ECONOMIC OUTLOOK AND EMERGING **MARKETS TOP PICKS: 1Q'19**

JANUARY 7, 2019

Overview the year ahead– Dr. Walter Molano, Ph.D.
EM Corporate Highlights – Corporate Research
Top Picks for 1Q19 – Corporate Research

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OUTPERFORM
UNDERPERFORM
SWAP

OVERVIEW: THE YEAR AHEAD

With 2018, fading into the distance, all eyes are on what lies ahead. Last year was disastrous for emerging markets. Rising interest rates in the U.S. and a slew of presidential elections across Latin America resulted in a steady outflow of capital and a decline in asset prices. Argentina went through a succession of senior economic policymakers and lost the confidence of the markets, only to fall into the waiting arms of the IMF. Commodity prices languished, due to the deleveraging process in China, and oil prices were decoupled from the mechanics of supply and demand. They became the object of political manipulation by the White House, Riyadh and Moscow. In an effort to placate President Donald Trump and reduce the scrutiny on the Crown Prince's involvement in the murder of Jamal Khashoggi, the Saudis opened the taps and allowed oil prices to plunge. Given that many emerging market countries are major oil producers, it was another blow that depressed their asset prices and currencies. Fortunately, most of the countries were in decent shape to weather the storm. In addition to low levels of debt and high levels of international reserves, most emerging market countries employ floating exchange rate regimes that can easily withstand powerful external and internal shocks. This is why there was no major collapse, despite the adverse external environment. Fortunately, 2019 provides a better outlook.

To begin with, the electoral calendar is pretty thin. The only major presidential election this year will be in Argentina. Uruguay and Panama will also hold presidential elections. The political contest in Argentina could be interesting. President Macri's re-election bid hinges on the country's economic trajectory. The economy needs to show signs of life by April or May. There are a slew of scenarios and possibilities that are being discussed. However, what is certain is that the IMF has assured the country's financing obligations through the end of the year. Beyond that, it all depends on what happens in October, when Argentines go to the polls. The two other regional policy concerns do not hinge on upcoming elections. Rather they are a product of presidents who were elected last year, and took office recently. Mexican President Andres Manuel Lopez Obrador (AMLO) is full of fiery rhetoric, but it is unclear what will be the direction of his economic policies. There are a lot of contradictions in his statements. He rails against neoliberalism and makes great promises to the poor. At the same time, he vows to balance the budget and avoid increasing the debt. The same goes for Brazilian President Jair Bolsonaro. He has named respected figures to key economic posts, but it is unclear how he will muster the congressional votes to enact the critical structural reforms he needs to implement to stabilize the Brazilian economy.

The more important variable to watch will be U.S. monetary policy. There is a growing consensus that the U.S. is headed for a recession later this year or next. This is the longest expansion in U.S. economic history, and the country is due for a downturn. The high level of volatility in the equity markets and the flattening of the Treasury curve suggest that a slowdown is imminent. Even though the Fed continues to advocate further tightening of monetary policy, an eventual downturn will force it to reverse its course. One of the major concerns is that Washington does not have many tools to address the eventual recession. Interest rates are already low, the Fed's balance sheet is full and the government's fiscal deficit is already high. Therefore, there is not much scope for fiscal and monetary maneuvering. The good thing is that the U.S. financial system is in good shape. Banks were recapitalized after the financial crisis, and lending standards have been prudent. There are concerns about corporate credit, but the problems should not be systemic in nature. The only black swan on the horizon is China. The country is implementing a tricky deleveraging process. Unfortunately, there is not a lot of information on how it is going, and it could easily become disorderly. This is why the Chinese are so worried about a trade war with the U.S. It is the wrong moment to take on such a fight. Still, all of these factors suggest that the monetary tightening of 2018 will soon be a thing of the past. Investors will start looking at the emerging markets as a major source of yield, which should allow flows to return and asset prices to recover. Therefore, 2019 may prove to be a vast improvement from the emerging market turmoil of last year.

Dr. Walter Molano, Ph.D.
January 7, 2019

EM CORPORATE HIGHLIGHTS 4Q'18

Argentina

- With the amended agreement with the IMF, the government received US$28bn in 2018, with further US$22bn to be received in 2019
- 2019 budget was passed, with a GDP contraction of 0.5%, inflation of 23%, annual ARS of 40.1, zero primary deficit and 3.3% total deficit
- Crawling peg system for the ARS was implemented, with current cap and floor at 37.21 and 48.15, respectively
- After reaching levels close to 70%, interest rates were lowered, currently at 59.28%, while inflation remained at multiyear high (48.5% in Nov18), although market expectations for next twelve months have been decreasing, currently at 28.7%
- Provinces continued to lead the path to fiscal stability, with all of the provinces with international bonds having posted primary surpluses in 9M18
- Notebook saga continued, with further raids and accusations, including wealthiest Argentine businessman Paolo Rocca
- Trade balance turned positive in Sep18 for the first time since Jan16
- Primary market reopened, with Genneia and Cresud placing bonds
- Buenos Aires successfully hosted the annual G20 meeting
- S&P cut sovereign debt rating by one notch to B

Brazil

- Jair Bolsonaro PSL, was elected president winning second round elections against PT candidate Fernando Haddad with 55% of votes
- New president elect started assigning its future minsters, main highlights includes Paulo Guedes to the finance ministry and Sérgio Moro to the justice ministry
- Arminio Fraga, ex minister of finance, handed Bolsonaro's economic team a plan for the social security reform including a gradual change to the capitalization system
- Michel Temer signed a temporary decree increasing the limit of foreign investment in Brazilian airlines from 20% and allowing total ownership by external capital
- OceanAir (dba Avianca Brasil) filed an RJ request (protection from creditors) in Brazil
- JBS issued US$500mm senior unsecured 2026s with 7.0% coupon
- Suzano retapped US$500mm of its 2047s senior unsecured bonds with 7.0% coupon

EM CORPORATE HIGHLIGHTS **4Q'18**

Ecuador

- 2019 budget submitted, with primary and total deficit of 0.3% and 3.2%, respectively, and GDP growth of 1.4%
- Government agreed a new loan with China for US$900mm
- Moody's downgraded sovereign outlook to negative from stable, while affirming its B3 rating

Mexico

- President Lopez Obrador took office on Dec. 1st, having majority in both houses of Congress through Morena and its allied parties
- Through a controversial public consultation, the new Administration canceled the New Mexico City Airport project. MEXCAT holders accepted the Government's US$1.8 bn partial call with covenant changes, opening the way for officially ceasing construction. The Government's plan is to expand the Toluca International Airport and the Santa Lucia Military Air Base instead to cope with the passenger traffic constraints in Mexico City
- Morena proposed legislation reducing service fees in the banking sector including prohibiting fees charged on NPL interest and a waiver of interest charges. This effort came without forewarning and after the largest decline of the Mexican Bolsa in years, AMLO slowed the process. The regulations have been pushed until at least February and Morena will consult with the banking sector as well
- Morena proposed higher regulation regarding mining concessions, including potential concession cancelations based on negative social or environmental impacts
- Pemex presented its new business plan to boost upstream production to 2.4mdb by 2024. Around US$18bn out of the US$23bn budget for 2019 is meant for E&P, which includes capex for the six existing refineries and an initial US$2bn for a new 350kdb refinery with an approximate US$8 bn total cost
- CFE's US$20bn budget for 2019 was 8% higher y/y in MXN terms and includes capex focused on modernization of fossil fuel plants
- Banxico increased the base interest rate to 8.25%, the highest level since 2008, based on inflation risks from political and economical turmoil as well as FX depreciation
- Mexico's remittances in 2018 reached US$30bn, the highest level on record, due to a strong labor market in the US

EM CORPORATE HIGHLIGHTS **4Q'18**

Kazakhstan

- Kazakhstan ended 2018 with 4% GDP growth (on par with 2017 and up from 1% in 2016). Kazakhstan's government attributes the growth to a reduced inflationary pressure and higher investment activity. In 2019, Kazakhstan expects its economy to grow 3.8%, while the IMF sees GDP growth at 3.1%.
- Inflation stood at 5.3% in 2018 – landing within the previously guided range of 5 – 7%. Inflation is expected to stay with 5 – 5.5% range in 2019 and the National Bank of Kazakhstan expects to achieve a 4% inflation rate by 2020.
- Since January 1, 2019, Kazakhstan increased min wage by 35% and state pensions by 7%. Also a new mortgage program '7-20-25' was initiated designed to help all working Kazakhstani residents to get an affordable mortgage in Tenge: no more than 7% interest, no more than 20% of initial contribution for the period of 25 years. To help with the initial contribution, civil servants will receive KZT 1 mm (US$2,600) housing certificates
- Kazakh President Nursultan Nazarbayev, 78, considers holding presidential elections in 2019 instead of previously scheduled for 2020

Russia

- Russia saw its economy expanding in 2018 by ~1.8%, in line with the IMF forecast. In 2019, GDP growth is expected at 1.6% by the Russian Government and 1.8% by the IMF
- Inflation hit record lows in 2018 hitting 3.2%; however inflation began to rise in the second half of 2018 on the back of rising food and fuel costs, ending the year just below the Central Bank of Russia's target of 4%
- After a number of sanctions events in 2018: the 'Kremlin List' in February 2018, Oleg Dripaska and Rusal in April 2018, the Countering America's Adversaries Through Sanctions Act (CAATSA) and Defending Elections from Threats by Establishing Redlines Act (DETER) in the autumn 2018, the first quarter of 2019 may bring new ones – albeit their scope and severity are not clear, Russia, while wishing for a peace, is getting ready for a full scale economic war – FX reserves at just under US$500 billion (enough to cover up to two years worth of imports); the government's external debt – 15% of GDP – is the lowest of any major economy in the world; self-imposed bans on European agricultural products and investments in domestic industry making Russia increasingly self-sufficient.

EM CORPORATE HIGHLIGHTS **4Q'18**

Turkey

- In Nov18, trade surplus reached a historical high of US$2.8bn
- GDP grew 1.6% in 3Q18, below 2.2% market expectation
- Inflation dropped to 21.6% in Nov18 from previous 25.2%, and below 23% market expectation
- Akbank to increase capital by TRY3bn through a domestic share placement, estimated to be completed by Feb19.
- Syndicated loan rollover continued and several banks received approval to sell subordinated debt and mortgage-backed bonds
- As expected, in Nov18 Turkey was exempted from Iran sanctions for a six month period, which allows the Turkey to keep importing oil from Iran during the period

Ukraine

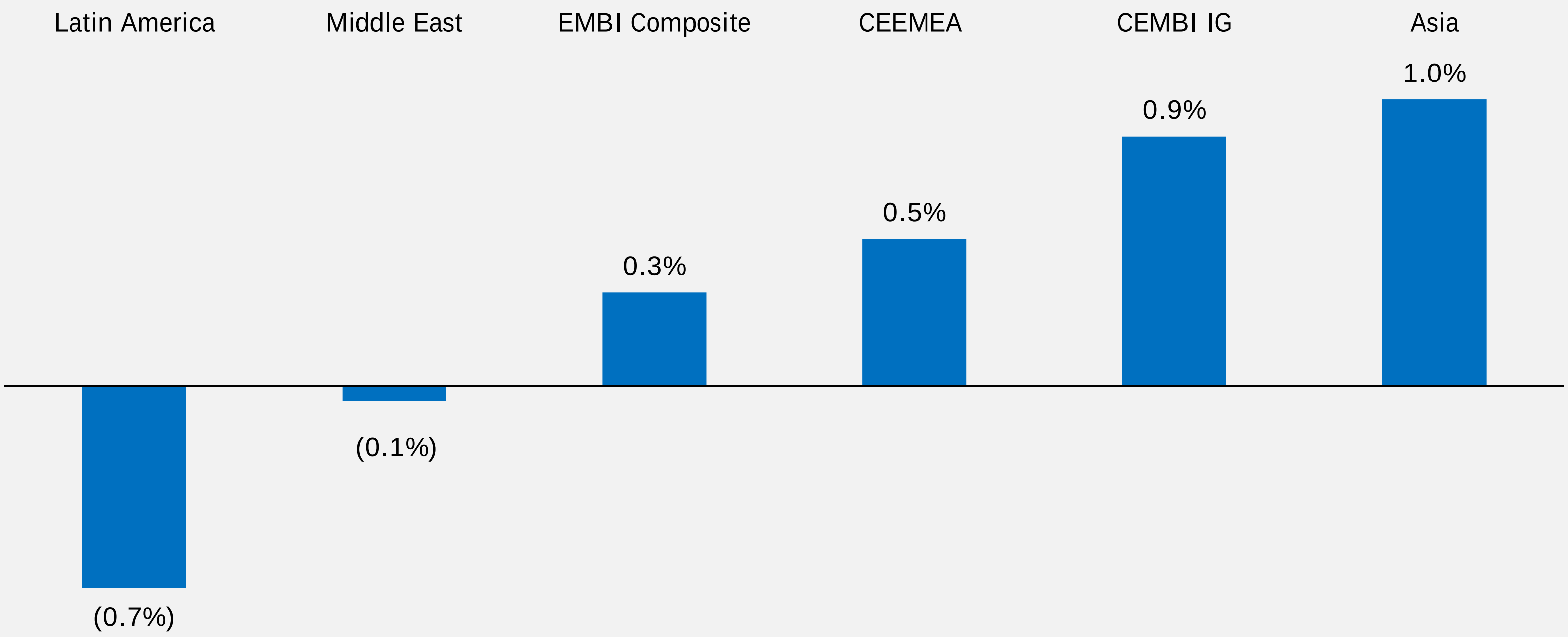
- During 2018, Ukrainian economy accelerated its recovery from the events of 2014-2015 with GDP growing at least 3.0%; in 2017, Ukraine's GDP grew 2.5%. According to Ukraine's Ministry of Economic Development guidance, the country's GDP is expected to grow as follows: 3.1% in 2018, 3.0% in 2019, 3.1% in 2020 and 3.9% in 2021. IMF, in its October 2018 World Economic Outlook report, upped its expectation for Ukrainian GDP to 3.5% and lowered 2019 expectation to 2.7%.
- On December 18, 2018, Ukrainian Government managed to reach an agreement with the IMF regarding a new US$3.9 billion 14-month financial aid program, which replaced the US$17.5 billion extended fund facility (EFF), which was essentially frozen due to slow implementation of the reforms required by the IMF. This new agreement was made possible following the completion of a number of pre-requisite conditions, including: the approval of 2019 budget with a 2.3% deficit, natural gas tariff increase of 23.5% for population and ignition of State Fiscal Service reform via its separation into Tax and Customs Services. On December 21, 2018, Ukraine received the first US$1.4 billion tranche. The next tranches will be discussed by the IMF in May and November 2019.
- As at end-2018, Ukraine had US$ 20.7 billion in FX reserves, a five year high. In 2019 – 2020, Ukraine would need ~US$12 billion for servicing and repaying its external debt

EM CORPORATE HIGHLIGHTS 4Q’18

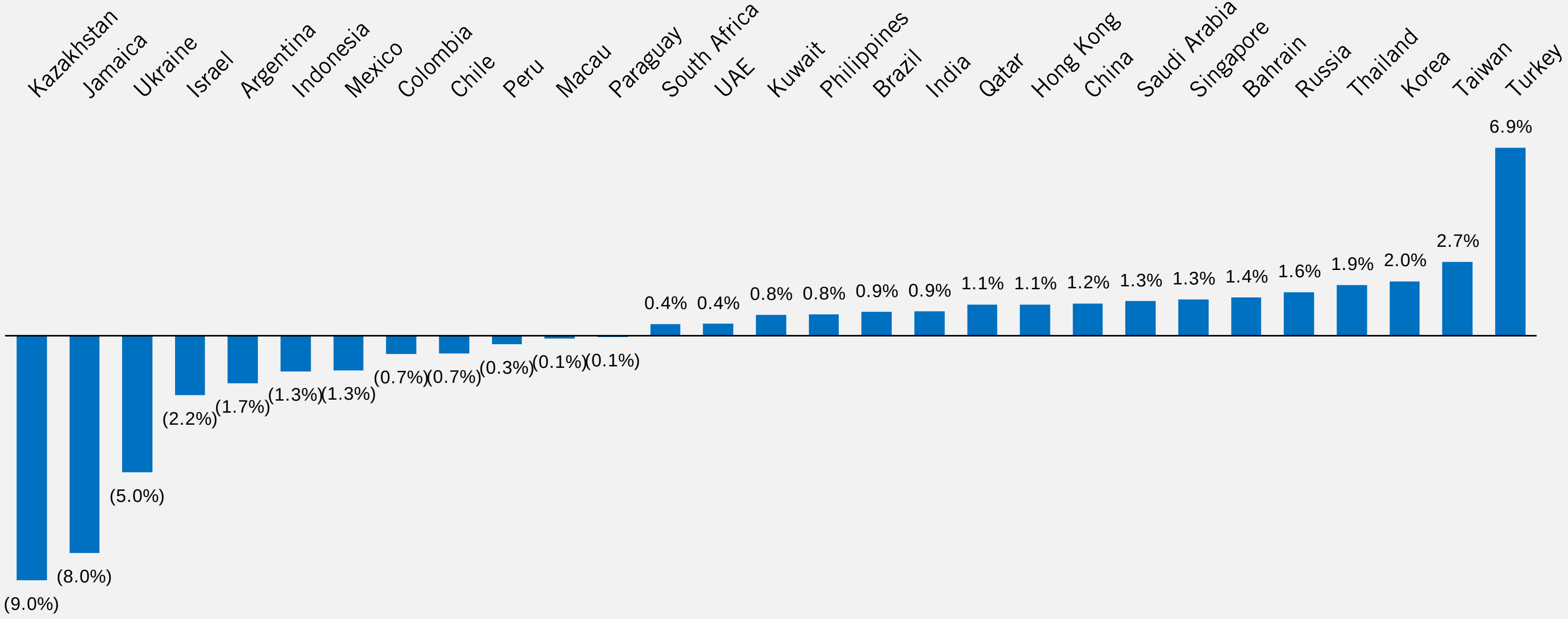
Venezuela

- Production continues to plunge, at 1,137kbpd in Nov18 per OPEC vs 1,249 in 3Q18 and 1,917kbpd in 2017
- IMF estimates GDP to drop 18% in 2018 and inflation to hit 1.4 million in Dec18
- 13 out of the 14 American countries members of the `Lima Group` created in 2017 (Mexico the exception) agreed not to recognize Maduro’s new mandate, limiting commercial and banking operations with Venezuela, and requiring Maduro to leave the power in favor the National Assembly led by member of the opposition Juan Guaido

