Corporate Governance in Ukraine

Not gone with the wind

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FOREWORD

Companies not gone with the winds of change and hurricanes of crisis – upholding and preserving high standards of relations with investors and practices of corporate governance – are the foundation of our securities market, without exaggeration. And we'd like them to become the main heroes of our new story about corporate governance. Despite many disappointments in the history of the relatively young Ukrainian stock market, and in the history of our even younger study of corporate governance practices, they are there nevertheless. There are companies out there that are pleasant to work with for analysts and investors alike. There are companies that have stood the test of time and preserved the ability to be financed by capital markets.

Despite noticing that high standards and practices are enforced mainly from without, and such standards are not always entirely grasped by the founders of Ukrainian business, we are satisfied that the number of companies striving to be better is increasing. It is increasing mainly owing to newcomers to the securities market: those who dared to take on the increasing requirements for Ukrainian issuers and those who are ready to adopt better practices in order to conform to international standards. We realize that a part of the newcomers (and newcomers, as our research shows, always behave themselves exemplarily) can loosen their high standards shown at their beginnings. Yet at the same time, we believe there will be fewer disappointments in the future.

Since our debut survey in 2007, a high class of publicly traded companies has emerged on international exchanges with international standards (there were only six such firms in 2007). It's precisely these new companies, along with several remaining pioneers, that form the significant part of our quality, "investable" list of securities issuers.

With the emergence of a new class of issuers and stricter securities market requirements, our scoring criteria for standards and practices have been also changing. For example, in our 2008 survey we saw 30 issuers with a risk of diluting minority shareholders. We eliminated the "dilution risk" criterion in this survey since we were able to simply avoid including such companies in our study. Yet in the new rating, we ventured to introduce the criterion of "presence of independent board members," which we could not imagine even considering in distant 2007.

Note to English edition

This document is the English version of our Corporate Goevernance report released originally in May 2013 in the Russian language. We surveyed companies for this report between March and May 2013. Therefore, it may not address recent changes in reporting practices, new conflicts and other events that otherwise might have altered our scoring. It includes market information used for the original report that was finalized in mid-May.

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INTRODUCTION

What we are studying

The subject of our analysis, as before, remains the external demonstration of corporate governance practices and standards of Ukrainian public companies. We are focused on the aspects of practices and standards important to the securities market, meaning minority shareholders and bondholders.

In no case are we trying to evaluate the quality of internal corporate practices, decision-making mechanisms, and practices of delegating authority or methods of control by the main owners over the company's management.

What's more important for any investor than a return on investment? Of course, to minimize risk, which more than anything depends upon the degree to which his rights and interests are protected. Precisely that is what our story is about.

Minority shareholders want management to take their views into account. Ideally, large shareholders would regard them as equal stakeholders in the company, and they would be notified in a timely and complete manner about the enterprise's results, its plans and the emergence of serious risks. Minorities want influence, or at least be timely informed about the company's important decisions. Ideally, they would know nothing less than the main shareholders of a public company.

The quality and completeness of accounting, transparency and clarity of a company's structure, relations with minority shareholders (bondholders) and openness to the outer world – those are demonstrations of standards and practices that we continue to focus on in our surveys.

Key findings

There's a supply of quality companies
In comparison to previous results, the number of companies demonstrating high standards of corporate governance has grown. But the majority of "quality" issuers are debutantes to our survey. That is to say, the quality "breakthrough" is a result of our survey being replenished by newcomers. Yet the encouraging changes of our previous surveys have the very same roots.

Bond issuers are better than stock issuers
The key debutantes of this survey are Ukrainian bond issuers. The majority of them pleasantly surprised us with their demonstration of high standards of corporate governance and openness.

High standards – an instrument of access to financing
Compliance with the best corporate governance practices is important for those who use them as an opportunity to attract additional capital or inexpensive debt. Therefore, high standards of corporate governance are inherent in companies whose owners don't have alternatives in attracting external financing. Top quality companies usually have limited credit financing capabilities and lack big related parties. Such companies raise funds abroad since the maximum benefit from market financing can be gained from foreign exchanges.

Not everyone needs to demonstrate high standards
The companies of oligarchs, transnational corporations (TNCs) as well as state companies (i.e. those having some financial backing) look to be much less interested in demonstrating high-quality standards. Most of them are bringing up the rear in this survey, though also showing significant progress. It's notable

that a pool of flagship companies is forming among oligarch assets that are actively attracting financing on the international markets. It's also notable that the TNC assets look stronger from the point of view of internal corporate governance practices (which are not a subject of our study).

Demonstration of high standards – just because it's required

The vast majority of newcomers on the securities market, as well as veterans on the foreign exchanges, demonstrate high standards in criteria that are necessary for attracting capital (audited financials, a good website, established relations with investors and the presence of independent board members). Yet they differ little from the worse performing groups of companies in those criteria that are not explicitly required (accounting quality, reporting on themselves in the mass media).

Newcomers always look like aces, but that's deceptive

Newcomers to the capital markets usually become debutantes of our surveys. To attract capital, they doll themselves up in order to gain an advantage above the others. It isn't surprising that companies recently coming out have always received high scores in our ratings. Nevertheless, maintaining high standards of corporate governance rarely remains a priority for them after they gain from the markets what they wanted. At the post-placement stage, much depends on the future plans of the company as related to the stock market, as well as the presence of minimal regulatory requirements on the host securities exchange. For instance, the biggest disappointment of our surveys was companies that actively attracted capital in 2006-2008 with listings on unregulated platforms.

Other findings:

- Ukrainian owners unwillingly invite minority shareholders and independent directors to boards. State companies and TNC assets don't even consider inviting them;
- Though there are many public companies among the assets of oligarchs and transnational corporations, the management of many of them is ready to communicate with "ordinary" shareholders only with the main shareholder's approval;
- The stock market has become much more sensitive to corporate governance standards;
- The local Ukrainian stock market, where the majority of companies don't show high standards, lost the competition for the interest of the foreign investor;
- Corporate governance quality appears to be an important criterion for rating agencies and an important prerequisite for low-cost debt financing.

SCORING APPROACH

Brief review of scoring criteria

As before, we are evaluating the demonstration of corporate governance standards of Ukrainian issuers based on ten criteria, which we consider important for understanding governance practices and relations with minority shareholders. Below is a short description of the criteria of our new survey (a more detailed description of the methodology is presented in Appendix I).

Accounting and disclosure of information

1. **IFRS:** availability of IFRS accounting verified by an independent auditor
2. **Quality of financial accounting**
3. **Ownership structure:** access to official information about large shareholders (names of biggest owners)
4. **Corporate structure, business description:** Disclosure of information about the corporate structure – subsidiaries, divisions, segments, manufactured goods or provided services, production capacities, etc. Whether there's enough information to establish the company's basic business model.

Protecting minority shareholder rights

5. **Representation of minority shareholders** (independent persons) in the controlling bodies of companies: whether there are independent members on the company board or audit committee that can represent/defend the interests of minority shareholders (this criterion is not considered for bond issuers)
6. **Presence of institutional investors** among minority shareholders (not considered for bond issuers)
7. **Strategic risks** (risk of diluting value)**:** Our estimate of the likelihood of risk that a company (management, main shareholder) may make a decision that can reduce the value of its securities. For example, questionable operations with related parties; withdrawal of assets or investment in questionable assets; unreasonable growth in debt burden; conflicts between major shareholders; conflicts with regulatory bodies, suppliers or consumers; an emphasis of matter expressed by an auditor with particular attention to significant company risks.

Investor relations and public face

8. **Accessibility of company leadership, representatives:** Accessibility of the company's representatives for communication, management's attitude towards communicating with minority shareholders/bondholders, the history of organizing site visits and conference calls, the possibility of discussing with the company its principles of operational activity and business strategy.
9. **Level of publicity (public face):** A desire to inform the public and investors about the company's activity, including press releases and comments in the mass media with important information on the company's financial and operational activity, as well as plans for the future.
10. **Website:** Quality, comprehensiveness and timeliness of information presented to investors on the corporate website.

Key changes in evaluation

Owing to the market's growing sensitivity to the governing practices and transparency of companies, we toughened our evaluation criteria a bit in this survey. The main changes are:

IFRS accounting with the opinion of an auditor. Since a majority of Ukrainian companies have transitioned to international accounting standards, the mere presence of IFRS financials alone won't impress anyone. Moreover, our view is that the transition of Ukrainian companies to new accounting standards influenced little in the quality of disclosure of information. Yet as before, an important indicator of a company's openness to investors is IFRS accounting with the opinion of an auditor and all the necessary notes. It's this accounting that we have in mind when we mention IFRS.

Audited IFRS financials do not necessarily indicate high-quality financial disclosure. In the given survey, we no longer consider "by default" the presence of audited IFRS financials as a sign of quality accounting. If the presence of such accounting earlier truly reflected high reporting standards, then we also now pay attention to how auditors evaluate its quality (adherence to standards, completeness, etc.)

Relations with minority shareholders: the representation of their interests in the controlling bodies of companies. In previous surveys, we paid attention to such a criterion as the risk of dilution of minority shareholders in the event of additional opaque issuances of shares. Taking into account the current realities, we view such criteria as outdated. On the other hand, previous surveys didn't take into account other aspects of relations of minority and majority shareholders (or management) that lie in the foundation of the very definition of corporate governance. The issue is the possibility of all shareholders (including minorities) to influence the strategic decisions of companies (or at least be timely informed of them). Therefore, in creating the new ratings, we included the criterion of presence of independent members (or representatives of minority shareholders) in company boards or audit committees.

Large focus on important criteria in an unchanged scale of estimates. In previous surveys, we tried to find the optimal format of evaluation, from the application of various point scales for each criterion (to apply more weight for some of them) to identical weighing of all parameters on a simple scale of "nil or one" employed in the 2011 survey. The latter approach, having improved the objectivity of the survey because of its simplicity, nevertheless lost an important factor – having equalized the weight of each parameter in the final ratings.

In this survey, we tried to retain the better aspects of each of the earlier survey approaches – an assessment of the importance of criteria and simplicity. So for the most important rating criteria, we left the point scale "nil or one," but for some, we allowed ourselves to adopt the intermediary value of "½." On the one hand, that deepened the flexibility of estimates with criteria with intermediary values. On the other hand, we implicitly assigned more weight to criteria for which we didn't leave an intermediary value – that is, for the incomplete adherence to a criterion, the issuer was penalized immediately by one point.

Classification of scores

In order to assess changes in corporate governance practices over time, we are continuing to break down the examined companies into five categories, based on the points they received from the ratings results.

"Investable" categories:

- Quality (category **Q**) – this category consists of companies earning no less than 9 of 10 points.
- Above Average (**AA**) – consists of companies with a score of 7.0 to 8.5.

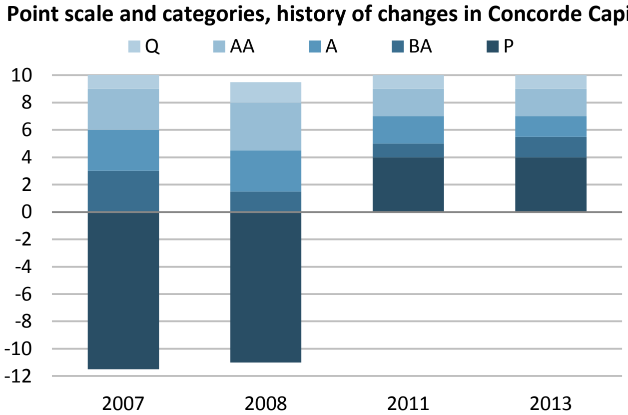
We consider the companies falling into the first two categories as open, having a quality system of corporate governance (from the point of view of the securities market). Using the terminology of ratings agencies, the companies of the first two categories have an "investable" level of corporate governance standards.

"Risky" categories:

- Average (**A**) – scores between 5.5 and 6.5.
- Below Average (**BA**) – companies with scores between 4.0 and 5.0.
- Poor (category **P**) – companies showing a weak result, with scores of 3.5 or lower.

We consider companies from these categories insufficiently open, practicing not the best corporate governance standards. The demonstration of their standards and practices (as indicated by positive points in our survey) are nonsystemic and may even have a random nature. As our analysis shows, there's a high risk that companies from these categories will lose their public status. Moreover, some of them are such that they never became truly public, in the greater sense.

Point scale and categories, history of changes in Concorde Capital CG surveys



	2007	2008	2011	2013
Q	9.0 - 11.0	8.0 - 9.5	9.0 - 10.0	9.0 - 10.0
AA	6.0 - 8.5	4.5 - 7.5	7.0 - 8.0	7.0 - 8.5
A	3.0 - 5.5	1.5 - 4.0	5.0 - 6.0	5.5 - 6.5
BA	0.0 - 2.5	0.0 - 1.0	4.0	4.0 - 5.0
P	-11.5 to -0.5	-11.0 to -0.5	0.0 - 3.0	0.0 - 3.5

Source: Concorde Capital research

Selection of issuers for the survey

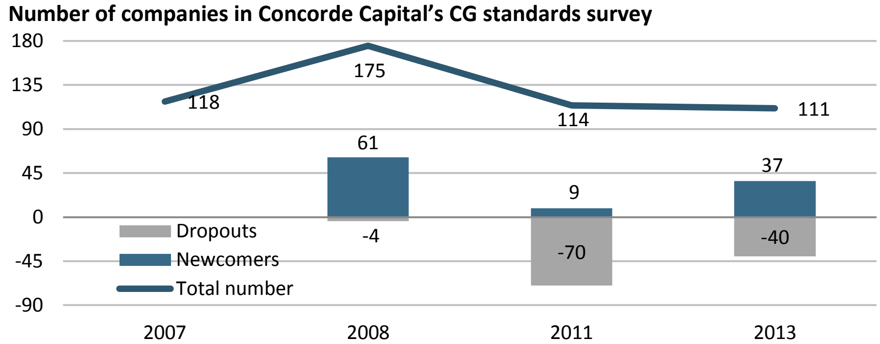
Taking into account the growing interest of securities market players in debt instruments, we included in our new survey bond issuers, both foreign and local. As earlier, the main group of surveyed companies remains the issuers of stocks (Ukrainian companies, or companies whose main business is conducted in Ukraine).

The criteria that we used in selecting the participants of the new survey changed little. We chose issuers of stocks that are actively traded on exchanges, as well as issuers showing strong results in our surveys of prior years. Overall, the group of surveyed companies represents, in our view, instruments in which there's a theoretical possibility of investing in.

As compared with the previous rating, we excluded quite a large group – 40 stock issuers, for which researching corporate governance standards no longer has any sense, in our view. The main reason for their exclusion was traditionally low scores in the results of previous surveys, a significant decline in the market liquidity of the issuers' securities, or their ending their activity. We examine these former companies in more detail on pages 26-27 of the given survey. A full list is offered in Appendix II.

Other than that, our survey includes 11 fresh stock issuers, nine of which are relative newcomers to the securities market. Also we included 12 issuers of Eurobonds (all issuers from Ukraine at the time of the survey's release) and 12 issuers of local bonds.

Number of companies in Concorde Capital's CG standards survey



Sources: Concorde Capital research

As a result, a significant replenishing of survey subjects has occurred: in our new survey, there were 58 issuers from the 2007 survey (49% of the total amount in 2007), 67 issuers from the 2008 survey (38%) and 70 remained from the 2011 survey (62%).

RATINGS SUMMARY

Ratings results 2013 (stock issuers)

