



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

Research team
**Alexander Valchyshen
Alexander Martynenko
Taras Kotovych**

Daily Insight

Metinvest's 3Q14 production report

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TUESDAY, 4 NOVEMBER 2014

UX Index (3 months to 4 Nov 2014)



Source: UX.

Key market indicators (as of 3 Nov 2014)

| | Last | Daily chg (%) | YTD chg (%) |
|--|------|---------------|-------------|
|--|------|---------------|-------------|

FX & MONEY RATES

| | | | |
|-------------------|---------|-------|--------|
| USD/UAH | 13.0005 | +0.00 | +57.77 |
| USD/UAH (1Y NDF) | 15.7500 | +0.00 | +67.20 |
| EUR/USD | 1.2482 | -0.34 | -9.18 |
| USD/RUB | 43.4921 | +1.12 | +32.32 |
| KievPRIME O/N (%) | 9.88 | -62bp | +208bp |
| KievPRIME 1M (%) | 16.25 | -25bp | +0bp |

SOVEREIGN EUROBONDS: yields and spreads

| | | | |
|--------------------------|---------|-------|--------|
| Ukraine 15, Eurobond (%) | 18.05 | +40bp | +970bp |
| Ukraine 17, Eurobond (%) | 13.62 | +52bp | +406bp |
| Ukraine 22, Eurobond (%) | 10.32 | +27bp | +97bp |
| Ukraine 23, Eurobond (%) | 10.26 | +27bp | +122bp |
| Ukraine 5Y CDS | 1,212bp | +31bp | +395bp |

EQUITIES

Stock market indices

| | | | |
|-----------------|----------|-------|--------|
| UX (Ukraine) | 1,090.85 | -2.11 | +19.87 |
| MSCI World | 417.22 | -0.53 | +2.12 |
| MSCI EM | 1,010.37 | -0.56 | +0.77 |
| RTS (Russia) | 1,078.33 | -1.20 | -25.26 |
| WIG-20 (Poland) | 2,462.51 | -0.05 | +2.56 |
| S&P 500 (USA) | 2,017.81 | -0.01 | +9.17 |

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.

Economics: News & Comments

Poroshenko: special status for Donetsk and Lugansk to be abolished

Yesterday, President Poroshenko officially declared that the elections held by pro-Kremlin militants in Donetsk and Lugansk are invalid, repeating that they were a "farce", and that the militants violated the ceasefire agreement reached in Minsk. At the special gathering by of National Security Council today, Poroshenko proposed to repeal the law that was agreed upon in Minsk that grants special status of the pro-Kremlin controlled districts, particularly as the militants have been receiving aid from Russia in the form of army personnel and guns. As the Minsk ceasefire agreement appears to have been completely disregarded by the pro-Kremlin militants, the next wave of Russian aggression, with additional Western sanctions on Russia to follow, are increasingly likely.

Alexander Valchysheh, Kiev, +38044 2200120 ext.721

Metinvest's 3Q14 production declines caused by Donbass conflict

In its 3Q14 production results released last Thursday, Metinvest reported unilateral production declines: crude steel dropped 42% QoQ to 1.7mt, iron ore concentrate declined 8% QoQ to 8.4mt, and coal concentrate was down 15% QoQ to 0.95mt. For 9M14, YoY production declines were as follows, crude steel by 21% to 7.5mt, iron ore concentrate by 5% to 26.5mt, and coal concentrate by 24% to 3.3mt. The significant drop in steel production was due to the conflict in Eastern Ukraine, which caused raw material supply constraints at Azovstal and Mariupil Ilyich Steel and the shutdown of production at Yenakieve Steel at the end of July and beginning of August. As a consequence, declining demand from the Metallurgical division negatively impacted the production of iron ore concentrate, which was also undermined by the equipment technical condition and repair works. The military conflict also had a detrimental effect on operations at Metinvest's East-Ukrainian coalmining asset, Krasnodon Coal, while coal production at Metinvest's US miners increased QoQ.

Table 1. Metinvest's Eurobond quotation as of market close, 03 November 2014

| Issuer | Moody's/S&P /Fitch | Ccy | Volume | Coupon (%) | Maturity | Price (%) | YTW (%) | Spread (bp) |
|-----------|--------------------|-----|--------|------------|-----------|-----------|---------|-------------|
| Metinvest | Caa2/-/CCC | USD | 500m | 10.25 | 20-May-15 | 79.75 | 58.769 | 5,875 |
| Metinvest | Caa2/-/CCC | USD | 750m | 8.75 | 14-Feb-18 | 70.875 | 21.573 | 2,063 |

Source: Bloomberg

Investment implications: *We expect that the negative impact of the Donbass conflict on Metinvest's production will be more pronounced in 4Q14; for full-year 2014, the company may reduce its steel production by 26-29% to 8.9-9.2mt, iron ore concentrate by 6% to 34.4-34.7mt, and mined coal by 25-30% to 8-8.5mt. Railway deliveries of raw material supplies to Metinvest's steel mills remain the key issue, particularly for Yenakieve Steel which is located in territory not controlled by Ukrainian authorities. Repairs of damaged railway routes may require one to four weeks under the condition of a stable ceasefire which has not yet occurred. Even so, all production assets not materially affected by the conflict, including Avdiyiv Coke, Yenakieve Steel, and Kharstysyzsk Pipe, which were shut down since the beginning of August, are gradually restoring operations. As Metinvest is in process of rearranging its logistics and accumulating the required raw material inventories, it should ramp*

up capacity utilization, however below the targeted year-end 70% for Mariupil Ilyich Steel and Azovstal and 50% for Avdiivka Coke, Yenakieve Steel and Khartsyzsk Pipe. We also believe that the flow of the raw materials through the battlefield to Yenakieve Steel and Khartsyzsk Pipe should remain problematic.