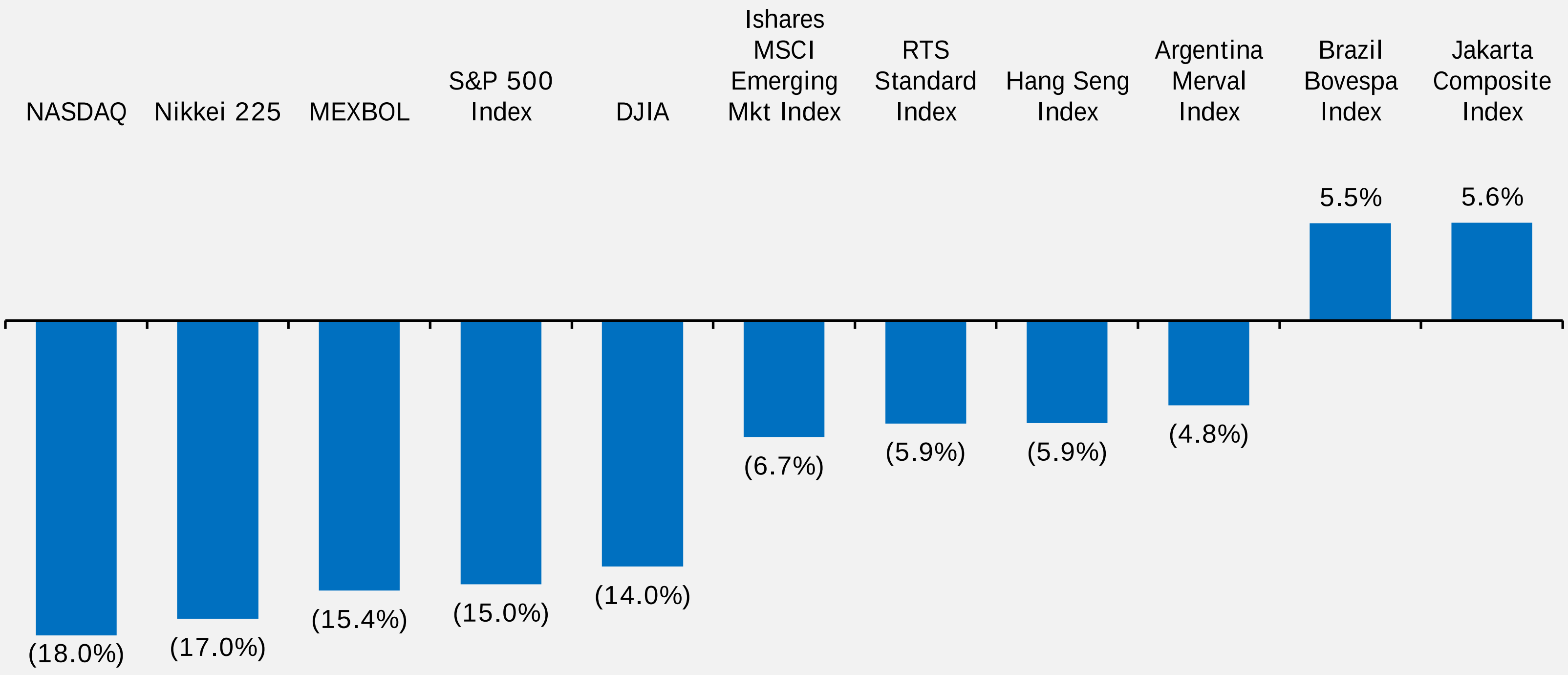
OVERVIEW
EMBI INDEX RETURNS 4Q'18
EMBI BROAD COMPOSITE INDEX REVIEW



OVERVIEW
CEMBI INDEX RETURNS **BY COUNTRY 4Q'18**



OVERVIEW
GLOBAL EQUITY INDEX **RETURNS 4Q'18**

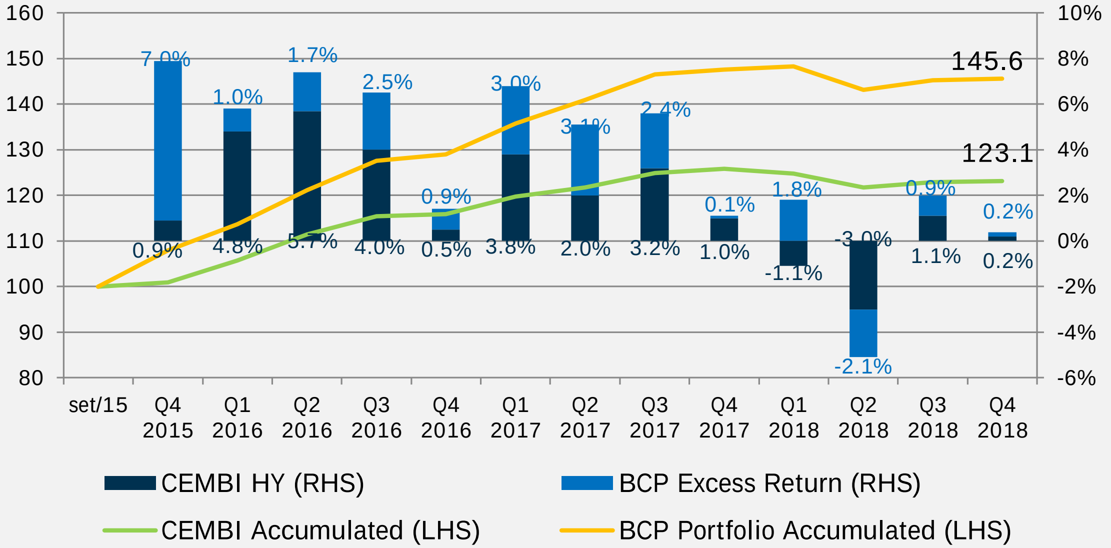


4Q'18 TOP PICKS
PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated excess return of 18 bps vs. our CEMBI HY benchmark which increased 0.2% over the period. Outperforms failed to keep pace with the index and were flat on average. Underperforms declined 110 bps more than the benchmark.
- Our top performers were ARCOR 23s and NEUQUEN 28s, with an excess return of 5.2% and 4.5% respectively.
- GOLLBZ 25s were also a highlight, generating 3.5% excess performance.
- ANTOIL 20s and MENDOZ 24s were biggest disappointments, falling 12.1% and 4.6%, respectively.
- Over the past 12 quarters, BCP Top Picks have generated compounded excess return of 22.5% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH JANUARY 3 2019



4Q'18 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 =	0.0%	(0.2%)
NEUQUE 28	PROVINCE OF NEUQUEN	Regional(state/provnc)	Argentina	USD	10/15/18	11/26/18	42	92.5	96.0	8.63%	3.8%	4.8%	4.5%
EDNAR 22	EMP DISTRIBUIDORA NORTE	Electric	Argentina	USD	10/15/18	01/03/19	80	97.1	97.3	9.75%	0.1%	2.3%	2.0%
BRFSBZ 24	BRF SA	Food	Brazil	USD	10/15/18	01/03/19	80	91.5	92.3	4.75%	0.8%	1.9%	1.6%
LIGTBZ 23	LIGHT SERVICOS ENERGIA	Electric	Brazil	USD	10/15/18	01/03/19	80	98.0	96.0	7.25%	(2.0%)	(0.4%)	(0.7%)
ODEBRE 21	ODEBRECHT DRILL VIII/IX	Oil&Gas	Brazil	USD	10/15/18	01/03/19	80	98.8	96.8	6.35%	(2.0%)	(0.6%)	(0.9%)
ANTOIL 20	ANTON OILFIELD SERV GRP/	Oil&Gas Services	China	USD	10/15/18	01/03/19	80	103.8	89.3	9.75%	(14.0%)	(11.8%)	(12.1%)
YKBNK 19	YAPI VE KREDI BANKASI AS	Banks	Turkey	USD	10/15/18	11/16/18	32	96.5	98.6	5.13%	2.2%	2.7%	2.0%
YKBNK 23	YAPI VE KREDI BANKASI AS	Banks	Turkey	USD	11/16/18	01/04/19	49	88.9	90.5	6.10%	1.8%	2.7%	3.1%
PETKM 23	PETKIM PETROKIMYA HOLDIN	Chemicals	Turkey	USD	10/15/18	01/03/19	80	91.8	91.3	5.88%	(0.5%)	0.8%	0.5%
ECUA 27	REPUBLIC OF ECUADOR	Sovereign	Ecuador	USD	10/15/18	01/03/19	80	95.8	93.0	9.63%	(2.9%)	(0.7%)	(1.0%)
GJTLIJ 22	GAJAH TUNGGAL TBK PT	Auto Parts&Equipment	Indonesia	USD	10/15/18	01/03/19	80	83.6	83.8	8.38%	0.2%	2.1%	1.8%
METINV 26	METINVEST BV	Iron/Steel	Ukraine	USD	10/15/18	01/03/19	80	94.8	90.0	8.50%	(5.0%)	(3.1%)	(3.4%)
DARALA 23	DAR AL-ARKAN SUKUK CO LT	Real Estate	UAE	USD	10/15/18	01/03/19	80	93.9	93.4	6.88%	(0.6%)	0.9%	0.7%
TPZMAR 22	TOPAZ MARINE SA	Transportation	Nigeria	USD	10/15/18	01/03/19	80	104.0	102.0	9.13%	(1.9%)	0.1%	(0.2%)
SEPLLN 23	SEPLAT PETROLEUM DEV CO	Oil&Gas	Nigeria	USD	10/15/18	01/03/19	80	101.4	99.4	9.25%	(2.0%)	0.1%	(0.2%)
CYDSA 27	CYDSA SAB DE CV	Chemicals	Mexico	USD	10/15/18	01/03/19	80	95.5	90.0	6.25%	(5.8%)	(4.4%)	(4.6%)
PFAVHC 20	AVIAN HLDS SA/LEASING/GR	Airlines	Colombia	USD	12/11/18	01/03/19	23	95.5	97.4	8.38%	1.9%	2.5%	2.5%
GOLLBZ 25	GOL FINANCE	Airlines	Brazil	USD	12/14/18	01/03/19	20	89.0	89.5	7.00%	0.6%	1.0%	1.2%
MENDOZ 24	PROVINCIA DE MENDOZA	Municipal	Argentina	USD	12/04/18	01/03/19	30	84.2	79.5	8.38%	(5.6%)	(4.9%)	(4.6%)
UNDERPERFORM											Average Return =	1.1%	1.4%
MARFRIG 23	MARFRIG HOLDING EUROPE B	Food	Brazil	USD	10/15/18	11/05/18	21	101.1	102.0	8.00%	(0.9%)	(1.3%)	(0.3%)
AESGEN 25	AES GENER SA	Electric	Chile	USD	10/15/18	01/03/19	80	99.3	96.4	5.00%	2.9%	1.8%	2.0%
CENSUD 23	CENCOSUD SA	Food	Chile	USD	10/15/18	01/03/19	80	99.1	98.0	4.88%	1.1%	0.1%	0.3%
KERPW 22	KERNEL HOLDING SA	Agriculture	Ukraine	USD	10/22/18	01/03/19	73	101.8	96.1	8.75%	5.5%	3.8%	3.3%
SWAP											Average Return =	0.8%	0.8%
GOLLBZ 25	GOL FINANCE	Airlines	Brazil	USD	10/15/18	12/14/18	60	86.5	89.0	7.00%	2.9%	4.1%	3.5%
AZULBZ 24	AZUL INVESTMENTS LLP	Airlines	Brazil	USD	10/15/18	12/14/18	60	91.3	93.3	5.88%	(2.2%)	(3.2%)	(2.7%)
AEROAR 27	AEROPUERTOS ARGENT 2000	Engineering&Construction	Argentina	USD	10/15/18	01/03/19	80	95.5	91.5	6.88%	(4.2%)	(2.7%)	(2.9%)
ARCOR 23	ARCOR SAIC	Food	Argentina	USD	10/15/18	01/03/19	80	98.5	92.3	6.00%	6.3%	5.0%	5.2%
											Total Average Return =	0.3%	0.2%

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI	10/15/18	01/03/19	80	414.4	415.4	0.2%

Source: Bloomberg as of 01/03/2019

4Q'18 TOP PICKS

PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

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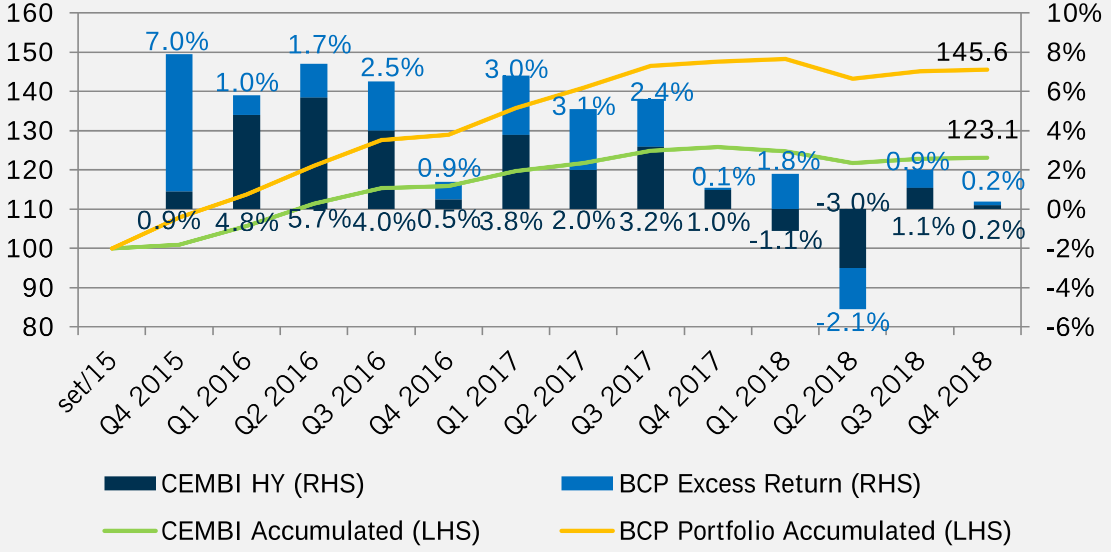
PORTFOLIO PERFORMANCE THROUGH JANUARY 03rd 2019



1Q'19 TOP PICKS

PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid Yield	Mid Price
Outperform										
YKBNK 23	YAPI VE KREDI BANKASI AS	Banks	Turkey	USD	$500	B1/ -/ BB-	6.10%	03/16/2023	8.86%	90.50
PETKM 23	PETKIM PETROKIMYA HOLDIN	Chemicals	Turkey	USD	$500	B1/ -/ B	5.88%	01/26/2023	8.47%	91.25
GJTLIJ 22	GAJAH TUNGGAL TBK PT	Auto Parts	Indonesia	USD	$250	B2/ B-/ -	8.38%	08/10/2022	14.31%	83.75
METINV 26	METINVEST BV	Iron/Steel	Ukraine	USD	$500	-/ -/ B	8.50%	04/23/2026	10.49%	90.00
SEPLLN 23	SEPLAT PETROLEUM DEV CO	Oil&Gas	Nigeria	USD	$350	B2/ B-/ B-	9.25%	04/01/2023	9.42%	99.38
CYDSA 27	CYDSA SAB DE CV	Chemicals	Mexico	USD	$330	-/ BB/ BB+	6.25%	10/04/2027	7.85%	90.00
GOLLBZ 25	GOL FINANCE	Airlines	Brazil	USD	$650	-/ B-/ B	7.00%	01/31/2025	9.15%	90.15
PFAVHC 20	AVIAN HLDS SA/LEASING/GR	Airlines	Colombia	USD	$550	-/ B-/ B-	8.38%	05/10/2020	10.53%	97.35
MENDOZ 24	PROVINCIA DE MENDOZA	Municipal	Argentina	USD	$500	B2/ B/ -	8.38%	05/19/2024	13.92%	79.50
UNIFIN 26	UNIFIN FINANCIERA SA DE	Finan Serv	Mexico	USD	$300	-/ BB/ BB	7.38%	02/12/2026	10.28%	85.63
Underperform										
KERPW 22	KERNEL HOLDING SA	Agriculture	Ukraine	USD	$500	-/ B/ B+	8.75%	01/31/2022	10.25%	96.13
AESGEN 25	AES GENER SA	Electric	Chile	USD	$172	Baa3/ BBB-/ BBB-	5.00%	07/14/2025	5.67%	96.38
CENSUD 23	CENCOSUD SA	Food	Chile	USD	$943	Baa3/ -/ BBB-	4.88%	01/20/2023	5.43%	98.00
VEBBNK 20	VNESHECONOMBANK	Banks	Russia	USD	$1,600	-/ BBB-/ BBB-	6.90%	07/09/2020	5.24%	102.38
ARCOR 23	ARCOR SAIC	Food	Argentina	USD	$500	Ba3/ -/ BB-	6.00%	07/06/2023	8.08%	92.30

Source: Bloomberg as of 01/03/2019

MARKET OUTPERFORM

ARGENTINA
MENDOZ 8.75% 24s

BRAZIL
GOLLBZ 7.00% 25s

COLOMBIA
PFAVHC 8.375% 20s

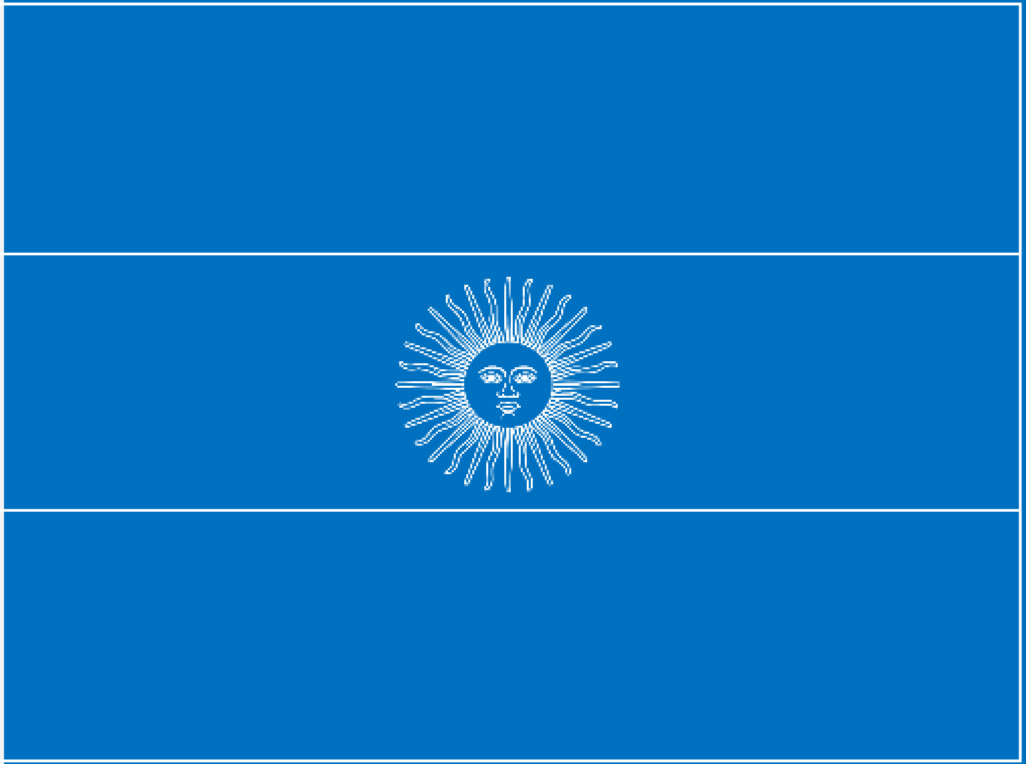
INDONESIA
GJTLIJ 8.375% 22s

MEXICO
CYDSA 6.25% 27s
UNIFIN 7.375% 26s

NIGERIA
SEPLLN 9.25% 23s

TURKEY
YKBNK 6.10% 23s
PETKM 5.88% 23s

UKRAINE
METINV 8.625% 26s



ARGENTINA

MARKET OUTPERFORM (ARGENTINA):

MENDOZ 8.75% 24s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
MENDOZ 8.75% 05/19/2024	$500	B2/B/-	79.50	13.92%

The Province of Mendoza is the fourth largest Argentine province by population, largely focused on the wine industry, tourism and oil and gas activities. Nearly two million people currently live in the province. Its main urban area, Gran Mendoza (54% of population), had a poverty rate of 27.9% as of Jun-18 according to INDEC.

