

Daily Insight

Authorities evaluate new measures to tighten the FX market

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MONDAY, 17 NOVEMBER 2014

UX Index (3 months to 17 Nov 2014)



Source: UX.

Key market indicators (as of 14 Nov 2014)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	15.5275	-2.03	+88.44
USD/UAH (1Y NDF)	18.2500	+15.87	+93.74
EUR/USD	1.2433	-0.17	-9.53
USD/RUB	47.2290	+2.61	+43.69
KievPRIME O/N (%)	11.17	+97bp	+337bp
KievPRIME 1M (%)	16.67	+27bp	+42bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	25.53	-130bp	+1,717bp
Ukraine 17, Eurobond (%)	16.90	-11bp	+735bp
Ukraine 22, Eurobond (%)	11.94	-7bp	+260bp
Ukraine 23, Eurobond (%)	11.89	-7bp	+284bp
Ukraine 5Y CDS	1,510bp	+85bp	+693bp
EQUITIES			
Stock market indices			
UX (Ukraine)	989.52	+2.99	+8.73
MSCI World	420.32	+0.03	+2.88
MSCI EM	990.81	-0.19	-1.18
RTS (Russia)	992.69	-4.41	-31.19
WIG-20 (Poland)	2,418.40	+1.05	+0.73
S&P 500 (USA)	2,039.82	+0.02	+10.36

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 stable

Broader banking sector liquidity rose only UAH0.23bn to UAH50.89bn last Friday as banks' correspondent accounts with the NBU rose UAH0.58bn to UAH32.46bn. After receiving UAH0.35bn from the NBU, total CDs outstanding slid UAH0.35bn to UAH15.45bn. Total local currency debt repayments scheduled for the next 30 days remained steady at UAH2.99bn.

KyivPrime interest rates significantly rose at the end of last week: the KyivPrime ON interest rate increased 97bp to 11.17% while the KyivPrime 1M interest rate was up only 27bp to 16.67%.

Investment implications: The NBU issued the same volume of ON loans which had to be repaid last Thursday. As the NBU has provided no additional support to liquidity per its recent policy, money market interest rates have risen significantly since this summer. If this continues, we could see new record high rates soon, particularly at the end of the month.

Eurobonds stable

Ukrainian Eurobond spreads to the benchmark remained steady last Friday, slightly tightening for bonds maturing next year. While US Treasury YTM's slightly declined last Friday to 1.61% and 2.32% for the 5-year and 10-year bonds, respectively, the Ukrainian Eurobond yield curve adjusted to the range of 11.86-25.53%. The 5-year CDS rose to 1,510bp.

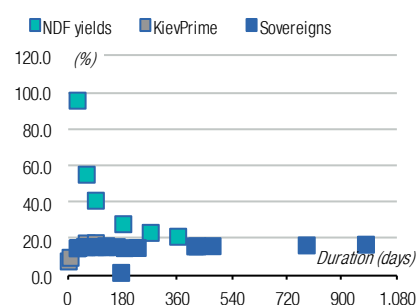
Unscheduled primary auction

The MoF held yet another unscheduled primary auction last Friday to offer the 2-year bond at a significantly higher interest rate of 17.60%, up from the 16.52% rate at which it was sold on Wednesday. The MoF received and filled only one bid providing proceeds of UAH1.50bn, most likely supported via domestic QE.

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Yield curve of the local bond market

(as of market close on 14 Nov 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 14 Nov 2014)

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

MONEY MARKET KIEV PRIME RATES (%)

O/n	11.17	+97bp	+154bp	+157bp	+337bp
1wk	11.83	+63bp	+83bp	+102bp	+203bp
1m	16.67	+27bp	+42bp	+137bp	+42bp
2m	18.00	+0bp	+0bp	+10bp	+160bp
3m	18.00	+0bp	+0bp	+0bp	+200bp

LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's ¹	32,455	+1.81	-2.59	+11.37	-0.76
CDs ²	15,448	-2.19	+2.32	+12.89	+2,091.2
Sovgns ³	2,808	+0.00	-33.26	-57.63	+87.86
Total	50,712	+0.45	-3.63	+2.54	+45.30