Company	Ticker	Reporting & disclosure: Auduted IFRS Accounts	Reporting & disclosure: Quality of accounts	Reporting & disclosure: Onweship Structure	Reporting & disclosure: Corporate Information	Minority rights: Institutional Investors	Minority rights: Board Representation	Minority rights: Strategic Risks	Openness: Management / /IR Access	Openness: Public Face	Openness: Website	Total Score	Rating Category	Categories of Previous Surveys: 2011	Categories of Previous Surveys: 2008	Categories of Previous Surveys: 2007
Astarta	AST PW	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**	Q	Q	Q
Kernel	KER PW	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**	AA	Q	-
Megabank	MEGA UK*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**	Q	AA	AA
Myronivsky Hliboproduct	MHPC LI*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**	Q	-	-
Ukrproduct Group	UKR LN	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**	AA	Q	AA
Milkiland	MLK PW	1.0	1.0	1.0	0.5	1.0	1.0	1.0	1.0	1.0	1.0	**9.5**	**Q**	Q	-	-
Ferrexpo	FXPO LN*	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	**9.0**	**Q**	Q	Q	-
JKX Oil & Gas	JKX LN	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	**9.0**	**Q**	Q	Q	Q
Black Iron	BKI CN	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	**9.0**	**Q**	-	-	-
Coal Energy	CLE PW	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	**9.0**	**Q**	-	-	-
Industrial Milk Company	IMC PW	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	**9.0**	**Q**	-	-	-
KDM Shipping	KDM PW	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	**9.0**	**Q**	-	-	-
Kulczyk Oil Ventures	KOV PW	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	**9.0**	**Q**	-	-	-
Ovostar Union	OVO PW	1.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**9.0**	**Q**	-	-	-
Galnaftogaz	GLNG UK	1.0	1.0	1.0	0.5	1.0	1.0	1.0	1.0	1.0	0.5	**9.0**	**Q**	Q	Q	Q
Ukrsotsbank	USCB UK*	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.5	1.0	1.0	**8.5**	**AA**	AA	Q	AA
Regal Petroleum	RPT LN	1.0	1.0	1.0	0.5	1.0	1.0	1.0	0.5	1.0	0.5	**8.5**	**AA**	Q	Q	Q
Universalna Insurance Company	SKUN UK	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	**8.5**	**AA**	AA	Q	AA
KSG Agro	KSG PW	1.0	1.0	1.0	0.5	1.0	1.0	0.0	1.0	1.0	1.0	**8.5**	**AA**	-	-	-
Avangard	AVGR LI	1.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	1.0	1.0	**8.0**	**AA**	AA	-	-
DUPD	DUPD LN	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.0	1.0	**8.0**	**AA**	-	-	-
East Coal	ECX CN	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.5	1.0	0.5	**8.0**	**AA**	-	-	-
Bogdan Motors	LUAZ UK	1.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	1.0	0.5	**7.5**	**AA**	AA	Q	BA
Raiffeisen Bank Aval	BAVL UK*	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.0	1.0	0.5	**7.5**	**AA**	AA	AA	AA
CUB Energy	KUB CN	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	**7.5**	**AA**	-	-	-
Mriya Agroholding	MAYA GR*	1.0	1.0	1.0	0.5	1.0	0.0	0.0	1.0	1.0	1.0	**7.5**	**AA**	Q	-	-
TMM Real Estate	TR61 GR	1.0	0.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.5	**7.5**	**AA**	Q	Q	-
XXI Century Investments	XXIC LN	1.0	1.0	1.0	0.5	1.0	1.0	0.0	1.0	0.0	1.0	**7.5**	**AA**	AA	Q	Q
Khlibprom	HLPR UK*	0.5	1.0	1.0	1.0	0.0	0.0	1.0	1.0	1.0	0.5	**7.0**	**AA**	Q	A	-
Azovstal	AZST UK	0.5	0.0	1.0	1.0	1.0	0.0	1.0	0.5	1.0	1.0	**7.0**	**AA**	AA	AA	A
Turboatom	TATM UK	0.0	1.0	1.0	1.0	0.0	0.0	1.0	1.0	1.0	1.0	**7.0**	**AA**	A	A	A
Avdiivka Coke	AVDK UK	0.0	0.0	1.0	1.0	1.0	0.0	1.0	0.5	1.0	1.0	**6.5**	**A**	A	A	P
Cadogan Petroleum	CAD LN	1.0	1.0	1.0	0.0	1.0	1.0	1.0	0.0	0.0	0.5	**6.5**	**A**	Q	-	-
Centrenergo	CEEN UK	0.0	1.0	1.0	1.0	1.0	0.0	0.0	0.5	1.0	1.0	**6.5**	**A**	A	AA	AA
Central Iron Ore	CGOK UK	0.0	1.0	1.0	1.0	0.0	0.0	1.0	0.5	1.0	1.0	**6.5**	**A**	AA	BA	A
Forum Bank	FORM UK*	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.5	1.0	1.0	**6.5**	**A**	AA	Q	Q
Kharkivoblenergo	HAON UK	0.0	1.0	1.0	1.0	0.0	0.0	1.0	0.5	1.0	1.0	**6.5**	**A**	A	AA	BA
Khartsyzsk Pipe	HRTR UK	0.5	1.0	1.0	1.0	0.0	0.0	1.0	0.0	1.0	1.0	**6.5**	**A**	AA	AA	A
Sadovaya Group	SGR PW	1.0	0.0	1.0	0.5	1.0	0.0	0.0	1.0	1.0	1.0	**6.5**	**A**	Q	-	-
Sintal Agriculture	SNPS AV	0.5	1.0	1.0	0.5	1.0	0.0	0.0	1.0	1.0	0.5	**6.5**	**A**	Q	-	-
WESTA ISIC	WES PW	1.0	0.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	1.0	**6.0**	**A**	-	-	-
Donbasenergo	DOEN UK	0.0	1.0	1.0	0.5	1.0	0.0	1.0	1.0	0.0	0.5	**6.0**	**A**	A	AA	A
Yenakiieve Steel	ENMZ UK	0.5	0.0	1.0	1.0	0.0	0.0	1.0	0.5	1.0	1.0	**6.0**	**A**	P	A	BA
KDD Group	KDDG LN	1.0	1.0	1.0	0.5	1.0	1.0	0.0	0.0	0.0	0.5	**6.0**	**A**	AA	Q	-
Kyivenergo	KIEN UK	0.5	1.0	1.0	1.0	0.0	0.0	0.0	0.5	1.0	1.0	**6.0**	**A**	P	A	BA
ArcelorMittal Kryviy Rih	KSTL UK	1.0	0.0	1.0	1.0	0.0	0.0	1.0	0.0	1.0	1.0	**6.0**	**A**	A	AA	AA
Mariupol Ilyich Metallurgical Plant	MMKI UK	0.5	0.0	1.0	1.0	0.0	0.0	1.0	0.5	1.0	1.0	**6.0**	**A**	P	BA	P
Motor Sich	MSICH UK	0.0	1.0	0.0	0.5	1.0	0.0	1.0	0.5	1.0	1.0	**6.0**	**A**	A	AA	AA

**Issuer of both stocks and bonds.*

Ratings results 2013 (stock issuers, continuation)

		Results of 2013 Survey												Categories of Previous Surveys		
		Reporting & disclosure				Minority rights			Openness							
Company	Ticker	Auduted IFRS Accounts	Quality of accounts	Onweship Structure	Corporate Information	Institutional Investors	Board Representation	Strategic Risks	Management / /IR Access	Public Face	Website	**Total Score**	**Rating Category**	2011	2008	2007
Northern Iron Ore	SGOK UK	0.0	1.0	1.0	1.0	0.0	0.0	0.0	0.5	1.0	1.0	**5.5**	**A**	AA	A	A
Southern Iron Ore	PGZK UK	0.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	1.0	0.5	**5.5**	**A**	A	A	P
Prykarpattiaoblenergo	PREN UK	0.0	1.0	0.0	1.0	0.0	0.0	1.0	0.5	1.0	1.0	**5.5**	**A**	A	A	BA
Ukrtelecom	UTLM UK*	0.5	1.0	0.0	1.0	1.0	0.0	0.0	0.5	1.0	0.5	**5.5**	**A**	P	AA	AA
Zhytomyroblenergo	ZHEN UK*	0.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	1.0	0.5	**5.5**	**A**	P	A	BA
Dniprooblenergo	DNON UK	0.0	1.0	1.0	0.5	0.0	0.0	1.0	0.5	0.0	1.0	**5.0**	**BA**	A	A	BA
Secure Property Development	SPDI LN	1.0	1.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	1.0	**5.0**	**BA**	A	Q	-
Zaporizhcoke	ZACO UK	0.5	1.0	1.0	0.5	0.0	0.0	1.0	0.0	1.0	0.0	**5.0**	**BA**	P	BA	P
Creativ Group	CRGR UK*	1.0	1.0	0.0	0.5	1.0	0.0	1.0	0.0	0.0	0.5	**5.0**	**BA**	A	Q	-
Agroton	AGT PW*	1.0	0.0	1.0	0.5	1.0	0.0	0.0	0.5	0.0	0.5	**4.5**	**BA**	AA	-	-
Petrovskiy Metallurgical Plant	DMZP UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.0	1.0	1.0	**4.5**	**BA**	P	BA	-
Khmelnytskoblenergo	HMON UK	0.0	1.0	1.0	0.5	0.0	0.0	1.0	0.0	0.0	1.0	**4.5**	**BA**	A	AA	AA
AvtoKrAZ	KRAZ UK	0.0	1.0	1.0	0.5	0.0	0.0	0.0	0.0	1.0	1.0	**4.5**	**BA**	A	A	BA
Krymenergo	KREN UK	0.0	1.0	1.0	0.5	0.0	0.0	1.0	0.5	0.0	0.5	**4.5**	**BA**	A	A	P
Kryukiv Railcar	KVBZ UK	0.0	1.0	0.0	0.5	0.0	0.0	1.0	0.0	1.0	1.0	**4.5**	**BA**	P	A	BA
Pokrovske Mine	SHCHZ UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.5	1.0	0.5	**4.5**	**BA**	P	A	BA
Komsomolets Donbassa Mine	SHKD UK	0.5	0.0	1.0	0.5	0.0	0.0	1.0	0.5	1.0	0.0	**4.5**	**BA**	P	A	A
Stirol	STIR UK	0.0	1.0	1.0	0.5	0.0	0.0	1.0	0.5	0.0	0.5	**4.5**	**BA**	P	AA	AA
Yasynivka Coke	YASK UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.5	1.0	0.5	**4.5**	**BA**	P	A	P
Zakhidenergo	ZAEN UK	0.0	1.0	1.0	0.5	1.0	0.0	0.0	0.5	0.0	0.5	**4.5**	**BA**	P	AA	A
Dniproenergo	DNEN UK	0.5	1.0	1.0	0.0	0.0	0.0	0.0	0.5	0.0	1.0	**4.0**	**BA**	A	A	A
United Media Holding	A65 GR	0.5	0.0	0.0	0.5	0.0	0.0	1.0	0.5	1.0	0.5	**4.0**	**BA**	AA	-	-
Dniprovsky Iron and Steel	DMKD UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.0	1.0	0.5	**4.0**	**BA**	P	P	P
Dniprovahonmash	DNVM UK	0.0	1.0	1.0	0.5	0.0	0.0	1.0	0.0	0.0	0.5	**4.0**	**BA**	Q	P	P
Donetsk Iron and Steel	DOMZ UK	0.5	0.0	1.0	0.5	0.0	0.0	1.0	0.5	0.0	0.5	**4.0**	**BA**	Q	BA	P
Luganskteplovoz	LTPL UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.5	1.0	1.0	**4.0**	**BA**	A	A	BA
Zaporizhtransformator	ZATR UK	0.0	1.0	1.0	0.0	0.0	0.0	1.0	0.0	1.0	0.0	**4.0**	**BA**	A	A	BA
Alchevsk Coke	ALKZ UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.5	0.0	0.5	**3.5**	**P**	P	BA	P
Alchevsk Steel	ALMK UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.5	1.0	0.5	**3.5**	**P**	P	BA	P
Nyzhnodniprovskiy Pipe	NITR UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.0	1.0	0.0	**3.5**	**P**	A	AA	AA
Novomoskovskiy Pipe	NVTR UK	0.0	0.0	1.0	0.5	0.0	0.0	1.0	0.0	1.0	0.0	**3.5**	**P**	A	A	BA
Ukrnafta	UNAF UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.5	1.0	0.5	**3.5**	**P**	P	A	AA
Poltava Iron Ore	PGOK UK	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	1.0	0.0	**3.0**	**P**	P	A	A
Sumy Frunze Machinery	SMASH UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.0	1.0	0.5	**3.0**	**P**	P	A	BA
Mostobud	MTBD UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.5	0.0	0.5	**2.5**	**P**	A	A	-
Stakhanov Railcar	SVGZ UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.0	1.0	0.0	**2.5**	**P**	P	A	P
Zaporizhstal	ZPST UK	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.0	1.0	0.0	**2.5**	**P**	P	BA	P
MCB Agricole	4GW1 GR	0.5	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	**1.5**	**P**	Q	AA	-
UkrAvto	AVTO UK	0.0	0.0	0.0	0.5	0.0	0.0	1.0	0.0	0.0	0.0	**1.5**	**P**	P	BA	-

**Issuers of both stocks and bonds*

Ratings results 2013 (bond issuers)

		Results of 2013 Survey											
		Reporting & disclosure				Investor rights			Openness				
Company	Ticker	Auduted IFRS Accounts	Quality of accounts	Onweship Structure	Corporate Information	Institutional Investors **	Board Representation **	Strategic Risks	Management / /IR Access	Public Face	Website	**Total Score**	**Rating Category**
DTEK	DTEKUA	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**
Metinvest	METINV	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**
First Ukrainian Intern'l Bank	PUMBUZ	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**
Megabank	Megabank*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**
Myronivsky Hliboproduct	MHPSA*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**10.0**	**Q**
Ukreximbank	EXIMUK	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	**9.5**	**Q**
Platinum Bank	Platinum-Bank	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	**9.5**	**Q**
Ukrsotsbank	Ukrsocbank*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	1.0	1.0	**9.5**	**Q**
Bank Khreschatyk	Bank-Hrewatik	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**9.0**	**Q**
ProCredit Bank	ProKredit-Bank	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	**9.0**	**Q**
VAB Bank	VABANK	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	**9.0**	**Q**
Ferrexpo	FXPOLN*	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	**9.0**	**Q**
Avangard	AVINPU*	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	**9.0**	**Q**
Oschadbank	OSCHAD	1.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	**8.5**	**AA**
UkrSibbank	Ukrsib	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.0	1.0	**8.5**	**AA**
Mriya Agroholding	MRIYA*	1.0	1.0	1.0	0.5	1.0	1.0	0.0	1.0	1.0	1.0	**8.5**	**AA**
Raiffeisen Bank Aval	Raiffeisen_Bank_Aval*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.5	**8.5**	**AA**
Forum Bank	Bank-Forum*	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.5	1.0	1.0	**8.5**	**AA**
VTB Bank Ukraine	VTB_Bank_Ukraine	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.5	**8.5**	**AA**
Khlibprom	Koncern-Hlebprom*	0.5	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	0.5	**8.0**	**AA**
Prominvestbank	Prominvestbank	0.5	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.5	**8.0**	**AA**
Zhytomyroblenergo	Zhitomirobljenergo*	0.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.5	**7.5**	**AA**
Ilyich-Agro Donbass (HarvEast)	Ilyich-Agro_Donbas	0.0	0.0	1.0	0.5	1.0	1.0	1.0	1.0	1.0	0.5	**7.0**	**AA**
Privat Bank	PRIVAT	0.5	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.5	**7.0**	**AA**
Credit Agricole Bank	Credit_Agricole	1.0	1.0	1.0	0.5	1.0	1.0	1.0	0.0	0.0	0.5	**7.0**	**AA**
Naftogaz of Ukraine	NAFTO	1.0	0.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	0.5	**6.5**	**A**
Ukrtelecom	Ukrtelekom*	0.5	1.0	0.0	1.0	1.0	1.0	0.0	0.5	1.0	0.5	**6.5**	**A**
Interpipe	INPIP	0.0	0.0	1.0	0.5	1.0	1.0	1.0	0.0	1.0	0.5	**6.0**	**A**
Ukrlandfarming	UKRLAN	1.0	1.0	1.0	0.5	1.0	1.0	0.0	0.0	0.0	0.5	**6.0**	**A**
Agromat	Agromat	0.0	1.0	1.0	0.5	1.0	1.0	1.0	0.0	0.0	0.5	**6.0**	**A**
Druzhba Nova	Druzhba-Nova	0.0	1.0	0.0	0.5	1.0	1.0	1.0	0.0	1.0	0.5	**6.0**	**A**
Nadra Bank	NADRA	1.0	0.0	1.0	0.5	1.0	1.0	0.0	0.0	1.0	0.5	**6.0**	**A**
Creativ Group	PJSC_Creative*	1.0	1.0	0.0	0.5	1.0	1.0	1.0	0.0	0.0	0.5	**6.0**	**A**
SK-Agro (Agrotrade)	SK-Agro	0.0	1.0	0.0	0.5	1.0	1.0	0.0	0.5	1.0	0.5	**5.5**	**A**
Finances & Credit Bank	FICBUA	0.5	1.0	0.0	0.5	1.0	1.0	0.0	0.0	1.0	0.5	**5.5**	**A**
Burat-Agro	Burat-Agro	0.0	0.0	1.0	0.5	1.0	1.0	1.0	1.0	0.0	0.0	**5.5**	**A**
Agroton	AGTPW*	1.0	0.0	1.0	0.5	1.0	1.0	0.0	0.5	0.0	0.5	**5.5**	**A**

**Issuers of both stocks and bonds*

*** The given criteria aren't considered for bond issuers. To compare them with stock issues, a point is awarded to the bond issuer of the given category.*

Leaders by category

Foreign stock issuers

Company	Ticker	Score	Category
Astarta	AST PW	10.0	Q
Kernel	KER PW	10.0	Q
Myronivsky Hliboproduct	MHPC LI	10.0	Q
Ukrproduct Group	UKR LN	10.0	Q
Milkiland	MLK PW	9.5	Q
Ferrexpo	FXPO LN	9.0	Q
Black Iron	BKI CN	9.0	Q
Coal Energy	CLE PW	9.0	Q
Industrial Milk Company	IMC PW	9.0	Q
JKX Oil & Gas	JKX LN	9.0	Q
KDM Shipping	KDM PW	9.0	Q
Kulczyk Oil Ventures	KOV PW	9.0	Q
Ovostar Union	OVO PW	9.0	Q

Local stock issuers

Company	Ticker	Score	Category
Megabank	MEGA UK	10.0	Q
Galnaftogaz	GLNG UK	9.0	Q
Ukrsotsbank	USCB UK	8.5	AA
Universalna Insurance Co.	SKUN UK	8.5	AA
Bogdan Motors	LUAZ UK	7.5	AA
Raiffeisen Bank Aval	BAVL UK	7.5	AA
Khlibprom	HLPR UK	7.0	AA
Azovstal	AZST UK	7.0	AA
Turboatom	TATM UK	7.0	AA

Eurobond issuers

Company	Ticker	Score	Category
DTEK	DTEKUA	10.0	Q
Metinvest	METINV	10.0	Q
First Ukrainian Intern'l Bank	PUMBUZ	10.0	Q
Myronivsky Hliboproduct	MHPSA	10.0	Q
Ukreximbank	EXIMUK	9.5	Q
VAB Bank	VABANK	9.0	Q
Ferrexpo	FXPOLN	9.0	Q
Avangard	AVINPU	9.0	Q
Oschadbank	OSCHAD	8.5	AA
Mriya Agroholding	MRIYA	8.5	AA

Local bond issuers

Company	Ticker	Score	Category
Megabank	Megabank	10.0	Q
Platinum Bank	Platinum-Bank	9.5	Q
Ukrsotsbank	Ukrsocbank	9.5	Q
Bank Khreschatyk	Bank-Hrewatik	9.0	Q
ProCredit Bank	ProKredit-Bank	9.0	Q
UkrSibbank	Ukrsib	8.5	AA
Raiffeisen Bank Aval	Raiffeisen_Bank_Aval	8.5	AA
VTB Bank Ukraine	VTB_Bank_Ukraine	8.5	AA
Forum Bank	Bank-Forum	8.5	AA

HISTORICAL ASPECT

The constant replenishing of lists creates the illusion of progress

Having in our hands the results of the already fourth survey of corporate governance standards, covering a period of more than seven years of studying Ukrainian issuers, we concentrated on an analysis of changes in standards and practices during that time period. And here are the main conclusions we arrived at:

- Although strong practices of corporate governance and investor relations are being undertaken by an ever greater number of companies in Ukraine, the vast majority of companies with better practices are relative newcomers to the securities market. That is to say, the new blood is the main source of supporting the high standards.
- But not everything is so fine with newcomers to the capital markets: only a few of the newcomers that we've examined in past surveys maintained or improved their high positions in subsequent ratings. What's being observed is a process of fatigue from maintaining high standards: former newcomers on average slip quicker in our new ratings and more often drop out of our subsequent surveys altogether.

