



Focus  
**Ukraine**

Scope  
**Economics, bonds, equity & FX markets**

Research team  
**Taras Kotovych**

# Daily Insight

## Primary auction announcement

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**TUESDAY, 27 SEPTEMBER 2016**

### UX Index (3 months to 27 Sep 2016)



Source: UX.

### Key market indicators (as of 26 Sep 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	25.9100	-0.27	+7.83
USD/UAH (1Y NDF)	29.9600	-0.23	+17.51
EUR/USD	1.1254	+0.25	+3.61
USD/RUB	63.9663	-0.18	-11.80
KievPRIME O/N (%)	14.83	+33bp	-423bp
KievPRIME 1M (%)	17.33	+8bp	-492bp
<b>SOVEREIGN EUROBONDS: yields and spreads</b>			
Ukraine 15, Eurobond (%)	N/A	+0bp	+0bp
Ukraine 17, Eurobond (%)	29.14	+26bp	+0bp
Ukraine 22, Eurobond (%)	12.32	-1bp	+0bp
Ukraine 23, Eurobond (%)	11.85	+0bp	+0bp
Ukraine 5Y CDS	N/A		
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	829.92	+1.93	+21.00
MSCI World	416.20	-0.91	+4.22
MSCI EM	905.49	-1.31	+14.02
RTS (Russia)	986.83	-0.72	+30.35
WIG-20 (Poland)	1,740.05	-1.27	-6.41
S&P 500 (USA)	2,146.10	-0.86	+5.00

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

## NBU supports liquidity

Last Friday, the NBU significantly increased ON loans to UAH1.6bn to two banks from the usual UAH100-200m, pushing banking sector liquidity up UAH1.37bn to UAH76.19bn yesterday. Banks' correspondent accounts with the NBU rose UAH1.50bn to UAH41.72bn while total CDs outstanding slid UAH0.13bn to UAH34.47bn.

**Investment implications: The NBU purchased UAH17.4m of FX at yesterday's auction and injected UAH0.45bn of liquidity. Without the UAH1.6bn refinancing of ON loans issued last Friday, liquidity would have declined significantly. Also, the MoF should continue to absorb liquidity via month-end tax payments which increased state budget revenues last Friday by more than twice the daily average amount. As the VAT refund remains at the same level as before, liquidity could decline to about UAH70bn without new injections by the end of the week.**

**Taras Kotovych, Kiev, +38044 2200120 ext.724**

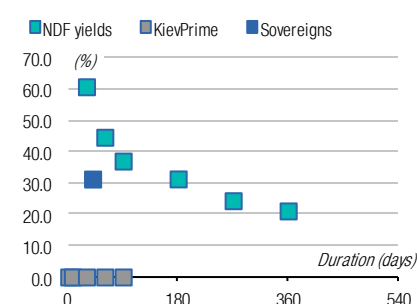
## Primary auction announcement

Although the MoF will offer its four usual bonds today, it also announced an offering of USD-indexed bonds, not originally scheduled for today's auction, to refinance UAH1.94bn (par value at the issue date) of indexed bonds issued in October 2011 and sold to 12 bidders. We anticipate that the interest rate will be the same as in August at 6.50% or as low as 6.0%. Demand for this bond could be significant as the UAH/USD exchange rate has changed dramatically since the issuance - it could be as high as UAH6.0bn. At the same time, the usual local currency bonds should see no significant demand, and interest rates should remain unchanged, probably in the yield curve range of 15-16%.

**Taras Kotovych, Kiev, +38044 2200120 ext.724**

## Yield curve of the local bond market

(as of market close on 26 Sep 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 26 Sep 2016)

