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# Ukrainian Corporate Governance

**Straightening up to fly right**



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## Where are we now?

### Evolutionary clock is ticking on Ukraine's ugly ducklings

IPO became the buzzword of 2007 as a record number of Ukrainian companies completed equity placements for record volumes. Early trailblazers in 2005-2006 showed how to raise money on capital markets by following certain rules of civilized behavior, and in the process an increasing number of business owners came to realize that it was high time to learn to speak the language of the investment community.

While there are still dinosaurs out there afraid of words like *EBITDA*, and in the strictest sense, Ukrainian companies overall might occasionally appear Neanderthal-like in terms of corporate governance, the gap is narrowing. Some business owners' efforts have been rewarded by significantly boosting the capitalization of their businesses. This is especially true for oligarchs' large holdings: the largest six business groups saw their traded assets appreciate by USD 21 bln over the course of 2007 <[www.oligarch.com.ua](http://www.oligarch.com.ua)>.

The level of transformations has varied substantially company-by-company, but general themes are:

1. More transparency in ownership
2. Reduction in number and intensity of shareholder conflicts
3. Improved quality of financial reporting

By and large, the advances have been spurred on by the businesses themselves; state leadership promoting corporate governance practices is still lacking – legal protection of minority rights leaves much to be desired, patchy requirements allow companies to hide beneficiary owners behind various schemes, and timely, nondiscretionary dissemination of information is not enforced.

Some country-level mechanisms have improved, including:

The National Bank of Ukraine moved to bring local legislation in line with Basel II's Market Disclosure requirement standards with the adoption of the regulation "Methodological Recommendations for Improving Corporate Governance in Ukrainian Banks" in March 2007.

In 1Q07, more than 800 companies began publishing quarterly financial statements and information concerning corporate ownership, management and market data online at <[www.stockmarket.gov.ua](http://www.stockmarket.gov.ua)> as part of a pilot project by the State Securities & Exchange Commission (SSEC). Currently, companies with more than 25% state ownership and all public debt issuers are obliged to do so (the SSEC plans to extend this universe), though without an enforcement framework in place, reporting is far from ubiquitous (every fourth bond issuer does not report).

## Ukrainian corporate governance: Our approach

Again with this year's survey, one of our goals is to share our knowledge and experience in dealing with local companies – to help investors make more informed decisions.

Systematic analysis of corporate governance practices in Ukraine remains scarce. Both Standard & Poor's and the IFC conduct studies in this area, but their analysis is confined to the banking sector. Additionally, the scope of S&P's research is limited to transparency/disclosure only. Our coverage encompasses most of the sectors of the Ukrainian economy, and provides not academic analysis but rather practical guidance for portfolio investors, drawing on our extensive day-to-day experience in communicating with representatives of these companies and meeting with them face-to-face.

We focused on several key areas, as last year: Reporting & Disclosure, Investor Relations, Minority Treatment and Strategic Risks. We steered clear of more rigorous aspects of international corporate governance assessments like decision making processes, management accountability, internal corporate regulations, and management & supervisory boards. The dearth of relevant information on Ukrainian corporations makes comparisons by these criteria hardly meaningful.

With this report, we extend the number of companies covered from 117 to 175, encompassing all sectors of the Ukrainian equity market, including those companies listed on foreign exchanges. This year's rating includes an entirely new sector, *Gas Utilities*. Three companies from last year's rankings were not included this year due to delisting or other factors that we believe make them unacceptable investment targets for institutional investors. We included several enterprises on the fray that are just a catalyst away from being on portfolio manager's lists of Ukrainian stock picks.

## Classifications

The total scores possible in our rating this year range from -11.0 to 9.5 (slightly modified from last year's [-8.5 to 11.0]; you can find a detailed description of our ranking system in Appendix 1). We classified all companies, depending on the score they received, into the following three categories: Quality, Average and Poor. To make finer distinctions, the *Average* category has three sub-categories: AA (Above Average), A (Average) and BA (Below Average).

### Scoring table

Scoring	Rating category	Old scoring (2007 methodology)
9.5 – 8.0	Quality standards ( <b>Q</b> )	11.0 – 9.0
7.5 – 4.5	Above Average ( <b>AA</b> )	8.5 – 6.0
4.0 – 1.5	Average ( <b>A</b> )	5.5 – 3.0
1.0 – 0.0	Below Average ( <b>BA</b> )	2.5 – 0.0
less than 0.0	Poor ( <b>P</b> )	0.0 or less

Source: Concorde Capital research

# Scoring & rankings

Name	Rating 2008	Rating 2007	Score 2008	Ticker	Sector	REPORTING/DISCLOSURE [-2.4]		INVESTOR RELATIONS [-2.2.5]			MINORITY CONCERNS [-3.4]			STRATEGIC RISKS [-4.0]				
						IFRS	UAS Fin Statements Quality	Ownership Disclosure	Management accessibility	Public Face	Web site	Risk of Dilutive Action	H/M/L	N/warr/DR	0/0.5/1	non/inssg/signif	IPO, PP	Risk of sub-opt biz decisions
						N-Sub-Y	Dist/some mmp/ok	Income/ful	Lim/fair/good	N/sporadic/A	N/Y/inform	H/M/L	N/warr/DR	0/0.5/1	-1/0/1	0/0.5/1	serious / some concn / min	serious/ minor
JKX	Q	Q	9.5	JKX LN	Oil & Gas	0/0.5/2	-1/0/1	-1/1	-1 ... 1	-0.5/0/0.5	-0.5/0/0.5/1	-2/-1/0	0	1	1	1	0	0
GasRogaz	Q	Q	9.5	GU NG	Oil & Gas	2	1	1	1	0.5	1	0	0	1	1	1	1	0
AKor	Q	Q	9.5	AKOR	Consumer	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Aerpb	Q	Q	9.5	AST PW	Consumer	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Kernel	Q	N/R	9.5	KER PW	Consumer	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Ferrexpo	Q	N/R	9.5	FXPO LN	Iron & Steel	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Nadra Bank	Q	N/R	9.5	NADR LN	Financial	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Ukrprobank	Q	AA	9.5	UKR LN	Financial	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Rodovid Bank	Q	AA	9.0	RODB	Financial	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Bogdan Automobile	Q	BA	8.5	LUAZ	Engineering	2	1	1	1	0	0.5	1	1	1	1	1	0	0
XXI Century Investments	Q	Q	8.5	XXIC LN	Real Estate	2	1	1	1	0.5	1	0	0	1	1	1	-1	0
Creativ Group	Q	N/R	8.5	CREA	Consumer	2	1	1	1	0	0.5	1	1	1	1	1	0	0
Forum	Q	Q	8.5	FORM	Financial	2	0	1	1	0.5	1	0	0	1	1	1	0	0
Ukrzabank	Q	Q	8.5	UGZB	Financial	2	0	1	1	0.5	1	0	0	1	1	1	0	0
Real Estate Development	Q	N/R	8.5	REGT GR	Real Estate	2	1	1	1	0	0.5	1	1	1	1	1	0	0
AKS	Q	N/R	8.5	AKS LN	Real Estate	2	1	1	1	0	0.5	1	1	1	1	1	0	0
Ukrreosbank	Q	AA	8.0	USKB	Financial	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Ukrreosbank	Q	AA	8.0	USCB	Financial	2	1	1	1	0.5	1	0	0	1	1	1	0	0
Regal Petroleum	Q	Q	8.0	RPT LN	Oil & Gas	2	1	1	1	-0.5	1	1	1	1	1	1	0	0
KDD Group	Q	N/R	8.0	KDDG LN	Real Estate	2	1	1	1	0	1	1	1	1	1	1	-1	0
Pakko	AA	N/R	7.5	5CBA GR	Consumer	2	1	1	1	0.5	0.5	1	1	1	1	1	0	0
Stirrol	AA	AA	7.0	STIR	Chemicals	2	1	1	1	0.5	0.5	1	1	1	1	1	0	0
Motor Sich	AA	AA	7.0	MSICH	Engineering	2	1	1	1	0.5	1	1	1	1	1	1	0	0
Megabank	AA	A	6.5	MEGA	Financial	2	0	1	1	0.5	1	-1	1	1	1	1	0	0
Azovstal	AA	A	6.0	AZST	Iron & Steel	0.5	0	1	1	0.5	0	1	1	1	1	1	0	0
Ukrelecom	AA	AA	6.0	UTELE	TMT	2	1	1	1	0	0.5	0	1	1	1	1	-1	0
Landkom	AA	N/R	6.0	LKTL LN	Consumer	0	0	1	1	0	0.5	0	1	1	1	1	0	0
FCB Agricole	AA	N/R	6.0	FCWT GR	Consumer	0	0	1	1	0.5	0.5	0	1	1	1	1	0	0
Real Estate	AA	N/R	6.0	RETL GR	Real Estate	0	0	1	1	0.5	0.5	0	1	1	1	1	0	0
MKS	AA	A	5.5	KVTR	Real Estate	0	0	1	1	0.2	0.5	0	1	1	1	1	0	0
Zakhidenergo	AA	A	5.5	ZABN	El Utilities	0	0	1	1	0	0.5	0	0.5	1	1	1	0	0
Nyzhnyovynprovsk Pipe	AA	AA	5.5	NITR	Metal Fabricate & Hardware	0.5	0	1	1	0.5	0.5	0	1	1	1	0	0	0
Slavutych	AA	AA	5.5	SLAV	Consumer	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Clubhouse Group Holdings	AA	AA	5.5	5CHA GR	Real Estate	0	0	1	1	0.5	0.5	0	0	1	1	1	0	0
KP Media	AA	N/R	5.5	KPME	TMT	0	0	1	1	0.5	1	0	0	1	1	1	0	0
Vinnifruit	AA	N/R	5.5	VINIP	Consumer	0	0	1	1	0	0.5	0	1	1	1	1	0	0
Land West	AA	N/R	5.5	4KLA GR	Consumer	0	0	1	1	0	0.5	0	1	1	1	1	0	0
Kharkivoblenergo	AA	BA	5.0	HAON	El Utilities	0	1	1	1	0.5	0.5	0	0	1	1	1	0	0
Ukrinbank	AA	A	5.0	UKIB	Financial	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Retail Group	AA	A	5.0	RTGR	Consumer	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Khartsyzk Pipe	AA	A	5.0	HRTR	Metal Fabricate & Hardware	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Redor Metal Kryvlyi Rih	AA	A	5.0	RYVL	Iron & Steel	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Khmelnytskyi	AA	AA	5.0	BAYL	Real Estate	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Khmelnytskyi	AA	AA	5.0	BAYL	Real Estate	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Centreneuro	AA	AA	5.0	HMON	El Utilities	0	1	1	1	0.5	0.5	0	0	1	1	1	0	0
Centreneuro	AA	AA	5.0	GEEN	El Utilities	0	1	1	1	0	0.5	0	0	1	1	1	0	0
Donbasenergo	AA	A	4.5	DOEN	El Utilities	0.5	1	1	1	0.5	0	0	0	1	1	1	0	0
Kredobank	AA	N/R	4.5	ZUKB	Financial	2	1	1	1	0	0.5	0	0	1	1	1	0	0
AvtoKRAZ	A	BA	4.0	KRAZ	Engineering	0	-1	1	1	0.5	0	0	1	1	1	1	0	0
Novomoskovsk Pipe	A	BA	4.0	NVTR	Metal Fabricate & Hardware	0.5	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Turboatom	A	A	4.0	TATM	Engineering	0	0	1	1	0.5	0	0	0	1	1	1	0	0
Yashnyvatsky Machinery	A	A	4.0	YAMZ	Engineering	0	-1	1	1	0.5	0	0	0	1	1	1	0	0
Ukros	A	N/R	4.0	UKROS	Consumer	0	0	1	1	0.5	0.5	0	0	1	1	1	0	0
Dakor	A	N/R	4.0	DAKOR	Consumer	0	-1	1	1	0.5	0	0	0	1	1	1	0	0
Avdyivka Coke	A	P	3.5	AVDK	Coke & Coal	0	0	1	1	0.5	0	0	0	1	1	1	0	0
Mihromediz	A	BA	3.5	MZOM	Metal Fabricate & Hardware	0	0	1	1	0	0.5	0	0	1	1	1	0	0
Diapushyn	A	A	3.5	DNSH	Engineering	0	-1	1	1	0	0.5	0	0	1	1	1	0	0
Sun Inrev Ukraine	A	A	3.5	SUNI	Chemicals	0	0	1	1	0	0.5	0	0	1	1	1	0	0
Gestomel Glass	A	N/R	3.5	GSKZ	Consumer	0	1	1	1	0.5	-0.5	0	0	1	1	1	0	0

