



Focus  
**Ukraine**

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

Research team  
**Alexander Valchyshen  
Taras Kotovych**

# Daily Insight

## Fixed investments continue to decline in 3Q15

THURSDAY, 26 NOVEMBER 2015

### UX Index (3 months to 26 Nov 2015)



Source: UX.

### Key market indicators (as of 25 Nov 2015)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	23.8140	+0.00	+50.53
USD/UAH (1Y NDF)	27.8300	-0.83	+50.84
EUR/USD	1.0624	-0.18	-12.18
USD/RUB	65.5362	+0.12	+7.90
KievPRIME O/N (%)	19.00	-15bp	+10bp
KievPRIME 1M (%)	22.81	+11bp	+291bp
<b>SOVEREIGN EUROBONDS: yields and spreads</b>			
Ukraine 15, Eurobond (%)	N/A	-31bp	-5,343bp
Ukraine 17, Eurobond (%)	28.42	+126bp	+66bp
Ukraine 22, Eurobond (%)	13.05	+1bp	-320bp
Ukraine 23, Eurobond (%)	11.65	+1bp	-391bp
Ukraine 5Y CDS	0bp	+0bp	-2,199bp
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	739.36	+2.20	-28.45
MSCI World	408.97	+0.09	-1.95
MSCI EM	836.15	-0.38	-12.56
RTS (Russia)	878.89	+1.31	+11.66
WIG-20 (Poland)	1,943.30	-0.04	-16.09
S&P 500 (USA)	2,088.87	-0.01	+1.46

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.

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# Economics: News & Comments

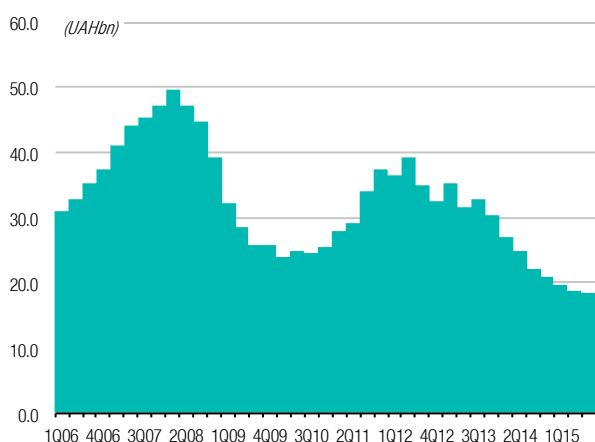
## Fixed investments continue to decline in 3Q15

3Q15 fixed investments continued to decline in quarter-in-quarter seasonally adjusted terms. While last quarter they declined 3.1%, they had fallen 4.0% in 2Q15 and 5.3% in 1Q15. Investment activity was at an historic low as the share of investment to GDP is forecast to decline from 12% in 2014 to 11% in 2015.

**Alexander Valchysheh, Kiev, +38044 2200120 ext.721**

**Chart 1. Quarterly volume of fixed investments (UAHbn)**

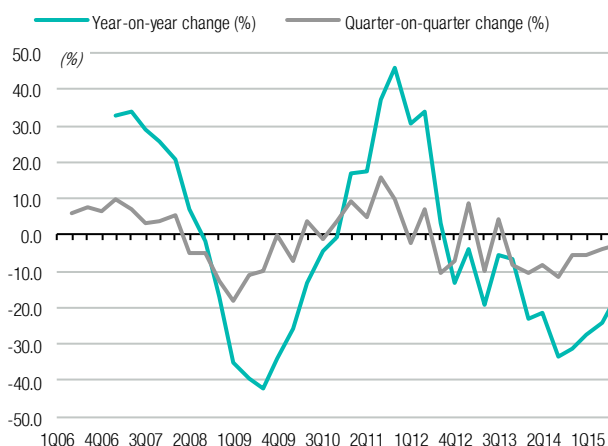
Seasonally adjusted volumes at constant prices of December 2005



Source: State Statistics Service of Ukraine, ICU.

**Chart 2. Growth rate of fixed investments (%)**

Percentage change in year-on-year and quarter-on-quarter terms of the seasonally adjusted volumes at constant prices of December 2005



Source: State Statistics Service of Ukraine, ICU.

