverage and dividend payments
- Risks regarding tariff policy and conflict with Federal government regarding ownership of hydro facilities
- Hydrological risk in its generation business
- Linkage with corruption scandal process, Lava Jato, such as a bribery scandal involving former-governor of Minas Gerais, Odebrecht and Andrade Gutierrez regarding the public bidding for hydroelectric station Santo Antonio, in which the companies composed the winning consortium
- High dividend payment policy (50% minimum payout ratio)
- CEMIG GT is negotiating with the holders of its 7th issuance of debentures to waive their rights to have the debentures amortized with the proceeds from the issuance of bonds
- Recently downgraded by Moody's and Fitch, reflecting the deterioration of the groups credit profile and limited progress on execution of its refinancing plan

MARKET OUTPERFORM (BRAZIL):

CMIGBZ 9.25% 24s

Recent News:

- Cemig lost four of its hydroelectric plants in auction, taken over by the federal government, they composed 36% of its energy generation
- Cemig announced that it managed to extend R$4bn of its upcoming 2017-2018 maturities with banks for Cemig GT and Cemig D, through private negotiations
    - The debt was refinanced at 140% CDI and amortization will begin in 2019, payed in 36 installments
    - R$1.3bn of rolled debt refers to Cemig GT (the issuer for the bonds)
- A R$1bn capital increase was approved in October by the company's shareholders and schedule for the first week of December

Earnings Prospects:

- In the last seven years, actual FY EBITDA only missed consensus estimates twice
- EBITDA is expected to return to more stable levels in Q4 and start to increase in 2018
    - 2018 y/y growth is expected to be around 20%
    - 2019 y/y growth is expected to be around 10%

PEER COMPARISON	CEMIG	ELETROBRAS	PAMPA ENERGIA	CFE
Coupon	9.25%	5.8%	7.38%	5%
Maturity	2024	2021	2023	2027
Amount (US$ MM)	1,000	1,750	500	1,000
Mid-Yield	7.51%	4.46%	4.56%	4.09%
Rating(M/SP/F)	-/B/B	Ba3/BB/BB-	B2/B+/-	-/BBB+/BBB+
Spread to Sovereign	395	161	138	49
Country	Brazil	Brazil	Argentina	México
Government Ownership	24%	63%	0%	100%
3Q17 (US$ MM)	**CEMIG**	**ELETROBRAS**	**PAMPA ENERGIA**	**CFE**
Revenue	1,625	2,814	1,004	6,681
EBITDA	128	440	294	2,083
EBITDA Margin	7.9%	15.6%	29.3%	31.2%
Free Cash Flow (Pre WK)	(78)	(185)	25	797
Gross Debt	4,448	14,282	2,195	24,454
Cash	403	2,750	724	1,149
Net Debt	4,045	11,532	1,471	23,305
Gross Leverage	8.7	8.1	1.9	2.9
Net Leverage (LQA)	7.9	6.5	1.3	2.8

MARKET OUTPERFORM (BRAZIL):

CMIGBZ 9.25% 24s

Recent 3Q17 Earnings:

- Revenue increased 5% y/y in BRL terms, to R$5.1bn, mainly on top of higher volume of sales in the residential and commercial segments
- EBITDA fell significantly, 91.6% y/y, to R$100.6mm, impacted by non-recurring events and according to management, already reflecting the loss of four hydroelectric plants
- Increase in operating costs, 31.06% y/y, led by the 35.6% y/y increase in electricity purchased for resale expense, impacted negatively EBITDA
- Exceptional expense on the Tax Regularization Plan totaling R$ 588mm, impacted EBITDA,
- Adjusting for one-offs company reports EBITDA would have been R$405mm
- Cash burn before WK of R$550mm in the quarter, on top of weak EBITDA
- Despite improvement in gross debt, down 14% y/y, cash position worsened considerably to R$1.3bn, down 51% y/y
- Net leverage (LQA) followed, increasing significantly, reaching 31.6x
- Excluding non-recurring expenses, LQA net leverage would have still increased considerably to 7.9x

CEMIG (BRL MM)	3Q17	2Q17	3Q16	q/q	y/y
Revenue	5,136	5,205	4,894	(1%)	5%
Adj. EBITDA	405	740	1,193	(45%)	(66%)
Interest Paid	320	233	235	37%	36%
Capex	306	256	329	20%	(7%)
Taxes Paid	25	179	6	(86%)	317%
FCF before WK	(246)	71	623		
Gross Debt	14,056	14,607	16,269	(4%)	(14%)
Cash	1,273	2,047	2,604	(8%)	(51%)
Net Debt	12,782	12,560	13,665	2%	(6%)
LQA Leverage	8.7	4.9	3.4		
LQA Net Leverage	7.9	4.2	2.9		

DUBAI

MARKET OUTPERFORM (MIDDLE EAST):

TPZMAR 9.125% 22s

Topaz Energy and Marine (TPZMAR), is a Dubai-based subsidiary of Renaissance Services SAOG, providing marine solutions for the oil gas industries in the Caspian and Middle East regions. The company was founded in 1981. Topaz has fleet of 97 offshore support vessels. Current contract backlog is US$1.5bn.

Free cash flow generation has been positive despite high capex, boosted by working capital that includes client advances to fund growth projects. EBITDA margin remains stable at 51%.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
TPZMAR 9.125% 07/26/2022	$375	B3/ B-/	103.0	8.2%

Pros

- Brent has rallied to its highest since mid-2015
- Leading position in the Caspian Sea with high barriers to entry
- Minimum 3-year Tengiz project (Kazakhstan) to supply and operate 20 new vessels beginning in 2018, expected to generate revenue of US$550mn
- 5-year US$100mn Dragon Oil contract for six vessels in Turkmenistan
- Credit ratings reaffirmed by S&P and Moody's
- No Lost Time Incidents (LTIs) during the past 21 months and no recordable injuries in Q3
- Successful refinancing of the existing US$350m 8.625% Senior Notes due in 2018 via the issuance of US$375m 9.125% Senior Notes due in 2022
- The covenants were reset in June 2017, providing sufficient headroom

Cons

- Challenging market conditions as a result of the investment and cost-cutting measures at oil companies worldwide
- Customer and product risks
- 70% of total revenue being contributed from its top four customers
- The Caspian business is the only profitable segment
- Net loss was reported third consecutive quarterly

MARKET OUTPERFORM (MIDDLE EAST):

TPZMAR 9.125% 22s

Recent Earnings and Main Highlights:

- Revenue increased by 4% q/q to US$60mn on the back of higher results from Caspian, despite ongoing pressure on utilization and rates
- Loss for period significantly increased to US$24mn compared with a loss of US$10mn in 2Q17 driven by increased financial cost and losses in other business segments
    - The Caspian business was the only profitable segment – profits there jumped by 35% q/q to US$9mn
- EBITDA significantly improved by 16% q/q to US$31mn mainly due to a 19% drop in costs
    - Core fleet utilization improved from 62% in 1H17 to 65% for 9M17.
    - In Azerbaijan, utilization was at 93%, reflecting the strength of business
- EBITDA margin improved to 51% compare to 46% a quarter ago
- Net leverage declined to 5.5x from 6.3x q/q
- Positive FCF contracted to US$12mm as capex increased by 31%
    - Capex for payments to Vard under the new build contract for the Tengiz project increased by 74% sequentially, which were fully pre-funded by advance payments received from the client. This advance will be recovered as once the operations commence
    - Large client advances have helped generate positive FCF year to date

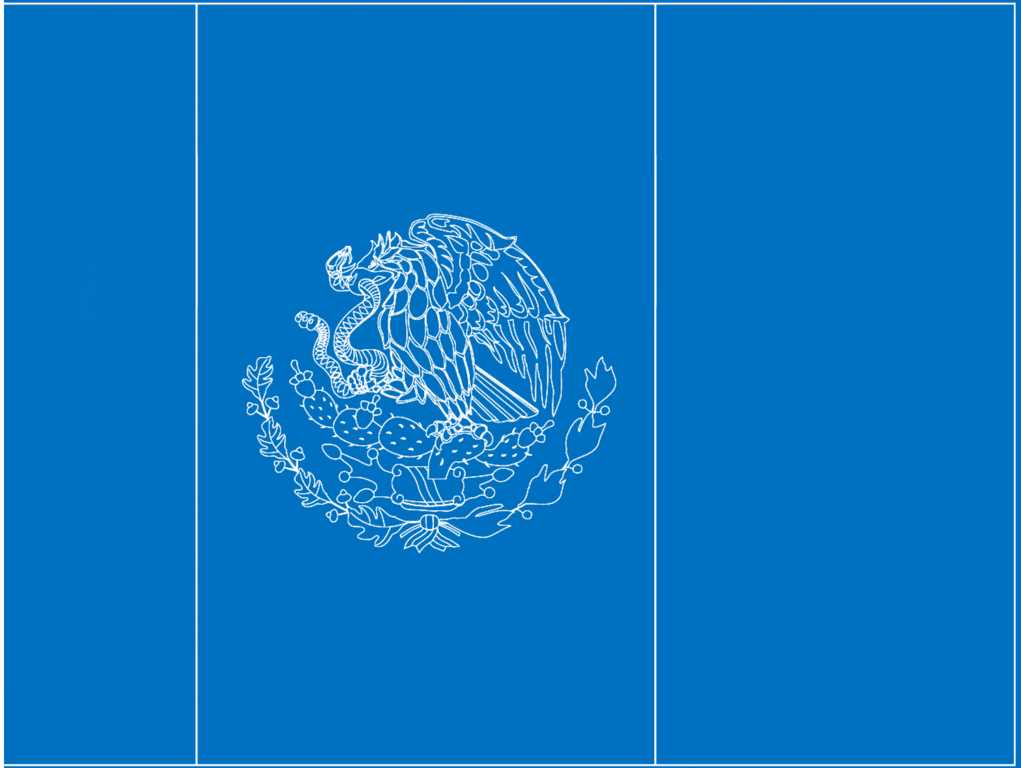
Capex is pre-funded by client advances

TOPAZ (US$ MM)	3Q17	3Q16	2Q17	y/y	q/q
Revenue	60	67	57	(10%)	4%
EBITDA	30	35	26	(14%)	16%
EBITDA margin	51%	53%	46%	(4%)	11%

TOPAZ (US$ MM)	3Q17	3Q16	2Q17
Total Debt	723	743	711
Cash	51	70	49
Net Debt	672	673	661
Gross Leverage (Total Debt / EBITDA*)	5.9x	5.3x	6.7x
Net Leverage (Net Debt / EBITDA*)	5.5x	4.8x	6.3x

