



Focus
Ukraine

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

Research team
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Daily Insight

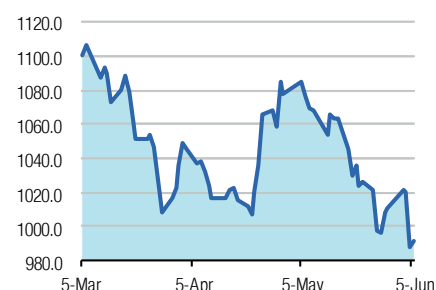
New debt restructuring talks fail

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MONDAY, 8 JUNE 2015

UX Index (3 months to 8 Jun 2015)



Source: UX.

Key market indicators (as of 5 Jun 2015)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	21.0450	-0.02	+33.03
USD/UAH (1Y NDF)	24.8100	+1.27	+34.47
EUR/USD	1.1114	-1.10	-8.13
USD/RUB	56.1260	-0.54	-7.59
KievPRIME O/N (%)	21.00	+0bp	+210bp
KievPRIME 1M (%)	28.00	+20bp	+810bp

SOVEREIGN EUROBONDS: yields and spreads

Ukraine 15, Eurobond (%)	302.48	-2,784bp	+24,071bp
Ukraine 17, Eurobond (%)	49.32	-467bp	+2,156bp
Ukraine 22, Eurobond (%)	21.23	-196bp	+498bp
Ukraine 23, Eurobond (%)	18.34	-199bp	+278bp
Ukraine 5Y CDS	2,745bp	-68bp	+546bp

EQUITIES

Stock market indices

UX (Ukraine)	992.13	+0.37	-3.98
MSCI World	429.38	-0.82	+2.94
MSCI EM	982.14	-0.60	+2.70
RTS (Russia)	922.67	+0.00	+17.22
WIG-20 (Poland)	2,365.58	-0.98	+2.14
S&P 500 (USA)	2,092.83	-0.14	+1.65

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 recovers slightly

Broader banking sector liquidity rose a slight UAH0.22bn last Friday to UAH59.35bn, with a mild reallocation of funds between indicators. Banks' correspondent accounts with the NBU fell UAH0.78bn to UAH21.64n while total CDs outstanding rose UAH1.00bn to UAH33.94bn. Total debt repayments scheduled for the next 30 days remained steady at UAH5.06bn.

Investment implications: *Liquidity recovered very slightly last Friday from the previous day. The broader indicator rose to almost UAH60.0bn as the NBU continued to absorb extra liquidity via CDs to relieve pressure on the FX market and exchange rate. Liquidity should continue to rise and could approach a new record high.*

New debt restructuring negotiation attempt fails

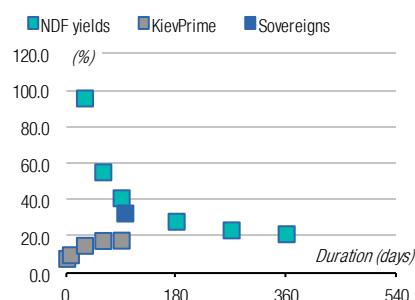
Talks between MoF advisors with an ad hoc committee of creditors failed to make progress. While the MoF reiterated the need for the creditors to negotiate a debt restructuring consistent with the EFF program, a majority of creditors are unwilling to compromise.

Investment implications: *After Ukreximbank and its creditors agreed to a debt extension without a principal haircut, this procedure appeared to lay a foundation for the sovereign debt restructuring. As the MoF urges the need for a principal haircut to decrease the debt burden and financing needs, the MoF should submit real proposals to creditors, but it appears that less than a half of the creditors currently are willing to negotiate.*

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Yield curve of the local bond market

(as of market close on 5 Jun 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 5 Jun 2015)