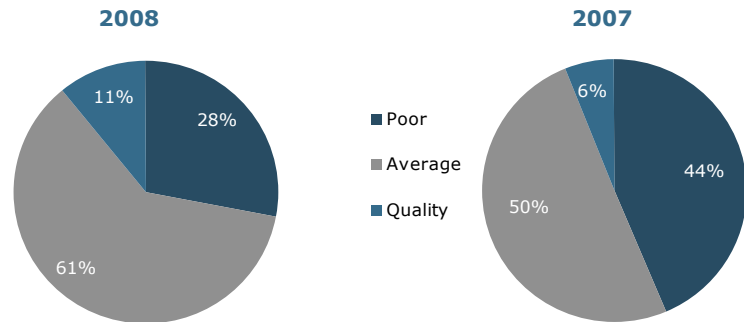
Name	Rating 2008	Rating 2007	Score 2008	Ticker	Sector	REPORTING/DISCLOSURE [-2-.4]		INVESTOR RELATIONS [-2-.2.5]			MINORITY CONCERNS [-3-.4]			STRATEGIC RISKS [-4-.0]				
						I/R/S	UAS Fin Statements Quality	Ownership Disclosure	Management accessibility	Public Face	Web site	Risk of Dilutive Action	H/M/L	N/warr/DR	0/0.5/1	non/insg/signif	IPO, PP	Risk of sub-opt biz decisions
						N-Sub-Y	Dist/some mmp/ok	Income/ful	Lim/fair/good	N/sporadic/A	N/Y/inform	H/M/L	N/warr/DR	0/0.5/1	-1/0/1	0/0.5/1	serious / some concrn / min	serious/ minor
						0/0.5/2	-1/0/1	-1/1	-1 ...1	-0.5/0/0.5	-0.5/0/0.5/1	-2/-1/0	0/0.5/1	0/0.5/1	-1/0/1	0/0.5/1	-2/-1/0	-2/0
Daritsa	A	N/R	3.5	4511 GR	Consumer	0	-1	1	1	0	0.5	0	0	1	1	1	-1	0
Shahbany Wagon	A	N/R	3.5	SRW	Engineering	0	0	1	-0.5	0.5	0.5	0	0	1	1	1	0	0
Enakievo Steel	A	P	3.0	SVZ	Iron & Steel	0	0	1	0.5	0	0.5	0	0	0	1	0.5	0	0
Zaporizhtransformator	A	BA	3.0	EMZ	Engineering	0.5	0	1	-0.5	-0.5	0.5	0	0	0	1	0	0	-1
Dnipropriblenergo	A	BA	3.0	ZATR	Engineering	0	1	1	0.5	0	0.5	-1	0	0	0	0	0	0
Kyivenergo	A	BA	3.0	KIEN	El. Utilities	0.5	1	-1	1	0.5	1	0	0	0	1	0	0	-1
Volynoblenergo	A	BA	3.0	VOEN	El. Utilities	0	1	1	0.5	0	-0.5	0	0	0	1	0	0	0
Zhytomyrobblenergo	A	BA	3.0	ZHEN	El. Utilities	0	1	1	0.5	-0.5	0.5	0	0	0	1	0	0	0
Pivnichny Iron Ore	A	BA	3.0	SGOK	Iron & Steel	0.5	0	1	0.5	0	0.5	0	0	0	1	0	0	0
Sunny Fruze	A	BA	3.0	SMASH	Engineering	2	1	-1	0.5	0	0.5	0	0	1	1	0	0	0
Ukrmafita	A	AA	3.0	UMAF	Oil & Gas	0	1	1	0.5	0	0.5	0	0	1	1	0	0	0
Dnipronenergo	A	A	3.0	DNEN	El. Utilities	0	1	1	0.5	0	0.5	-1	1	1	1	0	0	-2
VK Development / Davento	A	A	3.0	YKGV	Real Estate	0	0	1	-0.5	0	-0.5	0	1	1	1	0	0	-2
Rasynskiy Coke	A	A	2.5	YKCO	El. Utilities	0	0	1	0	0	0	0	0	0	0	0	0	0
Asyovobolnogo	A	BA	2.5	PREN	El. Utilities	0	-1	-1	0	0	-0.5	0	0	0	0	0	0	0
Azovobolnash	A	BA	2.5	AZGM	Engineering	0	-1	1	1	0	0.5	0	0	0	1	0	0	0
Chervonarmiyiska Zakhidna	A	BA	2.5	SHCHZ	Coke & Coal	0	-1	1	1	0	0	0	0	0	1	0	0	0
Zaporizhya Aluminium	A	BA	2.5	ZALK	Metal Fabricate & Hardware	0	1	1	0	0	-0.5	0	0	0	1	0	0	0
Zaliv Shipyard	A	N/R	2.5	SZLV	Engineering	0	1	1	0.5	0.5	0.5	0	0	0	0	0	0	0
Shostka Milk	A	N/R	2.5	SHMK	Consumer	0	1	1	0	0	0.5	0	0	0	0	0	0	0
Zaporizhya Abrasives	A	N/R	2.5	ZABR	Construction & const materials	0	1	1	0.5	-0.5	0.5	0	0	0	0	0	0	0
Khlibprom	A	N/R	2.5	HLPR	Consumer	0	0	1	1	0.5	-0.5	0	0	0	0	0.5	0	0
Pivdeniy Iron Ore	A	P	2.0	PSZK	Iron & Steel	0	0	1	-1	-0.5	0.5	0	0	0	1	0	0	0
Krymenergo	A	P	2.0	KREN	El. Utilities	0	1	1	-0.5	0	-0.5	0	0	0	1	0	0	0
Chernigiv Khimvolokno	A	BA	2.0	CHIM	Chemicals	0.5	1	-1	0	-0.5	0.5	0	0	0	0	0.5	0	0
Zhydachiv Pulp & Paper	A	A	2.0	ZCPK	Consumer	0	0	1	0.5	0	-0.5	0	0	0	0	0	0	0
Kramatorsk Cement Pustitka	A	A	2.0	KPMD	Construction & const materials	0	-1	-1	-0.5	0	0.5	0	0	0	1	0	0	0
Kramatorsk Cement Pustitka	A	N/R	2.0	KPMD	Construction & const materials	0	-1	-1	0.5	0	0.5	-1	0	0	1	0	0	0
Moskobud	A	N/R	2.0	MTBD	Construction & const materials	0	0	1	0.5	0	0.5	0	0	0	0	1	0	0
Dniprospeestral	A	P	1.5	DNSS	Iron & Steel	0.5	0	-1	0	0	0.5	0	0	0	0	0.5	0	-1
Vimitsyoblenergo	A	BA	1.5	VIEN	El. Utilities	0	0	1	0	0	0.5	0	0	0	0	0	0	0
Zakarpatooblenergo	A	BA	1.5	ZOEN	El. Utilities	0	1	1	0	0	0.5	0	0	0	0	0	0	-1
Kryukiv Wagon	A	BA	1.5	KVBZ	Engineering	0	1	-1	0	0	0.5	0	0	0	1	0	0	0
Luhanskeplovoz	A	BA	1.5	LTPL	Engineering	0	0	1	0	0	0.5	0	0	0	1	0	0	-2
Komsomlets Donbasa	A	BA	1.5	SHKD	Coke & Coal	0	0	1	0.5	0	-0.5	0	0	0	1	0.5	0	-1
Krymsoda	A	BA	1.5	KSOD	Chemicals	0	0	1	-1	0	0.5	0	0	0	1	0	0	-1
Poltava Iron Ore	A	BA	1.5	PGOK	Iron & Steel	0.5	-1	1	1	0.5	0.5	0	0	0	1	1	0	-2
Svitlo Shakhtarya	A	N/R	1.5	HMBZ	Engineering	0	1	-1	0	0	0.5	0	0	0	1	0	0	0
Druzhkivka Machinery	BA	P	1.0	DRMZ	Engineering	0	1	-1	0	-0.5	0.5	0	0	0	1	0	0	0
Rakhtanyy Ferroalloy	BA	P	1.0	RFR	Metal Fabricate & Hardware	0	0	1	0	-0.5	-0.5	0	0	0	0	0	0	0
Kryvobogodolnogo	BA	P	1.0	KRBO	Engineering	0	0	1	-0.5	0	-0.5	0	0	0	0	0	0	0
Zaporizhya Ferroalloy	BA	P	1.0	ZFER	Engineering	0	0	1	-0.5	0	-0.5	0	0	0	0	0	0	0
Sevastopolenergo	BA	P	1.0	SMEN	Metal Fabricate & Hardware	0	0	1	-1	-0.5	-0.5	0	0	0	0	0	0	0
Centralny Iron Ore	BA	P	1.0	CGOK	Iron & Steel	0.5	-1	1	0.5	0.5	0.5	0	0	0	-1	0	0	0
Sunny Nasosenergomash	BA	N/R	1.0	SNEM	Engineering	0	1	-1	-0.5	0	0.5	0	0	0	1	0	0	0
Energozol	BA	N/R	1.0	ENUG	El. Utilities	0	1	1	0.5	0	-0.5	0	0	0	0	0	0	-1
Poltava Locomotive	BA	N/R	1.0	PTLR	Engineering	0	0	-1	1	-0.5	0	0	0	0	1	0	0	0
Lvivoblenergo	BA	P	0.5	LVON	El. Utilities	0	1	-1	0	0	0.5	0	0	0	0	0	0	0
Chernihvoblenergo	BA	P	0.5	CHEON	El. Utilities	0	1	-1	0	0	0.5	0	0	0	0	0	0	0
Silur	BA	P	0.5	SILUR	Metal Fabricate & Hardware	0	0	1	0	0	0.5	0	0	0	-1	0	0	0
Alchevsk Iron & Steel	BA	P	0.5	ALMK	Iron & Steel	0.5	0	1	-0.5	0	0.5	-1	0	0	1	0	0	-1
Poltava Turbomechanical Plant	BA	N/R	0.5	PTMZ	Engineering	0	0	1	0	0	0.5	0	0	0	-1	0	0	0
Kovelmiroko	BA	N/R	0.5	KVMR	Consumer	0	1	-1	0	0	0.5	0	0	0	0	0	0	0
Zaporizhya Dairy	BA	N/R	0.5	ZAPZ	Consumer	0	0	1	0	0	0.5	0	0	0	0	0	0	0
Galitskiy	BA	N/R	0.5	GALITN	Consumer	0	0	-1	0.5	-0.5	-0.5	0	0	0	0	0	0	0
Poltavoblenergo	BA	P	0.0	POON	El. Utilities	0	0	-1	0.5	0	0.5	0	0	0	0	0	0	0
MMK Jilicha	BA	P	0.0	MMKI	Iron & Steel	0	0	-1	0	-0.5	0.5	0	0	0	1	0	0	-1
Sukha Balka	BA	P	0.0	SUBA	Iron & Steel	0	0	-1	-1	-0.5	-0.5	0	0	0	1	0	0	0
Alchevsk Coke	BA	P	0.0	ALKZ	Coke & Coal	0.5	0	1	-1	0	-0.5	-1	0	0	-1	0	0	0

Name	Rating 2008	Rating 2007	Score 2008	Ticker	Sector	REPORTING/DISCLOSURE [-2.-4.]		INVESTOR RELATIONS [-2.-2.5]			MINORITY CONCERNS [-3.-4.]			STRATEGIC RISKS [-4.-0.]					
						IFRS	UAS Fin Statements Quality	Ownership Disclosure	Management accessibility	Public Face	Web site	Risk of Dilutive Action	H/M/L	N/warr/DR	0/0.5/1	non/insg/signif	IPO, PP	Risk of sub-opt biz decisions	Corp Conflicts
						N-Npub-Y	Dist/some mmp/ok	Income/ful	Lim/fair/good	N/sporadic/A	N/Y/inform	H/M/L	N/warr/DR	0/0.5/1	non/insg/signif	N/A/C	serious / some concrn / min	serious/ minor	
						0/0.5/2	-1/0/1	-1/1	-1 ...1	-0.5/0/0.5	-0.5/0/0.5/1	-2/-1/0	0/0.5/1	-1/0/1	0/0.5/1	0/0.5/1	-2/-1/0	-2/0	
Donetsk Steel Plant	BA	P	0.0	DMZ	Iron & Steel	0	-1	1	0	-0.5	0.5	-1	1	1	0	0	0	-1	0
Dnepropetrovsk Ferroalloy	BA	P	0.0	SOEN	El. Utilities	0	-1	-1	0.5	-0.5	0.5	-1	0	-1	0	0	0	-1	0
Zaporizhzhya Ferroalloy	BA	P	0.0	ZACO	Coke & Coal	0	0	0	0	-0.5	0.5	0	0	0	0	0	0	-1	0
Dnipropetrovsk Pipe	BA	P	0.0	DTRZ	Metal Fabricate & Hardware	0	-1	1	0	-0.5	0.5	0	0	0	0	0	0	-1	0
Dniprosazot	BA	A	0.0	DNVZ	Chemicals	0	0	1	-1	-0.5	0.5	0	0	0	-1	0	0	-1	0
Constar	BA	N/R	0.0	KNST	Engineering	0	1	-1	-1	-0.5	0.5	0	0	0	0	0	0	0	0
DMP Petrovskogo Steel	BA	N/R	0.0	DMZP	Iron & Steel	0	1	1	-1	-0.5	0.5	0	0	0	0	0	0	0	0
UkrAVto	BA	N/R	0.0	AVTO	Engineering	0	1	1	0.5	-0.5	0.5	-1	0	0	0	0.5	0	-1	0
Chernivtsioblenergo	P	P	-0.5	CHEN	El. Utilities	0	1	1	-1	0	-0.5	0	0	0	0	0	0	-1	0
DMK Dzerzhinskogo Steel	P	P	-0.5	DMKD	Iron & Steel	0.5	0	1	0	-0.5	0.5	0	0	0	0	0	0	-1	0
Dniprovahonmash	P	P	-0.5	DNVM	Engineering	0	1	-1	0.5	-0.5	0.5	0	0	0	-1	0	0	0	0
Donetskoblenergo	P	P	-0.5	DOON	El. Utilities	0	1	1	-1	0	0.5	0	0	0	0	0	0	-2	0
Ternopoloblenergo	P	P	-0.5	TOEN	El. Utilities	0	1	-1	0	0	0.5	0	0	0	0	0	0	0	0
Azot Chernyashi	P	P	-0.5	AZOT	Chemicals	0	1	1	0.5	0	0.5	0	0	0	0	0	0	0	-2
Donetsk Metal Rolling	P	P	-0.5	DMRZ	Iron & Steel	0	1	1	-0.5	-0.5	0.5	0	0	0	0	0	0	-1	0
Kremenchukoblenergo	P	P	-0.5	HOEN	El. Utilities	0	1	1	-0.5	-0.5	0.5	0	0	0	0	0	0	-1	0
Farmak	P	P	-0.5	FARM	Consumer	0	1	-1	0.5	-0.5	0.5	0	0	0	0	0	0	-1	0
Kremenchuk Wheel	P	BA	-0.5	KKOL	Engineering	0	0	-1	0	0	0.5	0	0	0	0	0	0	0	0
Ukrnichfot	P	P	-1.0	FLOT	Transportation	0.5	1	-1	0	0	-0.5	0	0	0	0	0	0	0	0
Donbaskabel	P	N/R	-1.0	DCAB	Engineering	0	1	1	-1	-0.5	0.5	-1	0	0	0	0	0	-1	0
Koryukivka Paper	P	N/R	-1.0	KFTP	Consumer	0	0	-1	-1	-0.5	0.5	0	0	0	0	0	0	0	0
DniprocOke	P	P	-1.5	DNKOK	Coke & Coal	0	-1	1	-0.5	-0.5	0.5	0	1	-1	0	0	0	0	0
Bagliiv Coke	P	P	-1.5	BKOK	Coke & Coal	0	-1	1	-0.5	-0.5	0.5	0	0	0	0	0	0	0	0
Zaporizhzhyaoblenergo	P	P	-1.5	ZAON	El. Utilities	0	1	-1	0	-0.5	0.5	0	0	0	0	0	0	-1	0
Dnipropetrovsk Switch	P	P	-1.5	DSTR	Engineering	0	0	-1	-0.5	-0.5	0.5	0	0	0	0	0	0	0	0
Rivnenszot	P	N/R	-1.5	RAZT	Chemicals	0	1	-1	-0.5	-0.5	0.5	-1	0	0	0	0	0	0	0
Inguletsky Iron Ore	P	P	-2.0	IGOK	Iron & Steel	0	1	1	-0.5	-0.5	0.5	0	0	0	0	0	0	0	0
Zaporizhzhya Ferroalloy	P	P	-2.0	ZACO	Iron & Steel	0.5	0	-1	-0.5	-0.5	0.5	0	0	0	-1	0	0	0	0
Oleksandrivsk Ferroalloy	P	P	-2.0	OCAB	TM	0	-1	1	-0.5	-0.5	0.5	-1	0	0	0	0	0	-2	0
Ukrgraphite	P	N/R	-2.0	UGRA	Iron & Steel	0	0	-1	0	-0.5	0.5	0	0	0	0	0	0	-1	0
Energomashspetsstal	P	N/R	-2.0	ENMA	Iron & Steel	0	0	1	0	-0.5	0.5	-1	0	0	0	0	0	-1	0
Kyivbasyluhprom	P	N/R	-2.0	KVPR	Iron & Steel	0	0	1	-1	-0.5	0.5	0	0	0	0	0	0	0	0
Nikopol Ferroalloy	P	P	-2.5	NFER	Metal Fabricate & Hardware	0	-1	1	-0.5	-0.5	0.5	-1	0	1	0	0	-1	-2	0
Kharkiv Tractor	P	N/R	-2.5	HTZD	Engineering	0	0	-1	0	0	0.5	-1	0	0	0	0	-1	-1	0
Cherkasyoblenergo	P	P	-3.0	CHON	El. Utilities	0	1	-1	-0.5	-0.5	0.5	0	0	0	-1	0	0	-1	0
Dongimash	P	P	-3.0	DGRM	Engineering	0	-1	-1	0	-0.5	0.5	-1	0	0	0	0	0	-1	0
Nord	P	P	-3.0	NORD	Consumer	0	0	-1	-1	-0.5	0.5	0	0	0	0	0	0	-1	0
Zaporizhzhya Ferroalloy	P	N/R	-3.0	ZPVF	Iron & Steel	0	0	-1	-1	-0.5	0.5	-1	0	0	0	0.5	-1	-1	0
Hemoplast	P	N/R	-3.5	HEMO	Consumer	0	0	-1	0.5	-0.5	0.5	-1	0	0	0	0	0	-1	0
Kyivmiskbud-1	P	N/R	-3.5	KGST	Construction & constr. materials	0	0	-1	0.5	-0.5	0.5	-1	0	0	0	0	0	-1	0
Khmelnytskyy Ferroalloy	P	N/R	-3.5	KBNE	Iron & Steel	0	1	-1	-0.5	-0.5	0.5	-1	0	0	0	0	0	-1	0
Donetsk Ore	P	P	-4.0	DNOK	Metal Fabricate & Hardware	0	0	-1	-0.5	-0.5	0.5	-1	0	0	0	0	0	-1	0
Kyivoblagaz	P	N/R	-4.0	KIGA	Coke & Coal	0	0	-1	-0.5	-0.5	0.5	-1	0	0	-1	0	0	-1	0
Kyivoblagaz	P	N/R	-4.5	KIGA	Gas Utilities	0	0	-1	-0.5	-0.5	0.5	-1	0	0	0	0	0	-1	0
Nafekhimik Prykarpattya	P	P	-5.0	NAFP	Oil & Gas	0	-1	-1	-0.5	-0.5	0.5	-1	0	0	0	0	0	-2	0
Marganets Manganes Ore	P	P	-5.0	MGZC	Iron & Steel	0	-1	-1	-1	-0.5	0.5	0	1	-1	0	0	-2	0	
Ordzhonikidze Manganes Ore	P	P	-5.0	ORGZ	Iron & Steel	0	-1	-1	-1	-0.5	0.5	0	1	-1	0	0	-1	0	
Odesagaz	P	N/R	-5.0	n/a	Gas Utilities	0	0	-1	-1	-0.5	0.5	-1	0	0	0	0	-1	0	
Kirovohradgaz	P	N/R	-5.0	KGZV	Gas Utilities	0	1	-1	-1	-0.5	0.5	-1	0	0	-1	0	-1	0	
Dnipropetrovskgaz	P	N/R	-5.0	n/a	Gas Utilities	0	0	-1	-1	-0.5	0.5	0	0	0	-1	0	-1	0	
Kominmet	P	N/R	-5.5	DMZK	Metal Fabricate & Hardware	0	-1	-1	-1	-0.5	0.5	-1	0	0	0	0	-1	0	
Donetskoblaz	P	N/R	-5.5	DOGZ	Gas Utilities	0	0	-1	-0.5	-0.5	0.5	-1	0	0	0	0	0	-1	0
Halychynia Refinery	P	N/R	-6.0	HALV	Oil & Gas	0	-1	-1	-1	-0.5	0.5	-1	0	0	0	0	-2	0	
Yuzhno-Ukrainskyy Ferroalloy	P	N/R	-6.0	FYUZ	Iron & Steel	0	0	-1	-1	-0.5	0.5	-1	0	0	0	0	-2	0	
Luhanskoblenergo	P	N/R	-6.0	LGZV	Gas Utilities	0	0	-1	-1	-0.5	0.5	-1	0	0	-1	0	0	-1	0
Odesoblenergo	P	P	-6.5	ODEN	El. Utilities	0	1	-1	-0.5	-0.5	0.5	-2	0	0	0	0	-1	-1	0

## Rating roundup

Our study showed a marked improvement in the profile of public Ukrainian companies' corporate governance over the last year. The share of Poor ratings shrank by 16%, while the weight of Quality ratings almost doubled. Of 175 companies, 19 earned our the highest grade (Q), 107 had Average corporate governance standards (27 AA's, 51 A's, 29 BA's), and 49 companies were assigned a Poor rating (P).

### Corporate governance profile of Ukrainian public companies



Source: Concorde Capital research

The higher the ranking category, the more pronounced the increase in corporate governance quality is. The number of companies we distinguish with a Quality rating rose by 171% (from 7 to 19) though our universe grew by only 50%.