(*) EBITDA - annualized

TOPAZ (US$ MM)	3Q17	3Q16	2Q17
EBITDA	30	35	26
Interest	(13)	(5)	(23)
Working Capital	35	6	43
Capex	(37)	(8)	(28)
Taxes	(4)	(3)	(3)
FCF	**12**	**25**	**16**



MEXICO

MARKET OUTPERFORM (MEXICO):

JAVER 9.88% 21s

Casas Javer is one of the largest housing development companies in Mexico, specializing in entry-level and middle-income residential housing. The company receives sale proceeds from public mortgage entities, such as Infonavit, without the added risk of collecting payments from the final customers. EBITDA margins have remained stable, despite overall increases in raw material costs, particularly cement and steel, as well as higher energy costs. The tight control on working capital allows FCF generation, despite high capex levels in land reserves for future development. Javer seems well positioned to capitalize on the recent doubling of Infonavit's credit ceiling.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTW
JAVER 9.88% 04/06/2021	$160	B2/ BB-/ BB-	102.8	8.7%

Pros

- One of the largest housing development companies in Mexico
- 93% of total sales are financed by Infonavit, a highly liquid government social program that collects from the final customer
- Javer builds about 9% of Infonavit's 230,000 annually financed housing units
- Infonavit recently raised credit ceiling to MXN$1.7 mm from MXN$0.9 mm
- Prudent working capital and land reserve management
- Stable EBITDA margins and FCF generation despite increasing construction raw materials and energy costs
- 70% of the outstanding par and 100% of the coupon are hedged
- Potential AMLO victory could benefit Javer through increased social programs

Cons

- Dependent on available public mortgages, primarily Infonavit and Fovissste
- Results may be impacted by payment delays from public entities, as sales proceeds are received after the construction phase is over
- Dependent on Mexican macroeconomic factors
- Recurrent capital intensive land reserves for future development
- Increased environmental regulation
- Low recoveries by bond issuing peers after local chapter 11 proceedings

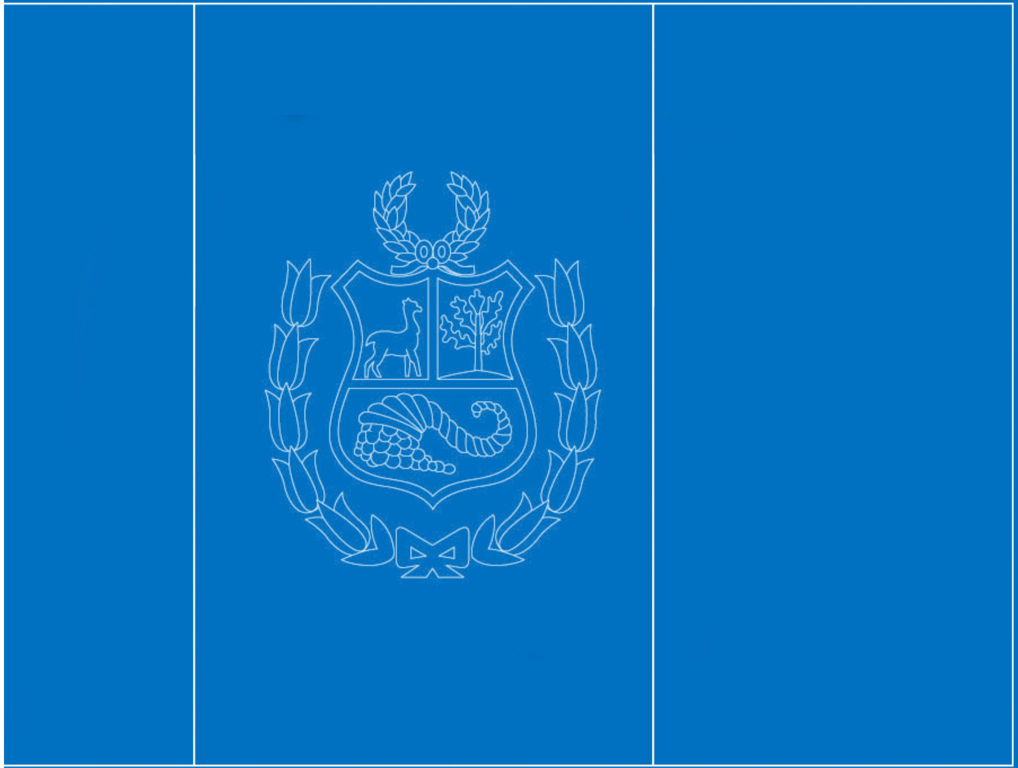
MARKET OUTPERFORM (MEXICO):

JAVER 9.88% 21s

JAVER (MXN MM)	3Q17	2Q17	3Q16	q/q	y/y
Total Revenue	1,728	1,840	1,637	(6%)	6%
EBITDA	212	218	218	(3%)	(3%)
EBITDA margin	12%	12%	13%	-	-
JAVER (MXN MM)	3Q17	2Q17	3Q16	q/q	y/y
Total Debt	2,746	2,718	2,896	1%	(5%)
Cash & Equivalents	573	585	615	(2%)	(7%)
Net Debt	2,173	2,132	2,281	2%	(5%)
Total Debt / LQA EBITDA	3.2x	3.1x	3.3x	0.1x	-0.1x
Net Debt / LQA EBITDA	2.6x	2.4x	2.6x	0.1x	-0.1x
JAVER (MXN MM)	3Q17	2Q17	3Q16	q/q	y/y
EBITDA	212	218	218	(3%)	(3%)
Land incl. in costs	139	136	153	2%	(10%)
Working capital	51	240	(95)	(79%)	-
Interest paid	(102)	(145)	(63)	29%	(63%)
Taxes paid	(40)	(227)	(4)	82%	(834%)
Land capex	(220)	(202)	(143)	(9%)	(54%)
Capex	(9)	(10)	(3)	13%	(204%)
FCF	**30**	**9**	**63**	226%	(53%)

Recent 3Q17 Earnings - Neutral:

- 3Q17 Revenue increased by 6% y/y to MXN$1,728 mm (US$97 mm), but decreased sequentially by 3%
- Low income home sales decreased by 70% y/y, offset by low-mid income home sales increase by 35% y/y
- Low-mid income home sales account for 69% of the total sales
- Volume of homes sold decreased by 1%, but the average price increased by 7% on a y/y basis
- EBITDA decreased by 3% y/y to MXN$212 mm (US$12 mm)
- Due to higher raw material prices, particularly cement and steel, as well as lower home volume
- SG&A expenses increased with larger workforce and new sales offices
- EBITDA margin declined slightly to 12%, compared to 13% during 3Q16
- FCF decreased by 53% y/y to MXN$30 mm (US$2 mm), due to higher interest and taxes paid
- FCF decline was offset by an improvement In WK as the total WK days improved to 266, from 292 days in 3Q16
- Total debt decreased to MXN$2,746 mm, nearly 100% of the total debt is the outstanding bond
- 70% of the principal is hedged, as well as the entire coupon payments
- Annualized gross and net leverage are 3.2x and 2.6x, respectively



PERU

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Ajecorp is a financing subsidiary incorporated in the Netherlands, wholly-owned by Spain-based Grupo Embotellador Atic, S.A. ("Atic"), a second tier soft drink and bottling company with operations primarily focused in the Andean region and Central America. Both Atic and its sister-company Callpa are 100% owned by the Añaños family. All operations under the Añaños family are funded by Atic, with profitable operations incorporated under Atic and early stage, unprofitable operations under Callpa.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTW
AJEBCV 6.5% 05/14/2022	$450	-/ B-/ B-	87.5	9.8%

Pros:

- Diversified operations pursuing uniform strategy of B brand vs. incumbent cola players
- Ring-fencing of non-performing assets under Callpa conserves Atic's credit profile, while maintaining ownership under the Añaños family
- Sept-16 refinancing of US$88mm in bank debt strongly positions company with new four-year term financing
- Strong YTD Adj. EBITDA and Adj. Net Leverage, the product of management's focus on non core asset sales and cost cutting initiatives
- 3Q17 FCF positive with manageable leverage

Cons:

- Exposure to weak local currencies
- Competition against major international brands, backed by substantial financial resources
- Cola formula is owned separately by the family. Royalty payments are limited to US$5 mm per annum
- Inability to fund Callpa losses, under new credit facility indenture

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

ATIC (US$MM)	3Q17	2Q17	1Q17	FY2016	3Q16	2Q16	y-o-y	q-o-q
Volume (24 x 8oz)	88,955	91,832	100,404	420,335	96,595	107,141	(8%)	(3%)
Revenue	191	200	215	801	192	208	(0%)	(4%)
Operating income	18	26	40	86	20	16	(7%)	(28%)
SG&A	(53)	(54)	(54)	(211)	(50)	(55)	7%	(1%)
Adj. EBITDA	28	33	48	119	29	26	(5%)	(17%)
LTM Adj. EBITDA	140	142	134	119	80	72	74%	(1%)
LTM interest expense	43	42	41	39	44	44	(2%)	4%
Adj. EBITDA margin	15%	17%	22%	15%	15%	12%	(78 bps)	(217 bps)
Net cash from operating activities	27	10	32	27	13	27	108%	183%
Net cash from investing activities	(24)	(10)	(10)	28	(15)	(12)	60%	150%
Net cash from financing activities	(4)	(21)	(8)	(50)	(2)	(18)	117%	(81%)
Total debt	571	569	580	571	608	604	(6%)	0%
Total cash and equivalents	47	49	56	58	39	40	19%	(5%)
Net debt	524	520	524	513	569	564	(8%)	1%
Leverage (Total Debt / LTM Adj. EBITDA)	4.1x	4.0x	4.3x	4.8x	7.6x	8.4x	(3.5x)	0.1x
Net Leverage (Net Debt / LTM Adj. EBITDA)	3.7x	3.7x	3.9x	4.3x	7.1x	7.8x	(3.3x)	0.1x
Interest coverage (LTM Adj. EBITDA / LTM Int. Expense)	3.2x	3.4x	3.3x	3.0x	1.8x	1.6x	1.4x	(0.2x)
Adj. Total Debt (2)	550	554	558	556	-	-	-	(1%)
Adj. Net Debt	503	505	501	498	-	-	-	(0%)
Adj. Leverage (Total Debt / LTM Adj. EBITDA)	3.9x	3.9x	4.2x	4.7x	-	-	-	0.0x
Adj. Net Leverage (Net Debt / LTM Adj. EBITDA)	3.6x	3.6x	3.7x	4.2x	-	-	-	0.0x

Note: Adj. EBITDA excludes royalties for formulas

(1) Financial results and production volumes exclude discontinued operations

(2) Adjusted total debt excludes indenture accounting adjustments and accrued interests

Summary of 3Q17 Financial Results:

- Revenue was flat y/y, but declined 4% sequentially, to US$191mm
- Carbonated soft drinks ("CSDs") accounted for 51% of volume and 45% of revenue
- Volume was reduced by 8% y/y to 88,955 24 x 8oz cases
- Average price per case increased 8.2% y/y to US$2,100
- Reported Adj. EBITDA decreased 5% y/y and 17% q/q to US$28mm, driven primarily by higher raw material costs, and marketing expenses
- Central America and Peru are the largest contributors to consolidated Adj. EBITDA at 43% and 28% respectively
- Reported Adj. EBITDA margin of 15%, and LTM Adj. EBITDA margin of 17%
- SG&A increased 7% y/y to US$53mm, but remained relatively flat sequentially
- Operating income fell 7% y/y and 28% q/q to US$18mm
- Cash and equivalents decreased 5% q/q
- Net debt was flat q/q at US$524mm
- LTM Net leverage was 3.7x

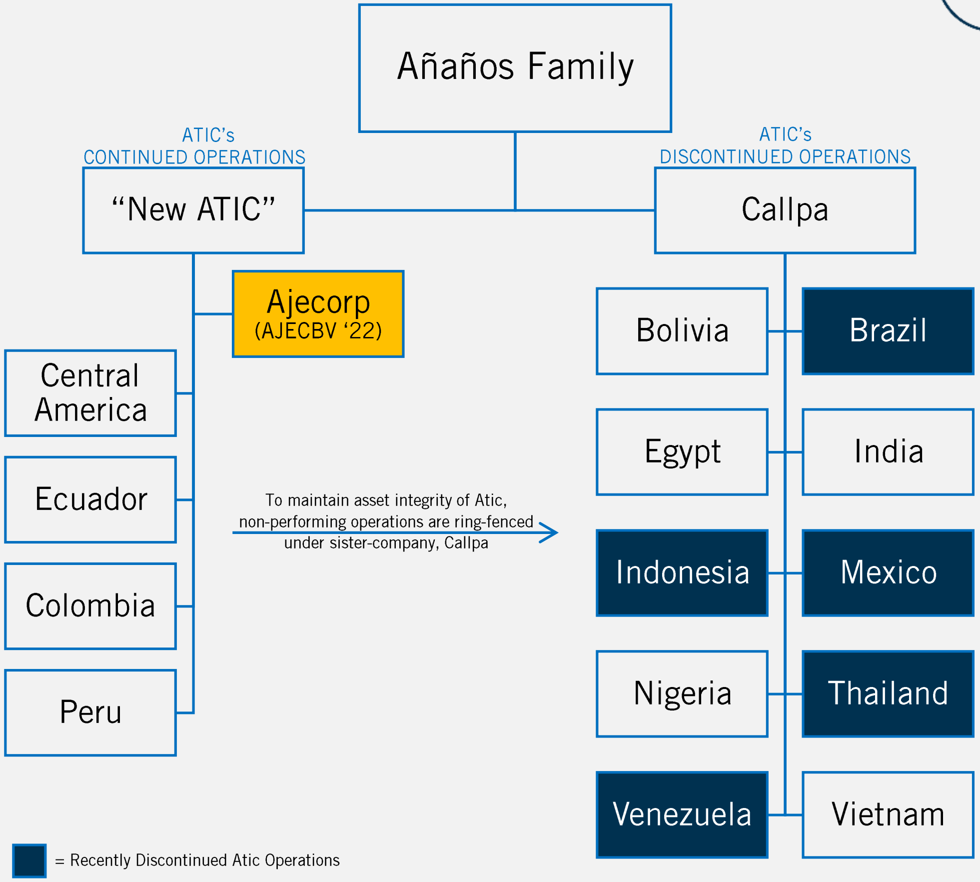
MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

The ring-fencing of non-performing assets under sister-company Callpa, enables the company to enhance its credit profile by quarantining loss-producing assets.

- Following the refinancing of a majority of Atic's short-term bank debt in the form of an US$88mm senior credit facility, lending banks required the ring-fencing of non-performing assets to Callpa
- Through an all-cash transaction under the "New ATIC" business model, all early stage / unprofitable assets in Brazil, Indonesia, Mexico, Thailand and Venezuela were transferred to Callpa
- Historically, in addition to its own operations, Atic has funded these operations incorporated under its sister-company
- However, under the Indenture, the "New ATIC" is prohibited from providing any financial support to Callpa throughout the tenure of the new credit facility
- In the interim, related-party loans from the "New ATIC" to Callpa will be limited to a total of US$11mm for the four (4) year duration of this senior credit-facility

- US$8mm in seed funding, funded through the sale of caps and pre-form assets
- US$3mm in additional funding, to be paid out in 2017



MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Update on Non-Performing Asset Sales to CALLPA:

- As of December 2017, Brazil operations have been effectively ring-fenced under CALLPA
- The sale of Venezuelan operations to CALLPA is expected to be completed before year-end 2017
- Asian operations have not been sold CALLPA on formal indication of third-party interest
- Atic is considering reintegrating Mexico operations following positive 1Q-3Q17 financial (EBITDA) performance
  - Mexico's 3Q17 Adj. EBITDA performance was reported to be US$4mm
  - Adj. EBITDA improvements have been driven by restructuring of cost structure, distribution and commercial agreements, etc. YTD contributions to results include a 46% reduction in overhead, 19% price increase and 42% improvement in gross margin
- YTD, Atic has supplied US$15mm in loans to operations under CALLPA
  - US$8mm in net proceeds from the preforms and asset disposal, as a portion of the US$11mm limit in approved loans to CALLPA under Atic's agreement with bank lenders
  - US$7.3mm in loans committed to discontinued operations under CALLPA (Brazil, Indonesia and Mexico) prior to the US$11mm cap agreement with bank lenders

3Q17 Free Cash Flow:

- Free cash flow was positive US$14mm, driven primarily by a reversal of US$26mm in cash interest and finance expenses

ATIC (US$MM)	YTD 2017	3Q17	2Q17	1Q17	YTD 2016 (i)
Net Income	42	6	19	16	22
Interest (Expense)/Income	23	7	8	7	20
D&A	20	8	6	6	38
FX Losses on Monetary Earnings	(0)	1	(8)	7	(5)
Taxes	20	4	6	10	21
Impairments	0	0	0	0	(1)
EBITDA	**104**	**26**	**32**	**46**	**97**
Working Capital	(3)	2	0	(5)	(13)
Capital Expenditure	(28)	(10)	(9)	(9)	(27)
Cash Interest and Finance Expense	(22)	17	(36)	(3)	(18)
Income Taxes Paid	(34)	(21)	(2)	(12)	(8)
Free cash flow	**18**	**14**	**(15)**	**18**	**30**

(i) Reported numbers from cash flow include discontinued operations

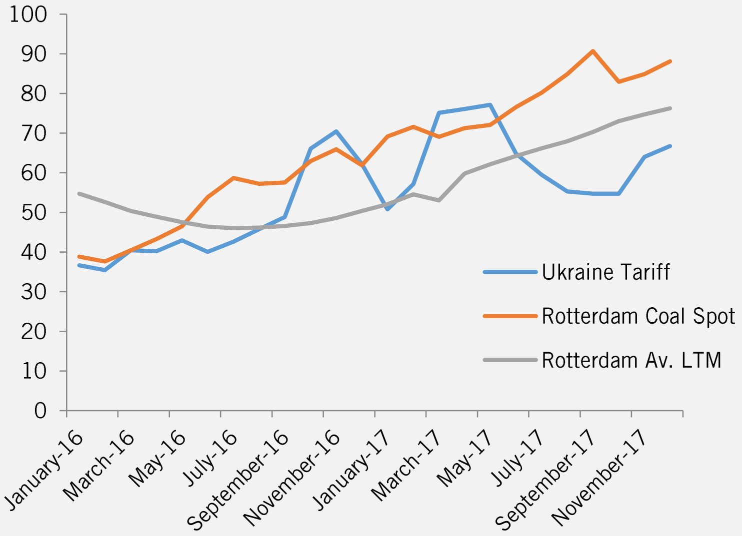
UKRAINE

MARKET OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTW
DTEKUA 10.75% 12/31/2024	$1,326	-/ -/ C	106.3	9.5%

Ukraine Generation Tariff vs. Rotterdam Coal Index (Spot & av. LTM), USD



- In 2016, a new generation tariff framework dramatically improved DTEK's cash generation, leading to a strong rally in bond prices, supporting a par for par exchange and a restructuring transaction

- Since January 25th 2017, a railway blockade has prevented DTEK from supplying its thermal power plants (TPPs) in Central Ukraine with coal (anthracite) from its mines in Eastern Ukraine, also known as a Non-Controlled Territory (NCT). On March 15th 2017, DTEK announced the loss of its assets in the NCT. A 27% loss in coal production is a dramatic outcome; however, 9M17 operational and financial results support our thinking that DTEK's ability to service its 2024 Eurobond remained intact despite the asset losses

- During 11 months of 2017, DTEK imported 802,000 tons of coal (at a UAH1,100 premium), or 3.8% of the total 9M17 production, and the company continues to increase the production of steam coal (+10.5% y/y in 9M17). The additional cost (import) which appears manageable particularly after recent tariff increases (avg. tariff - US$63.21/GWh in 9M17 vs. US$42.1/GWh in 9M16)

- We estimate pro forma net leverage at 4.0x (or better), positive FCF and, as a result, the ability to support the current capital structure. We plan to continue monitoring the relationship between the domestic tariff trajectory and the Rotterdam averages, which are moving in the same direction

- With sound pro forma credit metrics and a solid call protection, we rate the DTEK 24s as a 'Market Outperform'

MARKET OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s

Operational Results -9M17 coal production down 5.8% y/y to 21mm tons, 80.6% of which was steam coal (+10.5% y/y)

DTEK - Operational Results	Units	9M17	9M16	y/y	3Q17	3Q16	y/y
Coal mining, incl.:		21,011	22,310	-5.8%	7,564	9,455	-20.0%
Steam Coal (G-grade)	000 tons	16,940	15,325	10.5%	5,372	5,592	-3.9%
Anthracite (A- & T-grade)	000 tons	4,071	6,985	-41.7%	3,461	5,484	-36.9%
Power generation					-	-	
Electricity (Thermal Power Generation)	mln kWh	26,855	28,615	-6.1%	10,019	11,041	-9.3%
Electricity Distribution					-	-	
Electricity Transmission	mln kWh	31,787	33,553	-5.3%	9,995	10,714	-6.7%
Electricity & Coal Export & Import					-	-	
Electricity Export	mln kWh	4,041	2,783	45.2%	982	605	62.3%
Coal Import	000 tons	1,335	9	by 146.7x	680	-	-
Coal Export	000 tons	582	1,139	-48.9%	-	-	-

