



Focus
Ukraine

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

Research team
Taras Kotovych

Daily Insight

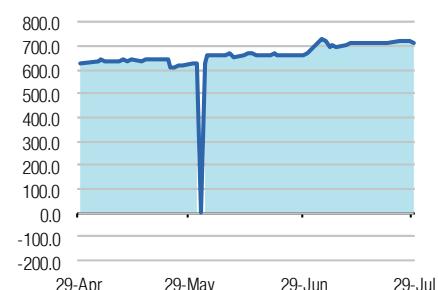
New government bond offering results

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MONDAY, 1 AUGUST 2016

UX Index (3 months to 1 Aug 2016)



Source: UX.

Key market indicators (as of 29 Jul 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	24.8100	+0.02	+3.25
USD/UAH (1Y NDF)	28.8600	+0.02	+13.19
EUR/USD	1.1174	+0.88	+2.87
USD/RUB	65.9445	-1.43	-9.07
KievPRIME O/N (%)	14.33	-67bp	-473bp
KievPRIME 1M (%)	17.67	-66bp	-458bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	N/A	+0bp	+0bp
Ukraine 17, Eurobond (%)	29.14	+26bp	+0bp
Ukraine 22, Eurobond (%)	12.32	-1bp	+0bp
Ukraine 23, Eurobond (%)	11.85	+0bp	+0bp
Ukraine 5Y CDS	650bp	-96bp	+0bp
EQUITIES			
Stock market indices			
UX (Ukraine)	716.96	-1.11	+4.53
MSCI World	416.09	+0.72	+4.19
MSCI EM	873.47	-0.23	+9.99
RTS (Russia)	927.57	+0.45	+22.53
WIG-20 (Poland)	1,759.74	-1.61	-5.35
S&P 500 (USA)	2,173.60	+0.16	+6.34

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 down

Banking sector liquidity declined UAH1.59bn to UAH97.24bn last Friday due to month-end tax payments. There was a slight reallocation of funds from CDs to banks' accounts due to the NBU's sole offering of ON CDs last Thursday when the key interest rate was cut to 15.50%. Total CDs outstanding declined UAH2.73bn to UAH59.55bn last Friday, while banks' correspondent accounts with the NBU rose UAH1.14bn to UAH37.69bn.

Investment implications: Banks will return funds to CDs within a few days, and liquidity could rise to about UAH100bn if the NBU continues to build FX reserves via purchasing.

New government bond offering results

Last week, the MoF sold UAH0.8bn of new government bonds which were mostly purchased by banks and other residents. As local currency also weakened on that day, total bonds outstanding rose UAH0.90bn to UAH541.99bn last Thursday. The NBU's portfolio moved only in tandem with the exchange rate, remaining stable at UAH373.4bn, while the banks' portfolio was up UAH0.51bn to UAH132.62bn and the other residents' portfolio rose UAH0.37bn to UAH13.97bn. Last Friday's figures also show that banks sold nearly half of the recently purchased bonds at the auction to non-banks as the other residents' portfolio rose UAH0.28bn and the banks' portfolio declined UAH0.32bn, also in tandem with the weaker exchange rate. As such, it appears that recent new funds attracted via MoF auctions were provided by the non-banking sector.

Primary auction announcement

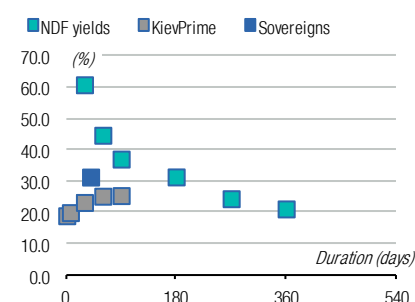
Tomorrow, the MoF will hold its first auction in August following the recent key interest rate cut. This auction could be much more active as it will provide higher interest rates at longer maturities. The MoF will offer the same 6-month and 12-month bonds which were sold last week, along with new 9-month and 5-year bonds.