# Bonds: News & Comments

## Liquidity recovers slightly

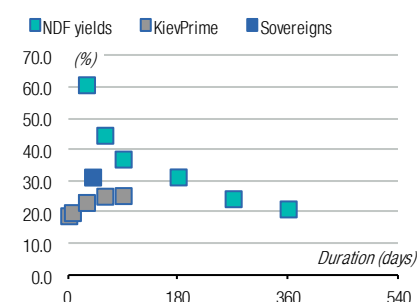
Banking sector liquidity slightly recovered UAH0.36bn to UAH91.03bn yesterday, with an insufficient reallocation of funds to banks' accounts. Banks' correspondent accounts with the NBU rose UAH0.65bn to UAH27.03bn while total CDs outstanding slid UAH0.29bn to UAH64.00bn.

**Investment implications: The FX market becomes steadier and demand for FX likely declined, resulting in slight recovery in liquidity. At the same time, we saw a reallocation to banks' accounts as there should take place outflows to the budget via month-end tax payments. The largest decline could be seen on Friday and at the beginning of next week. At the same time, liquidity should not decline below UAH85bn.**

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

## Yield curve of the local bond market

(as of market close on 25 Nov 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 25 Nov 2015)

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

### MONEY MARKET KIEV PRIME RATES (%)

0/n	19.00	-15bp	+0bp	+45bp	+10bp
1wk	20.13	+3bp	+13bp	+53bp	+113bp
1m	22.81	+11bp	+56bp	+66bp	+291bp
2m	23.88	+8bp	+50bp	+8bp	+388bp
3m	24.13	+13bp	+50bp	+23bp	+413bp

### LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's <sup>1</sup>	27,027	+2.48	-0.39	+8.81	-18.72
CDs <sup>2</sup>	63,999	-0.46	-2.37	-3.00	+305.4
Sovgns <sup>3</sup>	8,179	-8.45	+0.47	+21.00	+80.50
<b>Total</b>	<b>99,205</b>	<b>-0.40</b>	<b>-1.61</b>	<b>+1.67</b>	<b>+85.19</b>

### HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	374,297	+0.54	+0.00	+1.46	+17.66
Banks	84,847	-0.22	+0.36	+3.24	-9.19
Resid's <sup>4</sup>	21,206	-0.10	+0.13	+0.94	-13.62
Non-res <sup>5</sup>	22,786	-0.41	+0.66	+3.40	+5.77
<b>Total</b>	<b>503,137</b>	<b>+0.34</b>	<b>+0.09</b>	<b>+1.82</b>	<b>+9.94</b>

### NDF IMPLIED YIELDS (%)

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

### 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 <sup>6</sup>	N/A	N/A	N/A	N/A	N/A

### EUROBONDS USD SOVEREIGN BOND YIELDS (%)

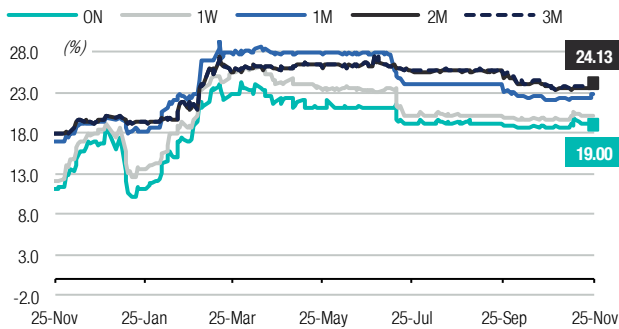
CDS 5yr	0	+0bp	+0bp	+0bp	-22ppt
Jun '16	51.49	+29bp	+58bp	-287bp	+15bp
Jul '17	28.42	+126bp	+126bp	+194bp	+66bp
Sep '20	13.56	-3bp	+0bp	+27bp	-529bp
Sep '21	13.78	-7bp	+0bp	-29bp	-475bp
Sep '22	13.05	+1bp	+0bp	+8bp	-320bp
Feb '23	11.65	+1bp	+0bp	+15bp	-391bp

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.