- In 9M17, DTEK mined 21.0 mm tons (-5.8% y/y) despite mining of hard steam coal in the remaining mines and rising by 10.5% y/y to 16.9 mm tons, allowing the company to generate an additional 14.3% of electricity
- DTEK invests in steam coal production to reduce dependency on imports. The company also switched the generating plants from anthracite to steam coal
- DTEK also focuses on boosting natural gas production (+2.9% y/y) as well as the solar energy – the first such project (Tryfanovka Solar Power Plant (SPP)) went online in 2017, and in 2018, DTEK plans to build another SPP with a capacity of 200 MW
- We expect 2017 coal production of ~25 mm tons (-18% y/y)

MARKET OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s

Background: An energy conglomerate – but in practice an integrated coal fired thermal electricity generator:

- DTEK is comprised of electricity generation, coal mining and electricity distribution businesses, among others.
    - Coal production & prep - 29.2 mm tons (~70% of total coal production in Ukraine)
    - Power generation - 40TWh (~25% of total power production in Ukraine); total capacity exceeds 18GW
    - Power distribution - 6 companies servicing 4.4 mm clients
- The company reports operating but not financial data on a segmented basis
- We see the coal business as integrated with the power generation. The current tariffs enable the company to monetize coal extracted with local cost structure at import parity – an excellent alternative to logistics and costs of exporting thermal coal
- We understand electricity distribution is loss making/breakeven. DTEK is awaiting the implementation of an asset based tariff framework for the distribution business which has been repeatedly delayed. Recent generation tariff increases may result in further delays in order to not increase burden on consumers

Recent Results and Trends: Taking into consideration ongoing tariff trends and limited amount of import (6.35%) , we see US$700 million run rate EBITDA as reasonable

- For 1H17, DTEK reported Revenue and EBITDA of US$2.5bn and US$370 mm, respectively. 1Q17 EBITDA includes an add back of UAH3.9 billion related to the asset control loss (appears to be a UAH6.97 billion 1Q17 write off and UAH3.0 billion reversal in 2Q17)
- In 1H17, DTEK increased electricity export by 40.4% - perhaps in reaction to more favorable pricing as spot rates in Hungary in 1H17 increased by 63%
- In 1H17, the regulator reported tariffs averaged US$63/MWh – a substantial further increase vs 2016, even though in 3Q17 the avg. price dropped to US$56.6.
- The Rotterdam coal prices have been recently climbing steadily – although the tariff references historical averages (LTM) rather than spot
- We are working with US$700 million as a conservative run rate for 2017 EBITDA under the current tariff system, based on the information available. With the higher tariffs of 4Q (due to seasonality), EBITDA run rate could be higher; however, it is ultimately driven by international coal prices, so prudence is warranted

MARKET OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s

Understanding Impact of Blockade: Back to the past. Need to import coal, resulting in incremental cost:

- DTEK has operated in the past with limited access to its NCT coal mines (2H14 and 1H15 for example)
- DTEK 1H16 electricity generation was actually lower than 1H15 – when access to thermal coal was restricted from the NCT
- Once normal supply had been restored, annual deliveries from NCT averaged 4.0mm tons
- Per management, cost to import coal represents an incremental US$50 per MT
- Assuming the need to replace import cost coal from the NCT, EBITDA would be reduced by US$200million/year
- Arranging for imports requires lead time and we fully expect near term volumes to suffer (data from the regulator suggests the same)
- Recent tariff moves suggest the regulator is moving to accommodate this extra cost

Pro Forma simplified FCF
(once coal import solution has been implemented), US$ MM:

- $700 EBITDA run rate (based on published 9M17)
- $(200) coal import cost (US$50/MT and 4 mm MT/year)
- $500 pro forma EBITDA
- $215 budgeted capex (per restructuring agreement)
- $285 available for interest and taxes

Year	Cash Coupon, %	Cash, USD MM
2017	5.50%	53
2018	5.50%	74
2019	6.50%	92
2020	7.50%	111
2021	7.50%	114
2022	9.50%	148
2023	9.50%	150
2024	10.75%	171

Distribution business: Poised for improvement (sooner or later):

- There is eventual further upside from a recovery of the distribution business
- The regulator has announced a plan to increase distribution tariffs by 5x
- Recovery of a business segment that appears to represent half of sales is an important upside
- The regulator's support in the form of recent generation tariff increases may results in moving ahead with the distribution tariff increase
- We expect any move on distribution tariffs to be a medium term event as recent generation tariffs need to be digested by the market
- The government, faced with the political decision of upsetting activists orchestrating the blockage or electricity consumers – has so far chosen the latter

Conclusion: Even in this adverse scenario, we see debt load as sustainable:

- DTEK would be 3x leveraged on our pro forma EBITDA
- Budgeted capex may decline after the asset seizure
- $285 million available for interest and taxes
- Importantly, the 2024 bond has a PIK provision that should help the issuer through this time of disruption (please see table)
- Upside exists in:
  - Run rate being meaningfully higher
  - Recent tariff trends higher than 2016
  - Eventual recovery of the electricity distribution business

MARKET OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s

Financial Results - Strong 9M17 Financial Results, especially EBITDA, which continued to exceeded our expectations

- On November 29, 2017, DTEK published its abbreviated, unaudited 9M17 financial results (there was no conference call as the company conducts its investor calls on a semi-annual basis).

- EBITDA increased 23% sequentially and 9% y/y in 3Q17. Annualized net leverage improved to under 3.0x and simplified FCF was positive. Higher tariffs effectively offset lower electricity generation and higher costs related to imported coal. There will be no conference call as the company holds investor calls on a semi-annual basis. Total coal production is 5.8% down y/y in 9M17 but better pricing environment in 9M17 (tariffs are 50.1% higher than in 9M16) propelled the company's revenue up (15% y/y in local currency terms here and thereafter) with EBITDA almost doubling to UAH 14.2 billion vs. 9M16 number. Net leverage (Net Debt / LTM EBITDA) maintained at 2.2x.

- *Positive FCF* – UAH5.2 billion in 9M17 notwithstanding increase in capex, and payments of taxes and interest

- *Capex* – increased, but complies with limitations established in the restructuring agreement: Capex from 2017 to 2024 between US$215 million and US$344 million

- *Liquidity* – as at end-9M17, DTEK had UAH 6.6 billion (-30% YTD) in cash and equivalents as the company repaid UAH 3.6 billion in debt in 1H17

- *Net Leverage* – net debt edged up (2% q/q) with net leverage edging to 2.9x (Net Debt / LQA EBITDA); when LTM EBITDA is employed, net leverage is at 2.2x

- *Revenue* – up despite decline in production in both 3Q17 and 9M17; better pricing environment helped

- *EBITDA* – benefitted from a better pricing environment vs. 9M16 (av. tariff – US$63.21/GWh in 9M17 vs. US$42.1/GWh in 9M16), which was sufficient to offset production decline. It appears that tariff increases compensated for the asset loss.

- *With 3Q17 EBITDA in line with our pro forma run rate, we continue to see DTEK generating sufficient amount of cash to maintain leverage of 4x, or better, as well as positive FCF. Just under 10% YTM and a call protection, we rate the DTEK 24s as 'Outperform'.*

MARKET
OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s

On November 29, 2017, DTEK announced its abbreviated unaudited 9M17 financial results with 3Q17 EBITDA increasing 23% sequentially (q/q) and 9% y/y

DTEK (UAH MM)	9M17	9M16	y/y	3Q17	2Q17	q/q	1Q17	2016	2015	y/y
Revenue	99,598	86,304	15%	31,914	29,039	10%	38,645	128,053	93,622	37%
EBITDA	14,232	7,333	94%	4,576	3,735	23%	5,921	17,805	4,087	336%
Interest	1,838	665	176%	583	562	4%	693	485	4,267	-89%
Capex	5,171	3,840	35%	1,995	1,823	9%	1,353	5,886	3,730	58%
Taxes Paid	1,949	380	413%	595	979	-39%	375	1,019	(286)	-456%
FCF	5,274	2,448	115%	1,403	371	278%	3,500	10,415	(3,624)	-387%
EBITDA margin	14.3%	8.5%	5.8pp	14.3%	12.9%	1.4pp	15.3%	13.9%	4.4%	9.5pp
Shareholder's Equity	1,191	-		1,191	1,007	18%	(3,832)	5,714	5,531	3%
Short Term Debt	15,153	54,804	-72%	15,153	15,096	0%	16,099	30,101	36,727	-18%
Long Term Debt	44,701	5,420	725%	44,701	43,994	2%	46,469	26,747	21,221	26%
Total Debt	59,854	60,224	-1%	59,854	59,090	1%	62,568	56,848	57,948	-2%
Cash	6,612	2,849	132%	6,612	6,806	-3%	6,456	9,475	3,110	205%
Net Debt	53,242	57,375	-7%	53,242	52,284	2%	56,112	47,373	54,838	-14%
LTM Leverage	3.2x	6.2x	-49%	3.3x	4.0x	-17%	2.6x	3.2x	14.2x	-77%
LTM Net Leverage	2.8x	5.9x	-52%	2.9x	3.5x	-17%	2.4x	2.7x	13.4x	-80%
FX (UAH/USD)	26.42	25.90	2%	26.42	26.06	1%	27.07	26.65	23.46	14%
DTEK (US$ MM)	**9M17**	**9M16**	**y/y**	**3Q17**	**2Q17**	**q/q**	**1Q17**	**2016**	**2015**	**y/y**
Revenue	3,770	3,332	13%	1,208	1,114	8%	1,427	4,804	3,990	20%
EBITDA	539	283	90%	173	143	21%	219	668	174	283%
Interest	70	26	171%	22	22	2%	26	18	182	-90%
Capex	196	148	32%	76	70	8%	50	221	159	39%
Taxes Paid	74	15	403%	23	38	-40%	14	38	(12)	-414%
FCF	200	95	111%	53	14	273%	129	391	(154)	-353%
EBITDA margin	14.3%	8.5%	5.8pp	14.3%	12.9%	1.4pp	15.3%	13.9%	4.4%	9.5pp
Shareholder's Equity	45	-		45	39	17%	(142)	214	236	-9%
Short Term Debt	574	2,116	-73%	574	579	-1%	595	1,129	1,565	-28%
Long Term Debt	1,692	209	708%	1,692	1,688	0%	1,716	1,003	904	11%
Total Debt	2,265	2,325	-3%	2,265	2,267	0%	2,311	2,133	2,470	-14%
Cash	250	110	128%	250	261	-4%	238	355	133	168%
Net Debt	2,015	2,215	-9%	2,015	2,006	0%	2,073	1,777	2,337	-24%
LTM Leverage	3.2x	6.2x	-49%	3.3x	4.0x	-17%	2.6x	3.2x	14.2x	-77%
LTM Net Leverage	2.8x	5.9x	-52%	2.9x	3.5x	-17%	2.4x	2.7x	13.4x	-80%
FX (UAH/USD)	26.42	25.90	2%	26.42	26.06	1%	27.07	26.65	23.46	14%