Alexander Martynenko, Kiev, +38044 2200120 ext.726

Bonds: News & Comments

Liquidity recovers slightly

Broader banking sector liquidity slightly recovered after last Friday's deals, and broader banking sector liquidity rose UAH1.38bn yesterday to UAH46.05bn, as banks' correspondent accounts with the NBU increased UAH3.44bn to UAH27.62bn and total CDs outstanding declined UAH2.05bn to UAH13.41bn. Total local currency debt repayments scheduled for the next 30 days remained steady at UAH5.03bn.

KyivPrime interest rates were down at the start of November. The KyivPrime ON interest rate was down 62bp to 9.88% while KyivPrime 1M interest rate slid 25bp to 16.25%.

Investment implications: Liquidity recovered very little. Although banks' correspondent accounts with the NBU rose UAH3.44bn, UAH2.05bn was from CD redemptions and UAH0.74bn was from ON loans from the NBU, yielding a net increase in liquidity of only UAH0.65bn.

Eurobond YTM's slightly increase

Following the increase in US Treasury YTM's yesterday, Ukrainian Eurobond spreads slightly widened, as the yield curve of Ukrainian Eurobonds adjusted to the range of 10.27-18.06% yesterday. UKRAIN 6.875% '15 rose 90bp to 18.06%, UKRAIN 6.58% '16, UKRAIN 6.75% '17 and UKRAIN 9.25% '17 rose 51bp to 13.92%, 11.83% and 13.62% respectively, while UKRAIN 7.95% '21, UKRAIN 7.80% '22 and UKRAIN 7.50% '23 increased 25bp to 10.63%, 10.33% and 10.27%, respectively. The 5-year CDS rose to 1,212bp.

Primary auction schedule

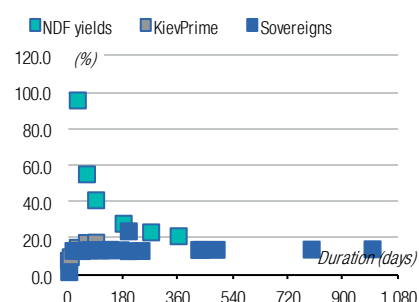
The MoF published the November schedule of primary auctions, holding only four auctions and offering only four bonds this month. According to this schedule, each week the MoF will offer 5-year and 10-year local currency bonds, which usually collected only demand supported by domestic QE. Also, today and next week the MoF will offer a 2-year bond which saw moderate market demand last month. USD-denominated bonds will be also offered in November, at the end of the month, and the MoF will offer 2-year bonds, most likely to be denominated in US dollars

Investment implications: As this schedule is preliminary, most likely it will be changed a few times this month. As the MoF returned to its old routine of routinely holding unscheduled auctions during October, it is expected to continue to do the same more frequently. At the same time, we do not anticipate significant changes to the offered set of bonds, and the MoF will offer mostly 2-year, 5-year and 10-year bonds, but more frequently than was scheduled originally.

Taras Kotovych, Kiev, +38044 2200120 ext.724

Yield curve of the local bond market

(as of market close on 3 Nov 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 3 Nov 2014)

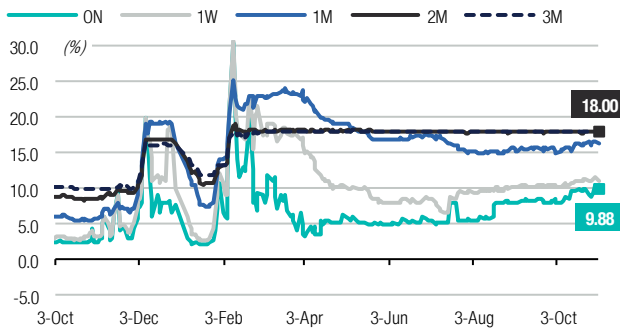
| | Last | Daily | Weekly | MoM | YTD |
|---|----------------|--------------|--------------|--------------|---------------|
| | | chg (%) | chg (%) | chg (%) | chg (%) |
| MONEY MARKET KIEV PRIME RATES (%) | | | | | |
| O/n | 9.88 | -62bp | +88bp | +188bp | +208bp |
| 1wk | 11.00 | -50bp | +0bp | +75bp | +120bp |
| 1m | 16.25 | -25bp | -25bp | +125bp | +0bp |
| 2m | 18.00 | +0bp | +0bp | +0bp | +160bp |
| 3m | 18.00 | +0bp | +0bp | +0bp | +200bp |
| LIQUIDITY WIDE MEASUREMENT (UAHm) | | | | | |
| CB acc's ¹ | 27,620 | +14.21 | -1.99 | -14.32 | -15.54 |
| CDs ² | 13,407 | -13.29 | +9.13 | +8.82 | +1,801.7 |
| Sovgns ³ | 5,709 | +20.94 | +1.93 | +8.35 | +281.9 |
| Total | 46,736 | +5.35 | +1.45 | -6.20 | +33.91 |
| HOLDERS OF UAH SOVEREIGN BONDS (UAHm) | | | | | |
| C.bank | 277,641 | +0.00 | +0.62 | +3.46 | +91.67 |
| Banks | 83,483 | +0.62 | -0.52 | -1.21 | +4.13 |
| Resid's ⁴ | 15,493 | +7.89 | +8.08 | +9.25 | +24.98 |
| Non-res ⁵ | 18,957 | -0.01 | -1.06 | -2.92 | +62.04 |
| Total | 395,574 | +0.42 | +0.56 | +2.33 | +58.79 |
| 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 | 24.21 | +87bp | +87bp | +388bp | -77ppt |
| EUROBONDS USD SOVEREIGN BOND YIELDS (%) | | | | | |
| CDS 5yr | 1,212 | +31bp | +27bp | -101bp | +395bp |
| Jun '16 | 13.87 | +51bp | +104bp | -104bp | +498bp |
| Jul '17 | 13.62 | +52bp | +54bp | -81bp | +406bp |
| Sep '20 | 10.60 | +27bp | +29bp | -49bp | +141bp |
| Sep '21 | 10.63 | +27bp | +43bp | -48bp | +141bp |
| Sep '22 | 10.32 | +27bp | +8bp | -25bp | +97bp |
| Feb '23 | 10.26 | +27bp | +33bp | -22bp | +122bp |