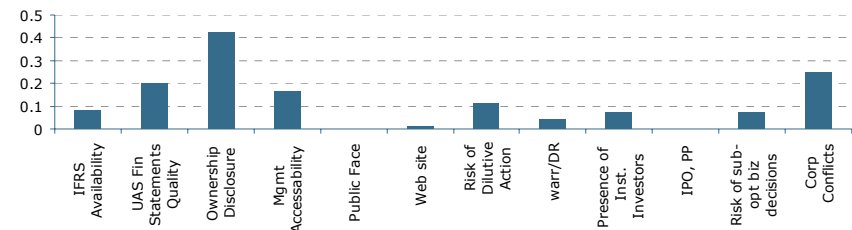
### Ratings distribution

Rating	2008	2007	Increase
Q	19	7	171%
AA	27	13	108%
A	51	24	113%
BA	29	22	32%
P	49	51	-4%
<b>TOTAL</b>	<b>175</b>	<b>117</b>	<b>50%</b>

Source: Concorde Capital research

Overall, the average score in our rating increased from 0.8 in 2007 to 1.9 in 2008 (here and henceforth scores are given in comparable methodology, see Appendix 1 for details). The 114 companies present in both yearly ratings boosted their average score by 1.4 points from 0.8 to 2.2. Advances were observed across all categories, especially in Ownership Disclosure, Corporate Conflicts, and Management Accessibility.

### Sources of overall ratings improvement

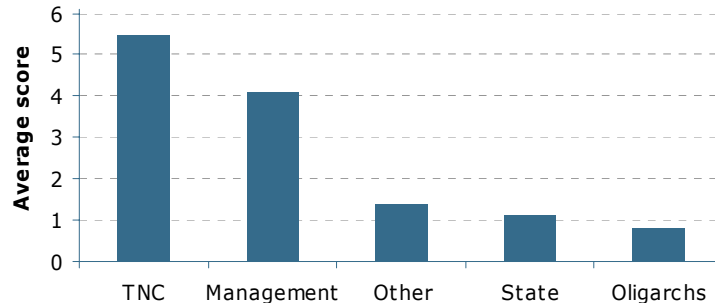


Source: Concorde Capital research



Our rating revealed that companies majority-owned by management or a transnational corporation are, in general, much better governed. Conversely, state and oligarch ownership typically translates into weaker corporate governance standards. A major caveat: companies slated for privatization or exposed to major business groups gearing up for IPOs carry a significant potential for improvement: more than 70 stocks in our rating fall into these two categories.

### Governance is better in companies owned by TNCs and management



Source: Concorde Capital research

Finer analysis of the oligarch category shows that the more tangible the IPO, the better the corporate governance. To highlight, companies influenced by the Zhevago and Pinchuk business groups (the former having conducted an IPO on the LSE last year while the latter's billion-dollar-sized IPO on LSE is pending due to market conditions), outscored the rest of the oligarch universe. Privat and IUD, with no announced ambition to go public in the foreseeable future, lagged with negative scores.

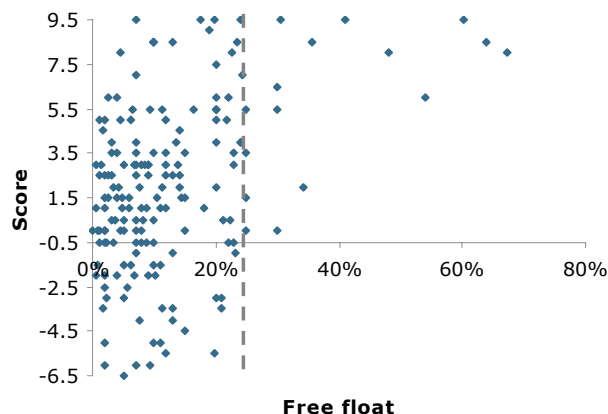
### Average score by business group exposure

Group exposure	Score avg.	Comment
Privat	-0.5	no IPO plans
IUD	-0.4	Owners are separating, no IPO plans
SCM	1.3	Metinvest IPO announced as target
Grigorishyn	1.3	Public goal to consolidate, hold IPO of machine-building assets
Pinchuk	2.1	Interpipe IPO pending
Zhevago	4.0	FXPO IPO in London in 2007, plans for all other assets

Source: Concorde Capital research

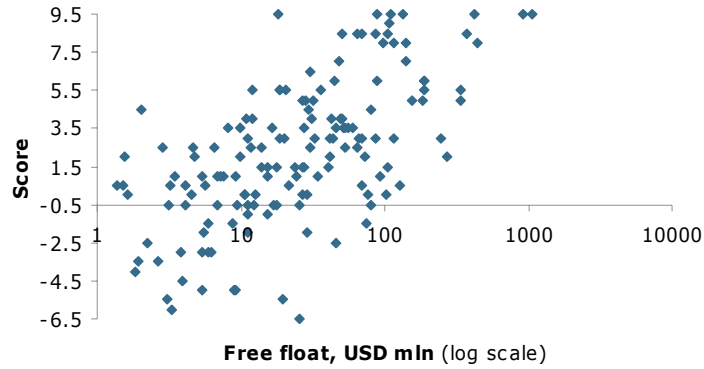
Speaking of minority ownership, up to a certain point, the volume of free float is not a decisive factor in guessing the level of corporate governance. The chart below clearly shows that until a dividing point of 25% (the level that according to law provides the right to block decisions at shareholder meetings), nothing strikes the eye regarding the distribution of governance scores across percentages of FF. On the other hand, it is difficult to find an enterprise with questionable corporate governance among those who floated one third or more of their shares.

### Higher free float entails higher corporate standards



Source: Concorde Capital research

### Dollar value of free float also matters

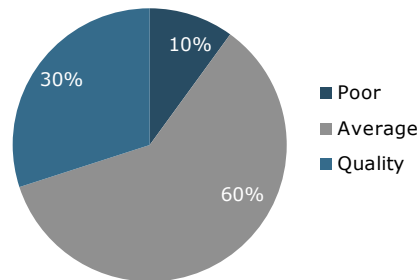


Source: Concorde Capital research

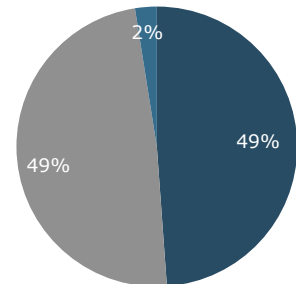
### New entrants

Out of the 61 companies we added to our rating, 20 are *fresh blood* - newly listed stocks that came to the market over 2007-08. The other 41 are *oldies* - public companies that were not included in our previous rating but whose status, in our view, is now closer to *investable*. These two groups are strikingly different in terms of corporate governance quality. While the oldies predominantly are owners of poor corporate governance profiles, dragging the whole rating down, the fresh blood generally provide examples of the polar opposite.

New entrants – fresh blood



New entrants - oldies



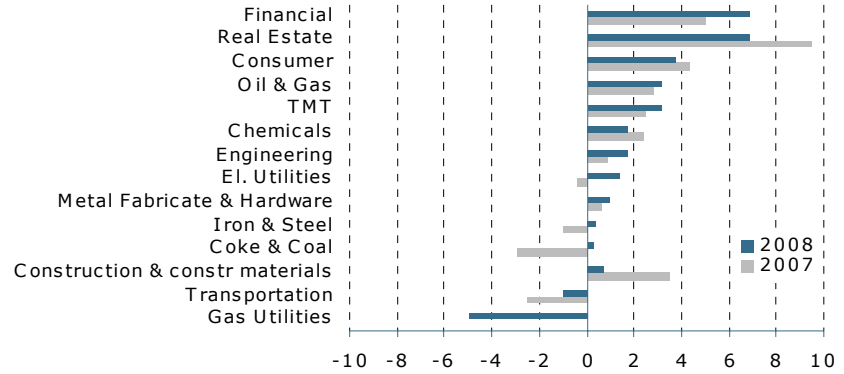
Source: Concorde Capital research

The fresh blood proves that preparations for going public truly make the difference. 30% of companies listed over the last year have Quality rankings vs 11% of all covered companies. On top of that, 35% of fresh blood bear Above Average grades, while Poor rankings were rather rare - only 10%.

## Breakdown by sector

The sectors with the best corporate governance practices are Financial Services and Real Estate, which lead by a notable gap. IPOs and M&A forces were more visible in these sectors than in any others: over the course of the year, developers pursued equity financing in droves to secure their large-scale development programs, while commercial banks continued their beauty contest to glam up for foreign owners.

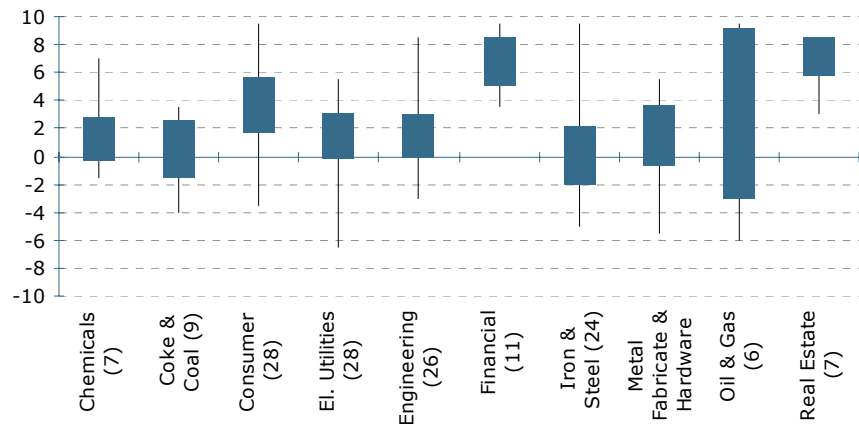
### Average score by industry



Note: 2007 score restated as explained in Appendix 1. Source: Concorde Capital research

Companies from the Oil & Gas and Consumer sectors landed on both ends of the corporate governance spectrum. While leaders are on par with the best financial and real estate companies, stragglers came in on the deep end – so gauging the overall Oil & Gas and Consumer sectors by average scores is a bit misleading.

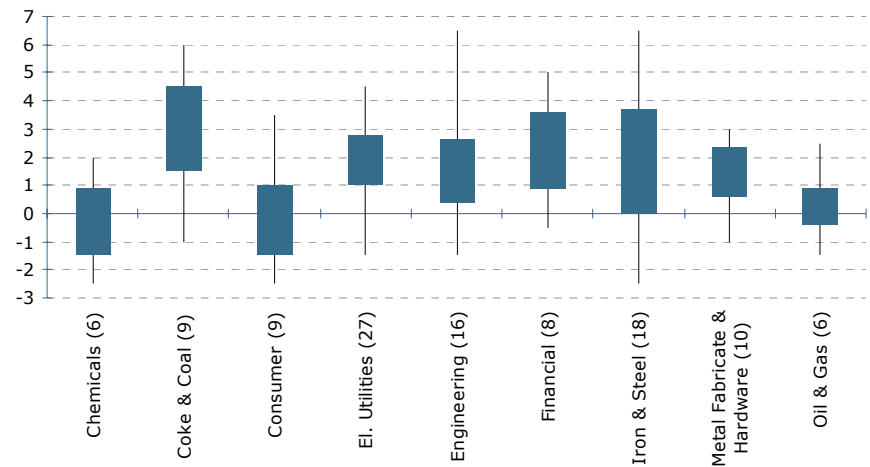
### Score by sector: quartile distribution



Note: in brackets – number of companies in the sector. Source: Concorde Capital research

In terms of absolute scores, the overwhelming number of companies in most sectors improved. In all but three industries, more than 3/4 of companies moved up from last year.

#### Change in score 2008/2007, quartile distribution by sector



Note: In brackets – the number of companies in the sector. Source: Concorde Capital research.

By rating grades, only four out of 114 companies in our previous rating fell to a lower category, Ukrnafta the most resonant name among them (from AA to A). Alternatively, a large number of companies upgraded their rating category, mainly driven by strategic sale/IPO preparations. The resolution of corporate conflicts also played a role.

#### Top advancers in the rating

Company	2008 rating	2007 rating	Notches upgraded
Bogdan Automobile Plant	Q	BA	3
Rodovid Bank	Q	A	2
Ukrغازbank	Q	A	2
Kharkivoblenergo	AA	BA	2
Dniprospeysstal	A	P	2
Avdiyivka Coke	A	P	2
Yasynivsky Coke	A	P	2
Pivdenny Iron Ore	A	P	2
Stakhaniv Wagon	A	P	2
Krymenergo	A	P	2

Source: Concorde Capital research

### Financial sector

High and gaining altitude. In recent years, we have witnessed an acquisition boom in the Ukrainian banking sector. Thanks to strong fundamentals and presale corporate governance efforts, banks achieved strong acquisition multiples from foreign buyers: the average P/B ratio paid for Ukrainian banks was 3.6 in 2006 and 3.9 in 2007. Unsold banks are now even more motivated to bolster their corporate governance due to the growing need (and restrictive hoops) to borrowing abroad and raising equity financing. The top-3 banks in our survey are majority owned by Ukrainians. Another reason is banks' desire to keep up with the Joneses': the most recent IFC study revealed that 51% of Ukrainian banks' motivation to upgrade governance is to catch up to their competitors.

### Real Estate

Before you could say Jack Robinson, a whole new segment of the public equity market emerged last year, with generally high corporate governance practices. Until TMM's (8.5) Frankfurt placement in May 2007, XXI Century (8.5) was virtually the only publicly traded Ukrainian real estate stock. The ensuing series of placements that followed fleshed out a new corner of the market, with aggregate free float currently representing some 10% of total FF in Ukrainian equities. Overall, six real estate companies floated shares from May to December 2007. The sector is the second best governed, with an average 6.9 score in our rating.

### Consumer related

The average score of the sector (3.7) would have been even higher if companies with long listing histories hadn't been added to this year's rating. Growing investor interest in the segment, driven by its fundamental appeal, however forced these names into our survey. Tellingly, this sector can be subdivided in two opposite groups: 13 companies that did not make equity placements - with an average score of 0.5, and 15 companies that placed shares among portfolio investors - with an average of 6.2.

### Oil & Gas

Despite being boosted by the vanguard of top scorers ( JKK (9.5), Galnaftogaz (9.5), Regal (8.0) ) whose openness and corporate culture won them high marks, the sector came in fourth place with an average of 3.2. Low scores received by Privat-related companies, Ukrnafta (3.0), Naftokhimik Prykarpattya (-5.0), Halychyna Refinery (-6.0), pulled the sector down.

### Engineering

Two companies stand head & shoulders above the pack in terms of corporate governance. High scorers Bogdan Automobile Plant (8.5) and Motor Sich (7.0) have market-friendly owners and management, though they were not enough to pull up the engineering sector's average score in our rating above a mere 1.7. The sector, in general, is distinguished by relatively high institutional presence and low risks of suboptimal business decisions. Changing tack, IFRS financials and clear ownership disclosure are relative rarities.

### Electric Utilities

On average, the sector's score grew by 1.4 points from last year thanks to improved quality of UAS reporting and a reduction in corporate conflicts. We expect to see further progress coming by way of privatization of the remaining blocking stakes in six Oblenergos (expected this year) and pending privatization of four GenCos (could reasonably be expected 2009-2010).

### Metallurgy (Coke & Coal, Iron & Steel, Metal Fabricate & Hardware)

The metals & mining group of companies did well over 2007. The most pronounced corporate governance advances were made in the coke and coal sectors. In particular, shadow schemes were downscaled, contributing to the improved quality of UAS financials, management became more comfortable disclosing ownership. Importantly, institutional presence in the sector increased. Evident progress was brought about in the course of Privat's divestiture of metallurgy assets to Evraz; we expect that Evraz will lift the governance standards of acquired companies, which may become visible as early as the end of the year (among those traded are DniproCoke, Baglyi Coke, Sukha Balka, DMP Petrovskogo). Other developments that had an influence on the quality of corporate governance in the sector were large debt attraction programs by dominant holdings (IUD, Metinvest, Donetskstal, Interpipe) and the industry's first London IPO (Ferrexpo, June 2007).

**Chemicals**

Two distinct groups filled out this sector. The first includes management-owned firms (like Stirol and Dniproshyna) with no significant business interest (read cash flow sources) in other sectors. The average corporate governance score in this group is relatively high (5.3) and improving (+1.3 points over last year). The second is comprised of companies controlled by large, sector-diversified business groups (Rivneazot, Krymsoda - GDF, Dniproazot - Privat, Azot Cherkasy - Ukrсіб). The average score in this group is low (-0.1) and worsening (-1.6 points yoy).

**Gas distribution utilities**

This sector made its debut as the black sheep of the rating. Shadow schemes and behind-the-scenes political bargaining have been common practice among this group. Management is typically uninterested in contact with the investment community and sometimes even demonstrates a hostile attitude. However, with increasing Russian ownership, regulatory improvements, and Naftogaz of Ukraine and municipal authorities working together on investments and setting a reform agenda, turnaround is not far away. We expect tangible progress in GasCos' corporate governance as early as 2008-2009.

## Reporting & disclosure

This is the area where Ukrainian companies made up the most ground since the last year. Availability of IFRS accounts, quality of UAS reporting and disclosure of ownership – were all aspects in which progress was evident.

### IFRS

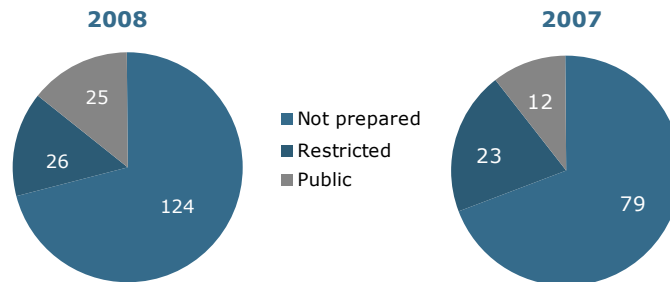
The number of companies that make their IFRS financials public more than doubled since our previous rating – mostly to the credit of the newcomers. Now 25 traded companies or 14% of the covered universe, provide financials under IFRS to the investment community. Among those whose previously restricted IFRS reports became publicly available over the last year were Ukrproduct, Ukrsotsbank and Rodovid Bank.