Investment implications: While the NBU reduced its interest rate for 14-day CDs to 15.50%, last week 6-month bonds were sold at 16.20% and 12-month bonds at 16.10%. The NBU's decision should have an impact on bond interest rates, but most likely not more than 20bp for each maturity, and only the 12-month bond has a chance to be sold at an interest rate below 16%. The 5-year bond should have the lowest impact from the key monetary rate cut, most likely down 10bp to 16.55%.

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Yield curve of the local bond market

(as of market close on 29 Jul 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 29 Jul 2016)

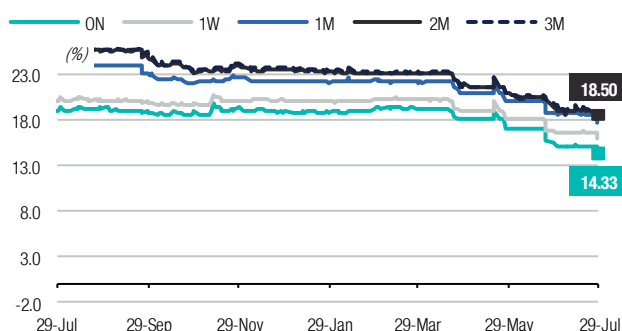
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	14.33	-67bp	-67bp	-117bp	-473bp
1wk	16.00	-50bp	-67bp	-83bp	-400bp
1m	17.67	-66bp	-83bp	-116bp	-458bp
2m	18.33	-50bp	-59bp	-109bp	-517bp
3m	18.50	-50bp	-75bp	-125bp	-525bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	37,689	+10.18	+5.76	+2.02	+7.97
CDs ²	59,549	-27.45	-26.61	-22.12	-50.23
Sovgns ³	6,892	+15.72	+33.98	-20.01	+69.10
Total	104,131	-10.97	-10.94	-12.67	-28.67
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	373,409	+0.00	+0.00	-1.40	-1.69
Banks	132,296	-0.24	-0.05	-0.96	+62.19
Resid's ⁴	13,966	+2.07	+3.89	-5.53	-33.49
Non-res ⁵	22,260	-0.07	-0.15	-0.33	-0.21
Total	541,930	-0.01	+0.08	-1.36	+7.38
NDF IMPLIED YIELDS (%)					
3m	20.92	+15bp	-2bp	+23bp	+0bp
6m	21.45	+0bp	+0bp	+22bp	-846bp
9m	19.31	+2bp	+4bp	+31bp	-393bp
1yr	17.99	+1bp	+4bp	+32bp	+11bp
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	650	-96bp	-95bp	-94bp	+0bp
Jun '16	N/A	+114bp	+0bp	+0bp	+0bp
Jul '17	29.14	+26bp	+0bp	+0bp	+0bp
Sep '20	14.02	+4bp	+0bp	+0bp	+0bp
Sep '21	14.22	+0bp	+0bp	+0bp	+0bp
Sep '22	12.32	-1bp	+0bp	+0bp	+0bp
Feb '23	11.85	+0bp	+0bp	+0bp	+0bp

Notes: [1] banks' account balance at NBU; [2] certificates of deposits issued by NBU; [3] UAH sovereign bonds due next 30 days; [4] residents; [5] non-residents; [6] VAT bond.

Sources: Bloomberg, Investment Capital Ukraine LLC.

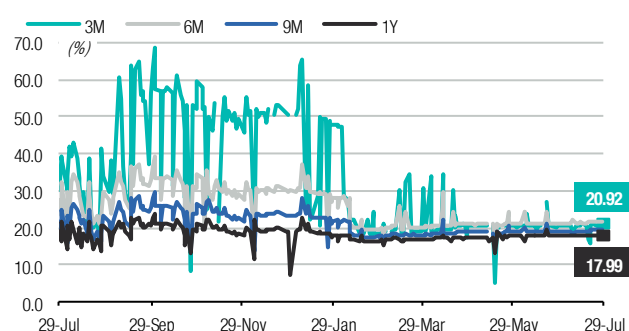
Chart page: Local bond market & Eurobond markets

