


 INVESTMENT CAPITAL UKRAINE
 INVESTMENT BANKING

Daily Insight

Liquidity supported; Yields high but stable; May auction schedule; UAH down on weekend violence

TUESDAY, 6 MAY, 2014

RESEARCH INSIGHT

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UX Index (3 months to 6 May 2014)



Key market indicators (as of 5 May 2014)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	11.6430	+0.37	+41.30
USD/UAH (1Y NDF)	14.2000	+0.00	+50.74
EUR/USD	1.3875	+0.04	+0.96
USD/RUB	35.7349	-0.29	+8.72
KievPRIME O/N (%)	5.70	-70bp	-210bp
KievPRIME 1M (%)	19.10	-10bp	+285bp

BONDS: yields and spreads

Ukraine VAT bond (%)	N/A	-8,900bp	-8,900bp
Ukraine 17, Eurobond (%)	14.17	-15bp	+462bp
Ukraine 22, Eurobond (%)	10.92	+3bp	+158bp
Ukraine 23, Eurobond (%)	10.54	+3bp	+150bp
Ukraine 5Y CDS	1,254bp	+4bp	+437bp

EQUITIES

Stock market indices

UX (Ukraine)	1,060.43	-3.88	+16.53
MSCI World	414.79	+0.02	+1.53
MSCI EM	1,001.01	-0.24	-0.17
RTS (Russia)	1,143.44	-0.48	-20.74
WIG-20 (Poland)	2,405.87	-1.08	+0.20
S&P 500 (USA)	1,884.66	+0.19	+1.96

MOST ACTIVE: Top 3 stocks by value traded (US\$m)

KER PW	2.51	61.4% of total ¹
AST PW	1.08	26.4%
CEEN UK	0.15	3.7%

GAINERS: Top 3 stocks (in listed currency)

YASK UK	UAH 0.70	+12.54	+32.08
ALAGR FP	EUR 1.02	+2.00	-17.74

LOSERS: Top 3 stocks (in listed currency)

Notes: Chg – percentage change, if not otherwise indicated; [1] – total traded volume for stocks listed in Table 1, pp. 2; green- or red-shaded box means gain or loss, respectively, of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.