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.

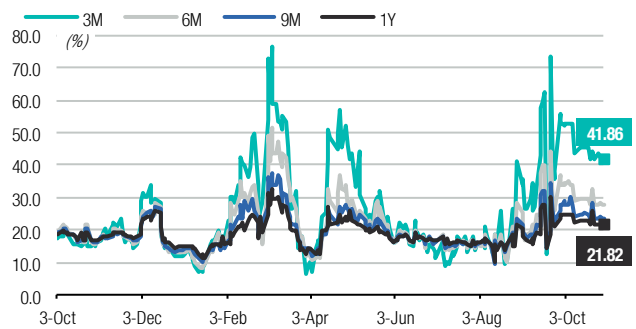
Chart page: Local bond market & Eurobond markets

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



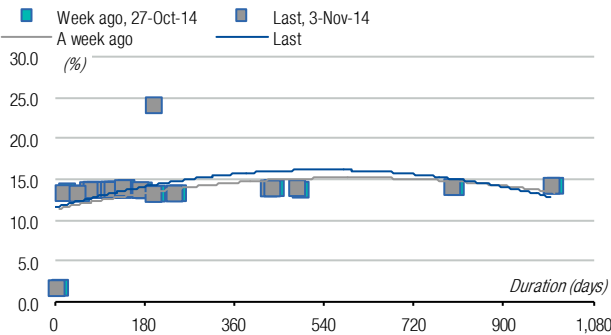
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



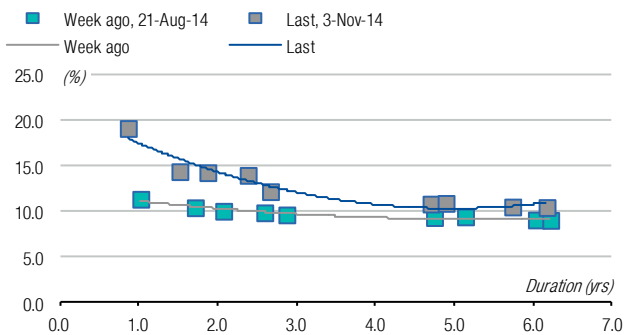
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



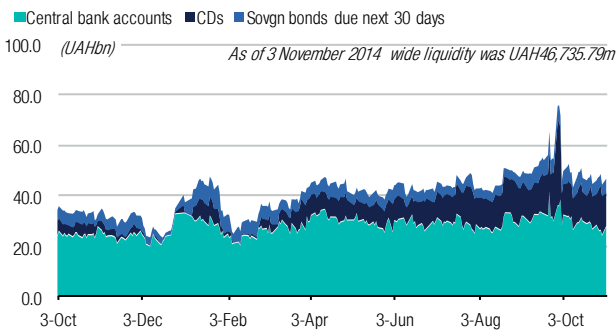
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 3 Nov 2014



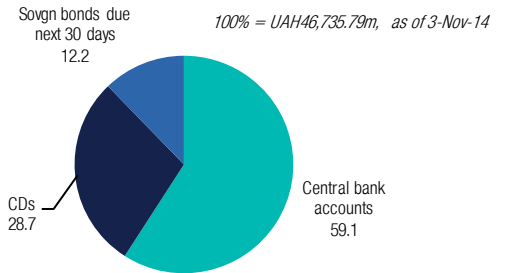
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



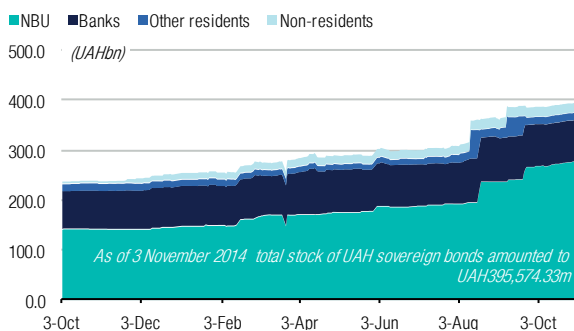
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 3 Nov 2014