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



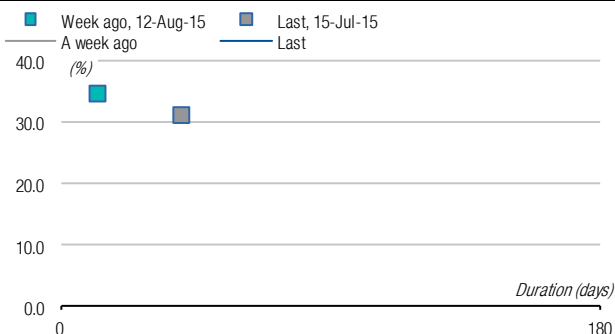
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



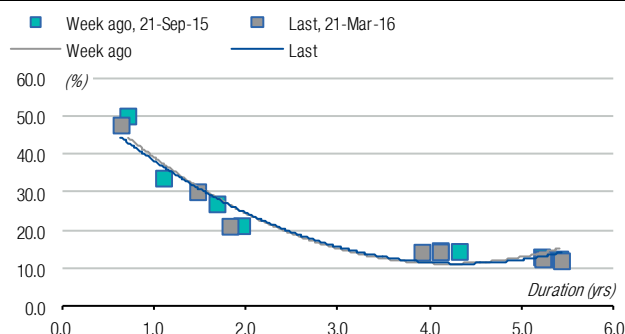
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 29 Jul 2016



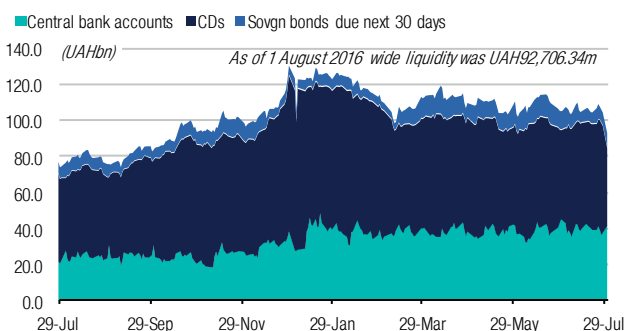
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 29 Jul 2016



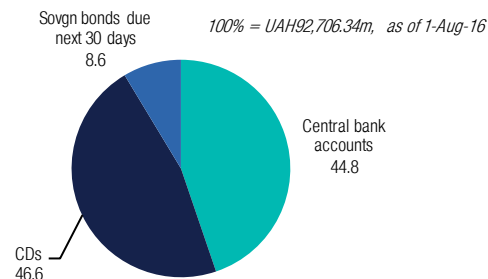
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



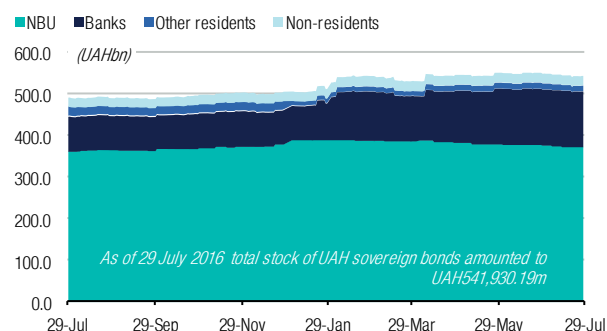
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 29 Jul 2016



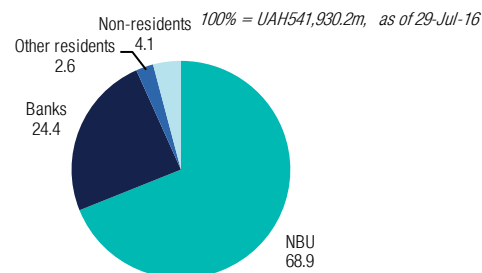
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 7. Holders of sovereign bonds (UAHbn), last 12 months



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

Chart 8. Domestic sovereign debt (%) as of 29 Jul 2016



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

Table 1. Ukrainian stocks (closing prices as of 29-Jul-2016)