PROS:

- Ruling party aligned with national government
- Contains part of Vaca Muerta formation
- Income from oil and gas royalties is linked to USD
- Government has legislative majority after 2017 elections
- Highest surplus in 9M18 among provinces with USD bonds
- Nearly half of its debt is in ARS, a higher portion than its closest peers, which, coupled with royalties income tied to USD, make the province less exposed to currency fluctuations
- Sinkable bond with three equal capital repayments starting in 2021, makes it less reliant on capital markets for repayments

CONS:

- Ruling party is a coalition that might encounter differences
- Royalty income tied to oil & gas prices
- Oil production has declined, down 2% y/y in the first ten months of 2018 and 22% since 2009
- Higher debt load compared to closest peers, although we consider it manageable and below 20% of our estimated GDP

MARKET OUTPERFORM (ARGENTINA):

MENDOZ 8.75% 24s

Highest primary and total surplus among province with USD bonds, accounting for 16% and 9% of current income, respectively

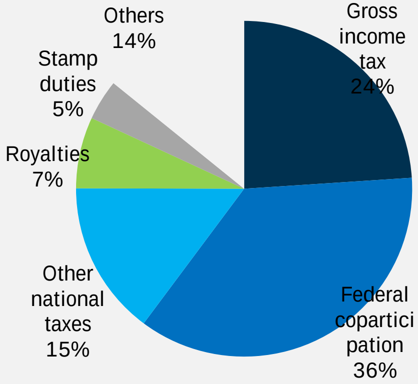
AR$mm	Pvcia Bs As	City Bs As	Cordoba	Santa Fe	Mendoza	Entre Rios	Chaco	La Rioja	Jujuy	Rio Negro	Neuquén	Salta	Chubut	Tierra del Fuego
Bond	2024	2027	2024	2023	2024	2025	2024	2025	2022	2025	2028	2024	2026	2027
Duration	3.4	5.6	4.4	3.21	3.6	4.2	3.5	3.5	3.0	4.4	4.0	3.6	3.7	3.5
Yield (%)	13.9%	10.2%	12.5%	11.3%	14.0%	16.1%	17.6%	15.0%	19.7%	15.6%	9.6%	15.5%	11.1%	10.8%
Spread to sovereign (bps)	287	(78)	150	70	344	507	699	448	868	461	(138)	493	55	28
Last reported figures	6M18	9M18	9M18	9M18	9M18	9M18	9M18	9M18	9M18	9M18	9M18	9M18	3M18	9M18
Current income	293,903	175,987	151,373	146,580	63,005	62,018	53,466	17,537	28,334	32,023	62,679	41,958	10,222	17,379
Current expenditures	(270,415)	(127,062)	(127,028)	(129,794)	(49,103)	(58,379)	(48,632)	(16,382)	(25,167)	(27,817)	(53,907)	(36,035)	(8,383)	(14,074)
Capital income	3,051	1,992	4,053	3,173	973	1,752	1,874	1,455	1,351	1,897	1,363	1,858	195	358
Capital expenditures	(14,837)	(27,195)	(25,970)	(16,334)	(4,912)	(3,312)	(4,622)	(1,541)	(2,983)	(2,890)	(5,208)	(3,276)	(1,235)	(1,586)
Primary surplus / (Deficit)	11,702	23,722	2,428	3,625	9,963	2,079	2,086	1,069	1,535	3,213	4,927	4,505	799	2,076
as % of current income	4%	13%	2%	2%	16%	3%	4%	6%	5%	10%	8%	11%	8%	12%
9M 2017 as % of current income	(2%)	5%	2%	(3%)	9%	(1%)	(7%)	4%	1%	0%	(5%)	(3%)	(16%)	(2%)
Interests	(13,884)	(8,861)	(3,597)	(680)	(4,126)	(2,345)	(2,465)	(1,023)	(1,945)	(1,892)	(2,939)	(1,781)	(459)	(822)
Total surplus / (deficit)	(2,182)	14,861	(1,169)	2,945	5,837	(266)	(379)	46	(410)	1,321	1,988	2,724	339	1,253
as % of current income	(1%)	8%	(1%)	2%	9%	(0%)	(1%)	0%	(1%)	4%	3%	6%	3%	7%
9M 2017 as % of current income	(7%)	2%	0%	(3%)	5%	(4%)	(10%)	2%	(3%)	(3%)	(10%)	(7%)	(20%)	(3%)

MARKET OUTPERFORM (ARGENTINA):

MENDOZ 8.75% 24s

Province of Mendoza (AR$MM)	9M18	9M17	y/y (AR$)	y/y (%)	2018 (budget)	2017
Current income	63,005	47,263	15,742	33%	77,526	65,696
Local tax revenues	20,593	16,120	4,473	28%	26,356	22,336
National taxes	32,184	23,998	8,186	34%	40,267	33,181
Royalties	4,332	2,359	1,973	84%	3,626	3,299
Current transfers & others	5,896	4,786	1,110	23%	7,277	6,880
Current expenses	(49,103)	(41,129)	7,974	19%	(72,272)	(61,247)
Personnel expenses	(29,162)	(24,804)	4,358	18%	(42,252)	(36,621)
Current transfers	(14,071)	(11,497)	-,574	22%	(20,137)	(16,523)
Goods and services	(5,676)	(4,764)	912	19%	(9,871)	(8,093)
Capital income	973	1,046	(73)	(7%)	1,941	1,343
Capital expenditures	(4,912)	(2,780)	2,132	77%	(8,215)	(5,111)
Primary surplus / (deficit)	9,963	4,400	5,563	126%	(1,020)	681
as % of estimated GDP	7%	4%			0%	0%
as % of current income	16%	9%			(1%)	1%
Interest	(4,126)	(1,850)	2,276	123%	(4,211)	(4,021)
Total surplus / (deficit)	5,837	2,550	3,287	129%	(5,231)	(3,340)
as % of estimated GDP	4%	2%			(2%)	(1%)
as % of current income	9%	5%			(7%)	(5%)

9M18 CURRENT INCOME BY SOURCE



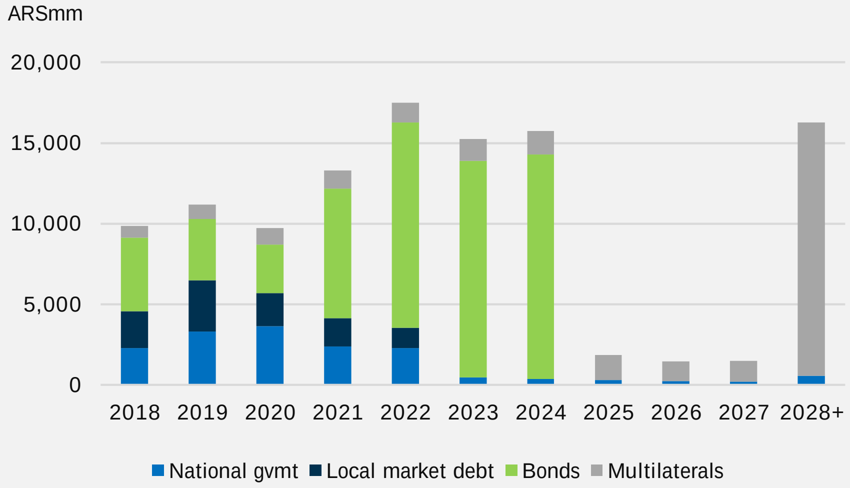
MARKET OUTPERFORM (ARGENTINA):

MENDOZ 8.75% 24s

Debt load, although higher than closest peers, is manageable and, unlike peers, a significant portion is denominated in ARS

Province of Mendoza (AR$MM)	Sep-18	2017	2016
Gross debt	49,897	33,066	26,143
National government	21%	20%	22%
Local bank debt	11%	17%	22%
Bonds	51%	50%	43%
Multilateral agencies	16%	13%	13%
ARS	43%	54%	47%
Foreign currencies	57%	46%	53%
Gross debt / Estimated GDP	18%	13%	13%
Gross debt / Current income	51%	50%	54%
Interest / Current income	7%	6%	7%

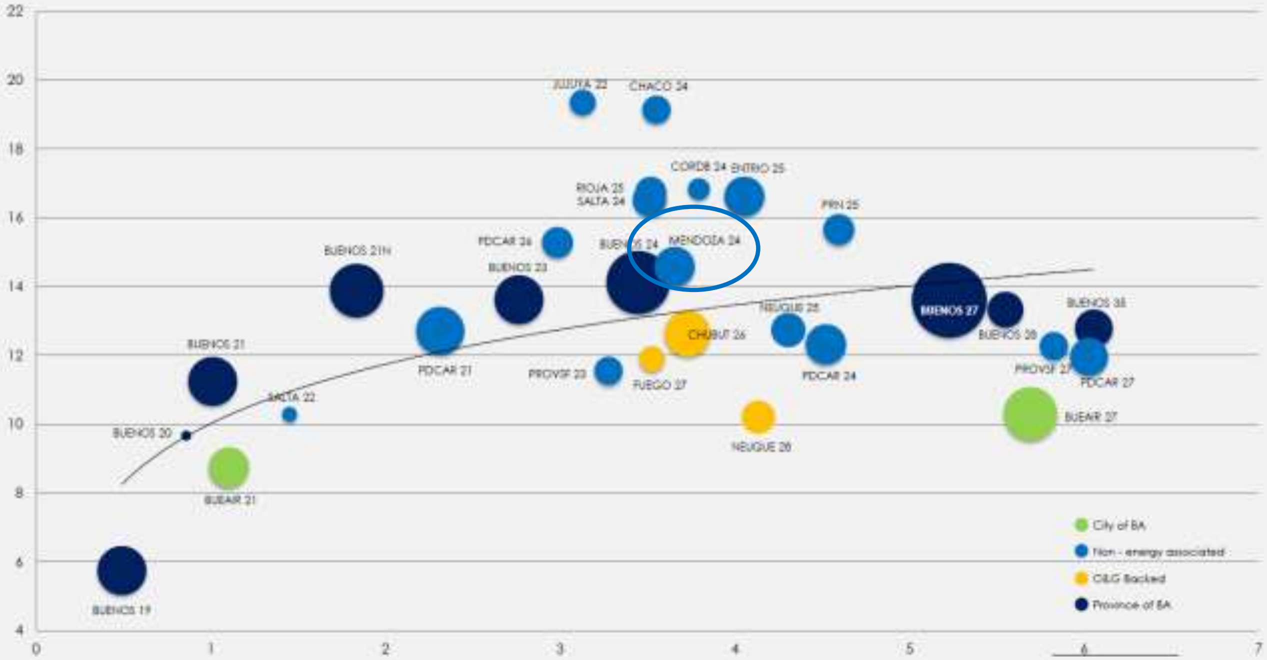
DEBT AMORTIZATION SCHEDULE AT 30.09.2018 (INCLUDING INTERESTS)



MARKET OUTPERFORM (ARGENTINA):

MENDOZ 8.75% 24s

Argentine Provinces USD vs Prov BA Curve



Source: BBG as of 12/20/2018

BRAZIL

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
GOLLBZ 7.00% 01/31/2025	650	/B-/B	90.15	9.15%

Gol is Brazil's leading and low-cost airiline, with a single fleet type focused on business travelers. Founded in 2000, the airline leads in domestic market share. Key macro drivers are GDP, FX, and jet fuel. Jet fuel priced in BRL is back to April 2018 levels - when Gol 25s bonds were close to par. We upgraded Gol25s to outright Market Outperform given accumulating positive tailwinds. While we are uncertain on economic reform success, we do think the incoming administration will boost business confidence, an additional top down driver for business traveler focused Gol. Financial distress on the part of Avianca Brasil is likely a near term positive, although we highlight an unpredictable pathway ahead. All this against a backdrop of disciplined capacity reductions since the 2015 industry distress - Gol's fleet capacity is still well below the prior peak.

PROS:

- Sound 3Q18, with margins higher than consensus
- FCF generation YTD18 and 2017, after a long period of cash burn
- Current leverage levels in line with peers – and spreads have room to tighten
- FY18 adjusted net leverage target 4.5x
- Lower oil prices
- November showed load factor improving
- Lowest CASK among peers
- Main assets (planes) are valued in USD in the international market place
- US$200mm equity value for owned (not leased) aircraft
- All should be sold over the next four years as the company transitions to 737 MAX
- Market share leader in Brazil
- 3-4% yield premium on second largest Brazilian airline
- Business demand is more inelastic

CONS:

- Exposure to Brazilian market (~80% of Gol's revenue)
    - Highly exposed to BRL
    - Minimal USD revenue
- During 3Q18, RPKs increased by 2.2% y/y but not enough to offset ASKs growth by 3.7%, y/y leading to a lower load factor of 79.1%, -110bps y/y
- Both jet fuel and aircraft leasing are denominated in USD
- Jet fuel expressed in BRL reached peak levels by September/18
- Offsetting cost increases may prove challenging
- RPK growth during August was lower than ASK growth

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

Recent Highlights – 3Q18 – Sound & Positive Smiles Merger:

- 3Q18 revenue decreased by 13% y/y in USD terms, to US$732mm (R$2.9bn, +8% y/y in BRL), 7% below consensus, driven by supply increase and FX depreciation
  - RPKs increased by 2.2% y/y but not enough to offset ASKs growth by 3.7%, y/y leading to a lower load factor of 79.1%, -110bps y/y
    - Gol incorporated one 737 MAX in August that includes more seats, in addition to more flights/day, driving ASKs higher
    - Sequentially, demand growth was stronger than supply
  - Average fare and yields reduced by 16% and 15% y/y, respectively, to US$79 and US$6.95 cents, despite having increases of 4% and 7% in BRL terms
  - 4Q18 guidance of revenue at R$3.3bn, stronger than previous quarters
- 3Q18 EBITDAR fell by 25% y/y in USD terms, although in line with consensus, to US$165mm (R$651mm, -6% y/y in BRL), impacted by jet fuel costs (+35% y/y and +5% q/q) in addition to FX
  - Breakeven load factor increased from 70.4% in 3Q17 to 74.1%
- FCF was positive by US$14mm, supported by WK contraction and capex reduction
  - US$48mm in WK, with US$59mm in advances from customers, which should also be a source of cash inflow in Q4
  - Capex was US$43mm, 30% lower y/y
  - Interest fell by 10% y/y, to US$53mm, as rates were lowered

Gol (US$MM)	3Q18	BBG consensus	+/-	2Q18	3Q17	q/q	y/y
Revenue	732	788	(7%)	652	845	12%	(13%)
EBITDAR	165	166	(0%)	132	218	25%	(25%)
EBITDAR margin	22.5%	21.0%		20.3%	25.9%		

Gol (US$ MM)	3Q18	2Q18	3Q17	q/q	y/y
Corporate Debt - BRL	262	268	320	(2%)	(18%)
Corporate Debt - USD	1,734	1,814	1,550	(4%)	12%
LTM Aircraft Rents x7 years	2,044	2,026	1,828	1%	12%
Adjusted Gross Debt	4,040	4,107	3,697	(2%)	9%
Cash	478	541	366	(12%)	31%
Adjusted Net Debt	3,563	3,566	3,332	(0%)	7%
Leverage (Total Debt /LQA EBITDAR)	6.1	7.8	4.2		
Net Leverage (Net Debt /LQA EBITDAR)	5.4	6.7	3.8		

Gol (US$ MM)	3Q18	2Q18	3Q17	q/q	y/y
EBITDAR	165	132	218	25%	(25%)
- capex	(43)	(117)	(62)	(63%)	(30%)
- interest paid	(53)	(13)	(59)	307%	(10%)
- taxes paid	(11)	(17)	(6)	(35%)	88%
- financial leases paid	(16)	(21)	(26)	(22%)	(39%)
- aircraft rents	(75)	(75)	(72)	1%	4%
FCF before WK	(34)	(111)	(7)	(69%)	403%
WK	48	206	133	(77%)	(64%)
FCF	14	95	127	(85%)	(89%)

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

Recent Highlights – 3Q18 – Sound & Positive Smiles Merger (cont.):

- Adjusted gross debt was 2% lower q/q, to US$4bn
- Cash decreased in USD terms by 12% sequentially, totaling US$478mm and net debt remained flat q/q, at US$3.6bn
- Net leverage in annualized terms improved q/q from 6.7x in Q2 to 5.4x
    - LTM net leverage increased to 4.4x from 4.2x last quarter
- Subsequent to quarter closing:
    - In October, similar to the announced Latam transaction, Gol announced its intention to re-incorporate Smiles (2/3 of Smiles business is intercompany revenue), its loyalty program, in order to reduce tax inefficiency (not only in income taxes but also revenue based taxes), and simplify its capital structure
        - An independent committee will be appointed by Smiles' BoD to negotiate the terms of the transaction with Gol's management
        - Gol would then attempt to migrate to a segment of Brazil's stock market that complies with higher governance standards
        - Gol also announced that it will not renew the current operational contract between GLA and Smiles beyond its expiration in 2032
        - Smiles was carved out in 2013, raising R$2bn from equity and debt, and Gol retained 52% of the company
    - In addition, in October, Gol refinanced debentures: R$1bn fully amortized, and R$887.5mm were issued, lowering not only principal but cost from 132% of CDI to 120% of CDI

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MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

Oct/18 y/y	Demand	Supply	Load Factor
Gol	-0.8%	-2.8%	-1.6%
LATAM	2.4%	4.7%	-1.9%
Azul	15.9%	16.6%	-0.5%
OceanAir (dom)	2.7%	7.0%	-4.1%
OceanAir (int)	39.8%	43.9%	-2.8%

Nov/18 y/y	Demand	Supply	Load Factor
Gol	5.7%	4.0%	+1.3%
LATAM	2.7%	4.9%	-1.8%
Azul	14.4%	12.4%	+1.5%

- Load factor in October continued to be pressured, as supply outpaced market demand
- November showed strong improvements for Gol and Azul
- Load factor can be seen as a measure of how much tariff increase can be supported by demand
- Diminishing load factors imply tariffs reaching a ceiling

- Azul continues its expansion plan for 2018, although recently revised downwards, mainly focused on the international market through wide body aircraft
- As BRL depreciation combined with fuel appreciation continues, we think companies will either adjust capacity guidance or yields are likely to suffer

Supply Guidance Increase	2018
Domestic	
Gol	0-2%
LATAM	2-4%
Azul	7-9%
OceanAir	N/A
International	
Gol	6-8%
LATAM	6-8%
Azul	50-55%
OceanAir	N/A

Brazil's GDP growth y/y	
3Q18	0.8%
2Q18	0.2%
1Q18	1.2%
4Q17	2.1%
3Q17	1.4%
2Q17	0.4%
1Q17	(0.0%)

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

JET FUEL IN BRL/L – ALL THE WAY BACK

Source: Bloomberg JETIGCPR

COLOMBIA

MARKET OUTPERFORM (COLOMBIA):

PFAVHC 8.375% 20s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
PFAVHC 8.375% 05/10/2020	550	/B-/B-	97.35	10.53%

Avianca is a Colombia-based airline. Despite weak local currency and soft domestic travel, Avianca is FCF positive and increasing yields. In December, an affiliate company owned by common shareholders but independent from the issuer of PFAVHC 20s, OceanAir, filed for RJ request (protection from creditors) in Brazil on the heels of several recent reports of financial weakness. We think likely impact on AVH is minimal, and perhaps a credit positive as a potential merger with OceanAir was a longstanding overhang. Synergy (AVH's controlling shareholder) recently reached an agreement with United to refinance a loan secured by AVH shares while not providing additional funding which could be directed to OceanAir. Bond prices fell by more than four points in one day, which we think is unwarranted. Accordingly, we upgraded PFAVHC 20s to Market Outperform.

