


**INVESTMENT CAPITAL UKRAINE**  
 INVESTMENT BANKING

# Daily Insight

 Liquidity increase; YTM's decline; Auction results;  
 NBU intervenes the FX market

MONDAY, 18 AUGUST, 2014

RESEARCH INSIGHT

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### UX Index (3 months to 18 Aug 2014)



### Key market indicators (as of 15 Aug 2014)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	13.1250	+1.35	+59.28
USD/UAH (1Y NDF)	14.8703	-0.03	+57.86
EUR/USD	1.3401	+0.27	-2.49
USD/RUB	36.1858	+0.69	+10.09
KievPRIME O/N (%)	5.75	+6bp	-205bp
KievPRIME 1M (%)	15.13	+13bp	-112bp

### BONDS: yields and spreads

Ukraine VAT bond (%)	N/A	-160bp	-8,655bp
Ukraine 17, Eurobond (%)	9.79	-30bp	+23bp
Ukraine 22, Eurobond (%)	9.20	+10bp	-15bp
Ukraine 23, Eurobond (%)	9.13	+0bp	+8bp
Ukraine 5Y CDS	965bp	+31bp	+149bp

### EQUITIES

#### Stock market indices

UX (Ukraine)	1,264.70	+1.15	+38.97
MSCI World	423.41	-0.05	+3.64
MSCI EM	1,074.51	+0.20	+7.16
RTS (Russia)	1,232.34	+0.03	-14.58
WIG-20 (Poland)	N/A		
S&P 500 (USA)	1,955.06	-0.01	+5.77