As a rule, newcomers to our surveys are companies that have debuted on the capital markets. At the beginning, debutantes at least tried to uphold high standards required by the market, overlooking the effort and costs and involved. However:

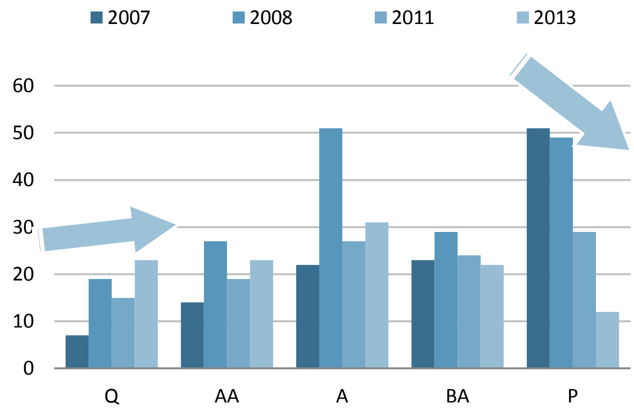
- As long as debutantes saw a benefit from the securities market, they took on such expenses. But with time, many of them stopped seeing the benefit and withdrew from maintaining high standards.
- Some debutantes made efforts only for the sake of showing themselves in the best light before gaining financing on the capital markets. After the placements, they stopped trying to prove anything. Meaning, some time after their entry, the impression remained "by inertia" on the markets that these companies adhere to high standards and retain some level of openness with information. That was also reflected in our high ratings, which subsequently were significantly lowered.

Therefore, we are glad for the successful debutantes of our survey, but especially want to make note of the high-quality veterans not blown away to the outskirts by the winds of change.

Evolution of ratings: removing the dead weight and drawing new blood

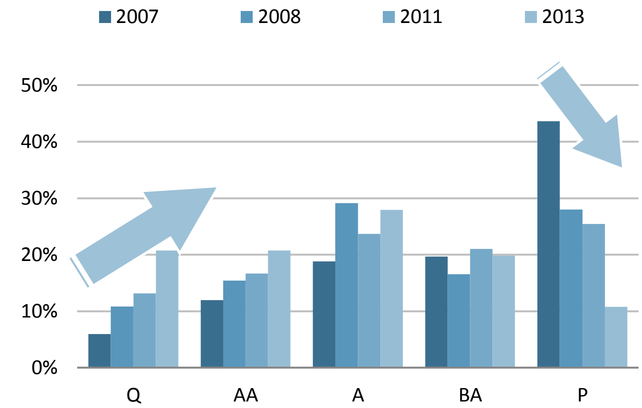
As with previous surveys, we gained an encouraging result: the number and proportion of companies adhering to the best corporate governance standards are growing with each new survey of ours.

Number of companies by CG rating categories



Source: Concorde Capital research

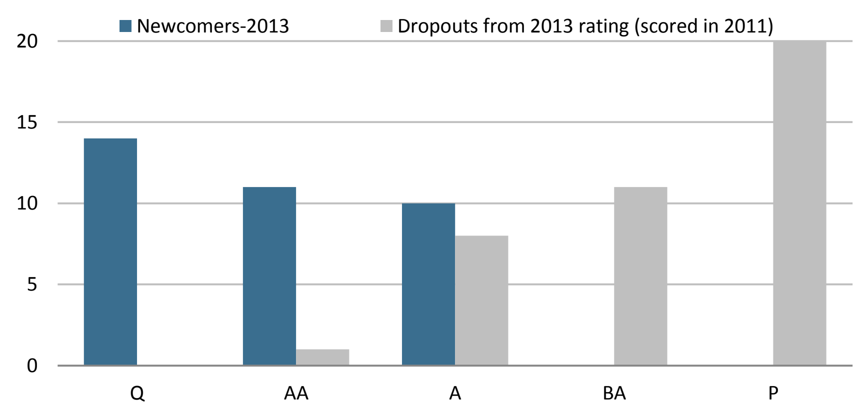
Distribution of companies by CG rating categories



Source: Concorde Capital research

But in contrast to previous surveys, in which we reached optimistic conclusions, now this improvement isn't cause for joy. After all, the strong result was achieved because of the survey's replenishment with quality newcomers and departure of unsuccessful companies (from the point of view of the securities market, as well as corporate governance). Besides that, we attribute the growth in the number of issuers in the "investable" categories (Q and AA) to the inclusion of debt issuers.

Distribution of 2013 debutantes and those from 2011 dropping out of the new survey



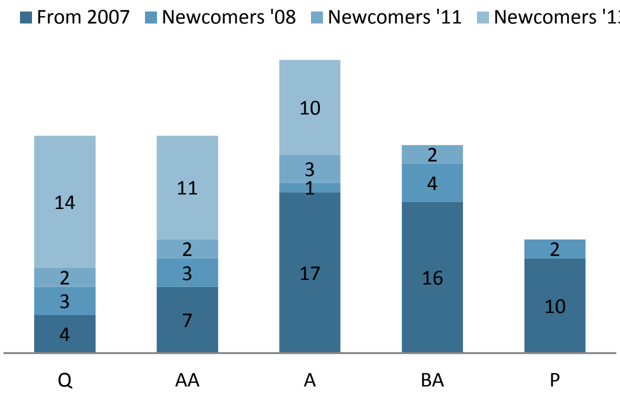
Sources: Concorde Capital research

On the one hand, this evolutionary process in our ratings can be called natural selection: the worse issuers are squeezed out by the newer and better ones. On the other hand, we understand that under the current conditions of the securities markets, a renewal in the ranks of public companies can be a long wait. Without new faces, the overall scores of our next ratings can suffer greatly.

Debutantes – the main factor in improvement

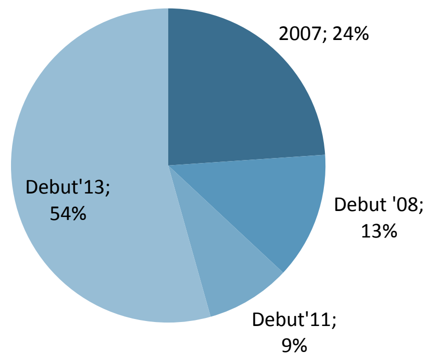
As evident in the below diagrams, more than half of the companies whose corporate governance standards we classified as above average or quality appeared in our ratings only in 2013. Although we note that the highest two categories include veterans from 2007, as well as debutantes from each of our previous surveys.

Distribution of 2013 ratings based on when companies debuted in our ratings



Source: Concorde Capital research

Distribution of Q and AA companies in the 2013 rating

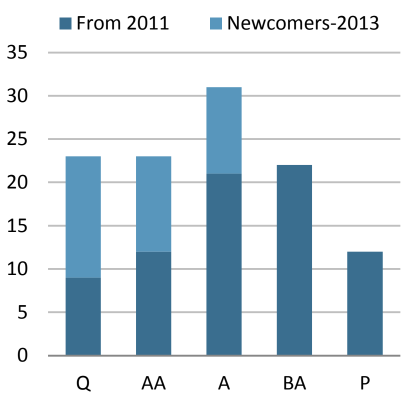


Source: Concorde Capital research

As apparent in the graphs below, debutantes demonstrated good results not only in this survey, but in prior ones.

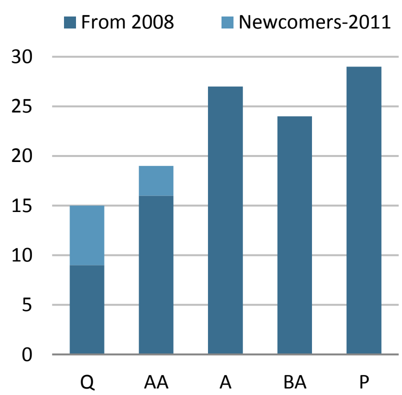
Debutantes' influence on ratings (by number of companies)

2013 rating



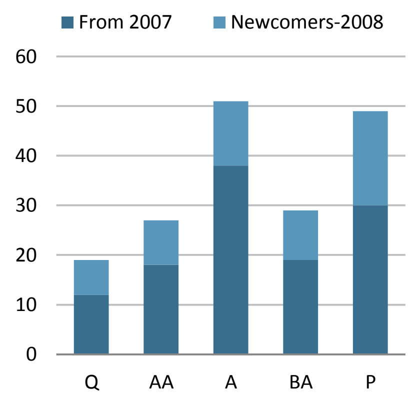
Source: Concorde Capital research

2011 rating



Source: Concorde Capital research

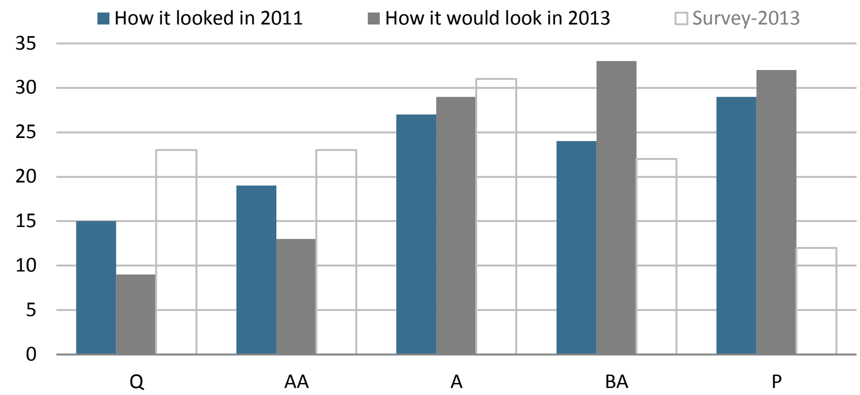
2008 rating



Source: Concorde Capital research

If not for the newcomers in the 2013 survey, and if we didn't throw out the dead weight of the previous one (assuming that the scores of the dead-weight companies remained the same), our breakdown by rating categories would have looked more pitiful, as shown in the graph below.

How the 2013 ratings would have looked with only the 2011-survey companies included



Source: Concorde Capital research

New blood spoils quicker

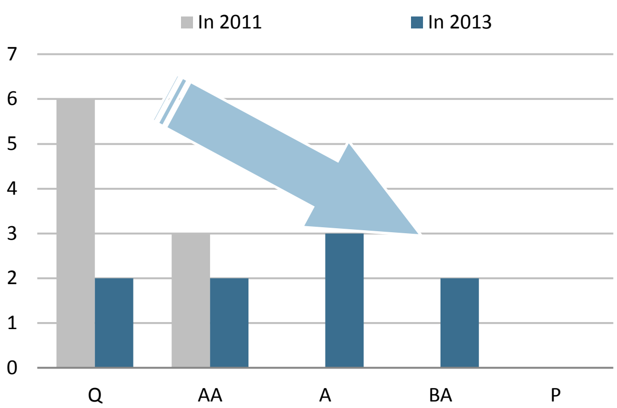
Newcomers to the capital markets – entering them with high corporate governance standards (or the imitation of such standards) – with time noticeably worsen their cooperation with investors, on average.

The newcomers of our 2008 survey showed a truly depressing result over time. Of 20 companies that we positioned in 2008 as “new blood” (companies having recently emerged on the exchanges and offering much hope):

- Only four showed an above average or quality results in this survey (compared to 14 in 2008),
- Eight of them didn’t appear in our next survey (in 2011),
- Another two dropped out of our survey this year.

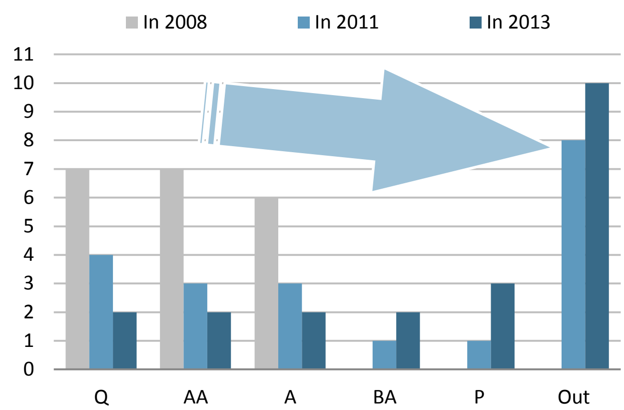
The rule of “newcomers fatigue” from high standards extends not only to the companies that flooded the securities markets in the boom period of 2006-2008, when investor requirements were low regarding the quality of information disclosure and corporate governance standards. The participants of post-crisis placements (newcomers of the 2011 survey) also showed a noticeable worsening of standards.

How the 2011 newcomers looked:



Source: Concorde Capital research

How the 2008 newcomers looked*:

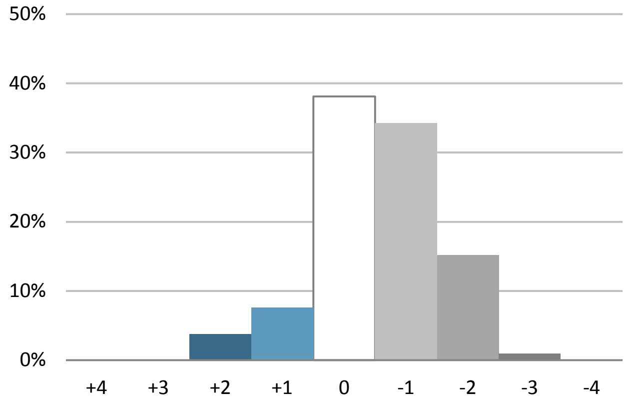


** Designated in 2008 as “new blood”*
Source: Concorde Capital research

Regress prevails over progress

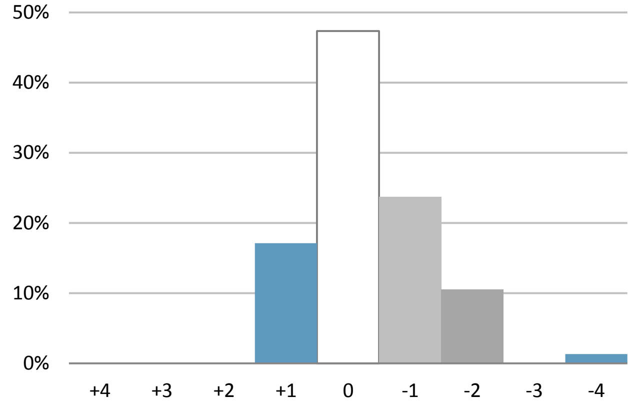
As our time series results demonstrate, there are many more companies whose results worsened than having improved. But what give us hope is the majority of companies are preserving their positions in the ratings.

Changes In rating categories*, 2011 versus 2008



** Growth in one category: for example, growth from category A in 2008 to category AA in 2011*
Source: Concorde Capital research

Changes in rating categories*, 2013 versus 2011

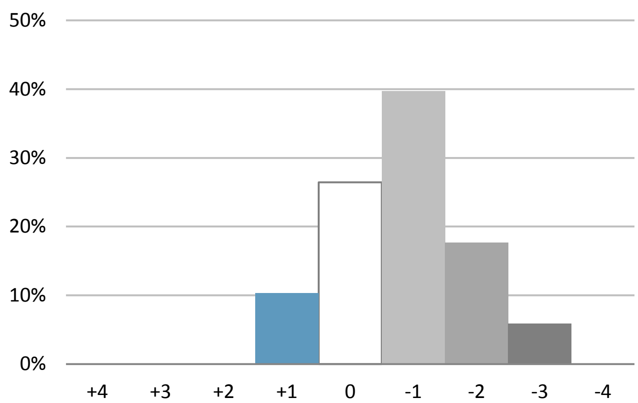


** Growth in one category: for example, growth from category AA in 2011 to category Q in 2013*
Source: Concorde Capital research

It's notable that those remaining in the 2013 survey demonstrated better results compared with their scores of the earliest survey from 2007. That's truly withstanding the test of time!

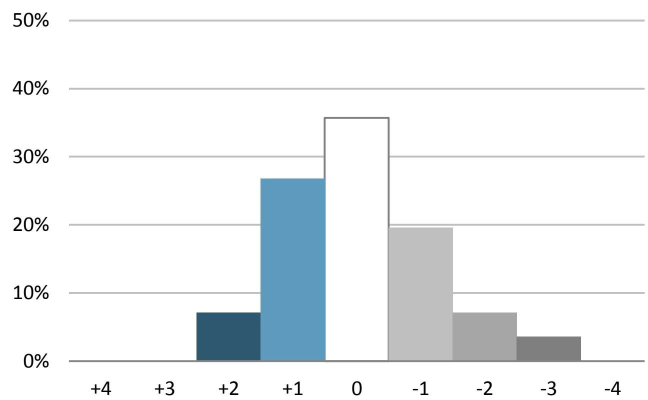
Compared with the 2008 survey, only six companies improved their position in 2013 (in one category at that), and an entire 43 companies worsened their position (and that's only from among the "survivors." There's another 110 companies from that survey that simply didn't enter our 2013 survey). That survey featured the largest number of companies and a general optimism prevailed regarding the future of the Ukrainian stock market.

Changes in rating categories*, 2013 versus 2008



** Declines in two categories: for example, falling from category AA in 2008 to category BA in 2013*
Source: Concorde Capital research

Changes in rating categories*, 2013 versus 2007



** Growth in two categories: for example, rising from category A in 2007 to category Q in 2013-*
Source: Concorde Capital research

About those who showed progress

With such a result, we believe it's all the more important to focus on those companies that managed to significantly improve, or preserve their high results over time.