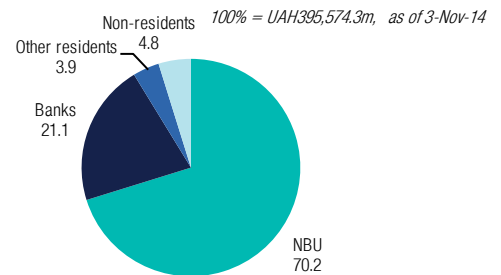
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 3 Nov 2014



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

Table 2. Ukrainian stocks (closing prices as of 3-Nov-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) | 2013 | 2014E | 2014E | 2013 | 2014E | 2014E | 2013 | 2014E | 2014E | P/B (x) | Debt/Assets (%) |
| ENERGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cadogan Petrol... | CAD LN | London | 10.25 GBp | +0.0 | -3.5 | -1.2 | -18.8 | 0.16 | 37.9 | -9.7 | 40.2 | 15.2 | 3.6 | 20.4 | 0.08 | 1,260 | Neg. | N/A | N/A | 1.4 | N/A | N/A | Neg. | N/A | N/A | 0.3 | 0.0 |
| Centrenerg | CEEN UK | Kiev, UX | 7.48 UAH | -1.7 | +2.7 | +56.9 | +50.2 | 0.58 | 212.6 | 267.2 | 21.7 | 46.2 | 46.4 | 55.3 | 0.10 | 1,018 | 5.7 | 4.9 | 7.4 | 0.3 | 3.9 | 4.0 | 0.5 | 0.3 | 0.3 | 1.1 | 16.3 |
| Coal Energy | CLE PW | Warsaw | 0.79 PLN | -4.8 | -12.2 | -24.8 | -66.5 | 0.23 | 10.5 | 136.5 | 25.0 | 2.6 | 7.7 | 43.5 | 0.48 | 207 | Neg. | N/A | N/A | 6.1 | N/A | N/A | 1.1 | N/A | N/A | 0.1 | 39.8 |
| Donbasenergo | DOEN UK | Kiev, UX | 32.36 UAH | -4.5 | +13.9 | +17.3 | +33.9 | 2.49 | 58.9 | 120.0 | 14.2 | 8.4 | 9.2 | 10.3 | 0.07 | 1,525 | 1.4 | 1.4 | 1.5 | 0.1 | 2.0 | 1.5 | 0.3 | 0.2 | 0.3 | 1.2 | 25.1 |
| JKX Oil & Gas | JKX LN | London | 38.25 GBp | +0.0 | -25.0 | -46.5 | -49.0 | 0.61 | 105.1 | 110.2 | 47.2 | 49.6 | 1.5 | 25.4 | 0.06 | 1,646 | 16.2 | 17.5 | 3.2 | 1.7 | 2.2 | 1.7 | 0.6 | 0.7 | 0.6 | 0.2 | 5.5 |
| Regal Petroleum | RPT LN | London | 6.25 GBp | +0.0 | -21.9 | -51.9 | -59.0 | 0.10 | 32.1 | 1.9 | 80.9 | 25.9 | 0.0 | 7.7 | 0.01 | 10,036 | Neg. | 16.0 | N/A | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.3 | 0.0 |
| Zakhidenergo | ZAEN UK | Kiev, PFTS | 155.00 UAH | -8.8 | +5.8 | +71.5 | +86.7 | 11.92 | 152.5 | 242.1 | 5.0 | 7.6 | 1.2 | 1.9 | 0.05 | 2,102 | 3.4 | N/A | N/A | 1.6 | N/A | N/A | 0.3 | N/A | N/A | 1.3 | 0.0 |
| METALLURGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alchevsky Meta... | ALMK UK | Kiev, UX | 0.02 UAH | -4.5 | -7.2 | -39.5 | -40.8 | 0.00 | 46.6 | 2,250.1 | 3.9 | 1.8 | 1.2 | 2.6 | 0.06 | 1,760 | Neg. | Neg. | N/A | Neg. | Neg. | N/A | 2.0 | 1.2 | N/A | N/A | 85.7 |
| Avdiivsky Cok... | AVDK UK | Kiev, UX | 2.52 UAH | -1.4 | +9.6 | -14.9 | -17.9 | 0.19 | 37.8 | 34.0 | 4.0 | 1.5 | 1.7 | 4.7 | 0.11 | 889 | Neg. | 245.8 | 0.6 | 0.1 | 0.7 | 0.3 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Azovstal | AZST UK | Kiev, UX | 0.77 UAH | -3.7 | +19.0 | +15.1 | +19.2 | 0.06 | 249.3 | N/A | 4.1 | 10.2 | 12.7 | 13.4 | 0.13 | 744 | Neg. | Neg. | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.2 | 0.0 |
| Ferrexpo PLC | FXPO LN | London | 85.60 GBp | +1.7 | -16.2 | -53.9 | -53.5 | 1.37 | 805.9 | 1,008.4 | 22.4 | 180.5 | 1,098.0 | 1,063.2 | 0.84 | 119 | 3.1 | 3.1 | 6.7 | 2.0 | 2.1 | 3.2 | 0.6 | 0.7 | 0.7 | 0.7 | 35.1 |
| Yasynivsky Cok... | YASK UK | Kiev, UX | 0.42 UAH | +0.0 | -9.9 | -20.8 | -25.0 | 0.03 | 8.8 | 9.7 | 9.0 | 0.8 | 0.0 | 3.2 | 0.06 | 1,625 | Neg. | 0.8 | 0.5 | 0.1 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Yenakievo Steel | ENMZ UK | Kiev, UX | 26.42 UAH | -4.9 | +2.6 | -17.5 | -19.9 | 2.03 | 21.4 | 11.3 | 9.4 | 2.0 | 16.3 | 3.9 | 0.14 | 707 | Neg. | Neg. | N/A | 2.0 | 0.3 | N/A | 0.0 | 0.0 | N/A | 1.2 | 0.0 |