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

FXPO LN	1.37	79.4% of total <sup>1</sup>
MHPC LI	0.21	12.0%
CEEN UK	0.06	3.3%

#### GAINERS: Top 3 stocks (in listed currency)

ALAGR FP	EUR 0.89	+5.95	-28.23
JKX LN	GBP 43.75	+1.16	-38.81
FXPO LN	GBP 134.80	+1.13	-27.47

#### 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 15-Aug-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 (%)
<b>ENERGY</b>																											
Cadogan Petrol...	CAD LN	London	11.63 GBP	+0.0	+4.5	+12.0	-23.8	0.19	44.9	-18.1	40.2	18.1	1.0	20.7	0.24	422	Neg.	Neg.	Neg.	2.8	N/A	N/A	Neg.	Neg.	Neg.	0.2	0.0
Centrenerg	CEEN UK	Kiev, UX	8.05 UAH	+0.0	+3.7	+68.8	+54.8	0.62	228.6	277.5	21.7	49.6	56.9	398.9	0.55	182	6.1	6.2	3.8	0.5	4.8	2.4	0.5	0.4	0.3	1.2	12.2
Donbasenergo	DOEN UK	Kiev, UX	40.08 UAH	+0.0	+6.2	+45.3	+60.0	3.08	72.9	109.5	14.2	10.4	2.5	65.6	0.50	201	1.8	2.4	2.3	0.4	2.4	1.3	0.3	0.2	0.2	1.4	17.8
JKX Oil & Gas	JKX LN	London	43.75 GBp	+1.2	-15.5	-38.8	-35.7	0.73	125.7	130.8	47.2	59.3	20.1	38.3	0.10	994	19.3	11.1	4.5	2.0	1.7	1.5	0.7	0.7	0.6	0.3	5.5
Regal Petroleum	RPT LN	London	5.75 GBp	+0.0	-37.0	-55.8	-66.7	0.10	30.8	4.0	80.9	24.9	0.0	5.3	0.03	3,059	Neg.	15.4	N/A	0.2	0.2	N/A	0.1	0.1	N/A	0.1	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	131.00 UAH	+0.0	+2.3	+44.9	+56.0	10.08	128.9	108.4	5.0	6.4	0.1	2.9	0.03	3,843	2.9	N/A	N/A	0.7	N/A	N/A	0.1	N/A	N/A	3.2	0.0
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.03 UAH	+0.0	-1.7	-10.1	-11.9	0.00	69.2	1,149.0	3.9	2.7	4.7	29.9	0.86	116	Neg.	Neg.	N/A	N/A	Neg.	N/A	1.0	0.7	N/A	N/A	64.5
Avdiyivsky Cok...	AVDK UK	Kiev, UX	3.07 UAH	+0.0	-1.5	+3.7	-5.1	0.24	46.1	43.3	4.0	1.8	0.4	26.2	0.74	135	Neg.	1.8	0.8	Neg.	0.6	0.4	0.1	0.0	0.0	0.1	0.0
Azovstal	AZST UK	Kiev, UX	0.90 UAH	+0.0	+13.3	+34.8	+46.6	0.07	292.0	285.6	4.1	12.0	3.5	20.4	0.13	774	Neg.	N/A	Neg.	Neg.	N/A	8.9	0.2	N/A	0.2	0.3	0.0
