



Focus  
**Ukraine**

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

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# Daily Insight

## Key economic sector stats in August

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**TUESDAY, 23 SEPTEMBER 2014**

### UX Index (3 months to 23 Sep 2014)



Source: UX.

### Key market indicators (as of 22 Sep 2014)

|  | Last     | Daily chg (%) | YTD chg (%) |
|--|----------|---------------|-------------|
| <b>FX &amp; MONEY RATES</b>                    |          |               |             |
| USD/UAH  | 14.1750  | -1.56         | +72.03      |
| USD/UAH (1Y NDF)                               | 16.7500  | +2.45         | +77.81      |
| EUR/USD  | 1.2849   | +0.16         | -6.51       |
| USD/RUB  | 38.6925  | +0.69         | +17.72      |
| KievPRIME O/N (%)                              | 8.40     | -10bp         | +60bp       |
| KievPRIME 1M (%)                               | 15.60    | -23bp         | -65bp       |
| <b>SOVEREIGN EUROBONDS: yields and spreads</b> |          |               |             |
| Ukraine 15, Eurobond (%)                       | 17.69    | -64bp         | +933bp      |
| Ukraine 17, Eurobond (%)                       | 14.69    | +73bp         | +513bp      |
| Ukraine 22, Eurobond (%)                       | 10.35    | +7bp          | +100bp      |
| Ukraine 23, Eurobond (%)                       | 10.37    | +7bp          | +132bp      |
| Ukraine 5Y CDS                                 | 1,183bp  | +1bp          | +366bp      |
| <b>EQUITIES</b>                                |          |               |             |
| <b>Stock market indices</b>                    |          |               |             |
| UX (Ukraine)                                   | 1,078.32 | +3.25         | +18.49      |
| MSCI World                                     | 424.56   | -0.85         | +3.92       |
| MSCI EM  | 1,040.29 | -1.29         | +3.75       |
| RTS (Russia)                                   | 1,151.16 | -1.63         | -20.21      |
| WIG-20 (Poland)                                | 2,515.79 | -0.94         | +4.78       |
| S&P 500 (USA)                                  | 1,994.29 | -0.80         | +7.90       |

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.

# Economics: News & Comments

## Key economic sector stats in August

According to official statistical reports on the key economic sectors released over the past week through yesterday, real GDP declined 2.9% YoY in 1H14, signalling a deepening recession, and it is expected to deepen further in the second half in real terms than was seen during the first half. The Crimean annexation and ongoing Donbass war that raged until the recent ceasefire agreement heavily damaged economic activity in the Donbass region.

In August, industrial production nearly halted in the Luhansk oblast, while in Donetsk it nearly halved as steel mills in the city of Mariupol remained under Kiev's control and was free of active military battles. As the chart below shows, in seasonally adjusted terms (SA'd), the industrial production index reached a record low this August. Historical data beginning from December 2006 was at 65 points. At the end of 2008, it dropped as low as 70 points. (Note: back in 2008, this data accounted for Crimea, which had an IP sector share of 2.4%).

Retail trade also declined as high inflation eroded purchasing power. The seasonally adjusted monthly volume of retail trade (excluding open market retail trade) slowed further in August from the previous month by accelerated rate of 5.4% MoM or 19.4% YoY.

In transport, seasonally adjusted cargo deliveries experienced a very sharp drop in year-on-year terms in August of 25.0%, being more or less steady over the entire year so far. Seasonally adjusted passenger transportation data also showed a double-digit decline last month of 20.9% YoY, albeit it has steadily declined since March due to the Crimea annexation and then the Donbass war.

The construction sector hit a record low by volume of work done last month, down 33.5% YoY seasonally adjusted.

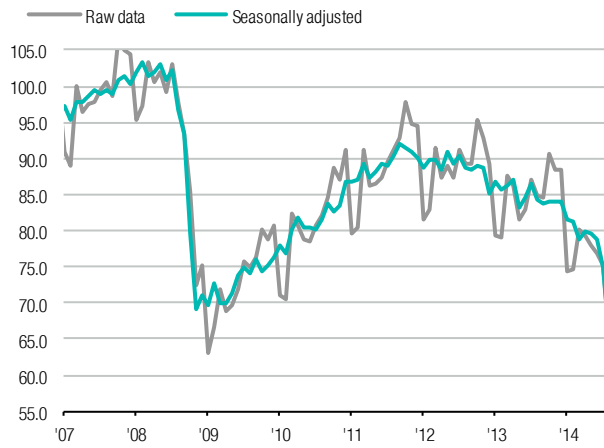
The entire services sector was also down seasonally adjusted as the monthly volume of services in August (at constant prices) dropped 0.9% MoM and 9.8% YoY.

In sum, the economy appears braced for a sharp fall in 2H14 of 15% YoY and a 9-10% decline in 2014. If the Donbass war resumes or the Kremlin starts a surprise event of geopolitical aggressiveness that further undermines Ukraine's economy, we would downwardly revise our forecast of the real GDP contraction in 2014 toward the 10-12% range.

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**Chart 1. Monthly industrial production index**

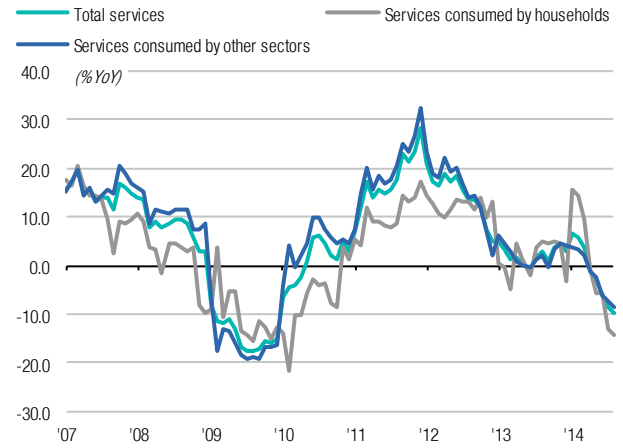
History from January 2007 through August 2014



Source: State Statistics Committee of Ukraine, ICU.