There is a strong correlation between those companies that make their IFRS financials public and high ranking in this report. On the list of 19 companies with the Quality rankings, all received 2.0, the top score in this area.

The 26 companies that prepare financials in accordance with IFRS but are not willing to make them publicly available, providing them only to inquiring investors received a 0.5 score.

There is also a class of companies where IFRS accounting is only prepared for consolidation purposes within their parent group (like Alchevsk Steel, Alchevsk Coke, Poltava Iron Ore, Avdiyivka Coke, etc). External investors have rather limited access to this information. However, the fact that these companies take pains to cultivate best accounting practices is indicative of their development vector.

### Availability of IFRS financials of Ukrainian companies



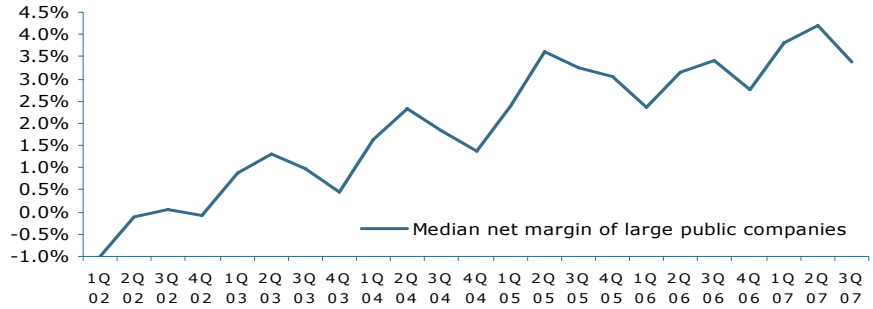
*Note: in Appendix 3, see the list of Ukrainian companies that prepare IFRS accounts.  
Source: Concorde Capital research.*

Though the majority of companies do not report financials according to IFRS, in a couple of years the situation could change dramatically with the implementation of the government program for gradual transition to IFRS accounting (adopted on October 28, 2007) All listed companies, as well as all banks and insurers will be obliged to prepare IFRS financials starting in 2010. The program is a part of Ukraine's European integration initiative and currently implementation is expected on schedule.

## UAS quality

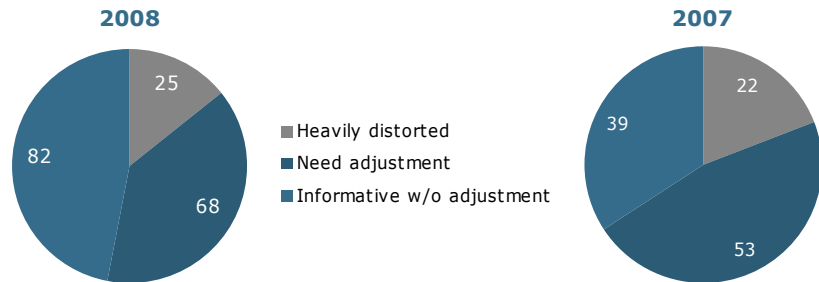
In our sector analysts' assessment, there was a reduction in the number of companies that manipulated their UAS reporting over the last year. Objective data supports this assessment; corporate profitability has been steadily improving, having been in a secular uptrend for seven years now. This can hardly be explained solely by macroeconomic factors, especially taking into account the series of sizable hikes in the cost of gas for the economy since 2006.

### Corporate profitability in secular uptrend



Note: Sample of large public companies consists of open JSCs with sales of USD 50 mln or more. Quarterly net margins are cumulative. Source: State Statistics Committee, Concorde Capital, [www.stockmarket.gov.ua](http://www.stockmarket.gov.ua)

### Quality of UAS reporting improves (number of companies)



Source: Concorde Capital research

This year, almost half of all companies in the rating (47%) published UAS financials free of material misrepresentations – a significant rise from 1/3 of the total in last year's study.

In some industries (like Coke & Coal, Iron Ore & Steel), the driving force behind the change was corporate restructuring within the largest domestic holdings. In others like Utilities, improvements were goaded by tighter state control. It was the National Energy Company of Ukraine that prodded state-controlled electric utilities into cleaning up their reporting practices. We expect evolutionary progress in the quality of UAS financial reports across all sectors of the economy to be a sustainable and irreversible process.

#### Special case: Real estate developers

Legal and industry specifics made it industry standard for Ukrainian real estate developers to consolidate through offshore holdings for tax optimization purposes, which renders their UAS statements hardly meaningful for analysts. Instead, we evaluated them based on the quality of their project portfolio appraisals, which are widely used as a company yardstick in the industry. We utilized Euromoney's annual rating of real estate appraisers as guidance (see Appendix 4). Ukrainian developers with valuations prepared by a top-10 appraiser received a 1.0 score. A non top-10 appraiser received zero, while developers without an independent valuation of their project portfolio were given -1.0.

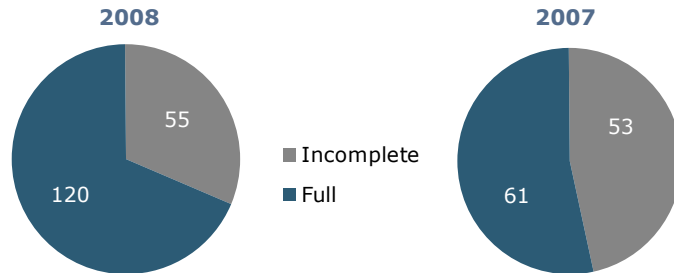


## Ownership disclosure

Over the last year, more and more owners brought their businesses and corporate structures out of the shadows. This holds for medium size businesses and especially for oligarchs. The last twelve months saw the creation of holdings to consolidate assets controlled by the most influential businessmen: Victor Pinchuk, Dmitry Firtash and Rinat Akhmetov. Metinvest, one of the sub-holdings belonging to Akhmetov, even organized a non-deal roadshow to explain its business and ownership structure in May 2007.

Other oligarchs laid out their strategy and assets' ownership in press interviews, during investor conferences, etc. Smaller groups followed suit. In particular, the owner of Azovmash group has done a lot to make the complicated cross-ownership (involving Mariupol Heavy Machinery, Azovzhalnash and several related entities) understandable to the market. Overall, these efforts have made ownership of the equity market much more transparent.

### Ownership disclosure



Source: Concorde Capital research

#### Case study: Group Dmitry Firtash

In June 2007, Dmitry Firtash, who had concentrated massive economic power in his hands while remaining absolutely unknown to the public, came out of the shadow and announced the formation of a holding company, Group Dmitry Firtash, to consolidate his portfolio of operating businesses and investments. GDF includes three main divisions - energy, chemicals and real estate, with consolidated revenues of USD 4.6 bln in 2006. In July 2007, GDF's CEO, Robert Shetler-Jones, announced IPO preparations separately for the chemical and real estate divisions of the holding. The sequence marked a significant improvement in ownership disclosure of several traded stocks in our coverage.

#### Case study: EastOne

In September 2007, it was made public that Viktor Pinchuk, had consolidated his assets within London-based EastOne LLC. The company's assets are diversified across metallurgy, media, real estate, transportation and other sectors. EastOne's CEO Gennadiy Gazin estimated the value of the holding at USD 10 bln. IPO of Interpipe, parent to two PFTS-traded stocks, is pending on the LSE main board.

Two milestone M&A deals in the metallurgy sector in the second half of 2007 helped clarify the ownership structure of several companies:

- 1) Metinvest / Smart Group merger (Inguletsky Iron Ore, Pivdenny Iron Ore)
- 2) Evraz's acquisition of Privat's steel assets (Sukha Balka, DMP Petrovskogo, Bagliy Coke, DniproCoke, Pivdenny Iron Ore).

## Investor relations

Since the release of our previous report in 2007, a dramatic change in the attitude of top management toward communication with the investment community has gotten underway. It is getting increasingly easy for fund managers to see companies at investment forums, at their production sites, and have discussions with top management. Business owners and directors are getting comfortable with these rules of the game, and even more promising – an increasing number of companies is initiating and taking care of stewarding contact with investors.

### Management accessibility

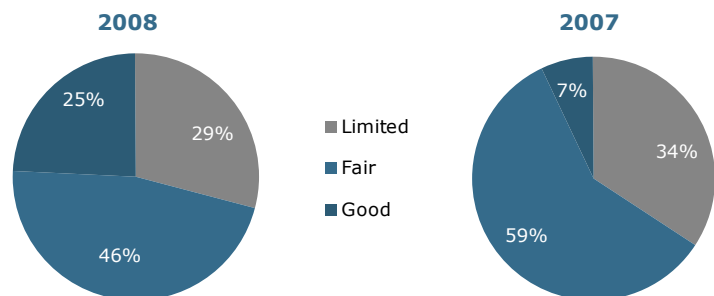
Over the year that passed, we witnessed concrete steps by many Ukrainian companies aimed at establishing communication with investment community typical of the western world. Events like **conference calls** and **post-placement roadshows** are becoming fashionable among Ukrainian companies. Commercial banks, real estate developers and retailers are serving as trailblazers. Companies such as XXI-Century, Ferrexpo, Kyivenergo, and Creativ Group started a very promising trend of holding **analyst days**.

#### Case Study: Kyivenergo Analyst Day

On April 04, 2008 Kyivenergo's new CEO Serhiy Titenko [appointed since February 14, 2008], organized a meeting with equity analysts – the first ever Ukrainian electricity company to do so. Whether the meeting was a timely reaction to a drop in the stock price (-25% since the beginning of March 2008, the most significant among GenCos) or just indicated the desire to become more transparent and introduce international corporate governance standards, the new CEO's outreach to the investment community helped Kyivenergo to step up one notch from BA (1.0) in 2007 to A (3.0) this year.

Top examples of companies that we found willing to share information and, without hesitation, agree to schedule personal meetings included Rodovid Bank, Astarta, XXI Century, TKS Management, Galnaftogaz, Bogdan Automotive Plant, Creativ Group, Bank Forum, MCB Agricole, Kernel, Ukrproduct. A substantial part, 46% of all companies in our rating, are willing to speak, but reluctant to have in-depth discussions. The most closed sector is Gas Utilities; in the best case, you would get a polite decline to requests for personal meetings or financial information. All seven GasCos from our rating received the lowest score in this category. The majority of other bad apples are in Metallurgy and Chemicals.

### Management accessibility increases



Source: Concorde Capital research

The startling transformation in the openness of management is explained by mounting awareness of the benefits of engaging people whose profession is investment before approaching them to ask for a buck. With more Kernels and Agricoles coming from roadshows with pockets full of money raised from willing investors, the notion is spreading like wildfire among owners and directors to keep fund managers informed and comfortable by providing unrestricted access to key corporate decision makers.

The growing need to explore external financing sources is forcing management to intensively search for inroads to investors, through trial-and-error. Ongoing communication (personal meetings, participation in roadshows and investment conferences) has already equipped a critical mass of them with experience and a clearer understanding of what they need to do to succeed.

## Public face

As we found, the number of companies that take care of their image has grown only insignificantly, from 36 last year to 41 this year. However, we see the intention to create better *public face* and feel that, like with management accessibility, it's just a matter of time and education.

Leading companies in both this and last year's rating continued to buildup PR/IR activities: 23 companies, led by Astarta, Galnaftogaz, Rodovid Bank, Ukrgazbank, Ukrsotsbank, Slavutych, Raiffeisen Bank Aval, Azovstal, MKS, and Stirol regularly distribute a wide range of corporate news from production results to management decisions to the press and investors. Among those who began to circulate press releases since our last report in 2007 are DTEK, XXI Century, AvtoKrAZ, Bogdan Automobile Plant.

This year, we reduced the weight attached to this category in the overall rating (see Appendix 1) in favor of other salient factors in light of the rapidly growing maturity of the Ukrainian market in terms of corporate governance.

## Web sites

In our survey, we regarded 13% of company websites as quality, supplying information relevant for investment decision making - a relatively small gain from 9% last year. 26% (vs. 28% in last year's rating) do not seem to care about their web presence at all. The rest of the pack falls somewhere in between: either neglecting to update their websites or providing little for investors while posting useful information for customers.

Of 21 companies with informative websites, 12 were carryovers from last year; six were newly listed companies like Kernel or Ferrexpo; three improved their score in this section from 0.5 to 1.0 by beefing up their investor relations content (Rodovid Bank, Motor Sich and Ukrproduct). Notably, the number of companies that placed information about stock prices or analyst contacts on their websites is rising. Motor Sich, Regal Petroleum, XXI Century and Metinvest are just a few such examples.

For companies that are part of a parent holding, we also analyzed their parents' websites. For example, Poltava Iron Ore received 0.5. At Ferrexpo's website, investors can find comprehensive information about the group's business, including Poltava Iron Ore, but access to shareholder-relevant information such as subsidiary company financials, shareholder meeting dates, corporate events, etc. is limited. Companies without investor-relevant information on their parent holding's website and no live website of their own received the lowest score (-0.5) (examples: Avdiyivka Coke, Zhydachiv Pulp & Paper, Zaporizhya Aluminum, DMK Dzerzhinskogo).

The list of website addresses for companies in our study can be found in Appendix 6.

## Minority concerns

Overall, we note modest change in minority treatment over last year. Of possible scores from -3.0 to 3.0, the average inched up from 0.86 to 0.91. At the same time, we note that the risk of dilutive action has palpably diminished - with only one stock bearing high risk versus four last year. Another upbeat development is that the 135% market appreciation and record number (and volume) of equity placements in 2007 has turned many an eye to the Ukrainian market, resulting in institutional presence taking a bigger slice of domestic corporations. This reinforced minorities' influence, bolstering their capability to protect their rights.

### Risk of dilution

In our view, the bulk of companies in our study, 145 of the total 175, carry minimal or no risk of dilutive action. We assigned these companies a zero in this section.

The 29 companies with a certain level of risk received -1.0 point, with the majority coming from the gas utility, metallurgy or engineering sectors. Three among them, Zaporizhstal, Azovstal, and Enakievo Steel, were upgraded after earning the lowest grade in this section last year.

#### Case study: Odesaoblenergo

The only instance where a majority shareholder is currently undertaking to deliberately dilute minorities is at Odesaoblenergo (our only -2.0 score). In January 2007, VS Energy, which controls 67%, conducted a 2.9 times charter fund increase via new share issue. However, approval of the issue has been blocked by the state (25% stake), which, like most other minorities, did not subscribe. The deadlock could be resolved after the company is privatized. Over the first five months of 2008, privatization of several Oblenergos, including Odesa, has been announced and cancelled. If VS Energy wins the privatization tender, it would bump its stake up to 88% - enough to approve the share issue.

#### Case study: Kyivmedpreparat

In the recent subscription at Kyivmedpreparat (KMED) (December 2007), a group of investors who had accumulated a significant block of shares were not admitted to subscribe and massively diluted. Though they were refused the right on legal grounds, there is an opinion that the majority shareholder considered share accumulation prior to the issue as a hostile action threatening his positions, and over-reacted in a defensive way; other minorities were able to subscribe smoothly. The issue is registered by the SSEC, though the case is still open in court.

Though not precisely "dilution", another thorny issue regarding share issues has agitated minorities for a long time. Ukrainian legislation permits the second stage of a two-staged subscription to be held on a 'first come, first serve' basis. In real life, this means that the main shareholder gets all the shares unsubscribed for after the first, pro-rata, stage. Minorities who subscribe during first stage are not diluted, however the subscribing majority shareholder (1) increases his share in percentage terms at the expense of idle *babushkas* and (2) gets more shares cheap if the issue is at a deep discount to the market, effectually depriving minority investors of both opportunities.

Beginning in 2008, however, we see pioneering companies that are organizing their second subscription stages fairly. Bank Forum and Ukrgazbank in March-April are recent examples where the second stage was conducted as an auction, with equal access. This, once again, underpins these companies' high scores in our rating, as well as the banking sector's leadership in terms of corporate governance standards.

## Institutional holdings

Since beginning our systematic coverage of corporate governance practices in Ukraine, we have noted that the presence of institutional investors has been a concrete sign that the management of a Ukrainian company is being held to higher corporate governance standards.

Companies in our survey that lacked institutional investor presence tended to receive poor overall scores, with an average of just -2.4. Even a minor footprint was enough to make the difference: the average score for such companies is two points higher (-0.4). Companies with large institutional presence scored 4.3 on average.

Last year we reported that the positive outcome for minorities at ZaporizhCoke and Azovstal dilutive share issues would have been impossible if not for shareholder activism. In our view, large institutional presence in Azovstal played a role again when the AGM on June 23, 2007 adopted cancellation of the part of the dilutive shares from the merger with "Trading House Azovstal" in 2006. The decision was made alongside other actions aimed at improving corporate governance at Metinvest holding in line with its IPO aspirations.

This year evidenced that having an oligarch as a minority can also be good news: Privat-related Biznes-Invest's crusade against a dilutive share issue adopted by Dniproenergo's AGM eventually led to annulment of the controversial decision (read more in Appendix 5).

## DRs and warrants

Scores in this section proved a dividing line. On one side, companies that had DRs or warrant programs scored high: 69 such companies have an average overall score of 4.5. On the flipside, companies that do not have such instruments got a poor average of 0.1; of these 106 companies, the highest overall score was just 5.5 out of the 9.5 maximum possible in the rating.

## Equity placements

Our findings show that the importance of this factor to overall corporate governance is mounting: companies that had completed an IPO or private placement had an average score of 6.8 vs 5.7 last year. Companies that have announced plans to go public had an average score of 3.2 and those without such ambitions had a mean score of 0.1.