Table 1. Ukrainian stocks (closing prices as of 5-May-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)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	P/B (x)	Debt/Assets (%)
ENERGY																											
Centrenergo	CEEN UK	Kiev, UX	5.93 UAH	-2.1	+7.2	+24.3	+42.9	0.48	177.3	228.7	21.7	38.5	153.0	112.8	0.37	268	9.4	5.0	7.4	0.4	3.7	3.3	0.3	0.3	0.3	0.9	12.2
Coal Energy	CLE PW	Warsaw	1.20 PLN	-5.5	-22.1	+14.3	-76.0	0.40	17.8	112.1	25.0	4.5	93.1	270.7	1.93	52	Neg.	Neg.	4.5	5.0	14.0	3.9	0.9	1.1	1.0	0.2	39.8
Donbasenergo	DOEN UK	Kiev, UX	39.50 UAH	-6.9	-6.1	+43.2	+97.4	3.20	75.6	114.1	14.2	10.8	34.8	35.3	0.44	229	1.8	2.4	2.4	0.4	1.6	1.4	0.2	0.2	0.2	1.4	17.8
Zakhidenergo	ZAEN UK	Kiev, PFTS	124.90 UAH	-4.3	-1.7	+38.2	+46.9	10.11	129.4	107.8	5.0	6.5	2.0	3.3	0.04	2,501	2.8	N/A	N/A	0.7	N/A	N/A	0.1	N/A	N/A	3.1	0.0
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.03 UAH	-5.4	-20.0	-23.5	-30.1	0.00	62.0	1,198.7	3.9	2.4	12.5	9.0	0.38	260	Neg.	N/A	N/A	N/A	N/A	N/A	1.0	N/A	N/A	N/A	64.5
Avdiyivsky Cok...	AVDK UK	Kiev, UX	2.98 UAH	-0.1	-1.3	+0.7	+0.2	0.24	47.1	44.2	4.0	1.9	5.9	14.5	0.82	122	Neg.	1.9	0.8	Neg.	0.6	0.4	0.1	0.1	0.0	0.1	0.0
Azovstal	AZST UK	Kiev, UX	0.67 UAH	-5.2	-8.6	+0.3	+16.7	0.05	228.8	222.0	4.1	9.4	2.9	11.1	0.12	819	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.1	0.1	N/A	0.2	0.0
Yasynivsky Cok...	YASK UK	Kiev, UX	0.70 UAH	+12.5	-6.0	+32.1	+28.0	0.06	15.5	16.7	9.0	1.4	0.1	1.4	0.10	1,043	2.8	1.5	1.0	0.1	0.7	0.5	0.1	0.0	0.0	0.1	0.1
Yenakievo Steel	ENMZ UK	Kiev, UX	33.22 UAH	-4.6	-7.4	+3.8	-2.3	2.69	28.4	24.2	9.4	2.7	1.7	11.2	0.28	361	5.0	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.8	0.0
FOOD AND AGRIBUSINESS																											
AgroGeneration	ALAGR FP	EN Paris	1.02 EUR	+2.0	-15.7	-17.7	-36.3	1.42	130.7	158.3	34.0	44.5	70.5	36.6	0.12	857	Neg.	N/A	N/A	Neg.	N/A	N/A	2.4	N/A	N/A	1.1	35.9
Agroliga	AGL PW	Warsaw	16.20 PLN	-5.2	-19.6	-37.5	+7.8	5.35	8.2	9.2	16.7	1.4	2.4	11.7	0.27	375	1.9	N/A	N/A	2.6	N/A	N/A	0.4	N/A	N/A	0.6	5.7
Agroton	AGT PW	Warsaw	2.15 PLN	-4.9	-26.1	+10.3	-30.0	0.71	15.4	62.7	26.2	4.0	76.3	446.3	4.38	23	2.3	3.1	2.2	4.4	4.8	3.9	0.7	0.9	0.8	0.1	28.0
Astarta Holdin...	AST PW	Warsaw	39.99 PLN	-2.5	-14.0	-40.2	-20.0	13.20	330.0	663.2	31.0	102.4	1,082.2	183.1	0.16	619	9.3	4.9	3.5	7.5	4.5	4.6	1.3	1.3	1.2	0.6	38.9
IMC	IMC PW	Warsaw	9.10 PLN	-2.9	+1.8	-25.1	-31.1	3.00	94.0	219.3	23.9	22.5	10.3	129.6	0.19	517	3.6	3.6	2.0	4.1	3.8	3.1	1.9	1.1	0.9	0.6	38.7
Kernel Holding...	KER PW	Warsaw	27.20 PLN	-4.2	-12.9	-28.6	-51.0	8.98	715.5	1,738.8	58.8	420.5	2,514.7	2,761.1	0.60	167	6.4	8.8	3.9	6.0	6.3	4.8	0.6	0.7	0.6	0.6	30.6
Milkiland	MLK PW	Warsaw	6.74 PLN	-0.1	-16.3	-46.1	-48.2	2.23	69.5	202.5	20.0	13.9	0.6	12.1	0.03	2,881	4.6	7.7	2.5	6.1	3.8	3.5	0.4	0.4	0.4	0.3	30.8
Mriya Agrohold...	MAYA GF	Frankfurt	4.55 EUR	+0.0	-6.3	-15.7	+5.0	6.31	670.9	1,402.8	20.0	134.2	0.0	7.1	0.01	7,938	3.8	4.7	7.7	6.1	5.5	5.2	4.0	3.8	3.3	0.8	34.8
Ovostar Union	OVO PW	Warsaw	66.00 PLN	-5.7	-10.8	-34.0	-25.0	21.79	130.7	139.6	25.0	32.7	6.3	31.6	0.01	10,014	4.3	5.9	5.8	3.9	4.8	4.3	1.6	1.5	1.2	1.0	8.5
CONSTRUCTION																											
TMM	TR61 GF	Xetra	0.23 EUR	+0.0	-27.4	-29.0	-46.0	0.31	16.2	175.5	13.1	2.1	0.0	0.2	0.02	5,935	Neg.	N/A	N/A	Neg.	N/A	N/A	8.1	N/A	N/A	0.1	44.1
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.17 UAH	-3.9	+0.2	+50.2	+67.2	0.01	413.9	N/A	3.8	15.8	23.5	54.4	0.37	273	16.0	6.8	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	0.7	28.3
Ukrsotsbank	USCB UK	Kiev, UX	0.15 UAH	-4.1	-11.6	-19.8	+23.8	0.01	220.8	N/A	4.5	9.9	1.1	4.0	0.03	3,234	900.7	166.2	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; *** -- means that P/E ratio is above 10,000x.