| FOOD AND AGRIBUSINESS | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AgroGeneration | ALAGR FP | EN Paris | 0.49 EUR | -2.0 | -29.0 | -60.5 | -64.5 | 0.61 | 56.6 | 110.7 | 34.0 | 19.2 | 11.5 | 10.3 | 0.10 | 957 | Neg. | N/A | N/A | Neg. | N/A | N/A | 1.6 | N/A | N/A | 1.1 | 35.9 |
| Agroliga | AGL PW | Warsaw | 12.81 PLN | +0.1 | -11.7 | -50.6 | -57.3 | 3.79 | 5.8 | 6.7 | 16.7 | 1.0 | 0.8 | 2.8 | 0.42 | 240 | 1.5 | N/A | N/A | 1.9 | N/A | N/A | 0.3 | N/A | N/A | 0.5 | 5.7 |
| Agroton | AGT PW | Warsaw | 2.01 PLN | -2.9 | +4.7 | +3.1 | -14.1 | 0.60 | 12.9 | 58.2 | 26.2 | 3.4 | 12.8 | 60.3 | 0.85 | 118 | Neg. | 1.8 | 1.6 | 21.8 | 19.4 | N/A | 0.7 | 0.7 | 0.7 | 0.1 | 28.4 |
| Astarta Holdin... | AST PW | Warsaw | 30.16 PLN | -4.3 | -18.0 | -54.9 | -52.1 | 8.93 | 223.3 | 467.0 | 31.0 | 69.3 | 29.0 | 79.4 | 0.02 | 4,328 | 6.9 | 22.3 | 3.5 | 6.2 | 3.8 | 4.2 | 1.0 | 1.0 | 1.0 | 0.6 | 38.2 |
| Avangard | AVGR LI | London Intl | 6.47 USD | -0.5 | -18.1 | -45.0 | -49.1 | 6.47 | 412.9 | 546.7 | 21.7 | 89.6 | 1.9 | 85.5 | 0.07 | 1,397 | 1.7 | 2.9 | 2.5 | 1.8 | 3.1 | 3.0 | 0.8 | 0.9 | 0.9 | 0.4 | 17.8 |
| IMC | IMC PW | Warsaw | 7.34 PLN | +0.0 | +10.4 | -39.6 | -46.4 | 2.17 | 68.0 | 209.2 | 23.9 | 16.2 | 0.9 | 16.5 | 0.09 | 1,150 | 2.6 | Neg. | 1.7 | 3.9 | 3.8 | 3.7 | 1.8 | 1.1 | 1.1 | 0.4 | 38.7 |
| Kernel Holding... | KER PW | Warsaw | 25.69 PLN | -3.1 | +3.1 | -32.5 | -40.2 | 7.61 | 606.3 | 1,291.3 | 58.8 | 356.3 | 286.3 | 865.8 | 0.19 | 515 | Neg. | 4.0 | 3.7 | 6.9 | 3.9 | 4.1 | 0.5 | 0.5 | 0.5 | 0.6 | 39.1 |
| KSG Agro | KSG PW | Warsaw | 1.29 PLN | -1.5 | -0.8 | -88.1 | -88.9 | 0.38 | 5.7 | 116.8 | 34.4 | 2.0 | 38.4 | 228.3 | 3.93 | 25 | Neg. | 0.5 | 0.3 | 13.5 | N/A | N/A | 1.6 | 1.2 | 1.1 | 0.3 | 44.5 |
| MHP | MHPC LI | London Intl | 10.85 USD | +2.4 | -7.7 | -36.4 | -32.9 | 10.85 | 1,146.5 | 2,356.8 | 22.3 | 255.9 | 91.2 | 922.9 | 0.15 | 655 | 7.4 | 10.1 | 4.0 | 6.0 | 5.0 | 4.7 | 1.6 | 1.7 | 1.5 | 2.0 | 47.0 |
| Milkiland | MLK PW | Warsaw | 3.05 PLN | -5.3 | -20.6 | -75.6 | -77.4 | 0.90 | 28.2 | 154.0 | 20.0 | 5.6 | 20.7 | 8.1 | 0.22 | 465 | 2.1 | Neg. | 6.6 | 4.6 | 4.0 | 4.5 | 0.4 | 0.4 | 0.4 | 0.1 | 30.8 |
| Mriya Agrohold... | MAYA GF | Frankfurt | 0.90 EUR | +0.0 | -36.8 | -83.3 | -81.5 | 1.13 | 119.6 | 847.4 | 20.0 | 23.9 | 0.0 | 1.8 | 0.00 | 36,320 | 1.4 | 1.4 | 0.5 | 5.1 | 3.1 | 2.8 | 1.7 | 2.0 | 2.0 | 0.3 | 45.3 |
| CONSTRUCTION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TMM | TR61 GF | Xetra | 0.16 EUR | +0.0 | -28.3 | -48.9 | -48.6 | 0.20 | 10.5 | 186.1 | 13.1 | 1.4 | 0.0 | 0.1 | 0.01 | 14,165 | Neg. | N/A | N/A | Neg. | N/A | N/A | 5.5 | N/A | N/A | 0.1 | 45.5 |
| FINANCIAL SERVICES | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Raiffeisen Ban... | BAVL UK | Kiev, UX | 0.12 UAH | -0.4 | -2.6 | +8.0 | +19.5 | 0.01 | 282.7 | N/A | 3.8 | 10.8 | 57.3 | 20.2 | 0.19 | 536 | 3.6 | Neg. | 19.2 | N/A | N/A | N/A | N/A | N/A | N/A | 0.5 | 22.4 |
| Ukrsotsbank | USCB UK | Kiev, UX | 0.15 UAH | +0.0 | +5.3 | -19.0 | -16.8 | 0.01 | 212.0 | N/A | 4.5 | 9.5 | 0.0 | 0.7 | 0.00 | 39,388 | Neg. | 11.2 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.3 | 28.2 |