Ferrexpo PLC	FXPO LN	London	134.80 GBp	+1.1	-0.5	-27.5	-26.5	2.25	1,327.2	1,529.7	22.4	297.3	1,370.7	1,643.7	0.39	253	5.1	5.0	7.7	3.0	3.2	4.0	1.0	1.0	1.0	1.2	35.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.70 UAH	+0.0	+6.1	+32.1	+23.7	0.05	14.7	15.8	9.0	1.3	0.0	6.8	0.17	588	Neg.	1.4	0.8	0.1	0.6	0.5	0.1	0.0	0.0	0.1	0.1
Yenakievo Steel	ENMZ UK	Kiev, UX	41.87 UAH	+0.0	+3.6	+30.8	+23.1	3.22	34.0	30.0	9.4	3.2	6.4	35.1	0.70	142	6.4	N/A	Neg.	Neg.	N/A	1.0	0.0	N/A	0.0	1.0	0.0
<b>FOOD AND AGRIBUSINESS</b>																											
AgroGeneration	ALAGR FP	EN Paris	0.89 EUR	+6.0	-11.9	-28.2	-35.0	1.19	110.1	167.9	34.0	37.4	4.9	15.8	0.03	3,446	Neg.	N/A	N/A	Neg.	N/A	N/A	2.3	N/A	N/A	1.9	35.9
Avangard	AVGR LI	London Intl	8.69 USD	-0.6	-9.1	-26.1	-8.6	8.69	554.7	785.7	21.7	120.4	42.6	170.1	0.07	1,444	2.4	2.9	2.5	2.6	3.3	3.1	1.2	1.2	1.0	0.4	17.8
MHP	MHPC LI	London Intl	12.25 USD	+0.4	-17.5	-28.2	-26.9	12.25	1,294.4	2,455.3	22.3	288.9	206.6	1,039.2	0.44	227	8.3	4.8	4.2	6.3	5.0	4.7	1.6	1.6	1.4	2.2	47.0
Mriya Agrohold...	MAYA GF	Frankfurt	1.44 EUR	-0.5	-67.4	-73.4	-68.1	1.92	204.3	932.1	20.0	40.9	0.0	4.0	0.02	5,563	2.3	2.3	0.9	5.7	3.4	3.1	1.9	2.2	2.1	0.5	45.3
<b>CONSTRUCTION</b>																											
TMM	TR61 GF	Xetra	0.22 EUR	+0.0	+15.2	-30.6	-51.0	0.29	15.3	190.9	13.1	2.0	0.0	0.1	0.00	21,742	Neg.	N/A	N/A	Neg.	N/A	N/A	5.6	N/A	N/A	0.2	45.5
<b>FINANCIAL SERVICES</b>																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.14 UAH	+0.0	-2.8	+24.2	+40.7	0.01	325.1	N/A	3.8	12.4	4.8	182.8	1.21	83	4.2	Neg.	11.9	N/A	N/A	N/A	N/A	N/A	N/A	0.6	28.3
Ukrsotsbank	USCB UK	Kiev, UX	0.18 UAH	+0.0	+5.1	-5.8	+37.5	0.01	246.6	N/A	4.5	11.0	0.5	15.0	0.07	1,397	Neg.	14.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.4	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 continues to increase

Broader banking sector liquidity rose last Friday UAH1.45bn to UAH44.02bn as banks' correspondent accounts with the NBU rose UAH0.97bn to UAH27.40bn and total CDs outstanding increased UAH0.49bn to UAH12.90bn. Total local currency debt repayments scheduled for the next 30 days remained steady at UAH3.72bn.