It is evident that preparation for a share offering is generally accompanied by growth in the level of transparency. In some companies, like AvtoKrAZ or XXI Century for example, the effects of IPO/PP conducted years ago are visible even now. Ukrproduct provided a case of deteriorating standards after its placement in 2005, but after being punished by the market, as the stock fell 44% to a historical low in September 2006, the company ramped up its corporate governance efforts over 2007.

Last year, an important milestone was reached with the first major Ukrainian business group conducting an IPO of their assets (Konstantin Zhevago's Ferrexpo on the London Stock Exchange). Next in line is Interpipe, the pipe-manufacturing wing of EastOne, controlled by Viktor Pinchuk.

### Case Study: Finance and Credit Group

The most market-friendly oligarch, Konstantin Zhevago, was first to bring a Ukrainian company to the main board of the LSE, in what is the largest Ukrainian IPO (FXPO LN) to date. Zhevago is a member of the ruling coalition in the new parliament (Tymoshenko bloc). In March 2008, he pledged to float all the companies in his business group. Machine builders AvtoKrAZ (KRAZ) and Stakhaniv Wagon (SVGZ), as well as top-20 Ukrainian bank Finance & Credit were mentioned explicitly.

In general, 22 private and public placements were completed in 2007, up from 15 in 2006. The median volume almost doubled from USD 21 mln in 2006 to USD 41 mln last year, while the aggregate size grew from USD 0.38 bln to USD 1.77 bln over the same period. Unfavorable market conditions this year have led to only four equity placements, totaling USD 550 mln, though the size is continuing to grow with a median of USD 67 mln.

**List of completed equity placements**

<b>Company</b>	<b>IPO/PP</b>	<b>Stake, %</b>	<b>Value, USD mln</b>
<b>2005</b>			
Bank Forum	PP	10.0%	20.0
Cardinal Resources	IPO	37.6%	19.9
DniproAzot	PP	7.5%	7.3
Galnaftogaz	PP	12.0%	17.5
AvtoKrAZ	PP	5.0%	4.5
Retail Group / Velyka Kyshenya / Kviza Trade	PP	10.0%	27.5
Ukrproduct	IPO	27.2%	11.2
XXI Century Investments	IPO	35.7%	138.7
<b>Total</b>			<b>246.7</b>
<b>Median</b>			<b>18.7</b>
<b>2006</b>			
Anthousa / Furshet	IPO	7.0%	26.2
Astarta	IPO	20.0%	30.6
Ekvin / MKS	PP	20.0%	14.5
Galnaftogaz	PP	5.0%	9.5
IMB Group	PP	46.0%	35.1
KP Media	PP	20.0%	11.6
Laona / Alba Ukraine	PP	28.5%	20.8
LuAZ	PP	8.0%	16.0
Megabank	PP	20.0%	19.0
Motor Sich	PP	6.0%	18.7
Nadra Bank	PP	7.7%	53.0
Rodovid Bank	PP	18.9%	46.7
Ukrinbank	PP	20.0%	36.1
Universalna Insurance	PP	11.6%	8.5
VK Development	PP	23.0%	37.0
<b>Total</b>			<b>383.3</b>
<b>Median</b>			<b>20.8</b>
<b>2007</b>			
AISI Realty	IPO	30.2%	33.1
Club House Group	PP	16.4%	32.8
Creativ Group	PP	23.4%	30.0
Dakor	PP	20.0%	21.0
Darnitsa / Nord Star Pharmashare	PP	10.0%	48.0
Datagroup	PP	10.0%	21.0
Dragon-Ukrainian Properties & Dev. (DUPD)	IPO	100.0%	208.0
Dragon-Ukrainian Properties & Dev. (DUPD)	SPO	26.0%	100.0
Factorial Bank	PP	10.0%	5.8
Ferrexpo	IPO	25.1%	419.0
Karavan	PP	10.0%	55.0
Kernel Group	IPO	33.0%	218.0
KDD Group	IPO	19.6%	130.0
Landkom International	IPO	54.9%	110.9
Landwest Company	PP	20.0%	43.0
Oranta	PP	11.4%	39.7
PAKKO / CB Retail Investments	PP	20.0%	36.0
TKS Real Estate	PP	22.0%	39.6
TMM Real Estate Development	IPO	13.1%	105.0
UkrRos	IPO	20.0%	42.0
Universalna Insurance	PP	19.0%	15.8
Vinnifruit	PP	25.0%	15.9
<b>Total</b>			<b>1769.6</b>
<b>Median</b>			<b>40.9</b>
<b>2008</b>			
Davento	PP	11.0%	77.8
MCB Agricole	PP	24.4%	56.0
Mironovsky Khilboproduct	IPO	22.3%	371.0
United Media Holding / Advantest	PP	15.0%	45.0
<b>Total</b>			<b>549.8</b>
<b>Median</b>			<b>66.9</b>

## Strategic risks

According to our estimations, risks of suboptimal business decisions and corporate conflicts reduced over the last year. The average score in this category increased from -0.53 to -0.45.

### Risk of suboptimal business decisions

Over the last year, instances of misuse of power and bad business practices have been on the decline: we now estimate that 66% of companies are exposed to minimal risks of suboptimal business decisions (up from 60% last year), while 3% bear high risk (vs. 9% last year).

The lowest score (-2.0) was assigned to six companies where the risk is most pronounced. Privat group upheld its notorious reputation in the Oil & Gas sector – its companies (Ukrnafta, Halychyna Refinery and Naftokhimik Prykarpattya) accounted for half of all risky enterprises (the others were Donetskoblenergo, Odesakabel and Poltava Iron Ore). Minority shareholders in these companies are exposed to a high level of uncertainty, as the market lacks a clear understanding of how the majority shareholder's strategy will unravel day-to-day, and how it will influence minorities.

#### Case Study: Poltava Iron Ore – Ferrexpo

In April 2008, Ferrexpo (9.5) said that it is in the process of establishing a new entity with DTP Terrassement S.A. and Worley Parsons Europe to operate the Belanovskoye and Yeristovskoye iron ore deposits (est. reserves of 1,627 mln mt and 833 mln mt, respectively). According to the announcement and management statements since, Poltava Iron Ore (1.5), which currently owns the deposits, will not participate in the JV. Ferrexpo's continuing practice of using Poltava Iron Ore as a cost center within its structure adds weight to the risk that loyal management will divest these iron ore deposits to Ferrexpo without fair compensation, destroying value for Poltava Iron Ore minority shareholders.

30% of all enterprises in the study (53 companies) had, according to our analysis, medium business risks. This means that while investing in these companies, minority shareholders should keep an eye out for possible related-party transactions, transfer pricing, misrepresentations, asset stripping, and unjustifiable acquisitions or divestitures. The average score for companies in the category is -1.0 which corresponds to "poor". Notably, two companies with quality corporate governance also appeared in this category – both from the real estate sector.

#### Case study: KDD Group and XXI Century

Our sector analysts observed that XXI Century (8.5) and KDD Group (8.0) will likely face financing issues in realizing their project portfolios. We estimate that KDD Group's projects are in an early development stage and require external financing totaling ~USD 2 bln over 2008-2010, which exceeds the current market value of the business. Similar risks are also applicable to XXI Century. At the same time, the management of these companies has not, in our opinion, adequately informed investors about the risk and instead is circulating independent appraisals done under the assumption that full financing is available to complete projects within declared timeframes. This posts a risk of the "urgent" and unfair sale of some of their projects to keep remaining ones on track.

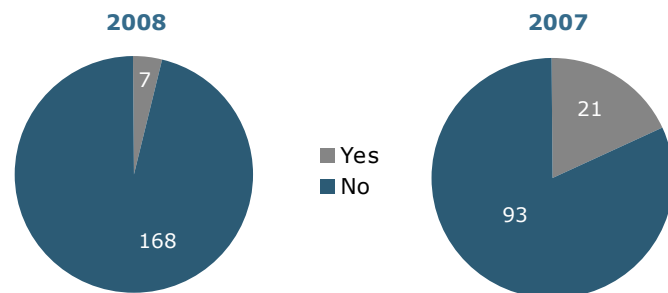


## Corporate conflicts

Since last year's rating, the number and intensity of corporate conflicts reduced dramatically. The main reason was Privat Group (Kolomoyskiy) finding common ground with Pinchuk and Grigorishyn. Pinchuk and Kolomoyskiy forged a defensive alliance – to withstand government's pressures to reprivatize Nikopol Ferroalloy. As soon as the reprivatization issue is cleared, we expect Privat will strike a deal with Pinchuk to buy out the remaining stake. With regards to Oblenergos, according to Ihor Kolomoyskiy, legal questions between him and Grigorishyn have been resolved. We believe these two tycoons are trying to compromise to avoid overpaying in pending privatization tenders.

The chart below illustrates how decisions of influential business groups can change the face of the entire market.

### Number of companies with corporate conflicts



Source: Concorde Capital research

Still, disputes linger at companies associated with influential business groups and/or around sketchy privatization deals that have been called into question.

### Remaining conflicts

Company	Conflict description
Dniproenergo	In August 2007, the government of then-Prime Minister Viktor Yanukovich supported restructuring of Dniproenergo in favor of SCM's DTEK. Privat Group opposed the move and brought about Supreme Court's decision which cancels the AGM decisions. However, ambiguity remains regarding the timing and method through which the decision will be implemented. DTEK hasn't given up and continues to control the management (see Appendix 5 for more)
Poltava Iron Ore	VS Energy vs Ferrexpo (Finance & Credit Group). In July 2007, the Ukrainian High Economic Court upheld invalidation of Ferrexpo's (FXPO LN) purchase of a 40.19% in Poltava Iron Ore in 2002. Ferrexpo is appealing the ruling to the Supreme Court
Odesaoblenergo	VS Energy vs the State Property Fund and Finance & Credit Group. Endless series of shareholder meetings is called just to be cancelled, failing to approve dilutive share issue (decision taken as long as Nov 2006, subscription completed in Jan 2007). The government, with 25% stake voted against. Future privatization may put an end to the dispute. Finance & Credit (who did not subscribe in the share issue) will do all their best to prevent VS Energy from privatizing the state's stake.
Azot Cherkasy	Long lasting conflict caused by the tenfold dilution of a minority shareholder (who initially owned a 29% block) in a series of share issues since 2004.
Luhanskteplovoy	The government is struggling to take back 76% of shares privatized in March 2007 to Russia's Bryansk Heavy Machinery. Ukraine's High Economic Court ruled that the auction was illegal. The implementation of the decision is pending

(chart continued on p.26)

**Remaining conflicts** *(continued from p.25)*

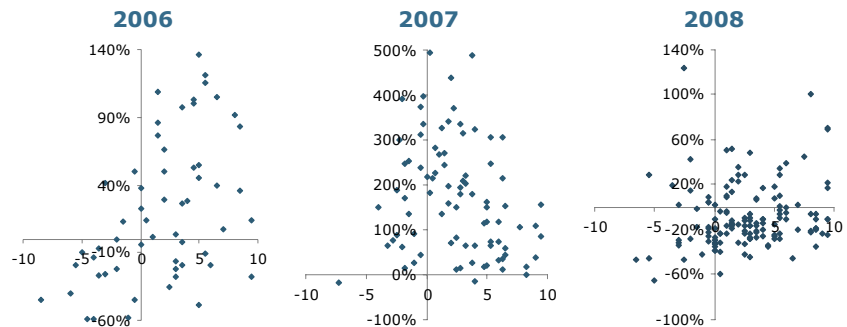
<b>Company</b>	<b>Conflict description</b>
Nikopol Ferroalloy	The government (read Yulia Tymoshenko) aims to take back 50%+1 stake privatized to Pinchuk-related entities in 2005. Court battles have been never-ending.
Ukrnafta	For the last two years, Privat group (42% stake), has been, with variable success, kicking back the government's (50%+1 share) attempts to prop up budget revenues at the expense of Ukrnafta business. In particular, no consensus resulted in failure to hold two shareholder meetings scheduled for January and April this year.

## Stock market

While in 2006 we saw a tendency for the market to reward better corporate governance with higher returns, in 2007 the Ukrainian theme was so hot that people were buying anything that trades with hardly any regard to corporate governance issues. The distribution in the 2007 chart below is even somewhat skewed to the lower-score side. In the painful correction of 2008 investors had to get rid of the ballast.

We have seen more rationalism in market behavior over the first five months of 2008, as is obvious from the chart below; and expect that with the evolution of the Ukrainian equity market, investors will more readily buy into quality corporate governance stories, helping nudge up stock returns.

### Performance (y) vs corporate governance score (x)



Note: Scores in the 2006 chart are taken a posteriori (Feb 2007); scores in the 2007 chart - as an average of a priori (Feb 2007) and a posteriori (current rating) scores.  
Source: PFTS, LSE, FSE, WSE, Concorde Capital research

### Case study: International research on corporate governance vs. share price performance

- A recent study of companies in the FTSE All-Share Index conducted by the Association of British Insurers revealed that enterprises with better corporate governance outperform their poorer governed peers: "when comparing S1 (good governance) with S3 (poor governance), S1 is positively and significantly correlated with the company's mean industry-adjusted return and Sharpe ratio. The shares of well-governed companies deliver an extra return of 0.37% a month". (*Mariano Selvaggi, James Upton. Governance And Performance In Corporate Britain // Abi Research Paper 7, Feb 2008*)
- Research survey of 1,500 large US corporations led in 2003 by Paul Gompers, a professor at the Harvard Business School found that firms with better corporate governance and stronger shareholder rights earned abnormal returns to the tune of 8.5 percent per year. According to the study such firms also had higher firm value, superior profits, greater sales growth, lower capital expenditures, and made fewer corporate acquisitions. (*Paul Gompers, Joy Ishii, Andrew Metrick. Corporate Governance And Equity Prices // The Quarterly Journal of Economics, February 2003*)
- Research by the Asian Corporate Governance Association (which represents global investors with combined funds under management of ~ USD 5.0 trillion) cited in May 2008 that poor corporate governance standards in Japan was a key factor behind the recent sell-off of Japanese stocks, with the benchmark Nikkei-225 Average down 25 per cent since July 2007. ("*ACGA White Paper on Corporate Governance in Japan" May 2008*)

## Appendix 1: Ranking methodology

In **Reporting & Disclosure**, we looked at the willingness of companies to be forthcoming with their financial data and ownership structure. With the principle belief that the more willing a company is with its financials and ownership, the more developed in terms of corporate culture and well run the company would be. Three aspects were considered: availability of IFRS accounting, quality of UAS reporting and disclosure of ownership. We used public sources, the companies' own publications, and additionally we contacted the top-level management from each of the companies to judge their willingness to provide investors with financial information. Possible scores in this section have a range of [-2;4].

**IFRS** scoring ranged from 0.0/0.5 depending on whether or not the company prepared financials in accordance with IFRS to 2.0 if they were willing to provide IFRS reports to inquiring investors or made them publicly available. In looking at how closely companies adhered to **Ukrainian Accounting Standards**, the scoring window ranged from -1.0 for statements that were obviously heavily distorted to zero for those that suggested some manipulation but remained reliable for analytical purposes, and 1.0 if the statements contained little or minor discrepancies. In cases where companies were clearly against sharing financial information, a score of 0 was given. With companies incorporated in foreign jurisdictions which obviously do not use UAS reporting, a score of 1.0 was assigned so as to not punish these companies over a technicality. When looking at **ownership structure**, the scoring range was -1.0/1.0. We only gave a 1.0 score to companies where ownership was common knowledge or provided at a reasonable level.

**Investor Relations.** We judged investor relations using three criteria: management accessibility, what we have termed *public face* and the quality of company websites. The total possible score in this section has a range of [-2.0;2.5].

**Management accessibility** looks at the willingness of top management to meet with investors, arrange site visits, discuss company operations and share business strategies with the financial community - a key factor for giving investor insight into the company. This section allowed a range of scores from -1.0 for companies that provided no access to +1.0 for quality, entailing a willingness to meet and have frank discussions about the company's business.

**Public face** is the term we devised to encompass a company's efforts to keep the public informed of its activities and present itself to potential investors. Scoring ranged from -0.5 for companies that rarely can be found in the media or at public events, 0.0 for those who appear sporadically and +0.5 for companies that can be regularly found in the news and initiate contact with the investment community.

An examination of **websites** was included in this section of our research, as a high quality website serves as one of the easiest and most effective ways to get valuable information including everything from ownership structure to financials. Scoring ranged from -0.5 for companies without a site, 0.5 for sites that contained little useful data for investors, and +1.0 for sites that had a section designed specifically for investors with data including, in particular, financials and ownership information. We allowed for a certain amount of leeway in this section in order to reward companies whose websites demonstrated the willingness to disseminate information, even if their online presence might still be less than what a demanding international investor would ultimately like to see.

With **Minority Concerns**, we looked specifically at factors that are of the utmost interest to minority shareholders, including the risk of dilutive action, the existence of a DR program, the presence of institutional investors, and the company's use of equity market instruments. The total possible score in this section had a range of [-3;3]. In our section on **risk of dilution**, the top score, meaning low risk, was zero. Companies whose minorities faced a moderate risk of dilution scored -1.0 and those with a recent track record of diluting minorities or with a high chance of doing so received a punishing -2.0. As **DR programs** generally signal greater interest in attracting investors and equity financing, companies with available Depository Receipts were given a score of 1.0, equity warrants garnered 0.5, otherwise companies received zeros. We gave companies that initially placed their shares on international exchanges rather than locally the maximum score in this section to avoid penalizing them over a technicality.

We consider the presence of **institutional investors** a strongly positive factor in instilling exemplary corporate governance standards. We gave companies with a substantial institutional presence +1.0, those with insignificant institutional holdings scored zero, and those without institutional presence - 1.0.