PROS:

- FCF positive
- Strong load factor
- Ongoing increasing yields
- Lower jet fuel should provide a tailwind
- FX stability vs other South American airlines
- Dominant 54% market share in Colombia

CONS:

- 3Q18 weaker EBITDAR
- High leverage (above all peers)
- Low margins (below all peers)
- Recently impacted by Rolls Royce engines problems in its Boeing 787s, impacting aircraft availability
- More inspections, repairs and replacement of engines than expected on its A320neo
- Shareholders' disagreements (although minority shareholder, Kingsland, withdrew the lawsuit against the Efromovichs)
- Capacity increase of 8-10% guidance for 2018

MARKET OUTPERFORM (COLOMBIA):

PFAVHC 8.375% 20s

Recent Highlights – 3Q18 – Moderate:

- 3Q18 revenue totaled US$1.2bn, in line with consensus, 6% higher y/y as average fare had a 5.5% increase
    - Demand to North America and Europe supported RPK increasing by 6.8% y/y and ASKs +6.7% y/y, with load factor improving by 10bps, at 84.7%
- 3Q18 adjusted EBITDAR fell by 18% y/y, to US$229mm, impacted by fuel and air traffic costs
- FCF was positive at US$85mm, with WK close to neutral and extremely low capex levels, allowing dividend payment
    - Capex decreased by a significant 79% y/y and 85% q/q, reaching a mere US$24mm
    - Interest, on the other hand, grew by 120% y/y, to US$46mm
- Cash totaled US$412mm, up 2% sequentially
- Adjusted gross and net debt increased by 3% q/q, to US$5.9bn and US$5.4bn, respectively
- Avianca incorporated a new 787-8 Dreamliner financed with Japanese Operating leases with Call Option (JOLCO) guaranteed by UK Export Finance
- Annualized net leverage fell to 5.9x from 7.1x in Q2, following seasonality
    - LTM net leverage increased from 5.2x to 5.7x

Avianca (US$ MM)	3Q18	BBG consensus	+/-	2Q18	3Q17	q/q	y/y
Revenue	1,231	1,236	(0%)	1,199	1,161	3%	6%
Adj EBITDAR	229	238	(4%)	187	279	22%	(18%)

Avianca (US$ MM)	3Q18	2Q18	3Q17	q/q	y/y
ST Debt	669	579	482	15%	39%
LT Debt	3,464	3,355	2,984	3%	16%
LTM Aircraft Rents x 7 years	1,722	1,775	2,126	(3%)	(19%)
Adjusted Gross Debt	5,855	5,709	5,592	3%	5%
Cash	412	403	523	2%	(21%)
Net Debt	5,444	5,306	5,069	3%	7%
Gross leverage (Total Debt/LQA EBITDAR)	6.4	7.6	5.0		
Net leverage (Net Debt/LQA EBITDAR)	5.9	7.1	4.5		

Avianca (US$MM)	3Q18	2Q18	3Q17	q/q	y/y
Adj EBITDAR	229	187	279	22%	(18%)
Capex	(24)	(162)	(117)	(85%)	(79%)
Interest paid	(46)	(61)	(21)	(25%)	120%
Taxes paid	(4)	(11)	(11)	(59%)	(61%)
Aircraft rents	(63)	(63)	(70)	(1%)	(11%)
FCF before WK	91	(110)	59		54%
Working capital	(7)	127	(36)		(82%)
FCF	85	17	24	386%	256%

MARKET OUTPERFORM (COLOMBIA):

PFAVHC 8.375% 20s

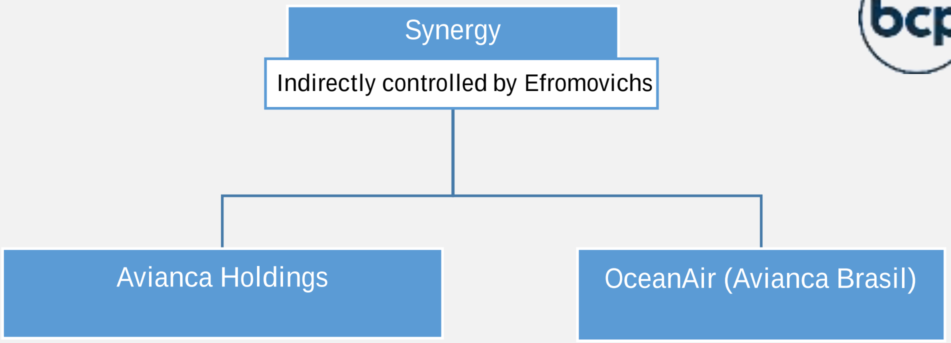
COMPS

	LATAM	Gol	Azul	Avianca
Ticker	LATAIR	GOLLBZ	AZULBZ	PFAVHC
Coupon	6.88%	7.00%	5.88%	8.38%
Maturity	2024	2025	2024	2020
Amount (US$ MM)	700	500	400	550
Rating (M/SP/F)	/B+/B+	/B-/B	B1/B+/	/B-/B-
Mid-YTW	7.10%	9.30%	7.27%	10.53%
3Q18				
Revenue	$2,492	$732	$618	$1,231
EBITDAR	$554	$165	$171	$229
EBITDAR Margin	22%	23%	28%	19%
FCF (before WK)	($104)	($34)	$23	$91
FCF	$102	$14	$14	$85
Adjusted Gross Debt	$11,403	$4,040	$3,690	$5,855
Cash	$1,200	$478	$386	$412
Net Debt	$10,203	$3,563	$3,304	$5,444
LQA Net Leverage	4.6	5.4	4.8	5.9
FCF/Debt	1%	0%	0%	1%
FCF/EBITDAR	18%	9%	8%	37%
FCF/Interest	173%	27%	229%	184%

We think investors are being very well compensated for PFAVHC credit risk

MARKET OUTPERFORM (COLOMBIA):

PFAVHC 8.375% 20s



Relationship to Avianca Brasil

- Avianca Holdings leases aircraft to OceanAir
    - Two A319s and one A330F are subleased to OceanAir
    - OceanAir is required to make monthly lease payments of more than US$650k for the two A319s, for which Avianca will be liable as they are the primarily obligor on each such lease
- OceanAir acts as general sales agent for passenger transportation services for Avianca, with the capacity to promote and sell services of those companies and act as their representative for commercial purposes
    - Avianca pays a commission of 1.6% of the new flown revenue and guarantees a payment of US$2.8mm to cover expenses
    - As of Dec/17, Avianca Holdings had with OceanAir:
        - US$1.7mm A/R, US$4.3mm payables
        - US$28.9mm revenue, US$33.9mm expenses
- Previously, Avianca and OceanAir's Option Agreement had an exercise price equal to debt owed by OceanAir to Avianca, which expired in 2010
    - Synergy assumed OceanAir's obligations with Avianca (US$14mm as of Dec/17)
- In 2017, a minority shareholder of Avianca (Kingsland) filed a lawsuit in a NYC Court against Avianca, Synergy, the Efromovichs and United, describing a "secretly negotiated" transaction with United
    - Accordingly, United would provide US$800mm in loans to Synergy, secured by the stakes in Avianca and OceanAir, with US$400mm allocated to pay down Synergy's existing debt to third parties, including Elliott, and US$130mm would be used as a side payment to OceanAir
    - Kingsland withdrew the lawsuit in 2018
- In November 2018, Avianca finally settled an agreement with United in which the latter will provide US$456mm as a term loan to Synergy, secured by AVH shares and it seems use of proceeds will be to repay Synergy's debt with Elliott
    - Kingsland was included in negotiations and will receive a put agreement with United

NIGERIA

MARKET OUTPERFORM (NIGERIA):

SEPLLN 9.25% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
SEPLLN 9.25% 04/01/2023	$350	B2/B-/B-	99.38	9.42%

Seplat is an upstream oil and gas company located in Nigeria, with production of almost 51kboepd, of which nearly half is oil and half is gas. The company operates in five blocks, although the vast majority of its production comes from the OML 4, 38 & 41 blocks situated in the Niger Delta.

PROS:

- Significant reserves. 2P average life of nearly 25 years at Dec-17 reserves and 9M18 production
- Long USD: USD linked revenues, while part of costs are in NGN
- Production recovered after the disruptions in the TFS export route seen in 2016 and 2017
- Two current export routes operating normally while a third export route is expected to become operational in coming months
- Strong FCF generation
- Very low leverage
- OML 4, 38 & 41 concession recently extended for further 20 years

CONS:

- Exposed to militant attacks, which through Feb-16 to Jun-17 resulted in the shut down one of the main (and one of the only two) existing export routes
- Production concentrated in the OML 4, 38 & 41 blocks (96% of total)

MARKET OUTPERFORM (NIGERIA):

SEPLLN 9.25% 23s

SMALL CAP EMERGING MARKETS B/BB E&P PEER TABLE

(US$ MM)	Seplat	CGC	PANAME	Tecpetrol	Frontera	Gran Tierra	Geopark	Tullow	Kosmos	Nostrum
Country	Nigeria	Argentina	Argentina	Argentina	Colombia	Colombia	Chile	Pan African	Pan African	Kazakhstan
Mid yield (%)	9.43%	11.82%	7.63%	6.84%	9.14%	7.71%	8.17%	7.47%	8.35%	19.23%
Rating (M/SP/F)	B2/B-/B-	-/B-/B	Ba3/-/BB-	Ba3/-/BB+	-/BB-/B+	-/B+/B+	-/B+/B+	B3/B/-	-/B-/B	B2/B-/-
Bond maturity	2023	2021	2021	2022	2023	2025	2024	2022	2021	2022
Amt Out (US$mm)	350	300	500	500	350	300	425	650	$300	$725
	3Q18	3Q18	3Q18	3Q18	3Q18	3Q18	3Q18	1H18	3Q18	3Q18
Oil & Gas prod (kboed)	50.3	31.8	167.0	77.0	77.0	36.2x	37.2	91.0	36.5	31.7
Revenue	225	148	1,265	329	329	175	167	1,034	250	120
EBITDA	136	89	436	232	232	117	98	764	171	75
FCF	124	40	26	(145)	(145)	(12)	31	506	161*	(67)
Gross debt	537	448	2,476	1,325	352	399	435	3,475	2,095	1.107
Net debt	(97)	401	1,843	1,243	(234)	269	282	3,082	1,902	1.005
LQA Gross leverage	1.0	1.3x	1.4x	1.4x	0.9x	0.9x	1.1x	1.1x	3.1x	3.7x
LQA Net leverage	n/a	1.1x	1.1x	1.3x	n/a	0.6x	0.7x	1.0x	2.8x	3.4x

MARKET OUTPERFORM (NIGERIA):

SEPLLN 9.25% 23s

Analysis of 3Q18 results:

- Revenue increased 39% q/q to US$225mm driven by higher realized crude prices as well as a 4% increase in production to 50.3kbpd
    - 50.8kbpd 9M18 production within guidance of 48/55kbpd for 2018
    - The two current export routes are operating normally while ramp-up of a third export route (Amukpe-Escravos), with a 160kbpd capacity is expected by year end
- EBITDA followed, increasing 27% q/q to US$136mm
- Strong free cash flow generation of US$124mm driven by high EBITDA and low capex
- Gross debt decreased 1% q/q to US$537mm, comprised of a US$350mm senior notes due 2023 and a US$200mm drawn from its 4yr RCF
- Cash position ended above debt levels
- Annualized gross leverage decreased to 1.0x

Seplat (US$MM)	3Q18	3Q17	2Q18	y/y	q/q
Revenue	225	147	162	54%	39%
EBITDA	136	67	107	103%	27%
EBITDA margin	60.5%	45.7%	66.2%		

Seplat (US$MM)	3Q18	3Q17	2Q18	y/y	q/q
Total Debt	537	612	554	(12%)	(1%)
Cash and Equivalents	634	219	501	189%	24%
Net Debt	(97)	393	35		
Leverage (Total Debt/LQA EBITDA)	1.0	2.3	1.3		
Net leverage (Net Debt/LQA EBITDA)	n/a	1.5	0.1		

Seplat (US$MM)	3Q18	3Q17	2Q18
EBITDA	136	67	107
Working capital	3	(13)	163
Capex	(8)	(11)	(19)
Receipts from OML 55	11	-	15
Interest paid	(19)	(19)	(2)
Taxes paid	-	-	-
FCF	124	24	265

INDONESIA

MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

	Ranking	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
GJTLIJ 8.375% 08/10/22	Secured	250	B2/ B-/ -	83.75	14.31%

PROS:

- 1st lien 22s rank pari-passu with the five year Senior Secured Bank Facilities
- Amended covenants on the Senior Secured Facility allow for acceleration of debt repayment to banks should the company violate covenants
    - Debt to Equity ratio of less than 1.5 : 1
    - Adjusted Leverage ratio in 2018 and 2019 is less than 4.5x, in 2020 less than 4.35x, in 2021 less than 4.1x, and in 2022 less than 3.95
    - Debt Service Coverage ratio in 2018 and 2019 more than 1.05x, in 2020 more than 1.1x, in 2021 more than 1.15x, in 2022 more than 1.2x
    - Minimum Net Worth IDR 5 tn
- Export sales increased y/y to 37% of revenue in 3Q18, providing greater hard currency revenue
- Key inputs in synthetic rubber are petroleum based. Lower crude after 3Q18 could result in higher margins
- First and only synthetic rubber (“SBR”) plant in Indonesia, and first SBR plant in Southeast Asia
- One of the largest tire cord manufacturers in Southeast Asia, largest in Indonesia

Gajah Tunggal TBK PT is an Indonesian tire and tube manufacturer. The company was established in 1951 and is 49.5% owned by Denham Pte Ltd. Gajah is the largest Indonesian tire producer in volume and tonnage with a 16% market share in terms of sales volume, of passenger car and radial replacement tires (2016). Revenue is split between 64% domestic and 36% export sales. Gajah has a market cap of approximately US$151 mm.

CONS:

- 67% sales denominated in IDR and exposed to currency depreciation, while key inputs are USD based
- Covenants amendments imply increasing leverage based on 3Q18 results

(*) Calculation methods may be different. Company is in compliance with all amended covenants

MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

GJTLIJ (USD mm)	3Q18	2Q18	3Q17	y/y	q/q
Revenue	278	238	267	4%	17%
- export	102	86	85	20%	19%
- local	176	152	182	(3%)	16%
COGS	(236)	(199)	(225)	5%	19%
SGA	(28)	(24)	(30)	(8%)	15%
D&A	13	12	14	(5%)	10%
Adj. EBITDA	27	27	25	8%	1%
EBITDA margin	10%	11%	9%	36 bps	(157 bps)
LTM EBITDA margin	12%	12%	-	-	7 bps

GJTLIJ (USD mm)	3Q18	2Q18	3Q17	y/y	q/q
Adj. EBITDA	27	27	25	8%	1%
WK	(44)	(15)	20	(322%)	195%
Net tax paid	(4)	(2)	6	(163%)	149%
Net interest paid	(20)	(5)	(28)	(26%)	290%
Asset sales	(0)	0	0	(124%)	(270%)
Capex	(8)	(6)	(9)	(6%)	30%
FCF	(49)	(1)	15	-	-

GJTLIJ (USD mm)	3Q18	2Q18	3Q17	y/y	q/q
Gross debt	512	511	348	47%	0%
General cash	73	124	60	23%	(41%)
Net debt	439	387	288	52%	13%
LTM gross leverage	4.1x	4.1x	-	-	(0.1x)
LTM net leverage	3.5x	3.1x	-	-	0.4x

3Q18 Results

- Revenue increased 4% y/y to US$278mm
    - Local sales (63% total sales) decreased 3% y/y to US$176mm
    - Export sales (37% total sales) increased 20% y/y to US$102mm
- Raw materials, including 14% carbon black, 50% rubber as of end of 2017, accounted for 66% total COGS
    - Lower gross profit margin due to IDR depreciation and higher costs for certain raw materials like carbon black
- SG&A costs decreased 8% y/y to US$28mm due to lower transportation expenses and marketing costs
- EBITDA increased 8% y/y to US$27mm
- FCF dropped sharply y/y to US$(49)mm, due to expanded WK requirements
    - A/R increased 18% q/q to US$ 246m and inventory increased 13% q/q to US$ 216m
- Gross debt slightly increased q/q to US$512mm, net debt increased 13% q/q to US$439mm
- LTM net debt increased q/q to 3.5x
- Covenants of Senior Secured Facilities were amended to allow higher leverage (see next page)

F/X Exposure

- 37% sales are exports, 63% local sales
- Gross debt US$512mm
    - US$250mm, USD bond, secured
    - US$232mm, USD bank loan, US$210mm of which is secured
    - US$7mm, USD financial lease obligation
    - US$23mm, IDR debt
- Cash US$73mm
    - US$28mm in USD
    - US$45mm in IDR
- Company hedges F/X exposure with bull call spread

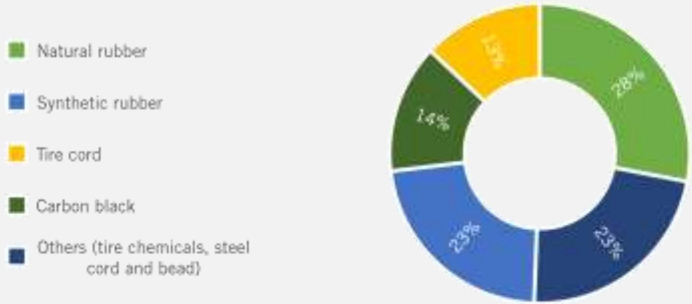
MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

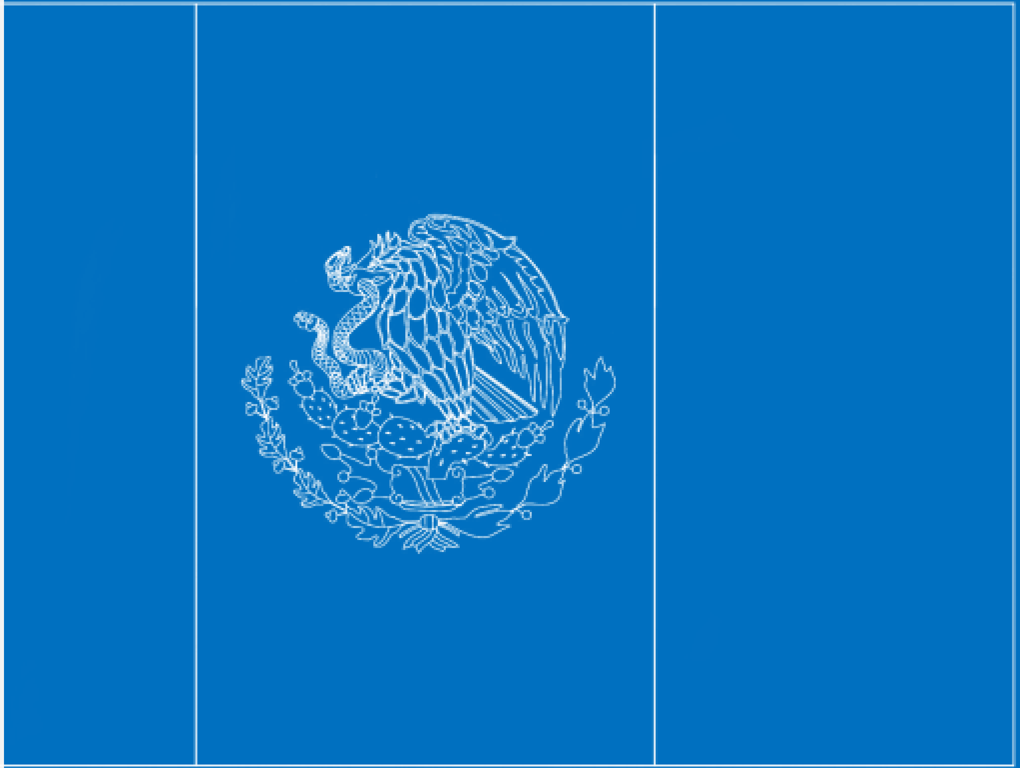
Senior Secured Facilities covenant	year	original	amended
Debt to equity, less than	2018-2022	1.5	1.5
Minimum net worth (IDR tr)	2018-2022	5	5
Adj. leverage, less than	2018	3.5	4.5
	2019	3.5	4.5
	2020	3.5	4.35
	2021	3	4.10
	2022	3	3.95
Debt service coverage ratio, more than	2018	1.5	1.05
	2019	1.5	1.05
	2020	1.5	1.1
	2021	1.5	1.15
	2022	1.5	1.2

RAW MATERIAL COSTS:

- Raw materials in 3Q18 account for 67% of Gajah's COGS
- Key raw materials used in the tire manufacturing process are natural rubber, synthetic rubber (butadiene, styrene, nylon yarn, polyester), tire cord, carbon black and other (steel cord, tire chemicals, bead wire, other rubber processing chemicals)



- 70% rubber production and 82% tire cord production is used internally
  - GJTLIJ has the first and only synthetic rubber ("SBR") plant in Indonesia, and the first SBR plant in Southeast Asia
    - FY17 annual production capacity was 75,000 tons
    - Volumes were comprised of SBR 1712 (46%) and SBR 1502 (45%) (FY17)
  - It is one of the largest tire cord manufacturers in Southeast Asia
    - FY17 annual production capacity was 40,000 tons
    - Volumes were comprised of nylon -6 tire (58%), nylon -66 tire cord (17%) and polyester tire cord (25%) (FY17)



MEXICO

MARKET OUTPERFORM (MEXICO):

CYDSA 6.25% 27s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
CYDSA 6.25% 10/04/2027	$330	- / BB / BB+	90.00	7.85%

CYDSA is a chemical producer and distributor of household and industrial salt, chlorine, caustic soda and refrigerant gases, primarily focused on industrial clients. The company has significantly increased revenues with improved EBITDA margins due to an aggressive capex plan. FCF burn has begun to moderate in 2018, as the new LNG storage system is fully operational. CYDSA is fitting leftover salt caves to store LNG and other petrochemicals. FCF burn has caused CYDSAs total debt to increase yet managing to keep leverage ratios stable due to improving EBITDA and should decrease as FCF improves. Once operational, the LNG cave raised non-recourse project financing and is expected to transfer US$120 mm back to the restricted group – reducing leverage even further

PROS:

- Vertically integrated model with access to raw materials for salt production, the main raw material for its other petrochemical processes
- Market leader in household and industrial salt in Mexico
- Domestic deficit in caustic-soda production
- An adverse NAFTA scenario would benefit domestic operations, primarily caustic-soda and chlorine, as imports would be affected 92% of revenues are domestic with little to none raw material imports
- The current natural hedge is made up with about 71% of the total revenues being either in USD or USD linked
- CYDSA has one of the highest petrochemical EBITDA margins, as well as two operational cogeneration plants covering its entire energy needs
- The first operational LNG storage cave now accounts for 16% of EBITDA, although its currently not part of the restricted group
- The LNG cave raised non-recourse project financing and is expected to transfer US$120 mm back to the restricted group, as well as recurrent dividends as long as debt service coverage remains above 1.2x

CONS:

- Low control on product pricing due to commodity nature
- Only 8% of total revenues are exports
- Significant lag if migrating to new technologies or products is required
- Operating margins are depend on raw material and energy prices
- Capex intensive operations for both improvements and new projects
- Increased environmental regulations, as well as dependency on current water supply concessions
- Reduced hedged amt. to US$150 mm, from the previous US$330 mm

MARKET OUTPERFORM (MEXICO):

CYDSA 6.25% 27s

Recent 3Q18 Earnings – Strong

- 3Q18 Revenue decreased by 2% q/q to MXN$2,784 mm (US$147 mm), increasing by 24% on a y/y basis
    - Salt and chlorine-caustic soda revenues increased by 1% q/q to MXN$1,816 mm, as reference pricing in Cydsa's chemical commodities remained stable
    - Refrigerant gases and LNG storage revenues decreased by 8% q/q to MXN$968 mm, noting the 46% y/y increase as the LNG storage business was not operational last year
    - Domestic revenues accounted for 91% of total sales during the quarter
- EBITDA remained flat q/q at MXN$819 mm (US$43 mm), increasing by 51% on a y/y basis
    - Sequentially, EBITDA remained flat despite revenue decline primarily from an improvement COGS
    - Y/Y growth was driven by the LNG storage business, as well as the higher commodity pricing
    - EBITDA margin was 29%, compared to 29% last quarter and 24% during 3Q17 – remaining one of the highest margins versus peers
- FCF generation was MXN$499 mm (US$26 mm), driven primarily by lower capex
    - Capex levels from previous quarters appear to be stabilizing, as the growth capex has been deployed
    - Working capital contracted primarily from lower A/R

CYDSA (MXN MM)	3Q18	2Q18	3Q17	q/q	y/y
Total Revenue	2,784	2,854	2,243	(2%)	24%
EBITDA	819	816	544	0%	51%
EBITDA margin	29%	29%	24%	-	-
CYDSA (MXN MM)	3Q18	2Q18	3Q17	q/q	y/y
Total Debt	7,129	8,398	6,617	(15%)	8%
Cash & Equivalents	1,655	2,238	1,249	(26%)	32%
Net Debt	5,474	6,160	5,368	(11%)	2%
Total Debt / LQA EBITDA	2.2x	2.6x	3.0x	-0.4x	-0.9x
Net Debt / LQA EBITDA	1.7x	1.9x	2.5x	-0.2x	-0.8x
CYDSA (MXN MM)	3Q18	2Q18	3Q17	q/q	y/y
EBITDA	819	816	544	0%	51%
Interest paid	(64)	(232)	(141)	72%	55%
Capex	(268)	(278)	(441)	3%	39%
Working capital	75	154	112	(51%)	(33%)
Taxes paid	(63)	(99)	(105)	36%	40%
FCF	499	361	(31)	38%	-

MARKET OUTPERFORM (MEXICO):

CYDSA 6.25% 27s

Recent 3Q18 Earnings – Continued

- Total debt decreased to MXN$7,129 mm (US$381 mm), while cash also decreased to MXN$1,655 mm (US$88 mm)
    - Sequential decrease was from paying half on the MXN syndicated revolving line that Cydsa withdrew prior to the Mexican Elections
    - CYDSA did not renew a portion of its previous hedge, essentially having US$150 mm hedged as of 3Q18
- Annualized gross and net leverage are 2.2x and 1.7x, compared to 3.0x and 2.5x during 3Q17
- Recent highlights:
    - In October, the LNG storage subsidiary raised a US$157 mm long-term non-recourse loan to improve the project's capital structure
    - We understand a portion of these proceeds may be sent to the restricted group potentially resulting in even better credit metrics for the bond issuer

CYDSA (MXN MM)	3Q18	2Q18	3Q17	q/q	y/y
Total Revenue	2,784	2,854	2,243	(2%)	24%
EBITDA	819	816	544	0%	51%
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FCF	499	361	(31)	38%	-

MARKET OUTPERFORM (MEXICO):

UNIFIN 7.38% 26s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
UNIFIN 7.38% 2/12/2026	$300	- / BB / BB	85.63	10.28%

UNIFIN is the largest independent leasing company in Mexico with a focus on SME clients. SMEs accounted for 99% of total domestic enterprises and 52% of the GDP, whilst only receiving 25% of the country's financing in 2016, according to the issuer. This has enabled UNIFIN to aggressively increase its portfolio of PP&E, which is either leased or rented to clients, in addition to a loan book. Sound expense control has enabled continued earnings growth despite higher funding costs and total loans. We highlight that the company conducts its operations mostly through operating leases, keeping the risk and rewards of the underlying asset and in our view are more distant from potential regulatory concerns. Accordingly, UNIFIN technically owns the assets, keeping them in the balance sheet as PP&E without booking a loan and not considering them for NPLs calculation - yet recent disclosure showed leasing NPLs at 4.6%. UNIFIN's available bank lines and securitizations provide cushioning for continued loan growth.

PROS:

- Largest independent leasing company in Mexico in terms of loan portfolio
- Focused on SME, offering machinery and equipment rental, leasing, factoring, working capital financing and auto loans
- Mexico's SME market continues to be underserved by banks
- Distant from recent regulatory efforts, as the their products are operating leases focused on SMEs and not consumer loans
- UNIFIN's leasing portfolio accounted for 80% of gross loans in 3Q18
- Aggressive portfolio growth backed by the leased PP&E assets, total loans increasing by 24% y/y and nearly 2x in two years since 3Q16
- Despite the aggressive portfolio growth, the company's opex have been relatively flat
- Historically stable Net Debt / Net Total Loans ratio, even with aggressive loan growth
- 59% of the total debt is USD denominated, with 100% of it being fully hedged
- Recent portfolio disclosure on asset quality showed loan NPLs at 2.9% and leasing NPLs at 4.6%

CONS:

- Macroeconomic factors, such as USMCA, can affect client profit margins and therefore their ability to pay existing leasing contracts
- Non-regulated Sofom using internal accounting methodologies for leasing portfolio and loan losses
- The majority of the rental and leasing portfolio is recorded as memorandum accounts, included in the company's PP&E
- UNIFIN's total debt is 6.5x its equity value (excluding the PERP)
- Secured debt accounts for 40% of the total loans
- Expensive USD issuances may represent underlying funding concerns
- The PERP issuance is treated as equity and not included in the company's reported indebtedness and cost of funds
- Growth in net debt (including the PERP) had outpaced total loan expansion in recent quarters, but was flat in 3Q18

MARKET OUTPERFORM (MEXICO):

UNIFIN 7.38% 26s

Recent 3Q18 Earnings – Soft

- 3Q18 Loan portfolio grew by 1% q/q to MXN$48,806 mm (US$2,607 mm), but still increasing by 24% y/y
  - Leasing portfolio increased by 1% q/q to MXN$38,926 mm, due to slower origination during the beginning of the quarter from Mexico's macro uncertainties
  - Factoring loans decreased by 14% q/q, which were offset by a 12% q/q growth in auto loans
- Total revenue increased by 12% q/q to MXN$4,988 mm (US$263 mm), increasing by 34% y/y in line with the higher loans
  - The avg. yield recovered to 37%, compared to 34% during last quarter, noting that Unifin's newer loans are having longer maturities
- Interest expense increased by 12% q/q to MXN$1,447 mm (US$76 mm), increasing by 47% y/y due to the higher total debt
  - Incl. the PERP issue, the avg. cost of funding was 11.1%, compared to 9.4% during last quarter and 9.9% during 3Q17
- The efficiency ratio remained stable at 10%, while the NIM margin also recovered to 22%, compared to 20% during last quarter but still lower than the 25% NIM last year
  - NIM contraction was primarily driven by the higher funding costs and lower origination

UNIFIN (MXN MM)	3Q18	2Q18	3Q17	q/q	y/y
Total Revenue	4,988	4,450	3,727	12%	34%
Interest Expense	1,447	1,288	987	12%	47%
Net Financial Margin	1,006	873	882	15%	14%
Net Operating Profit	660	499	652	32%	1%
UNIFIN (MXN MM)	**3Q18**	**2Q18**	**3Q17**	**q/q**	**y/y**
Total Assets	61,990	67,855	49,461	(9%)	25%
Total Debt	49,272	53,494	38,843	(8%)	27%
Cash & Equivalents	2,878	7,753	3,825	(63%)	(25%)
Net Debt (incl. PERP)	46,394	45,741	35,018	1%	32%
Total Loan Portfolio	48,806	48,116	39,274	1%	24%
Net Debt / Total Loans	95%	95%	89%		
Equity	12,140	12,726	5,675	(5%)	114%
Equity / Total Assets	20%	19%	11%		
Total Debt / Equity	406%	420%	684%		
NIM	22%	20%	25%		
Efficiency Ratio (excl. provisions)	10%	10%	7%		
Adj. Reported NPL %	2.70%	3.30%	3.20%		
LQA Provision %	0.46%	0.75%	0.31%		
LQA Charge-offs %	(2.08%)	0.22%	0.29%		

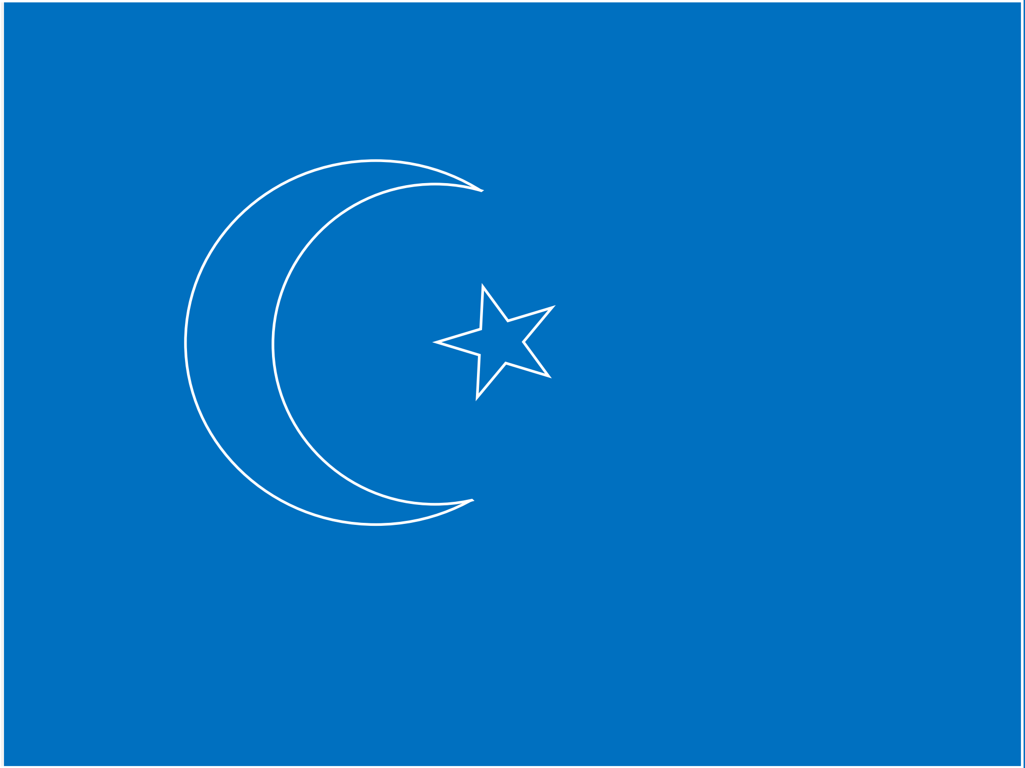
MARKET OUTPERFORM (MEXICO):

UNIFIN 7.38% 26s

Recent 3Q18 Earnings – Continued

- Total debt increased to MXN$49,272 mm (US$2,632 mm), while cash decreased to MXN$2,878 mm (US$154 mm)
    - The sequential cash reduction appears to be from debt paydown
- Net debt (including the Perp), followed the portfolio growth sequentially – remaining at 95% of the total loans
- Equity / Total assets improved slightly to 20% sequentially, the y/y jump is due from the Perp being treated as 100% equity
- The company reported adjusted NPLs at 2.7% vs the previous reporting at 0.95%, the difference based on counting the full amount of the rentals vs only the missed payments
    - Per our calculations – the leasing A/R NPLs stand at 4.6% (excluding the memorandum accounts)
- Recent highlights:
    - Luis Barroso stepped down as CEO and became the company's Executive Committee President
    - Sergio Camacho (Unifin's CFO since 2016) assumed the CEO position, whilst Sergio Cancino became the new CFO

UNIFIN (MXN MM)	3Q18	2Q18	1Q18
Loan Portfolio	5,455	5,690	5,490
Leasing A/R	6,637	5,814	4,686
Memorandum Accounts	36,714	36,612	34,742
Total Loan Portfolio (as reported)	48,806	48,116	44,918
NPL - Factoring and auto loans	160	149	126
NPL - Leasing	306	254	226
Total NPLs (as reported)	466	403	352
Loan NPL %	2.9%	2.6%	2.3%
Leasing NPL %	4.6%	4.4%	4.8%



TURKEY

MARKET OUTPERFORM (TURKEY):

YKBNK 6.100% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
YKBNK 6.100% 03/16/2023	$500	B1/-/BB-	90.50	8.86%

Yapikredi is one of the largest private banks in Turkey, with more than 9% market share in assets, loans and deposits. The company is 81% owned by a joint-venture between Koç Holdings, one of the largest groups in Turkey, and by Italian Unicredit. Both shareholders recently demonstrated their support by increasing capital by TRY4.1bn in May18, with plans to backstop an additional AT1 issuance. Remaining 19% is free float

PROS:

- Strong shareholders: 81% owned by a joint venture formed by Unicredit and Koç group
- Recent shareholder support through TRY4.1bn capital increase in May 31st 2018 with additional plans to buy 80% (40% each JV partner) of a proposed US$1.7bn AT1 issuance
- Strong market share of 9.5% of assets, 9.2% of loans and 9.7% of deposits
- Strong liquidity, particularly in foreign currency: cash and securities positions accounted for 35% of total funding sources a 3Q18. Foreign and local currency liquidity ratios of 197% and 122%, respectively
- Long f/x position when including derivatives at end-3Q18
- Yapikredi 2020 plan launched in May18 targets to maintain a 200bps CET1 buffer against regulatory requirements (230bps above in 3Q18)
- Manageable NPLs at 3Q18 of 3.7% with low Stage 2 loans of 8% of total, although we should see some deterioration

CONS:

- CET1 of 12.1% at 3Q18 is weaker than private peers Akbank (14.6% and 3.1%), Garanti (14.5%) and Isbank (14.3%), although we think capitalization should be further enhanced with proposed AT1 issuance
- Harsh environment in Turkey given TRY depreciation and inflation and increased local rates
- Disputes between Erdogan and Trump and fear of US sanction over Turkey, although having eased in the past months, increases volatility and risk aversion

MARKET OUTPERFORM (TURKEY):

YKBNK 6.100% 23s

PEER COMPARATIVE TABLE

3Q18 (US$ MM)	Yapikredi	Akbank	Garanti	Isbank	QNB	Ziraat	Halk	Vakif	Albaraka	Fiba	Odea	TSKB
Senior bond	2023	2022	2023	2021	2022	2023	2021	2023	2019	2019	n/a	2023
Duration	3.7	3.5	3.7	2.3	3.1	4.2	2.3	3.6	0.48	0.9	n/a	3.5
Yield (%)	8.9%	6.7%	7.1%	8.9%	6.9%	8.1%	12.1%	9.1%	6.8%	10.7%	n/a	10.4%
Asset quality												
Loans (US$bn)	41	39	46	48	18	64	43	39	5	3	4	6
NPLs (%)	3.7%	3.1%	4.2%	3.4%	4.7%	1.6%	2.6%	3.9%	6.2%	4.2%	7.6%	2.0%
Stage 2 loans (*)	8%	14%	16%	16%	9%	4%	6%	6%	18%	NA	18%	7%
FX position / shareholders equity (**)	3%	5%	(2%)	(1%)	(18%)	(9%)	3%	9%	19%	1%	10%	0%
Interest collected / interest accrued	66%	63%	73%	87%	69%	73%	79%	68%	73%	101%	86%	108%
Liquidity												
Deposit base (US$bn)	37	40	45	40	15	57	40	32	5	2	4	-
Loans to deposits	113%	97%	101%	120%	121%	112%	109%	123%	106%	142%	97%	n/a
BCP liquidity ratio (***)	35%	39%	38%	32%	32%	31%	34%	30%	32%	27%	34%	25%
Profitability												
NIM	4.3%	4.6%	5.1%	5.0%	4.7%	4.5%	2.6%	5.0%	3.5%	3.9%	3.6%	4.7%
Cost / Income	33.3%	30.4%	43.1%	37.6%	42.0%	35.3%	48.6%	33.8%	40.8%	28.4%	44.8%	11.4%
ROAA	1.1%	1.4%	2.0%	1.6%	1.6%	1.5%	0.9%	1.2%	1.2%	NA	0.0%	1.8%
ROAE	11.9%	13.3%	17.5%	13.6%	17.9%	14.4%	11.0%	14.9%	15.8%	NA	0.0%	17.6%
Capitalization												
Total CAR	16.1%	17.2%	16.9%	17.4%	16.0%	16.2%	14.9%	17.2%	17.5%	20.9%	23.4%	17.9%
Ex-forbearances	13.3%	14.2%	14.7%	14.2%	13.9%	12.4%	12.9%	15.3%	15.4%	NA	20.1%	13.7%
CET1	12.1%	14.6%	14.5%	14.3%	11.7%	15.2%	11.4%	11.5%	9.4%	9.6%	15.5%	11.6%

MARKET OUTPERFORM (TURKEY):

YKBNK 6.100% 23s

Analysis of 3Q18 results

Asset quality
- Loans increased 6% q/q to TRY249bn (US$41.2bn)
- NPLs decreased 10bps q/q to 3.7%
    - Stage 2 loans share in total loans increased to 7.7% from 4.4%
    - Coverage ratio increased to 124% given higher provisioning
- Including off-balance sheet positions, the bank reported a long FX position of TRY1,192mm
- Cost of risks increased to 330bps from 140bps in 2Q18 and 113bps in 3Q17, with guidance of around 200bps for FY18
- Interest collected per cash flow statement represented 87% of interest accrued in income statement, below the 95% of previous period

Liquidity
- Deposit base increased 15% q/q to TRY221bn (US$36.5bn)
- Loan to deposit ratio decreased to 112%
- Cash liquidity remains high, with cash and equivalents representing 35% of deposits plus loans and market debt

Profitability
- Net Interest Income before provisions increased 83% y/y and 34% q/q to TRY4,311mm (US$762mm)
- NIM (swap adjusted) improved 130bps y/y to 4.3%
- Cost / Income strengthened 760bps y/y to 33.3%, with guidance to be below 35% for 2018
- ROAA and ROAE of 1.1% and 11.9%

Capitalization
- Total CAR deteriorated 60bps q/q to 13.3%
- CET1 dropped 90bps to 9.8%, 230bps above minimum

YKBNK (TRY MM)	3Q18	3Q17	2Q18	y/y	q/q
Financial income	10,134	5,813	7,595	74%	33%
Financial expenses	(5,823)	(3,460)	(4,387)	68%	33%
Net interest income before provision	4,311	2,353	3,209	83%	34%
Provisions	(2,955)	(840)	(1,394)	252%	112%
Income from services, net	1,035	799	1,051	30%	(2%)
Operating expenses	(1.682)	(1,363)	(1,554)	23%	8%
NIM (swap adjusted)	4.3%	3.0%	3.4%		
Cost / income	33.3%	40.9%	35.1%		
ROAA (estimated)	1.1%	1.2%	1.4%		
ROAE	11.9%	12.4%	15.8%		

YKBNK (TRY MM)	3Q18	3Q17	2Q18	y/y	q/q
Loans	249,426	192,465	236,361	30%	6%
Total deposits	221,048	165,003	192,824	34%	15%
NPL/gross loans	3.7%	4.3%	3.8%		
Loans to Deposits	112.8%	116.6%	122.6%		
Cash and equivalents to deposits	52.3%	47.1%	53.9%		
Capital Ratio	13.3%	13.4%	13.9%		
CET1	9.8%	10.3%	10.7%		

MARKET OUTPERFORM (TURKEY):

YKBNK 6.100% 23s

(US$mm)	YBNK 2Q18
F/X position	
Assets in FC	37,720
Liabilities in FC	41,195
Net f/x position	(4,075)
Financial derivative assets	19,930
Financial derivative liabilities	(15,658)
Net f/x position including derivatives	197
Shareholders equity	6,656
Net f/x position / Shareholders equity	3%