MARKET
OUTPERFORM (UKRAINE):

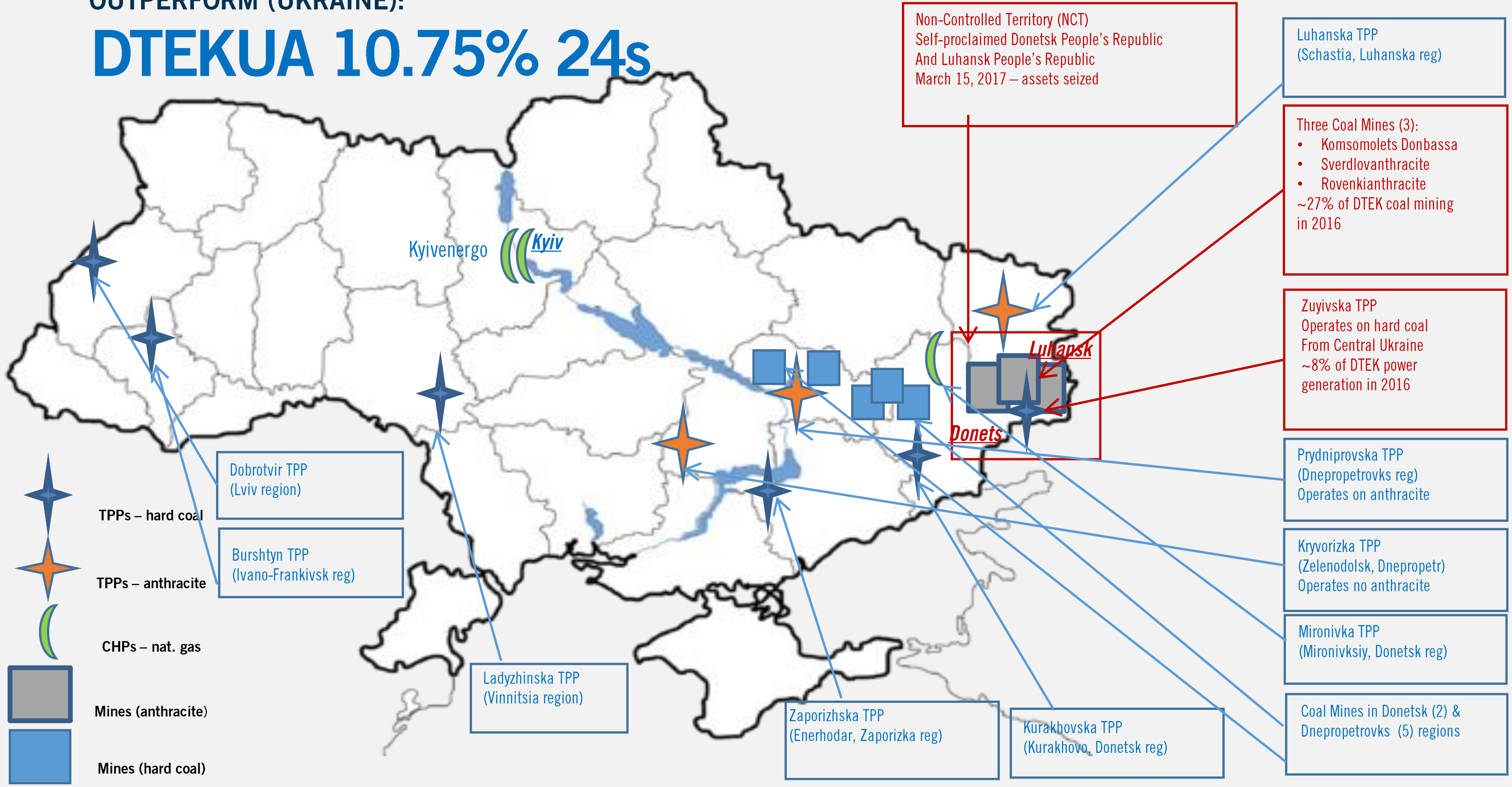
DTEKUA 10.75% 24s

- *Recent system wide electricity generation tariff and volume information from Ukrainian regulator*
- *Tariffs are adjusted three times a month, hence, three 'decades', i.e. three 10-day periods*

4Q17 TPPs Tariffs, GWh	UAH	USD	P supplied to WEM, GWh	3Q17 TPPs Tariffs, GWh	UAH	USD	P supplied to WEM, GWh	2Q17 TPPs Tariffs, GWh	UAH	USD	P supplied to WEM, GWh	1Q17 TPPs Tariffs, GWh	UAH	USD
Dec-17				**Sep-17**				**Jun-17**				**Mar-17**		
Decade 1	1,736	65.69	1,177	Decade 1	1,429	54.10	1,216	Decade 1	1,715	68.94	873	Decade 1	2,095	77.37
Decade 2	1,792	67.82	1,255	Decade 2	1,487	56.28	1,352	Decade 2	1,657	66.61	981	Decade 2	1,928	71.20
Decade 3		0.00		Decade 3	1,423	53.87	1,239	Decade 3	1,465	58.89	1,069	Decade 3	2,079	76.80
Av. Tariff	1,764	**66.75**		Av. Tariff	1,447	**54.75**		Av. Tariff	1,612	**64.82**		Av. Tariff	2,034	**75.12**
FX (UAH/USD)	26.42			FX (UAH/USD)	26.42			FX (UAH/USD)	24.88			FX (UAH/USD)	27.07	
Nov-17				**Aug-17**				**May-17**				**Feb-17**		
Decade 1	1,501	58.55	1,247	Decade 1	1,401	54.65	1,417	Decade 1	1,926	76.65	627	Decade 1	1,363	50.48
Decade 2	1,790	69.82	1,128	Decade 2	1,407	54.88	1,389	Decade 2	1,850	73.62	706	Decade 2	1,433	53.09
Decade 3	1,630	63.59	1,502	Decade 3	1,445	56.35	1,281	Decade 3	2,039	81.15	832	Decade 3	1,829	67.76
Av. Tariff	1,640	**63.99**		Av. Tariff	1,418	**55.29**		Av. Tariff	1,938	**77.14**		Av. Tariff	1,541	**57.11**
FX (UAH/USD)	25.64			FX (UAH/USD)	25.64			FX (UAH/USD)	25.13			FX (UAH/USD)	26.99	
Oct-17				**Jul-17**				**Apr-17**				**Jan-17**		
Decade 1	1,460	55.22	1,319	Decade 1	1,656	63.80	947	Decade 1	2,024	80.26	865	Decade 1	1,342	49.34
Decade 2	1,364	51.55	1,331	Decade 2	1,447	55.75	1,179	Decade 2	1,903	75.48	793	Decade 2	1,401	51.51
Decade 3	1,518	57.40	1,499	Decade 3	1,529	58.91	1,329	Decade 3	1,828	72.48	775	Decade 3	1,400	51.47
Av. Tariff	1,447	**54.72**		Av. Tariff	1,544	**59.49**		Av. Tariff	1,919	**76.07**		Av. Tariff	1,381	**50.77**
FX (UAH/USD)	26.45			FX (UAH/USD)	25.96			FX (UAH/USD)	25.22			FX (UAH/USD)	27.20	
3Q17 Av. Price	**1,617**	**61.14**		**3Q17 Av. Price**	**1,469**	**56.61**		**2Q17 Av. Price**	**1,823**	**72.29**		**1Q17 Av. Tariff**	**1,652**	**60.74**

MARKET OUTPERFORM (UKRAINE):

DTEKUA 10.75% 24s



CHINA

MARKET OUTPERFORM (CHINA):

ANTOIL 9.75% 20s

Operations:

- Drilling technology
- Well Completion
- Oil Production

Anton is an independent, integrated Chinese oilfield service provider, with a focus on oilfield service development in EM global markets. Anton operates in Asia (China, Kazakhstan), the Middle East (Iraq, Pakistan), Africa (Ethiopia), and the Americas. The company's three business sectors include drilling technology, well completion and oil production. 1H17 results, driven by the PRC's "Belt & Road" policy, and the company's recent bond exchange/issuance support our current 'Outperform' rating.

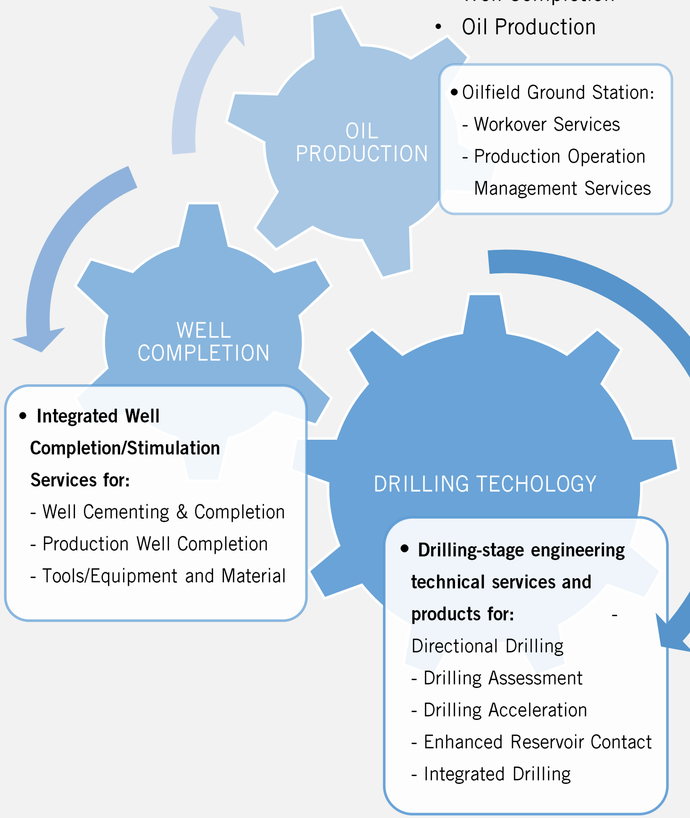
Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTW
ANTOIL 9.75% 12/05/2020	$300	B3/ -/ B-	101.0	9.2%

Pros:

- Impact of PRC implemented "Belt & Road" Strategy:
  - Seesaw effect on revenue balance, with overseas revenues accounting for 63% of total revenue in 1H17
  - Larger order sizes from existing overseas clients
  - Increase in orders from Chinese independent oil customers in "Belt & Road" markets
- Recent issuance of 9.75% 2020s extend ANTOIL's runway, benefitting bondholders with higher coupon
- Positive 1H17 financial results – substantial increase in revenue and EBITDA
- FY17 results should continue to demonstrate strong operational improvements