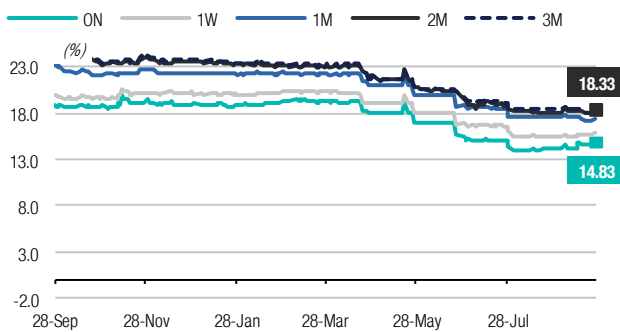
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
O/n	14.83	+33bp	+33bp	+70bp	-423bp
1wk	15.83	+8bp	+8bp	+33bp	-417bp
1m	17.33	+8bp	+8bp	-17bp	-492bp
2m	18.00	+0bp	+0bp	+0bp	-550bp
3m	18.33	+33bp	+33bp	-17bp	-542bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	41,719	-4.13	-7.01	-2.20	+3.99
CDs <sup>2</sup>	34,468	-20.95	-20.47	-25.25	-68.61
Sovgns <sup>3</sup>	9,728	+0.00	-0.64	+33.10	+106.2
<b>Total</b>	<b>85,914</b>	<b>-10.41</b>	<b>-11.59</b>	<b>-9.08</b>	<b>-40.78</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	367,011	+0.00	+0.00	-1.05	-3.37
Banks	150,662	+0.09	+2.28	+3.13	+84.86
Resid's <sup>4</sup>	13,772	-2.87	-2.51	-3.44	-36.29
Non-res <sup>5</sup>	18,759	-0.31	+0.00	+1.98	-16.16
<b>Total</b>	<b>550,205</b>	<b>-0.06</b>	<b>+0.55</b>	<b>+0.11</b>	<b>+8.95</b>
<b>NDF IMPLIED YIELDS (%)</b>					
3m	N/A	N/A	N/A	N/A	N/A
6m	N/A	N/A	N/A	N/A	N/A
9m	N/A	N/A	N/A	N/A	N/A
1yr	N/A	N/A	N/A	N/A	N/A
<b>LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)</b>					
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 <sup>6</sup>	N/A	N/A	N/A	N/A	N/A
<b>EUROBONDS USD SOVEREIGN BOND YIELDS (%)</b>					
CDS 5yr	N/A	N/A	N/A	N/A	N/A
Jun '16	N/A	+114bp	+0bp	+0bp	+0bp
Jul '17	29.14	+26bp	+0bp	+0bp	+0bp
Sep '20	14.02	+4bp	+0bp	+0bp	+0bp
Sep '21	14.22	+0bp	+0bp	+0bp	+0bp
Sep '22	12.32	-1bp	+0bp	+0bp	+0bp
Feb '23	11.85	+0bp	+0bp	+0bp	+0bp

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.

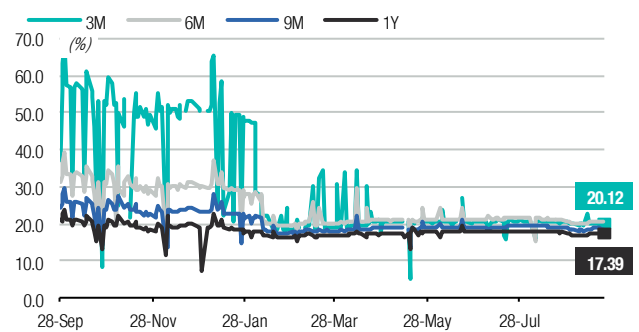
Chart page: Local bond market & Eurobond markets

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



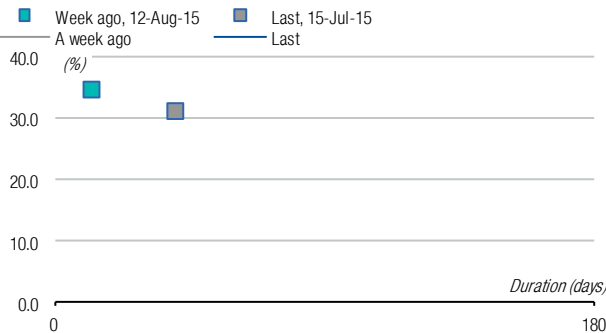
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



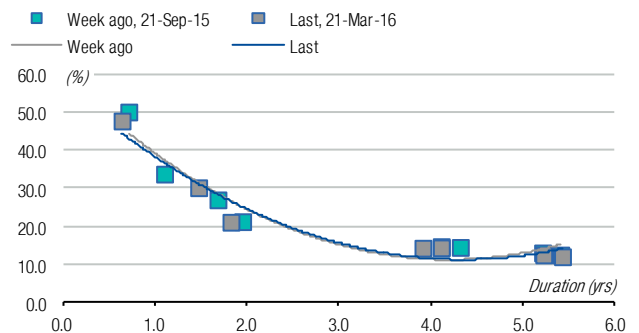
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 26 Sep 2016



