



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

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Daily Insight

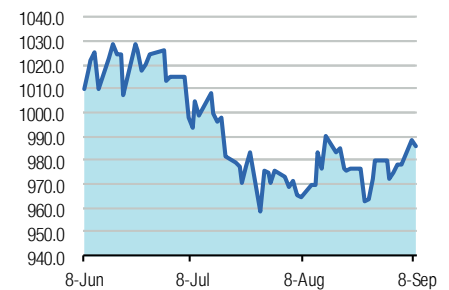
Hryvnia trades within authorities' range

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WEDNESDAY, 9 SEPTEMBER 2015

UX Index (3 months to 9 Sep 2015)



Source: UX.

Key market indicators (as of 8 Sep 2015)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	22.2000	+0.91	+40.33
USD/UAH (1Y NDF)	26.7970	+5.52	+45.24
EUR/USD	1.1203	+0.30	-7.40
USD/RUB	67.9466	-1.70	+11.87
KievPRIME O/N (%)	19.00	-13bp	+10bp
KievPRIME 1M (%)	24.00	+0bp	+410bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	809.46	-1,580bp	+74,769bp
Ukraine 17, Eurobond (%)	26.16	-94bp	-159bp
Ukraine 22, Eurobond (%)	13.02	-26bp	-323bp
Ukraine 23, Eurobond (%)	12.47	-50bp	-309bp
Ukraine 5Y CDS	1,134bp	-23bp	-1,065bp
EQUITIES			
Stock market indices			
UX (Ukraine)	986.22	-0.27	-4.56
MSCI World	391.42	+1.76	-6.16
MSCI EM	790.57	+1.59	-17.33
RTS (Russia)	793.99	+2.30	+0.87
WIG-20 (Poland)	2,135.15	+0.13	-7.81
S&P 500 (USA)	1,969.41	+0.94	-4.35

Notes: Chg – percentage change, if not otherwise indicated; [1] – total traded volume for stocks listed in green- or red-shaded box means gain or loss, respectively, of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.

Bonds: News & Comments

Liquidity declines with reallocations

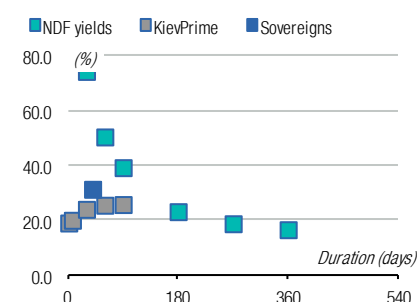
As anticipated following Monday's outflows, liquidity declined UAH0.67bn to UAH70.56bn yesterday as total CDs outstanding fell UAH1.63bn to UAH45.89bn while banks' correspondent accounts with the NBU rose UAH0.96bn to UAH24.67bn.

Investment implications: The NBU repaid about UAH10.20bn in CD redemptions on Monday while it concurrently sold only UAH8.55bn of new CDs. As a result, these funds were used by banks and their clients with partial funds allocated to banks' accounts. As this decline is routine at the beginning of every month, liquidity could fall further today and then recover at the end of this week.

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Yield curve of the local bond market

(as of market close on 8 Sep 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 8 Sep 2015)