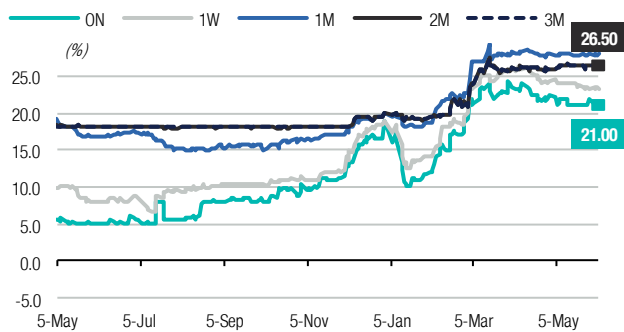
	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	21.00	+0bp	-100bp	-125bp	+210bp
1wk	23.25	-15bp	+0bp	-135bp	+425bp
1m	28.00	+20bp	+0bp	+20bp	+810bp
2m	26.50	+10bp	+0bp	+50bp	+650bp
3m	26.50	+10bp	+0bp	+50bp	+650bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	21,639	-3.47	-7.32	-6.76	-34.92
CDs ²	33,942	+3.04	+15.28	+51.16	+115.0
Sovgns ³	3,413	-4.57	-19.88	-44.19	-24.68
Total	58,994	+0.10	+3.40	+13.94	+10.13
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	347,332	+0.00	-0.27	+2.05	+9.18
Banks	82,016	+0.01	-2.33	-11.55	-12.21
Resid's ⁴	21,973	+0.01	-0.59	-19.05	-10.49
Non-res ⁵	22,976	+0.04	-3.18	-5.47	+6.69
Total	474,297	+0.00	-0.79	-2.11	+3.64
NDF IMPLIED YIELDS (%)					
3m	31.79	-441bp	-93bp	-396bp	+545bp
6m	29.43	+477bp	-50bp	-447bp	+912bp
9m	21.23	+153bp	-602bp	-613bp	+303bp
1yr	18.77	+151bp	-405bp	-460bp	+142bp
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	2,745	-68bp	-378bp	-594bp	+546bp
Jun '16	89.15	-13ppt	-11ppt	-568bp	+52bp
Jul '17	49.32	-467bp	-512bp	-422bp	+22bp
Sep '20	25.09	-240bp	-243bp	-252bp	+625bp
Sep '21	24.35	-206bp	-217bp	-267bp	+581bp
Sep '22	21.23	-196bp	-225bp	-215bp	+498bp
Feb '23	18.34	-199bp	-283bp	-315bp	+278bp

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.

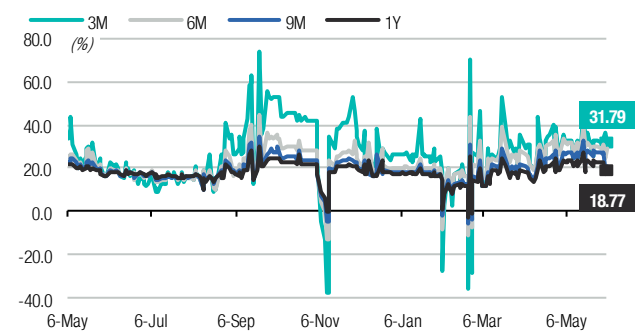
Chart page: Local bond market & Eurobond markets

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



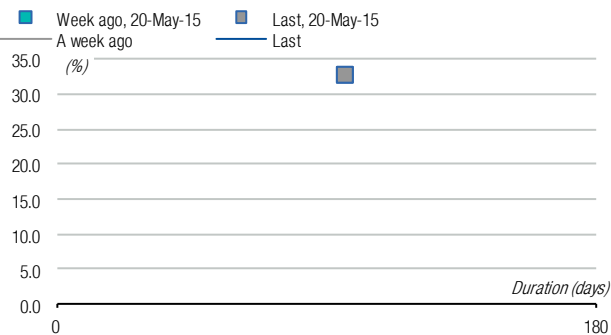
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



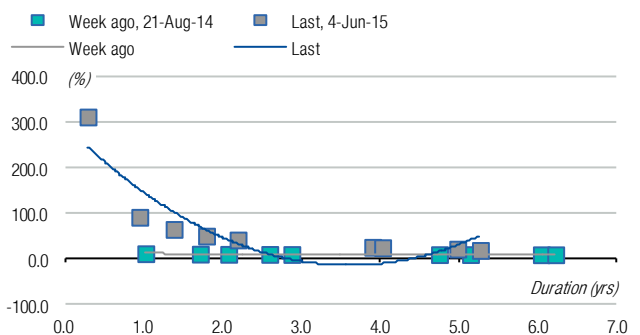
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 5 Jun 2015