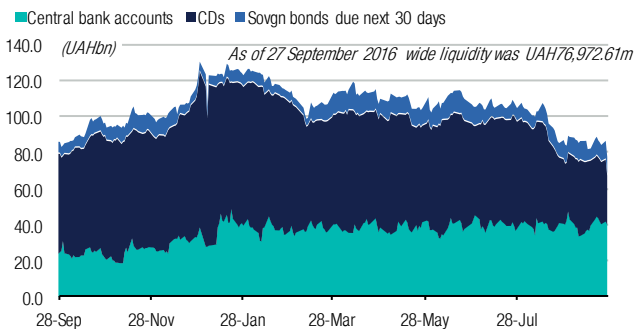
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 26 Sep 2016



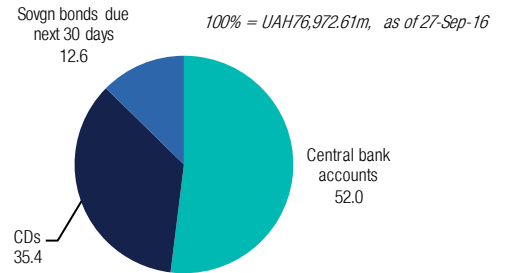
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



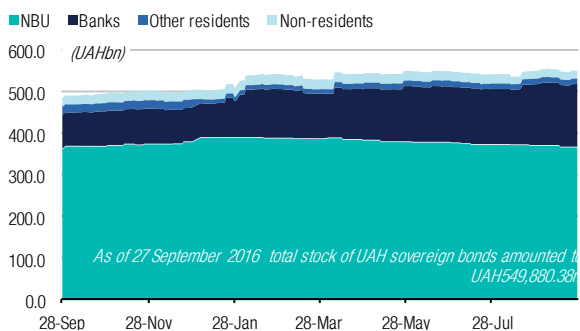
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 26 Sep 2016



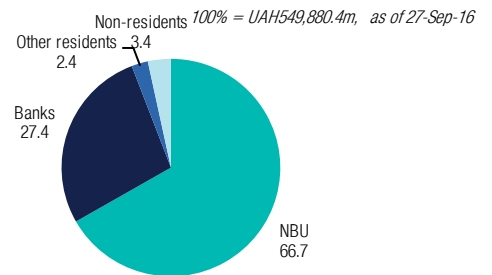
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 26 Sep 2016



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

Table 1. Ukrainian stocks (closing prices as of 26-Sep-2016)