**Chart 2. On-year change in the SA'd monthly volume of services**

History from January 2007 through August 2014



Source: State Statistics Committee of Ukraine, ICU.

# Bonds: News & Comments

## Liquidity slightly volatile

With slight volatility over the last several sessions at about UAH55.00bn, banking sector liquidity slightly rose UAH0.85bn to UAH55.00bn yesterday. Banks' correspondent accounts have declined since last Wednesday, down UAH0.83bn yesterday to UAH31.86bn, while the NBU significantly increased its CDs outstanding by UAH1.68bn to UAH16.74bn, setting a new record high this month. Total local currency debt repayments scheduled for the next 30 days remained steady at UAH6.41bn yesterday.

KyivPrime interest rates only slightly declined: the KyivPrime ON interest rate slid 10bp to 8.40% while the KyivPrime 1M interest rate declined 23bp to 15.60%.

**Investment implications:** As the NBU tightened its FX policy, month-end tax payments that began yesterday could be completed more toward the beginning of next week. As the MoF held no unscheduled auctions with domestic QE support, liquidity mostly remained steady. At the same time, the NBU last Friday issued UAH1.44bn of new loans, UAH1.31bn of which were issued for 89 days to six banks. These loans appear to have funded broader banking sector liquidity, but the NBU absorbed UAH1.68bn of liquidity from other banks via CDs. As mentioned above, a portion of month-end tax payments could decrease liquidity this week despite support.

## Eurobond YTM's diverge

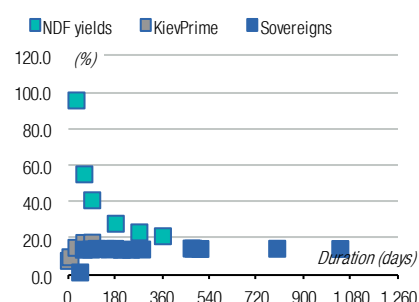
At yesterday's close, the yield curve adjusted to the range of 10.36-17.69% as UKRAIN 6.875% '15 slid 23bp to 17.69%, while UKRAIN 6.58% '16 was up 12bp to 14.15%, UKRAIN 6.75% '17 rose 66bp to 12.83%, and UKRAIN 9.25% '17 rose 71bp to 14.69%, UKRAIN 7.95% '21 was up 6bp to 10.86%, UKRAIN 7.80% '22 and UKRAIN 7.50% '23 increased 7bp to 10.36% and 10.38%, respectively. The 5-year CDS rose to 1,183bp.

**Investment implications:** Ukrainian Eurobond YTM's remained very high last week due to the ongoing conflict in eastern Ukraine and delays in gas talks. With additional pressure from Naftogaz's government-guaranteed Eurobond redemption scheduled next week, yields are expected to remain at their current levels.

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## Yield curve of the local bond market

(as of market close on 22 Sep 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 22 Sep 2014)

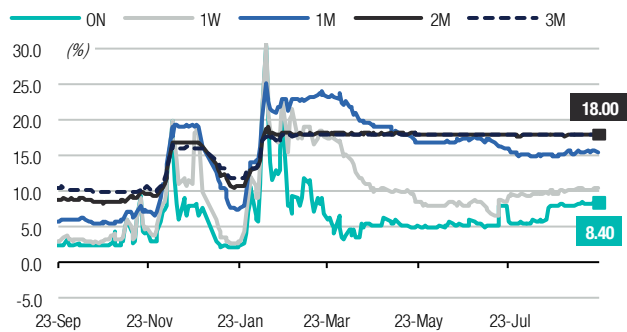
|   | Last          | Daily chg (%) | Weekly chg (%) | MoM chg (%)   | YTD chg (%)   |
|---|---------------|---------------|----------------|---------------|---------------|
| <b>MONEY MARKET KIEV PRIME RATES (%)</b>            |               |               |                |               |               |
| O/n   | 8.40          | -10bp         | +7bp           | +40bp         | +60bp         |
| 1wk   | 10.35         | -7bp          | +2bp           | +60bp         | +55bp         |
| 1m  | 15.60         | -23bp         | -23bp          | +60bp         | -65bp         |
| 2m  | 18.00         | +0bp          | +0bp           | +0bp          | +160bp        |
| 3m  | 18.00         | +0bp          | +0bp           | +0bp          | +200bp        |
| <b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>            |               |               |                |               |               |
| CB acc's <sup>1</sup>                               | 31,856        | -2.54         | -1.68          | -3.85         | -2.59         |
| CDs <sup>2</sup>                                    | 16,735        | +11.14        | +34.09         | +16.00        | +2,273.8      |
| Sovgns <sup>3</sup>                                 | 7,647         | +19.15        | +9.56          | +120.4        | +411.6        |
| <b>Total</b>  | <b>56,238</b> | <b>+3.83</b>  | <b>+8.44</b>   | <b>+10.21</b> | <b>+61.13</b> |
| <b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>        |               |               |                |               |               |
| C.bank  | N/A           | N/A           | N/A            | N/A           | N/A           |
| Banks   | N/A           | N/A           | N/A            | N/A           | N/A           |
| Resid's <sup>4</sup>                                | N/A           | N/A           | N/A            | N/A           | N/A           |
| Non-res <sup>5</sup>                                | N/A           | N/A           | N/A            | N/A           | N/A           |
| <b>Total</b>  | <b>N/A</b>    | <b>N/A</b>    | <b>N/A</b>     | <b>N/A</b>    | <b>N/A</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           | -52ppt        | +0bp           | +0bp          | +0bp          |
| Jan '14   | N/A           | +320bp        | +0bp           | +0bp          | -676bp        |
| Aug '15 <sup>6</sup>                                | N/A           | +542bp        | +0bp           | +542bp        | -81ppt        |
| <b>EUROBONDS USD SOVEREIGN BOND YIELDS (%)</b>      |               |               |                |               |               |
| CDS 5yr   | 1,183         | +1bp          | +33bp          | +235bp        | +366bp        |
| Jun '16   | 14.92         | +24bp         | +204bp         | +517bp        | +603bp        |
| Jul '17   | 14.69         | +73bp         | +201bp         | +500bp        | +513bp        |
| Sep '20   | 10.84         | +11bp         | +37bp          | +170bp        | +165bp        |
| Sep '21   | 10.84         | +7bp          | +37bp          | +162bp        | +162bp        |
| Sep '22   | 10.35         | +7bp          | +14bp          | +144bp        | +100bp        |
| Feb '23   | 10.37         | +7bp          | +26bp          | +145bp        | +132bp        |

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.