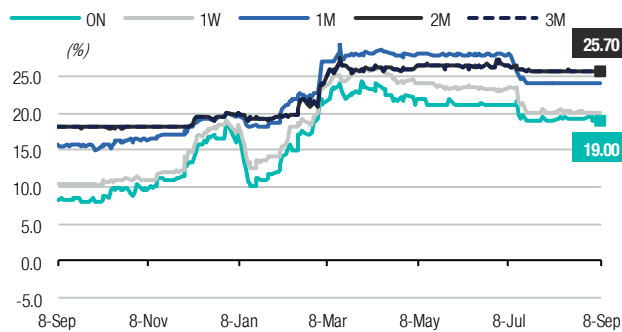
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	19.00	-13bp	-40bp	+0bp	+10bp
1wk	20.10	-3bp	+0bp	+10bp	+110bp
1m	24.00	+0bp	+0bp	+0bp	+410bp
2m	25.60	-3bp	+0bp	+10bp	+560bp
3m	25.70	-5bp	+0bp	+3bp	+570bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	24,673	+4.03	-19.94	+0.71	-25.80
CDs ²	45,887	-3.43	+21.44	-3.95	+190.7
Sovgns ³	5,619	+0.00	-12.78	-12.04	+24.01
Total	76,179	-0.88	+1.51	-3.15	+42.21
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	365,087	+0.00	-0.29	+0.11	+14.76
Banks	82,509	+0.38	+0.64	+0.09	-11.69
Resid's ⁴	21,114	+0.05	+0.57	+0.70	-14.00
Non-res ⁵	21,961	+0.66	+1.18	+0.72	+1.94
Total	490,670	+0.10	-0.03	+0.16	+7.21
NDF IMPLIED YIELDS (%)					
3m	60.78	+32bp	+31bp	+18bp	+34bp
6m	35.14	+707bp	+764bp	+67bp	+15bp
9m	26.82	+535bp	+505bp	+31bp	+862bp
1yr	21.74	+330bp	+263bp	+241bp	+438bp
LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)					
Mar '13	N/A	N/A	N/A	N/A	N/A
Jan '14	N/A	N/A	N/A	N/A	N/A
Aug '15 ⁶	N/A	N/A	N/A	N/A	N/A
EUROBONDS USD SOVEREIGN BOND YIELDS (%)					
CDS 5yr	1,134	-23bp	-78bp	-982bp	-11ppt
Jun '16	46.88	-199bp	-535bp	-44ppt	+997bp
Jul '17	26.16	-94bp	-233bp	-19ppt	-159bp
Sep '20	14.61	-38bp	-98bp	-836bp	-424bp
Sep '21	14.42	-36bp	-97bp	-729bp	-412bp
Sep '22	13.02	-26bp	-72bp	-605bp	-323bp
Feb '23	12.47	-50bp	-72bp	-576bp	-309bp

Notes: [1] banks' account balance at NBU; [2] certificates of deposits issued by NBU; [3] UAH sovereign bonds due next 30 days; [4] residents; [5] non-residents; [6] VAT bond.

Sources: Bloomberg, Investment Capital Ukraine LLC.

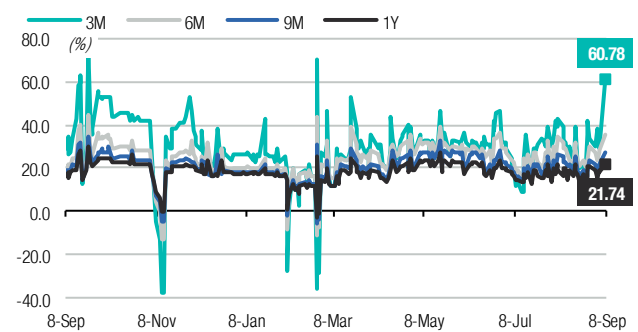
Chart page: Local bond market & Eurobond markets

Chart 1. Kiev Prime rates (%), last 12-month period



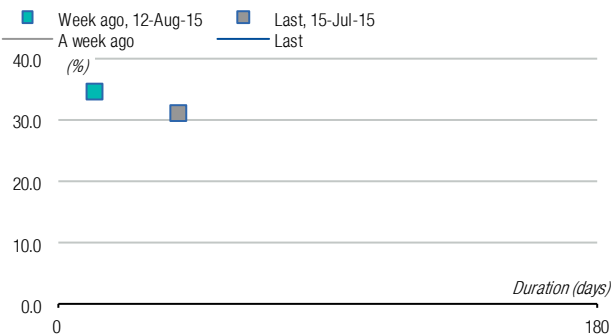
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 2. UAH NDF implied yields (%), last 12-month period



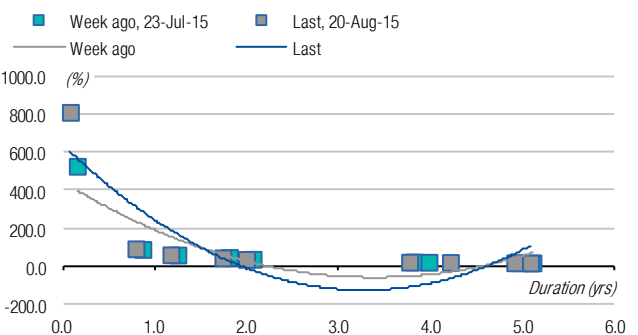
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 8 Sep 2015