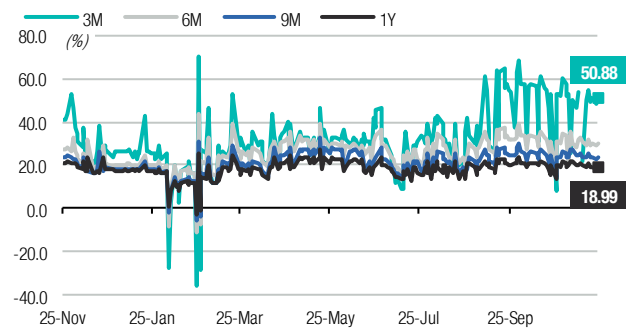
Chart page: Local bond market & Eurobond markets

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



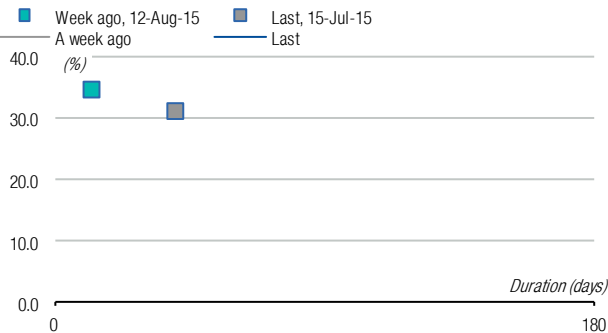
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



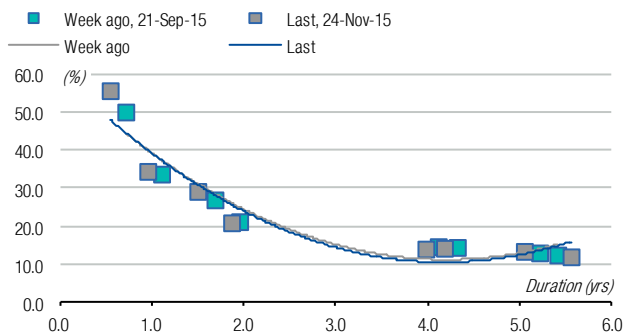
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 5. UAH sovereign yield curve (%) as of 25 Nov 2015



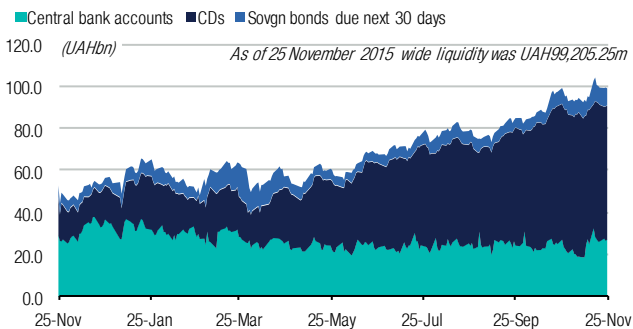
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 6. USD sovereign yield curve (%) as of 25 Nov 2015



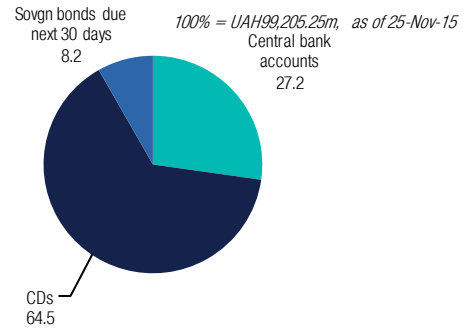
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



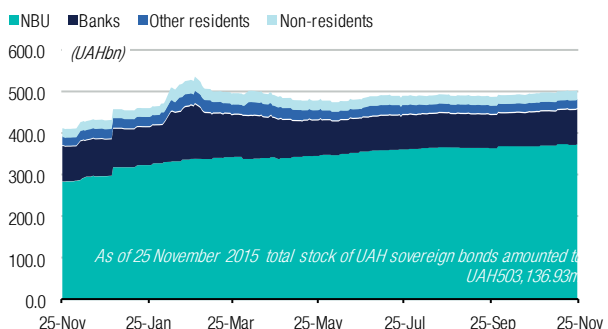
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 8. Breakdown of liquidity pool (%) as of 25 Nov 2015



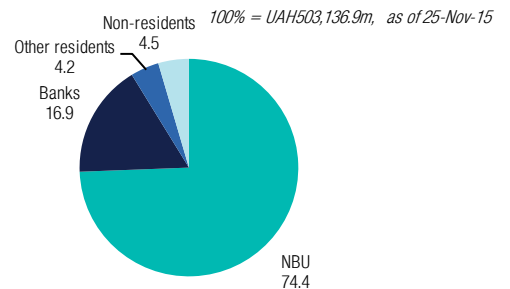
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 25 Nov 2015