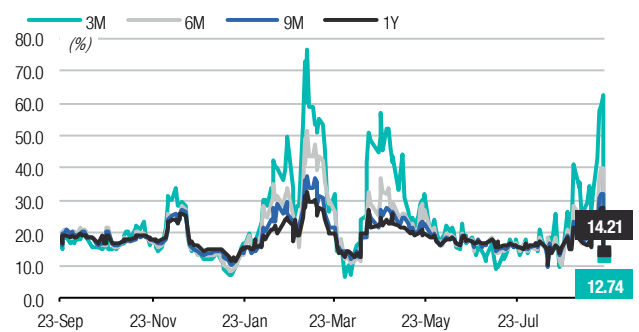
Chart page: Local bond market & Eurobond markets

Chart 3. Kiev Prime rates (%), last 12-month period



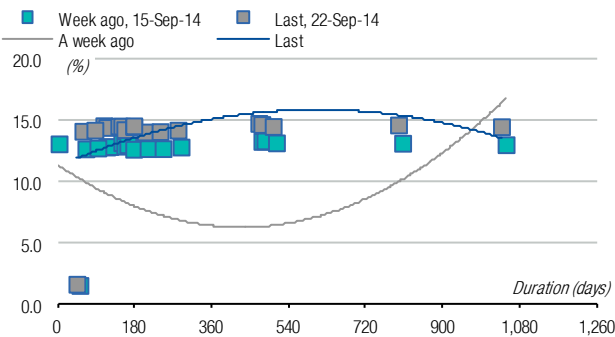
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. UAH NDF implied yields (%), last 12-month period



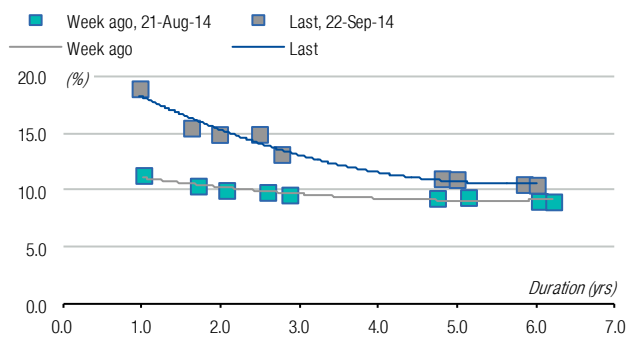
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 5. UAH sovereign yield curve (%) as of 22 Sep 2014



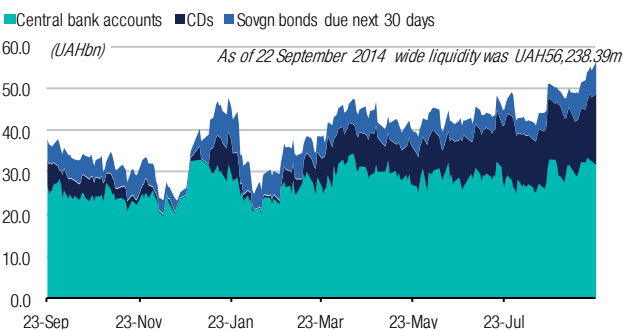
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 6. USD sovereign yield curve (%) as of 22 Sep 2014



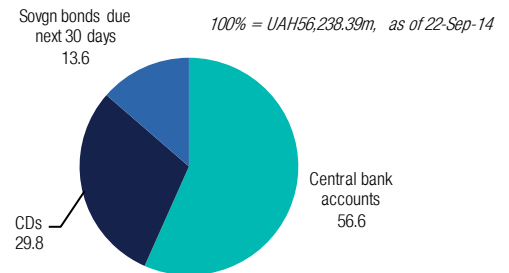
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 7. Banking sector liquidity (UAHbn), last 12-month period



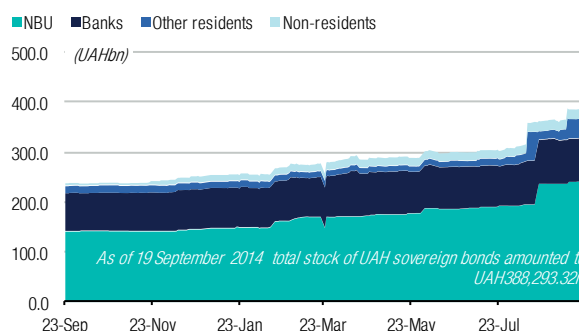
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 8. Breakdown of liquidity pool (%) as of 22 Sep 2014



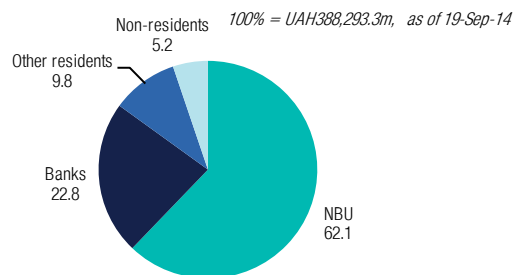
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 9. Holders of sovereign bonds (UAHbn), last 12 months