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

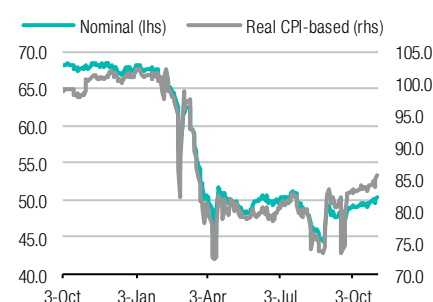
Hryvnia up again in real TWI terms

As the hryvnia held steady at 12.95/USD on US\$392m in quiet trading during an official holiday in Russia, the ruble declined another 1% on Monday. Following better-than-expected US economic data results, the Euro weakened further as European policymakers saw less resistance to active ECB monetary policy. The hryvnia's real TWI rose further. As business resumes in Russia following the holiday, pressure on both the ruble and UAH is expected to increase.

Alexander Valchyshen, Kiev, +38044 2200120 ext.242

ICU's UAH trade-weighted indices

(Last 12-month history to 4 Nov 2014)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 3 Nov 2014)

| | Last | Daily | Weekly | MoM | YTD |
|---|-----------|---------|---------|---------|---------|
| | chg (%) | chg (%) | chg (%) | chg (%) | chg (%) |
| USD/UAH MARKET (HRYVNYIA per US DOLLAR) | | | | | |
| Spot mkt | 13.0005 | +0.00 | +0.00 | +0.39 | +57.77 |
| NBU avg | 12.9508 | +0.00 | +0.00 | +0.08 | +58.89 |
| Ttl vlm ¹ | 449.25 | +75.71 | -12.78 | +85.62 | -83.97 |
| \$ volume ² | 391.95 | +113.2 | -11.73 | +125.6 | -82.27 |
| NDF 3M | 14.3500 | +0.00 | -0.35 | -2.05 | +69.12 |
| NDF 6M | 14.8000 | +0.00 | +0.00 | -1.99 | +68.56 |
| NDF 1Y | 15.7500 | +0.00 | +0.00 | -1.87 | +67.20 |
| TRADE-WEIGHTED INDICES (TWIs, points) | | | | | |
| UAH nom'l | 50.440 | +0.53 | +1.58 | +2.42 | -25.32 |
| UAH real CPI | 85.356 | +0.53 | +1.58 | +2.42 | -15.55 |
| UAH real PPI | 124.489 | +0.53 | +1.58 | +2.42 | -10.30 |
| USD nom'l | 87.309 | +0.45 | +2.12 | +0.71 | +9.09 |
| FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs | | | | | |
| USD/RUB | 43.4921 | +1.12 | +2.89 | +8.90 | +32.32 |
| EUR/USD | 1.2482 | -0.34 | -1.70 | -0.27 | -9.18 |
| USD/CNY | 6.1192 | +0.10 | +0.05 | -0.33 | +1.07 |
| USD/PLN | 3.3841 | +0.25 | +1.69 | +1.06 | +11.95 |
| USD/TRY | 2.2333 | +0.47 | +0.18 | -2.70 | +3.96 |
| USD/BYR | 10,720.00 | -0.05 | +0.19 | +0.89 | +12.37 |
| USD/KZT | 180.9000 | -0.03 | +0.02 | -0.59 | +17.26 |
| OTHER MAJOR CURRENCIES | | | | | |
| USD/JPY | 114.0500 | +1.54 | +5.78 | +3.91 | +8.30 |
| GBP/USD | 1.5972 | -0.14 | -0.92 | -0.01 | -3.53 |
| USD/CHF | 0.9659 | +0.34 | +1.72 | -0.17 | +8.18 |
| AUD/USD | 0.8681 | -1.33 | -1.37 | +0.07 | -2.65 |
| USD/CAD | 1.1359 | +0.83 | +1.00 | +1.02 | +6.93 |
| USD/BRL | 2.4953 | +0.71 | -1.02 | +1.50 | +5.64 |
| USD/KRW | 1,072.69 | +0.36 | +1.94 | +1.00 | +2.18 |
| COMMODITIES | | | | | |
| Gold(\$/oz) | 1,165.55 | -0.68 | -4.97 | -2.17 | -3.33 |
| WTI crude ³ | 78.78 | -2.19 | -2.74 | -12.21 | -19.96 |
| Brent crd ³ | 83.55 | -1.47 | -1.24 | -8.56 | -24.61 |
| Urals crd ³ | N/A | +0.00 | +0.00 | +0.00 | +0.00 |
| TR/J CRB ⁴ | 270.47 | -0.55 | +0.02 | -2.12 | -3.46 |