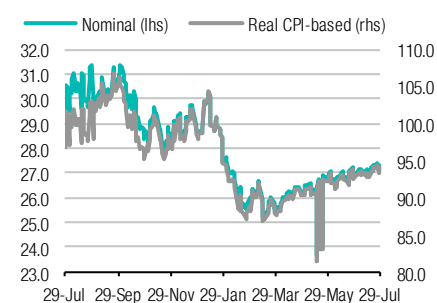
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity						P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/ Assets (%)	
ENERGY																												
Cadogan Petrol...	CAD LN	London	7.63 GBp	+0.0	+10.9	-6.2	-29.1	0.10	23.3	-12.9	40.2	9.4	0.0	2.1	0.02	4,614	Neg.	8.6	9.3	1.4	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	0.4	17.5
Centrenerg	CEEN UK	Kiev, UX	7.70 UAH	-1.4	+0.0	+68.9	+3.5	0.31	115.3	96.5	21.7	25.0	14.2	11.1	0.03	3,598	130.2	4.3	5.2	0.3	2.1	2.4	0.3	0.3	0.2	0.9	3.4	
Coal Energy	CLE PW	Warsaw	0.53 PLN	-1.9	+6.0	+0.0	-18.5	0.14	6.1	78.1	25.0	1.5	0.1	0.4	0.02	6,526	Neg.	N/A	N/A	10.7	N/A	N/A	0.7	N/A	N/A	0.2	56.9	
Donbasenergo	DOEN UK	Kiev, UX	13.25 UAH	-1.3	-4.3	-15.9	-34.9	0.54	12.7	24.4	14.2	1.8	0.6	2.0	0.13	788	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.7	4.2	
JKX Oil & Gas	JKX LN	London	19.50 GBp	-2.5	+21.9	-28.4	+20.0	0.26	44.4	49.8	47.2	20.9	0.1	4.6	0.01	6,995	Neg.	Neg.	Neg.	Neg.	2.0	N/A	0.6	0.7	0.8	0.2	13.0	
Regal Petroleum	RPT LN	London	3.43 GBp	-11.4	-11.7	-8.7	-31.8	0.05	14.5	-18.4	80.9	11.8	3.6	3.1	0.01	6,949	Neg.	N/A	N/A	Neg.	N/A	N/A	Neg.	N/A	N/A	0.2	0.0	
Sadova Group	SGR PW	Warsaw	0.22 PLN	+10.0	+4.8	-26.7	-26.7	0.06	2.4	43.8	25.0	0.6	0.4	0.3	0.13	797	Neg.	N/A	N/A	Neg.	N/A	N/A	42.2	N/A	N/A	N/A	137.6	
Zakhidenergo	ZAEN UK	Kiev, PFTS	64.00 UAH	+0.0	+28.0	-23.8	-62.4	2.59	33.2	64.7	5.0	1.7	0.0	0.3	0.03	3,519	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.4	11.6	
METALLURGY																												
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	-3.1	+12.7	-44.3	-49.9	0.00	6.5	2,505.8	3.9	0.3	0.0	0.1	0.06	1,606	Neg.	N/A	N/A	15.3	N/A	N/A	7.9	N/A	N/A	N/A	192.1	
Ferrexpo PLC	FXPO LN	London	46.00 GBp	+9.5	+41.5	+114.0	-20.3	0.61	358.7	1,226.2	22.4	80.4	1,075.8	404.9	0.43	235	10.9	3.0	3.9	8.9	4.7	6.2	1.3	1.4	1.4	1.5	73.7	
Yasynivsky Cok...	YASK UK	Kiev, UX	0.20 UAH	+0.0	+65.3	-13.0	-16.7	0.01	2.2	2.8	9.0	0.2	0.0	0.1	0.03	2,931	Neg.	N/A	N/A	Neg.	N/A	N/A	0.0	N/A	N/A	0.0	0.0	
FOOD AND AGRIBUSINESS																												
AgroGeneration	ALAGR FP	EN Paris	0.34 EUR	+0.0	+3.0	-15.0	-32.0	0.38	37.7	76.2	34.0	12.8	47.8	34.7	0.38	261	Neg.	9.4	2.4	4.1	3.8	2.7	1.2	1.1	0.9	0.5	40.7	