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

Chart 10. Domestic sovereign debt (%) as of 22 Sep 2014



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

Table 1. Ukrainian stocks (closing prices as of 22-Sep-2014)

| 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) | 2013 | 2014E     | 2014E | 2013 | 2014E    | 2014E | 2013 | 2014E  | 2014E | P/B (x) | Debt/Assets (%) |
| <b>ENERGY</b>                |                  |             |                                    |       |       |       |                  |            |                |                             |        |                    |                              |                             |                     |                    |      |           |       |      |          |       |      |        |       |         |                 |
| Cadogan Petrol...            | CAD LN           | London      | 11.63 GBp                          | -1.1  | +0.0  | +12.0 | -26.2            | 0.19       | 44.0           | -19.1                       | 40.2   | 17.7               | 9.9                          | 30.4                        | 0.24                | 415                | Neg. | Neg.      | Neg.  | 2.9  | N/A      | N/A   | Neg. | Neg.   | Neg.  | 0.2     | 0.0             |
| Centrenerg                   | CEEN UK          | Kiev, UX    | 7.24 UAH                           | +0.0  | -8.8  | +51.8 | +43.8            | 0.55       | 201.8          | 249.7                       | 21.7   | 43.8               | 43.8                         | 263.9                       | 0.14                | 704                | 5.5  | 4.9       | 7.2   | 0.4  | 3.9      | 3.9   | 0.4  | 0.3    | 0.3   | 1.1     | 12.2            |
| Coal Energy                  | CLE PW           | Warsaw      | 1.03 PLN                           | +9.6  | +12.0 | -1.9  | -56.9            | 0.32       | 14.3           | 140.2                       | 25.0   | 3.6                | 64.6                         | 57.7                        | 3.70                | 27                 | Neg. | N/A       | N/A   | 6.2  | N/A      | N/A   | 1.1  | N/A    | N/A   | 0.1     | 39.8            |
| Donbasenergo                 | DOEN UK          | Kiev, UX    | 26.12 UAH                          | +0.0  | -31.4 | -5.3  | +19.8            | 1.97       | 46.6           | 82.5                        | 14.2   | 6.6                | 5.9                          | 30.8                        | 0.22                | 462                | 1.2  | 1.1       | 1.2   | 0.3  | 1.4      | 1.1   | 0.2  | 0.2    | 0.2   | 0.9     | 17.8            |
| JXK Oil & Gas                | JXK LN           | London      | 43.00 GBp                          | -6.0  | -5.2  | -39.9 | -31.2            | 0.70       | 120.9          | 126.0                       | 47.2   | 57.0               | 259.5                        | 36.6                        | 0.05                | 1,904              | 18.6 | 20.1      | 3.7   | 1.9  | 2.3      | 2.0   | 0.7  | 0.7    | 0.7   | 0.2     | 5.5             |
| Regal Petroleum              | RPT LN           | London      | 8.50 GBp                           | -5.6  | +25.9 | -34.6 | -48.9            | 0.14       | 44.6           | 17.8                        | 80.9   | 36.1               | 5.2                          | 9.3                         | 0.03                | 3,148              | Neg. | 22.3      | N/A   | 0.8  | 0.7      | N/A   | 0.5  | 0.4    | N/A   | 0.2     | 0.0             |
| Zakhidenergo                 | ZAEN UK          | Kiev, PFTS  | 132.90 UAH                         | +0.0  | -3.8  | +47.0 | +54.7            | 10.03      | 128.3          | 108.2                       | 5.0    | 6.4                | 0.0                          | 1.8                         | 0.01                | 11,621             | 2.9  | N/A       | N/A   | 0.7  | N/A      | N/A   | 0.1  | N/A    | N/A   | 3.3     | 0.0             |
| <b>METALLURGY</b>            |                  |             |                                    |       |       |       |                  |            |                |                             |        |                    |                              |                             |                     |                    |      |           |       |      |          |       |      |        |       |         |                 |
| Alchevsky Meta...            | ALMK UK          | Kiev, UX    | 0.02 UAH                           | +0.0  | -27.6 | -36.4 | -34.7            | 0.00       | 48.0           | 1,107.5                     | 3.9    | 1.9                | 3.1                          | 16.1                        | 0.30                | 334                | Neg. | Neg.      | N/A   | N/A  | Neg.     | N/A   | 1.0  | 0.6    | N/A   | N/A     | 64.5            |
| Avdiivsky Cok...             | AVDK UK          | Kiev, UX    | 2.85 UAH                           | +0.0  | -3.6  | -3.8  | -9.6             | 0.21       | 41.9           | 39.2                        | 4.0    | 1.7                | 8.9                          | 15.7                        | 0.58                | 172                | Neg. | 277.8     | 0.7   | Neg. | 0.8      | 0.4   | 0.1  | 0.0    | 0.0   | 0.1     | 0.0             |
| Azovstal                     | AZST UK          | Kiev, UX    | 0.62 UAH                           | +0.0  | -28.2 | -7.0  | +0.8             | 0.05       | 197.7          | 191.4                       | 4.1    | 8.1                | 4.5                          | 9.7                         | 0.12                | 803                | Neg. | N/A       | Neg.  | Neg. | N/A      | 5.3   | 0.1  | N/A    | 0.1   | 0.2     | 0.0             |
| Ferrexpo PLC                 | FXPO LN          | London      | 129.90 GBp                         | -0.3  | -5.9  | -30.1 | -25.7            | 2.13       | 1,251.5        | 1,454.1                     | 22.4   | 280.3              | 1,825.0                      | 1,327.5                     | 0.43                | 231                | 4.8  | 4.5       | 7.8   | 2.9  | 2.9      | 4.0   | 0.9  | 1.0    | 1.0   | 1.1     | 35.1            |
| Yasynivsky Cok...            | YASK UK          | Kiev, UX    | 0.46 UAH                           | +0.0  | -29.2 | -13.2 | -17.9            | 0.03       | 9.5            | 10.6                        | 9.0    | 0.9                | 0.9                          | 4.4                         | 1.11                | 90                 | Neg. | 0.9       | 0.5   | 0.0  | 0.4      | 0.3   | 0.0  | 0.0    | 0.0   | 0.1     | 0.1             |
| Yenakievo Steel              | ENMZ UK          | Kiev, UX    | 25.41 UAH                          | +0.0  | -34.3 | -20.6 | -23.6            | 1.92       | 20.2           | 16.3                        | 9.4    | 1.9                | 3.8                          | 16.0                        | 0.34                | 294                | 3.9  | N/A       | Neg.  | Neg. | N/A      | 0.5   | 0.0  | N/A    | 0.0   | 0.6     | 0.0             |
| <b>FOOD AND AGRIBUSINESS</b> |                  |             |                                    |       |       |       |                  |            |                |                             |        |                    |                              |                             |                     |                    |      |           |       |      |          |       |      |        |       |         |                 |
| AgroGeneration               | ALAGR FP         | EN Paris    | 0.79 EUR                           | -2.5  | -11.2 | -36.3 | -41.5            | 1.01       | 93.7           | 149.2                       | 34.0   | 31.9               | 2.3                          | 7.3                         | 0.02                | 4,251              | Neg. | N/A       | N/A   | Neg. | N/A      | N/A   | 2.2  | N/A    | N/A   | 1.7     | 35.9            |