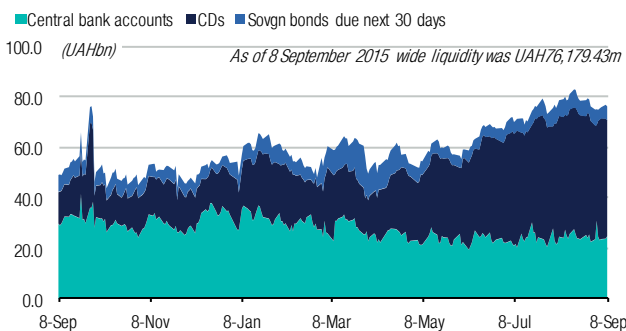
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 8 Sep 2015



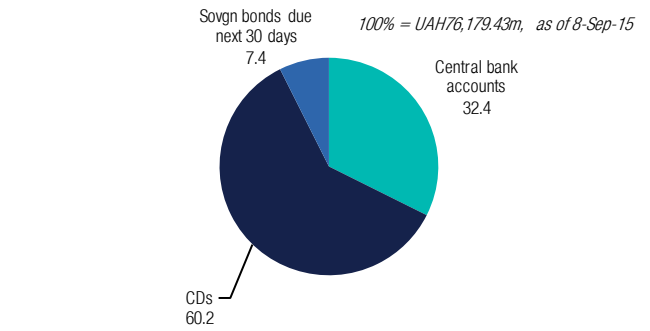
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 5. Banking sector liquidity (UAHbn), last 12-month period



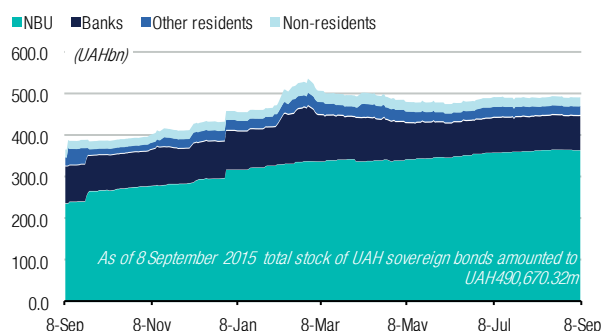
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 8 Sep 2015



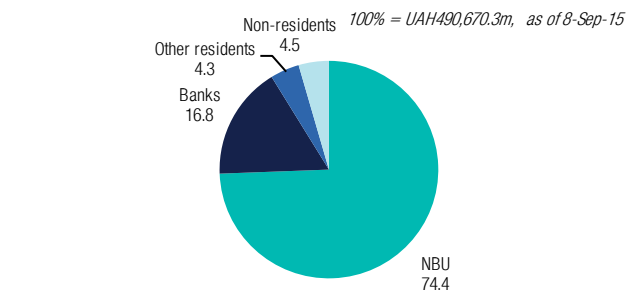
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 7. Holders of sovereign bonds (UAHbn), last 12 months



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 8. Domestic sovereign debt (%) as of 8 Sep 2015



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Table 1. Ukrainian stocks (closing prices as of 8-Sep-2015)

Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/ Assets (%)
ENERGY																											
Cadogan Petrol...	CAD LN	London	11.38 GBp	+2.2	+5.8	+13.8	-2.2	0.17	40.4	-8.7	40.2	16.2	104.2	31.9	0.11	935	Neg.	N/A	N/A	1.3	N/A	N/A	Neg.	N/A	N/A	0.5	15.3
Centrenerg	CEEN UK	Kiev, UX	7.37 UAH	+0.1	+0.6	-2.3	-0.7	0.33	123.2	132.3	21.7	26.8	7.1	13.7	0.03	3,422	38.6	Neg.	6.2	0.4	Neg.	N/A	0.4	0.3	0.2	1.3	4.2
Coal Energy	CLE PW	Warsaw	0.65 PLN	+1.6	-3.0	+4.8	-32.3	0.17	7.7	80.3	25.0	1.9	1.1	1.8	0.08	1,290	Neg.	N/A	N/A	11.0	N/A	N/A	0.7	N/A	N/A	0.3	56.9
Donbasenergo	DOEN UK	Kiev, UX	19.71 UAH	-1.2	+0.8	-40.3	-24.2	0.89	21.1	31.2	14.2	3.0	15.6	4.5	0.22	465	4.6	Neg.	N/A	0.0	9.1	N/A	0.1	0.2	N/A	0.4	13.6
JXK Oil & Gas	JXK LN	London	15.75 GBp	+0.0	-3.1	+31.3	-64.8	0.24	41.7	52.4	47.2	19.7	0.7	57.0	0.79	127	Neg.	Neg.	Neg.	Neg.	1.1	N/A	0.4	0.4	0.7	0.2	9.9
Regal Petroleum	RPT LN	London	4.13 GBp	-8.3	-25.3	+32.0	-43.1	0.06	20.3	-11.5	80.9	16.4	1.0	2.6	0.02	5,212	3.5	6.8	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.2	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	130.00 UAH	+0.0	-3.8	-12.2	+0.8	5.88	75.2	109.3	5.0	3.8	0.0	0.1	0.00	48,125	Neg.	N/A	N/A	0.1	N/A	N/A	0.2	N/A	N/A	0.6	11.6
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	+5.4	-6.9	-54.8	0.00	15.7	1,874.0	3.9	0.6	0.0	0.4	0.01	7,617	Neg.	Neg.	N/A	0.6	Neg.	N/A	2.8	6.3	N/A	N/A	145.5
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.12 UAH	+0.7	+12.9	-35.3	-52.6	0.05	9.9	9.3	4.0	0.4	0.2	1.3	0.30	338	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0
Azovstal	AZST UK	Kiev, UX	0.80 UAH	+0.6	+3.2	+6.7	+19.9	0.04	151.3	100.5	4.1	6.2	0.5	3.0	0.02	5,501	3.6	2.8	N/A	0.0	0.9	N/A	0.1	0.1	N/A	0.2	0.0
Ferrexpo PLC	FXPO LN	London	59.00 GBp	+1.7	-4.5	+20.6	-51.2	0.91	533.8	1,190.4	22.4	119.6	168.9	526.9	0.43	230	3.0	5.4	11.0	3.7	4.6	6.2	0.9	1.2	1.2	1.2	61.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.27 UAH	+0.0	-25.0	-3.6	-46.0	0.01	3.3	4.0	9.0	0.3	0.0	0.2	0.01	19,122	Neg.	8.2	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.1	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	16.88 UAH	+3.4	+3.6	-19.4	-40.4	0.76	8.1	0.5	9.4	0.8	9.3	2.8	0.27	368	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0	N/A	0.2	0.0
FOOD AND AGRIBUSINESS																											
AgroGeneration	ALAGR FP	EN Paris	0.45 EUR	+0.0	-11.8	+4.7	-47.1	0.50	46.4	94.6	34.0	15.8	1.5	33.5	0.10	993	Neg.	Neg.	2.6	Neg.	4.1	3.1	1.3	1.3	1.1	1.0	35.9
Agroliga	AGL PW	Warsaw	10.60 PLN	-4.5	-9.9	+17.8	-35.7	2.80	4.3	5.1	16.7	0.7	0.4	1.3	0.17	590	1.2	N/A	N/A	1.5	N/A	N/A	0.3	N/A	N/A	0.4	5.7
Agroton	AGT PW	Warsaw	1.06 PLN	+0.0	-16.5	-13.8	-49.0	0.28	6.1	33.4	26.2	1.6	0.0	14.4	0.40	247	Neg.	N/A	N/A	1.4	N/A	N/A	0.6	N/A	N/A	0.1	33.4
Astarta Holdin...	AST PW	Warsaw	29.22 PLN	+1.1	-14.1	+46.1	-20.2	7.73	193.2	423.1	31.0	59.9	4.2	64.2	0.09	1,088	Neg.	1,253.9	3.3	3.5	3.9	3.8	1.1	1.1	1.0	0.8	49.6
Avangard	AVGR LI	London Intl	0.30 USD	-11.8	-70.0	-85.4	-96.3	0.30	19.2	281.3	21.7	4.2	11.0	3.7	0.29	349	Neg.	Neg.	Neg.	2.2	5.0	3.5	0.7	0.9	0.9	0.1	33.1
IMC	IMC PW	Warsaw	5.20 PLN	-1.5	-2.8	-8.3	-37.7	1.37	43.0	143.5	23.9	10.3	2.7	11.6	0.03	2,873	Neg.	3.4	1.4	2.5	2.5	2.6	1.0	0.8	0.8	1.6	69.8
Kernel Holding...	KER PW	Warsaw	42.50 PLN	-1.8	-4.0	+49.3	+68.0	11.24	895.4	1,369.9	58.8	526.3	549.6	1,343.1	0.24	425	Neg.	6.4	4.5	6.1	3.4	3.9	0.6	0.6	0.6	1.0	39.1
KSG Agro	KSG PW	Warsaw	0.98 PLN	-6.7	-20.3	-12.5	-40.6	0.26	3.9	68.9	34.4	1.3	13.6	10.7	0.67	150	Neg.	0.2	N/A	6.9	N/A	N/A	2.1	0.6	N/A	N/A	67.4
MHP	MHPC LI	London Intl	9.25 USD	+3.1	-1.7	+0.5	-22.3	9.25	977.4	2,203.2	22.3	218.2	10.8	508.8	0.24	424	Neg.	5.4	3.6	4.0	4.4	4.4	1.6	1.7	1.6	1.5	53.0
Milkiland	MLK PW	Warsaw	1.08 PLN	+5.9	-9.2	-27.0	-77.5	0.29	8.9	122.9	20.0	1.8	8.9	15.5	0.58	173	Neg.	Neg.	Neg.	8.9	5.2	6.4	0.4	0.5	0.5	0.1	42.5
Ovostar Union	OVO PW	Warsaw	84.50 PLN	+3.0	+5.0	+17.4	+19.9	22.34	134.1	144.3	25.0	33.5	59.2	20.7	0.04	2,241	5.3	5.7	8.9	4.9	5.3	6.8	1.9	1.9	2.4	1.6	9.4
CONSTRUCTION																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	-76.0	-85.0	-93.1	0.01	0.7	93.6	13.1	0.1	0.0	0.0	0.09	1,172	Neg.	N/A	N/A	Neg.	N/A	N/A	3.6	N/A	N/A	0.0	41.9
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.09 UAH	-2.3	+4.8	-5.9	-31.3	0.00	122.5	N/A	3.8	4.7	6.0	4.8	0.09	1,076	N/A	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.7	N/A
Ukrsotsbank	USCB UK	Kiev, UX	0.11 UAH	-10.6	+23.5	-19.3	-31.7	0.00	117.3	N/A	4.5	5.3	0.5	1.0	0.02	6,604	Neg.	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.4	38.2