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	279,526	+0.00	+0.33	+3.17	+92.97
Banks	91,716	-0.69	+6.50	+9.93	+14.40
Resid's ⁴	15,658	-0.38	+2.09	+6.51	+26.31
Non-res ⁵	21,899	-0.96	+9.04	+12.76	+87.19
Total	408,799	-0.22	+2.16	+5.23	+64.10

NDF IMPLIED YIELDS (%)

3m	34.38	+72bp	+39bp	-11 ppt	+22bp
6m	23.15	+36bp	+19bp	-665bp	+975bp
9m	19.73	+24bp	+12bp	-527bp	+571bp
1yr	18.20	+18bp	+911bp	-456bp	+321bp

LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)

Mar '13	N/A	-52ppt	+0bp	+0bp	+0bp
Jan '14	N/A	+320bp	+0bp	+0bp	-676bp
Aug '15 ⁶	N/A	+87bp	+0bp	+388bp	-77ppt

EUROBONDS USD SOVEREIGN BOND YIELDS (%)

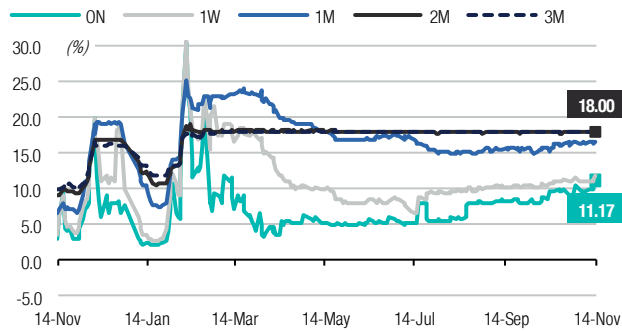
CDS 5yr	1,510	+85bp	+216bp	+176bp	+693bp
Jun '16	17.95	-11 bp	+212bp	+158bp	+906bp
Jul '17	16.90	-11 bp	+130bp	+140bp	+735bp
Sep '20	12.28	-7bp	+63bp	+32bp	+308bp
Sep '21	12.29	-7bp	+63bp	+42bp	+307bp
Sep '22	11.94	-7bp	+63bp	+81bp	+260bp
Feb '23	11.89	-7bp	+63bp	+88bp	+284bp

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.

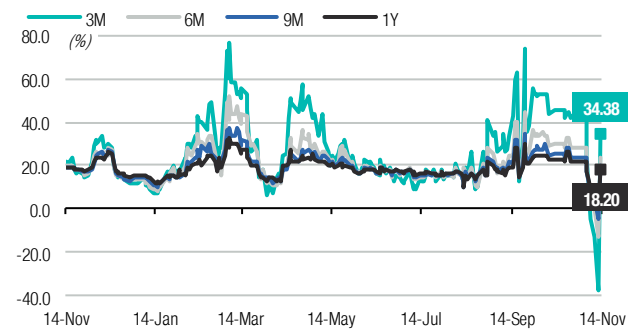
Chart page: Local bond market & Eurobond markets

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



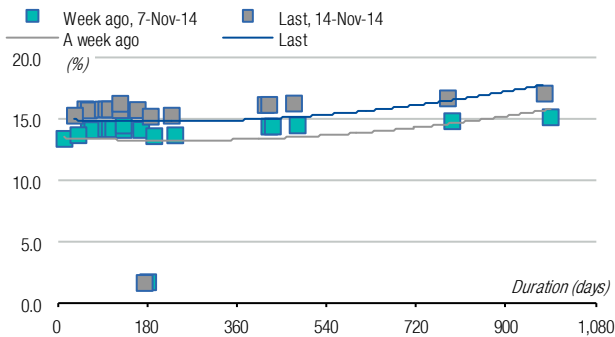
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



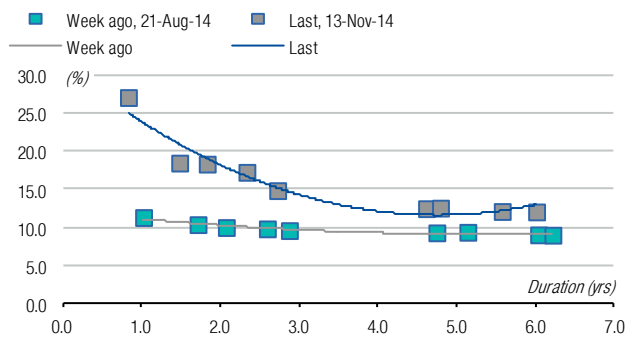
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 14 Nov 2014