Cons:

- Recent cash burn on WK expansion appears to replicate liquidity strain in 1H14
- We continue to monitor whether increase in revenue and reported EBITDA are the result of overly lenient customer payment terms



MARKET OUTPERFORM (CHINA):

ANTOIL 9.75% 20s

ANTOIL (US$MM)	1H17	2016	2H16	1H16	2015	2H15	1H15	2014	y/y	q/q
Revenue	127	243	140	103	292	153	139	336	24%	(9%)
EBITDA	42	51	29	22	50	29	21	42	91%	46%
EBITDA margin	33%	21%	21%	21%	17%	19%	15%	13%	1,160 bps	1,160 bps
Working capital	(70)	(38)	(7)	(31)	7	19	(13)	(108)	131%	848%
Sale/(purchase) PP&E	(13)	(69)	(52)	(16)	(15)	8	(23)	(74)	(22%)	(75%)
Asset sales/(purchases)	(5)	11	(1)	12	0	0	0	(0)	(141%)	712%
Interest paid	(14)	(27)	(15)	(12)	(30)	(14)	(16)	(26)	17%	(9%)
Income tax paid	(2)	(5)	(5)	(1)	(10)	(7)	(3)	(12)	231%	(53%)
Free cash flow	**(62)**	**(77)**	**(51)**	**(25)**	**2**	**36**	**(34)**	**(178)**	**143%**	**22%**
Total Debt	397	372	372	368	379	379	397	433	5%	8%
Cash	50	73	73	31	71	71	74	122	(30%)	59%
Net Debt	347	299	299	337	308	308	323	311	13%	3%
Leverage (Total Debt / LHA EBITDA)	4.7x	7.3x	6.5x	8.4x	7.6x	6.5x	9.6x	10.3x	(3.6x)	(1.7x)
Net Leverage (Net Debt / LHA EBITDA)	4.1x	5.9x	5.2x	7.7x	6.2x	5.3x	7.8x	7.4x	(3.5x)	(1.1x)

1H17 FINANCIAL PERFORMANCE:

- Revenue increased 24% y/y to US$127mm, with 62.9% (US$80mm), attributable to increased order sizes from existing clients and Chinese independent oil company customers in the "Belt and Road" markets, in addition to increased operations relating to order backlog
- Domestically, Antoil commenced operation on all five drilling rigs
- Overseas operations on all existing large projects, including two Iraq-based rigs on two-year standby, have fully commenced
- EBITDA increased 91% y/y to US$42mm, benefitting from increased revenues and a two-year implementation of cost-control measures
- EBITDA margin of 33%, LTM EBITDA margin of 26%
- Debt increased 8% q/q to US$397mm
- Cash q/q was down 32% at US$50mm
- Deleveraging q/q resulted in gross leverage of 4.7x
- Capex decreased 75% q/q to US$14mm, with the majority of costs attributable to previously committed projects
- Cash burn of US$62mm in 1H17 due to working capital expansion - similar to 2014 levels

RECENT NEWS:

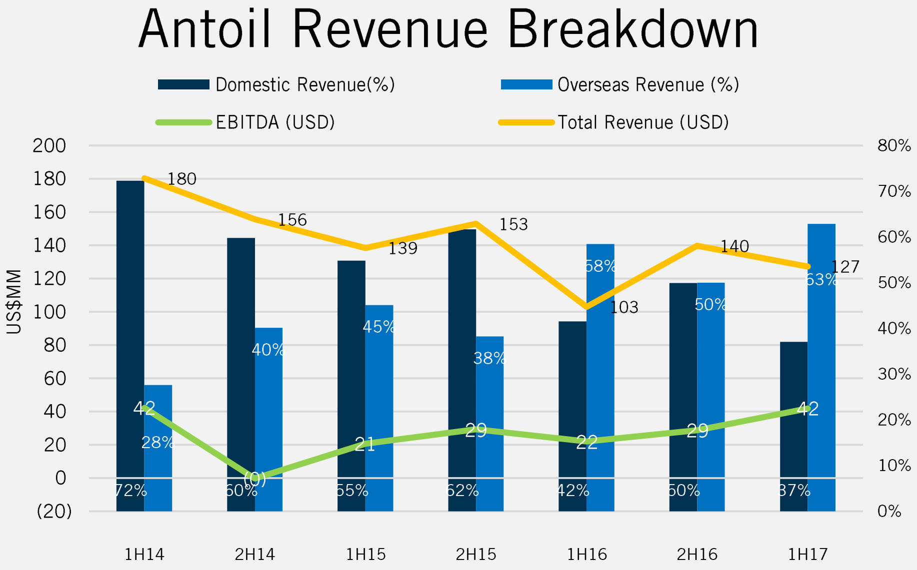
- Successful exchange offer for any and all 7.5% 2018 notes for a portion of the new 9.75% 2020s
- Concurrent issuance of US$124mm in 9.75% senior notes maturing December 5th 2020
- Acquisition of 40% of DDMC for US$112mm, making it a wholly-owned subs. under ANTOIL

MARKET OUTPERFORM (CHINA):

ANTOIL 9.75% 20s

Anton Oilfield's "Belt & Road" Strategy:

- Under the "Belt & Road" infrastructure initiative, the Chinese government has sought to curtail overseas investments by large domestic corporations in industries such as real estate, hotel, film studio, and entertainment
- Simultaneously, the government has encouraged overseas investment related to telecom., railroads and construction – an action which has benefitted Chinese integrated oil & gas companies like Anton Oilfield Services Group
- Anton has implemented strategies to take advantage of these newly implemented regulations
- The company plans to maintain an asset-light business model and developing their presence the emerging market sector, with a focus on increasing production and reducing costs over the next three years
- The effect of these changes can already be seen in the shift of their revenues from being primarily domestically driven, to heavily sourced by overseas operations –63% of revenues were derived from overseas in 1H17, of which 70% or US$56mm was derived from operations in the Middle East
- In addition to enhancing the company's ability to penetrate outside markets, the change appears to be having a positive impact on EBITDA



MARKET UNDERPERFORM

BRAZIL

MRFGBZ 8% 23s

CHILE

CENSUD 4.875% 23s
AES 7.75% 24s

TURKEY

YASARH 8.875% 20s

BRAZIL

MARKET UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

Marfrig is a multinational company with operations in the food and food service sectors in Brazil and around the world. Current businesses are: (i) Marfrig Beef and (ii) Keystone, US-based poultry products.

On a run rate basis, Marfrig has a low interest coverage ratio, high leverage, and ongoing FCF burn. We maintain MRFGBZ23s ‘Underperform’

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
MRFGBZ 8% 06/08/2023	$1,000	B2/ B+/ BB-	104.0	7.0%

Pros

- Working capital reductions offset low EBITDA to keep cash flow positive in 2016
- Consistent sound results in Keystone
    - Keystone started the process of an IPO in the US
    - We acknowledge that an IPO completed at an elevated multiple may be seen as a positive development
        - Marfrig`s pro forma net leverage could reach 3.3x
    - Given the very weak consolidated fundamentals, we see a lot of optimism already in the bond price
- R$2bn BNDES debentures were converted into shares (100mm shares at a conversion price of R$21.5, over 3x market price), providing R$300mm yearly savings for interest

Cons

- According to local press (Epoca Magazine), Marfrig’s owner, Marcos Molina, admitted (without a plea bargain) to third party payments in order to access loans from state bank, Caixa Economica Federal
- Q3 showed continued weak results, negative cash flow and high leverage after BNDES conversion
- Beef margins did not recover as expected
- Reported EBITDA vastly exceeds cash from operations
- Operating cash flow < interest burden
    - Working capital was no longer a benefit to support FCF
- With Keystone sale, standalone Marfrig appears to be very weak
- Keystone IPO delayed once again to 2018

MARKET UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

Marfrig (US$ MM)	3Q17	2Q17	3Q16	q/q	y/y
Revenue	1,529	1,341	1,371	14%	11%
Adjusted EBITDA	155	122	105	28%	48%
Interest	60	64	90	(7%)	3%
Capex	89	50	54	77%	(19%)
FCF[1]	6	8	(93)	(14%)	24%
WK variation	(122)	(33)	105		
FCF after WK	(116)	(25)	35	353%	
EBITDA Margin	10%	9%	8%		
Gross Debt	3,650	3,670	3,551	(1%)	3%
Cash	1,428	1,644	1,757	(13%)	(19%)
Net Debt	2,222	2,026	1,794	10%	24%
LQA Leverage	5.9	7.5	8.5x		
LQA Net Leverage	3.6	4.2	4.3x		

(1) FCF before working capital

Recent Earnings and Main Highlights:

- 3Q17 revenue increased 11% y/y in USD terms, 4% higher than consensus, to US$1.5bn (R$4.8bn)
- 3Q17 adjusted EBITDA was up 48% y/y in USD terms, 13% above consensus, to US$155mm (R$490mm), improving margins to 10.1%, +100bps q/q
    - "Cash from operations" (net income before interest plus non cash adjustments on Marfrig cash flow statement), was US$77mm, half of EBITDA, continuing recent trends
- Cash burn of US$116mm (R$367mm) on the back of increased capex and WK
    - Capex growth was focused on reopening two meatpacking units in Brazil, expanding production at existing units and a project in Thailand
    - WK expansion due to increase in inventory in both Beef division and Keystone (high demand for no-antibiotic-ever product) and scheduled shutdown in China's production line
- Cash decreased by 13% q/q, to US$1.4bn and net debt increased by 10% q/q to US$2.2bn
- On the back of EBITDA's growth, annualized net leverage improved from 4.2x in Q2 to 3.6x, but LTM net leverage remained at 4.4x (from 4.5x in Q2)

MARKET UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

Credit Improvement driven by working capital
Otherwise FCF highly negative

- R$1,215mm 9M17 reported EBITDA
- R$643mm “Cash from Operations”, nearly ½ of EBITDA, continuing recent trends
  - R$(453) mm Net Income
  - R$1,096 mm Non Cash Items
- R$610mm cash interest
  - post BNDES conversion
- R$577 mm capex

OCF does not cover interest even after BNDES conversion

	1Q17	2Q17	3Q17	9M17
Net Income/Loss	(237.9)	(156.9)	(58.4)	(453.2)
(+/-) Non cash items	328.5	467.2	300.6	1,096.3
(+/-) Account Receivable	256.4	(172.7)	(184.1)	(100.3)
(+/-) Inventories	(1.4)	(82.7)	(264.6)	(348.7)
(+/-) Suppliers	(318.1)	205.1	103.3	(9.7)
(+/-) Other	52.0	(55.2)	(40.6)	(43.8)
(=) Operational Cash Flow	79.5	204.8	(143.7)	140.6
(-) Capex	(133.7)	(161.7)	(281.5)	(576.9)
(-) Interest expenses	(213.2)	(206.8)	(189.5)	(609.5)
Continued Free Cash Flow	**(267.3)**	**(163.7)**	**(614.7)**	**(1,045.8)**
Discontinued Free Cash Flow	**13.9**	**(6.0)**	**(6.3)**	**1.6**
Total Free Cash Flow	**(253.4)**	**(169.8)**	**(621.0)**	**(1,044.2)**