| Agroliga                     | AGL PW           | Warsaw      | 15.38 PLN                          | -3.2  | -14.5 | -40.7 | -50.1            | 4.73       | 7.3            | 8.1                         | 16.7   | 1.2                | 13.3                         | 1.8                         | 0.37                | 268                | 1.8  | N/A       | N/A   | 2.4  | N/A      | N/A   | 0.4  | N/A    | N/A   | 0.6     | 5.7             |
| Agroton                      | AGT PW           | Warsaw      | 2.14 PLN                           | +1.4  | -3.6  | +9.7  | -10.1            | 0.66       | 14.3           | 59.6                        | 26.2   | 3.7                | 55.6                         | 90.1                        | 3.76                | 27                 | Neg. | 2.0       | 1.8   | 22.3 | 6.3      | 3.7   | 0.7  | 0.7    | 0.7   | 0.1     | 28.4            |
| Astarta Holdin...            | AST PW           | Warsaw      | 37.70 PLN                          | +2.0  | -0.3  | -43.6 | -45.4            | 11.59      | 289.8          | 540.0                       | 31.0   | 89.9               | 10.8                         | 122.5                       | 0.16                | 610                | 8.8  | 28.2      | 4.4   | 7.1  | 4.3      | 4.7   | 1.1  | 1.1    | 1.1   | 0.8     | 38.2            |
| Avangard                     | AVGR LI          | London Intl | 7.99 USD                           | -0.1  | -11.2 | -32.0 | -27.4            | 7.99       | 510.3          | 741.3                       | 21.7   | 110.7              | 19.3                         | 154.0                       | 0.17                | 597                | 2.2  | 3.3       | 2.9   | 2.5  | 3.9      | 4.1   | 1.1  | 1.2    | 1.1   | 0.4     | 17.8            |
| IMC                          | IMC PW           | Warsaw      | 7.70 PLN                           | -1.0  | -10.5 | -36.6 | -48.5            | 2.37       | 74.1           | 225.1                       | 23.9   | 17.7               | 12.6                         | 41.5                        | 0.20                | 499                | 2.8  | 7.4       | 1.6   | 4.2  | 4.1      | 4.0   | 2.0  | 1.2    | 1.2   | 0.5     | 38.7            |
| Kernel Holding...            | KER PW           | Warsaw      | 25.47 PLN                          | +1.9  | -7.4  | -33.1 | -48.8            | 7.83       | 624.0          | 1,530.6                     | 58.8   | 366.7              | 757.2                        | 1,087.2                     | 0.40                | 249                | 5.6  | 20.1      | 4.4   | 5.3  | 6.4      | 4.7   | 0.5  | 0.6    | 0.6   | 0.6     | 30.6            |
| KSG Agro                     | KSG PW           | Warsaw      | 1.50 PLN                           | +6.4  | -66.9 | -86.2 | -86.8            | 0.46       | 6.9            | 118.0                       | 34.4   | 2.4                | 223.3                        | 230.2                       | 22.52               | 4                  | Neg. | 0.6       | 0.3   | 4.5  | 3.0      | 2.5   | 1.7  | 1.2    | 1.1   | 0.4     | 44.0            |
| MHP                          | MHPC LI          | London Intl | 12.60 USD                          | -2.2  | +4.8  | -26.1 | -21.3            | 12.60      | 1,331.4        | 2,541.7                     | 22.3   | 297.2              | 564.0                        | 1,502.6                     | 0.67                | 149                | 8.5  | 11.4      | 4.6   | 6.5  | 5.3      | 5.0   | 1.7  | 1.8    | 1.6   | 2.3     | 47.0            |
| Milkiland                    | MLK PW           | Warsaw      | 4.18 PLN                           | -2.6  | -12.0 | -66.6 | -64.9            | 1.29       | 40.2           | 169.3                       | 20.0   | 8.0                | 68.1                         | 6.2                         | 0.17                | 586                | 2.9  | Neg.      | N/A   | 5.1  | 4.4      | 4.9   | 0.4  | 0.4    | 0.4   | 0.2     | 30.8            |
| Mriya Agrohold...            | MAYA GF          | Frankfurt   | 1.45 EUR                           | +0.0  | -12.7 | -73.1 | -66.7            | 1.86       | 197.9          | 925.7                       | 20.0   | 39.6               | 0.0                          | 3.5                         | 0.02                | 4,711              | 2.2  | 2.3       | 0.9   | 5.6  | 3.4      | 3.1   | 1.9  | 2.2    | 2.1   | 0.5     | 45.3            |
| Ovostar Union                | OVO PW           | Warsaw      | 70.00 PLN                          | +0.0  | +0.0  | -30.0 | -24.7            | 21.52      | 129.1          | 136.7                       | 25.0   | 32.3               | 2.9                          | 34.1                        | 0.05                | 1,921              | 4.2  | 6.6       | 6.5   | 3.7  | 5.2      | 4.8   | 1.5  | 1.8    | 1.4   | 1.0     | 8.5             |
| <b>TRANSPORTATION</b>        |                  |             |                                    |       |       |       |                  |            |                |                             |        |                    |                              |                             |                     |                    |      |           |       |      |          |       |      |        |       |         |                 |
| KDM Shipping                 | KDM PW           | Warsaw      | 6.25 PLN                           | -8.2  | -30.8 | -80.1 | -81.0            | 1.92       | 17.9           | 1.3                         | 10.9   | 1.9                | 2.0                          | 0.7                         | 0.02                | 6,313              | 2.6  | N/A       | N/A   | 0.1  | N/A      | N/A   | 0.0  | N/A    | N/A   | 0.3     | 5.6             |
| <b>CONSTRUCTION</b>          |                  |             |                                    |       |       |       |                  |            |                |                             |        |                    |                              |                             |                     |                    |      |           |       |      |          |       |      |        |       |         |                 |
| TMM                          | TR61 GF          | Xetra       | 0.24 EUR                           | +0.0  | +9.1  | -24.3 | -45.5            | 0.31       | 16.0           | 191.6                       | 13.1   | 2.1                | 0.0                          | 0.2                         | 0.02                | 4,691              | Neg. | N/A       | N/A   | Neg. | N/A      | N/A   | 5.6  | N/A    | N/A   | 0.2     | 45.5            |
| <b>FINANCIAL SERVICES</b>    |                  |             |                                    |       |       |       |                  |            |                |                             |        |                    |                              |                             |                     |                    |      |           |       |      |          |       |      |        |       |         |                 |
| Raiffeisen Ban...            | BAVL UK          | Kiev, UX    | 0.13 UAH                           | +0.0  | -7.1  | +14.7 | +46.5            | 0.01       | 294.6          | N/A                         | 3.8    | 11.3               | 9.3                          | 25.1                        | 0.27                | 372                | 3.8  | Neg.      | 13.3  | N/A  | N/A      | N/A   | N/A  | N/A    | N/A   | 0.5     | 28.3            |