2013 rating versus 2011: Ukrproduct, Kernel, Turboatom

In our new survey, there wasn't a single company that improved its standards significantly (that is, immediately rising two categories higher in the ratings) compared with the prior one. However, there were as many as 13 companies that rose in the ratings by one category. Many more worsened their positions: 18 companies fell by one category, eight by two categories and one by four.

Changes in rating categories in 2013 compared with 2011

Their 2011 categories	2013 categories: Q	AA	A	BA	P
Q	**7**	4	3		1
AA	2	**7**	5	2	
A		1	**8**	9	3
BA			5	**6**	
P				5	**8**

Most important changes:

Q	AA	A	BA	P
UKR LN	TATM UK	SGR PW	U.M.H.	MCB Agricole
KER PW		SNPS AV	AGT PW	NVTR UK
		CAD LN		MTBD UK
				LTPL UK

Source: Concorde Capital research

Of those improving their positions, we make note of only those that skipped into the top two categories:

Kernel changed for the better and we changed our attitude towards it. Kernel got a low mark in the previous survey for access to management (the company has shown progress here). Additionally, we noted high strategic risks in the previous survey, the most recent being related to an acquisition of a company that was contested by its minority shareholders. Despite the remaining possibility of such aggressive takeovers by Kernel, this time we don't consider it a risk for Kernel's minority shareholders. Meaning, the dissatisfaction of minority shareholders of acquired companies speaks to Kernel doing the most it can to increase its own value (and value for its shareholders).

Ukrproduct showed noticeable improvement. In the previous rating, it received low marks on its access to management and publicity (the company has noticeably improved here). Besides that, the company showed a strong result in our new criterion with the presence of an independent director.

Turboatom became more open. The company pleasantly surprised us with the accessibility of its leadership. We also reconsidered our view of the company's strategic risks (which were earlier rooted in conflicts between large minority shareholders).

Although we wrote above that we don't want to focus on companies that worsened in their standards and practices, we nevertheless can't avoid mentioning them at least in passing. We want to single out several of the biggest disappointments:

MCB Agricole and **U.M.H.** – companies that had earlier been "at their peak" and now have practically decided not to be public.

Sintal and **Sadovaya Group** had earlier been in the highest category of our rating. Though they fell immediately by two categories, we should note that the drop could be temporary. Their declines stem from strategic risks that emerged last year (though not at the companies' fault), as well as the survey becoming more challenging with the introduction of the criterion of independent board representation (in which the companies gained no points).

Agroton appears to be an exceptional case in this group – the company also fell by two categories, but in this case, entirely of its own fault. It all began with its attempts to increase its share of dollar-denominated earnings in 2011 in order to more successfully raise Eurobonds, and concluded with the qualified opinion of auditors in 2012, two consecutive downgrades in its credit rating in 2012-2013 and the company's refusal to offer explanations.

Cadogan Petroleum showed an inadequate ability to disclose corporate information and report on its activity (other than required exchange announcements) and its representatives were inaccessible. Having earlier been an almost model company, Cadogan turned out to be unexpectedly closed – and that's despite being one of the few that met our new criterion of having independent board representatives.

2013 versus 2007: four issuers skipped some rungs

It's no surprise that the biggest changes in our survey have been in comparison to our debut survey. As seen below, not all of them are inspiring – of the remaining companies appearing in the debut survey as having "quality" standards, only a third maintained them after six years. Even fewer remained in the "above average" category from those in 2007.

Changes in rating categories in 2013 compared with 2007

Their 2007 categories \ 2013 categories	Q	AA	A	BA	P
Q	**3**	2	1		
AA	2	**3**	4	2	2
A		2	**4**	3	1
BA		1	5	**6**	2
P			3	6	**4**

Most important changes:

MEGA UK	LUAZ UK	PGZK UK	STIR UK	UNAF UK
UKR LN	AZST UK	MMKI UK	HMON UK	NITR UK
	TATM UK	AVDK UK		PGOK UK

Source: Concorde Capital research

But there's also positive news – an entire quartet of companies managed to skip two categories ahead. Among them, we particularly want to make note of Bogdan Motors (LUAZ), which came in our survey at "above average." The last three (PGZK, MMKI, AVDK) apparently also blazed a trail from the furthest back to the middle of the ratings – but we link their success to the improvement in corporate governance practices by their parent companies, mainly in informing the public about their activity.

Four companies from the 2007 survey were able to move into the two highest categories: **Megabank**, **Ukrproduct**, **Azovstal** and the state company **Turboatom**.

About those who stood the test of time

In this section, we will provide more details on the companies that were able to preserve or improve their high positions in our ratings.

We consider those who withstood the test of time (as well as generations of our analysts) as those that have remained from our past surveys and managed to advance into our "investable" category in this year's corporate governance ratings (the "quality" or "above average" categories).

We tallied 21 such companies, of which 13 remained from our debut survey (2007), four debuted in our 2008 and four joined in 2011.

Of all the groups, six companies can be singled out as having qualified for the highest category during all the time that we observed them: **Astarta**, **JKX Oil & Gas**, **Ferrexpo**, **Galnaftogaz**, **MHP** and **Milkiland**.

The top veterans of our surveys (from 2007)

Among the 13 "investable" veterans of our survey, it's worth turning particular attention to companies whose practices have always served as a model for others and that were sources of inspiration for our analysts in compiling the criteria of our ratings:

- **Astarta**, Ukraine's pioneer on the Warsaw Stock Exchange and one of Ukraine's most respected representatives on this exchange;
- Natural gas extraction company **JKX Oil & Gas**, demonstrating the best standards of disclosure of information in its sector;
- **Galnaftogaz**, demonstrating high standards of reporting and a constant readiness to tap the capital markets repeatedly.

Top ratings veterans

	2007	2008	2011	2013
Astarta	Q	Q	Q	Q
JKX Oil & Gas	Q	Q	Q	Q
Galnaftogaz	Q	Q	Q	Q
Megabank	AA	AA	Q	Q
Ukrproduct	AA	Q	AA	Q
Universalna Insurance	AA	Q	AA	AA
Ukrsotsbank	AA	Q	AA	AA
Raiffeisen Bank Aval	AA	AA	AA	AA
Regal Petroleum	Q	Q	Q	AA
XXI Century Investments	Q	Q	AA	AA
Azovstal	A	AA	AA	AA
Turboatom	A	A	A	AA
Bogdan Motors	BA	Q	AA	AA

Source: Concorde Capital research

Some of the survey's most progressive veterans are:

- **Bogdan Motors** – the single company among the leaders of our ratings that leaped two full levels since our debut survey. Moreover, it's the single company in the history of our ratings that skipped three levels in one year (rising from "below average" category in the 2007 survey to "quality" in 2008);
- **Megabank** and **Azovstal** demonstrated improvement in their investor relations practices and have affirmed these improvements over time. It's worth noting that Megabank has turned out to be the single stock issuer trading on local stock exchanges that earned the maximum number of points in our survey.

Top debutantes from previous surveys (2008, 2013)

Among the debutantes of our previous surveys is a trinity of companies that didn't disappoint us in this one: **Ferrexpo**, **MHP** and **Milkiland**.

Also worthy of a mention are **Khlibprom**, which significantly improved its practices as compared with its 2008 debut; and **Kernel**, which managed to improve its relations with minority shareholders as compared to what we observed in our previous surveys.

The best debutantes of previous ratings

	2008	2011	2013
Ferrexpo	Q	Q	Q
Kernel	Q	AA	Q
TMM Real Estate	Q	Q	AA
Khlibprom	A	Q	AA

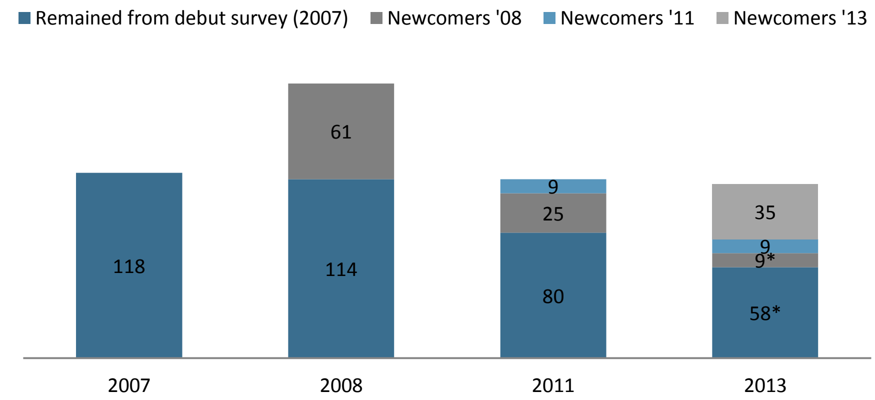
	2011	2013
Myronivsky Hliboproduct	Q	Q
Milkiland	Q	Q
Mriya Agroholding	Q	AA
Avangard	AA	AA

Source: Concorde Capital research

About those who dropped out of our ratings

Our four surveys of corporate governance standards examined a total of 222 companies at various points in time. Among them, 111 were included in this survey. Of the 188 companies that were included in our previous ratings, only 76 companies found a place in this survey, or 40% of those previously analyzed.

Number of companies in all of our surveys, based on year of their debut

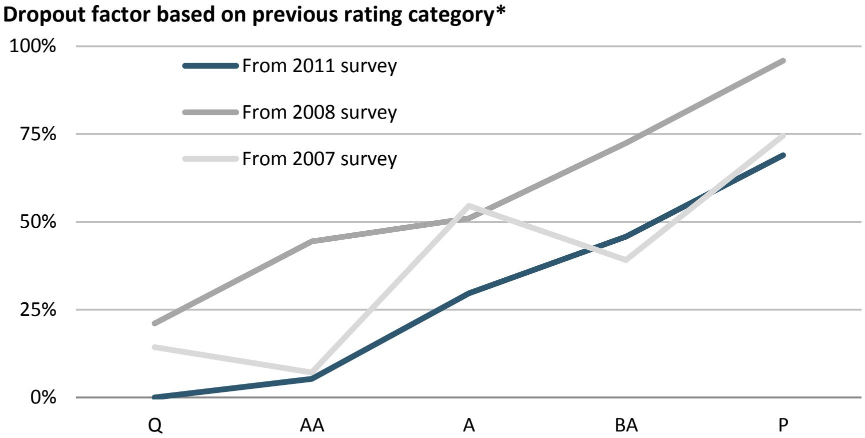


** Of 58 companies, two were not examined in the 2011 survey*
*** Of 9 companies, one was not examined in the 2011 survey*
Source: Concorde Capital research

To optimize our efforts in researching corporate governance standards, we revise our list of companies each time to remove those whose practices raise doubt. In addition, we are constantly replenishing our list with newcomers to the securities markets and companies with the potential for improving their standards to better complete the list of companies with the "investable" rating.

As apparent in our below diagram, almost ¾ of issuers demonstrating poor standards (category "P") in our previous ratings dropped out altogether. That applies to almost half of the issuers whose standards were earlier classified as average (A) or below average (BA). There are also dropouts among companies that earlier demonstrated high standards – we examine them more closely below.

Dropout factor based on previous rating category*



** The share of companies from each category of previous ratings not remaining a subject of our newest survey.*
Source: Concorde Capital survey

Which are these good companies that have dropped out?

The vast majority of companies whose standards we evaluated as "above average" or "quality" remained in our new survey. Nonetheless, the number of companies showing "investable" results in their 2008 survey debut has declined since.

The main reasons for "investable" companies dropping out from our ratings are:

- Cessation of the company's activity or its restructuring;
- Visible indications that the company stopped being public (that mainly applies to companies whose deposit receipts stopped being quoted on the Frankfurt exchange). Of such companies, we kept in our survey two (MCB Agricole and United Media Holding) as an experiment;
- A significant decline in the liquidity of a company's stock, which makes its analysis by us pointless. Of such companies, we kept some representatives of sectors that are actively covered by the analysts of Concorde Capital (machine-building, mining and metallurgical firms and electricity companies).

Dropouts that were "investable" earlier

Company	Highest rating	Year of its highest rating	Year it fell out of our survey	Reason
Cardinal Resources	Q	2007	2008	Ceased to exist
Slavutych	AA	2007, 2008, 2011	2013	Stock became illiquid
Rodovid Bank	Q	2008	2011	Restructured
Ukrgazbank	Q	2008	2011	Restrucutred
Pakko	AA	2008	2011	Became non-public
Landkom	AA	2008, 2011	2013	Acquired
TKS	AA	2008	2011	Became non-public
MKS	AA	2008	2011	Became non-public
Clubhouse	AA	2008	2011	Became non-public
KP Media	AA	2008	2011	Acquired
Vinnifruit	AA	2008	2011	Became non-public
Landwest	AA	2008	2011	Acquired
Ukrinbank	AA	2008	2011	Stock became illiquid
Retail Group	AA	2008	2013	Became non-public
Kredobank	AA	2008	2011	Stock became illiquid
Nord Star Pharmashare	AA	2011	2013	Became non-public

Source: Concorde Capital research

Survey debutantes – 2013

Debt issuers

In this survey, we widened our list of examined companies to include debt issuers. As our 2012 IR Online survey showed, some debt issuers can serve as an example for stock issuers. Therewith a significant growth in interest in the bond market is being noticed, and these instruments are creating more competition for stocks on the securities market.

For that reason, 12 issuers of corporate Eurobonds have joined our list of surveyed companies (those that aren't issuers of stocks). In addition, we have researched the corporate governance standards and openness of 12 issuers of the most actively traded local bonds.

It's worth mentioning that our approach to analyzing issuers of debt instruments somewhat differs from how we analyze stock issuers. For bond issuers, we did not evaluate the presence of independent board members and presence of institutional investors. We awarded them the highest score in such criteria by default, which gives such companies a certain head start ahead of stock issuers. But we believe such an approach is logical since:

- We analyze corporate governance standards and practices from the point of view of portfolio investors in order to evaluate the risks related to investments in instruments that are issued by companies;
- Investments in debt instruments, by definition, have fewer risks.

Debutante list – debt issuers

Eurobonds

Issuer	Sector	Ticker
Finances & Credit Bank	Finance	FICBUA
VAB Bank	Finance	EXIMUK
DTEK	Energy	DTEKUA
Interpipe	Metals	INPIPE
Metinvest	Metals	METINV
Nadra Bank	Finance	NADRA
Naftogaz of Ukraine	Energy	NAFTO
Oschadbank	Finance	OSCHAD
Privat Bank	Finance	PRIVAT
First Ukrainian Int'l Bank	Finance	PUMBUZ
Ukrlandfarming	Agri	UKRLAN
Ukreximbank	Finance	VABANK

Local bonds

Issuer	Sector
Agromat	Retail
Bank Khreschatyk	Finance
Burat-Agro	Agri/food
VTB Bank Ukraine	Finance
Druzhba Nova	Agri/food
Ilyich-Agro Donbas (HarvEast)	Agri/food
Credit Agricole Bank	Finance
Platinum Bank	Finance
ProCredit Bank	Finance
Prominvestbank	Finance
SK-Agro (Agrotrade)	Agri/food
UkrSibbank	Finance

Source: Concorde Capital research

It's important to note that 13 companies have outstanding bonds among the analyzed stocks issuers. When we compare such double-issuers with "bond-only" issuers, we assign scores based on the methodology for bond issuers.

Stock issuers

Among the 11 debutantes to our survey, nine companies are relative newcomers to the stock market while two companies have a longer history on the securities market: Kulczyk Oil Ventures and DUPD.

Debutante list – stock issuers

Issuer	Ticker	Exchange debut	Sector	Rating category
DUPD	DUPD LN	2007	Finance	AA
Kulzcyk Oil Vetures	KOV PW	2010	Energy	Q
Black Iron	BKI CN	2011	Energy	Q
Coal Energy	CLE PW	2011	Energy	Q
Industrial Milk Co.	IMC PW	2011	Agriculture	Q
KSG Agro	KSG PW	2011	Agriculture	AA
Ovostar Union	OVO PW	2011	Agriculture	Q
WESTA ISIC	WES PW	2011	Consumer goods	A
East Coal	ECX LN	2012	Energy	AA
KDM Shipping	KDM PW	2012	Transport	Q
CUB Energy	KUB CN	2012*	Energy	AA

** SPO*

Source: Concorde Capital research

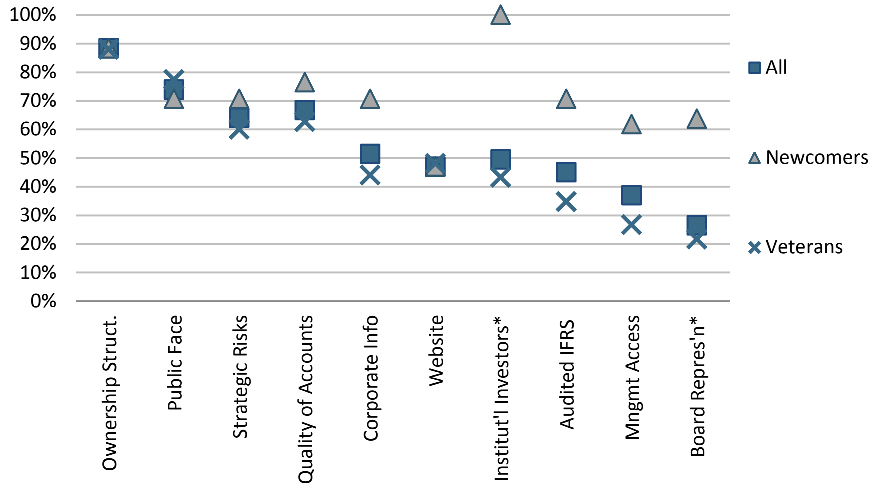
Debutantes against veterans: 2013

Distinguished as better for their guarantee of tapping capital markets

It's clearly evident from the chart below that debutantes strengthened the overall ratings in such categories as:

- Availability of detailed corporate information;
- Availability of audited IFRS accounting;
- Representation of independent members in the company's board;
- Established relations with investors.

Share of companies scoring "1" by criteria: role of newcomers (2013)



** Only for stock issuers*
Source: Concorde Capital research

All the above-listed criteria are mandatory to successfully raise capital. Since there are many companies that are new to the securities market among our newcomers, high scores precisely in these categories look entirely logical.