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

Table 1. Ukrainian stocks (closing prices as of 25-Nov-2015)

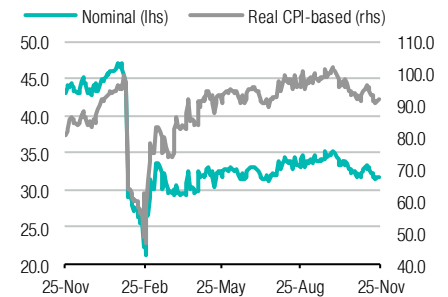
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
<b>ENERGY</b>																											
Cadogan Petrol...	CAD LN	London	8.63 GBp	+0.0	-18.8	-13.8	-19.8	0.13	30.1	-19.0	40.2	12.1	0.0	8.5	0.06	1,547	Neg.	N/A	N/A	2.7	N/A	N/A	Neg.	N/A	N/A	0.4	15.3
Centrenerg	CEEN UK	Kiev, UX	4.66 UAH	+0.1	-13.3	-38.3	-38.2	0.20	72.4	60.7	21.7	15.7	11.6	9.8	0.07	1,462	24.4	5.4	4.5	0.2	1.8	1.8	0.2	0.2	0.1	0.7	4.2
Coal Energy	CLE PW	Warsaw	0.60 PLN	+0.0	-15.5	-3.2	-9.1	0.15	6.7	79.3	25.0	1.7	0.4	1.2	0.03	3,914	Neg.	N/A	N/A	10.9	N/A	N/A	0.7	N/A	N/A	0.2	56.9
Donbasenergo	DOEN UK	Kiev, UX	18.20 UAH	+1.3	+2.7	-44.8	-42.7	0.77	18.1	28.5	14.2	2.6	2.1	2.3	0.06	1,720	4.3	Neg.	N/A	0.0	N/A	N/A	0.1	0.2	N/A	0.3	13.6
JXK Oil & Gas	JXK LN	London	28.50 GBp	-0.9	+5.6	+137.5	+2.7	0.43	74.0	84.7	47.2	34.9	0.3	83.7	0.06	1,763	Neg.	Neg.	Neg.	Neg.	2.6	3.4	0.6	0.8	1.2	0.3	9.9
Regal Petroleum	RPT LN	London	3.80 GBp	+2.7	-15.7	+21.4	-31.0	0.06	18.4	-15.0	80.9	14.9	0.0	1.3	0.00	20,287	3.2	N/A	N/A	Neg.	N/A	N/A	Neg.	Neg.	N/A	0.3	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	96.00 UAH	+0.0	+17.1	-35.2	-35.1	4.04	51.7	84.5	5.0	2.6	0.0	0.7	0.05	1,828	Neg.	N/A	N/A	0.1	N/A	N/A	0.2	N/A	N/A	0.6	11.6
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	-3.1	+3.6	-15.2	-31.7	0.00	13.3	1,742.2	3.9	0.5	0.6	0.2	0.02	5,364	Neg.	Neg.	N/A	0.6	Neg.	N/A	2.8	6.8	N/A	N/A	145.5
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.11 UAH	+7.6	-0.6	-36.0	-41.0	0.05	9.1	8.1	4.0	0.4	1.5	0.9	0.21	476	Neg.	N/A	N/A	Neg.	N/A	N/A	0.0	N/A	N/A	0.0	0.0
Azovstal	AZST UK	Kiev, UX	0.47 UAH	+8.0	-15.9	-36.8	-33.6	0.02	83.4	24.8	4.1	3.4	2.4	4.4	0.33	301	2.2	1.7	N/A	0.0	N/A	N/A	0.0	0.0	N/A	0.1	0.0
Ferrexpo PLC	FXPO LN	London	27.50 GBp	+1.9	-28.1	-43.8	-57.7	0.42	244.7	901.3	22.4	54.8	212.7	350.7	0.66	150	1.4	1.9	5.5	2.8	3.5	4.5	0.6	0.9	0.9	0.5	61.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.33 UAH	+0.0	+32.0	+17.9	+10.0	0.01	3.8	4.4	9.0	0.3	0.0	2.0	0.27	372	Neg.	Neg.	N/A	Neg.	N/A	N/A	0.1	0.0	N/A	0.1	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	17.30 UAH	+7.1	+7.5	-17.4	-15.3	0.73	7.7	-6.8	9.4	0.7	0.0	1.5	0.04	2,593	Neg.	Neg.	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.2	0.0