Table 1. Ukrainian stocks (closing prices as of 22-Sep-2014)

| 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) | 2013      | 2014E | 2014E | 2013     | 2014E | 2014E | 2013   | 2014E | 2014E | P/B | Debt/(x) Assets |      |
| Ukrsotsbank | USCB UK          | Kiev, UX | 0.15 UAH                           | +0.0  | -15.7 | -22.7 | +16.1            | 0.01       | 198.5          | N/A                         | 4.5    | 8.9                | 2.2                          | 8.3                         | 0.02                | 6,495              | Neg.      | 10.7  | N/A   | N/A      | N/A   | N/A   | N/A    | N/A   | N/A   | N/A | 0.3             | 30.9 |

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

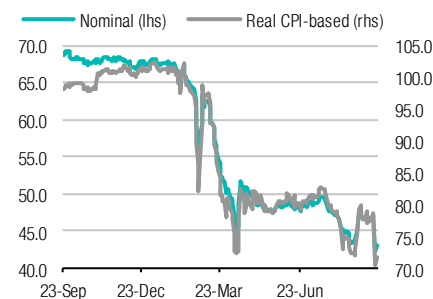
## Hryvnia stable, market eyes today's FX auction

The FX market was rather calm yesterday as the FX rate marginally changed with the NBU weighted average rate down 0.4% from the previous close. Bloomberg reported the rate at 14.1750/USD, or 1.56% up from Friday's close, on volume of US\$214m. Trading was tempered by anticipated news of new NBU regulations released yesterday, as follows: (1) cash purchases of FX by private individuals are limited to a daily equivalent of 3,000 hryvnias (or US\$220) and (2) the surrender requirement was lowered from 100% to 75%. The market also was expecting news of another FX auction set for today at which the NBU said it would offer US\$200m, a much higher volume than the total of US\$44m which was sold at the previous auction held last Thursday.

**Alexander Valchyshen, Kiev, +38044 2200120 ext.242**

### ICU's UAH trade-weighted indices

(Last 12-month history to 23 Sep 2014)



Source: Investment Capital Ukraine LLC.

### FX market indicators (as of 22 Sep 2014)

|   | Last      | Daily   | Weekly  | MoM     | YTD     |
|---|-----------|---------|---------|---------|---------|
|   | chg (%)   | chg (%) | chg (%) | chg (%) | chg (%) |
| <b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>           |           |         |         |         |         |
| Spot mkt  | 14.1750   | -1.56   | +9.42   | +4.61   | +72.03  |
| NBU avg   | 13.4897   | +0.41   | +4.55   | +0.93   | +65.50  |
| Ttl vlm <sup>1</sup>                                    | 318.29    | -2.67   | +4.40   | -3.00   | -88.64  |
| \$ volume <sup>2</sup>                                  | 213.83    | -6.23   | +6.41   | -1.67   | -90.33  |
| NDF 3M  | 15.2000   | +2.36   | +6.00   | +9.55   | +79.14  |
| NDF 6M  | 15.8000   | +2.60   | +8.59   | +11.07  | +79.95  |
| NDF 1Y  | 16.7500   | +2.45   | +9.48   | +7.79   | +77.81  |
| <b>TRADE-WEIGHTED INDICES (TWIs, points)</b>            |           |         |         |         |         |
| UAH nom'l   | 42.947    | +1.79   | -8.05   | -0.97   | -36.41  |
| UAH real CPI  | 71.552    | +1.79   | -8.05   | -0.97   | -29.21  |
| UAH real PPI  | 107.764   | +1.79   | -8.05   | -0.97   | -22.35  |
| USD nom'l   | 84.752    | +0.02   | +0.58   | +2.93   | +5.89   |
| <b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b> |           |         |         |         |         |
| USD/RUB   | 38.6925   | +0.69   | +0.94   | +7.16   | +17.72  |
| EUR/USD   | 1.2849    | +0.16   | -0.70   | -2.97   | -6.51   |
| USD/CNY   | 6.1407    | +0.00   | -0.01   | -0.20   | +1.43   |
| USD/PLN   | 3.2551    | -0.16   | +0.41   | +2.82   | +7.68   |
| USD/TRY   | 2.2408    | +0.28   | +1.19   | +3.00   | +4.31   |
| USD/BYR   | 10,540.00 | -0.05   | +0.33   | +1.30   | +10.48  |
| USD/KZT   | 181.9800  | +0.02   | -0.01   | -0.08   | +17.96  |
| <b>OTHER MAJOR CURRENCIES</b>                           |           |         |         |         |         |
| USD/JPY   | 108.8400  | -0.18   | +1.54   | +4.70   | +3.35   |
| GBP/USD   | 1.6361    | +0.45   | +0.79   | -1.27   | -1.18   |
| USD/CHF   | 0.9399    | -0.10   | +0.50   | +2.86   | +5.26   |
| AUD/USD   | 0.8873    | -0.58   | -1.72   | -4.77   | -0.49   |
| USD/CAD   | 1.1044    | +0.74   | -0.10   | +0.92   | +3.96   |
| USD/BRL   | 2.3979    | +1.25   | +2.35   | +5.29   | +1.52   |
| USD/KRW   | 1,040.80  | -0.37   | +0.27   | +2.27   | -0.86   |
| <b>COMMODITIES</b>                                      |           |         |         |         |         |
| Gold(\$/oz)   | 1,215.15  | -0.05   | -1.47   | -5.07   | +0.79   |
| WTI crude <sup>3</sup>                                  | 91.52     | -0.96   | -1.51   | -4.72   | -7.01   |
| Brent crd <sup>3</sup>                                  | 95.28     | -1.72   | -1.31   | -4.88   | -14.02  |
| Urals crd <sup>3</sup>                                  | N/A       | +0.00   | +0.00   | +0.00   | +0.00   |
| TR/J CRB <sup>4</sup>                                   | 277.67    | -0.62   | -1.48   | -3.81   | -0.89   |