Notes: mln - millions; FF - free float; n/a - not available; neg. - negative; a company name (the left column of the table) is shortened to fit the column and hence in some cases is not displayed in full; *** - P/E is above 10,000x. Sources: Bloomberg, ICU.

FX: News & Comments

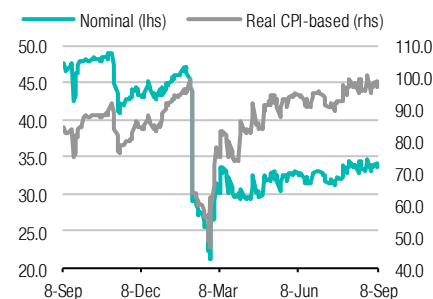
Hryvnia trades within authorities' range as market eyes capital controls ease

The foreign exchange market in Ukraine remains tightly managed. While officials frequently talk of FX reserve accumulation as a prime target of their policymaking, their regime is more of a peg policy as they uphold FX rate stabilisation as the cornerstone of their current reforms agenda. However, these policies create false expectations among the economic agents, particularly as NBU officials increasingly talk of phasing out these capital controls that are disfavored by the business community. Rather, the perceived rate stabilization and unwinding of capital controls are populist-oriented moves that are unsustainable over the mid-term. As a result, the FX rate could be repriced again in 2016, and our analysis yields a fair value range of 25-30/USD by next year or at least six months from now.

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ICU's UAH trade-weighted indices

(Last 12-month history to 9 Sep 2015)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 8 Sep 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)

USD/UAH MARKET (HRYVNIA per US DOLLAR)

Spot mkt	22.2000	+0.91	+1.60	+5.09	+40.33
NBU avg	22.4169	+1.35	+2.84	+6.29	+42.16
Ttl vlm ¹	N/A	N/A	N/A	N/A	N/A
\$ volume ²	N/A	N/A	N/A	N/A	N/A
NDF 3M	25.5470	+4.88	+8.92	+9.33	+51.61
NDF 6M	26.0470	+4.95	+5.01	+5.38	+49.70
NDF 1Y	26.7970	+5.52	+3.84	+7.19	+45.24

TRADE-WEIGHTED INDICES (TWIs, points)