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.

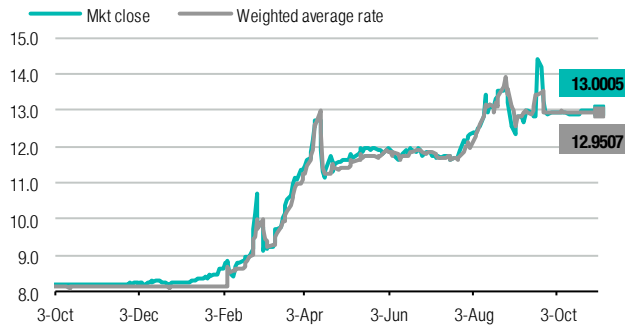
Sources: Bloomberg, Investment Capital Ukraine LLC.

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>).

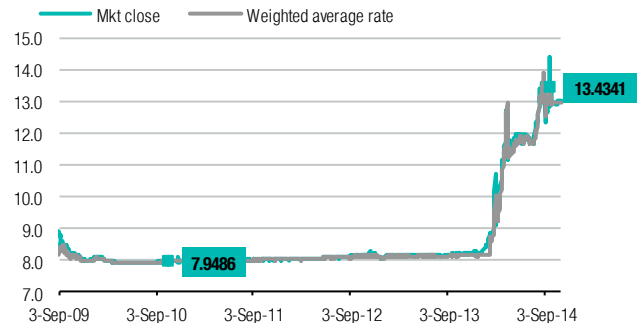
Section on FX market is continued on next page.

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)