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.

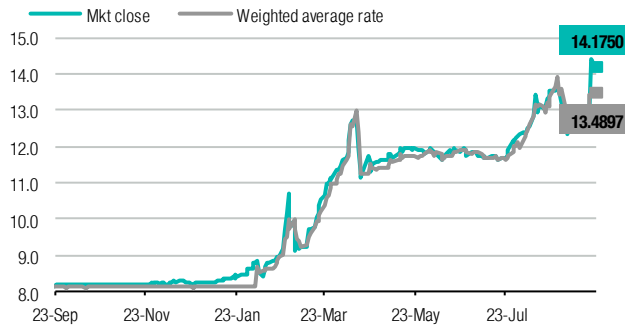
Notes: [1] trading volume in all foreign currencies (US\$m); [2] trading volume in the pair USD/UAH (US\$m); [3] crude oil price (USD per barrel); [4] the Thomson Reuters/Jefferies CRB Index. A green-/red-shaded box means gain or loss, respectively, of the investment into the asset. Currencies are gaining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

Sources: Bloomberg, Investment Capital Ukraine LLC.

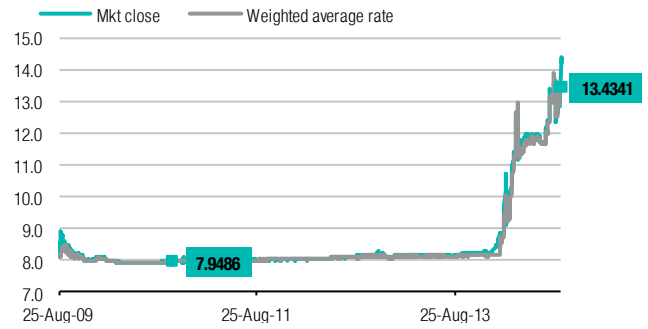


Chart page #1: Foreign-exchange market

Chart 11. Spot market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

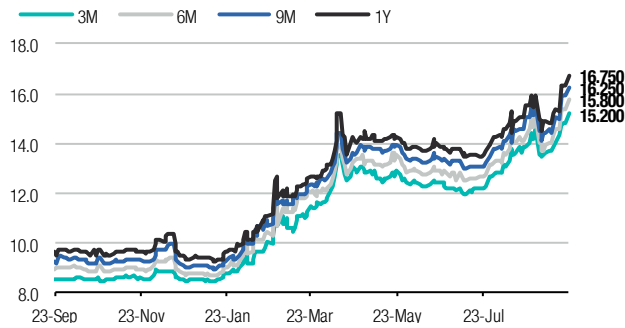


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

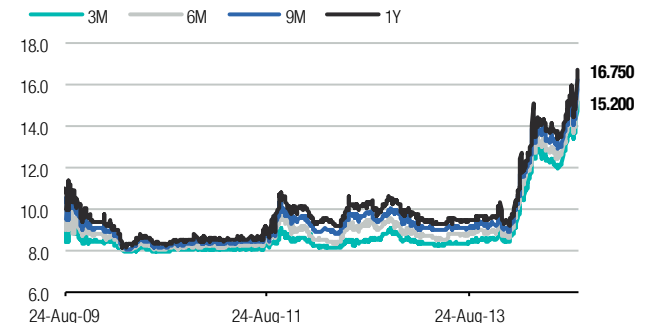


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

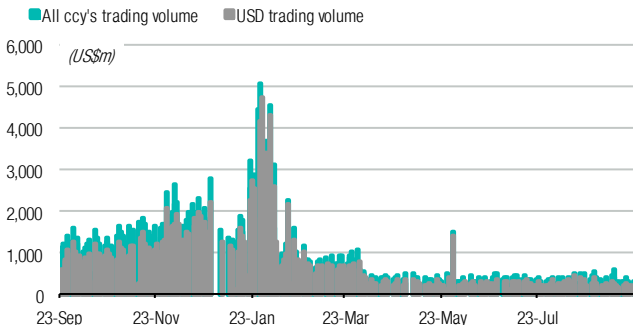


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

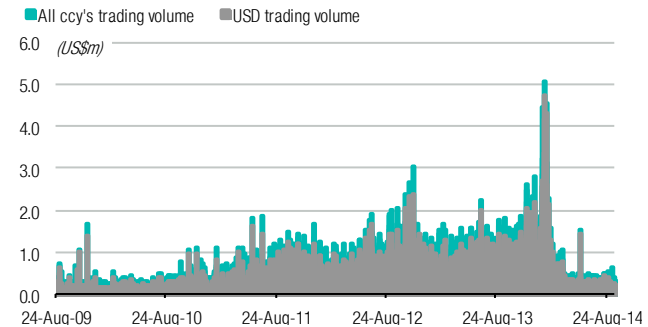


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 13. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)