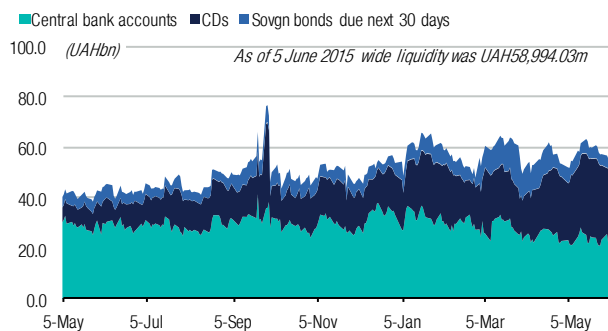
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 5 Jun 2015



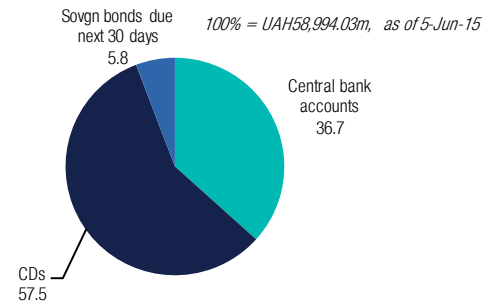
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



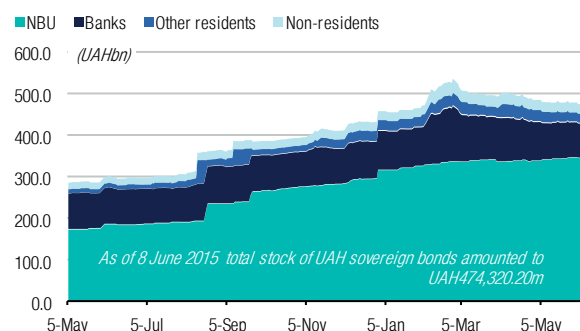
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 5 Jun 2015



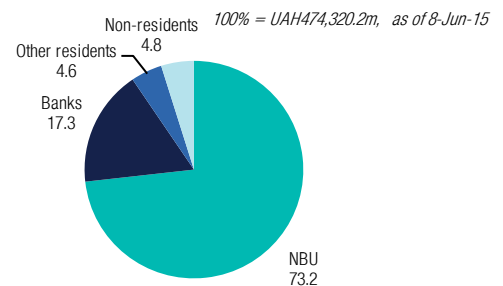
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 5 Jun 2015