MARKET
UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

KEYSTONE - MC DONALD'S MAJOR SUPPLIER

Marfrig announced an intent to raise new capital through an IPO of its Keystone subsidiary. SEC documents are not public, yet

Key Assumptions

- *10x multiple*
- *30% sale*

Marfrig Pro Forma

- New cash raised: US$555mm
- Pro forma consolidated cash (Marfrig): US$2.0bn
- Current consolidated gross debt: US$3.7bn
- Pro forma consolidated net debt: US$1.8bn
- **Net leverage: 4.0x (down from 4.4x LTM)**
- **Market value of Keystone could be 2/3 of net debt**

➢ We acknowledge that an IPO completed at an elevated multiple may be seen as a positive development

Keystone (US$ MM)	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	y/y	q/q
Revenue	713	697	667	712	689	673	3%	2%
USA	486	480	471	500	493	480	(1%)	1%
APMEA	228	217	197	212	196	194	16%	5%
Cash COGS	635	628	604	646	629	606	1%	1%
Volume (k tons)	286	280	278	305	283	274	1%	2%
USA	229	226	227	249	234	223	(2%)	1%
APMEA	58	55	51	56	49	51	17%	5%
Price (US$/Kg)	2.49	2.5	2.4	2.34	2.43	2.46	2%	0%
USA	2.12	2.13	2.07	2.01	2.11	2.15	0%	0%
APMEA	3.96	3.97	3.84	3.8	3.97	3.82	0%	0%
EBITDA	77	69	63	66	62	67	24%	12%
EBITDA Margin	11%	10%	9%	9%	9%	10%		

CHILE

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Cencosud S.A. is one of the largest retail conglomerates in Latin America, with operations in Chile, Argentina, Peru, Brazil and Colombia. Chairman Horst Paulmann and his family, combined, own a 53.36% stake in the group. Cencosud operates under various retail formats, including supermarkets, home improvement stores, shopping malls and department stores. As of 2016, the group operated 1,115 retail stores and 54 shopping centers. The company is listed in the Santiago stock exchange with a current market cap of US$7.6bn

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
CENSUD 4.875% 01/20/2023	$943	Baa3/-/BBB-	106.5	3.4%

Pros

- Multi-format, multi-brand with geographical diversification (operates in 5 countries in different segments)
- Investment Grade rating since 2011 - Fitch Ratings: BBB- (stable) - Moody's: Baa3 (stable)
- Plans of non-core asset divestment to improve leverage
- High-level of unencumbered assets
- Around 80% of USD debt is hedged

Cons

- Investment grade status might be threatened if management fails to reduce leverage in 2018
- Slow economic growth in Latin America and high inflation in markets such as Argentina
- Subject to f/x risk on revenue and costs as operations are conducted mostly in local currencies
- Poor performance in Brazil operations (negative 3Q17 EBITDA – US$12mm)
    - Exposure to financially troubled states
- Postponement of shopping malls IPO, that could've accelerated deleveraging

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Weak results threatening investment grade:

- Cencosud's focus has been on deleveraging and maintaining its investment grade following weak results
- US$1bn asset divestment plan announced in August
  - Sale of up to US$1bn in non-core assets within the next 12-18 months
  - Not specified which assets will be sold yet
- Company estimates 2.4x net leverage by end 2018

Factors that could lead to negative rating action:

FITCH JULY 2017

- Sustained negative FCF
- Group's EBITDA margin consistently below 7% (3Q17 at 5.9%)
- Adjusted gross leverage - excluding banking operation (Banco Peru) sustained above 4.5x (3Q17 at LQA 4.9x)

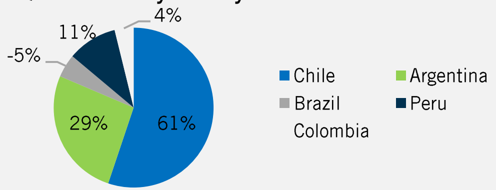
MOODY'S JULY 2017

- Leverage remains high over a prolonged period, such that adjusted Debt/EBITDA remains above 4.0 times and/or if the company's operating performance experiences a significant deterioration

PEERS COMPARISION	CENCOSUD	FALABELLA	IRSA
Coupon	4.875%	3.750%	8.750%
Maturity	2023	2023	2023
Amount (US$ MM)	943	500	360
Mid-Yield	3.59%	3.05%	5.82%
Rating(M/SP/F)	(Baa3/BBB-/BBB-)	(-/BBB+/BBB+)	(-/B-/B+)
Spread to Sovereign	123	71	110
Country	Chile	Chile	Argentina

3Q17 (US$ MM)	CENCOSUD	FALABELLA	IRSA
Revenue	3,888	3,300	987
EBITDA	228	386	756
EBITDA Margin	5.9%	0	76.6%
Free Cash Flow	(33)	79	213
Gross Debt	4,717	5,817	8,690
Cash	227	352	5,729
Net Debt	4,491	5,464	2,961
LQA Gross Leverage	5.2	3.8	2.9
LQA Net Leverage	4.9	3.5	1.0

3Q17 EBITDA by Country



3Q17 EBITDA by Segment

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Summary of 3Q17 results :

- Revenue decreased 3% y/y to US$3.9bn, missing consensus by 3%
  - Brazil operations continue to challenge the company with revenue down 5.7% y/y, in yet another disappointing quarter
- Adjusted EBITDA down 2% y/y, though up 5% sequentially, helped by Chile operations, while all other countries experienced EBITDA decline y/y for the quarter
  - Three main segments of operations, supermarkets, home improvement and department stores, had declines in EBITDA
  - Brazil's EBITDA was down 81% y/y to negative US$12mm and negative SSS of 6.7% in core supermarket segment
- Cash burn followed at (US$33mm)
  - Capex cut by 15% y/y
- Gross debt increased 6% q/q to US$4.7bn with stable cash position
- LQA net leverage deteriorated to 4.9x, from 4.2x in 3Q16, though flat sequentially
- Weak consumption across the region affected the company again, especially outside of Chile
- The company now focuses in deleveraging as it announced US$1bn sale of non-core assets until mid-2018, looking to maintain its investment grade status

Cencosud (US$ MM)	3Q17	BBG Estimate	+/-	2Q17	3Q16	q/q	y/y
Revenue	3,888	3,992	(3%)	3,893	3,769	(0%)	3%
Adjusted EBITDA	228	235	(3%)	216	232	5%	(2%)
EBITDA Margin	5.9%	5.9%		5.6%	6.2%		

Cencosud (US$ MM)	3Q17	2Q17	3Q16	q/q	y/y
Total Debt	4,717	4,448	4,229	6%	12%
Cash and Cash Equivalents	227	227	309	(0%)	(27%)
Net debt	4,491	4,221	3,920	6%	15%
Leverage (Total Debt / LQA EBITDA)	5.2	5.1	4.6		
Net Leverage (Net Debt / LQA EBITDA)	4.9	4.9	4.2		

1- Excluding Banco Paris and Banco Peru (Debt and Cash Equivalents)

Cencosud (US$ MM)	3Q17	2Q17	3Q16	q/q	y/y
EBITDA	228	235	232	(3%)	(2%)
- capex	71	68	83	4%	(15%)
- interest	122	56	153	117%	(20%)
- taxes	68	118	40	(42%)	68%
FCF (before WK)	(33)	(6)	(45)	435%	(27%)

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

AES Gener, 66.7% owned by The AES Corporation. The company generates and sells electricity in Chile, Colombia and Argentina. With a total installed capacity of 5,813MW it is the second largest electricity generation group in Chile in terms of generation capacity with 30% of share, and with a market cap of US$2.8bn.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
AES 5.00% 07/14/2025	$172	Baa3/BBB-/BBB-	102.25	4.55%

Pros

- Geographical diversification with operations in Chile, Colombia and Argentina, though Chile accounts for 70% of EBITDA
- Diverse portfolio of generation assets
- Management is working on reducing leverage
  - Recent US$341mm tendered on 25s and 21s reduces gross leverage by 0.5x
  - Sold four gas and diesel-fired plants (750MW) for US$300mm could further reduce leverage by 0.4x

Cons

- Possible rating downgrade with deteriorating credit metrics
- Robust expansion spending which brings execution risks – Alto Maipo's case for example
  - Pressuring company's cash flow and credit metrics
  - High dividend payment (100% of Net Income) that could eventually pressure credit metrics further
- Decreasing generation prices in new bids in Chile
  - In Chile, per regulation, if a new contract with any new company is agreed general generation prices change
  - Companies bid as low as US$21.48 in the last wholesale power auction, the average price at the last power auction was US$47.59, from US$79.34 in the prior auction
  - AEG GENER has 69% of its revenue from contracts agreements

MARKET
UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Expansion Phase:

- AES GENER is in its "second expansion phase":
  - Five major projects under construction that will increase installed capacity by 25%, with the total investment cost for this expansion phase expected to reach US$4bn
  - AES Gener's largest projects under construction are Cochrane and Alto Maipo

Alto Maipo

- Originally budgeted at US$2bn
- Project is 59% complete, now in technical default following the contract termination due to a breach of contract – suspended since June
  - Alto Maipo subsidiary holds assets of US$1.4mm (book value)
- AES Gener has invested US$536 mm to date
- Gener's equity commitment to the project totals US$619 mm (including an US$83 mm contribution still pending) - 22% of the company's total equity
- Gener's local bonds include a financial covenant to maintain minimum shareholder's equity of at least US$1.57 bn
- Alto Maipo's financial debt, US$613mm, must be reported as a current liability on the balance sheet as long as the technical default state persists
- The technical default has no legal implications for holdco as Alto Maipo debt is nonrecourse
- The company is now in talks with its financial partners and other potential contractors

Rating action followed:

- Moody's lowered its outlook from stable to negative
- Fitch Ratings placed AES Gener on Negative Rating Watch

Rating Agencies may take further action:

FITCH AUGUST 2017

- Given aggressive expansion plan, Fitch expects company's credit to remain pressured in the short-to-mid-term
- Negative watch will be resolved once Alto Maipo's case has a clear resolution
- Debt-to-EBITDA ratio above 4.5x-5x negatively perceived by Fitch
- Additional delays on Alto Maipo and significant cost overturns will also be negatively perceived