Sources: Bloomberg, Investment Capital Ukraine LLC.

Bonds: News & Comments

Liquidity supported by the NBU and the MoF

Although this week and month began with a slight increase in banks' correspondent accounts with the NBU, up a mere UAH0.05bn to UAH30.25bn, the increase was supported by significant MoF and NBU inflows into liquidity last Wednesday. The NBU repaid a significant volume of funds in CD redemptions, which were UAH2.13bn larger than new CD issuances, causing total CDs outstanding to fall UAH2.13bn to UAH5.87bn. The MoF repaid UAH1.93bn in local currency debt repayments, but due the UAH0.38bn decline in the NBU portfolio, banks likely received UAH1.5bn from these repayments. As a result, broader banking sector liquidity decreased UAH4.02bn to UAH39.67bn, the first time it has fallen below UAH40.0bn since the end of March.

KyivPrime interest rates slightly declined: the KyivPrime ON interest rate fell 70bp to 5.70%, while the KyivPrime 1M interest rate slid a mere 10bp to 19.10%.

Investment implications: As last Wednesday's decline was offset by auction proceeds from the prior day, the NBU decreased its absorption of funds and significantly supported liquidity via final day month-end tax payments made last Wednesday. Although we do not expect liquidity to decline significantly today, the NBU could support banks via domestic QE at tomorrow's primary auction (see comment below).

Yields high but stable

Ukrainian Eurobonds were rather stable yesterday, moving only slightly in reaction to the official news of IMF funds being received by the Ukrainian government. As a result, YTM of Ukrainian Eurobonds slightly diverged as UKRAIN 6.875% '15 remained steady at 17.10%, UKRAIN 9.25% '17 rose 1bp to 14.17%, UKRAIN 7.95% '21 and UKRAIN 7.80% '22 rose 2bp to 11.83% and 10.93%, respectively, while UKRAIN 7.50% '23 rose 3bp to 10.54%.

Auction schedule for May and today's announcement

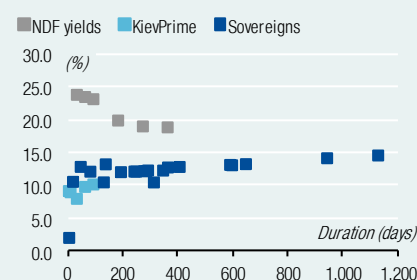
After testing the market with a predominance of zero-coupon bond offerings in April, this month will see mostly bonds oriented to banks supported by domestic QE. The MoF is going to offer 3-month zero-coupon bonds only twice, while the less attractive 3-year and 5-year bonds will be offered as well. The MoF will offer only 3-year local-currency bonds today. For details, please see the tables on the next page.

Investment implications: The MoF is not going to offer FX-denominated bonds, while other offerings will be mostly to refinance debt repayments. The main idea in this schedule is the receipt of significant financing from the IMF to be used for external debt repayments in May and June.