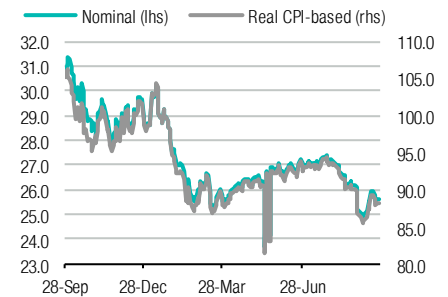
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
<b>ENERGY</b>																											
Cadogan Petrol...	CAD LN	London	6.88 GBp	-5.2	-8.3	-15.4	-42.1	0.09	20.6	-19.7	40.2	8.3	3.7	1.9	0.04	2,242	Neg.	N/A	N/A	2.2	N/A	N/A	Neg.	N/A	N/A	0.4	17.5
Centrenergo	CEEN UK	Kiev, UX	10.14 UAH	-0.7	+22.1	+122.2	+70.2	0.39	144.2	126.2	21.7	31.3	13.9	12.3	0.04	2,439	171.3	5.6	6.2	0.4	2.9	3.1	0.5	0.4	0.3	1.2	3.4
Coal Energy	CLE PW	Warsaw	0.71 PLN	+9.2	+42.0	+34.0	+12.7	0.19	8.4	80.4	25.0	2.1	13.4	1.7	0.14	692	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	13.50 UAH	-0.7	+5.8	-14.3	-26.6	0.52	12.3	23.4	14.2	1.7	1.8	1.5	0.06	1,630	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.7	4.2
JXK Oil & Gas	JXK LN	London	19.00 GBp	+0.0	-2.6	-30.3	+8.6	0.25	42.4	47.8	47.2	20.0	0.2	4.2	0.01	9,504	Neg.	Neg.	6.5	Neg.	2.2	1.5	0.5	0.6	0.6	0.2	13.0
Regal Petroleum	RPT LN	London	3.46 GBp	+0.0	+15.3	-7.7	-12.6	0.04	14.4	-18.7	80.9	11.7	0.0	1.0	0.01	12,245	Neg.	Neg.	7.2	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	0.2	0.0
Sadova Group	SGR PW	Warsaw	0.19 PLN	-5.0	-5.0	-36.7	-36.7	0.05	2.1	43.3	25.0	0.5	0.6	0.6	0.03	3,095	Neg.	N/A	N/A	Neg.	N/A	N/A	41.8	N/A	N/A	N/A	239.6
Zakhidenergo	ZAEN UK	Kiev, PFTS	64.00 UAH	+6.8	+12.9	-23.8	-50.8	2.46	31.5	61.5	5.0	1.6	4.1	0.3	0.02	5,155	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.4	11.6
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+5.6	+58.3	-14.6	-30.3	0.00	9.4	2,383.5	3.9	0.4	0.3	0.2	0.03	2,934	Neg.	Neg.	Neg.	14.5	25.1	22.7	7.9	7.1	7.5	N/A	192.1
Ferrexpo PLC	FXPO LN	London	77.00 GBp	-5.5	+12.4	+258.1	+115.4	1.00	588.5	1,340.5	22.4	131.8	989.6	1,320.3	0.87	115	17.8	4.2	5.0	9.7	4.8	6.1	1.4	1.5	1.5	2.0	73.7
Yasynivsky Cok...	YASK UK	Kiev, UX	0.20 UAH	+0.0	-0.5	-13.5	+10.6	0.01	2.1	2.7	9.0	0.2	0.0	0.2	0.22	446	Neg.	N/A	N/A	Neg.	N/A	N/A	0.0	N/A	N/A	0.0	0.0
<b>FOOD AND AGRIBUSINESS</b>																											
AgroGeneration	ALAGR FP	EN Paris	0.33 EUR	+0.0	-5.7	-17.5	-29.8	0.37	36.9	75.6	34.0	12.5	25.8	38.4	0.22	445	Neg.	9.1	2.3	4.1	3.8	2.6	1.1	1.1	0.9	0.5	40.7
Agroliga	AGL PW	Warsaw	15.86 PLN	+1.0	+8.3	+39.4	+39.1	4.15	6.4	7.6	16.7	1.1	0.7	1.6	0.23	442	2.1	N/A	N/A	2.1	N/A	N/A	0.4	N/A	N/A	0.6	10.7
Agrotron	AGT PW	Warsaw	3.27 PLN	-6.6	+33.5	+223.8	+208.5	0.86	18.6	27.1	26.2	4.9	99.9	150.7	3.62	28	Neg.	2.3	2.1	1.2	1.8	1.4	0.6	0.8	0.7	0.4	32.4
Astarta Holdin...	AST PW	Warsaw	52.90 PLN	+1.5	+1.1	+53.3	+101.8	13.85	346.3	507.9	31.0	107.4	28.2	166.3	0.26	391	19.3	4.1	3.7	3.9	3.3	3.7	1.4	1.3	1.2	1.0	41.5
Avangard	AVGR LI	London Intl	0.75 USD	+56.3	+25.0	-40.0	-15.6	0.75	47.9	386.9	21.7	10.4	13.9	8.6	0.08	1,280	Neg.	Neg.	1.2	Neg.	Neg.	11.1	1.7	3.0	2.3	0.3	53.9
IMC	IMC PW	Warsaw	6.79 PLN	+2.9	-5.7	+13.7	+35.8	1.78	55.6	135.7	23.9	13.3	4.3	15.8	0.13	788	3.7	2.8	2.2	2.0	2.4	2.8	1.0	1.0	0.9	0.9	56.8
Kernel Holding...	KER PW	Warsaw	62.30 PLN	-1.0	+6.3	+29.5	+36.3	16.31	1,299.9	1,738.7	58.8	764.0	1,031.4	1,731.1	0.18	567	12.2	5.9	2.3	4.4	5.0	4.6	0.7	0.8	0.7	1.4	32.0
KSG Agro	KSG PW	Warsaw	2.03 PLN	-1.5	+5.7	+118.3	+111.5	0.53	8.0	71.3	34.4	2.7	1.0	30.1	1.13	89	Neg.	N/A	N/A	7.1	N/A	N/A	2.2	N/A	N/A	N/A	67.4
MHP	MHPC LI	London Intl	9.35 USD	+0.5	-1.6	+0.5	+1.6	9.35	988.0	2,257.5	22.3	220.5	513.0	314.6	0.13	772	Neg.	6.0	4.2	4.9	5.5	5.1	1.9	1.7	1.6	1.3	61.6
Milkiland	MLK PW	Warsaw	2.10 PLN	-0.9	+7.7	+47.9	+110.0	0.55	17.2	138.3	20.0	3.4	8.4	30.7	0.68	148	Neg.	Neg.	Neg.	Neg.	17.3	8.9	0.6	0.8	0.6	0.4	57.6
Ovostar Union	OVO PW	Warsaw	92.85 PLN	-0.2	-0.2	+2.6	+4.3	24.31	145.9	153.6	25.0	36.5	4.6	37.4	0.00	23,390	4.7	5.1	4.7	4.4	4.5	4.0	2.0	1.9	1.6	1.9	16.9
<b>TRANSPORTATION</b>																											
KDM Shipping	KDM PW	Warsaw	1.66 PLN	-3.5	-7.8	-63.8	-33.6	0.43	4.0	-11.7	10.9	0.4	0.2	1.2	0.28	360	Neg.	N/A	N/A	4.0	N/A	N/A	Neg.	N/A	N/A	0.1	8.9
<b>CONSTRUCTION</b>																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	+0.0	-85.7	-16.7	0.01	0.6	93.5	13.1	0.1	0.0	0.0	0.01	7,142	Neg.	N/A	N/A	Neg.	N/A	N/A	3.6	N/A	N/A	0.0	41.9
<b>FINANCIAL SERVICES</b>																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.12 UAH	+1.8	+12.4	+55.8	+47.9	0.00	277.7	N/A	3.8	10.6	1.4	4.7	0.05	1,824	Neg.	4.7	5.5	N/A	N/A	N/A	N/A	N/A	N/A	1.0	14.4
UkrSotsbank	USCB UK	Kiev, UX	0.09 UAH	+4.2	+54.8	-8.9	-10.0	0.00	399.8	N/A	4.5	17.9	0.6	0.3	0.00	71,761	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.5	24.3