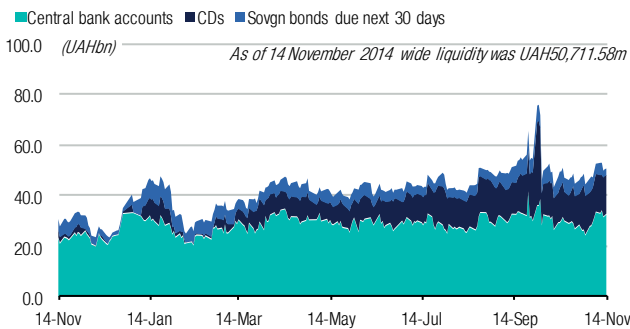
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 14 Nov 2014



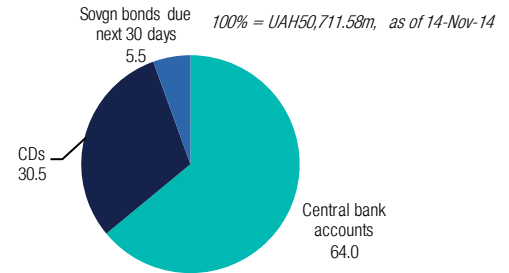
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



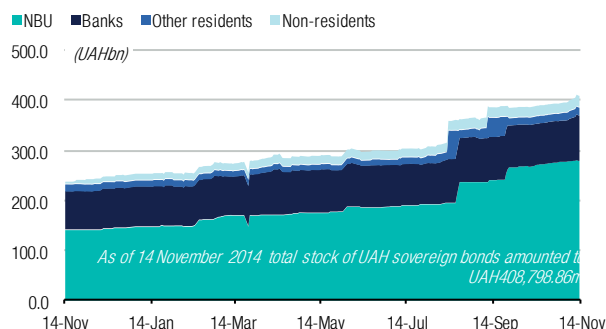
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 14 Nov 2014



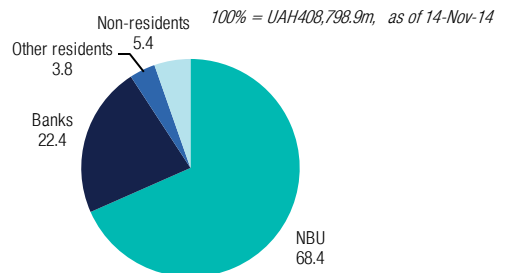
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 14 Nov 2014