Long f/x position when including derivatives (mostly currency swaps

(US$mm)	YBNK 3Q18
Liquidity Risk	
Liquidity coverage ratio TRY (*)	122%
Liquidity coverage ratio FC (*)	197%

Strong liquidity position

(*) Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in 30 days maturity

MARKET OUTPERFORM (TURKEY):

PETKM 5.875% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
PETKM 5.875% 01/26/23	$500	B1/-/B	91.25	8.47%

Petkim, Turkey's largest petrochemical producer, owned by Azerbaijan state-owned SOCAR group (Ba2/BB-/BB+) through SOCAR Petrokimya with 51% of capital, while 49% are free float on the Istanbul Exchange, with a US$1.4bn market cap. Its petrochemical products, which hold a 18% domestic market share, are important primary components of the construction, electronic, packaging, textile, medical, lying and other related segments

PROS:

- Sole petrochemical domestic producer in the growing Turkish chemical market
- Strategically important in the industry, with estimated capex of US$3bn for 2018-2020
- Expected to become fully integrated in naphtha needs once STAR refinery ramps-up in 1Q19
- Bonds with cross-default clauses to SOCAR, which trades much tighter than Petkim
- Natural FX hedge – 55% of revenue denominated in USD/EUR and the rest in TRY indexed to USD. Competition are USD-based imports, making it easier to reprice for currency devaluation
- Decrease in crude prices should help alleviate naphtha based margins
- China's focus on reducing pollution might result in lower domestic production, helping to boost demand for offshore

CONS:

- High competition against diversified peers, specially those petrochemical producers with ethane (natural gas) crackers from the Middle East
- Naptha dependence can hurt margins during rising crude markets. Increases in raw materials do not immediately pass through to prices
- Petrochemical industry can be very volatile and cyclical
- Goldman Sachs has a put to sell its 13% stake in holdco STEAS to STEAS itself for US$1.3bn until Aug-21, which could pressure on Petkim balance sheet to fund the operation. STEAS wholly-owns SOCAR Turkey, holder of 51% of Petkim. The remaining 87% of STEAS is held by SOCAR
- Turkish government has a "golden share" in Petkim carrying special rights, including the right to require Petkim to maintain certain production levels, which might not be economically viable

MARKET OUTPERFORM (TURKEY):

PETKM 5.875% 23s

PETKIM CROSS DEFAULT CLAUSE WITH SOCAR

Per PETKIM's OM:
- "Finally, the SOCAR Group has demonstrated its commitment to Petkim through a cross-default clause in relation to its outstanding bonds"

Per SOIAZ OM:
- Cross default clause with any indebtedness of any member of the Group not paid when due provided that it exceeds US$50,000,000
- "Group" is defined as the Issuer and its Subsidiaries taken as a whole
- Per OM, information included is obtained from the issuer and its subsidiaries (including Petkim Petrokimya Holding A.S. ("Petkim")

PETKIM vs SOCAR	PETKIM 23s	SOIAZ 30s
Yield	8.5%	5.9%
Duration	3.6	8
Turkey inter. Yield	6.3%	7.4%
Spread to Turkey (bps)	220	(149)
Azerbaijan inter. Yield	4.50%	5.70%
Spread to Azerbaijan (bps)	397	24

MARKET OUTPERFORM (TURKEY):

PETKM 5.875% 23s

Analysis of 3Q18 results

- Revenue increased 7% y/y to US$539mm, while remaining unchanged q/q and broadly in line with consensus at US$539mm
    - Sales volume dropped 6% y/y while increasing 1% q/q
    - Ethylene utilization rate was 100%
- EBITDA beat consensus by 41%, growing 13% y/y and 36% q/q to US$136mm
- EBITDA margin was 25.2%, up 130bps y/y and 660bps q/q
- Free cash flow burn of US$37mm given WK investments, mostly on higher advances, possibly related to the construction of the affiliate STAR refinery
- Gross debt remained broadly unchanged q/q at US$1,356mm, while cash position decreased 23% to US$568mm
- Annualized gross and net leverage of 2.5x and 1.4x, from 3.4x and 1.6x in previous quarter and 1.4x and 0.7x one year ago
- We continue to see Petkim being resilient to TRY devaluation and higher crude prices
- Additionally, utilization rate on its ethylene plant remains sound
- At 8.07% yield, spread to Turkey is 120bps and to Azerbaijan 310bps

Petkim (US$MM)	3Q18	3Q17	2Q18	y/y	q/q
Revenue	539	505	538	7%	0%
EBITDA	136	121	100	13%	36%
EBITDA margin	25.2%	23.9%	18.6%		

Petkim (US$MM)	3Q18	3Q17	2Q18	y/y	q/q
Total Debt	1,356	655	1,373	107%	(1%)
Cash and Equivalents	568	339	742	68%	(23%0
Net Debt	788	316	632	150%	25%
Leverage (Total Debt/LQA EBITDA)	2.5	1.4	3.4		
Net leverage (Net Debt/LQA EBITDA)	1.4	0.7	1.6		

Petkim (US$MM)	3Q18	3Q17	2Q18
EBITDA	136	121	100
Working capital	(130)	(14)	(57)
Capex	(34)	(38)	(21)
Interest paid	(7)	(7)	4
Taxes paid	(2)	(14)	(8)
FCF	(37)	48	17

UKRAINE

MARKET OUTPERFORM (UKRAINE)

METINV 8.5% 26s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
METINV 8.50% 04/23/2026	$500	-/ -/ B	90.00	10.49%

Metinvest (Caa1/B-/B) - Ukraine's leading steel and iron ore producer and the 42nd largest steel producer globally with a 9.59 mm tons produced in 2017 (has a capacity to produce up to 15mm tons annually). Controlled by Mr. Rinat Akhmetov via System Capital Management (SCM) Group (71.24%). Metinvest is self-sufficient in coking coal (49%), metallurgical coke (97%) and iron ore raw materials (343%)

Metinvest's (B3/B-/B) 3Q18 results were supported by favorable pricing environment for steel as the metallurgical segment contributed the most to the company's revenue and EBITDA. 3Q18 revenue was affected (-9% q/q) by lower sales as the company was conducting a scheduled overhaul, however EBITDA was maintained sequentially (-1% q/q) helped by higher steel prices (+1% q/q to US$888.63). Net leverage improved to 0.8x on lower total debt (-5% YTD) and stronger profitability and liquidity (+72% YTD). FCF positive pre- and post-working capital. 'Outperform' on the METINV 26s.

PROS:

- Majority owner – Mr. Rinat Akhmetov (71.24%), Ukraine's wealthiest individual with a net worth ~ US$5.7 billion
- Ukrainian 'blue chip' – Metinvest is one of the largest private companies in Ukraine – the largest steel producer and one of the largest employers with over 65,000 employees
- Global player – Metinvest is 13th largest among Central and Eastern Europe steel producers and 42nd largest steel producer globally
- Vertical integration – the company's business model and self sufficiency in raw materials allows for flexibility and rapid response to an ever-changing market situation

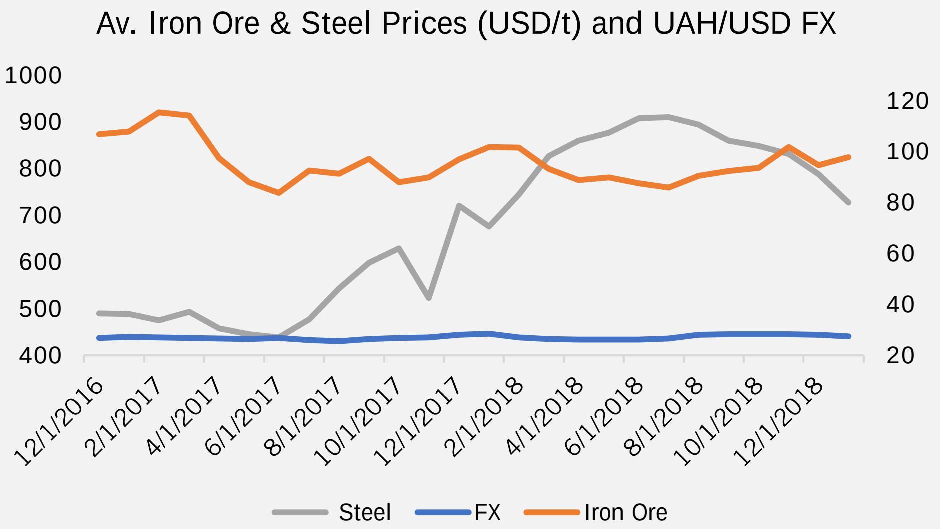
CONS:

- Politics – Mr. Akhmetov inadvertently set off the current special counsel investigation against Mr. Paul Manafort, who was recently convicted of tax and bank fraud related to his work in Ukraine between 2005 and 2015. Mr. Manafort was hired by Mr. Akhmetov as a consultant
- EU tariffs – in July 2018, the EU imposed a 25% steel tariff. According to management, a negative impact is expected to be limited to ~ US$2 mm, unless there is a significant increase in steel export to the EU (quota set at the last 3-year average), plus Metinvest has production facilities in the EU
- Asset Loss – in 1Q17, Metinvest suffered an asset loss, located in Eastern Ukraine; however, the company is making strides in remedying the situation
- Growing Opex – since October 2018, Metinvest raised salaries by an av. of 10% for its employees

MARKET OUTPERFORM (UKRAINE)

METINV 8.625% 26s

Stable local currency and still favorable pricing environment supporting Metinvest's financial performance despite lower q/q production due to a scheduled overhaul



Sales, kt	3Q18	2Q18	q/q	3Q17	y/y
Metallurgy					
Semi	1,116	1,503	-26%	906	23%
Pig iron	602	653	-8%	527	14%
Slabs	326	463	-30%	209	56%
Billets	188	387	-51%	170	11%
Finished	2,453	2,470	-1%	2,208	11%
Flat	2,022	2,035	-1%	1,954	3%
Long	391	393	-1%	253	55%
Coke	466	452	3%	467	0%
Total	4,036	4,425	-9%	3,581	13%
Mining					
Iron Ore	3,975	3,821	4%	3,862	3%
Merch. Ore	1,910	1,864	2%	1,879	2%
Pellets	2,065	1,957	6%	1,983	4%
Coking Coal Conc.	138	105	31%	89	55%
Total	4,112	3,926	5%	3,950	4%

METINV 8.625% 26s

3Q18 Financial Results – sound, supported by favorable pricing environment for steel as the metallurgical segment contributed the most to the company's revenue & EBITDA

- Revenue – US$2.88 billion (+25% y/y and -9% q/q) – generally benefitted from strong pricing environment although in 3Q18 the sales were lower due to scheduled major overhauls

- EBITDA - US$680 mm (+27% y/y and -1% q/q) – supported by stronger sales and favorable pricing environment, especially for the metallurgical segment, contribution of which to the total EBITDA increased (54% in 9M18 vs. 26% in 9M17); among negative factors were: higher logistics, raw material and energy costs – with the regards to the latter: natural gas prices are up 21% y/y and Ukrainian electricity tariffs are up by 15% y/y in 9M18

- EBITDA margin – maintained:
  - 22% in 9M18 (flat y/y) and
  - 24% in 3Q18 (+1pp y/y and +2pp q/q)

- FCF Positive – pre- and post-working capital on improved profitability

- Liquidity – as at end-3Q18, the company had US$446 mm in cash and equivalents (+21% q/q)

- Net Leverage – at 0.8x as a result of lower gross debt (-5% YTD), strong profitability and plumper cash cushion (+72% YTD)

- Recent Developments:

- Access to ports - following the December 2018 incident on the Black Sea between Russian and Ukrainian navy, there were concerns of Metinvest's ability to access the ports; however, according to management if the company loses access to the Mariupol port via Azov Sea, it still has access to Black Sea and its ports via railways (from Mariupol to Odessa, Nikolaev, Chernomorsk) and an additional cost would be negligible, plus the company usually switches from sea route to rail route during the winter months for deliveries from Mariupol due to poor navigation conditions

- Rating upgrade – on December 27, 2018, following the December 21, 2018, sovereign upgrade (to 'Caa1/Stable), Moody's upgraded Metinvest's credit rating to 'B3/Stable', a notch above the sovereign one

- What to expect going forward… – for some time now, the company has been delivering very strong results - four last quarters, EBITDA was well in excess of US$600 mm. Given recent steel price action – down to US$720/ton (01/03/2019) from the height of US$919/ton (07/17/2018), we do expect a decline in profitability; however, a plump cash cushion and sound financial metrics should allow Metinvest to weather a market downturn

MARKET OUTPERFORM (UKRAINE)

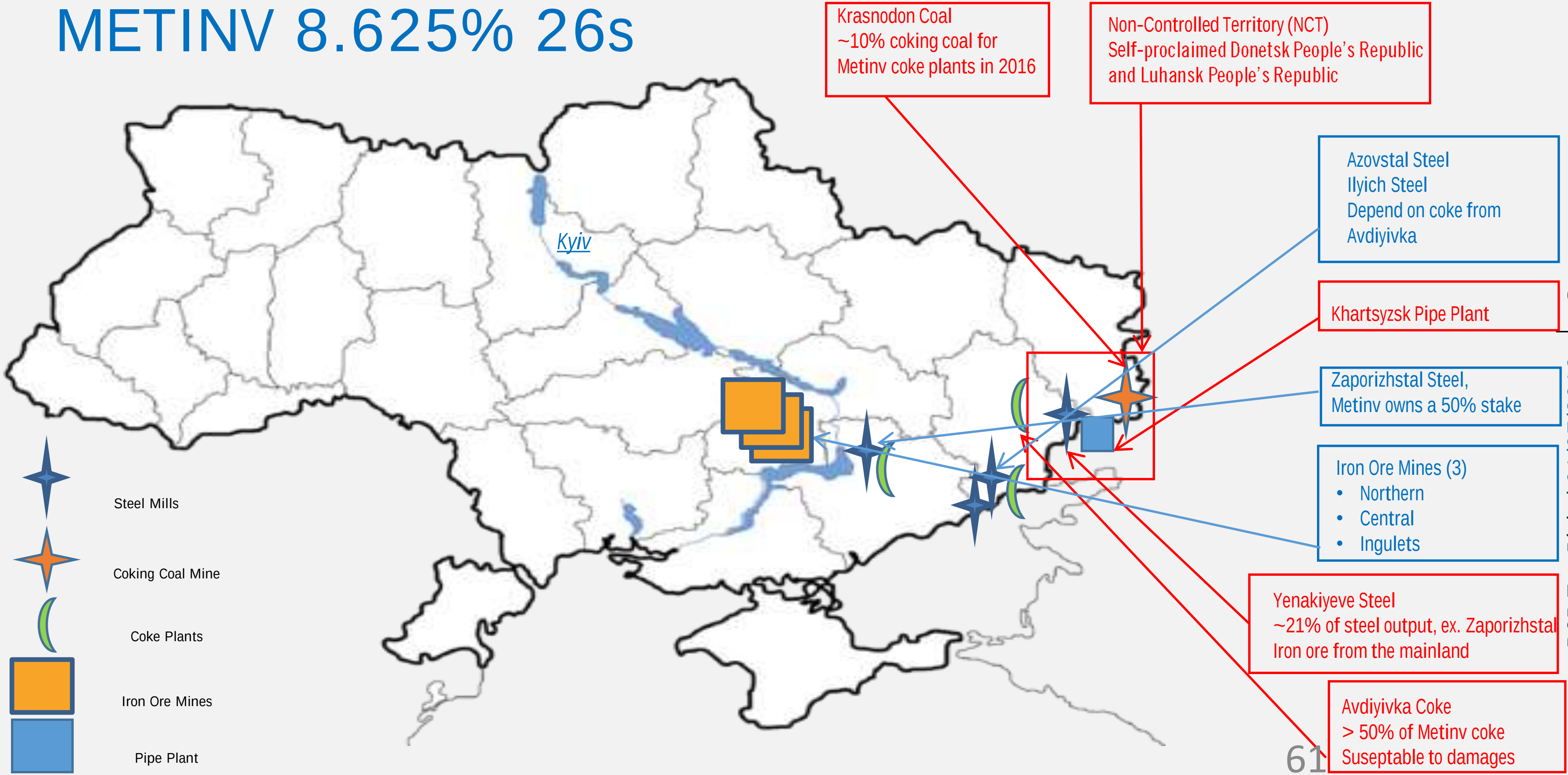
METINV 8.625% 26s

Based on the company's monthly reports, 3Q18 revenue declined sequentially (-9% q/q), whilst EBITDA generally remained stable (-1% q/q)

Metinvest, USD MM	2017	2016	y/y	3Q18	2Q18	q/q	3Q17	y/y	Oct-18	Sep-18	m/m
Revenue	8931	6223	44%	2,884	3160	-9%	2,309	25%	932	911	2%
EBITDA	2044	1153	77%	680	686	-1%	534	27%	211	243	-13%
Interest	135	133	2%	47	109	-57%	35	34%	34	10	240%
Capex	465	358	30%	155	203	-24%	104	49%	88	40	120%
Taxes	156	(35)	-546%	71	120	-41%	32	122%	1	12	-92%
FCF (pre WC)	1288	697	85%	407	254	60%	363	12%	88	181	-51%
Net Change in Working Capital (WC)	50	50	0%	6	(48)	-113%	(183)	-103%	(1)	(39)	-97%
FCF (post WC)	1238	647	91%	413	206	100%	180	129%	87	142	-39%
EBITDA margin	23%	19%	4pp	24%	22%	1pp%	23%	1pp	23%	27%	-4pp
Gross Debt	3,017	2,969	2%	2,869	2,891	-1%	2,909	-1%	2,767	2,869	-4%
Cash	259	226	15%	446	370	21%	293	52%	445	446	0%
Net Debt	2,758	2,743	1%	2,423	2,521	-4%	2,616	-7%	2,322	2,423	-4%
Leverage, LHA/LQA/LMA	1.5x	2.6x	-43%	1.1x	1.1x	0%	1.4x	-23%	1.1x	1.0x	11%
Net Leverage, LHA/LQA/LMA	1.3x	2.4x	-43%	0.9x	0.9x	-3%	1.2x	-27%	0.9x	0.8x	10%
FX end of period:	28.02	26.74	5%	28.18	26.23	7.4%	26.42	7%	28.19	28.18	0%
Av. price iron ore, $/ton	70.57	58.38	21%	61.85	62.56	-1%	71.18	-13%	69.96	64.15	9%
Av. price steel, $/ton	602.99	383.64	57%	888.63	881.39	1%	529.79	68%	830.87	859.63	-3%

MARKET OUTPERFORM (UKRAINE)

METINV 8.625% 26s



MARKET UNDERPERFORM

ARGENTINA

ARCOR 6% 23s

CHILE

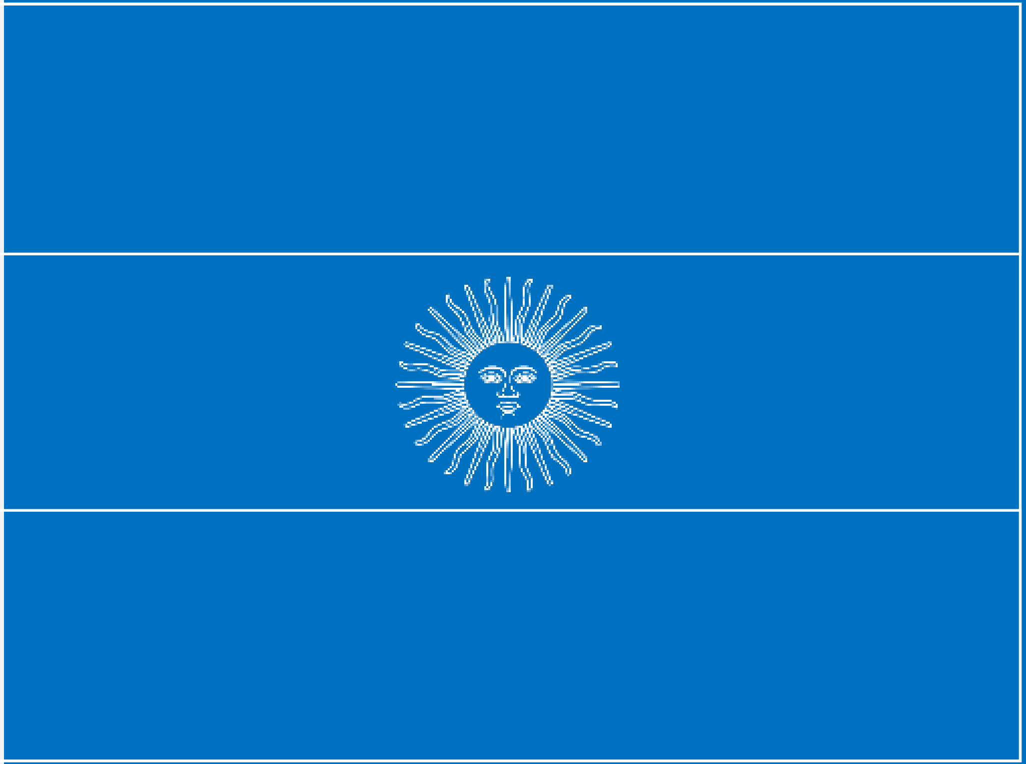
AES 7.75% 24s
CENSUD 4.875% 23s

RUSSIA

VEBBNK 6.902% 20s

UKRAINE

KERPW 8.75% 22s



ARGENTINA

MARKET UNDERPERFORM (CHILE):

ARCOR 6% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ARCOR 6% 09/27/2023	$500	Ba3/-/BB-	92.30	8.08%

Grupo Arcor is a leading confectionary and food company in Argentina, the largest candy producer in the world and the main candy exporter of Argentina, Brasil Chile and Peru. Additionally, through Bagley, where Arcor has 51% ownership, the company is one of the market leaders in cookies and cereal production in Latin America. Further, through the recent agreement with Mastellone, the company will become the controlling shareholder of the leading dairy products company in Argentina.