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

## ICU's UAH trade-weighted indices

(Last 12-month history to 27 Sep 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 26 Sep 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	25.9100	-0.27	+0.60	+1.69	+7.83
NBU avg	25.9015	-0.34	+0.52	+1.80	+8.87
Ttl vlm <sup>1</sup>	324.75	+5.94	+29.37	+0.70	-10.60
\$ volume <sup>2</sup>	222.87	+8.31	+33.71	+4.87	-11.23
NDF 3M	27.1710	-0.25	+0.60	+1.59	+0.00
NDF 6M	28.4600	-0.25	+0.55	+1.53	+3.39
NDF 1Y	29.9600	-0.23	+0.52	+1.46	+17.51
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	25.620	+0.18	-1.22	-2.21	-10.41
UAH real CPI	88.184	+0.18	-1.22	-2.21	-9.99
UAH real PPI	118.944	+0.18	-1.22	-2.21	-8.78
USD nom'l	95.297	-0.19	-0.57	-0.28	-3.38
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	63.9663	-0.18	-1.04	-0.96	-11.80
EUR/USD	1.1254	+0.25	+0.71	+0.50	+3.61
USD/CNY	6.6689	-0.01	+0.01	-0.01	+2.70
USD/PLN	3.8210	-0.28	-0.72	-1.32	-2.60
USD/TRY	2.9811	+0.41	+0.16	+0.93	+2.19
USD/BYR	19,315.00	+0.21	-1.00	-1.00	+3.69
USD/KZT	337.3000	-0.17	-0.63	-0.65	-0.97
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	100.3300	-0.68	-1.57	-1.48	-16.54
GBP/USD	1.2975	+0.07	-0.42	-1.23	-11.95
USD/CHF	0.9692	-0.12	-1.12	-0.92	-3.28
AUD/USD	0.7636	+0.17	+1.35	+0.95	+4.80
USD/CAD	1.3227	+0.42	+0.18	+1.72	-4.42
USD/BRL	3.2424	-0.05	-0.93	-0.71	-18.14
USD/KRW	1,107.91	+0.50	-0.91	-0.53	-5.71
<b>COMMODITIES</b>					
Gold(\$/oz)	1,337.95	+0.02	+1.89	+1.27	+26.05
WTI crude <sup>3</sup>	45.93	+3.61	+6.07	-3.59	+24.00
Brent crd <sup>3</sup>	45.67	+1.81	+1.92	-7.04	+27.75
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	184.98	+1.03	+1.84	-0.61	+5.02

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>).