UAH nom'l	33.609	-1.43	-0.40	-2.19	-24.42
UAH real CPI	97.011	-1.43	-0.40	-2.19	+12.10
UAH real PPI	116.667	-1.43	-0.40	-2.19	-0.93
USD nom'l	95.985	-0.25	+0.56	-1.97	+6.33

FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs

USD/RUB	67.9466	-1.70	+1.91	+6.13	+11.87
EUR/USD	1.1203	+0.30	-0.99	+2.62	-7.40
USD/CNY	6.3676	+0.03	+0.05	+2.54	+2.61
USD/PLN	3.7743	-0.44	+0.37	-1.57	+6.51
USD/TRY	3.0112	-0.72	+2.75	+8.40	+28.96
USD/BYR	17,823.00	+0.33	+2.41	+13.52	+62.03
USD/KZT	244.4500	+0.53	+2.08	+30.26	+34.06

OTHER MAJOR CURRENCIES

USD/JPY	119.8100	+0.44	+0.37	-4.00	+0.03
GBP/USD	1.5396	+0.78	+0.60	-0.70	-1.16
USD/CHF	0.9791	+0.41	+2.12	-0.26	-1.53
AUD/USD	0.7017	+1.34	-0.03	-4.82	-14.17
USD/CAD	1.3208	-0.74	-0.38	+0.67	+13.66
USD/BRL	3.8208	+2.15	+3.30	+8.94	+43.77
USD/KRW	1,200.72	-0.27	+2.48	+2.85	+10.06

COMMODITIES

Gold(\$/oz)	1,121.55	+0.19	-1.64	+2.65	-5.34
WTI crude ³	45.94	+0.00	+1.17	+0.00	-13.76
Brent crd ³	48.24	+2.86	+1.43	-2.05	-13.49
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	198.39	-0.06	+1.22	+0.03	-13.73

Notes: [1] trading volume in all foreign currencies (US\$m); [2] trading volume in the pair USD/UAH (US\$m); [3] crude oil price (USD per barrel); [4] the Thomson Reuters/Jefferies CRB Index. A green/-red-shaded box means gain or loss, respectively, of the investment into the asset. Currencies are gaining when their exchange rates strengthen versus USD.

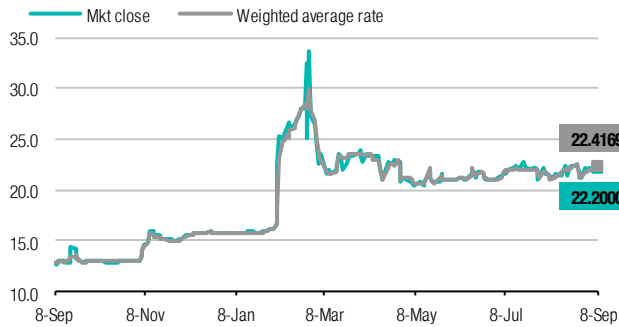
Sources: Bloomberg, Investment Capital Ukraine LLC.

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#) and Bloomberg (type: ALLX UTWI <GO>).

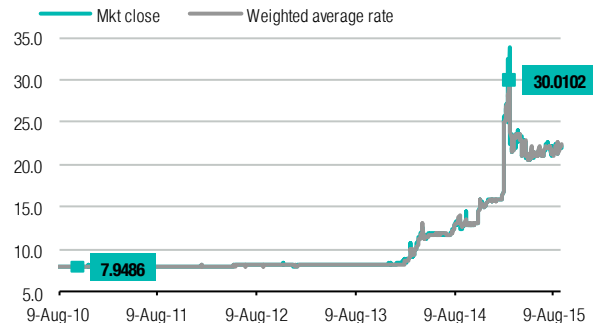
Section on FX market is continued on next page.