PROS:

- International presence, with 40 plants distributed in Latin America, exporting to more than 120 countries
- Solid brand reputation
- Vertically integrated. Zucamor purchase in 2017 moved the company forward in self supply of key raw materials (packaging, bottles and corrugated boxes)
- Rated above sovereign ceiling by both Moody's and Fitch as cash generated from exports and cash held abroad is more than enough to cover USD debt service

CONS:

- Most of its plants are based in Argentina while bond trades inside sovereign. Including exports, Argentina accounts for 96% of consolidated EBITDA. Only 6% of sales volume are exports. In 2016, exports amounted to US$115mm, or 5% of consolidated revenue
- Challenging environment in Brazil, were EBITDA has been negative since 1Q15
- 60% of its production costs refer to salaries, mainly from Argentina, where high inflation pressures margins
- Mastellone results are subject to volatility of international milk prices
- Short USD: revenue is overwhelmingly in ARS, while debt is in USD. Leverage increased 0.7x in 3Q18

MARKET UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

Summary of 3Q18 results:

- Revenue decreased 23% y/y and 11% q/q to US$604mm, mostly on ARS depreciation, and, to a minor extent BRL
  - Argentina represented 69% of third party revenue and Brazil 9%
  - Partially offset by an 8% q/q and 4% y/y recovery in sales volume
  - 94% of sale volume is sold locally while only 6% is exported
- EBITDA grew decreased 15% y/y ad 1% q/q to US$85mm
  - EBITDA per geographic location: Argentina 86%, Andean 8%, others 7%, while Brazil remains with negative EBITDA
- EBITDA margin of 14.1%, 130bps higher y/y
- Free cash flow burn of US$63mm with high working capital investment given increased receivables and inventory levels
  - We estimate a cash conversion cycle of 50 days compared to 44 days in previous quarter
- Gross debt decreased 2% q/q to US$810mm given currency depreciation on ARS debt
- LTM Gross and net leverage, measured in ARS (functional currency), deteriorated to 4.3x and 3.6x, respectively

ARCOR (US$ MM)	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17
Revenues	604	681	744	742	784	719
EBITDA	85	86	107	56	100	61
EBITDA margin	14.1%	12.7%	14.4%	7.6%	12.8%	8.4%
Capex	(24)	(36)	(28)	(35)	(152)	(42)
Working Capital	(72)	18	(91)	20	(31)	48
Interest paid	(41)	(12)	(29)	(16)	(28)	(15)
Tax payments	(11)	(19)	(15)	(12)	(15)	(25)
Free cash flow	(63)	38	(56)	14	(126)	26
Gross debt	810	824	905	893	865	796
Short-term	210	211	251	227	214	198
Long-term	601	613	654	666	651	597
Cash and equivalents	124	138	128	144	152	288
Net debt	686	686	777	749	713	507
LTM Gross leverage*	4.3	3.5	3.2	3.5	3.4	3.6
LTM Net leverage*	3.6	2.9	2.7	2.9	2.8	2.3

*in ARS

MARKET UNDERPERFORM (CHILE):

ARCOR 6% 23s

ARCOR AND MASTELLONE AGREEMENT

- Through 2020 Mastellone and Dallpoint (shareholder of Masher) have put options to sell shares to Arcor and Bagley but must keep a combined 51% ownership
- After 2020 and through 2025, Arcor and Bagley will have call options to own 100% of total capital stock
- Current Arcor ownership is 42.65%
- Purchases:
  - Jun-18: 2.40% for US$6mm (US$2.5mm for every 1%)
  - Nov-17: 1.85% for US$5mm (US$2.7mm for every 1%)
  - Apr-17: 4.86% for US$13.76mm (US$2.8mm for every 1%)
  - Jan-17: 8.5% for US$35mm (US$4.1mm for every 1%)
  - Dec-15: 25.0% for US$60mm (US$2.4mm for every 1%)
- Assuming an average price of US$3.0mm, for the remaining 57.35%, total cost will be US$172mm
- Consolidating MASHER and assuming US$172mm will be funded with debt issuance, pro forma net leverage results in 4.3x based on LTM3Q18 numbers (up from 3.6x)
- We acknowledge this transaction is unlikely to happen before 2020. Actual numbers may differ from these calculations

MASHER (US$ MM)	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17
Revenues	228	290	290	320	341	373
EBITDA	18	24	19	19	31	32
Free cash flow	12	(1)	(10)	(43)	22	25
Gross debt	203	196	203	198	202	196
Cash and equivalents	43	36	43	51	89	65
Net debt	160	160	159	147	113	131
LTM Gross leverage*	4.3	3.1	2.3	2.3	2.6	1.6
LTM1 Net leverage*	3.6	2.5	1.8	1.7	1.4	1.1

* In ARS

ARCOR + MASHER (US$ MM)	LTM3Q18
Revenue	3.899
EBITDA	414
Gross debt	1,192 (*)
Cash and cash equivalents	167
Net debt	1,025
LQA Gross leverage**	5.0
LQA Net leverage**	4.2

** In ARS

(*) Arcor + Masher + US$179mm to fund remaining Masher stake

CHILE

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
AESGEN 5.00% 07/14/2025	$172	Baa3/BBB-/BBB-	96.38	5.67%

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$2.3bn.

PROS:

- Geographical diversification with operations in Chile, Colombia and Argentina, although Chile accounts for 60% of EBITDA
- Diverse portfolio of generation assets, including hydro and thermal generation plants
- Practically its entire revenue generation is linked to USD
- Most of its revenue is made through long-term contracts with regulated and unregulated customers and with embedded adjustments for changes in fuel prices
- Sound customer base, particularly mining companies in Northern Chile
- Migrating energy mix with commitment to complete Alto Maipo, moving towards renewable resources although still highly dependent on coal generation – 3,100 MW renewable energy pipeline
- Recourse debt leverage (LTM) significantly lower than consolidated, at 2.0x
- Ongoing asset sales to pre pay debt
- Positive results in Colombia on higher prices given energy projects delays in the area

CONS:

- Possible rating downgrade as a result of deteriorating credit metrics
- Most of the company's generation in Chile is from coal plants
- Increase in energy generation from renewable sources in Chile (mostly solar) has pushed down electricity prices for regulated contracts (25% of revenue, and unregulated customers (45% of revenue)
- Last public bid awarded regulated contract at historical low prices (US$25.4/MWh), nearly half the price of previous auctions
- Interconnection between SIN and SING could lead to further pricing pressure as solar plants are installed in Northern Chile and should be able to start bidding for regulated contracts for Center Chile, where most of the population lives
- Attempted to issue bond under Cochrane (firm contracts until 2025s) but unfavorable market conditions postponed the issuance leading to possible repricing of the risk by market
- Heavy capex expected as company plans to develop solar projects.
- Likely to be financed non recourse but may pressure consolidated leverage.

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

AES GENER 3Q18	EBITDA
Chile	60%
Colombia	34%
Argentina	6%

60% of EBITDA from Chile

Revenue breakdown in Chile:

The interconnection between electrical systems SING (Northern Chile) and SIC (Center-Southern Chile) created a new market in the region, the SEN (Sistema
- Elétrico Nacional)
- With the integration, now both segments are reported under Chilean operations, with AES Gener having a 27% market share
- Chile 3Q18 revenue: 57% unregulated customers, 21% regulated, rest spot
- Regulated customers: long-term PPA in USD awarded through public bids with semi-annuals prices reviews, mostly based on fuel prices
- Unregulated customers: USD contracts with terms and indexation negotiated directly between generator and customer, usually with monthly price reviews

Spot prices (US$/MWh)	9M18	2017	2016	2015	2014
SIC	68.7	57.0	61.0	88.6	131.0
SING	54.6	56.1	61.6	57.3	75.6

Recent trends on energy prices in Chile:

Nov-17: public bid in Chile awarded 2,200GwH to serve regulated customers starting Jan-2024

Average price of US$32.5MWh, lowest value since bids started in 2006

Prior awarded price was US$47.6MW/h in Aug-17

Lowest bid from "Energia Renovable Verano Tres", which won 25% of total bid for US$25.4/MWh. Lowest historical price ever seen in LatAm

Bids came from renewable energy projects

Main regulated contracts as of May-15	Contracted capacity (MW)	Price as of May-15 (US$/MWh)	Expiration
Chilectra	53	90.5	2020
Chilectra	160	90.0	2022
Chilectra	340	90.2	2023
Chilquinta	210	114.8	2023
EMEL	78	105.3	2024
EMEL	138	90.8	2024

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

ALTO MAIPO PROJECT

- Originally budgeted at US$2bn
- Project is 64% completed, was in technical default following the contract termination due to a breach of contract suspended since Jun-17
    - Alto Maipo subsidiary holds assets of US$1.4mm (book value)
- Alto Maipo's financial debt, US$613mm, had to be reported as a current liability on the balance sheet as long as the technical default state persisted
- The technical default had no legal implications for holdco as Alto Maipo debt is nonrecourse
- In February 2018, AES Gener signed a fixed-price EPC contract with builder Strabag SpA for the full scope of the project
- Strabag also became a minority shareholder with nearly 7% interest
- Geological and construction risks were transferred to Strabug
- Contract is guaranteed by Strabag in the form of US$300mm in letters of credit and a corporate guarantee from Strabag SE (listed in Viena and BBB rated by S&P)
- Company expects project to be fully operational in 2020, with 64% progress reached as of May 2nd 2018

On May 7, 2018 AES announced that financing partners and herself reached a deal for the financial restructure of the project

- Company announced all documentation has been signed, pending just the completion of closing procedures
- Construction budget will be revised from US$2.5bn to US$3.1bn, plus US$382mm to be paid to Strabag over 20 years upon completion of the project

Lenders will continue to disburse remaining existing commitments of US$688mm plus an additional commitment of US$135mm

- Additional expenses for AES includes US$200mm during the construction, based on progress and debt disbursements and up to US$200mm towards completion, for pending projects costs or to prepay debt
- The first US$200mm will be deployed in a 50/50 basis with debt mostly during
- 2018 and 2019
- No additional debt to be issued at AES Gener level, increase will be funded from cash from operation
- Upon timely completion of the project Strabag will be entitled to receive payments totaling US$382mm, which will be payable by Alto Maipo over 20-years
- 75% of the remaining project cost will be financed by Strabag and lenders
- According to AES Gener, additional contributions are in line with rating agencies expectations and ensure investment grade rating is not affected
- Company expects US$500mm US$600mm of capex to be invested in Alto Maipo p/ year from now to 2020
- Construction continued to move forward, now 70% of project completed (36km of 76km)
- COD Las Lajas and Alfalfal II are expected to be done by 2020
- Alto Maipo is not fully contracted - 780tw/yr of 2,000tw/yr
    - Expects up to 50% of contracted output where remaining will be sold at spot

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

ALTO MAIPO – RATING AGENCY ACTIONS

Rating action followed:
- Moody's lowered its outlook from stable to negative
- Fitch Ratings placed AES Gener on Negative Rating Watch
  - Maintained negative watch Jan-2018

Rating Agencies Timeline:

FITCH AUGUST 2017
- Given agressive 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 recontracts at prices significantly below US$60/MWh (2018 real prices) is also likely to trigger downward pressure on the rating

MOODY'S AUGUST 2017
- Reaffirmed negative outlook as sees continued company's exposure to execution risk associated to the project
- Additionally comments on uncertainties in the Chilean power market that could be a negative for the credit.
- Factors that could lead to downgrade:
  - Alto Maipo affect credit quality, including additional project cost overruns, construction delays, or a deterioration in Strabag's financial profile that impacts its ability to meet its obligations under the construction contract.
  - debt/ EBITDA above 4.0x

FITCH MAY 2018
- Fitch removed negative watch following completion of Alto restructuring process seeing commitment to complete project with no additional debt at the corporate level as a positive

FITCH AUGUST 2018
- Fitch reaffirmed AES Gener's rating at BBB- given positive developments on disinvestments, debt prepayments and Alto Maipo's restructure

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Summary of 3Q18 results:

- 3Q18 revenue increased 11% y/y and 5% sequentially, driven by continued strong trends in Colombia and the consolidation of Angamos and Cochrane in Chile
    - Contract prices increased from US$61/MWh to US$66/MWh, while volumes were up 16% y/y and 25% q/q
- EBITDA increased 27% y/y and 8% q/q to US$232mm
    - Chile EBITDA increased 21% y/y and 2% q/q
- In Colombia, EBITDA increased 36% y/y and 21% q/q
- Strong top line was further supported by decrease in energy bought in the market reducing costs
- Stronger EBITDA and reduction in capex helped company to generate US$73mm in cash (pre WK)
- Total debt decreased to US$3.7bn, down 2% q/q
- Partially due to a tender offer completed in the quarter for US$200mm of its 2029s (subsidiary Eletrica Angamos) and 2021s - US$100mm from each bond
- Also, a US$74mm 2018 USD short-term loan and a US$50mm increase in Alto Maipo's financial commitment partially offset debt reduction
- Net leverage (LQA) improved to 3.7x from 4.0x last quarter
- LTM gross improved to 4.1x
- Subsequent to the quarter AES attempted to issue a US$725mm 2034 bond through subsidiary Cochrane which was further canceled on unfavorable market conditions

AES GENER (US$ MM)	3Q18	2Q18	3Q17	q/q	y/y
Revenue	682	650	615	5%	11%
EBITDA	232	215	182	8%	27%
EBITDA Margin	34.0%	33.1%	29.6%		

AES GENER (US$ MM)	3Q18	2Q18	3Q17	q/q	y/y
Total Debt	3,696	3,776	3,971	(2%)	(7%)
Cash	286	318	391	(10%)	(27%)
Net Debt	3,410	3,458	3,580	(1%)	(5%)
Leverage (Total Debt / EBITDA (*))	4.0	4.4	5.4		
Net Leverage (Net Debt / EBITDA (*))	3.7	4.0	4.9		
(*) EBITDA - LQA					

AES GENER (US$ MM)	3Q18	2Q18	3Q17	q/q	y/y
EBITDA	232	215	182	8%	27%
- capex	115	211	(11)	(45%)	(1129%)
-interest	21	69	26	(70%)	(20%)
-taxes	23	37	30	(37%)	(23%)
FCF (pre WK)	73	(103)	137		

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
CENSUD 4.875% 01/20/2023	$943	Baa3/-/BBB-	98.00	5.43%

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. The company is listed in the Santiago stock exchange with a current market cap of US$4.8bn

PROS:

- Multi-format, multi-brand with geographical diversification (operates in five 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
- Cencosud trades at a considerable wider spread to sovereign than peer Falabella, and overall wide to Chile sovereign for an IG credit

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 continues
    - Exposure to financially troubled states
- Continuous postponement of shopping malls IPO, expected to have accelerated deleveraging
- LTM net leverage at 4.5x, within trigger levels for downgrade
- Weaker economic environments, mainly in Brazil and Argentina, likely to hamper successful assets divestments, particularly given the ARS devaluation. The two countries represented 33% and 24% of Revenue and EBITDA, respectively in 3Q18.

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
- Company estimates 2.4x net leverage by end 2018
- At 3Q18 gross and net debt and 2018 guided EBITDA (US$1,188mm), gross and net leverage equals 4.5x and 4.0x, above trigger levels for a downgrade
- Accordingly, deleveraging is dependent on the company's ability to implement divestment program
- Thus far progress in divestment effort has been slow
- Company hired banks to advise on a possible IPO or private sale of a minority stake in its Shopping Malls division, which would be central for divestment program
  - Company states operation could be completed by 1Q19
- Current EM environment may not be supportive backdrop for asset sales and IPOs.

Factors that could lead to negative rating action:

FITCH APRIL 2018

- Sustained negative FCF
- Failure to complete significant part of US$1bn divestment announced
- Adjusted gross leverage - excluding banking operation (Banco Peru) sustained above 4.5x (LTM at 4.5x)

PEER COMPARISION	CENCOSUD	FALABELLA	IRSA
Coupon	4.875%	3.750%	8.750%
Maturity	2023	2023	2023
Amount (US$ MM)	943	500	360
Mid-Yield	5.92%	4.77%	9.92%
Rating(M/SP/F)	(Baa3/-/BBB-)	(-/BBB+/BBB+)	(-/B/B+)
Spread to Sovereign	256	141	(119)
Country	Chile	Chile	Argentina

3Q18 (US$ MM)	CENCOSUD	FALABELLA	IRSA
Revenue	3,462	3,314	39
EBITDA	170	830	26
EBITDA Margin	5%	25%	67%
Free Cash Flow	309	448	3
Gross Debt	5,342	6,821	535
Cash	630	2,164	270
Net Debt	4,712	4,657	265
LQA Gross Leverage	7.8	2.1	5.0
LQA Net Leverage	6.8	1.4	2.5

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Summary of 3Q18 results - Weak:

- Revenue decreased 8% y/y, missing consensus by 1%, to CLP2,295bn (US$3.46bn), mainly due to currency depreciation against CLP in the period, at constant FX rate, revenue increased 8% y/y
- Adjusted EBITDA decreased 23% y/y to CLP113bn (US$170mm), missing consensus by 13%
- Chile Adj EBITDA, at CLP67bn (US$100mm), decreased 25% y/y, on deteriorating margins
- 3Q18 Adj EBITDA : 59% Chile, 31% Argentina, 10% Peru, 4% Colombia and negative 4% Brazil
- FCF at CLP204bn (US$310mm), driven by strong WK contraction in the period
    - Decrease in receivables and lower levels of inventories led WK contraction
- Total debt increased 4% q/q to CLP3,508bn (US$5,29bn)
    - Cash position increased 37% q/q
    - LTM Gross and net leverage deteriorated q/q, at 5.1x and 4.5x, respectively
- At 3Q18 gross and net debt and 2018 guided EBITDA (US$1,188mm), gross and net leverage equals 4.5x and 4.0x, above trigger levels for a downgrade
    - Company hired banks and initiated the process to complete an IPO or private sale of a minority stake in its Shopping Malls division
        - Company states operation could be completed by 1Q19
    - Company sold US$6mm in additional properties in the quarter
- Accordingly, deleveraging continues dependent on the company's commitment to divest US$1bn in non-core assets

Cencosud (CLP MM)	3Q18	BBG Consensus	+/-	2Q18	3Q17	q/q	y/y
Revenue	2,295,653	2,308,000	(1%)	2,406,517	2,497,536	(5%)	(8%)
Adjusted EBITDA	113,064	129,902	(13%)	153,241	146,521	(26%)	(23%)
EBITDA Margin	4.9%	5.6%		6.4%	5.9%		

Cencosud (CLP MM)	3Q18	2Q18	3Q17	q/q	y/y
Total Debt	3,508,833	3,387,842	3,390,701	4%	3%
Cash and Cash Equivalents	413,847	301,451	437,719	37%	(5%)
Net	3,094,986	3,086,391	2,952,982	0%	5%
Leverage (Total Debt / EBITDA (*))	5.1	4.7	5.0		
Net Leverage (Net Debt / EBITDA (*))	4.5	4.3	4.3		

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

Cencosud (CLP MM)	3Q18	2Q18	3Q17	q/q	y/y
EBITDA	113,064	153,241	146,521	(26%)	(23%)
- capex	62,127	37,268	72,954	67%	(15%)
- interest	75,628	38,970	79,488	94%	(5%)
- taxes	29,321	58,196	43,820	(50%)	(33%)
WK	258,699	(27,036)	246,144		5%
FCF	204,688	(8,230)	196,403		4%

RUSSIA

MARKET UNDERPERFORM (RUSSIA)

VEBBNK 6.902% 20s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
VEBBNK 6.902% 07/09/20 Sr	$1,600	-/ BBB-/ BBB-	102.375	5.24%

Vnesheconombank (Ba1/BBB-/BBB-), a state corporation 'Bank for Development and Foreign Economic Affairs'. Vnesheconombank (VEB) is a development bank, not a commercial one, hence no retail deposits and limited corporate deposits; thus, it is not directly competing with commercial banks. The entity is 100% owned by the Government of the Russian Federation. Locally rated by ARCA (AAA (RU)/Stable) and its foreign ratings are at par with the sovereign.