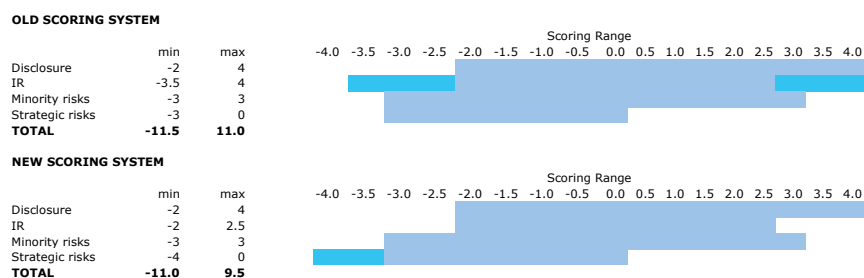
As plans for **private equity placements** or **IPOs** generally entail higher corporate governance and greater openness to minority shareholders, we gave companies that had completed an IPO or private placement 1 point, those who had officially announced plans and taken steps to complete them got 0.5 and those without known plans for an equity placement got a zero score.

In our **Strategic Risks** section, we looked at risks related to inappropriate corporate governance practices that hurt the business of a company directly or indirectly, or lead to minority shareholders being deprived of their part in the value generated by the company. The total possible score in this section has a range of [-4;0]. One of these risks is the **risk of suboptimal business decisions** by management due to abuse of control by majority shareholders. This may involve related-party transactions, transfer pricing, other misrepresentations, asset stripping, unjustifiable acquisitions or divestitures, etc. The best possible score in this section was zero for companies that had normal business risks. Companies where the described risk cannot be disregarded picked up 1.0, and companies with obvious abuses got -2.0. Additionally, we looked at the possibility of the company being involved in either **internal or external corporate conflicts** - with rival business groups, minority shareholders and in some instances, regulators. The highest score possible in this section was zero, while companies that had been or were in danger of conflicts got -2.0.

## Methodological adjustments

We fine-tuned our ranking methodology by changing the weights of two categories: *IR (public face and accessibility)* and *Strategic Risks (corporate conflicts)* to better reflect the changes that Ukrainian market is undergoing. While in the beginning of 2007 just being visible to investors was worth a lot, now relative importance of other factors increased. We thus reduced the range for possible scores in IR category by 1.5 at both low and high end, while increased range for Strategic Risks by 1.0.

### Summary of changes in methodology



To enable comparability of rating scores from this and last year, we normalized the scales of each category that underwent changes: last year's scores in *Management Accessibility* and *Public face* (IR section) were divided by two while *Corporate Conflicts* scores (Strategic risks section) were multiplied by two.

## Appendix 2: S&P bank ratings

In December 2007, Standards & Poor's and the Financial Initiatives Agency followed up their 2006 report with an update on the information disclosure and transparency of the 30 largest Ukrainian banks. The study found that information disclosure by Ukrainian banks on average was twice lower than that of large international financial organizations. Another major finding was that some banks, after a strategic sale or Eurobond issue, did not sustain the level of transparency, pulling down the overall S&P average score in 2007.

Notably, the order of banks in Standard & Poor's study was very different from ours: Raiffeisen Bank Aval and Kredobank ranked below other banks in our rating, while they were among the leaders of S&P's – the opposite is true with Rodovid and Nadra. We attribute this to different survey aims. S&P concentrated on transparency & disclosure only, while our study takes into account other aspects relevant to portfolio investors, like quality of reported data, management accessibility, strategic risks, etc. Additionally, our rating includes much more companies from other sectors of the economy, making the relative order of banks less informative. In any event, all banks in our study garnered the highest ratings: Quality and Above Average.

### S&P Ukrainian Bank Transparency

Bank	Concorde's			S&P's rank		S&P Score, %	
	Rating	*Rank May 2008	*Rank Feb 2007	Dec 2007	Dec 2006	2007	2006
Ukreximbank				1	1	63.7	62.0
<b>Raiffeisen Aval</b>	AA	6	2	2	26	62.8	30.6
<b>Kredobank</b>	AA	7		3	4	55.7	56.8
VAB bank				4	5	55.6	56.3
Ukrsibbank				5	7	53.4	53.3
First Ukrainian International Bank				6	10	53.0	48.9
<b>Forum</b>	Q	3	1	7	8	51.1	50.8
OTP Bank				8	24	50.8	31.5
<b>Ukrsotsbank</b>	Q	5	3	9	6	47.4	53.6
Pivdenny Bank				10	12	46.9	46.7
<b>Ukrgazbank</b>	Q	4	4	11	13	46.7	45.5
ING Bank Ukraine				12	27	41.6	29.8
Kreditprombank				13	11	41.7	46.8
Privatbank				14	15	40.4	42.7
Industrialbank				15	21	40.0	34.0
Swedbank				16	3	38.5	61.5
Ukrprombank				17	17	38.0	36.9
Alfa-bank				18	26	37.9	31.1
Dongorbank				19	28	36.1	26.7
Brokbusinessbank				20	23	35.8	31.7
Oshchadbank				21	19	33.9	36.2
<b>Rodovid</b>	Q	2	5	22	20	32.3	34.4
<b>Nadra</b>	Q	1		23	9	32.0	49.2
VTB Bank				24	18	31.9	36.9
Pravexbank				25	22	31.6	33.4
Finance & Credit				26	16	28.8	40.4
<b>Khreschatyk</b>				27	2	28.1	61.6
Financial Initiative				28	-	25.9	-
Imexbank				29	30	24.0	21.2
Prominvestbank				30	29	23.4	22.9
Index Bank				-	14	-	44.5

\* Relative rank of banks in our survey. Banks in bold are listed on the PFTS  
 Source: Standard & Poor's, Concorde Capital

## Appendix 3: IFRS in Ukraine

<b>Companies with IFRS Reporting</b>	<b>Availability</b>
AISI	Public
Astarta	Public
Bank Forum	Public
Bogdan	Public
Creative Group	Public
Ferrexpo	Public
Galnaftogaz	Public
JKX	Public
KDD Group	Public
Kernel	Public
Kredobank	Public
Megabank	Public
Nadra Bank	Public
Pakko	Public
Regal Petroleum	Public
Rodovid Bank	Public
Slavutych	Public
Stirol	Public
TMM	Public
Ukrgazbank	Public
Ukrnafta	Public
Ukrproduct	Public
Ukrhotsbank	Public
Ukrtelecom	Public
Universalna Insurance	Public
XXI-Century	Public
Alchevsk Coke	Restricted
Alchevsk Iron & Steel	Restricted
Azovstal	Restricted
Centralny Iron Ore	Restricted
Centrenerg	Restricted
Chernigiv Khimvolokno	Restricted
DMK Dzerzhinskogo	Restricted
Dniprospeksstal	Restricted
Donbasenergo	Restricted
Enakievo Steel	Restricted
Khartsyzk Pipe	Restricted
Kyivenergo	Restricted
Novomoskovsk Pipe	Restricted
Nyzhnyodniprovsk Pipe	Restricted
Pivnichny Iron Ore	Restricted
Raiffeisen Bank Aval	Restricted
Retail Group	Restricted
Sevastopoblenergo	Restricted
Ukrinbank	Restricted
Ukrrihflot	Restricted
Zakhidenergo	Restricted
Zaporizhstal	Restricted
Zaporizhtransformator	Restricted

*Note: This list consists of companies that made it known to us that they report according to IFRS; there may be others.*

## Appendix 4: Euromoney's top real estate appraiser award winners

Euromoney annually conducts a survey of real estate industry participants ("Liquid real estate awards: Global Winners"), canvassing the responses of over 500 real estate practitioners in 50 countries. The survey encompasses a wide range of activities, such as legal services, research, advisory & consulting. One segment of the survey is devoted to ranking appraisers.

### Top-10 appraisers in 2007

2007	2006	Company	Score	Projects in Ukraine
1	1	CB Richard Ellis	622.4	Yes
2	2	DTZ	551.8	Yes
3	4	Jones Lang LaSalle	458.6	Yes
4	3	Cushman & Wakefield	426.9	Yes
5	5	Colliers International	280.7	Yes
6		Knight Frank	145.0	Yes
7		Savills	121.0	No
8		Catella	85.7	No
9		Ober-Haus	64.0	Yes
10		Ernst & Young	61.0	Yes

Source: Euromoney



## Appendix 5: Special Case: SCM vs Privat

In 2007, the government formed by the Party of Regions (backed by SCM), arranged for the state to vote for a dilutive share issue in favor of DTEK, SCM's energy wing, as part of the restructuring at Dniproenergo.

As a part of a six-year financial recovery process, Dniproenergo's AGM held on August 27, 2007 approved the restructuring in the following way: Dniproenergo issued new shares for USD 10.11 mln and exchanged those shares for 100% of the charter fund of Investment Company Ltd (equal to USD 10.11 mln). Founded by two coal mines affiliated with DTEK, Investment Company Ltd was registered in July 2006 and had USD 208.3 mln in cash on its balance sheet. After the merger, the cash was transferred to Dniproenergo's balance sheet and then was used to repay outstanding payables and restructured debt. DTEK also declared plans to invest an additional USD 200 mln in Dniproenergo over a five year period.

Minority shareholders had no right to subscribe, while DTEK subscribed for new shares at USD 102 each, or USD 167, effectively including assumed investment obligations discounted at 15% WACC. The effective price paid was a 55% discount to the pre-announcement market price (~USD 369).

The AGM obligated Dniproenergo to buy back shares of those shareholders who did not vote for restructuring (or were absent at the AGM) and apply to sell their shares. The buyout period was set at Aug 27-Sep 27, and buyout price at USD 315.3 per share (as the weighted average of deals on the PFTS over six months preceding the AGM announcement). The market price grew over the subscription period, increasing the discount of the buyout price to the market from 15% at onset to 37% at the end.

In October 2007, Biznes-Invest, a Privat-related entity, sought legal recourse in court to cancel Dniproenergo's AGM decisions. The ensuing legal struggle lasted for six months and traversed all levels of the Ukrainian judicial system. Finally, on April 8, 2008 the Supreme Court ruled in favor of Biznes-Invest. While the ruling seems to have closed the legal conflict, ambiguity remains regarding the timing and the method through which the decision will be implemented.

If executed in full, the ruling will reinstate the size of minority stakes in percentage terms. Thinking longer-term, however, spiting a powerful strategic investor who had a clear vision on financial recovery and the ability to create value for shareholders is hardly a plus.

# Appendix 6: Company profiles

Ticker	DRs Rating	FF%	MCap,USD min	FF,USD min	Major Ownership	Website	Notes
<b>Chemicals</b>	<b>6.3%</b>		<b>1 578.4</b>	<b>99.9</b>			
Rivenazot	-	P	117.6	5.9	GDF related 53%	azotcr.v.ua	Part of chemical arm of GDF, owned by Ukrainian billionaire Dmitry Firtash. Management reluctant to communicate intragroup optimization schemes. IFRS publicly available. Last year, started reporting unaudited consolidated accounts under UAS
Stirol	SIX GR	AA	679.5	47.6	Management 90.1%	www.stirol.net	
Chemigiv Khimvolokno	CKU GR	A	89.4	10.2	Energotransinvest Corp 88.6%	www.him.com.ua	Had targeted IPO in 2008-09, no updates so far. Hasn't shared IFRS financials with investors yet
Krynsoda	KSDD C6Z GR	A	168.7	17.7	GDF related 89.9%	www.cs.ua	Publicly disclosed ownership by Ukrainian billionaire Dmitry Firtash's GDF last year
Dniprozot	DNAZ UZBA GR	BA	191.5	1.6	Privat 99%	www.azot.com.ua	Bought out almost whole FF in 2007 in preparation to sell out assets, the deal has been postponed
Dniprosylna	DNSH DIV1 GR	A	43.4	10.0	Management 77%	www.dneprosylna.dp.ua	Limited interest in contact with investment community. Reported financials not disclosed
Azot Cherkassy	AZOT A9T GR	P	288.3	6.9	Mr. Yaroslavsky 20%	www.azot-cherkassy.net	Log jacking conflict caused by tenfold dilution of a minority shareholder (who initially owned a 29% block) in a series of share issues since 2004
<b>Coke &amp; Coal</b>	<b>3.0%</b>		<b>5 591.6</b>	<b>168.8</b>			
Alchevsk Coke	ALKZ	-	617.9	12.4	IUD 98.0%	n/a	Merger with Alchevsk Iron & Steel possible in the mid-term, posing certain dilution risks for minorities. Involved in intragroup optimization schemes. IUD unwillingly discloses corporate information about Alchevsk Coke
Avdyivka Coke	AVDK	-	860.8	27.5	Methinvest 66.0%	www.akhz.com.ua	Financial reporting better than most other coke makers. 2/3 of existing coking facilities retired to MMK Illichu under long-term agreement
Yasinivsky Coke	YASK	-	336.5	30.3	Donetskstal 91.0%	n/a	Management investor-friendly. UAS financials show just tip of the iceberg. Audited IFRS report for 2007 expected by Sept-Oct
Chernomarynska Zakhidna	SHCHZ	-	2 501.9	52.5	Donetskstal 46.1%	www.lz1.donetsk.ua	Owned by two competing groups: SCM and Midland - risk of suboptimal business decisions. Company cares little about investor relations
ZaporizhCoke	ZACO	-	141.5	10.2	SCM 55%	www.coke.zp.ua	
DniproCoke	-	D6N GR	35.8	2.2	Evraz 93.75%	n/a	In Dec 2007 acquired by Privat by London-listed Evraz (Russia), management replaced
Komsomolets Donbasa	SHKD	-	937.3	23.4	DTEK 94.6%	n/a	Part of DTEK, heading toward IPO. Financial reporting improved over 2007. Still little contact with investment community
Baglyi Coke	BKOK	-	138.2	8.7	Evraz 93.75%	n/a	After acquisition by London-listed Evraz in late 2007, a strategy turnaround was announced, new management installed
Donetsk Coke	DKOK	-	21.6	1.6	SCM 55.5%	n/a	Being abandoned by parent SCM; a complete halt in operating activity possible. Part of production facilities are rented by Donetskstal group. Poor transparency
<b>Construction &amp; building materials</b>	<b>20.0%</b>		<b>462.5</b>	<b>92.3</b>			
ZABR	-	A	38.3	4.6	Brinkford Ltd 65%	www.abractive.zp.ua	Controlled by David Zhvania. Management provides some information but tends to avoid deeper discussions
Mostobud	MTBD	-	208.4	71.1	Management 68%	www.mostobud.com.ua	Management is not accessible. Announced signing a USD 7 bln contract with murky Sun Land Group - no details available
Kyivmiskbud-1	KGST	-	105.2	12.0	Sovremennye Proektnie Tekhnologii 49.8%	www.kgs.kiev.ua	No experience in dealing with equity investors. Ownership not disclosed. Consolidated financials are not publicly available
Kramatorsk Cement Pushka	KRCS	-	110.7	4.6	Eurocement Group 92.86%	www.eurocem.ru	Part of Russia's Eurocement Group, which is known for its unclear ownership structure and violating minority rights
<b>Consumer</b>	<b>20.3%</b>		<b>6 814.7</b>	<b>1 381.2</b>			
Landkom	LKI LN	AA	342.3	196.1	Management 42.7%	www.ukraine.com	Deliberate IR strategy, management skillful in market communication. Traded in London
Kemel	KER PW	-	1 104.1	452.5	Management 64.05%	www.kemel.ua	Floated on Warsaw Stock Exchange in late 2007. Investor-friendly. One of the best governed companies in Ukraine
Pakko	-	5CBA GR	229.0	45.8	Management 80.0%	www.pakko.ua	Floated on FSE in 2007. IFRS reporting. Building up communications with investment community
Creativ Group	CREA 4CBA GR	Q	159.7	37.4	Management 76.6%	www.creativ-group.com.ua	Always open with financial information, ready to meet with fund managers
Land West	-	4KIA GR	62.6	12.5	Management 76%	www.landwest.com.ua	Management easy to contact. IFRS reports will be prepared starting FY2008
MCB Agricole	-	4GWI GR	287.3	70.1	Management 75.6%	www.luzp-agro.com.ua/index_eng.html	Floated on FSE in March 2008. Investor-friendly. Three non-executive independent directors on five-member supervisory board
Vinnifruit	VINP AZL1 GR	AA	83.0	20.7	Anatoly Goncharuk 75.29%	www.vinnia.ua	Financial information easy to receive upon request; management eager to communicate plans
Gostomel Glass	GSKZ	-	66.2	16.6	Vetropack Holding 75%	www.vetropack.com	No regular information flow, though management is accessible for discussions
Dakor	DAKOR W181 GR	A	179.5	43.1	Management 76.0%	www.dakorwest.com	Placed 20% stake in 2007; IPO targeted for 2010-2011. Consolidated financials available as management accounts only. Audit of IFRS financials is planned
Ukros	36U1 GR	A	246.4	49.3	Management 80.0%	www.sugrunion.com.ua	Placed 20% stake in 2007; IPO expected 2010. IFRS financials not publicly announced yet. Updates media on operating news
Damitsa	-	4S1L GR	608.6	60.9	Zagoril Family 90.0%	www.damitsa.ua	Floated on FSE in 2007. Open for investors. UAS reports require adjustment. Strategic sale possible in 2008
Khilbrom	HLPB	-	131.4	1.3	Universal Investment Group 97.04%	n/a	IPO plans for 2010-2012. Management plans to introduce reporting under IFRS this year
Shostka Milk	SHMK	-	113.0	2.8	Fromagerie Bell 97.5%	www.shostka-cheese.com	EBRD is a minority shareholder. Free float limited. Financials available upon formal request
Kyivmedpreparat	KMED	-	152.7	30.5	Finance & Credit 80%	n/a	Part of Artium corporation, belonging to Finance & Credit Group. Several minority investors were diluted in the recent share issue
Galkton	GALTN	-	51.0	1.5	Unimilk Group 93.78%	www.unimilk.ru	Financials available upon formal request. Free float limited. Regular news flow from the company
Kovelmoloko	KVOL	-	25.8	5.7	Western Milk Group 47.1%	www.komoua.ua	Top management difficult to access. Ownership structure not clear
Zhytomyr Dairy	ZHMZ	-	58.0	4.1	Management 81.7%	www.rud.ua	Financials available upon formal request; management not always easy to access
Kornukivka Paper	KFTP	-	43.5	10.0	Slavtych Invest 49.92%	www.slav-abiol.com.ua	Incomplete ownership disclosure, tight-lipped management
Hemoplast	HEMO	-	9.2	1.9	Finance & Credit 55.5%	www.hemoplast.kiev.ua	Cares little about investor relations. Ownership not clear. Certain risk of dilutive action