Agroliga	AGL PW	Warsaw	15.98 PLN	-0.1	+2.4	+40.4	+33.3	4.10	6.3	7.5	16.7	1.0	1.2	1.0	0.10	1,038	2.0	N/A	N/A	2.1	N/A	N/A	0.4	N/A	N/A	0.6	10.7	
Agroton	AGT PW	Warsaw	2.04 PLN	+0.0	+78.9	+102.0	+65.9	0.52	11.3	25.3	26.2	3.0	71.4	23.0	1.63	61	Neg.	N/A	N/A	1.1	N/A	N/A	0.6	N/A	N/A	0.2	32.4	
Astarta Holdin...	AST PW	Warsaw	48.99 PLN	+0.0	+6.2	+42.0	+37.5	12.56	313.9	464.6	31.0	97.4	49.2	49.5	0.02	4,127	17.6	4.1	3.3	3.5	3.6	3.3	1.3	1.2	1.1	1.2	41.5	
Avangard	AVGR LI	London Intl	0.80 USD	+0.0	-8.0	-36.0	-23.8	0.80	51.1	379.2	21.7	11.1	0.0	6.9	0.01	9,160	Neg.	4.6	N/A	Neg.	7.7	N/A	1.6	1.4	N/A	0.3	53.9	
IMC	IMC PW	Warsaw	7.64 PLN	+2.4	+6.7	+28.0	+41.5	1.96	61.3	147.4	23.9	14.6	19.1	13.6	0.17	606	4.1	3.0	2.7	2.2	2.9	3.2	1.1	1.0	0.9	1.0	56.8	
Kernel Holding...	KER PW	Warsaw	61.80 PLN	-0.3	+16.6	+28.5	+41.1	15.84	1,262.1	1,701.1	58.8	741.8	1,562.8	1,949.2	0.26	390	11.8	5.7	5.2	4.3	4.8	4.6	0.7	0.8	0.7	1.3	32.0	
KSG Agro	KSG PW	Warsaw	2.09 PLN	-0.9	+34.0	+124.7	+115.5	0.54	8.0	71.3	34.4	2.8	3.3	17.9	0.64	157	Neg.	N/A	N/A	7.1	N/A	N/A	2.2	N/A	N/A	N/A	67.4	
MHP	MHPC LI	London Intl	9.20 USD	+2.2	+0.0	-1.1	-8.0	9.20	972.1	2,225.1	22.3	217.0	99.8	289.4	0.13	795	Neg.	5.7	4.0	4.9	5.4	5.0	1.9	1.7	1.6	1.7	61.6	
Milkiland	MLK PW	Warsaw	2.07 PLN	-5.5	+29.4	+45.8	+53.3	0.53	16.6	132.3	20.0	3.3	26.9	15.0	0.72	138	Neg.	Neg.	Neg.	Neg.	14.6	8.6	0.6	0.6	0.6	0.4	57.6	
TRANSPORTATION																												
KDM Shipping	KDM PW	Warsaw	2.00 PLN	+0.0	-9.1	-56.3	-20.0	0.51	4.8	-11.0	10.9	0.5	10.8	1.0	0.49	206	Neg.	N/A	N/A	3.7	N/A	N/A	Neg.	N/A	N/A	0.1	8.9	
CONSTRUCTION																												
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	+0.0	-85.7	-75.6	0.01	0.6	93.5	13.1	0.1	0.0	0.1	0.03	3,015	Neg.	N/A	N/A	Neg.	N/A	N/A	3.6	N/A	N/A	0.0	41.9	
FINANCIAL SERVICES																												
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.11 UAH	-2.4	+13.1	+41.1	+23.8	0.00	264.9	N/A	3.8	10.1	6.2	5.3	0.05	2,154	Neg.	3.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.9	14.4	
Ukrsotsbank	USCB UK	Kiev, UX	0.06 UAH	+3.1	N/A	N/A	N/A	0.00	298.4	N/A	4.5	13.4	0.0	N/A	N/A	N/A	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.4	24.3	