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

Table 1. Ukrainian stocks (closing prices as of 14-Nov-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 (%)
ENERGY																											
Cadogan Petrol...	CAD LN	London	10.25 GBp	-2.4	+7.9	-1.2	-19.6	0.16	37.1	-10.4	40.2	14.9	0.0	19.0	0.09	1,169	Neg.	N/A	N/A	1.6	N/A	N/A	Neg.	N/A	N/A	0.3	0.0
Centrenerg	CEEN UK	Kiev, UX	7.24 UAH	+0.0	-4.2	+51.8	+41.1	0.46	171.4	216.8	21.7	37.2	30.5	40.4	0.13	798	5.5	4.8	7.2	0.3	3.8	3.9	0.5	0.3	0.3	1.1	16.3
Coal Energy	CLE PW	Warsaw	0.78 PLN	+0.0	-8.2	-25.7	-64.5	0.23	10.4	136.3	25.0	2.6	15.0	44.6	0.74	135	Neg.	N/A	N/A	6.1	N/A	N/A	1.1	N/A	N/A	0.1	39.8
Donbasenergo	DOEN UK	Kiev, UX	29.77 UAH	+0.0	-0.9	+7.9	+14.8	1.91	45.1	96.0	14.2	6.4	4.6	7.6	0.07	1,449	1.3	1.3	1.4	0.1	1.9	1.5	0.3	0.2	0.3	1.1	25.1
JKX Oil & Gas	JKX LN	London	37.50 GBp	-1.3	+0.0	-47.6	-50.0	0.59	101.0	106.1	47.2	47.7	21.3	21.5	0.04	2,683	15.5	16.8	3.1	1.6	2.1	1.7	0.6	0.6	0.6	0.2	5.5
Regal Petroleum	RPT LN	London	6.25 GBp	+0.0	-15.3	-51.9	-59.7	0.10	31.4	1.3	80.9	25.4	0.0	5.6	0.00	29,560	Neg.	15.7	N/A	0.0	0.1	0.1	0.0	0.0	0.0	0.3	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	142.90 UAH	+0.0	-15.9	+58.1	+72.2	9.16	117.1	191.7	5.0	5.9	0.0	1.7	0.02	4,900	3.2	N/A	N/A	1.3	N/A	N/A	0.3	N/A	N/A	1.2	0.0
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.02 UAH	+0.0	-25.3	-51.3	-54.3	0.00	31.2	1,866.8	3.9	1.2	6.0	2.0	0.18	542	Neg.	Neg.	N/A	Neg.	Neg.	N/A	2.0	1.2	N/A	N/A	85.7
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.93 UAH	+0.0	-24.1	-34.8	-40.4	0.12	24.1	21.0	4.0	1.0	4.2	3.4	0.26	385	Neg.	188.2	0.5	0.1	0.8	N/A	0.0	0.0	0.0	0.1	0.1
Azovstal	AZST UK	Kiev, UX	0.70 UAH	+0.0	+2.3	+4.3	+0.4	0.04	188.3	N/A	4.1	7.7	6.5	10.3	0.12	830	Neg.	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.2	0.0
Ferrexpo PLC	FXPO LN	London	78.90 GBp	+1.3	-8.7	-57.5	-55.6	1.24	728.3	930.8	22.4	163.1	722.4	990.1	0.72	139	2.8	2.8	6.1	1.9	2.0	3.0	0.6	0.6	0.7	0.7	35.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.36 UAH	+0.0	-17.3	-32.5	-36.1	0.02	6.3	7.0	9.0	0.6	0.8	2.3	0.05	2,000	Neg.	0.7	0.4	0.1	0.4	N/A	0.0	0.0	0.0	0.1	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	19.45 UAH	+0.0	-31.5	-39.2	-43.3	1.25	13.2	4.7	9.4	1.2	9.5	3.3	0.39	255	Neg.	Neg.	N/A	0.8	0.2	N/A	0.0	0.0	N/A	0.9	0.0