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

Table 1. Ukrainian stocks (closing prices as of 5-Jun-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	10.00 GBp	+2.6	+14.3	+0.0	+9.6	0.15	35.3	4.0	40.2	14.2	0.0	10.8	0.05	1,893	Neg.	N/A	N/A	Neg.	N/A	N/A	0.1	N/A	N/A	0.4	15.3
Centrenerg	CEEN UK	Kiev, UX	7.60 UAH	+0.0	-8.5	+0.7	+5.8	0.37	134.9	140.1	21.7	29.3	4.1	22.8	0.05	1,824	39.7	Neg.	N/A	0.4	Neg.	N/A	0.4	0.3	N/A	1.3	4.2
Coal Energy	CLE PW	Warsaw	0.58 PLN	+1.8	-3.3	-6.5	-54.7	0.16	7.0	79.5	25.0	1.7	1.0	1.9	0.06	1,680	Neg.	N/A	N/A	10.9	N/A	N/A	0.7	N/A	N/A	0.3	56.9
Donbasenergo	DOEN UK	Kiev, UX	21.88 UAH	+0.0	-6.9	-33.7	-49.1	1.05	24.9	63.1	14.2	3.5	0.4	6.2	0.12	819	5.1	Neg.	N/A	0.1	17.3	N/A	0.3	0.3	N/A	0.8	25.1
JKX Oil & Gas	JKX LN	London	29.00 GBp	+0.0	-3.3	+141.7	-52.5	0.44	76.3	87.4	47.2	36.0	0.0	213.5	1.54	65	Neg.	Neg.	Neg.	1.7	N/A	0.6	0.6	1.1	0.3	9.9	
Regal Petroleum	RPT LN	London	4.03 GBp	-5.7	-15.1	+29.0	-54.6	0.06	19.8	-12.1	80.9	16.0	0.0	3.2	0.04	2,250	3.4	6.6	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.2	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	155.10 UAH	+0.0	+3.4	+4.7	+2.1	7.46	95.4	147.5	5.0	4.8	0.0	1.1	0.00	617,818	Neg.	N/A	N/A	0.1	N/A	N/A	0.3	N/A	N/A	0.7	11.6
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	-14.4	-4.8	-63.6	0.00	17.1	1,991.2	3.9	0.7	0.0	0.7	0.10	1,043	Neg.	Neg.	N/A	0.7	Neg.	N/A	2.8	6.3	N/A	N/A	145.5
Avdiivjivsky Cok...	AVDK UK	Kiev, UX	1.12 UAH	+0.0	-17.9	-35.5	-66.0	0.05	10.5	8.0	4.0	0.4	0.0	0.9	0.16	629	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0
Azovstal	AZST UK	Kiev, UX	0.78 UAH	+0.0	-7.9	+4.7	+0.1	0.04	157.7	114.5	4.1	6.5	0.2	6.6	0.06	1,662	3.6	2.8	N/A	0.1	1.0	N/A	0.1	0.1	N/A	0.2	0.0
Ferrexpo PLC	FXPO LN	London	78.25 GBp	+2.0	-0.3	+60.0	-38.1	1.20	704.3	1,401.3	22.4	157.8	702.4	1,189.8	0.49	206	3.9	8.9	9.8	3.4	6.5	6.4	1.0	1.3	1.2	1.0	61.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.24 UAH	+0.0	-12.1	-14.3	-64.4	0.01	3.2	3.7	9.0	0.3	0.0	0.0	0.00	20,797	Neg.	7.3	N/A	0.0	Neg.	N/A	0.0	0.0	N/A	0.0	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	16.11 UAH	+0.0	-13.3	-23.1	-63.0	0.77	8.2	0.1	9.4	0.8	13.6	1.8	0.36	281	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	0.46 EUR	+0.0	-6.1	+7.0	-58.2	0.51	47.3	95.4	34.0	16.1	1.4	20.4	0.03	3,078	Neg.	N/A	N/A	Neg.	N/A	N/A	1.3	N/A	N/A	1.0	35.9
Agroliga	AGL PW	Warsaw	10.02 PLN	-2.7	+17.9	+11.3	-47.1	2.68	4.1	4.9	16.7	0.7	3.3	1.7	0.38	265	1.2	N/A	N/A	1.4	N/A	N/A	0.3	N/A	N/A	0.4	5.7
Agroton	AGT PW	Warsaw	0.96 PLN	-1.0	-9.4	-22.0	-62.6	0.26	5.6	32.9	26.2	1.5	2.4	10.9	0.65	154	Neg.	N/A	N/A	1.4	N/A	N/A	0.6	N/A	N/A	0.0	33.4
Astarta Holdin...	AST PW	Warsaw	28.47 PLN	+0.8	+9.0	+42.4	-39.4	7.62	190.5	425.0	31.0	59.1	33.1	208.4	0.38	266	Neg.	Neg.	4.0	3.6	3.5	4.6	1.1	1.0	1.0	1.2	49.6
Avangard	AVGR LI	London Intl	1.52 USD	-2.3	-43.7	-25.9	-83.4	1.52	97.1	359.3	21.7	21.1	81.2	33.1	0.13	790	Neg.	Neg.	2.6	2.8	5.2	4.5	0.9	0.9	0.8	0.3	33.1
IMC	IMC PW	Warsaw	4.50 PLN	+0.0	-10.9	-20.6	-55.8	1.20	37.7	146.2	23.9	9.0	1.0	2.4	0.04	2,596	Neg.	4.7	1.2	2.6	2.9	2.5	1.1	0.9	0.7	1.4	69.8
Kernel Holding...	KER PW	Warsaw	38.40 PLN	-0.3	+7.4	+34.9	+23.1	10.28	818.9	1,293.3	58.8	481.3	543.5	1,834.2	0.27	369	Neg.	6.2	5.0	5.8	3.8	3.8	0.5	0.5	0.5	1.0	39.1
KSG Agro	KSG PW	Warsaw	0.67 PLN	+6.3	-18.3	-40.2	-85.2	0.18	2.7	67.7	34.4	0.9	1.5	4.4	0.65	154	Neg.	N/A	0.1	7.8	N/A	N/A	0.9	0.7	0.6	N/A	44.5
MHP	MHPC LI	London Intl	11.50 USD	+2.2	+0.0	+25.0	-23.8	11.50	1,215.2	2,375.1	22.3	271.2	452.8	768.1	0.26	391	Neg.	5.5	4.5	4.3	4.7	5.0	1.7	1.8	1.8	2.9	53.0
Milkiland	MLK PW	Warsaw	2.05 PLN	-6.8	-17.7	+38.5	-68.7	0.55	17.1	121.7	20.0	3.4	9.1	21.7	0.25	396	Neg.	Neg.	2.3	12.9	4.1	3.7	0.4	0.5	0.5	0.2	42.5
Ovostar Union	OVO PW	Warsaw	80.00 PLN	-1.2	+6.7	+11.1	+9.6	21.41	128.5	138.7	25.0	32.1	2.9	115.7	0.35	284	5.1	5.6	6.4	4.7	5.3	4.6	1.8	1.8	1.6	1.6	9.4
CONSTRUCTION																											
TMM	TR61 GF	Frankfurt	0.03 EUR	+0.0	-58.3	-68.8	-85.4	0.03	1.4	128.6	13.1	0.2	0.0	0.3	0.03	3,945	Neg.	N/A	N/A	Neg.	N/A	N/A	3.8	N/A	N/A	0.0	45.5
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.09 UAH	+0.0	-11.1	-9.4	-45.6	0.00	125.4	N/A	3.8	4.8	8.1	10.9	0.17	593	N/A	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.6	N/A
Ukrsotsbank	USCB UK	Kiev, UX	0.10 UAH	+0.0	-12.6	-23.2	-42.1	0.00	118.6	N/A	4.5	5.3	0.0	0.3	0.01	8,150	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

