

Investor Relations Online in Ukraine

The Good, the Bad & the Ugly



June 18, 2012

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Special thanks to our expert panel: Jim Davis, Anna Gorbenko, Dmitry Koshevoy, Geoffrey Mazullo, Alexander Nikishev, Kateryna Rybka, Michael Stensrud and Oleg Tkachenko.

EXECUTIVE SUMMARY

Ukrainian corporate websites proved to be a varied and diverse lot – indeed, as the title of this report suggests, some were good, some bad and some just plain ugly. At their best, sites went beyond a static description of products and list of self-promoting achievements to create an interactive experience and add important insight for all stakeholders – customers, employees and investors. In the context of overall corporate governance, websites tended to be a solid indicator of the openness of a company and its readiness to enter into a dialogue with current and potential shareholders/bondholders. Our survey allowed us to backup several hypotheses about the importance of quality Investor Relations websites and dispel some common myths.

Key notions we backed up:

- Ukrainian websites are more oriented toward customers than investors: scores on products/services and corporate information were the highest, while shareholder & credit information was the lowest
- Companies with the best websites tended to be: from the consumer goods, financial services and energy sectors; have foreign-currency denominated securities; have recently completed an equity or debt placement; and among the largest companies in Ukraine by revenue
- English knowledge is enough to access the sites of foreign investment securities (foreign-listed shares or Eurobonds), but Russian and (to a lesser extent) Ukrainian is necessary to get into the local Ukrainian market

Key myths we dispelled:

- Good websites do not lead to better valuations or more BUY recommendations, but they do appear to be a factor in achieving both more fair valuations and more intensive analyst coverage
- High IR Online scores do not appear to guarantee better stock liquidity or less volatility
- Though overall there was a fair connection, not all companies with quality websites had good corporate governance practices, and vice-versa

Other notable findings:

- For several business groups, the IR Online scores of “flagship” assets (with foreign-listed shares or Eurobonds) was typically much higher than for locally-traded assets (UX-listed shares or local bonds)
- Issues with navigation & information availability are prevalent: in timed tests, 39% of info sought was not found within the time limit or unavailable
- A frustratingly large number of websites lacked even simple navigation tools: sitemaps (missing from 42% of websites) and search boxes (27%)

IR Online in Ukraine scores: Top-10 and Bottom-10

Top-10	Score	Bottom-10	Score
DTEK	97%	Khmelnytskoblenergo	34%
Avangard	96%	DMK Dzerzhinskogo	33%
Kernel	92%	Kharkivoblenergo	33%
Alpcot Agro	92%	Stakhaniv Wagon	29%
Myronivsky Hliboproduct	91%	Boryspil Airport	27%
Ukrproduct Group	90%	Darnitsa	26%
Metinvest	90%	UkrAvto	23%
First Ukrainian International Bank	88%	Southern Iron Ore	21%
TMM Real Estate	88%	Bogdan Motors	20%
Ferrexpo	87%	Shakhtoupravlenie Pokrovskoye	18%

Source: Concorde Capital research

Select expert comments:

“The disclosure of information on corporate websites is a simple and clear indicator of how open a company is and whether it is ready to engage in dialogue with its investors.”

– Oleg Tkachenko, UX

“...the majority of studied companies are more successful in providing information to customers than to investors.”

– Anna Gorbenko, FinanceTalking CIS

“My experience as a journalist and with this website analysis gives me reason to believe that the current owners of Ukrainian companies do not consider shareholders “inherited” from mass privatization to be investors and therefore do not see a need for IR.”

– Dmitry Koshevoy, Interfax-Ukraine

“There were instances of companies that we know to be generally well-managed but that was not reflected in a website that was amateurish and out-of-date.”