FOOD AND AGRIBUSINESS																											
AgroGeneration	ALAGR FP	EN Paris	0.49 EUR	+0.0	-2.0	-60.5	-63.4	0.61	56.7	110.8	34.0	19.3	4.7	11.4	0.07	1,531	Neg.	N/A	N/A	Neg.	N/A	N/A	1.6	N/A	N/A	1.1	35.9
Agroliga	AGL PW	Warsaw	10.54 PLN	+0.0	-19.4	-59.4	-66.4	3.12	4.8	5.6	16.7	0.8	2.2	2.6	0.46	216	1.2	N/A	N/A	1.6	N/A	N/A	0.3	N/A	N/A	0.4	5.7
Agroton	AGT PW	Warsaw	1.45 PLN	-4.0	-24.5	-25.6	-38.3	0.43	9.3	54.6	26.2	2.4	45.8	49.1	2.50	40	Neg.	1.3	1.2	20.4	18.2	N/A	0.7	0.6	0.7	0.1	28.4
Astarta Holdin...	AST PW	Warsaw	19.73 PLN	-1.2	-43.1	-70.5	-70.1	5.85	146.2	390.1	31.0	45.3	30.1	71.3	0.22	445	4.5	Neg.	2.6	5.1	3.2	3.6	0.8	0.8	0.8	0.4	38.2
Avangard	AVGR LI	London Intl	4.85 USD	-17.7	-25.4	-58.7	-61.8	4.85	309.8	443.5	21.7	67.2	35.4	59.7	0.04	2,590	1.3	2.2	1.9	1.5	2.5	2.5	0.7	0.7	0.7	0.3	17.8
IMC	IMC PW	Warsaw	6.74 PLN	-0.1	-3.7	-44.5	-51.9	2.00	62.5	203.6	23.9	14.9	0.7	15.0	0.02	4,853	2.4	Neg.	2.4	3.8	3.9	4.0	1.8	1.2	1.1	0.4	38.7
Kernel Holding...	KER PW	Warsaw	24.35 PLN	+2.7	+10.2	-36.0	-43.3	7.22	574.9	1,259.9	58.8	337.9	749.4	814.7	0.20	503	Neg.	3.8	3.5	5.6	3.8	4.0	0.5	0.5	0.5	0.6	39.1
KSG Agro	KSG PW	Warsaw	1.21 PLN	+0.8	+8.0	-88.8	-89.5	0.36	5.4	116.5	34.4	1.9	26.6	218.2	4.17	24	Neg.	0.5	0.3	13.4	N/A	N/A	1.6	1.2	1.0	0.3	44.5
MHP	MHPC LI	London Intl	11.10 USD	+3.7	-5.5	-34.9	-31.1	11.10	1,172.9	2,383.2	22.3	261.8	35.7	849.2	0.18	549	7.5	11.5	4.1	6.1	5.0	4.8	1.6	1.7	1.5	2.0	47.0
Milkiland	MLK PW	Warsaw	2.48 PLN	-0.8	-29.1	-80.2	-79.9	0.73	23.0	148.9	20.0	4.6	0.7	7.1	0.23	432	1.7	Neg.	56.8	4.5	4.9	4.5	0.3	0.4	0.4	0.1	30.8
Mriya Agrohold...	MAYA GF	Frankfurt	1.43 EUR	+0.0	+143.9	-73.5	-71.1	1.79	190.2	918.0	20.0	38.0	0.0	2.5	0.00	94,426	2.1	2.2	0.9	5.6	3.4	3.1	1.8	2.2	2.1	0.4	45.3
CONSTRUCTION																											
TMM	TR61 GF	Xetra	0.18 EUR	+0.0	+8.0	-44.8	-40.9	0.22	11.4	186.9	13.1	1.5	0.0	0.2	0.01	18,857	Neg.	N/A	N/A	Neg.	N/A	N/A	5.5	N/A	N/A	0.1	45.5
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.11 UAH	+0.0	-12.4	-4.1	-3.5	0.01	209.2	N/A	3.8	8.0	34.9	16.2	0.27	371	3.2	Neg.	17.1	N/A	N/A	N/A	N/A	N/A	N/A	0.5	22.4
Ukrsotsbank	USCB UK	Kiev, UX	0.15 UAH	+0.0	+11.1	-20.0	-22.2	0.01	174.4	N/A	4.5	7.8	0.0	1.1	0.02	4,050	Neg.	11.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3	28.2