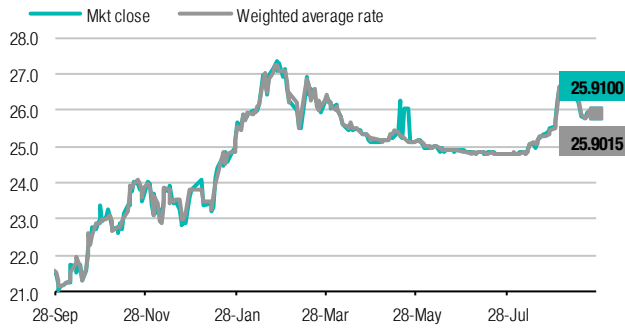
Section on FX market is continued on next page.

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.

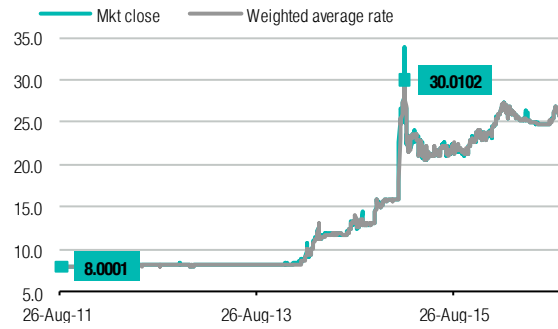
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