Chart page #1: Foreign-exchange market

Chart 9. Spot market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

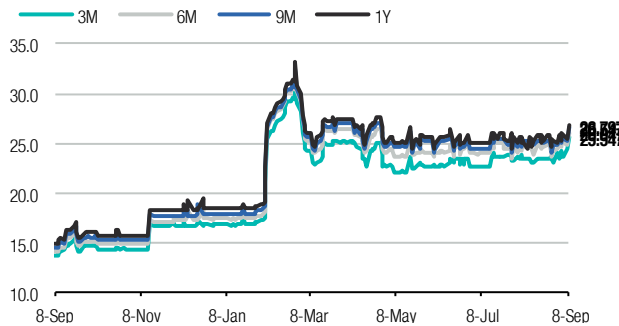


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

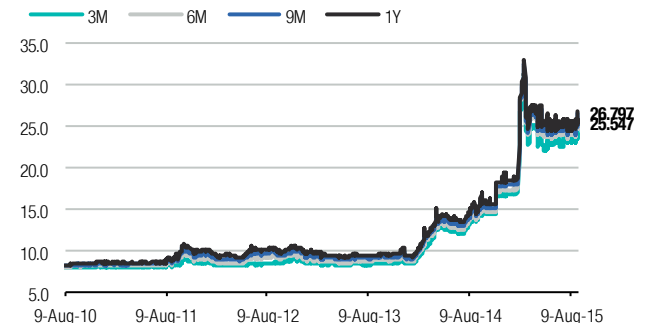


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 10. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

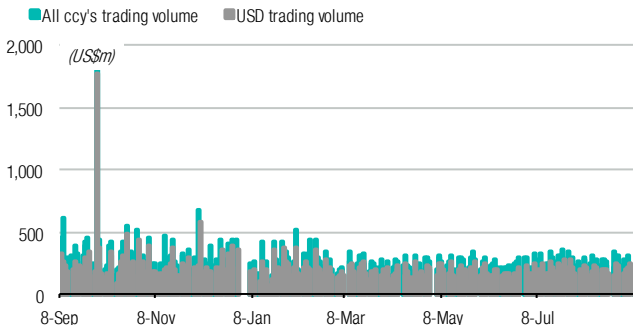


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

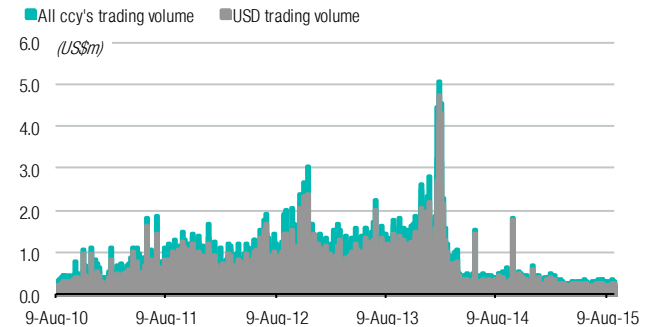


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)

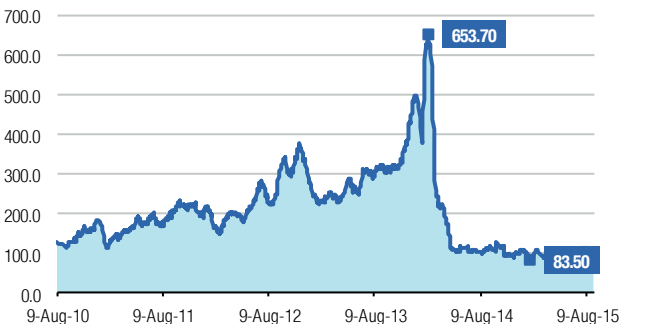


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 12. 30D MA* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)

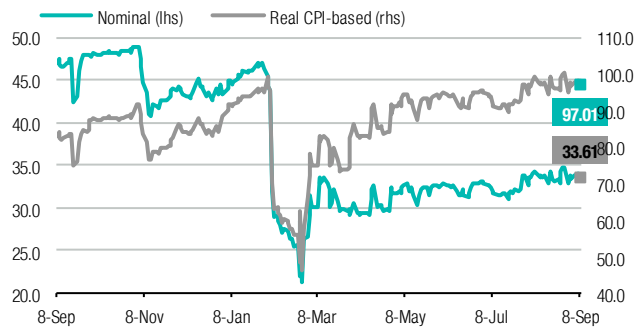


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

Chart page #2: ICU's UAH trade-weighted indices

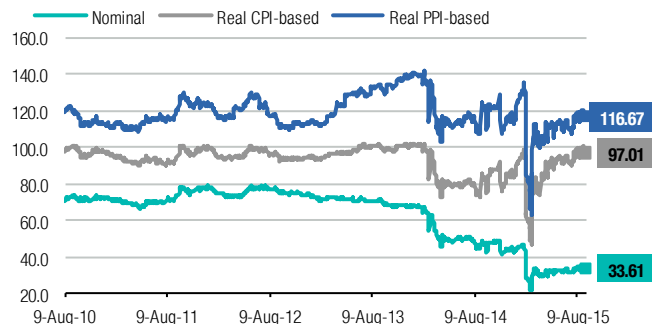
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