We initiate a 'Market Underperform' on VEBBNK 20s. Despite an improved performance in 3Q18, we are concerned if the entity would survive on its own without regular capital injections from the state. VEB is tightly connected to the Russian government - owned and supervised – and as such, we believe it would be affected the most if the Western sanctions intensify.

PROS:

- Majority owner – 100% owned by the Government of the Russian Federation, which provides direct equity contributions (proven track record of Government support
- Major national player – with RUB 3,385 billion in assets, the entity represents just under 4% of Russia's GDP and enjoys profit tax exemption. International credit ratings on par with the sovereign
- Unique status – being involved in many important national projects, the company enjoys a special status under the federal law and is not supervised by the Central Bank of Russia (CBR)
- January 2018, Russian President signed a law extending VEB's capacity to raise funds from companies, which do not have projects with the bank (can not exceed the VEB's capital)

CONS:

- Extension of the Government – fully controlled by the Russian government and chaired by PM Dmitry Medvedev, VEB is a prime target of Western sanctions and stands to lose the most if the sanctions are further intensified
- VEB works on developing Russian economy by providing financing for long-term (five years and more) and high value projects (RUB 2 billion). Being a state agent, takes on all projects, among them potentially loss-making
- Continuous reliance on government support, without which the capital levels would have quickly deteriorated.
- Supervised by nobody but top government officials (Law #82-FZ June 2007)

MARKET UNDERPERFORM (RUSSIA)

VEBBNK 6.902% 20s

VEB (Ba1/BBB-/BBB-) posted sequentially improved 3Q18 IFRS results – RUB 6 billion in net profit (vs. a net loss of RUB 61.9 billion in 3Q17 and a net loss of RUB 54.1 billion in 2Q18) due to reversal of provision and improved net interest income. While remaining weak, asset quality improved: LLPs at 24.2% (-9.6pp YTD) and cash interest income collection improved to 79% (+7pp y/y). VEB's capitalization at 12.1% (+1.3pp YTD and -0.8pp q/q); however, the entity is not under the CBR supervision.

3Q18 IFRS Results:

- Assets – remained generally unchanged (+0.3% YTD)
- Loans – too stayed almost flat (-0.9% YTD) and accounted for 52.2% of the bank's total assets
- Asset Quality – based on the LLPs numbers, improved with LLPs at 24.2% vs. (-9.6pp YTD and -7.1pp q/q) with cash interest income collection improved to 79% (+4pp y/y)
- Liabilities – increased 1.9% YTD
- Capitalization – VEB's CAR under the RAS was 12.1% (+1.3pp YTD and -0.8pp q/q)

- Net Profit – due to a reversal of provisions for expected loss in the amount of RUB 1.2 billion, which was stipulated by the fact that VEB exited the projects upon the investment stage completion
- 3Q18 – net profit of RUB 6 billion vs. a net loss of RUB 69.6 billion in 3Q17
- 9M18 – net loss of RUB 69.6 billion vs. a net loss or RUB 109.5 billion: the major factor contributing to the negative result was a recognition of non-interest expense from foreign currency-denominated deposits conversion to rubles, as well as revaluation of loans to customers at fair value at transition to IFRS9
- Recent Developments – In October – November 2018, the bank repurchased its own Eurobond with a nominal value of US$49 mm and in November 2018 redeemed US$850 mm senior Eurobonds

MARKET UNDERPERFORM (RUSSIA)

VEBBNK 6.902% 20s

3Q18 IFRS Results

VEB	3Q18	2017	YTD	3Q18	2017	YTD
	RUB MM			USD MM		
Total Assets	3,385,200	3,376,000	0.3%	51,481	58,481	-12.0%
Cash and equivalents	366,700	354,400	3.5%	5,577	6,139	-9.2%
Gross Loans	2,183,700	2,695,600	-19.0%	33,209	46,695	-28.9%
Net Loans	1,767,100	1,784,000	-0.9%	26,874	30,904	-13.0%
Deposits	498,000	518,300	-3.9%	7,573	8,978	-15.6%
Equity	349,400	395,700	-11.7%	5,314	6,855	-22.5%
NPL	n/a	n/a	n/a	n/a	n/a	n/a
LLP	24.2%	33.8%	-9.6pp	24.2%	33.8%	-9.6pp
Total CAR	12.1%	10.8%	1.3pp	12.1%	10.8%	1.3pp
FX (RUB/USD)	65.76	57.73	13.9%	65.76	57.73	13.9%

VEB (RUB MM)	3Q18	3Q17	y/y	2Q18	q/q	2017	2016	y/y
Net Interest Income	20,600	19,300	6.7%	10,000	106.0%	83,700	89,100	-6.1%
Net F&C Income	2,000	2,500	-20.0%	2,000	0.0%	9,100	9,200	-1.1%
Operating Income	20,200	1,700	1088.2%	27,400	n/a	137,200	531,700	-74.2%
Provision Charge/(Reversal)	5,300	47,900	-88.9%	42,600	n/a	249,900	510,400	-51.0%
Operating Expenses	12,300	8,200	50.0%	11,000	11.8%	38,800	34,100	13.8%
Net (loss) / profit	6,000	(61,900)	n/a	(54,100)	n/a	(287,700)	(111,900)	157.1%
VEB (USD MM)	**3Q18**	**3Q17**	**y/y**	**2Q18**	**q/q**	**2017**	**2016**	**y/y**
Net Interest Income	313	334	-6.2%	159	97.2%	1,450	1,464	-0.9%
Net F&C Income	30	43	-29.7%	32	-4.3%	158	151	4.3%
Operating Income	307	29	943.8%	435	n/a	2,377	8,734	-72.8%
Provision Charge	81	829	-90.3%	677	n/a	4,329	8,384	-48.4%
Operating Expenses	187	142	31.8%	175	7.0%	672	560	20.0%
Net (loss) / profit	91	(1,072)	-108.5%	(859)	-110.6%	(4,984)	(1,838)	n/a
FX(RUB/USD)	65.76	57.76	13.8%	62.95	4.5%	57.73	60.88	-5.2%

- *Improved performance in 3Q18*
- *Very high systemic importance due to participation in strategically important projects, which may or may not be profitable hence not suitable for regular commercial banks (due to regulatory factor)*
- *VEB's own standing and credit rating tied very much so to the Russian Government, hence, if the Western sanctions were to intensify, the bank may be affected*

UKRAINE

MARKET UNDERPERFORM (UKRAINE)

KERPW 8.75% 22s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
KERPW 8.75% 01/31/2022	$500	-/ -B/ B+	96.125	10.25%

Kernel (-/B/B+) – leading diversified agro business in the Black Sea region of Ukraine with over 15,000 employees. Since 2007, Kernel has been listed on the WSE (Poland) with the current market cap of just over US$ 1 billion. Founder and majority shareholder is Mr. Andriy Verevskyi, a former member of the Ukrainian parliament (Rada)

Kernel (-/ B/ B-) published 1Q19 IFRS financial results (the company's financial year ends on June 30th) - annually and sequentially, the top line was elevated by increased grain export volumes and trading (Avere); profitability, was supported by stronger performance in farming and infrastructure & trading segments with the main driver being non-cash re-valuation of the bio assets (US$41 mm). Net leverage improved to 2.5x thanks to better profitability; w/o bio assets, however, net leverage is at 3.1x. High capex cycle is likely to keep leverage elevated. As the company continues to evaluate expansion amidst overcapacity, we reiterate 'Market Underperform' on KERPW 22s especially since the recent improvement in EBITDA was non-cash in nature.

PROS:

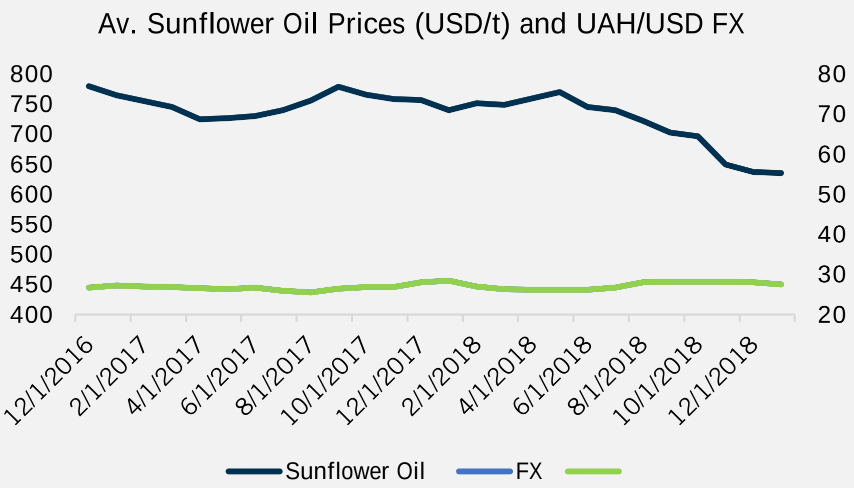
- Majority owner – Mr. Andriy Verevskyi (38.39% via Namsen Ltd.) with a personal net worth of ~US$640 mm; a former member of the Ukrainian parliament (Rada)
- Important local player – the company employs over 15,000 people and has a 35% share of the domestic bottled oil market; also, it ranks on a consistent basis as a Top-5 grain exporter in Ukraine (12% of Ukraines' total grain export)
- International presence – exports its products to over 60 countries globally and since November 2007 listed at the Warsaw Stock Exchange (WSE) with the current market cap of PLN4,015.1M (~US$1.033 billion), down 7% since November 29, 2018

CONS:

- Politics – although at the moment, Mr. Verevskyi appears to be not involved in politics, in the past, he used to belong to the Yulia Tymoshenko fraction (2002 – 2010), but as political winds changed switched (2010 – 2013) to the Party of Region's block loyal to then President Victor Yanukovych
- Growing Capex – Kernel is evaluating expansion (adding crushing capacities in Western Ukraine) amidst overcapacity with plans to allocate US$350 mm in 2019 and US$200 mm in 2020
- Grain Trading Operations – Kernel's subsidiary Avere posted a very impressive results in 1Q19, giving EBITDA a good boost; however, due to a volatile nature of the trading operations, it is nearly impossible to predict an outcome quarter to quarter, result are too uneven

MARKET UNDERPERFORM (UKRAINE)

KERPW 8.75% 22s



- *Ukrainian sunflower oil pricing continues its downward trend – at US$635 at a time of writing (-14.3% since July 31, 2018)*
- *Kernel continues to evaluate expansion (high capex) amidst overcapacity*
- *Oil crushing margin remains under pressure due to oversupply*
- *Grain trading (Avere) was the main contributor to Kernel's EBITDA – given volatile nature of trading, it is hard to predict Avere's results and hence over all profitability of Kernel*

Kernel Sales, kt	1Q19	4Q18	q/q	1Q18	y/y	2018	2017	y/y
Sunflower oil sold in bulk	375	386	-3%	393	-5%	1,301	1,084	20%
Bottled sunflower oil	32	33	-4%	33	-2%	119	131	-9%
Grain trading	2,888	1,572	84%	805	259%	4,646	5,060	-8%
Export terminals	983	1,145	-14%	837	17%	4,112	4,456	-8%
Silo services	1,558	52	2897%	1,392	12%	3,292	3,255	1%

KERPW 8.75% 22s

1Q19 Financial Results – bio assets re-valuation drives EBITDA growth

- Revenue – US$1.1 billion (+113% y/y and +45% q/q) – notable growth sequentially and y/y was largely due to increased grain export volumes as well as increased trading operations of Kernel's subsidiary, Avere
- EBITDA - US$100.5 mm (+118% y/y and +287% q/q) – supported by stronger performance of the business segments:
  - Oilseed – EBITDA declined 23% y/y to US$16 mm due to lower crushing margin: US$40/ton in 1Q19 (-20% y/y and -9% q/q) and slightly weaker sales (5% for bulk oil and 2.4% for bottled oil)
  - Infrastructure & Trading – EBITDA doubled to US$38 mm on the back of solid grain export volumes from Ukraine and stronger performance of Avere
  - Farming – EBITDA tripled to US$53 mm thanks to favorable weather, larger landbank and yield improvements
- Bio assets (IAS41) – a record high harvest translated into US$41 mm net gain from revaluation of bio assets, which was the main driver behind a spectacular EBITDA growth in 1Q19
- Without the bio assets effect, 1Q19 EBITDA, according to our estimates, worked out to US$59 mm (+37% y/y and +157% q/q)
- EBITDA margin – 8.8% (+0.2pp y/y and +5.5pp q/q)
- Capex – US$47 mm (+169% y/y and -53% q/q) – the company, with various projects in the works, is going through a high capex cycle with plans to deploy US$350 mm in 2019 and US$200 mm in 2020 (incl. maintenance)
- Liquidity – as at end-1Q19, the company had US$112 mm in cash (-15.4% YTD) vs. US$288 mm in short-term debt
- FCF Positive (pre-working capital) on improved profitability; post-working capital, FCF entered negative territory as working capital increased by US$30 mm during 1Q19

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Kernel, USD MM	1Q19	4Q18	q/q	1Q18	y/y	2018	2017	y/y
Revenue	1,140	789	45%	536	113%	2403	2169	11%
EBITDA	101	26	287%	46	118%	223	319	-30%
Interest	(26)	(9)	203%	(22)	17%	(64)	(35)	86%
Capex	(47)	(100)	-53%	(17)	169%	(147)	(43)	237%
Taxes	(2)	(1)	39%	(3)	-47%	(5)	(6)	-20%
FCF (pre WC)	25	(84)	n/a	3	773%	6	234	-97%
Net Change in Working Capital (WC)	(30)	153	-120%	62	-148%	(31)	(206)	-85%
FCF (post WC)	(4)	69	n/a	65	-107%	(25)	28	n/a
EBITDA margin	8.8%	3.3%	5.5pp	8.6%	0.2pp	9.3%	14.7%	-5.4pp
EBITDA (w/o bio)	59	23	157%	43	37%	204	322	-37%
Short-term Debt	288	246	17%	118	144%	246	152	61%
Long-Term Debt	506	505	0%	502	1%	505	502	1%
Gross Debt	794	751	6%	621	28%	751	655	15%
Cash	112	132	-15%	117	-4%	132	143	-8%
Net Debt	683	619	10%	504	36%	619	511	21%
EBITDA LTM	277	223	24%	293	-6%	223	319	-30%
Leverage LTM	2.9x	3.4x	-15%	2.1x	36%	3.4x	2.1x	64%
Net Leverage LTM	2.5x	2.8x	-11%	1.7x	44%	2.8x	1.6x	73%
BCP EBITDA LTM	219	203	8%			203		
BCP Leverage LTM	3.6x	3.7x	-2%			3.7x		
BCP Net Leverage LTM	3.1x	3.0x	2%			3.0x		
FX end of period:	28.18	26.23	7%	26.42	7%	26.23	26.06	1%

1Q19 Financial Results (continued)

- Net leverage – both total debt and net debt weaker grew YTD by 5.8% and 10.3%, respectively; with stronger profitability net leverage improved sequentially to 2.5x (vs. 2.8x in 2018)
    - Management confirmed that a comfortable net leverage is at 2.0x; however, given the high capex cycle for 2019 and 2020, it is expected to be at ~2.5x – the company's current debt covenant is at 3.3 – 3.5x
    - Without taking into account a positive impact on EBITDA from bio asset revaluation, net leverage was pushed just above 3.0x
- Recent Developments – in October 2018, both Fitch and S&P affirmed Kernel's rating at 'B+'/Stab and 'B'/Stab, respectively

MARKET UNDERPERFORM (UKRAINE)

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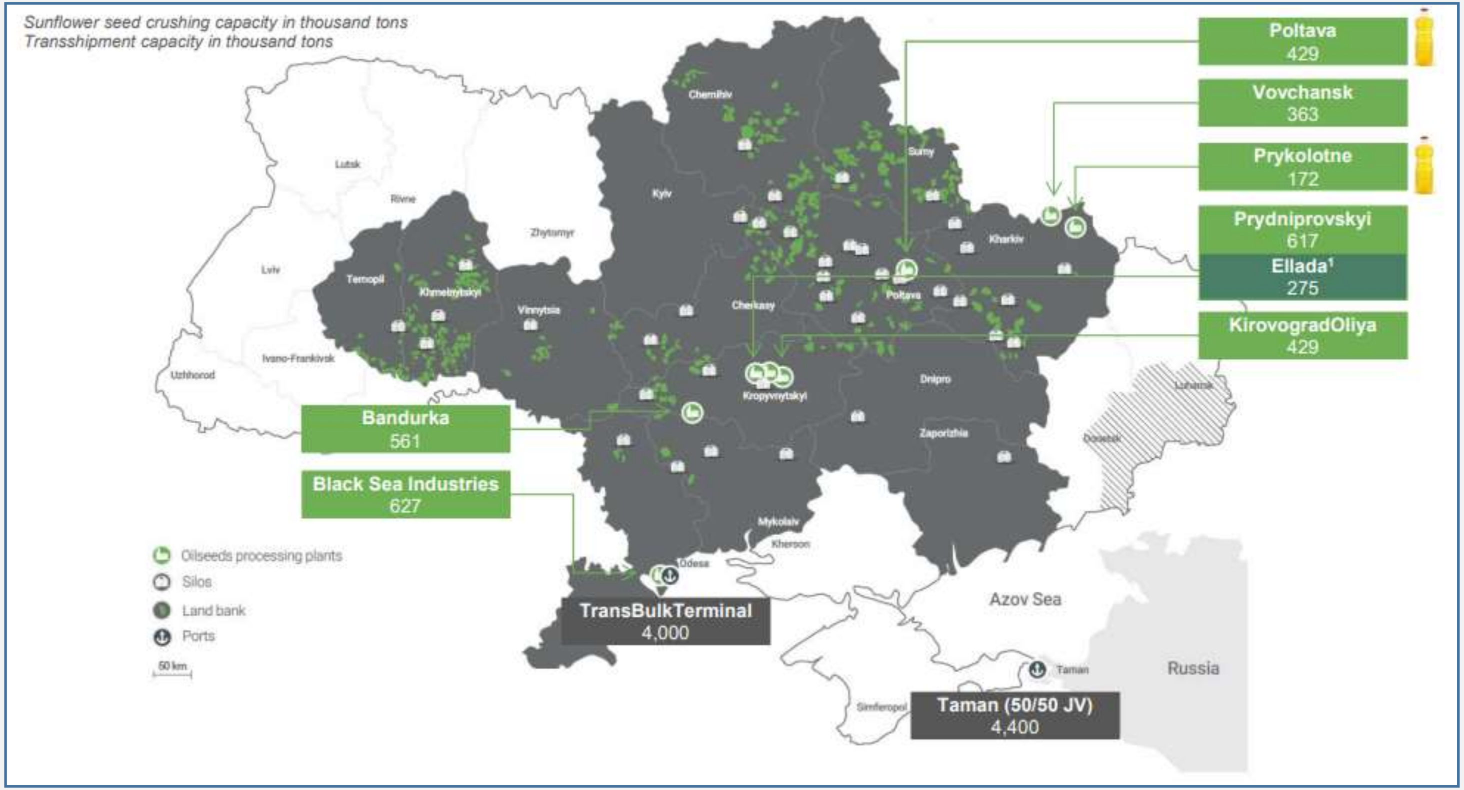
Largest land operator in Ukraine with more than 600,000 ha of land farmed



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