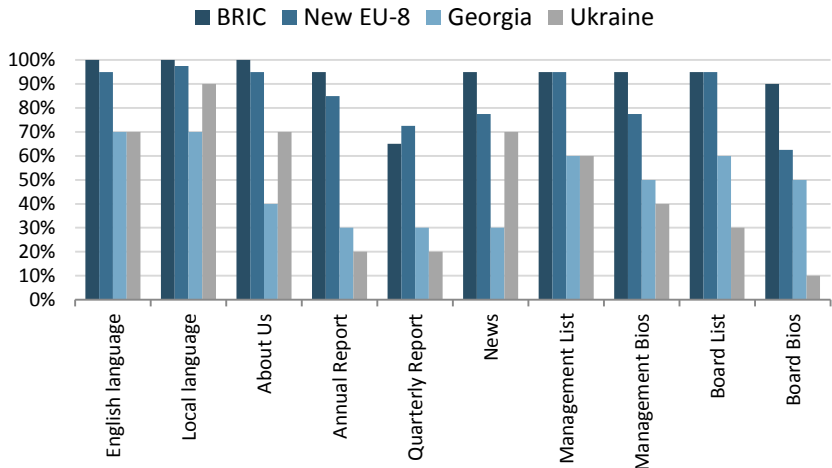
– Jim Davis, Ukraine Business Online

IR ONLINE IN UKRAINE – BEHIND THE CURVE

Ukraine lags BRIC, regional peers

In a survey of the top-10 listed companies (by market capitalization) in each country, Partners for Financial Stability found that the IR online content of Ukrainian websites was generally worse than that of its BRIC and regional peers.

Ukraine vs. BRIC, New EU-8, Georgian peers on IR Online criteria

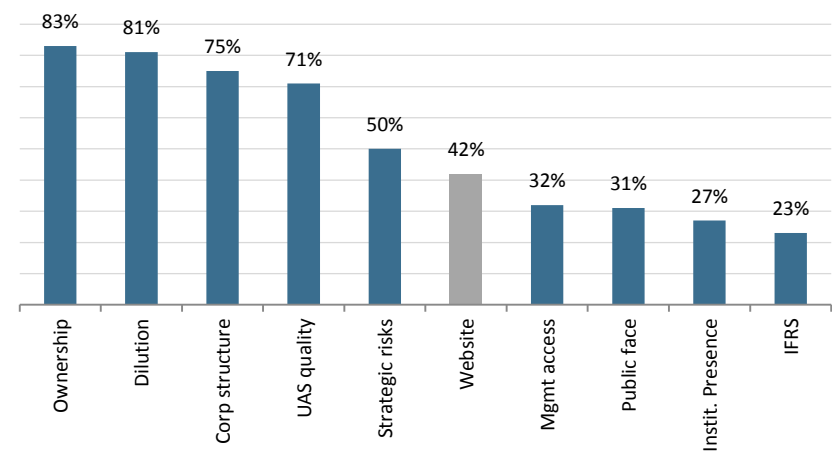


Note: BRIC consists of Brazil, Russia, India and China; New EU-8 consists of Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Source: Partners for Financial Stability (September 2011)

Websites among least investor-friendly governance area

Concorde Capital’s own research last year into corporate governance had Investor Relations websites as one of the lowest-scoring areas. On a simple 1/0 scale, with a point for ownership & financial information and timely updates and zero points for no such information, 42% of websites received a score. Overall, the Investor Relations block (management access, public face and website) was the worst segment (the others being Reporting/Disclosure and Minority Concerns).

Percentage of scores by Corporate Governance criteria



Source: Concorde Capital research (October 2011)

RATINGS OVERVIEW

Objective

The goal of this report is to analyze how friendly and informative the websites of Ukrainian companies are for foreign and local investors. Secondary goals include promoting best practices for IR websites in Ukraine, highlighting companies doing an outstanding job in this area, and raising awareness of investors' and analysts' electronic needs.

Components

This survey was inspired by and based on the "Investor Relations Online in Emerging Europe," project carried out by Partners for Financial Stability, USAID's flagship regional program for financial sector development in Southeast Europe and Eurasia (see project description in Appendix 2).

In order to capture the unique and discerning demands of investors in Ukrainian securities, we adapted and expanded the methodology considerably.

We developed a ranking for IR websites based on four blocks of criteria:

1. Expert evaluation of content (60%) – Based on the scores assigned by a panel of industry experts to the quality of 15 content areas: information on corporate structure, shareholders & credits, finances, corporate news, management/supervisory board and contacts.
2. Timed tests (20%) – Based on the results of a test group that tried to find 10 different pieces of information (or as many as possible) within a five minute period.
3. Features (10%) – Based on how technically usable the website is and how easy it is to navigate.
4. Language (10%) – Based on the availability of content in English, a local language (Russian, Ukrainian, Polish, etc.), and other languages.