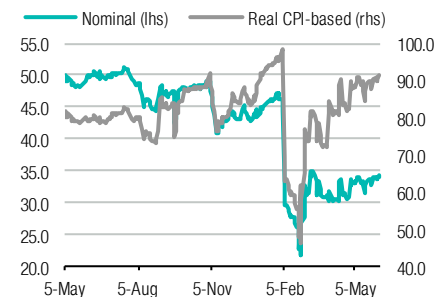
UAH steady, USD enjoys recovery signs

The hryvnia closed nearly flat to the previous day at 21.045/USD, according to Bloomberg. Although the NBU declared last week that it has begun to relax capital controls, the FX regime is still tightly regulated. Friday's published inflation statistics for May showed that monthly inflation of 2.2%, implying a 58.4% year-on-year CPI, down 2.5ppt from 60.9% a month ago when inflation spiked on the back of the utilities and natural gas tariff increase and of the recent FX depreciation. High inflation and low FX reserves will prevent authorities from relaxing capital controls to a significant extent as their goal remains to prevent a run on the currency. In the US, the jobs statistic for May was bullish, suggesting that 2Q will be much stronger than 1Q when the economy contracted by 0.7%. The US dollar index jumped 0.89% on Friday. Consensus still sees the US Fed starting to raise the Fed funds' rate this September.