KyivPrime interest rates slightly rose slightly: the KyivPrime ON interest rate rose 6bp to 5.75% while the KyivPrime 1M interest rate rose 13bp to 15.13%.

**Investment implications:** *The increase in liquidity most likely was the result of loans issued at last Wednesday's tender that were received later. Despite the liquidity increase, money market interest rates slightly rose due to significant pressure from tax payments and MoF budget financing. Today, liquidity should decline after last Friday's bond purchases (see comment below).*

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## YTM's decline

Last Friday, YTM's of Ukrainian Eurobonds slightly declined insignificantly as there was no important news and events. As a result, at yesterday's close, the yield curve adjusted to the range of 9.07-11.03%. UKRAIN 6.875% '15 declined 32bp to 11.03%, UKRAIN 6.58% '16, UKRAIN 6.75% '17 and UKRAIN 9.25% '17 slid 2bp to 9.64%, 9.77% and 9.40% respectively, while UKRAIN 7.95% '21, UKRAIN 7.80% '22 and UKRAIN 7.50% '23 slid 4bp to 9.55%, 9.14% and 9.07%, respectively. The 5-year CDS rose to 965bp.

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## Primary auction results

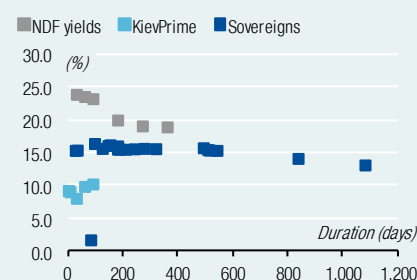
After two unsuccessful primary auctions on Tuesday and Thursday, the MoF held two reopening of 3-year bonds on Friday and sold more than UAH2.0bn of bonds. These auctions were held in two attempts, one after the other, offering the same bond but receiving bids from only three bidders, with two bids at the debut attempt and one at the second, for UAH1.10bn and UAH1.01bn, respectively. All bids were submitted at the same rates of 18.98%, significantly above the coupon rate of 15.00%, as the MoF had to sell bonds at a discount to raise UAH2.03bn of proceeds.

**Investment implications:** *This auction with large demand and only three bids could be supported under domestic QE. In a few days we could see an increase in the NBU's portfolio of government bonds. The practice of many attempts to get financing for the second consecutive week could indicate that the MoF has problems with the budget's performance or has large expenditures which could not be postponed.*

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## Yield curve of the local bond market

(as of market close on 15 Aug 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 15 Aug 2014)

	Last	Daily	Weekly	MoM	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
0/n	5.75	+6bp	-15bp	+65bp	-205bp
1wk	9.50	-13bp	-25bp	+293bp	-30bp
1m	15.13	+13bp	+13bp	-137bp	-112bp
2m	18.00	+0bp	+0bp	+0bp	+160bp
3m	18.00	+0bp	+0bp	+0bp	+200bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	27,397	+3.66	+0.38	-2.80	-16.22
CDs <sup>2</sup>	12,903	+3.91	+11.60	+17.34	+1,730.2
Sovgns <sup>3</sup>	3,722	+0.00	+8.21	-3.11	+149.0
<b>Total</b>	<b>44,022</b>	<b>+3.41</b>	<b>+4.08</b>	<b>+2.32</b>	<b>+26.13</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	194,821	+0.00	+1.11	+2.64	+34.50
Banks	88,402	-0.21	+3.28	+5.62	+10.27
Resid's <sup>4</sup>	57,199	+0.00	+258.7	+332.9	+361.4
Non-res <sup>5</sup>	17,918	+0.48	+4.08	+10.43	+53.16
<b>Total</b>	<b>358,341</b>	<b>-0.03</b>	<b>+15.06</b>	<b>+18.29</b>	<b>+43.85</b>
<b>NDF IMPLIED YIELDS (%)</b>					
3m	15.72	-306bp	-206bp	+353bp	+358bp
6m	14.45	-245bp	-218bp	-18bp	+105bp
9m	14.25	-264bp	-264bp	-119bp	+23bp
1yr	13.92	-158bp	-286bp	-222bp	-107bp
<b>LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)</b>					
Mar '13	N/A	-52ppt	+0bp	+0bp	+0bp
Jan '14	N/A	+320bp	+0bp	+0bp	-676bp
Aug '15 <sup>6</sup>	N/A	-160bp	+0bp	-64bp	-87ppt
<b>EUROBONDS USD SOVEREIGN BOND YIELDS (%)</b>					
CDS 5yr	965	+31bp	-35bp	+194bp	+149bp
Jun '16	10.31	+19bp	-81bp	+243bp	+142bp
Jul '17	9.79	-30bp	-66bp	+169bp	+23bp
Sep '20	9.56	+31bp	-24bp	+116bp	+37bp
Sep '21	9.59	+30bp	-4bp	+106bp	+38bp
Sep '22	9.20	+10bp	-14bp	+79bp	-15bp
Feb '23	9.13	+0bp	-18bp	+78bp	+8bp