Company	Ticker	DRs	Rating	FF%	MCap, USD min	FF, USD min	Major Ownership	Website	Notes
Astarta	AST PW	-	Q	19.9%	538.9	107.0	Management 80%	www.astartaholding.com	First Ukrainian company to list in Warsaw; releases quarterly financials on WSE; active in contacting investment community
Slavutych	SLAV	-	AA	6.5%	558.9	36.3	BBH 92.0%	www.slavutych.com	Part of BBH, provides consolidated financials, welcomes investors. Some complicating formalities present
Ukrproduct Group	UKR LN	-	Q	30.4%	60.3	18.3	Management 69.6%	www.ukrproduct.com	Largely improved investor relations over 2007, welcomes contacts with investment community
Retail Group	RTGR	-	AA	12.0%	n/a	n/a	Mr. Lunin 88.0%	www.kishenya.com.ua	Easy to contact top level management, however information the company is willing to provide is limited
Sun InBev Ukraine	SUNI	-	A	4.0%	1 068.7	42.7	InBev International B.V. 81.9%	www.suninbebrewa.com	Access to financial information and to management complicated by formalities
Elkyvin	KVIN	-	AA	20.0%	94.1	18.8	Management 80.0%	www.mks.ua	First Ukrainian consumer electronics retail chain to make equity placement. Holds conference calls, willing to share information, meet with investors, considering creating the position of independent director.
Zhydashiv Pulp & Paper	ZCPK	-	A	3.5%	44.7	1.6	Privat Group 43.2%	www.zsnavva.ua	Willing to meet with investors, a rarity for Privat-related companies
Farmak	FARM	-	P	22.0%	371.2	81.7	Management 48%	www.farmak.ua	Rather reserved in contact with investment community. Estimatedly management together with employees own 81%
Nord	NORD	-	P	9.5%	124.7	11.9	Management 78.07%	www.nord.ua	Closed company, scarce disclosure. Run and owned by Valentyn Landyk, MP
<b>El. Utilities</b>							<b>12.0%</b>	<b>12 190.3</b>	<b>1 468.8</b>
PES-Energoukol	ENUG	-	BA	8.9%	135.6	12.1	DTEK 91.12%	n/a	Listed on the PFTS in March 2008. Part of DTEK, SCM's energy holding
Zakhidenergo	ZAER W77 GR	AA	AA	29.9%	1 133.4	338.9	NC ECU 70.1%	www.zakhidenergo.ua	Most transparent energy company; management open for communication but is not always easy to access
Centrenergo	CEEN	-	AA	21.7%	1 510.0	327.7	NC ECU 87.3%	www.centrenergo.com	Open management. The only utility with full-scale English-language website
Kyivenergo	KIEN	-	A	9.0%	766.4	69.0	NC ECU 50.0%	www.kyivenergo.com.ua	Conflict between main shareholders seems resolved. First Ukrainian electricity company to organize a meeting for investment analysts with the CEO
Khmelnitskioblenergo	HMON KFEA GR	AA	AA	11.3%	235.8	26.6	NC ECU 70%	www.hoe.com.ua	Only Oblenergo with DRs available. Two websites: official and unofficial (both Ukrainian-language only)
Donbasenergo	DOEN	-	AA	14.2%	566.7	80.5	NC ECU 85.8%	www.de.com.ua	Management is always ready for contact with investors. Only GenCo without DRs
Dniproenergo	DNEN DPG GR	A	A	3.9%	1 656.6	64.6	NC ECU 50%, DTEK 45%	www.dniproenergo.com	Dilutive share issue benefiting SCM's DTEK canceled by Supreme Court. Good disclosure. DRs available
Kharkivoblenergo	HAON	-	AA	6.2%	458.9	28.4	NC ECU 25%	www.oblenergo.kharkov.ua	Among the sector peers most actively tending to its public face
Prkarnatoblenergo	PREN	-	A	7.0%	198.7	13.9	Energy Standard/Privat 34.77%	www.oei.ua	Only company to pay dividends among those controlled jointly by Privat and Energy Standard. Open management. Awaiting privatization of 25% stake
Dniprooblenergo	DNON	-	A	9.1%	755.6	68.6	NC ECU 75%	www.doe.dp.ua	Conflict between CEO (supported by DTEK) and main shareholder, NC ECU - April's AGM failed to be concluded as a result. Financial disclosure improved in 2007
Zhytomyroblenergo	ZHEN	-	A	8.4%	219.1	18.4	VS Energy 91.6%	www.ztoe.com.ua	Management contacts outsiders only with main shareholder permission. 2007 profit distorted by over-reporting depreciation expenses
Chernihivoblenergo	CHEON	-	BA	9.9%	203.0	20.1	Energy Standard/Privat 40%	www.chemnigoblenergo.com.ua	Privat - Energy Standard conflict dimmed on the eve of privatization of 25% stake pending
Vohynoblenergo	VOEN	-	A	6.9%	147.6	10.2	NC ECU 75%	n/a	Management ready for investor contact. Financial disclosure is historically good
Poltavaoblenergo	POON	-	BA	8.0%	399.8	32.0	NC ECU 25%	poep.plus	Quality of financial disclosure remains questionable. Privat - Energy Standard conflict dimmed awaiting privatization of 25% stake
Sumyoblenergo	SOEN	-	BA	5.0%	n/a	n/a	NC ECU 25%	www.smenery.com.ua	One of few Oblenergos delisted from PFTS. Privat - Energy Standard conflict dimmed awaiting privatization of 25% stake
Vinnitsyaoblenergo	VVEN	-	A	4.7%	312.9	14.7	NC ECU 75%	www.voe.com.ua	Average state-controlled company - pays minor attention to its public face, but management is ready to answer questions. Does not pay dividends
Zakarpattoblenergo	ZOEN	-	A	14.5%	190.1	27.6	NC ECU 75%	www.energo.uz.ua	Good management accessibility. Financial disclosure improved in 2007
Sevastopolenergo	SMEN	-	BA	4.8%	133.1	6.4	VS Energy 95.18%	n/a	Only distribution company with 100% dividend payout during the last two years. Talks with investors are coordinated by VS Energy
Tempoblenergo	TOEN	-	P	8.9%	132.3	11.8	NC ECU 50.1%	www.toet.eu	Management is subordinated to Privat group, despite the state's controlling stake. Privat - Energy Standard conflict dimmed this year
Kirovohradoblenergo	KION	-	BA	6.0%	252.3	15.1	VS Energy 94.0%	n/a	Management is subordinated to VS Energy - any contact only with main shareholder's permission
Krymenergo	KREN	-	A	14.0%	296.0	41.4	NC ECU 70%	n/a	Management is ready to speak but difficult to access
Zaporizhoblenergo	ZAON	-	P	10.9%	688.8	75.1	NC ECU 60.25%	n/a	Incomplete ownership disclosure. No website
Khersonoblenergo	HOEN	-	P	3.5%	315.4	11.0	VS Energy 94.5%	www.energy.kherson.ua	Management is subordinated to VS Energy - any contact only with main shareholder's permission
Lvivoblenergo	LVON	-	BA	21.1%	320.0	67.5	Energy Standard/Privat 41.2%	viva.com.ua/oe	Management is subordinated to VS Energy - any contact only with main shareholder's permission
Chernivtsoblenergo	CHEN	-	P	8.0%	120.6	9.6	NC ECU 70%	n/a	Management is closed to contact with investment community, while providing complete ownership disclosure. Poor company information flow in media
Cherkasyoblenergo	CHON	-	P	2.3%	281.6	6.5	NC ECU 71%	n/a	Financial disclosure improved starting 2007 due to regulatory pressure
Donetskoblenergo	DOON	-	P	10.0%	246.5	24.7	NC ECU 65.1%	doe.donbass.com	Top management subject to changing political influence at NC ECU. \$800mm overdue debt and strong interest by business groups in the asset entails high risk of suboptimal business decisions. Financial disclosure improved in 2007
Odesoblenergo	ODEN	-	P	9.0%	515.7	46.4	VS Energy 54.8%	n/a	Conflict between shareholders: VS Energy aims to dilute stakes of the state and Zhevago business group. Privatization pending
<b>Engineering</b>							<b>9.4%</b>	<b>7 907.0</b>	<b>740.0</b>
Sumy Nassenergomash	SNEM	-	BA	18.0%	29.5	5.3	Hydraulic Machines&Systems 82%	www.nempump.com	One of the main shareholders of Hydraulic Machines is member of supervisory board at SMASH and son of SMASH's president, Lutsyenko. Hydraulic Machines considers IPO in the mid-term. The group adopted JFIS reporting in 2006
Zaliv Shipyard	SZLV	-	A	13.1%	89.6	11.7	Finance & Credit 86.85%	www.zaliv.com	In March 2008, major shareholder Konstantin Zhevago announced plans to hold IPOs for all companies in his group (including Zaliv)
Poltava Turbomechanical Plant	PTMZ	-	BA	3.6%	42.4	1.5	Ukrosmetal 93.4%	www.ptmz.poltava.ua	Part of Ukrainian Ukrosmetal holding. Poor transparency
Constar	KNST	-	BA	20.0%	35.3	7.1	3 off-shore entities: 24.9%; 2.4%; 16%	www.constar.com.ua	Ownership not transparent. According to media reports, controlling stake belongs to Sergey Pereloma, ex-deputy chairman of Natfotgaz of Ukraine
Ukravto	AVTO	-	BA	15.0%	655.9	98.4	T. Vasadzze related 28%	www.ukravto.ua	High risk of dilution/asset stripping in management's plans to create auto distribution holding; little regard for minority shareholders
Svitlo Shakhtarya	HMBZ	-	A	25.0%	107.2	26.8	Undisclosed individual: 80% SCM ~25%	www.shaht.kharkov.ua	Not transparent ownership structure. Candidate for inclusion in SCM's growing coal machinery holding. True margins disclosure

Ticker	DRs	Rating	FF%	Mcap,USD min	FF,USD min	Major Ownership	Website	Notes
Kremenchuk Wheel	KKOL	-	P	22.8%	73.8	16.8	www.wheels.com.ua	Fair financial disclosure. Easy to contact, top level management, however information the company is willing to provide is limited; the owner is not interested in active trading in its shares
Donbaskabel	DCAB	-	P	13.0%	18.2	2.4	www.donbaskabel.com.ua	High possibility of corporate standards improvement after acquisition by Russian SevKabel holding
Poltava Locomotive Overhaul Plant	PTPZ	-	BA	11.0%	31.5	3.5	trr.com.ua	Management accessible but rarely initiates contact with investment community. Announced plans for IPO but not timing
Kharkiv Traktor	HTZD	-	P	5.6%	41.3	2.3	www.kz.ua	No official data on ownership; Ukrsib announced in Sept 2007 it would sell an undisclosed stake to Russian GAZ and retain a blocking stake. In Nov 2007, state's remaining 27% stake was privatized, high possibility it was acquired by Ukrsib/GAZ
Bogdan Automobile	LUAZ	L4H1	GR	Q	10.0%	665.7	www.luaz.com	Investor-friendly management. 2004-2006 IFRS financials publicly available, 2007 accounts expected this summer. Merger of Cherkasy Bus Plant and 3 smaller companies is planned by the end of this year. IPO expected in 2009-2010
Motor Sich	MSICH	M7H	GR	AA	24.3%	567.3	www.motorsich.com	Management placed 9% on the market in June last year. Open with financial information, no trace of accounting manipulation. Most informative website of any traded Ukrainian machine-builder
Yasnyuvatsky Machinery	YAMZ	WPB1	GR	A	24.0%	44.2	www.jscymz.com	Friendly to minorities. First in sector to issue convertible bonds. SCM has tried to take over the company - without success
Stakhaniv Wagon	SVGZ	-	A	12.0%	340.8	40.9	stakhanovvz.com	Finance & Credit took over this distressed asset in 2005. Management willing to talk. Final decision on IPO (as part of AvtokRAZ holding) still pending
AvtokRAZ	KRAZ	A6X1	GR	A	7.0%	431.6	www.avtokraz.com.ua	Reported financials continue to be foggy. IFRS reports (promised since 2006) still not available. Final decision on AvtokRAZ holding IPO expected in 2008
Summy Frunze	SMASH	M9Y1	GR	A	7.0%	594.7	www.frunze.com.ua	Controlled by Russian businessman Konstantin Grigoryshyn. He stated a desire to create a machine-building holding including SMASH. With new management appointed in Nov 2007, opened up to investors
Mariupol Heavy Machinery	MZVM	M9X	GR	A	15.0%	367.0	www.azovmash.ua	UAS financials show just tip of the iceberg. Major private shareholder plans to consolidate AZGM and MZVM, moving toward greater transparency. (The state owns 50%+1 share in Azovmash). Consolidated IFRS of Azovmash group are being prepared
Turboatom	TATM	-	A	3.1%	387.7	12.2	www.turboatom.com.ua/index.htm	In 2007 chairman of supervisory board of minority shareholder, Megabank, replaced management of another minority shareholder, Grigoryshyn who is struggling to get back operating control. Current management is open to investors. Privatization postponed several times
Zaporizhtransformator	ZATR	YXZ1	GR	A	1.3%	1,524.4	www.ztr.ua	Fully controlled by Grigoryshyn. Free float dried out. Real profitability disclosed. 2007 IFRS expected in 2H08
Luhansksteplovoz	LTPL	-	A	15.0%	275.7	41.4	www.lugansksteplovoz.com	2007 privatization recognized illegal by High Economic Court, however the buyer retains control. Bryansk Heavy Machinery is part of Russian Transmashholding
Azovzahalimash	AZGM	-	A	14.0%	460.2	64.4	www.azovmash.ua	Owner bought out other shareholders' stakes (incl. SCM's) in closed JSC UPTK in late 2007, and targets consolidation of AZGM and MZVM. So far, UAS financials show just tip of the iceberg. Consolidated IFRS of Azovmash group are being prepared
Kryukiv Wagon	KVBZ	-	A	2.0%	691.6	13.8	www.kvz.com	True profitability disclosed. Audited IFRS financials for 2007 expected in 2H08. Could become part of a railway machinery holding together with Dniprovahonmash and Kremenchuk Casting Plant
Dniprovahonmash	DNVM	-	P	2.0%	202.5	4.1	www.dnvm.com	True profitability disclosed. Could be included in railway machinery holding together with Kryukiv Wagon and Kremenchuk Casting Plant
Druhobivka Machinery	DRMZ	-	BA	12.0%	181.4	21.8	www.drmz.com	Candidate for inclusion in a coal machinery holding being created by SCM
Dnipropetrovsk Switch	DSTR	-	P	0.9%	28.9	0.3	www.dstr.dp.ua	True profitability disclosed. Management not easy to access, no interest in stock market
Dongmash	DGRM	-	P	20.0%	18.7	3.7	www.dongmash.donetsk.ua	Poor financial disclosure. Candidate for inclusion in SCM's coal machinery holding
<b>Financial</b>				<b>7.9%</b>	<b>11,308.1</b>	<b>896.1</b>		
Nadra Bank	NADR	NBD1	GR	Q	7.0%	1,911.6	www.nadra.com.ua	Preparing for IPO in 2009 - obvious progress in corporate governance over the past two years
Kredobank	ZUKB	-	AA	1.8%	111.9	2.0	www.kredobank.com.ua	Corporate governance stable at moderate level, no significant progress despite foreign acquisition four years ago
Oranta	SORN	-	A	12.0%	443.8	53.3	www.oranta.ua	Management not eager to share information on the company. Kazakh Bank TuranAlem consolidated ownership after privatization of 25% in October 2007. In Nov 2007, 11% of Pinchuk's stake sold on the market
Bank Forum	FORM	B5F	GR	Q	10.0%	845.6	www.forum.com.ua	New owner in the process of raising the company's corporate governance standards, more improvement expected
Megabank	MEGA	WO41	GR	AA	30.0%	100.0	www.megabank.net	Participant in JFC corporate governance program since 2007. Open with financial information. Highest share (35%) of institutional investors among banks
Ukrzazbank	UGZB	-	Q	10.0%	535.1	53.5	www.ukrzasbank.com	Significant progress in corporate governance over last year. Publishes interim IFRS financials, a rarity in the sector
Rodovid Bank	RODB	-	Q	19.0%	570.2	108.3	www.rodovidbank.com	Investor-friendly management. IFRS financials published since last year. Up for acquisition by a strategic owner
Ukrzstbank	USCB	-	Q	4.4%	2,184.0	96.1	www.usb.com.ua	Acquisition by Unicredit was finalized in January 2008. Boosting investor relations, willing to meet, provides information to investment community
Raiffeisen Bank Aval	BAVL	-	AA	4.5%	4,205.0	189.2	www.avalua.com	New owner hasn't yet raised the company's corporate governance standards to international level. IFRS financials not published
Ukrinbank	UKIB	-	AA	20.0%	168.6	33.7	www.ukrinbank.com	One of the lowest levels of corporate governance in the sector. Acquired by Israeli's Hapoalim Bank in December 2007, turnaround is expected
Universalna Insurance	SKUN	-	Q	48.0%	232.4	111.5	www.universalna.com	Corporate governance is one of the highest among insurers. Private placements over 2006-08 brought share of institutional investors to 48%
<b>Gas Utilities</b>				<b>9.5%</b>	<b>303.9</b>	<b>29.0</b>		
Khmelitskigaz	HGAZ	-	P	13.0%	20.1	2.6	n/a	Discloses true margins - a rarity in the sector. GAZTEK is a managing company that controls six GasCos acquired in March 2007 by Ukrzazbank off-shore affiliates
Kyivobigaz	KIGA	-	P	15.0%	26.1	3.9	n/a	Management has shown little regard for minority shareholders
Kharkivgaz	n/a	-	P	12.0%	17.2	2.1	n/a	GAZEKS is a Veksberg-related managing company that acquired five Obgases in 2006. Deleted from the PFTS in February 2007 due to illiquidity
Kirovohradgaz	KGGZ	-	P	9.8%	55.3	5.4	n/a	Information the company is willing to provide is limited. Doesn't care about IR. According to the Cabinet of Ministers, the company is controlled by Ukrzazbank. Chairman of supervisory board is CEO of Ukrzazbank
Donetskobigaz	DOGZ	-	P	12.0%	25.8	3.1	n/a	Main private shareholder, the ex-CEO, carries a defensive stance against acquisition aspirations by major players. Recently eyed by Ukrzazbank affiliates. Management not willing to meet / talk with minorities