<b>FOOD AND AGRIBUSINESS</b>																											
AgroGeneration	ALAGR FP	EN Paris	0.44 EUR	+2.3	-6.4	+2.3	-6.4	0.47	43.2	133.8	34.0	14.7	50.9	58.7	0.27	374	Neg.	Neg.	2.8	Neg.	6.8	4.6	2.0	2.1	1.7	N/A	35.9
Agroliga	AGL PW	Warsaw	13.60 PLN	+0.0	-12.0	+51.1	+30.8	3.38	5.2	5.9	16.7	0.9	0.0	1.5	0.20	512	1.5	N/A	N/A	1.7	N/A	N/A	0.3	N/A	N/A	0.5	5.7
Agroton	AGT PW	Warsaw	1.09 PLN	+2.8	-21.0	-11.4	-13.5	0.27	5.9	32.6	26.2	1.5	2.2	12.2	0.49	203	Neg.	N/A	N/A	1.4	N/A	N/A	0.6	N/A	N/A	0.2	33.4
Astarta Holdin...	AST PW	Warsaw	34.98 PLN	+0.1	+5.4	+74.9	+141.2	8.70	217.5	433.3	31.0	67.5	4.7	57.1	0.05	2,099	Neg.	14.7	4.2	3.6	3.8	4.0	1.2	1.2	1.1	1.0	49.6
Avangard	AVGR LI	London Intl	1.60 USD	+2.6	+45.5	-22.0	-67.3	1.60	102.2	402.4	21.7	22.2	0.2	66.1	0.04	2,481	Neg.	Neg.	Neg.	3.1	10.5	5.0	1.0	1.4	1.2	0.4	33.1
Kernel Holding...	KER PW	Warsaw	46.00 PLN	-3.3	-12.6	+61.6	+75.2	11.44	911.6	1,293.4	58.8	535.8	4,958.0	1,819.1	0.34	297	8.5	4.5	4.6	3.3	3.7	3.8	0.6	0.6	0.5	1.0	31.6
KSG Agro	KSG PW	Warsaw	1.00 PLN	+1.0	-16.0	-10.7	-20.6	0.25	3.7	73.8	34.4	1.3	0.5	9.2	0.49	202	Neg.	N/A	N/A	7.3	N/A	N/A	2.3	N/A	N/A	N/A	67.4
MHP	MHPC LI	London Intl	9.49 USD	-6.5	+2.0	+3.2	-11.3	9.49	1,002.8	2,175.4	22.3	223.8	284.9	346.4	0.19	518	Neg.	5.0	3.7	3.9	4.4	4.4	1.6	1.8	1.7	1.5	53.0
Milkiland	MLK PW	Warsaw	1.63 PLN	-4.1	-23.8	+10.1	-17.3	0.41	12.7	115.8	20.0	2.5	14.2	44.6	1.73	58	Neg.	Neg.	Neg.	8.4	6.5	6.7	0.4	0.5	0.5	0.1	42.5
<b>CONSTRUCTION</b>																											
TMM	TR61 GF	Frankfurt	0.02 EUR	+0.0	+66.7	-75.0	-86.7	0.02	1.1	94.0	13.1	0.1	0.6	0.2	0.24	411	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	0.08 UAH	+5.1	+3.0	-17.9	-22.1	0.00	99.5	N/A	3.8	3.8	12.4	5.9	0.16	618	N/A	5.5	5.5	N/A	N/A	N/A	N/A	N/A	N/A	0.6	N/A
Ukrsofsbank	USCB UK	Kiev, UX	0.09 UAH	+0.0	+4.6	-27.8	-30.6	0.00	97.7	N/A	4.5	4.4	0.0	0.7	0.00	20,327	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