More "clandestine" to the public

The single parameter for which the debutantes of our research showed low results, as compared with veterans, is level of publicity (informing the public on its activity and results). Not delving into analyzing separate cases, we have drawn the conclusion that newcomers could still learn how to offer information about themselves in forms that are necessary for capital markets and the mass media.

Looking into the future

We are satisfied that there are Ukrainian issuers that have been supporting high standards of openness with information and corporate governance over long periods of time.

We hope also most of our debutantes will preserve the high quality of standards demonstrated from their start.

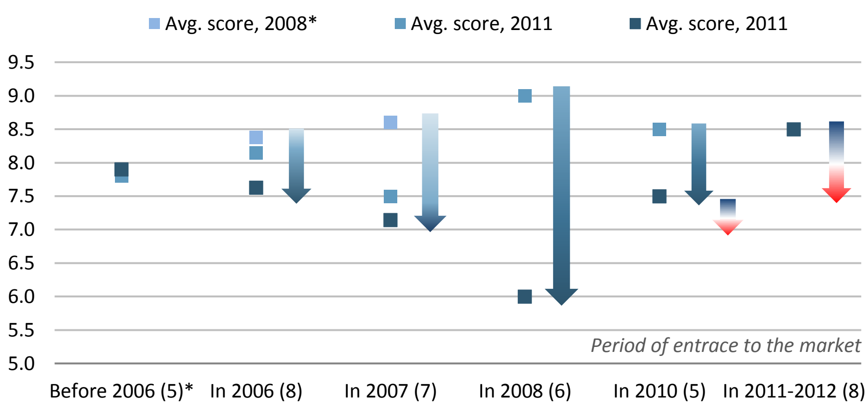
At the same time, we see a high likelihood that in the future, the number of companies setting an example will decline if new blood doesn't enter the market. Taking into account the declining interest of international investors in Ukrainian issuers, it's possible that some model companies determine that it's too expensive to uphold high standards and practices of corporate governance.

A positive development in recent years is the stricter requirements for publicly traded companies of the Ukrainian securities market, primarily in regular disclosure of financial accounts and the transition to international standards of accounting. Nonetheless, we don't expect further radical changes in the requirements for local securities issuers, and we don't believe that such issuers are capable of significantly improving "at their own initiative" their corporate standards and relations with minority shareholders.

View from the past

We can model the future of our ratings by looking at the evolution of corporate governance scores of companies that entered the stock market through either private or public placements (i.e. those usually with the best standards).

Evolution of average scores of market newcomers in our ratings



** Note: the scale of scores in the 2008 survey significantly differs from the last surveys*
Source: Concorde Capital research

As the above graph shows, companies that appeared on the securities market "on their own will" always showed themselves in the best light at the start. Yet their average indicator always worsened in subsequent surveys. It's also notable that the most resistant to a lowering in their average score were the earliest placements (2005-2006). Yet the least quality upon review turned out to be companies which made their initial offerings in the years of the market boom (2007 and 2008). Not many remained in our newer surveys. Also not particularly strong were the placements of 2010 (newcomers to our previous survey), some of them drawing concern regarding their future rating.

Does this mean that the market debutantes of 2011-2012 (the furthest right category in the graph) will also show their worse sides? We are hoping for the best, but in any event the red arrows in the graph show the possible direction of the movement of the average rating of the debutantes of the 2010-2012 securities market in the future.

Fading of the «unregulated» stock market

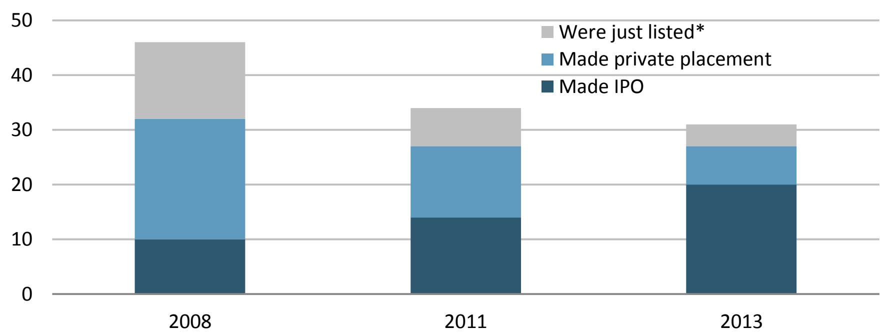
The negative experience from the 2007-2008 securities market newcomers is explained to a large extent by their quality, particularly in how they entered the securities market and the regulatory environment.

During the period of the investment boom and the high popularity of Ukrainian issues in the world, the majority of companies entered the securities market with private placements and listings on unregulated platforms (making minimal demands of issuers). With the low threshold of requirements, they had no external stimuli to maintain high standards of corporate governance. As time has shown, the majority of such companies took advantage of the absence of requirements – many of them consequently decided to become private, at first de facto and later de jure.

The second group of companies of the "unregulated" spectre is issuers of local shares that got listed on the stock market exclusively by the efforts of brokers. Meaning, their stocks underwent a formal listing, sometimes even without the involvement of an issuer. The demonstration of high corporate governance standards and investor relations in this category is mostly an exception to the rule.

As we see in the below diagram, "unregulated" companies (in contrast to those that went through the process of public placements on regulated exchanges) are a dying breed in the "investable" categories of our rating.

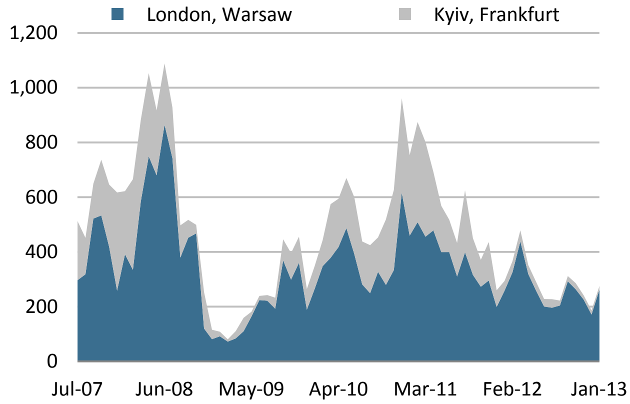
Number of stock issuers in the "investable" categories (Q and AA) in CG ratings



** Companies having gone through a formal listing on one of the Ukrainian exchanges*
Source: Concorde Capital research

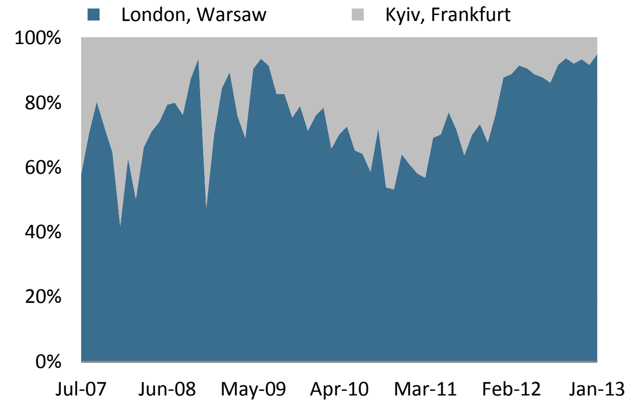
As a consequence, truly public companies (having gone through IPOs/ listings on regulated exchanges in London and Warsaw) won in the struggle for the attention of investors against those traded on unregulated exchanges. It looks as though the future is precisely with these companies – they have an institutional level of corporate governance standards that's a lot higher and which can't significantly drop, even if they wanted them to. Though the departure of some Ukrainian companies from regulated platforms is possible, this process will hardly become as massive as the departure from the public of those companies that made private placements in 2006-2008.

Monthly trading volume of Ukrainian stocks, USD mln



Sources: Bloomberg, Ukrainian Exchange, Concorde Capital research

Distribution of trading volume of Ukrainian stocks



Sources: Bloomberg, Ukrainian Exchange, Concorde Capital research

In the next chapter, we cover in more detail the difference in companies' experiences on the capital markets.

SURVEY FINDINGS - 2013

Cui prodest, or portrait of an ideal issuer

High standards of corporate governance, as a goal in it of itself, are not the subject of our survey. We are concentrating on the outward displays of corporate governance practices as they apply to the securities market. Based on the given coordinates, the main characteristic of the ideal issuer for us is its interest in upholding and promoting quality practices. Meaning, the ideal candidate should understand the indisputable advantage of its openness to capital markets.

Therefore, the ideal issuer must have:

- Clear advantages from its presence on the securities market. Limited alternative sources of financing activity/development, or significant advantages from its presence on capital markets (for example, access to less-expensive financing);
- High standards dictated from within (industry regulations, tough requirements from an exchange).

The portrait that we can draw from these criteria fully coincides with the conclusions of our research, disclosed in the pages ahead.

Here is the portrait of an ideal issuer:

- A company controlled by its founders, who don't have other large businesses or alternative sources of improving their wealth (not being able rely on oligarchs or state companies);
- A company not spoiled by the attention of creditors because it lacks solid collateral, but has the need to renew investment or working capital. Meaning, companies with a relatively long production cycle and illiquid collateral: agricultural companies, resources companies, developers, companies with a large share of intellectual property. Among these can be companies with an impressive history of future growth, the financing of which with simple credit may be insufficient;
- A company listed on a foreign (regulated) securities exchange, which even at its wish can't significantly reduce its high level of corporate governance standards without huge damage to its business;
- A company whose entrance onto the public market isn't the main means of resolving its accumulated problems (problems with debt, unfavorable market environment, conflicts between shareholders or pressure from third parties).

There's a high likelihood that companies meeting this description came to the market seriously and for a long time, with the will to support high standards of corporate governance and investor relations.

Yet it's worth noting that one of the most noticeable signs of companies with high standards of corporate governance is:

- A company that recently attracted (or is planning to attract) funds on the capital markets.

It's worth noting that such companies, if they don't have all four above-listed features, are instable from the point of view of maintaining high standards of corporate governance.

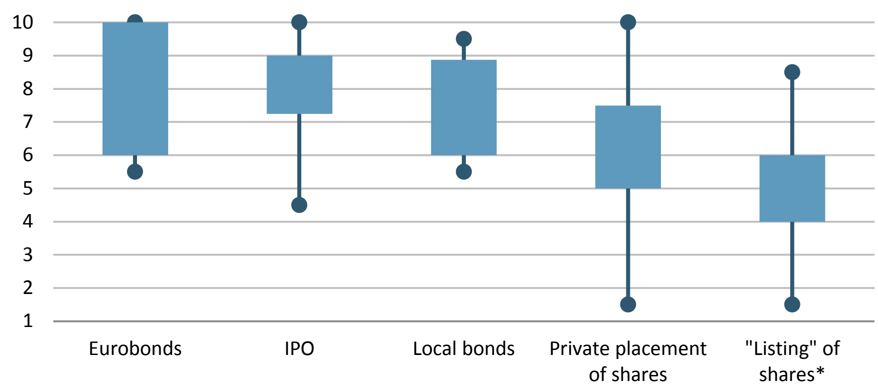
Tell me how you got listed …

Regardless of what we would argue in the next chapters, the most important factor in determining standards and practices of corporate governance is the experience of a company on the capital markets.

As we see in the diagram below, corporate governance standards differ significantly for companies:

- That have become familiar with the securities market as a result of a public placement on regulated platforms with high requirements for issuers: IPOs, Eurobonds;
- That have gained experience on the open market by means of a private placement of its securities by means of listing on unregulated platforms or placement of local bonds;
- Not having gained the experience of a placement on an exchange: floated by brokers regardless of what the main shareholders wanted, or undergoing a formal listing on an exchange to conform to Ukrainian legislation.

Distribution of scores (2013) based on issuer's experience on capital markets



** Entering an exchange by way of brokers listing its shares on Ukrainian securities exchanges or a formal listing (without raising capital on an exchange)*

Source: Concorde Capital research

Stocks versus bonds

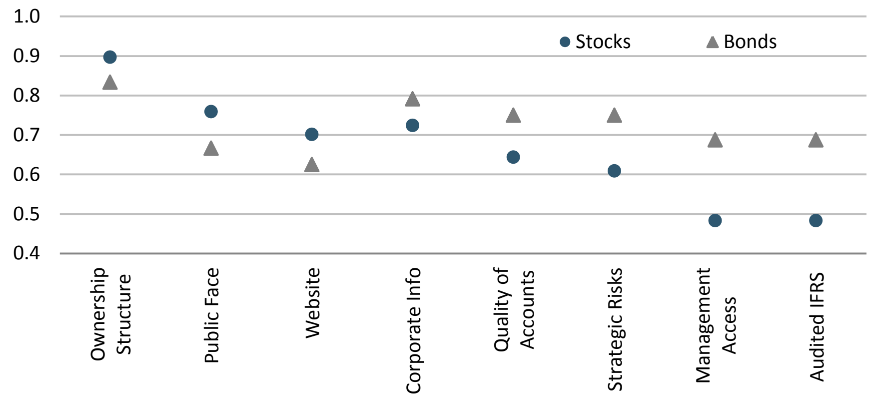
The relatively strong result of bond issuers versus stock issuers looks somewhat unexpected, even when taking into account the head start we gave to bond issuers (among the two criteria of presence of independent board members and institutional investors).

We explain the difference in ratings between Eurobond issuers and companies with IPOs by the presence of exemplary Eurobond issuers (practically prepared for an IPO). Among the IPO companies, we notice a smaller dispersion in standards and a large concentration of them in the top of the ratings: meaning, they look a lot more disciplined.

In the case of issuers of local debt (relative to a comparable group of companies with private stock placements), the relatively high standards are explained by a larger concentration of banks. The more carefully regulated banks usually have audited (IFRS) accounts and excellent ownership disclosure, unlike industrial companies that dominate the list of stock issuers.

If we examine the criteria for which the approach to evaluating the issuers of stocks and bonds don't differ, then the debt issuers earned a higher average score for a majority of them. More than anything, the difference is noticeable in IFRS accounting criteria and in the quality of accounting, which is (again) not surprising considering the large share of disciplined banks among debt issuers. Nonetheless, we were somewhat surprised by openness of bond issuers to communicating with investors.

Average score by criteria: stock issuers versus "only bond" issuers

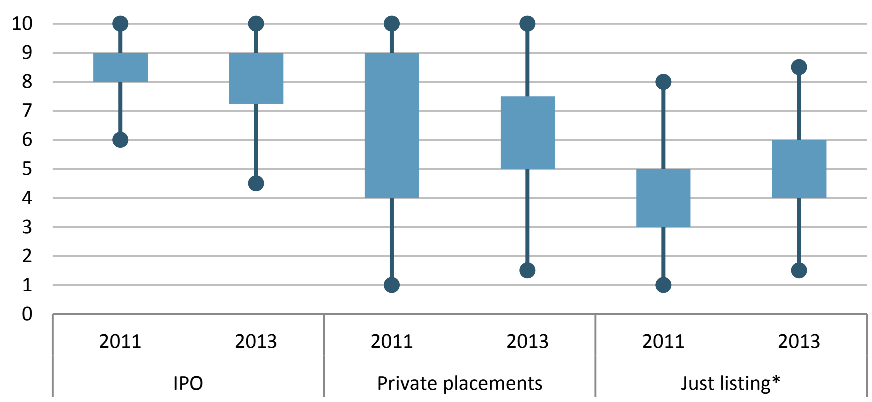


Source: Concorde Capital research

Stocks: Three clearly defined categories of issuers

Social existence determines consciousness, stated Karl Marx, and that saying applies to our case. Existence, that is a company's experience and relations to capital markets, radically differs among three distinct groups of stock issuers. That which is considered reproachful for companies floated on foreign regulated platforms becomes model behavior for companies that randomly ended up on a stock exchange (for example, by means of a stock listing by brokers).

Distribution of points of stock issuers based on experiences on capital markets



** Entering an exchange by means of brokers listing their stocks or a formal listing by issuers (without attracting capital through an exchange)*
Source: Concorde Capital research

1. «No way back»: companies with an IPO experience (listing stocks on regulated foreign exchanges: Warsaw, London, Toronto)

Stricter institutional requirements for issuers on regulated platforms lead to high ratings for companies with an IPO experience. Tough requirements force companies to keep in shape, no matter how much they might not want to: their average results remain high in our new ratings, as in previous surveys.

2. «Thanks, we'll think about it»: Companies with the experience of private placements and listings on unregulated platforms (receipt in Frankfurt, raising funds through Ukrainian stock exchanges)

For such companies, it's important to make a good impression at first (i.e. immediately at the placement). Afterwards, the stimuli to uphold high standards of publicity weaken. Often there are no minimal standards. Based on the experience of companies and their further plans, they can go down two different paths after placement:

- Companies with a positive experience and with intentions for further financing from capital markets continue to uphold standards set from the beginning;
- Companies with a not-so positive experience (disappointed) or having lost prospects for further financing on the securities market become closed.

Since there aren't so many companies from the first category (and market weakness is making for further disappointment), a definite degradation is visible in companies with the experience of a private placement.

3. «Who are these minorities?» Companies whose shares were floated by brokers (without the participation of the issuers) and/or underwent just a formal listing

For companies without experience in attracting capital on the open market, maintaining corporate governance standards can only be initiated from within. Moreover, the owners of such companies could have been left with resentment towards minority shareholders (who bought stocks from brokers that acted as competitors to management in buying up the initial shares from company workers).

Nonetheless, the minimal level of standards for such companies is growing (primarily because of stricter regulatory requirements on the local market). Though they fell into the lower part of the rating, this category of companies demonstrated tangible progress – not in the least, because of our sifting out of those not having established themselves.