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

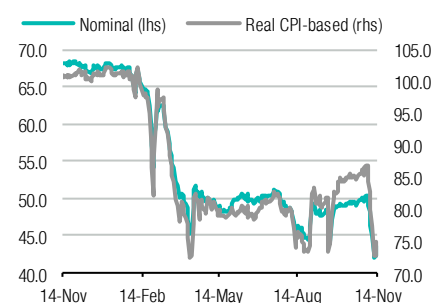
UAH remains unchanged as authorities evaluate new measures to tighten the FX market

The FX market remains largely driven by devaluation expectations as war with pro-Kremlin militants and the Russian army appears to be inevitable. Russian President Putin was coldly received by his counterparts at the recent G20 meeting in Australia, and Putin's premature departure from the event underlined not only his difference of opinion from, but also his complete disregard for, the developed Western nations' opinion. As Putin's stance on Ukraine over the weekend signals that war appears to be inevitable, President Poroshenko, in a public gesture of self assurance, said that Ukraine's army is ready to defend the country. The NBU governor also stated that the bank would add new regulatory restrictions to stem any run on the currency. In our view, the hryvnia's FX rate was pushed into oversold territory.

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ICU's UAH trade-weighted indices

(Last 12-month history to 17 Nov 2014)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 14 Nov 2014)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRVYNIA per US DOLLAR)					
Spot mkt	15.5275	-2.03	+6.94	+20.37	+88.44
NBU avg	15.4124	-0.95	+6.51	+19.00	+89.09
Ttl vlm ¹	296.73	-36.95	+23.14	+45.66	-89.41
\$ volume ²	211.86	+6.97	+24.50	+44.77	-90.42
NDF 3M	16.8500	+17.42	+17.42	+17.42	+98.59
NDF 6M	17.3000	+16.89	+16.89	+16.89	+97.04
NDF 1Y	18.2500	+15.87	+15.87	+15.87	+93.74
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	43.460	+2.99	-6.10	-12.31	-35.65
UAH real CPI	74.856	+2.99	-6.10	-12.31	-25.94
UAH real PPI	106.865	+2.99	-6.10	-12.31	-23.00
USD nom'l	87.966	+0.19	+0.37	+2.50	+9.91
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	47.2290	+2.61	+1.08	+15.57	+43.69
EUR/USD	1.2433	-0.17	-0.18	-1.78	-9.53
USD/CNY	6.1274	+0.02	+0.08	+0.04	+1.21
USD/PLN	3.4068	+0.50	+0.36	+2.60	+12.70
USD/TRY	2.2484	-0.14	-0.43	-1.08	+4.66
USD/BYR	10,805.00	+0.09	+0.56	+0.98	+13.26
USD/KZT	180.9800	+0.05	+0.02	-0.46	+17.31
OTHER MAJOR CURRENCIES					
USD/JPY	116.3400	+0.44	+1.52	+8.68	+10.47
GBP/USD	1.5667	-0.68	-1.27	-1.49	-5.38
USD/CHF	0.9668	+0.13	+0.06	+1.37	+8.28
AUD/USD	0.8685	-0.24	+0.56	-0.32	-2.60
USD/CAD	1.1384	+0.53	+0.49	+0.77	+7.16
USD/BRL	2.6016	+0.49	+1.68	+8.39	+10.14
USD/KRW	1,100.78	+0.37	+0.67	+3.40	+4.86
COMMODITIES					
Gold(\$/oz)	1,152.92	-0.38	-2.13	-6.49	-4.37
WTI crude ³	N/A	+0.00	-100.0	-100.0	-100.0
Brent crd ³	75.58	-4.73	-8.25	-11.16	-31.80
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	266.79	+0.84	-1.43	-2.60	-4.78

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)