## ICU's UAH trade-weighted indices

(Last 12-month history to 26 Nov 2015)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 25 Nov 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	23.8140	+0.00	+0.06	+4.68	+50.53
NBU avg	23.7717	-0.74	-0.59	+5.30	+50.75
Ttl vlm <sup>1</sup>	281.42	+0.75	+16.09	-3.86	-34.69
\$ volume <sup>2</sup>	218.79	+20.83	+30.31	+2.65	-38.25
NDF 3M	26.5800	-0.87	-0.38	+3.22	+57.74
NDF 6M	27.0800	-0.86	-0.38	+3.16	+55.63
NDF 1Y	27.8300	-0.83	-0.78	+3.07	+50.84
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	31.780	+0.16	+0.51	-1.51	-28.53
UAH real CPI	91.732	+0.16	+0.51	-1.51	+6.00
UAH real PPI	110.319	+0.16	+0.51	-1.51	-6.32
USD nom'l	99.795	+0.27	+0.14	+2.75	+10.55
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	65.5362	+0.12	+1.19	+5.08	+7.90
EUR/USD	1.0624	-0.18	-0.34	-3.58	-12.18
USD/CNY	6.3893	+0.01	+0.07	+0.61	+2.96
USD/PLN	4.0193	+0.37	+0.90	+4.11	+13.42
USD/TRY	2.8885	+0.39	+0.90	-0.67	+23.70
USD/BYR	18,137.00	+0.43	+1.30	+5.11	+64.88
USD/KZT	307.0800	-0.14	-0.10	+10.58	+68.40
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	122.7400	+0.17	-0.73	+1.05	+2.47
GBP/USD	1.5129	+0.30	-0.71	-1.21	-2.88
USD/CHF	1.0218	+0.50	+0.20	+4.41	+2.77
AUD/USD	0.7252	-0.07	+1.98	+0.50	-11.29
USD/CAD	1.3290	-0.11	-0.10	+0.94	+14.36
USD/BRL	3.7456	+1.25	-0.51	-3.37	+40.94
USD/KRW	1,143.44	-0.89	-2.46	+1.65	+4.81
<b>COMMODITIES</b>					
Gold(\$/oz)	1,071.15	-0.41	+0.04	-8.02	-9.60
WTI crude <sup>3</sup>	41.79	+1.26	+2.55	-4.26	-21.55
Brent crd <sup>3</sup>	44.64	+0.70	+6.03	-3.04	-19.94
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	185.70	+0.23	+1.14	-4.14	-19.25

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>).

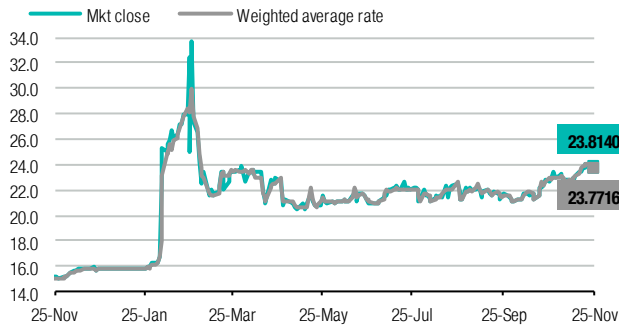
Section on FX market is continued on next page.

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.

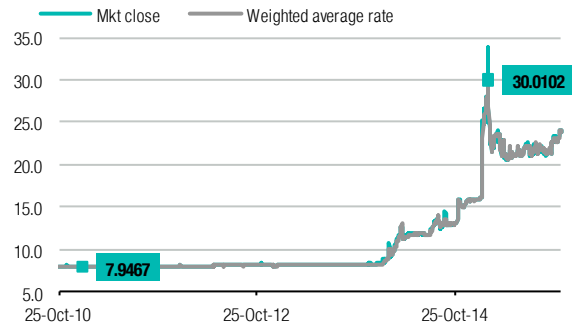
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