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Yield curve of the local bond market

(as of market close on 5 May 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 5 May 2014)

	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
0/n	5.70	-70bp	+65bp	+195bp	-210bp
1wk	9.90	-70bp	-35bp	-535bp	+10bp
1m	19.10	-10bp	+10bp	-365bp	+285bp
2m	18.30	+20bp	+17bp	+17bp	+190bp
3m	18.04	+0bp	+4bp	+4bp	+204bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	30,248	+0.15	+0.91	-5.81	-7.51
CDs ²	1,057	-88.64	-88.57	-93.90	-30.46
Sovgns ³	3,989	+10.77	-29.06	-17.75	+166.8
Total	35,293	-18.13	-21.30	-34.98	-1.19
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	174,810	-0.22	+0.65	+2.42	+20.68
Banks	85,649	-0.85	-0.66	+0.56	+6.84
Resid's ⁴	10,451	-3.11	-2.85	-5.31	-15.69
Non-res ⁵	15,890	-0.05	+0.19	+2.18	+35.83
Total	286,800	-0.51	+0.10	+1.54	+15.13
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	-52ppt	+0bp	+0bp	+0bp
Jan '14	N/A	+320bp	+0bp	+0bp	-676bp
Aug '15 ⁶	N/A	-89ppt	+0bp	+0bp	-89ppt
EUROBONDS USD SOVEREIGN BOND YIELDS (%)					
CDS 5yr	1,254	+4bp	+52bp	+404bp	+437bp
Jun '16	15.87	+0bp	+131bp	+717bp	+698bp
Jul '17	14.17	-15bp	+140bp	+493bp	+462bp
Sep '20	11.87	+11bp	+97bp	+298bp	+268bp
Sep '21	11.83	+10bp	+92bp	+293bp	+261bp
Sep '22	10.92	+3bp	+38bp	+214bp	+158bp
Feb '23	10.54	+3bp	+60bp	+203bp	+150bp

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.

Table 2. Primary auction schedule for May 2014

	6-May	13-May	20-May	27-May
zero-coupon bonds	-	3m	3m	-
ordinary coupon-bearing bonds	3y	3y, 5y	3y, 5y	5y

Notes: *m - month, y - year

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Table 3. Details of the auction announced for 06 May 2014

ISIN	Type of placement	Bond type	Currency	Tenor (days)	Maturity	Coupon rate (%)	Volume outstanding (UAHm)
	Primary	Coupon-bearing, bullet	UAH	1092	3-May-17	N/A	0.00

Notes: N/A - not available.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Chart page: Local bond market & Eurobond markets