To increase the objectivity of the survey, we relied mostly on the work of independent evaluators to build our scores: a panel of eight industry experts judged the quality of content (60% of the total score), while a group of interns, who had studied finance & economics, but had never visited any of these websites before did the timed tests (20% of the total score). In addition, we structured the scoring for the remaining 20% (features and language) to be as straightforward as possible.

For a full description of scoring methodology and definitions, see Appendix 1.

Survey universe

This year's survey includes 100 leading companies operating in Ukraine, including both those that are listed on a stock exchange (London, Warsaw, Frankfurt, Kyiv or elsewhere) or that have issued bonds (Eurobonds and local bonds). Notably, a number of key publicly listed companies did not even have a standalone website and therefore were not included (as of April 2012 when our list was finalized): Luhanskteplovoy, MMK Illich, Poltava Iron Ore, Yasnivsky Coke, and ZaporizhCoke.

RATINGS LIST

Company	Bloomberg Ticker	Website	Expert (60%)	Timed (20%)	Features (10%)	Language (10%)	IR Online Total
DTEK	DTEKUA	www.dtek.com	58%	20%	9%	10%	97%
Avangard	AVGR LI	www.avangard.co.ua	58%	20%	8%	10%	96%
Kernel	KER PW	www.kernel.ua	56%	20%	6%	10%	92%
Alpcot Agro	ALPA SS	www.alpcotagro.com	56%	18%	8%	10%	92%
Myronivsky Hliboproduct	MHPC LI	www.mhp.com.ua	59%	18%	7%	7%	91%
Ukrproduct Group	UKR LN	www.ukrproduct.com	59%	20%	4%	7%	90%
Metinvest	METINV	www.metinvestholding.com	56%	18%	6%	10%	90%
First Ukrainian Int'l Bank	PUMBUA	www.pumb.ua	54%	20%	4%	10%	88%
TMM Real Estate	TR61 GR	www.tmm.ua	56%	18%	4%	10%	88%
Ferrexpo	FXPO LN	www.ferrexpo.com	56%	18%	8%	5%	87%
JKX Oil & Gas	JKX LN	www.jkx.co.uk	52%	20%	8%	5%	85%
Kulczyk Oil Ventures	KOV PW	www.kulczykoil.com	53%	16%	6%	10%	85%
Alfa Bank Ukraine	ALFAUA	www.alfabank.com/ukraine	52%	18%	4%	10%	84%
Ovostar Union	OVO PW	www.ovostar.ua	55%	16%	6%	7%	84%
VAB Bank	VABANK	www.vab.ua	50%	18%	6%	10%	84%
Astarta	AST PW	www.astartaholding.com	52%	20%	4%	7%	83%
KDD Group	KDDG LN	www.kddgroup.com.ua	46%	20%	7%	10%	83%
MCB Agricole	4GW1 GR	www.uzp-agro.com.ua	53%	18%	2%	10%	83%
Mriya Agroholding	MAYA GR	www.mriya.ua	53%	18%	2%	10%	83%
Megabank	MEGA UK	www.megabank.net	46%	20%	6%	10%	82%
Ukrsotsbank	USCB UK	www.ukrsotsbank.com	46%	18%	8%	10%	82%
Agroton	AGT PW	www.agroton.com.ua	50%	18%	3%	10%	81%
Industrial Milk Company	IMC PW	www.imcmilk.com.ua	47%	20%	4%	10%	81%
Oshchadbank	OSCHAD	www.oschadnybank.com	49%	16%	6%	10%	81%
Milkiland	MLK PW	www.milkiland.com	49%	18%	2%	10%	79%
KSG Agro	KSG PW	www.ksgagro.com	49%	14%	5%	10%	78%
Sberbank of Russia (Ukr)	SBERRU	www.sberbank.com.ua	48%	18%	8%	4%	78%
Regal Petroleum	RPT LN	www.regalpetroleum.co.uk	51%	14%	7%	5%	77%
Ukrnafta	UNAF UK	www.ukrnafta.com	47%	16%	4%	10%	77%
Ukrtelecom	UTLM UK	www.ukrtelecom.ua	50%	18%	7%	2%	77%
Platinum Bank	PLATBK	www.platinumbank.com.ua	44%	16%	7%	10%	77%
Motor Sich	MSICH UK	www.motorsich.com	45%	16%	5%	10%	76%
ProCredit Bank Ukraine	PROCRE	www.procreditbank.com.ua	45%	16%	5%	10%	76%
Black Iron Inc	BKI GT	www.blackiron.com	50%	12%	3%	10%	75%
Cadogan Petroleum	CAD LN	www.cadoganpetroleum.com	51%	12%	7%	5%	75%
Coal Energy	CLE PW	www.coalenergy.com.ua	47%	18%	3%	7%	75%
Sadovaya Group	SGR PW	www.sadovayagroup.com	43%	20%	5%	7%	75%
Turboatom	TATM UK	www.turboatom.com.ua	46%	14%	3%	10%	73%
Central Iron Ore	CGOK UK	http://cgok.metinvestholding.com	36%	20%	6%	10%	72%
Kreditprombank	KREDBK	www.kreditprombank.com	40%	16%	6%	10%	72%
Bank Forum	FORM UK	www.forum.com.ua	42%	12%	8%	10%	72%
Komsomolets Donbasa	SHKD UK	www.dtek.com/ua/plants/...*	38%	20%	4%	10%	72%
Dniproenergo	DNEN UK	www.dniproenergo.ua	53%	14%	4%	0%	71%
Credit Agricole Bank Ukr	CRAB UZ	www.credit-agricole.com.ua	40%	14%	7%	10%	71%
Prominvestbank	VEBBNK	www.pib.com.ua	46%	16%	6%	2%	70%
XXI Century Investments	XXIC LN	www.21.com.ua	48%	6%	6%	10%	70%
Galnaftogaz	GLNG UK	www.galnaftogas.com	45%	10%	5%	10%	70%
Westa	WES PW	www.westa.com.ua	47%	10%	3%	10%	70%
Avdiivka Coke	AVDK UK	www.akhz.com.ua	32%	20%	6%	10%	68%
Khartsyzsk Pipe	HRTR UK	http://pipe.metinvestholding.com	32%	20%	6%	10%	68%
Yenakiieve Steel	ENMZ UK	http://emz.metinvestholding.com	32%	20%	6%	10%	68%
Azovstal	AZST UK	http://azovstal.metinvestholding.com	31%	20%	6%	10%	67%
Privatbank	PRBANK	www.privatbank.ua	32%	18%	7%	10%	67%