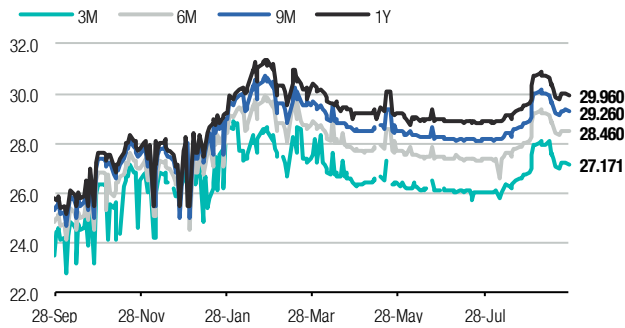


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

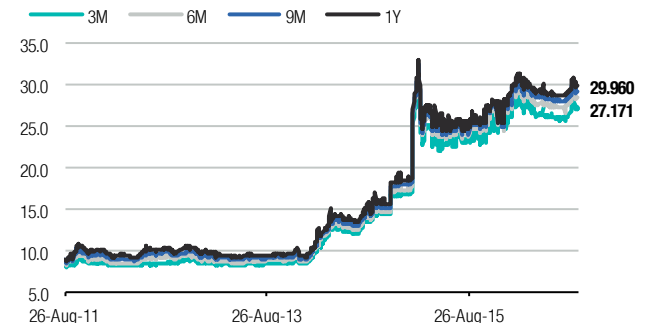


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

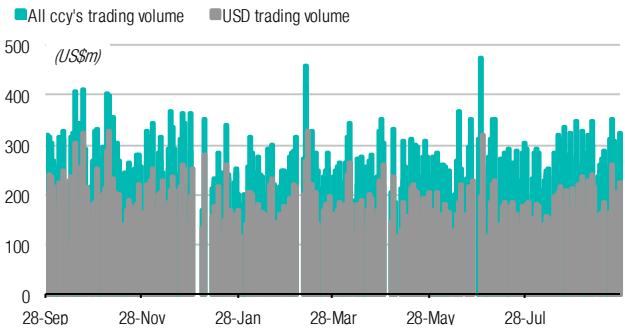


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

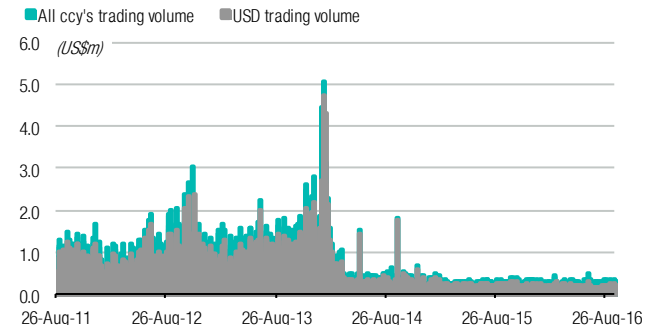


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

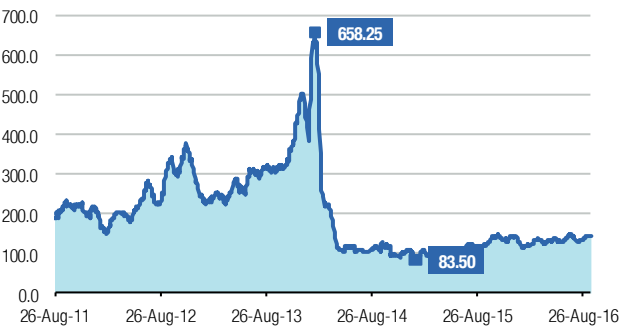
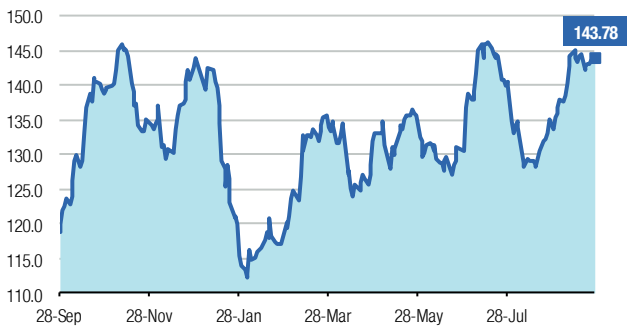


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

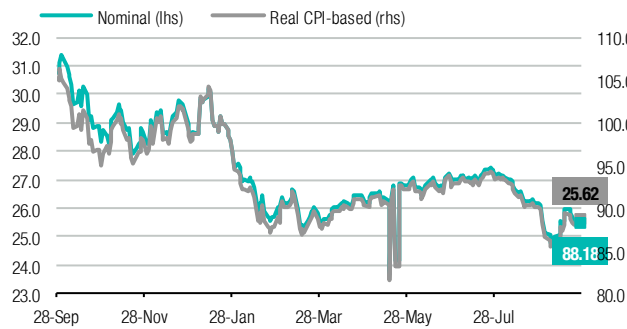


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

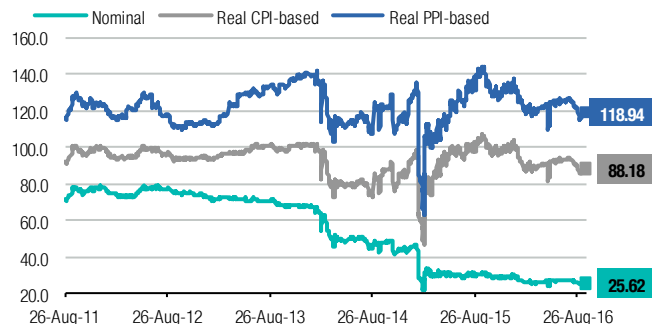
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



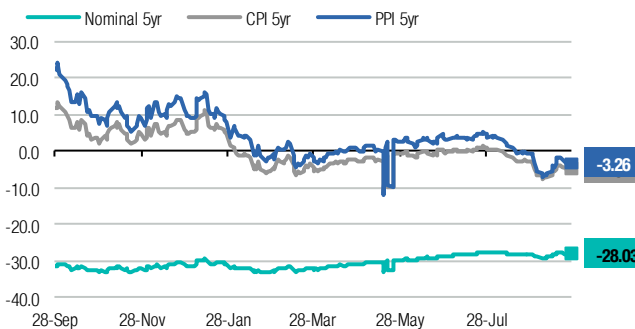
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