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

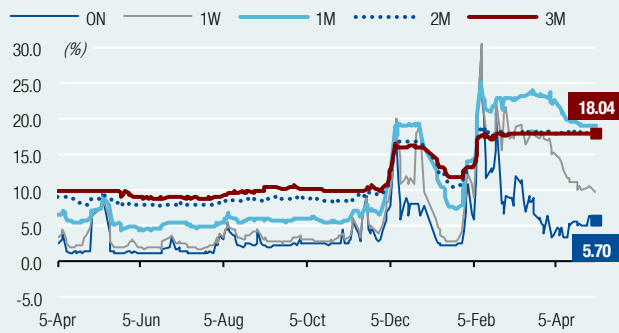


Chart 2. UAH NDF implied yields (%), last 12-month period



Chart 3. UAH sovereign yield curve (%) as of 5 May 2014

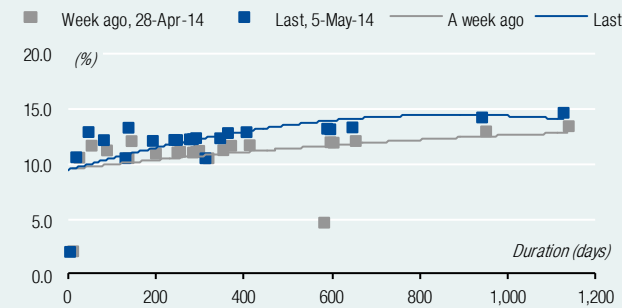


Chart 4. USD sovereign yield curve (%) as of 5 May 2014

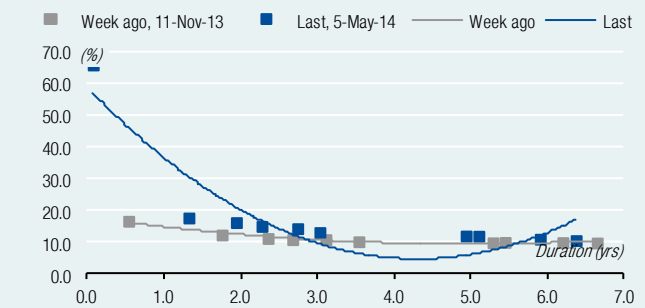


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

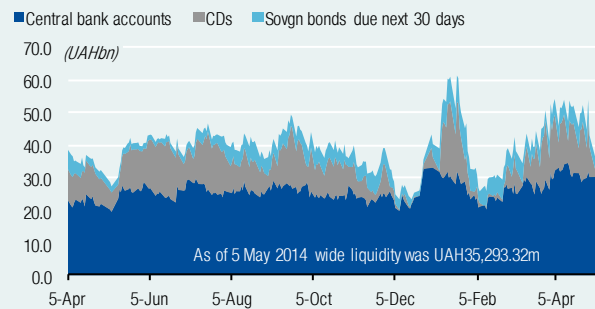


Chart 6. Breakdown of liquidity pool (%) as of 5 May 2014

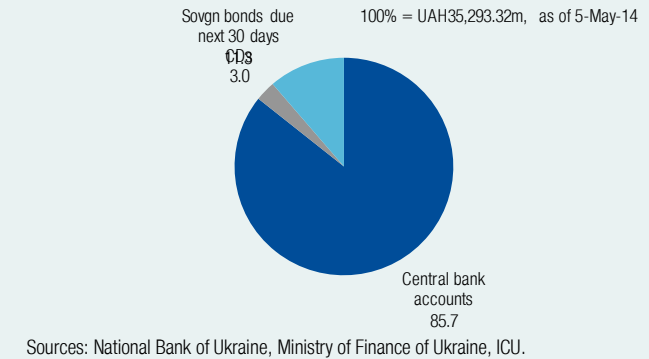


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

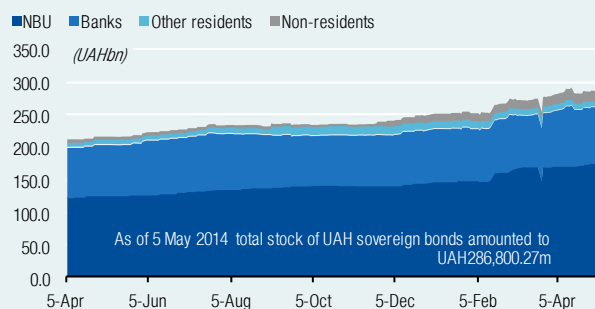
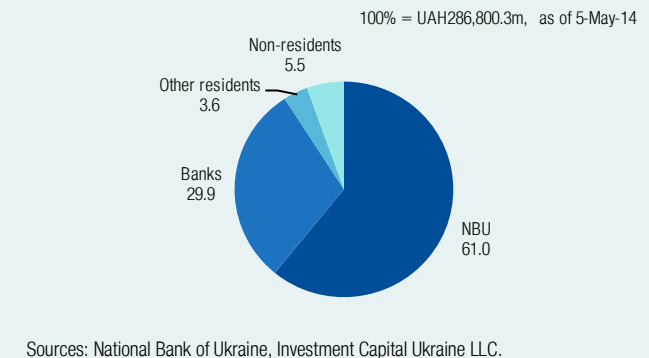


Chart 8. Domestic sovereign debt (%) as of 5 May 2014



FX: News & Comments

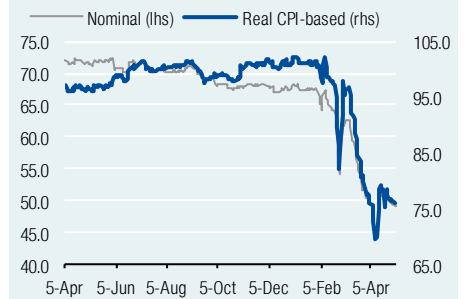
UAH declines on heightened violence

Fatalities resulting from the Ukraine-Russia stand-off increased markedly over the weekend as Kremlin-spurred provocations spread to Odessa. With the Russian economy's descent into a profound recession over the past two years, the Kremlin appears to be spawning social and economic chaos in bordering Ukrainian regions. While Russia's FX market was quiet yesterday, possibly stunned by prospects of more sanctions from the West, the RUB posted a 0.29% daily increase and the UAH posted a more significant decline of 0.37% on routine turnover of US\$0.34bn. The hryvnia's real trade-weighted value dropped 0.49% yesterday.