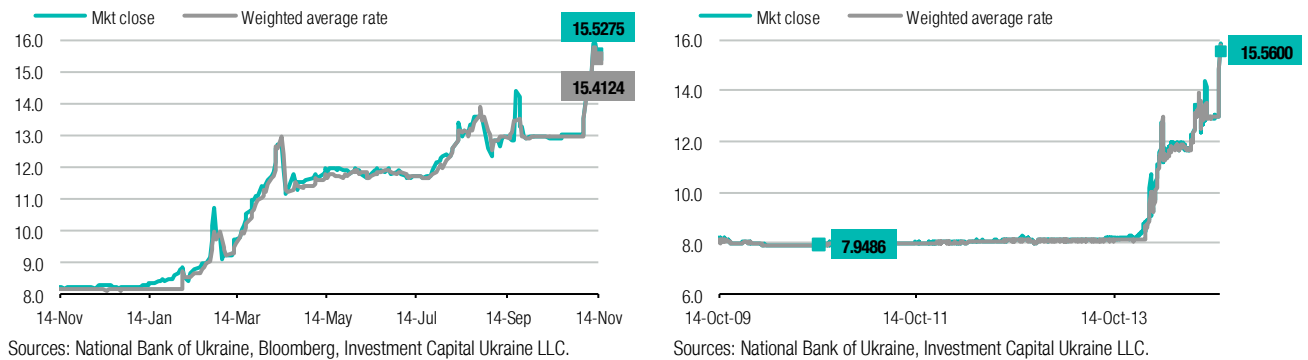


Chart 10. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

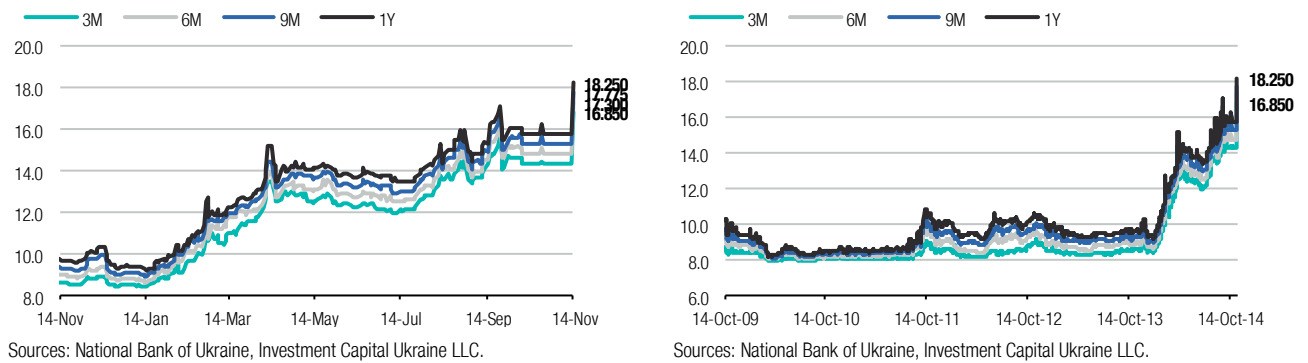


Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)

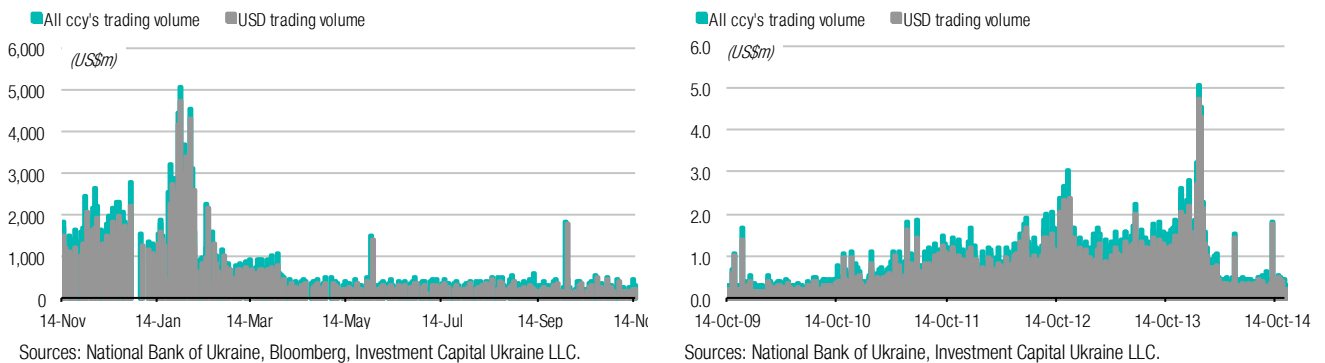


Chart 12. 30D MA* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)

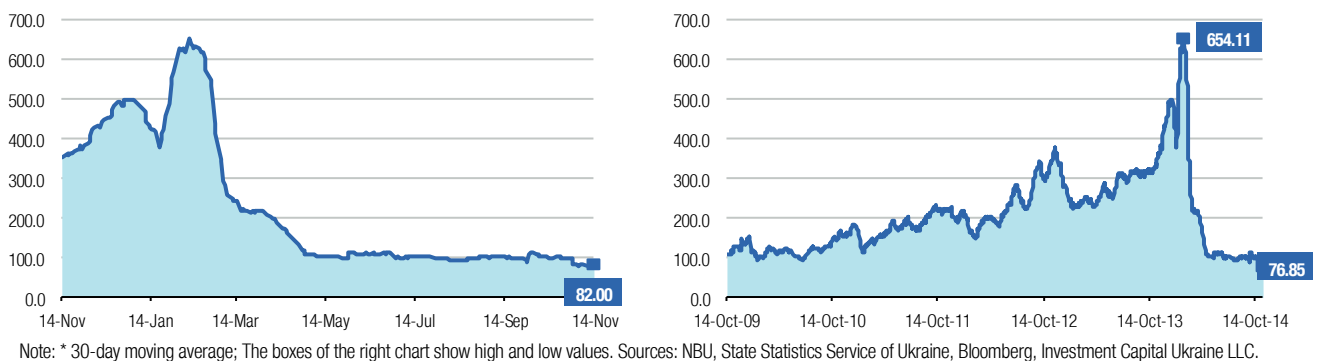
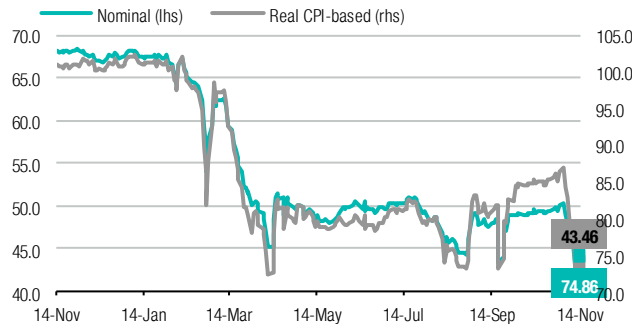