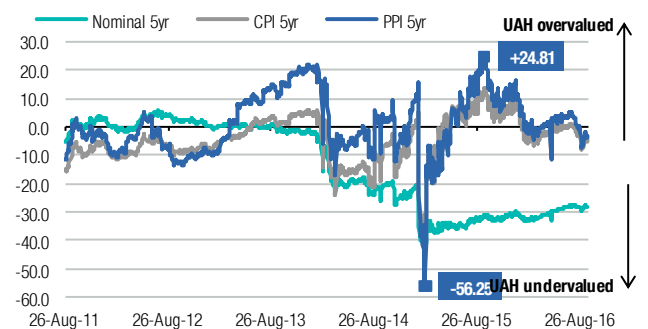


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

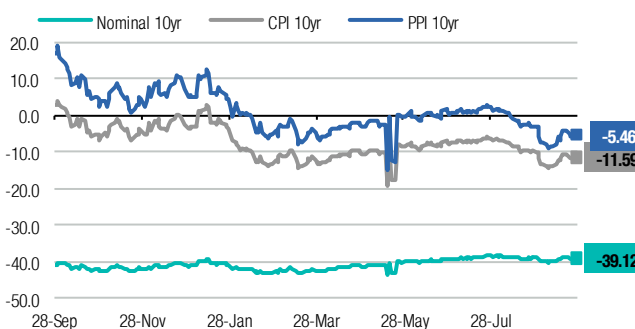


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

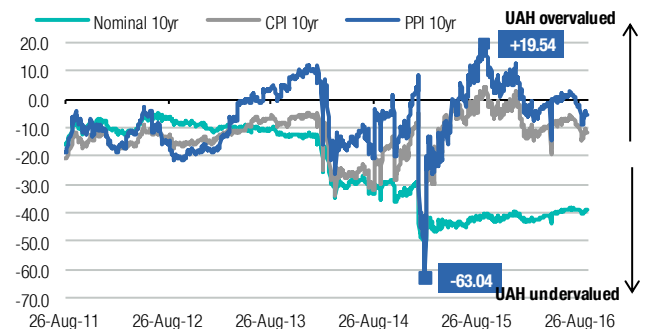


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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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**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



11th floor, LEONARDO Business Centre  
19-21 Bogdan Khmelnytsky Street  
Kiev, 01030 Ukraine  
Phone/Fax +38 044 2200120

**WEB** [www.icu.ua](http://www.icu.ua)



[@ICU\\_UA](https://twitter.com/ICU_UA)

## CORPORATE FINANCE

**Makar Paseniuk, CFA**, Managing Director  
[makar.paseniuk@icu.ua](mailto:makar.paseniuk@icu.ua)

**Roman Nikitov, ACCA** Director  
[roman.nikitov@icu.ua](mailto:roman.nikitov@icu.ua)

**Ruslan Kilmukhametov**, Director  
[ruslan.kilmukhametov@icu.ua](mailto:ruslan.kilmukhametov@icu.ua)

**Ivan Shvydanenko**, Director  
[ivan.shvydanenko@icu.ua](mailto:ivan.shvydanenko@icu.ua)


**Yuriy Kamarytskyi**, Vice President  
[yuriy.kamarytskyi@icu.ua](mailto:yuriy.kamarytskyi@icu.ua)

**Ruslan Patlavsky**, Director  
[ruslan.patlavsky@icu.ua](mailto:ruslan.patlavsky@icu.ua)

## STRATEGY AND CORPORATE DEVELOPMENT

**Vlad Sinani**, Director  
[vlad.sinani@icu.ua](mailto:vlad.sinani@icu.ua)

## SALES AND TRADING

**Konstantin Stetsenko**   
Managing Director  
[konstantin.stetsenko@icu.ua](mailto:konstantin.stetsenko@icu.ua)


**Sergiy Byelyayev**  
Fixed-Income Trading  
[sergiy.byelyayev@icu.ua](mailto:sergiy.byelyayev@icu.ua)


**Vitaliy Sivach**   
Fixed-Income & FX Trading  
[vitaliy.sivach@icu.ua](mailto:vitaliy.sivach@icu.ua)

**Liliya Kubytovych**   
Asset Management Product Sales  
[liliya.kubytovych@icu.ua](mailto:liliya.kubytovych@icu.ua)

**Yevgeniya Gryshchenko**  
Fixed-Income Sales  
[yevgeniya.gryshchenko@icu.ua](mailto:yevgeniya.gryshchenko@icu.ua)


## RESEARCH DEPARTMENT

**Alexander Valchyshen**   
Head of Research  
[alexander.valchyshen@icu.ua](mailto:alexander.valchyshen@icu.ua)

**Alexander Martynenko**   
Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

**Bogdan Vorotilin**   
Financial analyst (Food & Agribusiness)  
[bogdan.vorotilin@icu.ua](mailto:bogdan.vorotilin@icu.ua)

**Taras Kotovych**   
Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

**Mykhaylo Demkiv**   
Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@icu.ua)

**Lee Daniels, Rolfe Haas**  
Editors

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