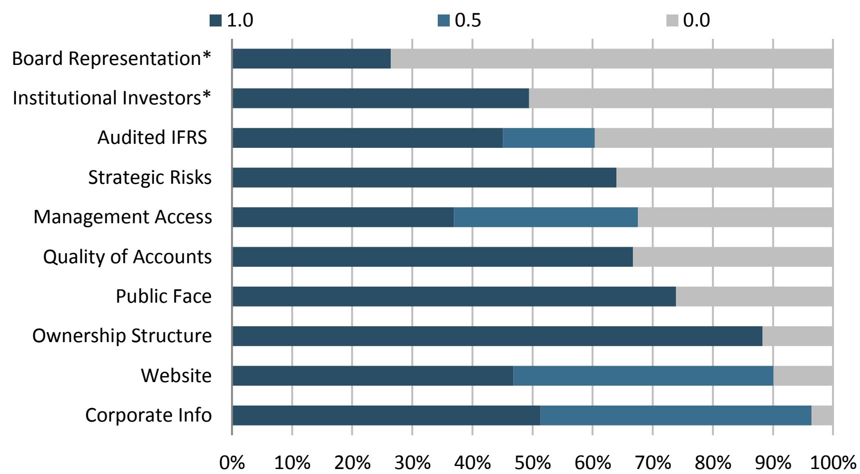
Strangers have no place here

Our new criterion – representation of minority interests in a company's controlling bodies – produced the weakest score in our survey of corporate governance quality.

We aren't surprised by this – the founders of Ukrainian companies unwillingly allow strangers to become members of a board or audit committee.

Moreover, the presence of independent individuals in company bodies is primarily among those companies that are quoted on Western exchanges. We became convinced of the presence of independent directors/auditors in 73% of the companies that conducted an IPO, 27% of the companies with the experience of a private placement of shares and not one among those companies whose shares ended up on the market "by themselves." Meaning, high corporate control standards aren't dictated from within. They are only implemented in preparation for accessing capital markets.

Distribution of points by criteria, 2013 survey



** Only for stock issuers*
Source: Concorde Capital research

Traditionally strong aspects of Ukrainian companies remained the availability of corporate information and information on owners.

Once again about strangers: TNCs don't differ from oligarchs, state firms

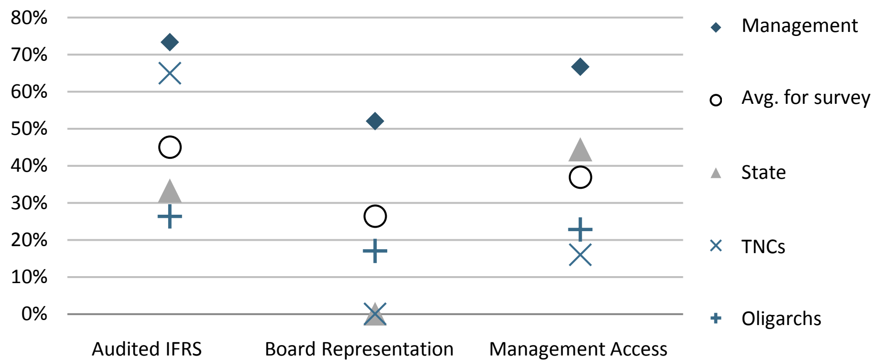
An unpleasant surprise was not only the attitudes towards minority shareholders within companies controlled by Ukrainian business groups, but transnational corporations (TNCs) as well.

Both categories of ownership showed the worst results in the criterion of access to management. In our survey of the ability to meet with company representatives, the most common response was: "refer to the parent company." Meaning, the majority of oligarchs and international corporations don't consider Ukrainian minority shareholders to be stakeholders of their companies. Or is that a consequence of blind submission of company managers to higher authorities? Even state companies turned out to be more open to communication with minority shareholders.

In the case of assets of business groups, that approach somewhat simplifies the life of brokers and investment funds – practically "from a single window" one can learn about the activity of a larger number of companies. But of course, that is negative trait considering the theme of our survey.

Another notable peculiarity of TNCs in the context of our survey is the exceptionally rare presence of independent board members: with the given criteria, TNCs don't differ from state companies, which naturally don't embrace that practice.

Share of companies scored "1" by criteria, based on ownership



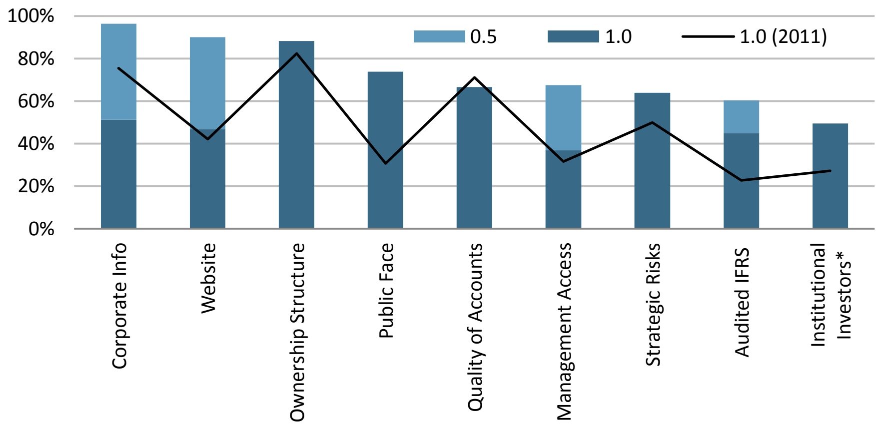
** Only for stock issuers*
Source: Concorde Capital research

Mass media accountability and openness – main improvements

The biggest progress from previous surveys was in the criterion of presence of audited IFRS accounts. That's even after we took a stricter approach to the given parameter (a full point – only for reports with an auditor's opinion and all the notes).

Significantly more companies in our new survey also met the criterion of strong publicity (offering information about one's own activity in the press). Public relations departments progressed in offering more information about their activity that is helpful for analysts (possibly owing to pressure from mass media professionals themselves).

Ditribution of scores by criteria, 2013 versus 2011



** Only for stock issuers*
Source: Concorde Capital research

There are two more noticeable improvements as compared with previous surveys, which are fixed in the criteria of presence of institutional investors (thanks to the survey's newcomers) as well as reduced strategic risks (mainly because of more risky companies falling out of the new survey).

Foreigners help with strict requirements

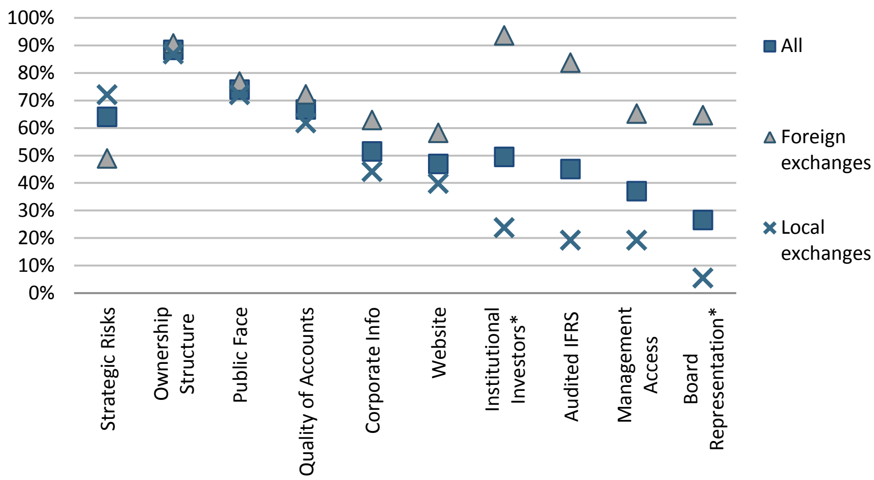
Companies with foreign listings demonstrate, on average, higher results in our survey and their presence to a large degree produces a high average result. There's nothing surprising about that: requirements for issuers on foreign platforms are a lot stricter.

The difference between companies with local and foreign listings is particularly visible in those categories in which there are differences in exchange requirements:

- Presence of IFRS accounting verified by an independent auditor;
- Representation of an independent member on the company's board;
- Established relations with investors, presence of an IR professional.

As a consequence, foreign companies have significantly more institutional investors among their shareholders.

Ditribution of "1" scores by criteria, place of listing (2013)



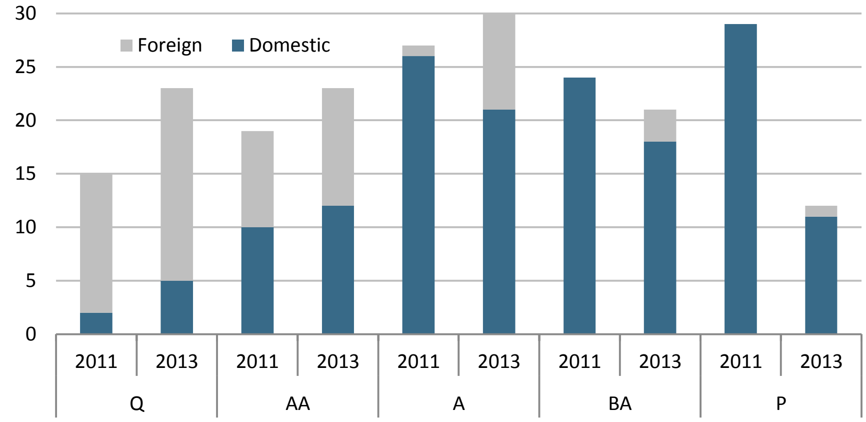
** Only for stock issuers*
Source: Concorde Capital research

The support for high standards by "foreign" companies is exclusively a consequence of higher requirements by the host exchanges. For example, we didn't find a noticeable difference between local and foreign issuers in criteria that aren't directly required by foreign exchanges (publicity and accounting quality).

Moreover, companies with foreign listings have higher strategic risks. Such statistics aren't encouraging since companies with foreign listings are the face of Ukraine on the international capital markets.

Be that as it may, issuers of "foreign" securities make up the lion's share of "investable" instruments and their share is only growing with time.

Geographic representation of issuers in rating categories



Source: Concorde Capital research

Oligarchs, as before, bringing up the rear; state companies "cleansed themselves"

Scores by groups of company owners didn't change much: as before, the most exemplary – from the viewpoint of corporate governance standards – are companies directed by the business's founders. Business group assets look the worst of all.

Business-group (oligarch) assets *are those companies owned by large official Ukrainian holding companies, or companies whose main owners have other businesses of comparable size.*

TNC assets *are what we consider to be belonging to large international holding companies, whose key assets aren't in Ukraine.*

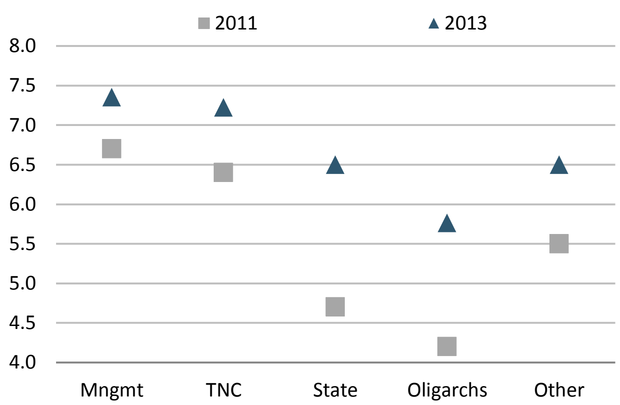
Management-controlled assets *are what we consider to be companies whose key owners don't have other assets of equal value. As a rule, owners take an active role in managing such assets.*

State companies – leaders of improvement

A remarkable discovery of this survey is that TNC-controlled companies and state-controlled companies have shown similar results.

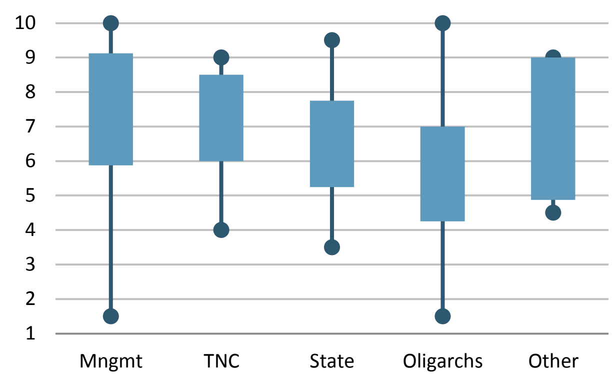
Moreover, state companies that have remained in our ratings showed the most significant progress among all categories of owners. We attribute this to the state companies having significantly "cleansed themselves": of the 19 companies examined in 2011, seven fell out of our survey and another six joined the "oligarch" or "TNC" category after being privatized. The remaining six were joined by three relatively strong state issuers of Eurobonds.

Average score based on ownership



Source: Concorde Capital research

Distribution of scores based on ownership (2013)*



** The dots indicate the highest and lowest indicators in each category. Columns indicate the range in which 50% of the companies in the category fall under.*
Source: Concorde Capital research

Management-owned companies versus assets of business groups

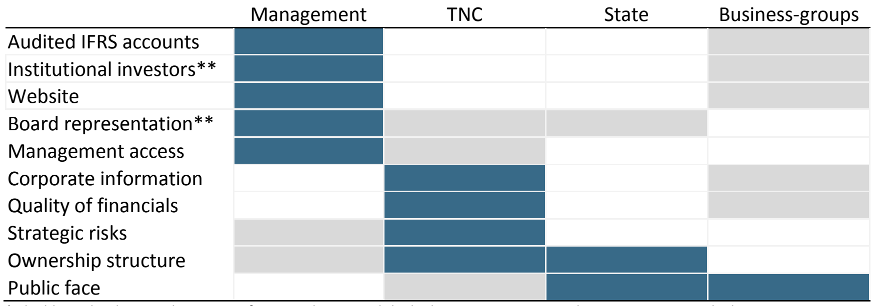
The highest scores being gained by companies whose owners are **management** (founders of the business, for whom the given asset is its main one) don't surprise us – it's this very category of owners that is the most active on capital markets. Not having back-up financing for expanding their wealth, they invest all their soul into the company and do everything to ensure that they're able to return to the capital markets again in the future.

Though **business-group** assets ended up on the other ratings pole from management-controlled assets, companies in the given category made significant progress as compared with our previous surveys. It's also important to note that the low average score for oligarch assets is explained by the enormous representation of stock issuers that are trading on unregulated platforms. Nonetheless, the oligarchs have their own “flagships,” or companies responsible for attracting money on capital markets. Assets of business-groups have the second-biggest representation (after management-owned companies) in our list of highest quality companies (with a “Q” rating).

Management-owned companies versus TNC assets

It’s noteworthy that antipodes to manager-owner assets are not companies belonging to local oligarchs, but the assets of transnational corporations. In four out of ten criteria of evaluation, TNC assets and “managers” ended up on different poles. Yet the highest average scores for a majority of criteria were gained by precisely the representatives of these two groups of owners.

Criteria leaders and outsiders by class of ownership*



** The blue color denotes the groups of owners that gained the highest average score in the category, gray is the lowest.*
*** Only for stock issuers*
Source: Concorde Capital research

The difference between these two groups of companies also looks interesting. Owner-managers are strong in meeting the requirements of foreign securities exchanges (presence of audited IFRS accounts, quality website, established investor relations, independent board members). But their weakest side turned out to be disclosure of information … about themselves. TNC assets demonstrated the highest quality of accounting (which can mean tough internal corporate control) and the lowest strategic risks.

Even oligarchs have strong sides

As it turns out, both state companies and oligarch assets have their strong sides, though they’re noticeably fewer than in other groups of owners. They turned out to be the most “public” – the most active in disseminating information about their activity through press releases and mass media. But it seems that’s dictated by demand from the mass media themselves, which energetically follow the activity of the biggest Ukrainian companies.

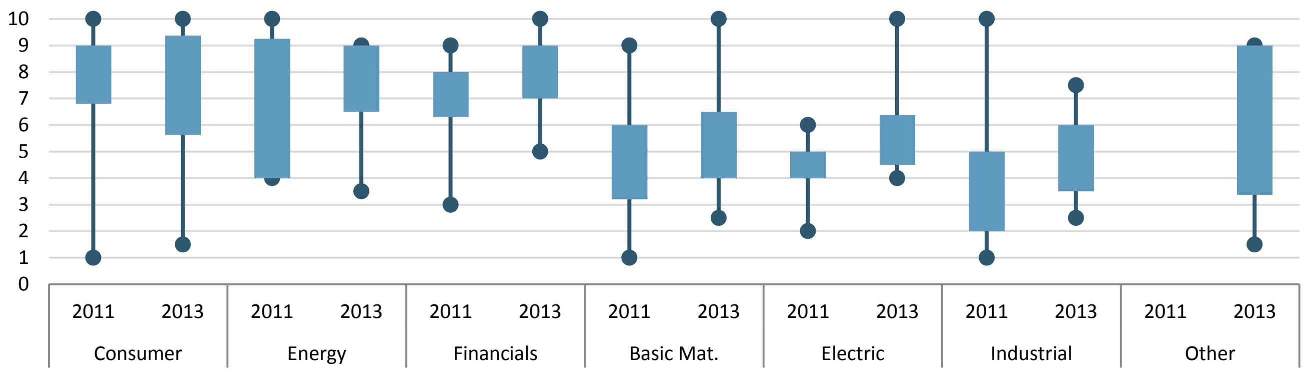
Three sectors that established themselves

As in all our previous surveys, those companies representing three economic sectors showed excellent results:

- The agriculture sector, which is the most widely represented on foreign securities markets;
- The energy sector (extraction of oil, natural gas and thermal coal), which also has a significant presence on Western exchanges;
- The financial sector, which is the most disciplined (regulated), with a significant presence of issuers of international bonds.

All other sectors, though showing visible progress as compared with previous surveys, significantly trailed the leaders.

Distribution of scores by sector



Source: Concorde Capital research

"Openness as a guarantee of success" – this is, likely, the most obvious reason for the high corporate governance standards demonstrated by the **consumer (agriculture)** and **energy** sectors. Companies from the given sectors have historically lacked the attention of creditors since they don't have valuable assets to pledge. Issuing stocks or unsecured debt looks like the most acceptable way of attracting capital for their development. Upholding high standards is not a luxury or caprice for them, but a means of declaring their presence on the capital markets in order to ensure the possibility of raising new funds.