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

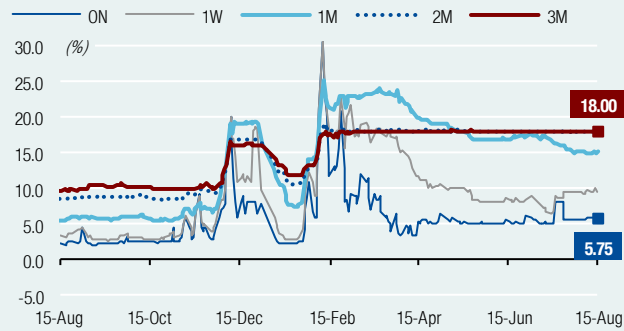


Chart 2. UAH NDF implied yields (%), last 12-month period



Chart 3. UAH sovereign yield curve (%) as of 15 Aug 2014

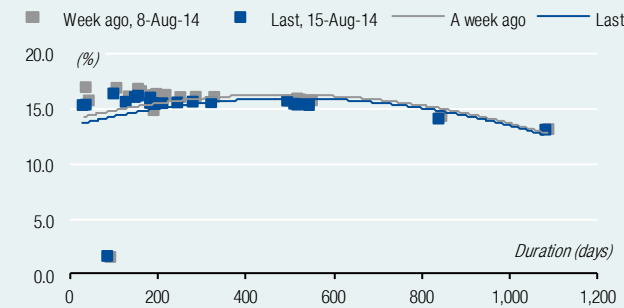


Chart 4. USD sovereign yield curve (%) as of 15 Aug 2014

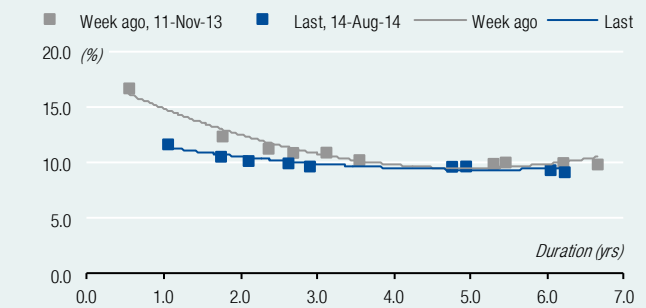


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

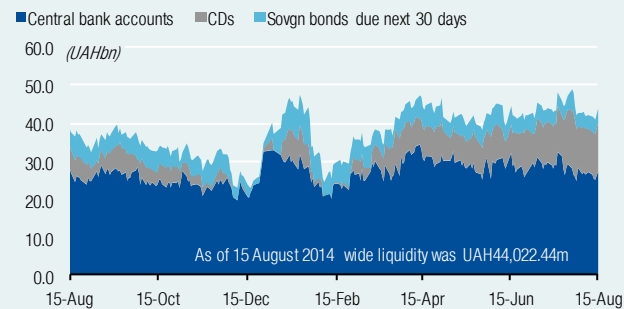


Chart 6. Breakdown of liquidity pool (%) as of 15 Aug 2014

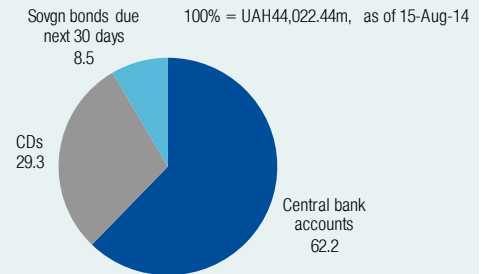


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

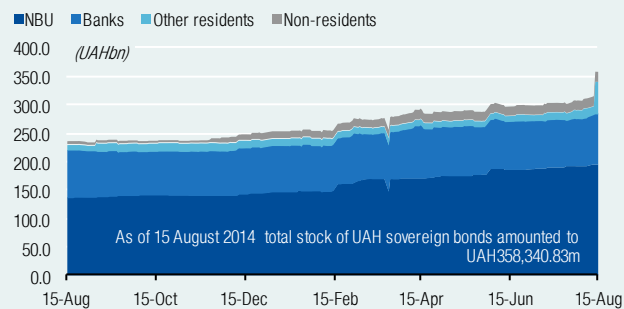
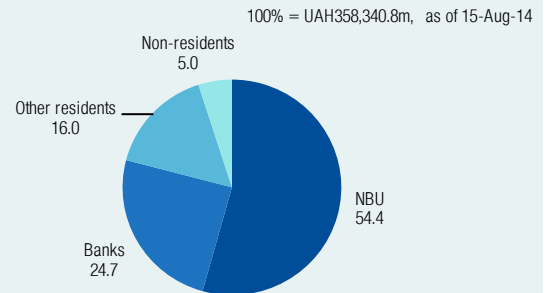


Chart 8. Domestic sovereign debt (%) as of 15 Aug 2014



# FX: News & Comments

## NBU intervenes to guide UAH toward 13/USD

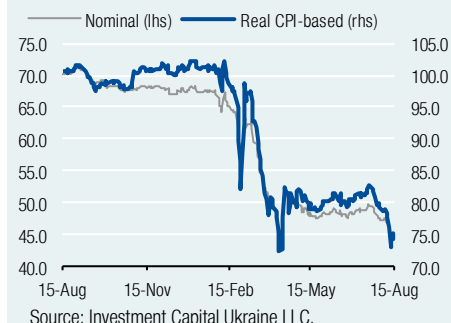
After a turbulent week of trading, the hryvnia lost 1.35% for the day versus the US dollar at Friday's close on higher volume than Thursday's US\$436m. The NBU intervened at 13.0/USD to maintain the previous day's gains.

Ukraine's overall situation remains uncertain as pro-Kremlin militants in the enclaves of Donbass continue to fight. There were reports of militants boasting on camera about having received heavy military machinery, anti-aircraft missile systems and another 1,000 volunteer soldiers from Russia. Despite Ukraine's gains in the army, the Kremlin reports that it will hold a stand-off as long as possible. Hence, we doubt that Sunday's meeting between foreign ministers from Ukraine, Germany, France and Russia will result in a trustworthy peace breakthrough. As far as external FX markets are concerned, news from the EU last Friday on quarterly GDP data reported that Germany and Italy contracted and France was flat. This news sent the euro lower, and it could decline further. The Russian ruble was down 0.69% to 36.1858/USD. The euro was 0.27% higher. As a result, the hryvnia's real-trade-weighted index fell 1.12%.

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### ICU's UAH trade-weighted indices

(Last 12-month history to 18 Aug 2014)