Company	Ticker	DRs	Rating	FF%	MCap, USD min	FF, USD min	Major Ownership	Website	Notes
Dnipropetrovskgaz	n/a	-	P	8.0%	25.8	2.1	Natogaz of Ukraine 51.0% GAZTEK 24.9%	n/a	Low reliability of reported financials. Management closed to contact with minorities
Ivano-Frankivskgaz	FGAZ	-	P	9.4%	60.6	5.7	Natogaz of Ukraine 50%	n/a	Representatives of Ukrغاز-Energy on supervisory board. Not open to talking with investment community
Lvivgaz	LGAZ	-	P	7.2%	54.5	3.9	Ukrغاز-Energy related 65% Management 94.0%	n/a	Not interested in dialog with investment community, most closed among GasCos. Representatives of Ukrغاز-Energy on supervisory board
Odesgaz	n/a	-	P	1.0%	18.5	0.2	Management 94.0%	n/a	In 2007, CEO concentrated control over the company via diluting Natogaz's share
<b>Iron &amp; Steel</b>				<b>4.8%</b>	<b>49 564.2</b>	<b>2 356.8</b>			
Ferrexpo	FXPOLN	-	Q	24.0%	4 607.8	1 105.9	Mr. Zhevago 76.0%	www.ferrexpo.com	Listed in London on main board (IPO in June 2007). Lawsuit against underlying asset, Poltava Iron Ore (Ukraine), pending. Considering a JV with a strategic partner to develop two ore deposits
DMP Petrovskogo Steel	DMZP	-	BA	4.4%	649.2	28.8	Evrax 99.57% Tallenthal 20.47% Reetvex 19.32% Genesys Invest 19.23% Intergraphite Holdings 19.36%	www.dnepr-petrovka.dp.ua	New owner, Evrax, took over from Privat group in December 2007 - corporate governance is sure to improve. In process of integrating into Evrax holding
Ukrgraphite	UGRA	-	P	9.0%	61.2	5.5	IUD 81.5%	www.ukrgrafit.com.ua	Ownership structure non-transparent. Not interested in contact with investors
Energoshpessstal	ENVA	-	P	10.2%	109.3	11.1	IUD 81.5%	www.emms.krm.net.ua	Listed on the PFTS since 2006. Management not interested in contact with investors
Zaporizhivnometry	ZPVT	-	P	21.0%	25.9	5.4	Midland Resources 78.6%	www.zaporozhynepor.com	Management is accessible but avoids deep discussions. Plans to prepare financials under IFRS
Kryvbassvibukhprom	KVPR	-	P	6.8%	n/a	n/a	Metinvest 93.16 %	na	Part of Metinvest, which is eyeing an IPO in 2009. In July 2007, local asset management company, Kinto, acquired a 6.75% stake in the company via privatization
Azovstal	AZST	DZB GR	AA	4.0%	4 661.3	186.5	SCM 97.9%	www.azovstal.com.ua	In 2007 canceled treasury shares from a dilutive share issue during its merger with Trading House Azovstal in 2006. Parent Metinvest keeps improving corporate governance as it prepares for IPO
Enakievo Steel	ENMZ	-	A	13.8%	826.7	114.1	Metinvest 86.3%	www.enz.com.ua	Value unlocking merger with Metalen (downstream part of a single technological chain) is possible. Since 1Q07 Metinvest started repositioning Enakievo to make it one of the flagships in the group in preparation for the holding's IPO (estimated 2009)
Zaporizhstal	ZPST	UWP GR	P	4.0%	721.9	28.9	Global Steel Investment 44.75%	www.zaporizhstal.com	Trading on the PFTS resumed in May 2008 after being suspended following massive dilutive share issue in 1H06. Attracted EUR 200 mln in debt from CitI in 1Q08.
Pivnidny Iron Ore	SGOK	-	A	0.6%	5 439.5	32.6	Metinvest 99.45%	www.svypok.com.ua	Serves as Metinvest's channel for intragroup VAT optimization. More promotion by Metinvest compared to much smaller CGOK. Positioned as an upstream flagship of Metinvest
Alchevsk Iron & Steel	ALMK	-	BA	5.0%	2 527.3	126.4	IUD 95.0%	www.amk.lg.ua	Merger deal of parent IUD with Russian Metaloinvest failed after a year of negotiations. Known for numerous large equity injections: subscription for one such share issue is running (to be closed June 2008)
Centralny Iron Ore	CGOK	-	BA	0.5%	2 015.0	10.1	Metinvest 99.5%	www.cgzk.com.ua	Serves as Metinvest's channel for intragroup VAT optimization. In the shadow of a larger SGOK which is promoted by Metinvest. Part of the pending Metinvest IPO
DMK Dzerzhinskogo	DMKD	-	P	1.0%	1 664.4	16.6	IUD 84.57%	www.dmkd.dp.ua	Subscription for additional share issue running May-Dec '08
Arcelor Mittal Kryviy Rih	KSTL	-	AA	1.1%	14 284.3	154.3	Arcelor Mittal 94.6%	www.mitalsteel.com	After acquisition by Arcelor Mittal in 2005, financial quality improved (reported profitability among top in the world). Major shareholder buying out shares on the open market
Dniprospsstal	DNSS	-	A	5.8%	886.6	51.4	Undisclosed strategic 60%; Privat 34%	www.dns.com.ua	In May 2008, EastOre (former joint venture) announced the divestiture of its stake in the company (estimated 60%), new ownership not disclosed. Perception is that the buyer is a Russian company. IPO plans most probably will be cancelled
Pivdenny Iron Ore	PGZK	-	A	7.5%	3 657.5	274.3	Evrax related 50.0%	www.upgk.com.ua	Dual ownership by Evrax (50%+ stake) and Metinvest/Smet group (44% stake). Not consolidated by either of the two tight-lipped company. Poor financial disclosure. Chairman of the board, Vladimir Boyko, major beneficiary owner is rumored to be seeking exit opportunities. Little cooperation with portfolio investors
MMK Illich	MMKI	IWD GR	BA	2.0%	3 776.7	75.5	Ilyich Stal 91.0%	www.ilyichua	Best assets were spun off in early 2000's into a closed JSC with the same name. Parent Donetsksteel consolidates profits on a group level
Donetsk Steel Plant	DOHZ	DZK GR	BA	30.0%	35.9	10.8	Concern Energo 70%	www.dnz.donbass.com	Little public information at present. New owner, London-listed Russian Evrax, acquired the company in Dec 2007
Sukha Balka	SUBA	SBDI GR	BA	0.8%	517.1	3.9	Evrax 99.25%	n/a	Risk that two ore deposits will be spun off. Shares will not be exchanged for Ferrexpo's. VS Energy disputing in court validity of a deal to sell 40.2% block in 2002 to Zhevago
Poltava Iron Ore	PGOK	UVT GR	A	4.0%	2 552.8	102.2	Ferrexpo AG 85.8%	www.ferrexpo.poltava.ua	No interest in communicating with investors. Little public information. Upstream link to production is a separate legal entity - Elektrostal Smelting Plant, put into operation in 2007
Donetsk Metal Rolling	DMPZ	-	P	7.2%	46.4	3.3	Viorsyrovina 79.0%	www.dmpz.chat.ru	Joined Metinvest in September 2007. Poor disclosure. Twice changed legal form in 2005
Inguletsky Iron Ore	IGOK	-	P	0.5%	n/a	n/a	Metinvest 99.5%	www.ingok.com.ua	Cost center of Privat's ferroalloy business. Transfer pricing. Not interested in communicating with investors
Marganets Manganese Ore	MGZC	NQB GR	P	2.0%	453.6	9.1	Privat 96%	n/a	Involved in related party transactions with Privat ferroalloy producers. Tight-lipped company
Ordzhenikidze Manganese Ore	ORGZ	OAC GR	P	0.5%	43.0	0.2	Privat 90.0%	n/a	
<b>Meta Fabricate &amp; Hardware</b>				<b>5.9%</b>	<b>7 986.4</b>	<b>471.2</b>			
Artemiysk Non-Ferrous Plant	ARNF	-	P	1.7%	n/a	n/a	Ukrpidshypnyk 48.52%	www.azcom.dp.ua	Ownership hidden. Management difficult to access. Risk of dilutive action
Kominmet	DMZK	-	P	19.8%	99.7	19.7	Energoprogress 80.2%	n/a	Unclear ownership structure: no clarity on who stands behind Energoprogress. Poor financial disclosure
Nyzhnyodnirovsk Pipe	NITR	NYZ GR	AA	9.3%	2 055.6	191.8	Interpipe 86.9%	www.nyz.dp.ua	In 1Q08, parent Interpipe cancelled IPO initially scheduled for 1H08. Quality of P&L reporting worsened in 4Q07. Subscription for 7.4-fold additional share issue ends June 3
Novomoskovsk Pipe	NVTR	-	A	13.5%	366.2	49.4	Interpipe 86.5%	www.nmz.dp.ua	Parent Interpipe IPO (initially scheduled for 1H08) postponed due to market conditions. Reporting standards worsened in 4Q07; subscription for 1.7-fold additional share issue ends on June 24
Khartsyzk Pipe	HRTR	LBV GR	AA	2.0%	1 232.3	24.6	Metinvest 98.0%	www.ukrpipe.com.ua	CEO dismissed in Dec '07 due to disappointing operating results. Metinvest rejects rumors to be seeking divestiture of HRTR
Dniprometiz	DMFO	-	A	7.0%	116.3	8.1	Severstal-Metiz 60.0%	www.dneprometiz.com.ua	Controlled by Severstal Group. Good quality UAS financials. Management is fairly accessible
Zaporizhya Aluminium	ZALK	-	A	3.0%	207.4	6.2	Rusal 97.5%	www.zalk.com.ua	The owner, Rusal, merged SUAL and Glencore over 2007. Quality financial disclosure. Complications with State Property Fund possible in regards to privatization obligations
Zaporizhya Ferroalloy	ZFER	ZL3 GR	BA	8.0%	1 144.5	91.6	Privat 90.0%	www.zfk.com.ua	Transparency in P&L improved in 2007. Major shareholder, Privat, has acquired similar assets worldwide, and plans to consolidate its global manganese assets and go public in the long run
Stakhaniv Ferroalloy	SFER	SSZ GR	BA	1.3%	380.4	4.9	Privat 98.67%	n/a	

Company	Ticker	DRs	Rating	FF%	MCap, USD mln	FF, USD mln	Major Ownership	Website	Notes
Nikopol Ferroalloy	NFER	M4AA	P	2.0%	2 239.3	44.8	East Ops 71% Privat 27%	n/a	Many parties were at different times involved in fight to review privatization results of 2003. Last year Privat and Pricelik seem to have joined forces to withstand the state's attempts to return 50%+1 stake through court. Privat appointed its management. De-facto, the state's stake was reduced in last year's 5-fold dilutive additional share issue
Dnipropetrovsk Pipe	DTRZ	-	BA	24.8%	107.7	26.7	IUD-related 75.2%	www.aodtzptcor.net	Non-core business for parent IUD. Candidate for divestiture. Poor financial disclosure
Silur	SILUR	-	BA	8.2%	39.0	3.2	Bank Pivdenmy related 91.8%	www.silur.com	Acquired by Bank Pivdenmy in Dec 2004 from SCM, now part of a small local group. Industrial Hardware Union
<b>Oil &amp; Gas</b>							<b>1 710.0</b>		
Gaihafogaz	GLNG	CSZ	GR	17.6%	424.6	74.7	GNG Retail Limited 82.4%	www.gaihafogaz.com	Leader in corporate governance among Ukrainian companies, actively engages investment community. Corporate governance code adopted. Independent director on the board. Preparing for IPO in 2009. Successfully placed convertible bonds last year
JKK Oil & Gas	JKK LN	JXX	GR	60.1%	1 476.9	887.6	Glengary Overseas Ltd 25.5%	www.jkk.co.uk	High standards of corporate governance, actively engages investment community. Listed on LSE
Regal Petroleum	RPT LN	-	Q	67.3%	729.7	491.1	Timis Trust 14.2%, Blackrock 10.2%	www.regalpetroleum.co.uk	Early 2008 FSA revealed that Regal is under investigation over alleged dissemination of false and price-sensitive information in 2003-2005. Since November 2007, Regal has new CEO
Ukrnafta	UNAF	UKAA	GR	8.0%	3 053.0	244.2	State 50%+1	www.ukrnafta.com	Good UAS disclosure. Has adhered to IFRS reporting standards for years. Cold war between the state and Privat is a source of excessive business risks
Naftokhimik Prykarpattya	NAPF	N3ZA	GR	11.0%	82.5	9.1	Privat 63%	n/a	Poor disclosure, financials distorted by transfer pricing. Tension between the state and Privat create the risk of suboptimal business decisions
Halychyna Refinery	HANZ	-	P	2.0%	163.4	3.3	Privat 73.8%	n/a	
<b>Real Estate</b>							<b>891.0</b>		
Aisi Realty	AISI LN	-	Q	63.9%	101.9	65.1	Landsowne GFF Ltd 22.1%	www.aisicap.com	Floated on AIM in 2007. Open to investment community. Independent portfolio valuation is provided by DTZ
TMM Real Estate Development	-	TRG1	GR	13.1%	789.6	103.6	Mr. Tolmachev 70.4%	www.tmmua	Floated on FSE in 2007. Publisher, consolidated IFRS financials. Project portfolio is appraised by Colliers on a semi-annual basis; Investor-friendly management
KDD Group	KDDG LN	-	Q	22.6%	616.5	139.3	Mr. Levin 22.63%	www.kddgroup.com.ua	Close to western style corporate governance standards. IFRS and independent portfolio appraisal by Colliers are publicly available. Listed on AIM. Suboptimal business decision risks exist due to stretched financing needs over 2008-10
TKS Management	-	37W1	GR	22.0%	202.2	44.5	Mr. Torsky 39%, Mr. Hovirko 39%	www.tksua	Floated on FSE in 2007. Clear ownership structure. Excellent management accessibility. Personal conflict between shareholders is resolved; Mr. Hovirko does not have influence on operating activity anymore
Clubhouse Group	-	5CHA	GR	16.4%	212.8	34.9	Mr. Balenko 41.8%, Mr. Torsky 20.9%	www.7dnevy.com	Floated in 2007. Good management accessibility. Personal conflict between shareholders is resolved; Mr. Hovirko does not have influence on operating activity anymore
VK Development / Davento	VKDY	4D5	GR	23.0%	611.5	140.6	Mr. Lunin 76.0%	n/a	Rather closed compared to other developers. No IFRS financials; Independent portfolio valuation is not disclosed to public. Davento (Cyprus), owner of VK Development (Ukraine), floated on FSE in 2008.
XXI Century	XXIC LN	-	Q	35.7%	1 015.8	362.9	Mr. Patskhaladze 54.6%	www.21.com.ua	Floated on AIM in 2005. Best disclosure among Ukrainian developers. Actively engages investment community. Suboptimal business decision risk exists due to overly stretched financing needs
<b>TMT</b>							<b>3 699.2</b>		
KP Media	KPME	-	AA	20.0%	99.6	19.9	Management 78%	www.kpmedia.com.ua	Preparing IFRS financials for the financial year "01.04.07-31.03.08" expected to be published in July 2008. Investor friendly management
Ukrtelecom	UTEL	UK1	GR	2.5%	3 547.4	88.7	State 92.86%	www.ukrtelecom.ua	Too much red tape in communication with investment community. Privatization scheduled by November 2008 under question due to political power plays at State Property Fund
Odeskabel	OCAB	OSN1	GR	2.0%	52.2	1.0	Management 76.8%	www.odeskabel.com	Good UAS disclosure. Ownership details hidden. Not very interested in comprehensive dialog with investment community
<b>Transportation</b>							<b>219.3</b>		
Ukrnichifot	FLOT	-	P	7.0%	219.3	15.4	Mr. Grigorishyn 75%	www.ukrnichifot.com.ua	In 2007, after a hostile takeover by Grigorishyn, a 10x charter fund increase followed, diluting "babushkas" and crushing free-float. IFRS financials prepared for years but not available to public

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