Notes: mln - millions; FF - free float; n/a - not available; neg. - negative; a company name (the left column of the table) is shortened to fit the column and hence in some cases is not displayed in full; *** - P/E is above 10,000x. Sources: Bloomberg, ICU.

FX: News & Comments

ICU's UAH trade-weighted indices

(Last 12-month history to 1 Aug 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 29 Jul 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	24.8100	+0.02	+0.18	-0.44	+3.25
NBU avg	24.8065	+0.03	-0.02	-0.19	+4.27
Ttl vlm ¹	293.79	-2.90	+2.06	-6.42	-19.12
\$ volume ²	184.81	+2.60	+14.00	-6.90	-26.39
NDF 3M	26.0645	+0.06	+0.17	-0.40	+0.00
NDF 6M	27.3600	+0.02	+0.16	-0.40	-0.61
NDF 1Y	28.8600	+0.02	+0.16	-0.38	+13.19
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	27.127	-0.80	-0.74	+0.92	-5.14
UAH real CPI	93.371	-0.80	-0.74	+0.92	-4.70
UAH real PPI	125.940	-0.80	-0.74	+0.92	-3.41
USD nom'l	95.530	-1.25	-1.99	-0.25	-3.14
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	65.9445	-1.43	+1.77	+3.49	-9.07
EUR/USD	1.1174	+0.88	+1.79	+0.44	+2.87
USD/CNY	6.6350	-0.34	-0.67	-0.03	+2.18
USD/PLN	3.8988	-1.01	-1.96	-1.86	-0.61
USD/TRY	2.9888	-0.78	-2.52	+3.42	+2.45
USD/BYR	19,935.00	+0.14	+0.54	-0.53	+7.02
USD/KZT	352.0000	-0.45	+2.62	+3.76	+3.35
OTHER MAJOR CURRENCIES					
USD/JPY	102.0600	-3.05	-3.83	-0.75	-15.11
GBP/USD	1.3230	+0.50	+0.92	-1.48	-10.22
USD/CHF	0.9695	-1.16	-1.78	-1.04	-3.25
AUD/USD	0.7596	+1.24	+1.80	+1.95	+4.25
USD/CAD	1.3030	-0.96	-0.74	+0.73	-5.85
USD/BRL	3.2489	-1.30	-0.23	+0.88	-17.97
USD/KRW	1,120.24	-0.38	-1.25	-3.43	-4.67
COMMODITIES					
Gold(\$/oz)	1,351.00	+1.14	+2.16	+2.42	+27.28
WTI crude ³	41.60	+1.12	-4.35	-16.60	+12.31
Brent crd ³	41.01	-0.46	-7.68	-15.76	+14.71
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	181.01	+1.00	-1.03	-7.00	+2.76

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#) and Bloomberg (type: ALLX UTWI <GO>).

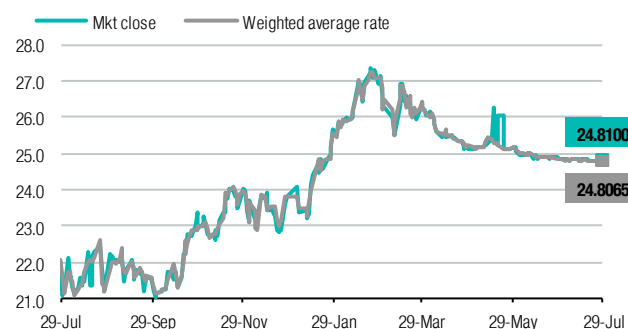
Section on FX market is continued on next page.

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

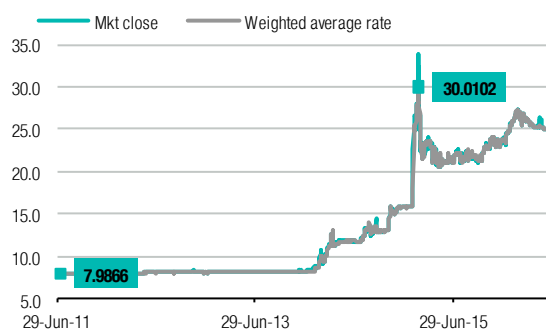
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart page #1: Foreign-exchange market