### FX market indicators (as of 15 Aug 2014)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	13.1250	+1.35	+4.58	+12.08	+59.28
NBU avg	13.1355	+0.33	+4.19	+12.20	+61.16
Tt vlm <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
\$ volume <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
NDF 3M	13.6329	+0.61	+4.07	+13.04	+60.67
NDF 6M	14.0545	+0.21	+3.53	+11.99	+60.07
NDF 1Y	14.8703	-0.03	+2.03	+9.95	+57.86
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	44.625	-1.12	-4.34	-8.73	-33.93
UAH real CPI	74.347	-1.12	-4.34	-8.73	-26.44
UAH real PPI	111.974	-1.12	-4.34	-8.73	-19.32
USD nom'l	81.424	-0.20	+0.04	+1.29	+1.74
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	36.1858	+0.69	+0.00	+5.22	+10.09
EUR/USD	1.3401	+0.27	-0.07	-1.23	-2.49
USD/CNY	6.1472	-0.10	-0.15	-0.98	+1.53
USD/PLN	3.1386	+0.38	+0.20	+2.93	+3.82
USD/TRY	2.1673	+0.73	+1.03	+2.07	+0.89
USD/BYR	10,390.00	+0.00	+0.48	+1.22	+8.91
USD/KZT	182.0400	+0.01	-0.01	-0.85	+18.00
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	102.3600	-0.09	+0.31	+0.67	-2.80
GBP/USD	1.6693	+0.04	-0.48	-2.62	+0.82
USD/CHF	0.9026	-0.43	-0.31	+0.77	+1.09
AUD/USD	0.9322	+0.03	+0.51	-0.51	+4.54
USD/CAD	1.0897	-0.05	-0.69	+1.28	+2.58
USD/BRL	2.2601	-0.29	-1.02	+1.85	-4.32
USD/KRW	1,016.61	-0.42	-1.91	-1.05	-3.16
<b>COMMODITIES</b>					
Gold(\$/oz)	1,304.83	-0.67	-0.47	+0.83	+8.23
WTI crude <sup>3</sup>	97.35	+1.85	-0.22	-2.61	-1.09
Brent crd <sup>3</sup>	101.99	+1.27	-1.68	-3.10	-7.97
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	289.93	+0.39	-0.85	-2.06	+3.48

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>).

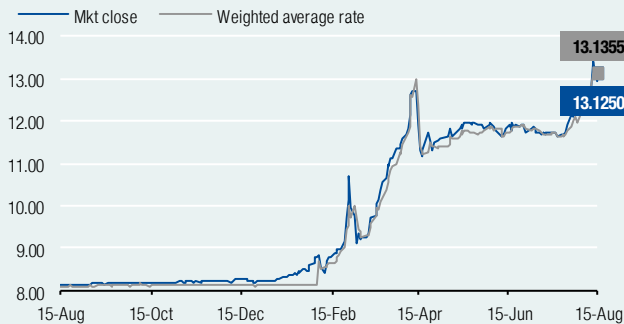
Section on FX market is continued on next page.

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.

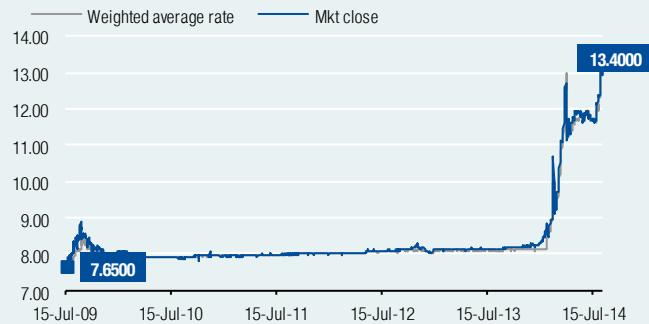
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

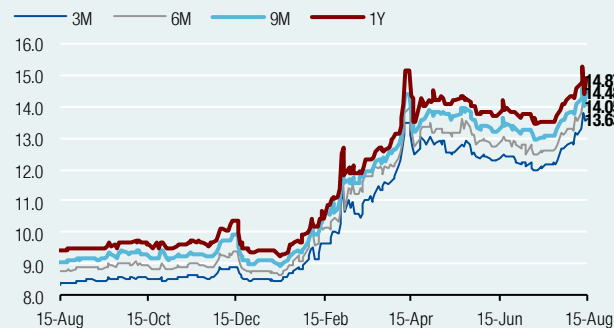


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

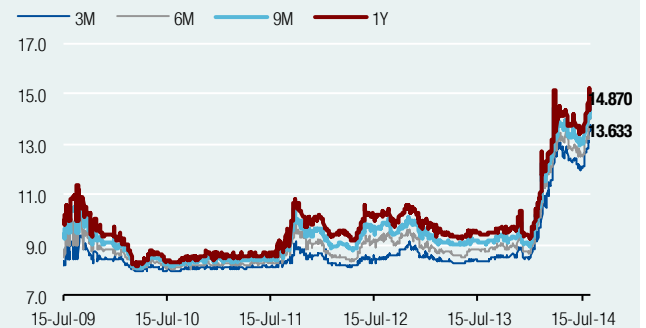


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

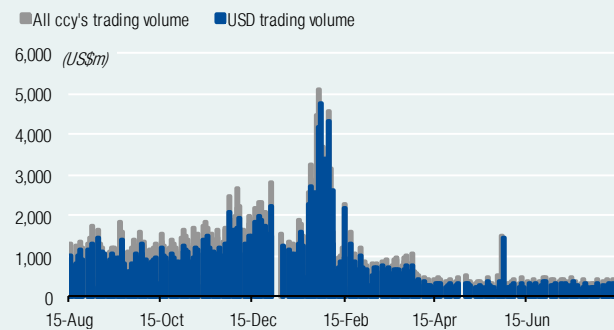


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.