"Like a fish in water" is how the financial sector feels on the capital markets. On the one hand, **financial companies (banks)** look at the capital markets as one of the means of replenishing working capital. On the other hand, relatively high regulatory requirements and high standards set by foreign parent companies force them to uphold high standards. As a result, the sector is in the avant garde of our ratings.

"Capital markets are not a priority" – it's apparent that such a credo has been adopted by **basic material** producers, **electricity** companies and **machine builders**. The companies of these groups usually don't see any point in entering the capital markets. The majority of them have the possibility to attract funds from banks or parent structures (business groups, TNCs). Only a few of the companies of these sectors can be considered active participants of capital markets. As a consequence, they have relatively low standards of openness and corporate governance.

Once more about the future

Judging from our analysis, we can expect a noticeable improvement in the quality of corporate governance, as well as new quality issuers in the agricultural, energy and financial sectors. What's entirely possible is the entry into the capital markets of companies that have similar needs and problems, such as companies with a large share of intellectual ownership in assets (however, nothing has been heard from these companies about their plans so far). A consolidation of assets in other sectors is also possible, which can improve average corporate governance standards by means of a takeover of the weak by those more advanced and active on the capital markets.

CORPORATE GOVERNANCE AND CAPITAL MARKETS

High standards – for a *fair* price

As in our IR Online survey last year, we have come to the conclusion that the demonstration of high corporate governance standards doesn't offer clearcut advantages to issuers. In other words, good practices are taken for granted by the capital markets, while poor standards are treated negatively.

That is to say, the single advantage for a company from its demonstration and upholding of high standards of corporate governance is some guarantee that the market will fairly price it. As a result, that allows quality companies (not only from the viewpoint of CG standards, but also the quality of the business and financial stability) to gain access to cheaper financing on capital markets.

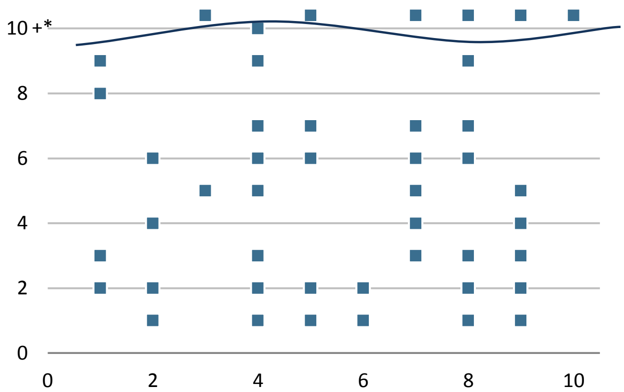
So if you want to be fairly priced, show high standards of corporate governance.

The market has become sensitive to quality

High corporate governance standards are becoming increasingly important for promoting a company on the securities market. As the charts below demonstrate, the shares of companies with high CG scores in our new survey are covered by a larger number of brokers. In 2011, brokers were less selective when devoting their time to analyzing Ukrainian companies: there were a lot of low-quality stocks (in terms of CG) among the actively covered.

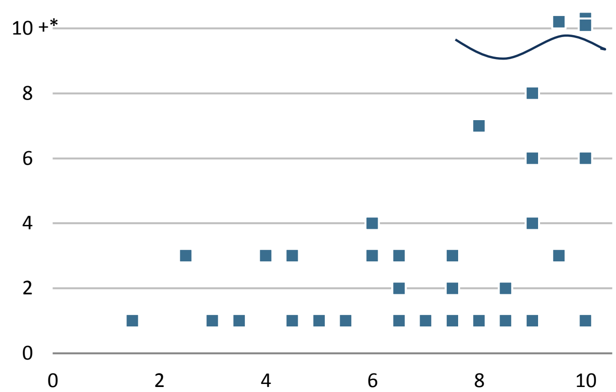
CG scores vs. number of analyst recommendations (vertical scale) per stock:

2011 survey (recommendations in 2011)



** For greater clarity, the vertical scale is limited to 10 recommendations*
Sources: Bloomberg, Concorde Capital research

2013 survey (current recommendations)



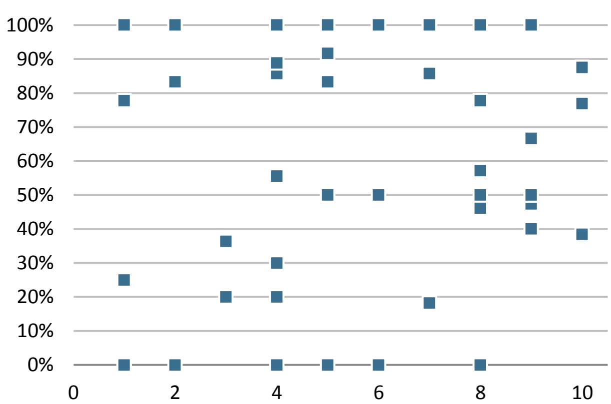
** For greater clarity, the vertical scale is limited to 10 recommendations*
Sources: Bloomberg,Concorde Capital research

It's not surprising that investors also began to focus more on the stocks of companies with high standards: such stocks more often have a "hold" or "sell" recommendation, which suggests the stock market prices them "fairly". Analysts much more often issue a "buy" recommendation for companies with low standards, meaning they believe that the market is underpricing or overlooking them.

It's worth noting that in 2011, a much greater number of low-quality companies (from the viewpoint of our survey) were fairly priced by the market, i.e. they didn't have 100% "buy" recommendations.

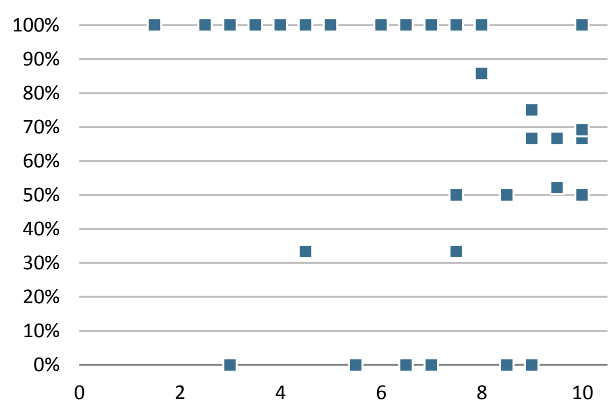
CG scores vs. share of "buy" recommendations out of all recommendations for the stock (vertical scale):

2011 survey (recommendations in 2011)



Sources: Bloomberg,Concorde Capital research

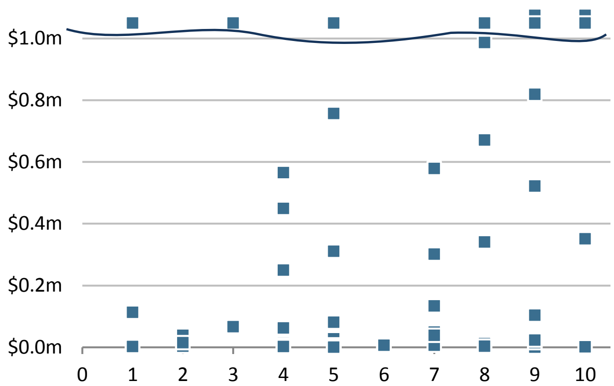
2013 survey (current recommendations)



Sources: Bloomberg,Concorde Capital research

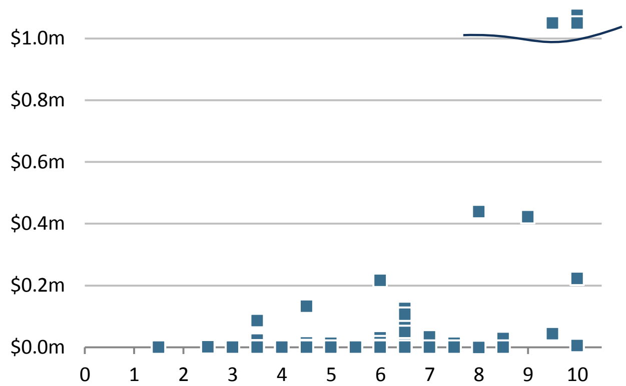
One more confirmation of the growth in the market's requirements is the ever more apparent dependence of a stock's trading volume on corporate governance standards. High trading volumes this year were evident only with "quality" stocks.

CG score and average daily trading volume:
2011 survey (trades in Jan.-Apr. 2011)*



** For greater clarity, the vertical scale is limited to 10 recommendations*
Sources: Bloomberg, Concorde Capital research

2013 survey (trades in Jan.-Apr. 2013)*



** For greater clarity, the vertical scale is limited to 10 recommendations*
Sources: Bloomberg, Concorde Capital research

The market isn't ready to pay premium for high standards

Despite the evident greater attention that capital markets pay to quality companies, we didn't find a significant difference in the market multipliers of companies with different corporate governance standards.

What we can state for sure is:

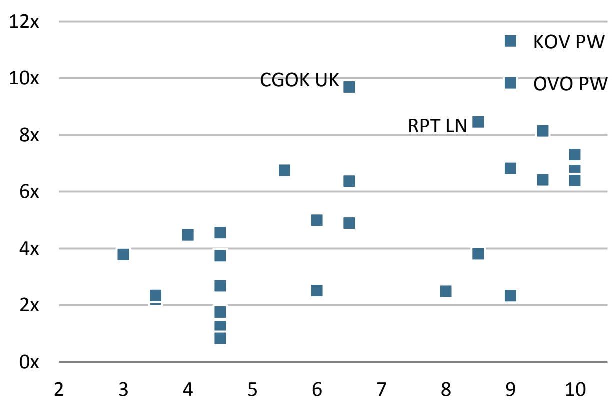
- The market prices $1 of profit from low-quality companies (5.5 points in our ratings and lower) at no more than $5.
- The market applies a discount (to peers) of 60% and greater to low-quality companies (4.5 points and lower).

But that doesn't mean that companies with high standards:

- Trade at P/E multipliers higher than five;
- Trade at lower discounts to peers than low-quality companies.

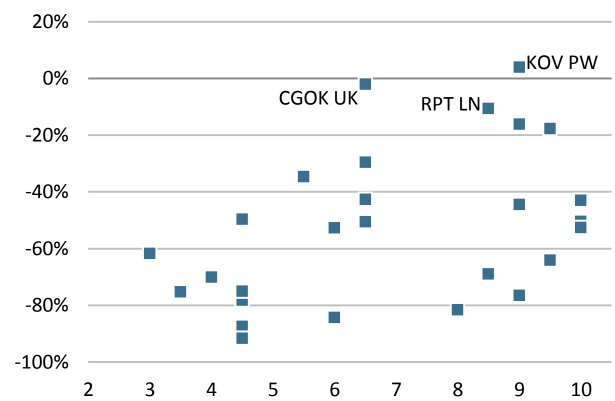
That is to say, the stock market easily applies discounts to low-quality companies, but it doesn't rush to reward quality issues.

2013 survey scores vs. P/E 2012*



** Data from April 30, 2013. Extreme P/E values truncated (for companies with low profit)*
Sources: Bloomberg, Concorde Capital research

2013 survey scores vs. discount to peers on P/E 2012*



** Data from April 30, 2013. Extreme P/E values truncated (for companies with low profit)*
Sources: Bloomberg, Concorde Capital research

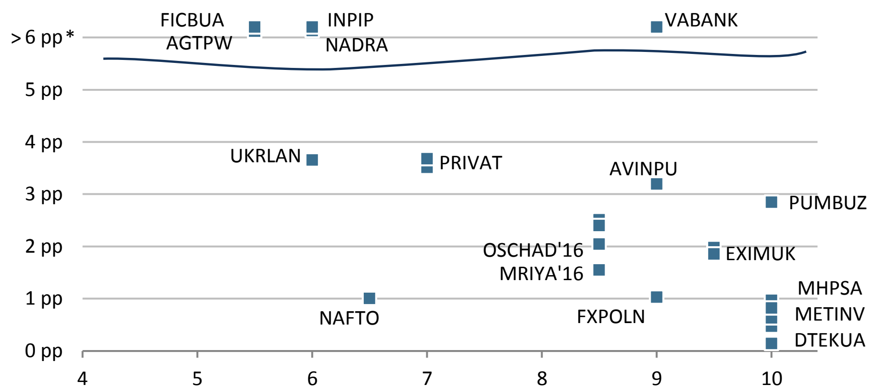
CG quality – the argument for bonds

The demonstration of quality corporate governance standards looks like a weighty argument for Eurobond issuers, particularly if they don't have other advantages such as support from the state or powerful international structures.

As we see in the diagram below, the bonds of companies that earned the highest scores in our research trade at the smallest spreads to the sovereign yield curve. Yet issuers from the "non-investable" categories (seven points and lower in our rating) trade at a spread larger than three percentage points.

Just as in the cases examined below, the single exception to the rule is Naftogaz of Ukraine. The market tends to forgive the deficiencies (in terms of corporate governance) of well-protected quasi-sovereign issuers like Naftogaz, but does not forgive those of private issuers, like Privat Bank, however big and profitable they are.

2013 survey scores vs. Eurobond spread to sovereign yield curve*

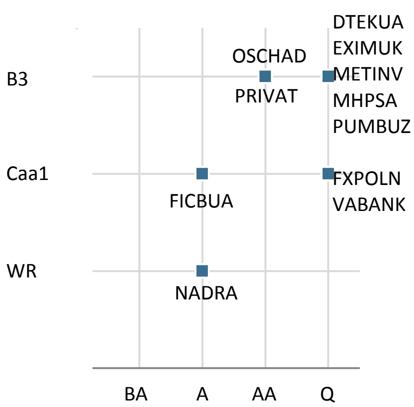


** For April 30, 2013; For better clarity,the vertical scale is limited to six percentage points.*
Sources: Bloomberg, Concorde Capital research

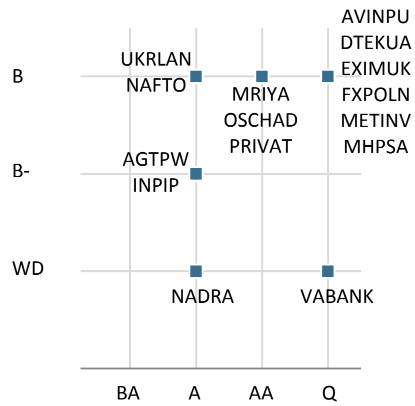
CG ratings and credit ratings

Although we don't claim that our ratings can be used as criteria for investment attractiveness or safety of Ukrainian securities, we are still observing some correlation between the results of our survey and the ratings of bond issuers assigned by international agencies.

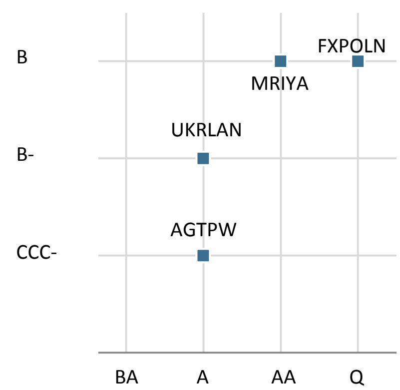
Our CG categories vs. Moody's rating



Our CG categories vs. Fitch rating



Our CG categories vs. S&P rating



Sources: Bloomberg, Concorde Capital research

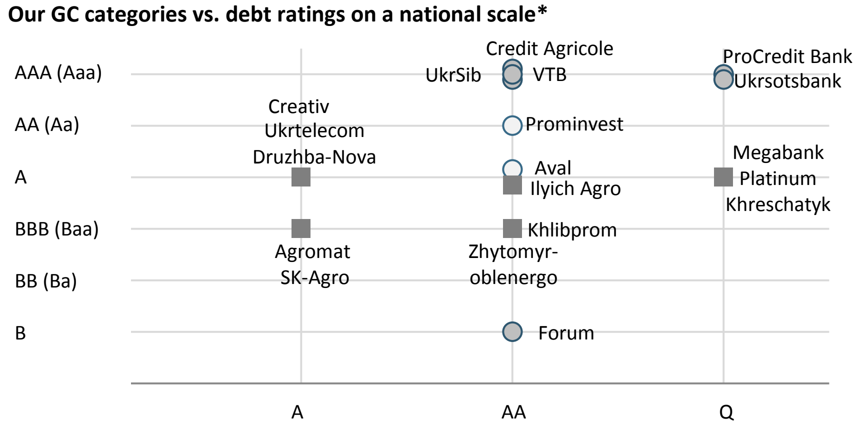
Our results correlated well with those of the Big Three rating agencies because they are also using evaluations of corporate governance quality and openness in their analyses. Nonetheless, the focus of our research is openness, while credit ratings agencies are more concerned with studying the financial conditions of issuers and their ability to service debt in the future.

In comparing the results of credit ratings with our research, we take the liberty of noting that the evaluation of Ferrexpo's (FXPOLN) debt offered by S&P is more understandable to us than Moody's evaluation. Also, we agree more with S&P's evaluation of Ukrlandfarming (UKRLAN) as compared to Fitch.

Yet we don't have any remarks in regard to their strong evaluation of Naftogaz (showing far from the best results in our survey) and the poor results of VAB Bank (having demonstrated high scores in our ratings).

There's some similarity in the results of our survey when compared to the ratings of Ukrainian local bond issuers, assigned on a national rating scale. Nonetheless, five issuers of local bonds, which were included in the "investable" categories by rating agencies on the national scale (BBB/Baa and higher), didn't pass the test for showing "investable" standards of corporate governance in our survey.

Our GC categories vs. debt ratings on a national scale*



** Light dots indicate a Moody's rating, dark dots – Fitch rating, squares – other rating agencies*
Sources: Cbonds, company data, Concorde Capital research

APPENDICES

I. SCORING METHODOLOGY

As before, we are evaluating corporate governance standards of Ukrainian issuers from the viewpoint of minority shareholders (now also bondholders). The key topic of our study is to evaluate whether portfolio investors in Ukrainian securities are protected enough, which we do by observing how companies report to minorities, how they treat them and how they uphold their rights.

Below we examine in more detail the main criteria and approaches to our scoring. As before, we have divided the ten criteria into three main groups:

- Accounting and disclosure of information;
- The ability to protect the rights of minority shareholders;
- The company’s openness and investor relations practices.