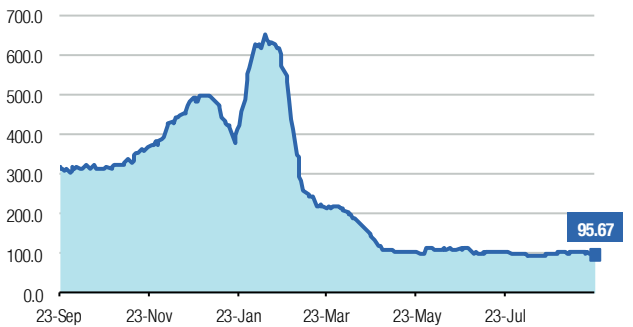


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

Chart 14. 30D MA\* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)

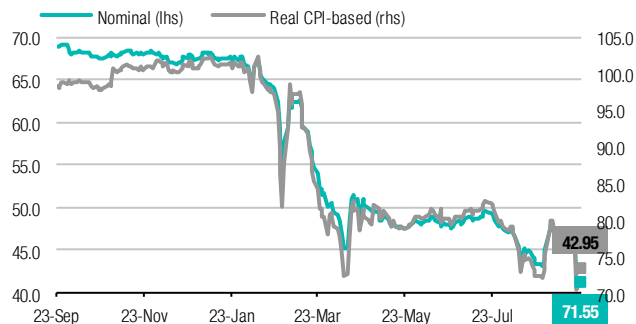


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

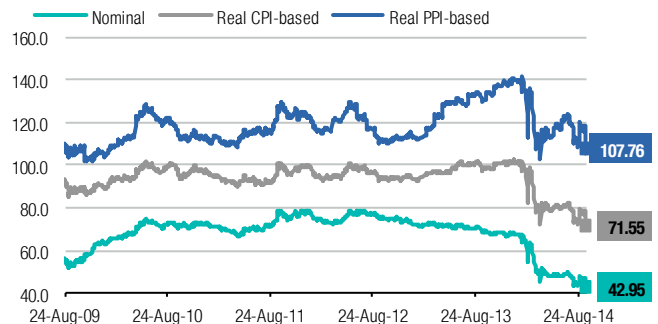
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August 2013.

**Chart 15. Nominal and CPI-based real TWIs of UAH, history of last 12-month period**



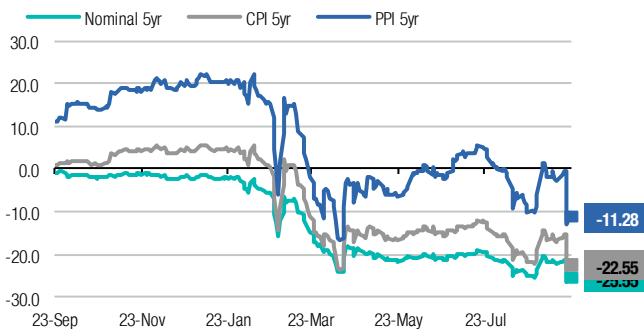
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**Chart 16. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period**

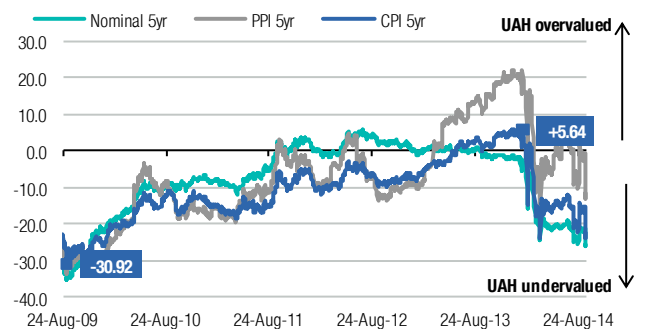


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**Chart 17. Deviation of UAH trade-weighted indices from their 5-year moving averages: last 12-month and 5-year periods (% , left and right respectively)**

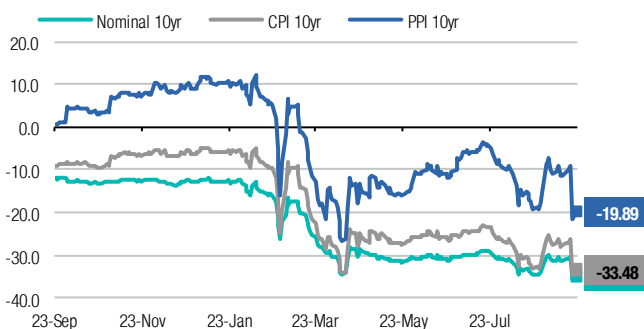


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

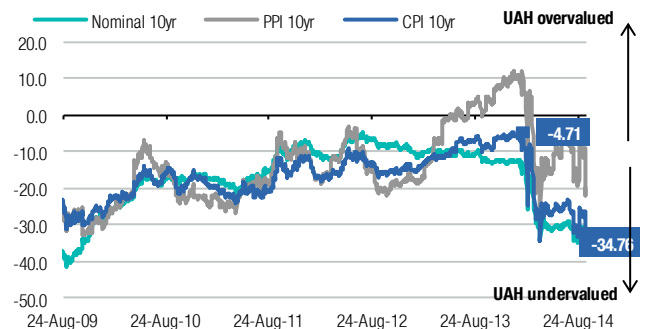


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**Chart 18. 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

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**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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