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)

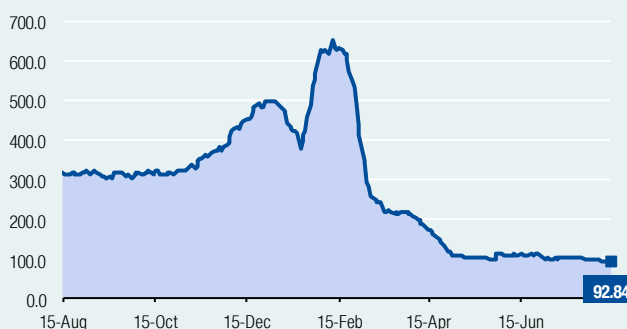


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)



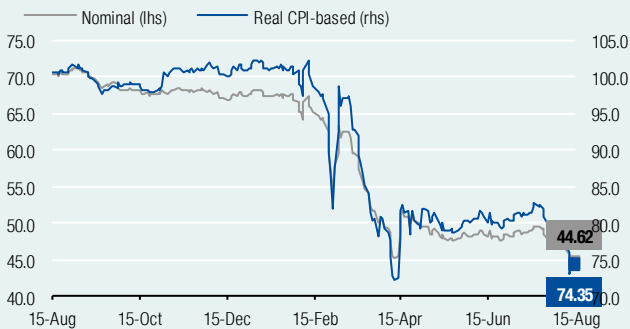
Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

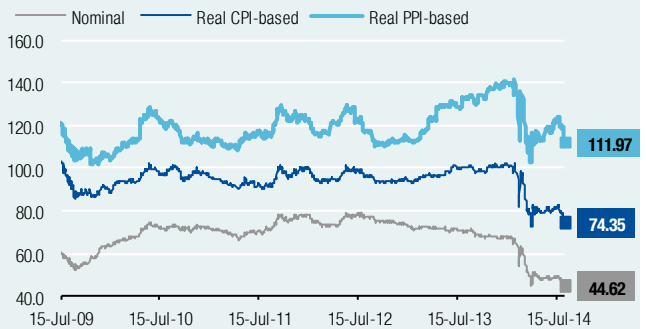
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

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



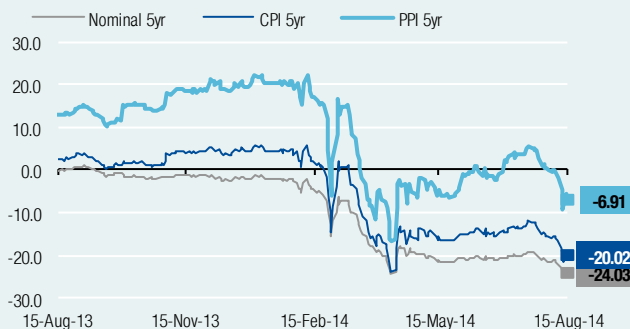
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

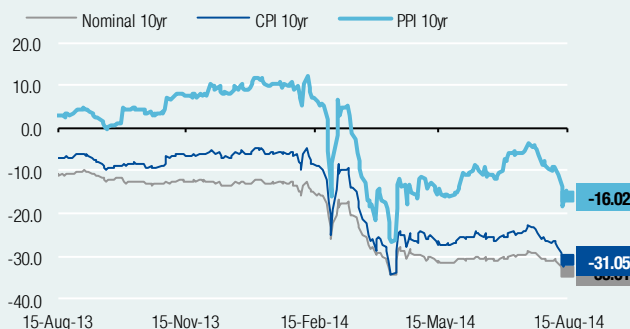


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.



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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**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

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**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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