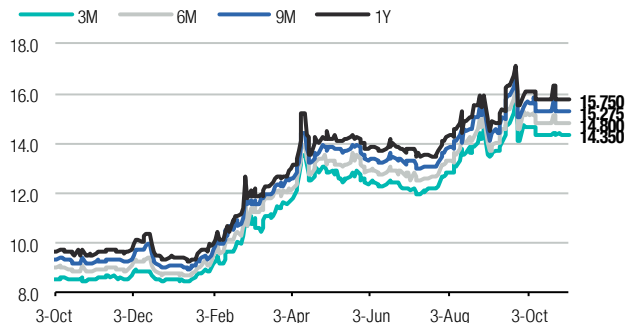


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

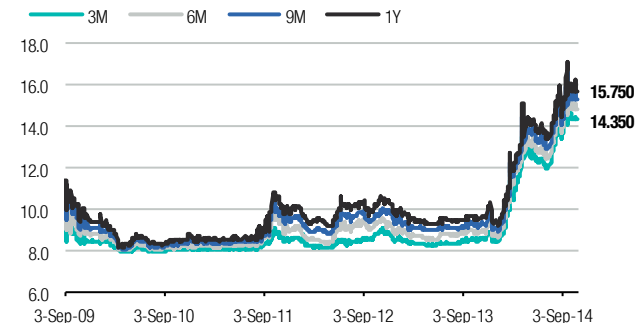


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

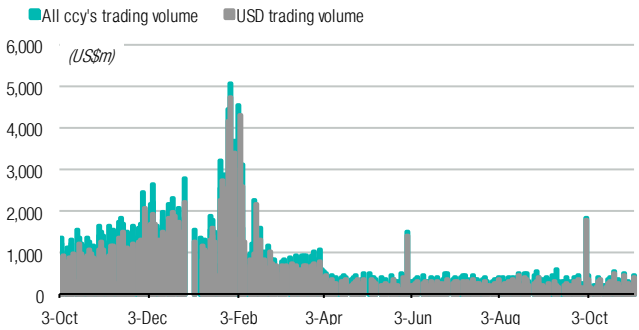


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

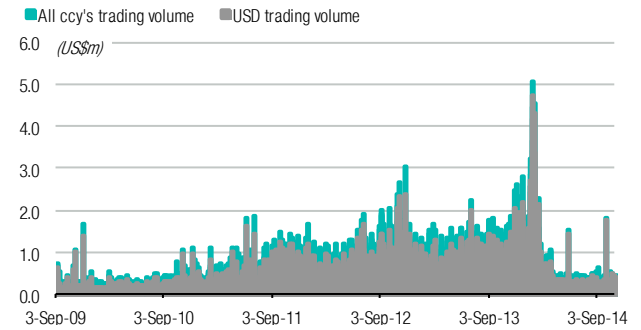


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

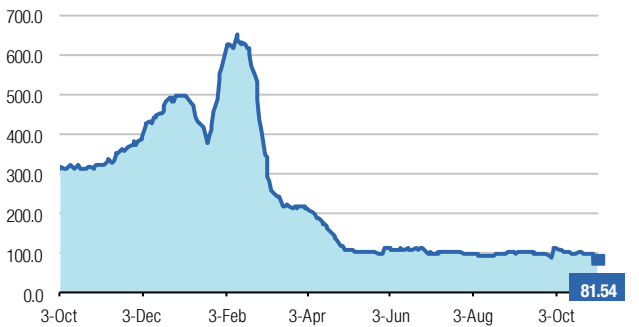


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

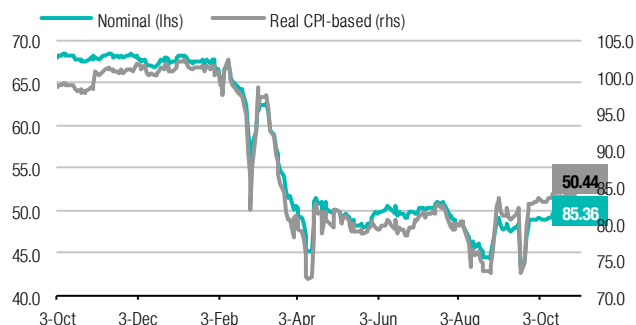


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

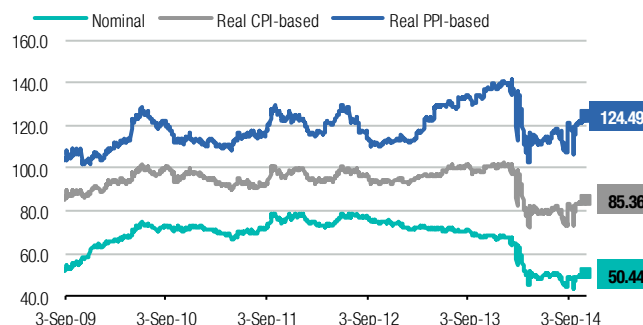
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

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



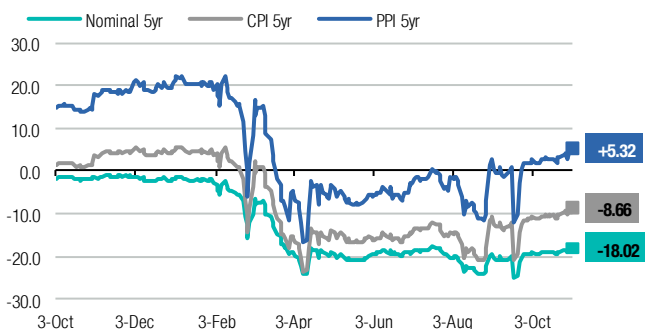
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

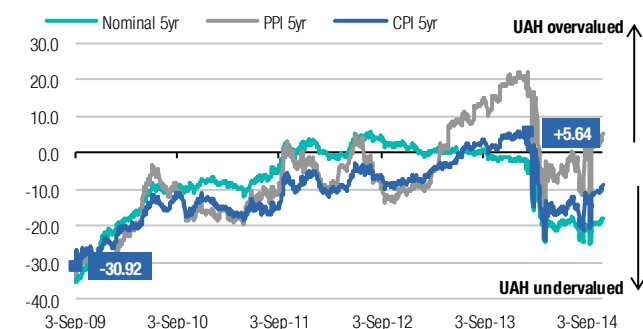


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

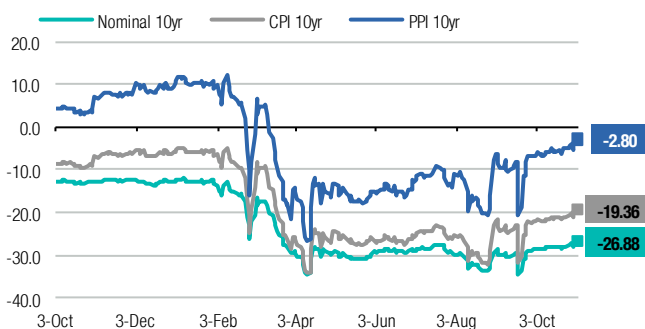


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

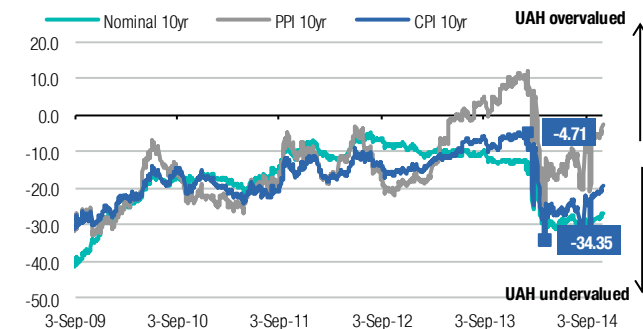


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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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

CORPORATE FINANCE TEL. +38 044 2200120

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

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

SALES AND TRADING TEL. +38 044 2201621

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

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

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

Vlad Sinani, Director,
Strategy and Corporate Development
vlad.sinani@icu.ua

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

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

RESEARCH DEPARTMENT TEL. +38 044 2200120

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

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

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

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

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

Lee Daniels, Rolfe Haas
Editors

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