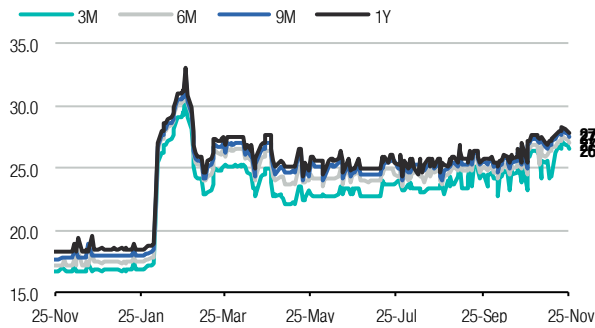


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

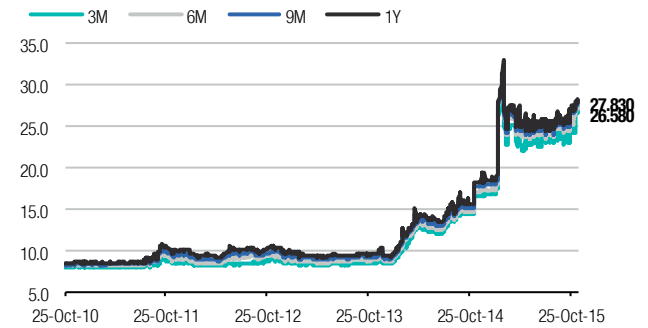


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

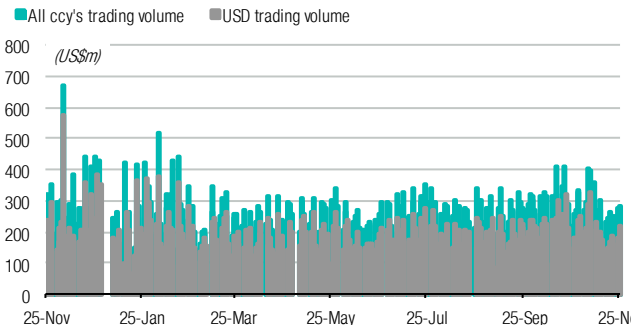


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

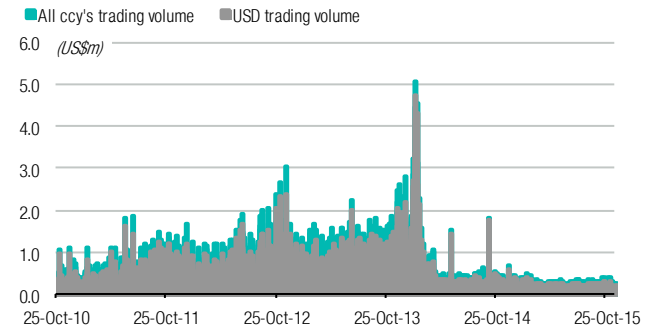


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

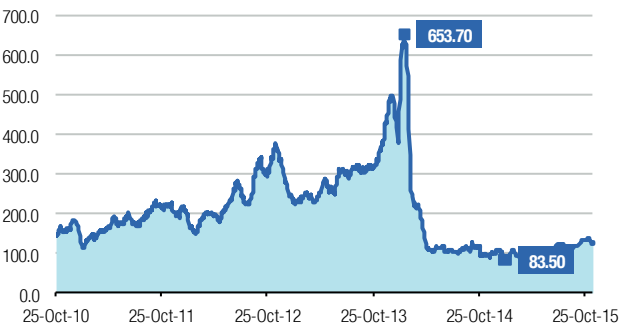


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

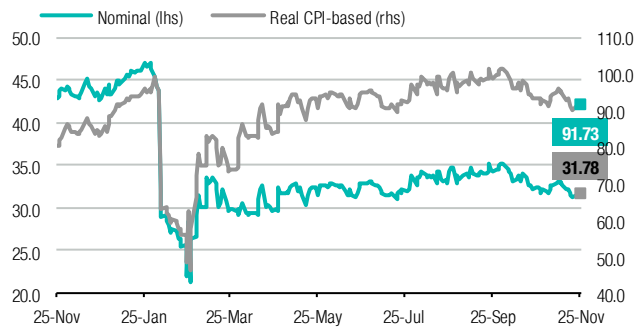


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

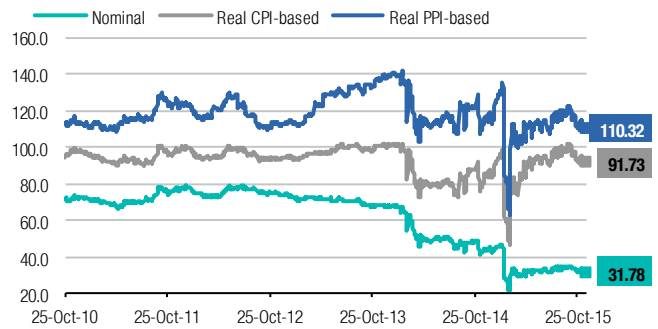
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



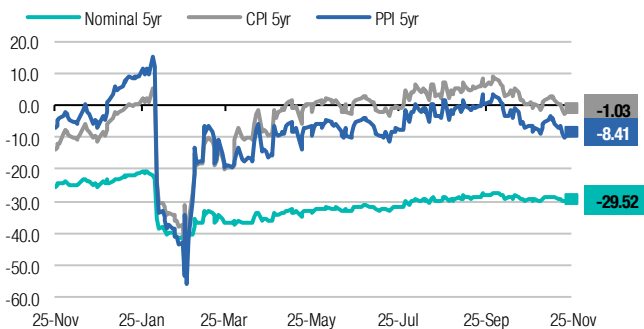
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