MOODY'S AUGUST 2017

- Additional delays on Alto Maipo and significant cost overturns will be negatively perceived
- Gener's rating could be downgraded if debt/EBITDA and FFO/debt remains above 4.0x and below 18%, respectively, after 2018
- Gener's inability to maintain its long-term contracted operations, and/or if it re-contracts its load at prices significantly below US$60/MWh (2018 real prices) is also likely to trigger downward pressure on the rating

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Summary of 3Q17 results:

- Revenue decreased 1% y/y to US$615mm, slightly up sequentially
- Despite flat revenue, EBITDA decreased 20% y/y and 5% q/q with less efficient operation in SIC
  - SIC EBITDA (24% of total) was down 49% y/y due to scheduled maintenance that resulted in higher spot purchases and lower margins in profit share agreements
  - EBITDA margin deteriorated to 29.6% from 36.4% in 3Q16
  - SING EBITDA (40% of total) increased 14% y/y following Cochrane plant startup
- FCF pre WK positive at US$137mm due to positive capex, a point to further clarify
- Weak EBITDA led to LQA net leverage increasing to 4.9x from 4.7x in 2Q17
- No significant news on Alto Maipo's situation, which remains a critical issue faced by the company

AES GENER (US$ MM)	3Q17	2Q17	3Q16	q/q	y/y
Revenue	615	599	623	3%	(1%)
EBITDA	182	191	227	(5%)	(20%)
EBITDA Margin	29.6%	31.9%	36.4%		

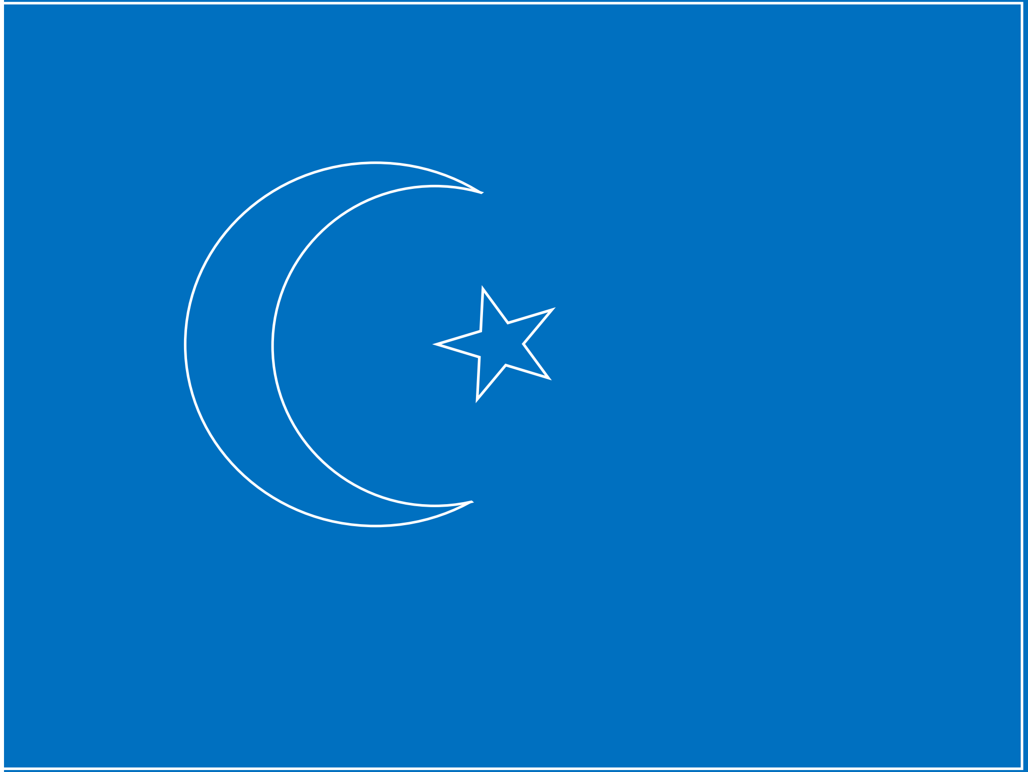
AES GENER (US$ MM)	3Q17	2Q17	3Q16	q/q	y/y
Total Debt	3,971	3,970	3,837	0%	3%
Cash	410	370	473	11%	(13%)
Net Debt	3,561	3,600	3,364	(1%)	6%
Leverage (Total Debt / LQA EBITDA)	5.4	5.2	4.2		
Net Leverage (Net Debt / LQA EBITDA)	4.9	4.7	3.7		

AES GENER (US$ MM)	3Q17	2Q17	3Q16	q/q	y/y
Adjusted EBITDA	182	191	227	(5%)	(20%)
- capex	(11)	(275)	(128)		
- interest	(26)	(60)	(33)	(56%)	(21%)
- taxes	(30)	(60)	(10)	(50%)	191%
FCF (pre WK)	**137**	**(203)**	**55**		

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

PEER COMPARISON	AES GENER	PAMPA ENERGIA	ELETROBRAS	ORAZUL	CFE
Coupon	5.0%	7.38%	5.8%	5.63%	4.7%
Maturity	2025	2023	2021	2027	2027
Amount (US$ MM)	172	500	1750	550	1000
Mid-Yield	4.58%	4.56%	4.46%	5.75%	4.09%
Rating(M/SP/F)	Baa3/BBB-/BBB-	B2/B+/-	Ba3/BB/BB-	-/BB/BB	-/BBB+/BBB+
Spread to Sov.	179	138	161	276	49
Country	Chile	Argentina	Brazil	Peru	Mexico
3Q17 (US$ MM)	**AES GENER**	**PAMPA ENERGIA**	**ELETROBRAS**	**ORAZUL**	**CFE**
Revenue	615	1,004	2,814	46	6,681
EBITDA	182	294	440	22	2,083
EBITDA Margin	29.6%	29.3%	15.6%	47.2%	31.2%
Free Cash Flow (Pre WK)	137	25	(185)	11	797
Gross Debt	3,971	2,195	14282	553	24,454
Cash	410	724	2750	21	1,149
Net Debt	3,561	1,471	11,532	531	23,305
Gross Leverage	5.5	1.9	8.1	6.4	2.9
Net Leverage	4.9	1.3	6.5	6.1	2.8



TURKEY

MARKET UNDERPERFORM (TURKEY):

YASARH 8.875% 20s

YASAR HOLDING (YASARH), is a Turkish group focused on food, beverage and the coatings (paint) markets. It serves customers in Central Asia, the Middle East, Europe and the Russia Federation. The company was founded in 1945 and is headquartered in Izmir, Turkey.

Yasar Group contains 21 companies (four of which rank among Turkey's Top-500), 23 factories and employs 7,500 directly.
It is the leading milk and meat producer in Turkey.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTW
YASAR 8.875% 06/05/2020	$250	B2/ -/ B	102.1	7.6%

Pros

- Food exports generate f/x and represent around 10% of group sales
- Solid brand recognition
- Diversified operations are resilient from the volatility in raw material prices and from different risk profiles
- Turkey has a growing population (25% of the population with an age under 15)

Cons

- Moody's placed Yasar on review for downgrade based on lower liquidity and ongoing currency mismatch
- Profitability lower than peers
- Annualized leverage has improved but remains elevated
- The weaker lira may impact consumption
- 76% of total debt denominated in foreign currency
- High capex and large A/R balance
- Raw material costs at coating division (22% of revenue) priced in hard currency
- Short term debt now exceeds cash level

MARKET UNDERPERFORM (TURKEY):

YASARH 8.875% 20s

Recent Earnings and Main Highlights:

- The Turkish lira strengthened by 2% sequentially in 3Q, although y/y the currency depreciated by 18%
- Revenue increased by 6% q/q to TRY$1,085mn (US$309mn), although annually revenue jumped by 28%
- EBITDA more than doubled sequentially and increased by 58% y/y to TRY$146mn (US$42mn) due to higher profitability and lower marketing expenses
- EBITDA margin contracted improved to 13% from 6% q/q, and increased vs. 11% a year ago results
- Loss for the period declined to TRY$1mn (US$0.3mn) on the back of the higher earnings
- Short-term debt jumped by 40% q/q to TRY$ 571mn (US$160mn) and reached 29% of gross debt, increasing reliance on short-term debt funding
- Net debt increased by 5% y/y to TRY$1,829mn (US$521mn) as cash increased to TRY$124mn (US$35mn) failed to offset increased gross debt
- Yasar is sensitive to the Turkish Lira movements vs. US Dollar as there is a high proportion of foreign currency debt 76% in 2Q17 (up from 60% a year ago)
- Annualized net leverage significantly improved to 3.1x from 6.9x in a previous quarter
- Simplified positive FCF declined to TRY$49mn (US$14mn) from a TRY$118mn (US$33mn) a quarter ago as results of higher demands in working capital as payables declined

Sharp growth of short-term debt…

YASAR HOLDING (TRY$ MM)	3Q17	3Q16	2Q17	q/q	y/y
Revenue	1,085	847	1,025	6%	28%
EBITDA	146	93	63	132%	58%
EBITDA margin	13%	11%	6%	119%	23%
Profit/(loss)	(1)	(24)	(35)	(97%)	(95%)

YASAR HOLDING (TRY$ MM)	3Q17	3Q16	2Q17
Total Debt	1,953	1,630	1,823
Cash	124	117	79
Net Debt	1,829	1,514	1,744
Gross Leverage (Total Debt/EBITDA*)	3.3x	4.4x	7.3x
Net Leverage (Net Debt/EBITDA*)	3.1x	4.1x	6.9x

(*) EBITDA - annualized

YASAR HOLDING (TRY$ MM)	3Q17	3Q16	2Q17
EBITDA	146	93	63
Interest	(47)	(19)	(60)
Working Capital	7	47	176
Capex	(51)	(36)	(55)
Taxes	(5)	(8)	(5)
FCF	**49**	**76**	**118**

MARKET UNDERPERFORM (TURKEY):

YASARH 8.875% 20s

	YASARH 20s	JPFAIJ 22s	ARCOR 23s	CCOLAT 24s
Rating	B2/-/B	-/BB-/BB-	B1/-/BB+	Baa3/-/BBB
YTM	7.3	5.0	4.5	3.9
Spread to sovereign (bps)	397	214	199	78
MM US$	3Q17	3Q17	3Q17	3Q17
Revenue	309	567	842	782
EBITDA	42	65	74	148
EBITDA margin	13%	11%	9%	19%
Net Debt	513	355	375	550
Net Leverage (Net Debt / EBITDA (*))	3.1x	1.4x	1.3x	0.9x
FCF	14	19	27	153

(*) EBITDA - annualized

DISCLAIMER

DISCLOSURE APPENDIX

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"Market Perform" – The bond's total return is expected to be in line with the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's total return relative to the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

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