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ICU's UAH trade-weighted indices

(Last 12-month history to 8 Jun 2015)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 5 Jun 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	21.0450	-0.02	+0.21	+0.69	+33.03
NBU avg	21.0258	+0.06	-0.28	-0.51	+33.34
Ttl vlm ¹	231.97	-21.57	-18.63	+17.40	-46.16
\$ volume ²	173.16	-28.15	-19.23	+10.36	-51.12
NDF 3M	22.7000	-1.03	+0.00	-0.22	+34.72
NDF 6M	24.1000	+2.09	+0.00	-1.23	+38.51
NDF 1Y	24.8100	+1.27	-3.09	-3.09	+34.47
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	34.168	+0.34	+1.15	+3.05	-23.16
UAH real CPI	91.435	+0.34	+1.15	+3.05	+5.47
UAH real PPI	103.312	+0.34	+1.15	+3.05	-12.27
USD nom'l	96.306	+0.89	-0.66	+1.29	+6.69
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	56.1260	-0.54	+6.47	+11.12	-7.59
EUR/USD	1.1114	-1.10	+1.51	-0.63	-8.13
USD/CNY	6.2028	+0.04	+0.04	-0.05	-0.04
USD/PLN	3.7424	+0.81	-0.84	+3.90	+5.61
USD/TRY	2.6607	-0.26	-0.03	-1.62	+13.95
USD/BYR	15,328.00	+1.27	+3.11	+6.30	+39.35
USD/KZT	185.9700	-0.01	-0.02	+0.10	+1.99
OTHER MAJOR CURRENCIES					
USD/JPY	125.6300	+1.02	+1.37	+4.81	+4.88
GBP/USD	1.5270	-0.61	-0.37	+0.58	-1.97
USD/CHF	0.9397	+0.65	-0.49	+1.42	-5.49
AUD/USD	0.7623	-0.85	-0.51	-4.02	-6.75
USD/CAD	1.2444	-0.46	+0.14	+3.11	+7.08
USD/BRL	3.1424	+0.28	-1.14	+2.82	+18.24
USD/KRW	1,111.14	-0.23	+0.27	+2.65	+1.85
COMMODITIES					
Gold(\$/oz)	1,172.00	-0.41	-1.40	-1.79	-1.09
WTI crude ³	59.13	+1.95	+0.00	-2.10	+11.00
Brent crd ³	62.18	+1.88	+1.07	-6.31	+11.51
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	222.53	+0.39	-0.29	-3.60	-3.23

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)

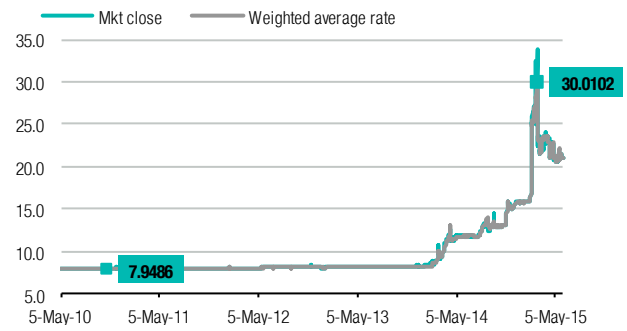
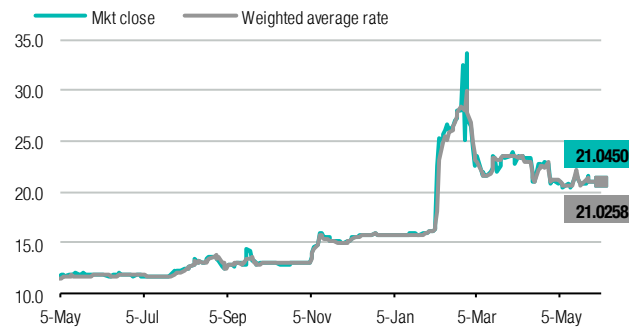