Chart page #2: ICU's UAH trade-weighted indices

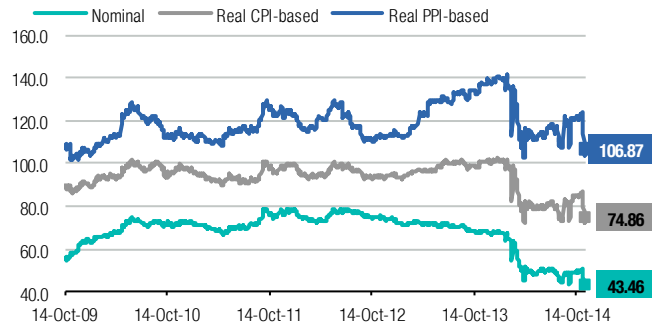
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

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



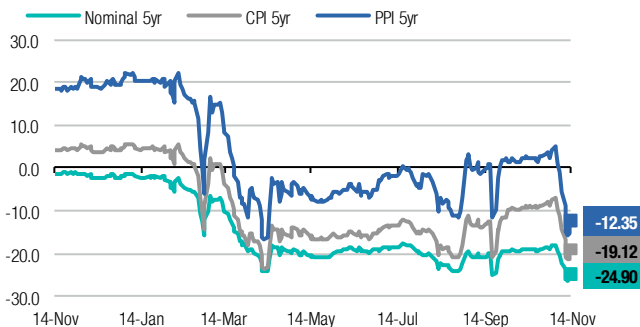
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

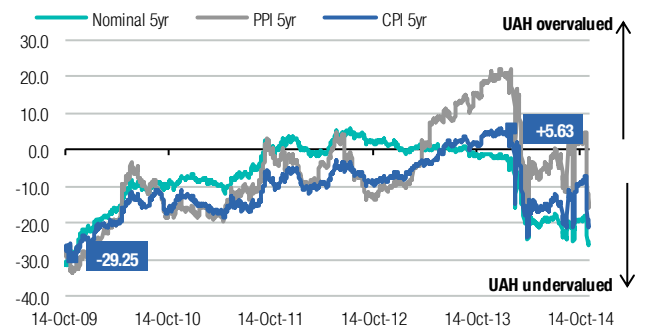


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

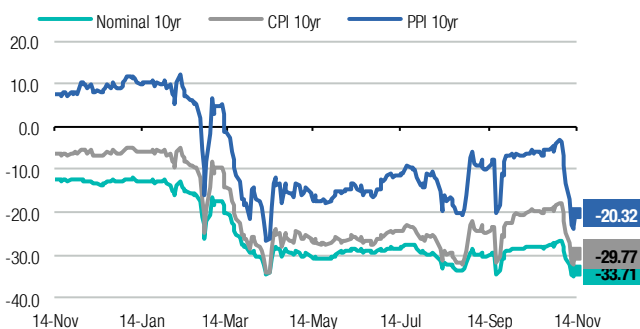


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

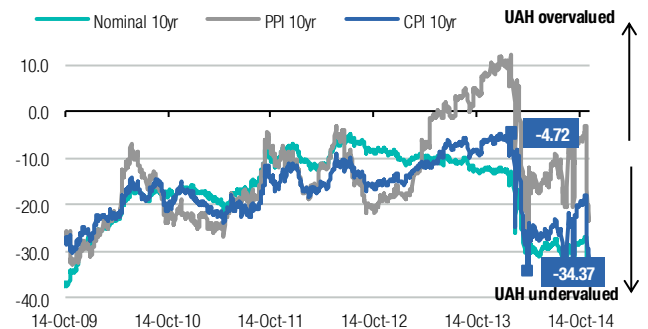


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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