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ICU's UAH trade-weighted indices

(Last 12-month history to 6 May 2014)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 5 May 2014)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	11.6430	+0.37	+0.81	+0.37	+41.30
NBU avg	11.4000	-0.01	+0.38	-0.36	+39.86
Ttl vlm ¹	496.86	+3.11	+49.35	-1.11	-82.27
\$ volume ²	340.39	-1.46	+61.05	-12.24	-84.60
NDF 3M	12.9250	+0.58	-0.96	+9.53	+52.33
NDF 6M	13.3000	+0.00	-0.56	+9.11	+51.48
NDF 1Y	14.2000	+0.00	-0.18	+7.94	+50.74
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	49.214	-0.49	-1.08	-0.18	-27.13
UAH real CPI	75.881	-0.49	-1.08	-0.18	-24.92
UAH real PPI	105.111	-0.49	-1.08	-0.18	-24.26
USD nom'l	79.486	-0.04	-0.25	-1.17	-0.69
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	35.7349	-0.29	-0.40	+1.31	+8.72
EUR/USD	1.3875	+0.04	+0.17	+1.24	+0.96
USD/CNY	6.2443	-0.24	-0.13	+0.52	+3.14
USD/PLN	3.0302	-0.06	-0.22	-0.24	+0.24
USD/TRY	2.1002	-0.25	-1.20	-0.62	-2.23
USD/BYR	10,000.00	+0.00	+0.10	+0.91	+4.82
USD/KZT	182.0500	-0.01	-0.27	-0.02	+18.01
OTHER MAJOR CURRENCIES					
USD/JPY	102.1400	-0.06	-0.34	-1.11	-3.01
GBP/USD	1.6866	-0.02	+0.35	+1.76	+1.87
USD/CHF	0.8778	-0.02	-0.28	-1.60	-1.69
AUD/USD	0.9274	-0.03	+0.17	-0.19	+4.00
USD/CAD	1.0955	-0.15	-0.67	-0.24	+3.13
USD/BRL	2.2442	+1.03	+0.93	+0.38	-4.99
USD/KRW	1,029.29	-0.10	-0.58	-2.31	-1.95
COMMODITIES					
Gold(\$/oz)	1,310.27	+0.82	+1.05	+0.51	+8.68
WTI crude ³	99.48	-0.28	-1.35	-1.64	+1.08
Brent crd ³	107.34	-1.29	-0.98	+1.24	-3.14
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	307.24	+0.03	-0.84	+0.79	+9.66

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU website ([download history](#)) 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.

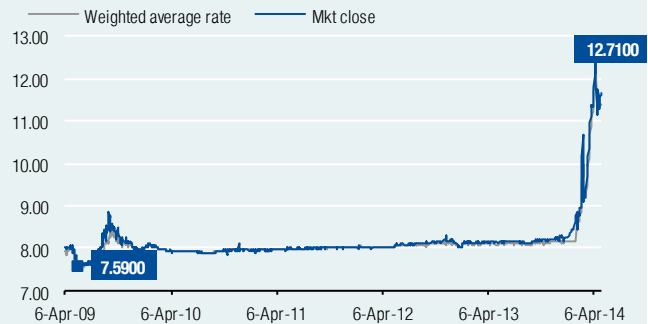
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