Chart 10. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

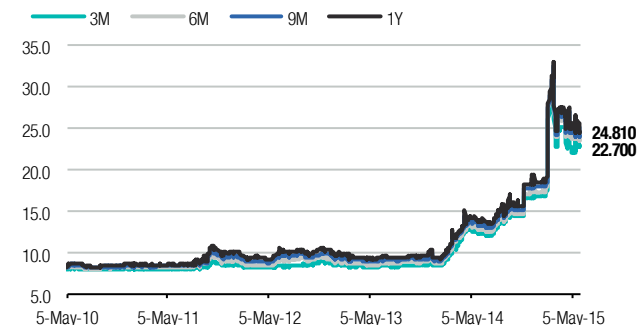
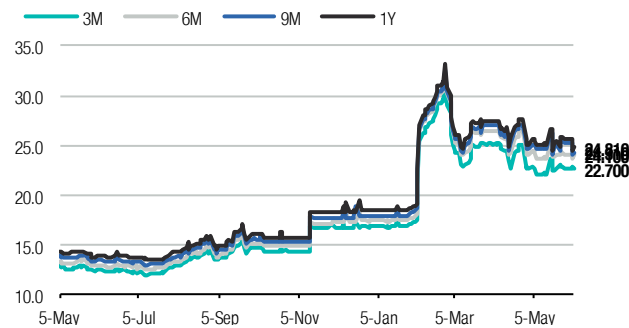


Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)

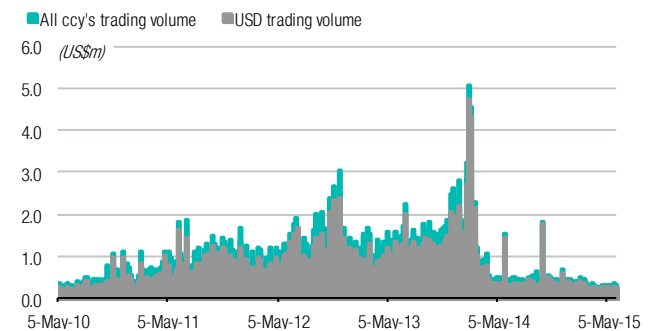
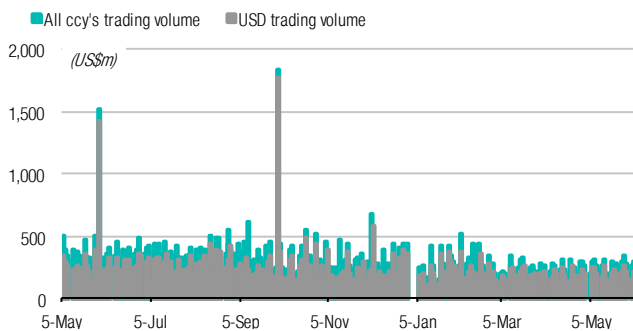


Chart 12. 30D MA* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)

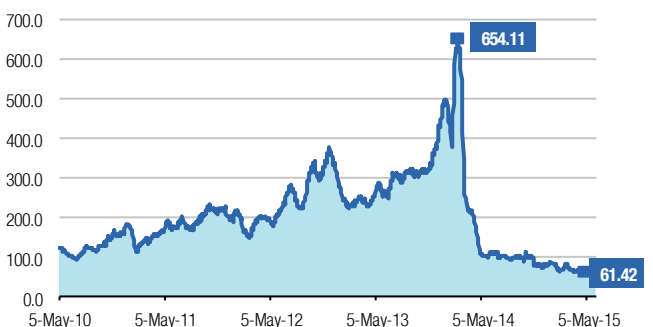
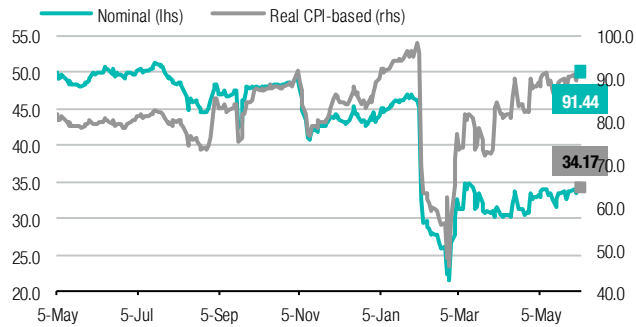