Chart 13. Nominal and CPI-based real TWIs of UAH, history of last 12-month period



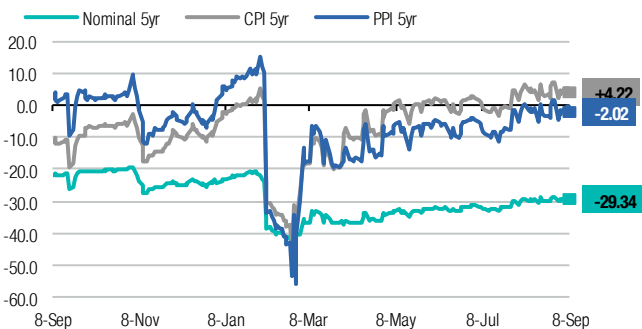
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

Chart 14. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period

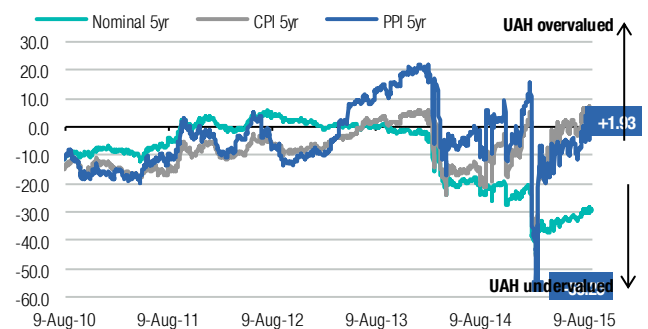


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

Chart 15. Deviation of UAH trade-weighted indices from their 5-year moving averages: last 12-month and 5-year periods (% , left and right respectively)

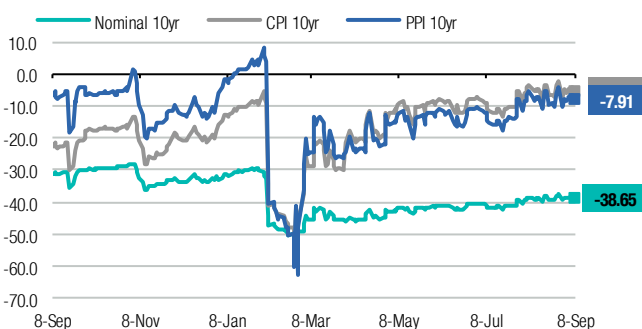


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

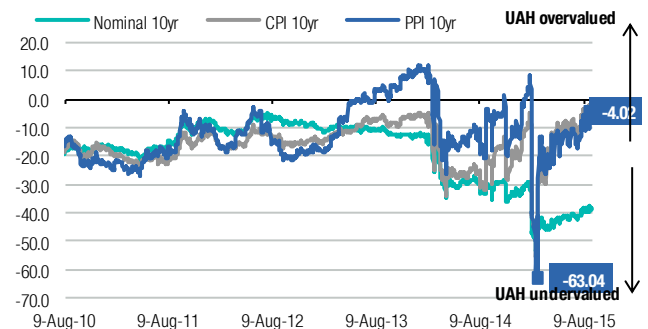


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

Chart 16. Deviation of UAH trade-weighted indices from their 10-year moving averages: last 12-month and 5-year periods (% , left and right respectively)



Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.



Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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Disclosures

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This research publication has been prepared by the analyst(s), whose name(s) appear on the front page of this publication. The analyst(s) hereby certifies that the views expressed within this publication accurately reflect her/his own views about the subject financial instruments or issuers and no part of her/his compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views within this research publication.

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Buy: Forecasted 12-month total return greater than 20%

Hold: Forecasted 12-month total return 0% to 20%

Sell: Forecasted 12-month total return less than 0%

Note: total return is share price appreciation to a target price in relative terms plus forecasted dividend yield.

DEBT RATING DEFINITIONS

Buy: Forecasted 12-month total return significantly greater than that of relevant benchmark

Hold: Forecasted 12-month total return is in line with or modestly deviates from relevant benchmark

Sell: Forecasted 12-month total return significantly less than that of relevant benchmark



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