Chart 9. Spot market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

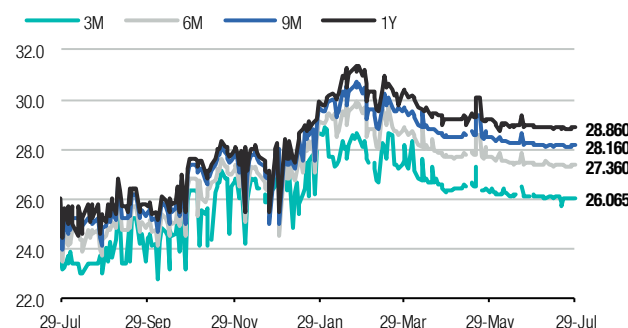


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

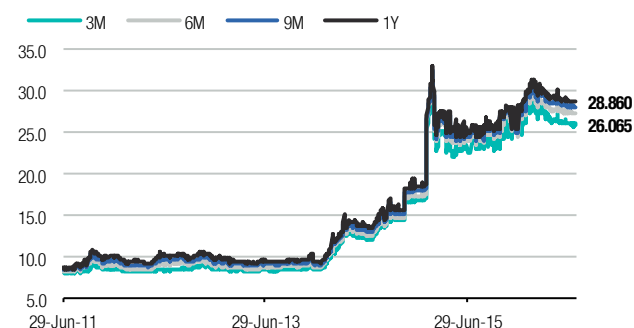


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

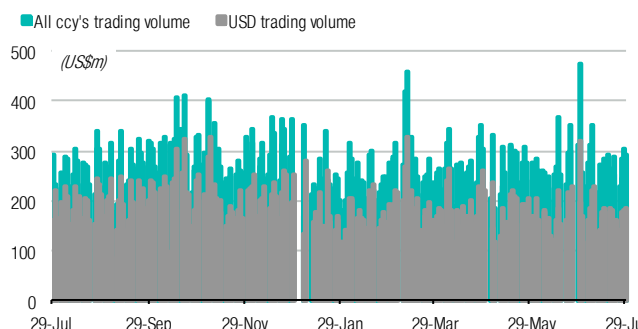


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

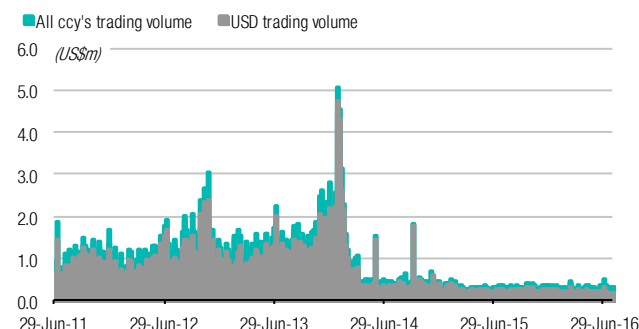


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

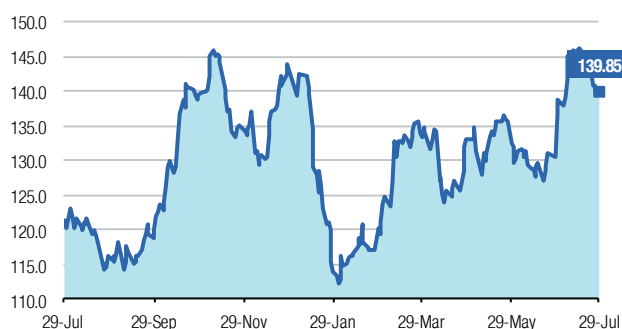


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

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

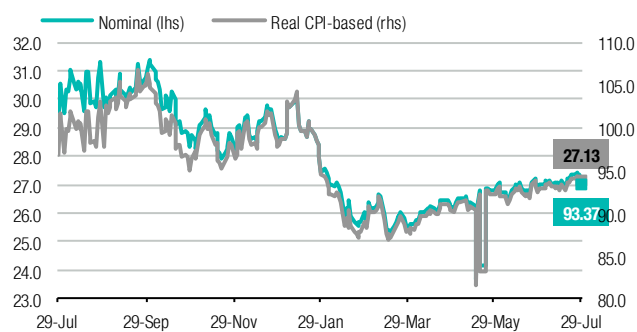


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

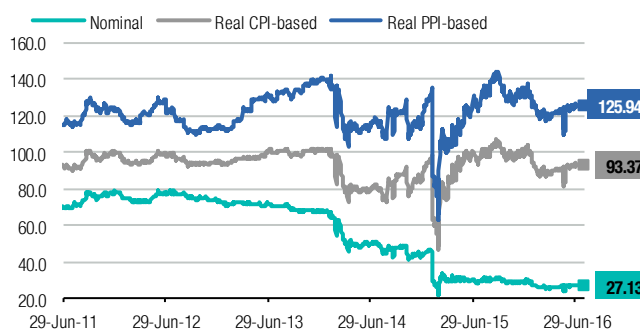
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



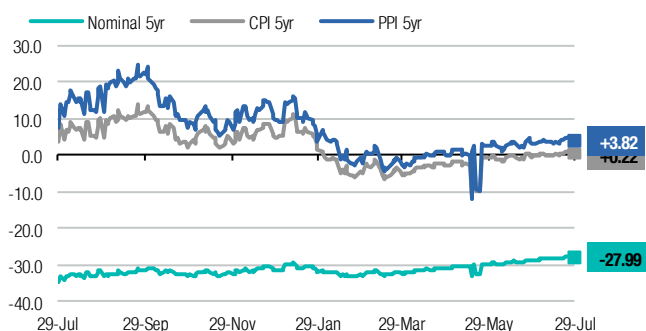
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