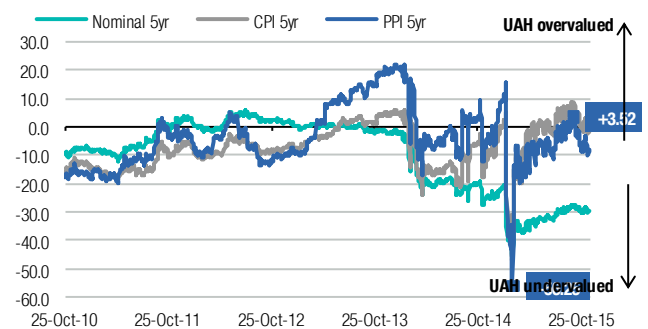


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

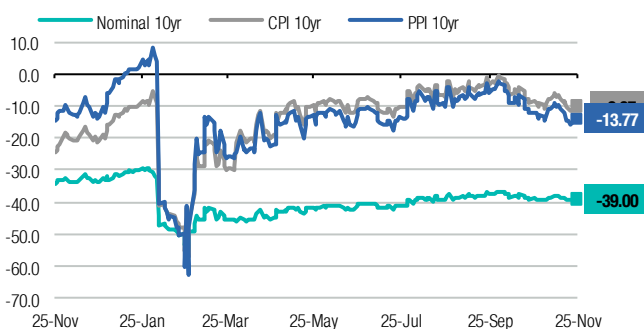


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

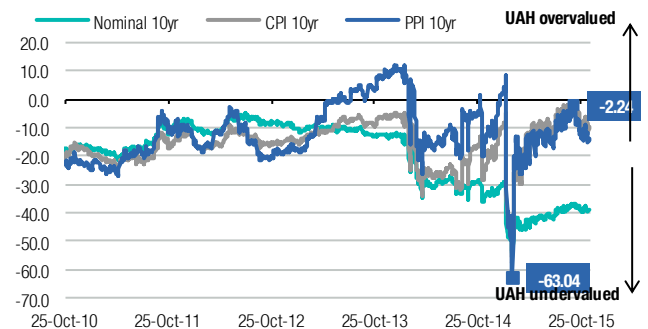


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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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## 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



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

## CORPORATE FINANCE

**Makar Paseniuk, CFA**, Managing Director  
makar.paseniuk@icu.ua

**Ivan Shvydanenko**, Vice President  
ivan.shvydanenko@icu.ua

**Roman Nikitov, ACCA** Director  
roman.nikitov@icu.ua

**Yuriy Kamarytskyi**, Vice President  
yuriy.kamarytskyi@icu.ua

**Ruslan Kilmukhametov**, Director  
ruslan.kilmukhametov@icu.ua

**Ruslan Patlavsky**, Vice President  
ruslan.patlavsky@icu.ua

## STRATEGY AND CORPORATE DEVELOPMENT

**Vlad Sinani**, Director  
vlad.sinani@icu.ua

## SALES AND TRADING

**Konstantin Stetsenko**   
Managing Director  
konstantin.stetsenko@icu.ua

**Liliya Kubytyovych**   
Asset Management Product Sales  
liliya.kubytyovych@icu.ua

**Sergiy Byelyayev**  
Fixed-Income Trading  
sergiy.byelyayev@icu.ua

**Julia Pecheritsa**  
Ukraine and CIS International Sales  
julia.pecheritsa@icu.ua

**Vitaliy Sivach**   
Fixed-Income & FX Trading  
vitaliy.sivach@icu.ua

**Yevgeniya Gryshchenko**  
Fixed-Income Sales  
yevgeniya.gryshchenko@icu.ua

## RESEARCH DEPARTMENT

**Alexander Valchyshen**   
Head of Research  
alexander.valchyshen@icu.ua

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

**Alexander Martynenko**   
Head of corporate research  
alexander.martynenko@icu.ua

**Mykhaylo Demkiv**   
Financial analyst (Banks)  
mykhaylo.demkiv@icu.ua

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

**Lee Daniels, Rolfe Haas**  
Editors

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