Chart page #2: ICU's UAH trade-weighted indices

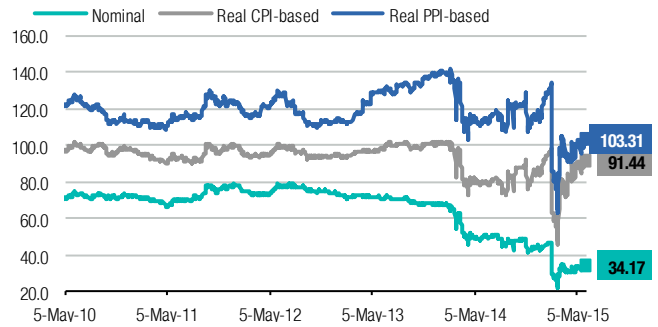
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



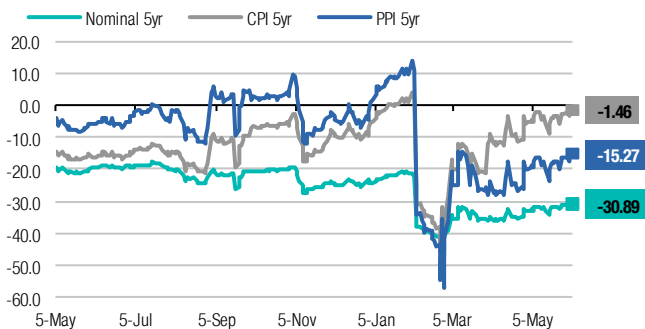
Source: Investment Capital Ukraine LLC.

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

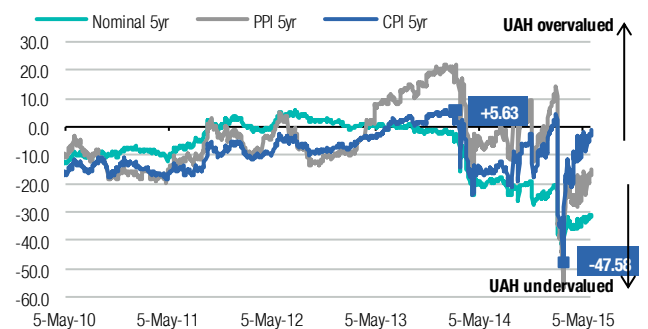


Source: Investment Capital Ukraine LLC.

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)

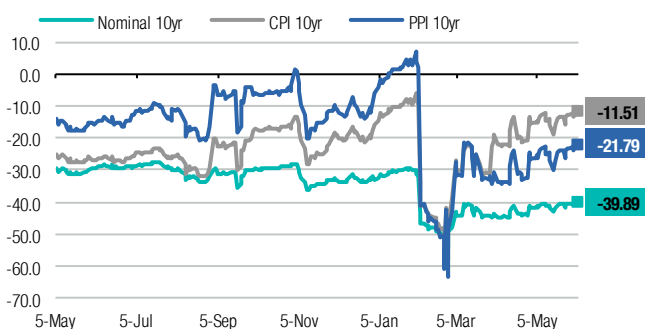


Source: Investment Capital Ukraine LLC.

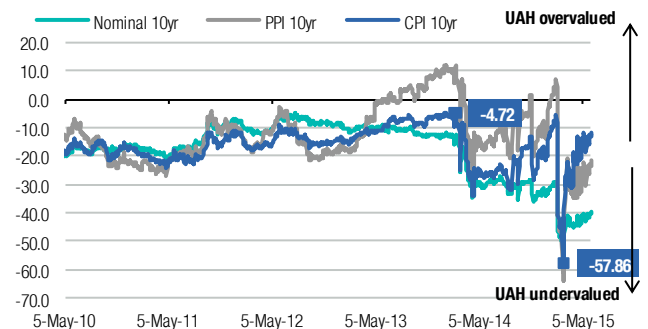


Source: Investment Capital Ukraine LLC.

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)



Source: Investment Capital Ukraine LLC.



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.

EQUITY RATING DEFINITIONS

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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