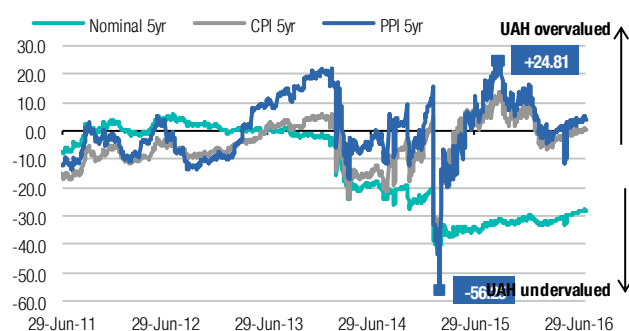


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

Chart 15. Deviation of UAH trade-weighted indices from their 5-year moving averages: last 12-month and 5-year periods (% , left and right respectively)

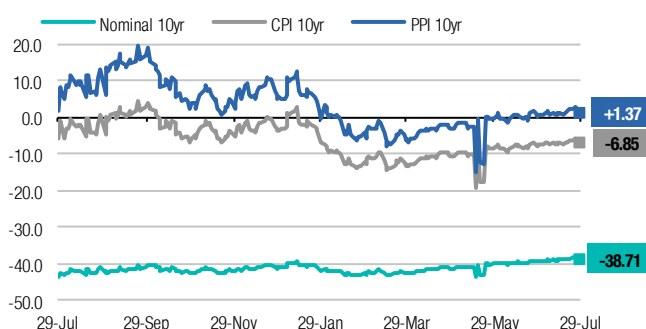


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

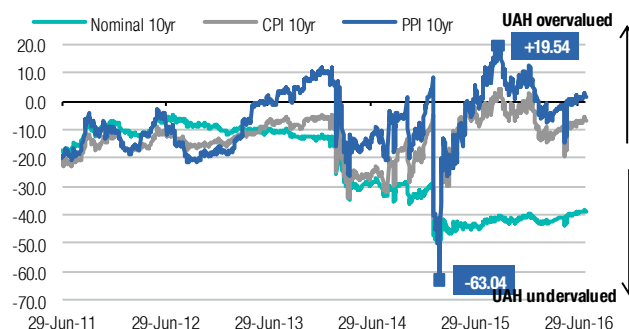


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

Chart 16. Deviation of UAH trade-weighted indices from their 10-year moving averages: last 12-month and 5-year periods (% , left and right respectively)



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



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

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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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