(A) Accounting/disclosure of information

1. Availability of IFRS accounting verified by an independent auditor

Importance: the presence of audited IFRS accounting adds confidence to the financial data disclosed by companies. An independent auditor takes upon himself a part of the responsibility for the accuracy of the presented figures, and also can point out significant shortcomings in disclosure or risks related to the company's future.

Distinctions from previous surveys: Since the majority of Ukrainian issuers adopted IFRS accounting, it's not enough for us that the accounting simply complies with international standards. In the updated versions of the accounting of local issuers that's similar to IFRS, we didn't find significant distinctions from what they showed in accounting based on Ukrainian standards. Therefore, we have considered accounting that merely consults IFRS standards only if it has been backed by the opinion of an independent auditor and contains all the necessary notes. That is to say, accounting posted on the resources of the Ukraine's Securities and Stock Market Commission, as earlier, doesn't count. This criterion hasn't changed as compared to previous surveys.

Scoring:
1 – if we gained access to IFRS accounting (2011 or 2012) with the opinion of an independent auditor and all notes.

0.5 – if a partial version of IFRS report is accessible (without the opinion of an auditor or notes. For example, Ukrtelecom had published in its annual reports excerpts of audited IFRS accounting). Or if 2011 (or later) accounting is inaccessible.

0 – in all other cases.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: minimal

2. Quality of financial accounting

It's important that the accounting numbers are not only accessible, but are also clear, transparent, undistorted and not contradictory.

Distinction from previous surveys. Earlier we didn't cast doubt on the quality of audited IFRS accounting. In the given criteria, we evaluated only the quality of accounting based on Ukrainian standards. Given the new realities, we see this approach as too optimistic. Now we are evaluating the quality of IFRS accounting as well.

Scoring:
0 - for IFRS accounting – if the basis for the qualified opinion, regarding important P&L or balance sheet items, is presented in the auditor's report; for unaudited (non-IFRS) accounting – if the researcher doubts that the accounting reflects the real situation in the company (transfer pricing, unjustified revaluation of assets leading to inflation/deflation of profits, a large discrepancy between operating profit and operating cash flows, etc.)

1 – for all other cases.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: for audited IFRS accounting – minimal; for unaudited accounting – subjectivity is present to the extent that it was present earlier.

3. Ownership structure, information on ultimate beneficiaries

Importance: the absence of information on owners adds risks related to investments: in these cases, we don't understand with whom we are doing business.

Distinctions from previous surveys: none.

Scoring:
1 – if we were able to find in official sources information on the ultimate owners of the largest blocks of companies (names of owners or names of commonly known structures/funds).

0 – for all other cases.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: minimal

4. Corporate structure (information about the company)

Importance: the availability of information on what the company is and where it generated its profits from is the key to estimate its value and understand all risks related to investments in its securities.

Distinctions from previous surveys: The given criterion was introduced in our previous survey (2011). In this report, we approached the presence of important information about the company more formally. We awarded a high point for the presence of enough information to establish a simple business model for the company.

Scoring:
0 – if an understanding didn't emerge after analyzing all accessible information and communicating with company representatives of what the company is and what are its main sources of earnings.

1 – if the analyst managed to assemble a full portrait of the company's business, enough to establish a basic financial model.

0.5 – for all other cases.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: present, but minimalized because of adjusted scoring criteria.

(B) Minority shareholder/investor rights

5. Representation of minority shareholders (independent persons) in the controlling bodies of companies

Importance: Firstly, this criterion is important to balance the interests of all the company's stakeholders, including minority shareholders, who shouldn't be ignored. The presence of representatives of minority shareholders or independent directors on the boards or audit committees of companies not only demonstrates compliance with the best corporate governance practices, but is a guarantee of additional protection of the rights of all groups of stakeholders.

Distinction from previous surveys. The given criterion is new for our corporate governance surveys. It has practically replaced the outdated criterion of "risk of diluting minority shareholders" and it significantly toughens the requirements for quality companies.

Scoring:
1 – for stock issuers, if we found confirmation that there are individuals in the board or audit committee who don't depend on the main shareholder and are given adequate authority to make important decisions or to monitor the company's activity.

0 – for all other cases.

Specifics of assigning points to bond issuers. For those "bond only" issuers examined by us, we award one point in the given criterion since we believe it is much less important for them. That gives a head start to the examined bond issuers, which is explained by the smaller risk (in general) in investing in debt instruments as compared to equities (see also page 28).

Score's subjectivity level: minimal, in most cases.

6. Presence of institutional investors

Importance: As we explained in our debut survey, the presence of institutional investors can exert a disciplinary influence on the management of Ukrainian companies. Though the importance of this criterion somewhat declined since our first survey (even more so with the addition of criterion #5), it remains relevant all the same as it indicates the capital market's interest in a company's securities.

Distinction from previous surveys. In the given rating, it's important for us to be convinced they exist.

Scoring:
1 – for stock issuers, if we found confirmation of the presence of institutional investors among holders of the minority shares of company stocks (international funds, international financial institutions)

0 – in all other cases.

Specifics of assigning points to bond issuers. For the "only bond issuers" examined by us, we award one point for the given criterion (see also page 28).

Score's subjectivity level: relatively high for locally listed companies.

7. Strategic risks

The importance of the given criterion for portfolio investors is rooted in the definition itself. If the company is not capable of multiplying or protecting its value for investors, or there are risks related to its future activity, then that is an important signal that something's not right, or wasn't right, with its management or corporate practices.

Distinctions from previous surveys. Nothing major. Several evaluation criteria were specified for the given point.

Scoring is done by means of analyzing the company's moves (for the last two years) which could have negatively or unclearly influenced its equity value (debt value), as well as complicate its future.

0 – if the auditor's report contains an "emphasis of matter" part drawing attention to concerns that the company may be not a going concern, or a large share of operations are with related parties and other risky aspects of its activity; if the company was noted for questionable deals, potentially diluting its value, in the view of the analyst. (Including significant operations with related parties, transfer pricing, asset stripping or investments in questionable assets, an unjustified growth in its debt burden, conflicts between primary shareholders, conflicts with regulatory organs, suppliers or buyers)

1 – in other cases.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: relatively low.

(C) Investor relations, openness with information

8. Accessibility of management, company representative

Importance: Explanations of key issues and events, as well as just the willingness of company representatives to communicate with all groups of shareholders, tell us that the company, at the very least, takes into account the presence of minority shareholders (bondholders). It's important for minority shareholders to understand that the company is getting feedback and, in theory, is capable of paying attention to the minority's position.

Distinctions from previous surveys. In previous surveys, we trusted more the public side of management's accessibility – how often the company organizes events for investors, conference calls, an estimate of how much they're ready to share information about their activity. We also take all these criteria into account in this survey, but this time we took also a practical approach. We tried to contact representatives of all the surveyed companies in regards to possibly organizing a meeting with their management, as well as clarifying all contentious issues that we had regarding the remaining survey criteria.

Scoring was conducted by the following principle: We tried to contact the representatives of all companies by e-mail, as well as (if that wasn't enough) by telephone with questions on the possibility of organizing meetings with management and with the request to clarify other issues of our survey (for example, representation of independent directors in the company's board). Priority was given to shareholder relations professionals, corporate secretaries or IR managers. A company received points based on the following criteria:

1 – if we were able to communicate with the representatives of companies (corporate secretary, IR manager or in the extreme case, PR manager or a specialist in external financing), get answers to our questions and become convinced of the possibility of organizing a meeting with management.

0 – if we were unable to contact an authorized company representative and the likelihood of such contact, even in theory, appeared low. The company was not noticed to have organized meetings or calls with investors.

0.5 – in cases when:

- we were able to communicate with a company representative and get an answer to our questions but we couldn't agree even on a theoretical organization of a meeting with management for a potential investor;
- we were able to gain a positive response for a meeting with a representative of the company only after management's contact with the main shareholder;
- we were not able to contact a representative of a company during the term that we designated for the given exercise (one week), but we found evidence that the company organized in the recent past conference calls or other investor events.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: minimalized, though there was a factor of luck.

9. Public face (openness with information)

Importance: Informing the public about the company's activity, significant stages of its development and regular renewal of financial and operational results are important in establishing the company's image and creating its value. The company's openness to the public can influence its value.

Distinctions from previous surveys are the formalization of approaches to evaluating the public face, with a greater focus on investor-sensitive information.

Scoring:
1 – if the company issues regular or irregular releases containing information on its operational activity with commentary on financial indicators or plans for the future (during the last six months). The information can be distributed as news on the company website, press releases or releases for the securities market (other than exchange releases that are required by a regulator).

0 – in all other cases, including:
In cases of distributing information through exchange releases with only information that's required for distribution in this manner (annual and semi-annual (quarterly) reports, significant changes in the shareholder structure, other material events that have to be disclosed). News/ releases with only marketing or social content.

Specifics of scoring bond issuers: no specifics.

Score's subjectivity level : minimalized.

10. Website quality

Importance: In many cases, a company website is the single means of becoming acquainted with a company. It's a collection of basic information to understand its value. A good website is a most important and easy-accessible instrument for receiving fresh and accurate information from the company.

Distinctions from previous surveys: practically none.

Scoring:
0 – if website is not available, or the information on it is too outdated.

1 – if the company's site contains a section for investors/shareholders with the necessary information for them (including financials, bond/share issue prospects, information on shareholder meetings, information on company business, its structure, contact information).

0.5 – if the site doesn't contain (or not to a full extent) helpful information for shareholders/investors or doesn't have a separate section for them, though it contains updated information about the company and its activity.

Specifics of scoring bond issuers: no specifics

Score's subjectivity level: minimalized, since we relied on our experience in website analysis gained from our 2012 IR Online survey.

II. COMPANIES FROM PREVIOUS RATINGS

List of issues from the 2007, 2008 and 2011 surveys, not included in our 2013 rating

		2007	2008	2011
Cardinal Resources	CDL LN	Q	-	-
Slavutych (Calrsberg Ukrayina)	SLAV UZ	AA	AA	AA
Ukrgazbank	UGZB UZ	A	Q	-
Yasynovatskiy Machinery	YAMZ UZ	A	A	-
MKS	KVIN UZ	A	AA	-
Rodovid Bank	RODB UZ	A	Q	-
Retail Group	RTGR UZ	A	AA	P
San In Bev Ukrayina	SUNI UZ	A	A	A
Zhydachiv Pulp&Paper	ZCPK UZ	A	A	-
Dniproshyna	DNSH UZ	A	A	P
Mariupol Heavy Machinery	MZVM UZ	A	A	P
Cement Factory Pushka	KRCS UZ	A	A	-
Zaporizhya Aluminum	ZALK UZ	A	A	-
Ukrinbank	UKIB UZ	A	AA	-
Dniproazot	DNAZ UZ	BA	BA	-
Chernihiv Khimvolokno	CHIM UZ	BA	A	-
Farmak	FARM UZ	BA	P	A
Krymsoda	KSOD UZ	BA	A	BA
Dniprometyz	DMPO UZ	BA	A	-
Volynoblenergo	VOEN UZ	BA	A	A
Zakarpattiaoblenergo	ZOEN UZ	BA	A	A
Azovzahalmash	AZGM UZ	BA	A	P
Vinnytsiaoblenergo	VIEN UZ	BA	A	A
Azot (Cherkasy)	AZOT UZ	P	P	-
Chernihivoblenergo	CHEON UZ	P	BA	BA
Khersonoblenergo	HOEN UZ	P	P	P
Ukrrichflot	FLOT UZ	P	P	-
Zaporizhya Ferroalloy Plant	ZFER UZ	P	BA	P
Dnipropetrovskiy Pipe Plant	DTRZ UZ	P	BA	-
Ternopiloblenergo	TOEN UZ	P	P	BA
Donets Metal Rolling	DMPZ UZ	P	P	-
Kirovohradoblenergo	KION UZ	P	BA	P
Sevastopolenergo	SMEN UZ	P	BA	P
Poltavaoblenergo	POON UZ	P	BA	BA
Odeskabel	OCAB UZ	P	P	-
Stakhanov Ferroalloy Plant	SFER UZ	P	BA	P
Dniprospetsstal	DNSS UZ	P	A	P
Dongormash	DGRM UZ	P	P	P
Druzhkovka Machinery	DRMZ UZ	P	BA	P
Silur	SILUR UZ	P	BA	-
Lvivoblenergo	LVON UZ	P	BA	BA
Nord	NORD UZ	P	P	-
(Evraz) Sukha Balka	SUBA UZ	P	BA	-
Sumyoblenergo	SOEN UZ	P	BA	-
Dniprocoke	DNKOK UZ	P	P	-
Bagliycoke	BKOK UZ	P	P	-
Zaporizhyaoblenergo	ZAON UZ	P	P	BA
Dnipropetrovsk Switch	DSTR UZ	P	P	-
Marganets Ore	MGZC UZ	P	P	-
Ordzhnikidze Ore	ORGZ UZ	P	P	-
Chernivtsioblenergo	CHEN UZ	P	P	A
Ingulets Ore	IGOK UZ	P	P	-
Nikopol Ferroalloy	NFER UZ	P	P	P

		2007	2008	2011
Odesaoblenergo	ODEN UZ	P	P	P
Naftokhimik Prykarpattia	NAFP UZ	P	P	-
Cherkasyoblenergo	CHON UZ	P	P	BA
Donetskoblenergo	DOON UZ	P	P	BA
Kherson Oil Refinery	HNPK UZ	P	-	-
Halychyna Oil Refinery	HANZ UZ	P	P	-
Donetskcoke	DKOK UZ	P	P	-
Pakko	5CBA GR	-	AA	-
Landkom	LKI LN	-	AA	AA
TKS Real Estate	37W1 GR	-	AA	-
Clubhouse Group	5CHA GR	-	AA	-
KP Media	KPME UZ	-	AA	-
Vinnifruit	VINIP UZ	-	AA	-
LandWest	4KA1 GR	-	AA	-
Credobank	ZUKB UZ	-	AA	-
Ukrros Sugar Union	UROS UZ	-	A	BA
Dakor West	DAKOR UZ	-	A	P
Vetropak-Gostomel Glass	GSKZ UZ	-	A	-
Nord Star Pharmashare	4SI1 GR	-	A	AA
Oranta Insurance Company	SORN UZ	-	A	P
VK Development	VKDV UZ	-	A	-
Zaliv Shipbuilding Plant	SZLV UZ	-	A	P
Shostka Milk	SHMK UZ	-	A	-
Zaporizhabrazyv	ZABR UZ	-	A	-
Kyivmedpreparat	KMED UZ	-	A	BA
Svit Shakhtarya Machinery	HMBZ UZ	-	A	P
Sumy Nasosenergomash	SNEM UZ	-	BA	P
PES-Energougol	ENUG UZ	-	BA	BA
Poltava Locomotive Overhaul	PTRZ UZ	-	BA	-
Poltava Turbomechanical	PTMZ UZ	-	BA	-
Kovel Milk	KMOL UZ	-	BA	-
Zhytomyr Dairy	ZHMZ	-	BA	-
Galakton	GALTN	-	BA	-
Constar	KNST	-	BA	-
Kremechuk Wheel	KKOL	-	P	-
Donbaskabel	DCAB	-	P	-
Koryukivka Paper	KFTP	-	P	P
Rivneazot	RAZT	-	P	-
Ukrgrafit	UGRA	-	P	-
Energomash-spetsstal	ENMA	-	P	-
Kryvbasvzryvprom	KVPR	-	P	-
Kharkiv Tractor	HTZD	-	P	-
Zaporizhvohnetryv	ZPVT	-	P	-
Khemoplast	HEMO	-	P	-
Kyivmiskbud-1	KGST	-	P	-
Khmelnytskgaz	HGAZ	-	P	-
Artyomovsk Colour Metals	ARNF	-	P	-
Kyivoblgaz	KIGA	-	P	-
Kirovohradgaz	KGGZ	-	P	-
Komintern Metal Plant	DMZK	-	P	-
Donetskoblgaz	DOGZ	-	P	-
Ivano-Frankivskgaz	FGAZ	-	P	-
Lvivgaz	LGAZ	-	P	-

About the survey's information partners

Ukrainian Exchange – the center of stock liquidity and derivative instruments in Ukraine.

Emerging on March 29, 2009, the exchange has become the leader of the Ukrainian capital market from its first months, being the first to launch the order-driven market, Internet trading, repo market and derivatives market.

The Ukrainian Exchange (UX) stock index has been compiled since the start of trades on the exchange (in March 2009). The Index's initial level was set at 500. Today the Index's basket is composed of the 10 most liquid stocks.

Futures contracts on the Ukrainian stock index are the most liquid instruments of the Ukrainian market.

Kapital is a daily business newspaper in Ukraine, published by Dilova Presa Krayiny and contains articles from the world-renown and influential newspaper, the Financial Times.

Kapital describes national and international political and economic news, relations between business and government, innovations in business, the opinion of authoritative people, cultural events, news on companies and markers, a survey of the main economic sectors, analyses of market trends, private investment strategies, consumer goods. The Ukrainian publisher Dilova Presa Krayiny signed a syndication agreement with one of the world's most famous and respected newspapers, the Financial Times. According to the agreement's conditions, Kapital offers the possibility to familiarize its readers with the high-quality articles of the Financial Times.

The newspaper is published five times a week.

About Concorde Capital

Concorde Capital is a leading investment company in Ukraine, founded in 2004 in Kyiv. The company represents a full spectre of investment-banking and brokerage services.

Since 2004, Concorde Capital has attracted more than $2 billion for leading Ukrainian companies in the agriculture, metallurgy, automotive, chemical, oil, gas, construction and pharmaceutical sectors.

The ThomsonReuters Extel ratings in 2009 recognized Concorde Capital as the best brokerage in Europe’s developing markets, while Concorde Capital’s analytical department has been rated as among the top three strongest analytical teams in Ukraine for the past five years. The Cbonds Awards awarded Concorde Capital second place for “Best Sales on Ukraine’s Bond Market, 2010.” In 2011, the TOP-100 Best Companies of Ukraine ratings awarded Concorde Capital second place in the Investment Companies category.

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