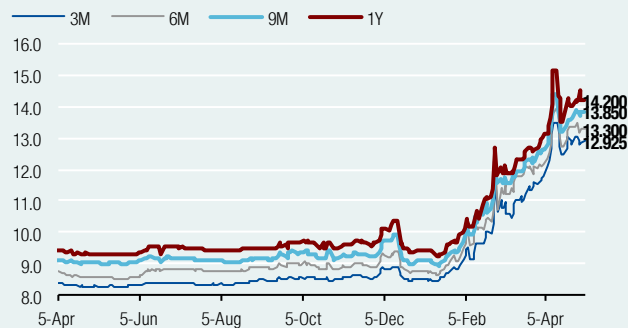


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

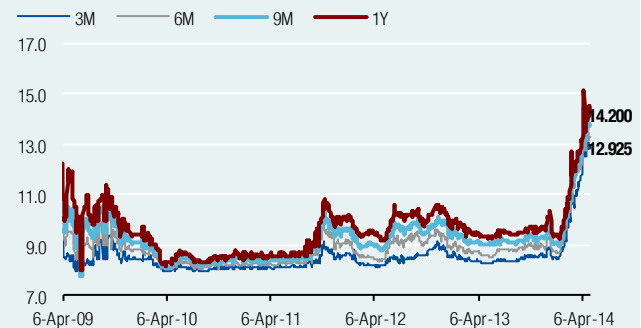


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

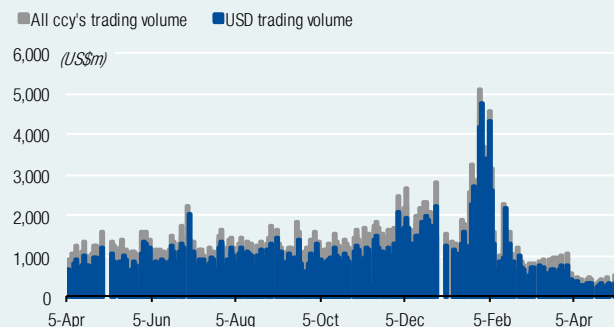


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.



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)



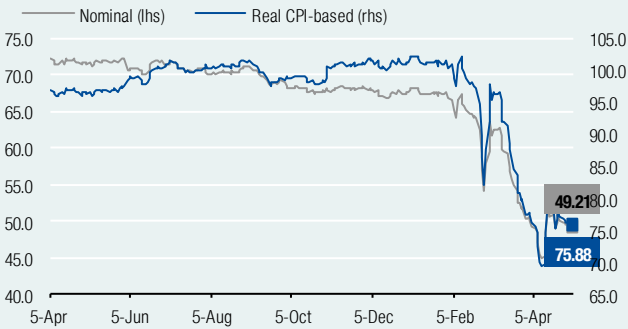
Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

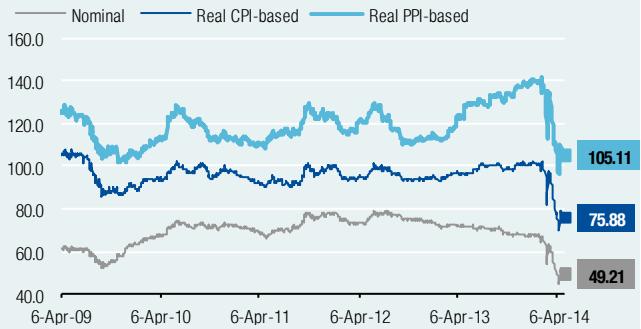
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

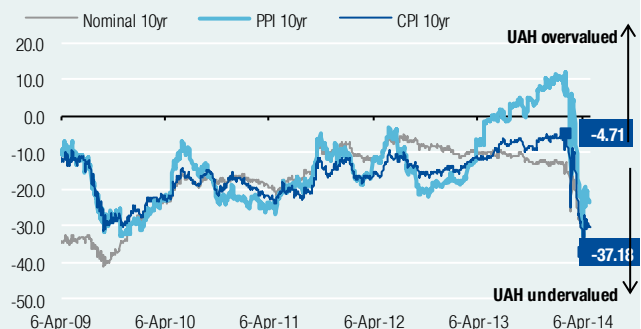


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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.

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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