Company	Bloomberg Ticker	Website	Expert (60%)	Timed (20%)	Features (10%)	Language (10%)	IR Online Total
Ukreximbank	EXIMUK	www.eximb.com	46%	14%	3%	4%	67%
Kyivenergo	KIEN UK	www.kievenergo.com.ua	38%	18%	7%	4%	67%
Northern Iron Ore	SGOK UK	http://sevgok.metinvestholding.com	31%	20%	6%	10%	67%
Finance & Credit Bank	FICBUA	www.fcbank.com.ua	33%	16%	7%	10%	66%
Sintal Agriculture	SNPS GR	www.sintalagriculture.com	35%	18%	3%	10%	66%
VTB Bank Ukraine	VTB	www.vtb.com.ua	44%	18%	4%	0%	66%
East Coal	ECX CN	www.eastcoal.ca	41%	12%	7%	5%	65%
Universalna Insurance	SKUN UK	www.universalna.com	42%	8%	5%	10%	65%
Kredobank	KREDOB	www.kredobank.com.ua	42%	16%	5%	0%	63%
Khlibprom	HLPR UK	www.hlibprom.com.ua	36%	14%	3%	10%	63%
Prykarpatooblenergo	PREN UK	www.oe.if.ua	40%	18%	3%	2%	63%
United Media Holding	A65 GR	www.umh.ua	36%	10%	4%	10%	60%
Nadra Bank	NADRA	www.nadra.com.ua	33%	16%	8%	2%	59%
Raiffeisen Bank Aval	BAVL UK	www.aval.ua	36%	16%	5%	2%	59%
Interpipe	INPIP	www.interpipe.biz	36%	6%	6%	10%	58%
Naftogaz of Ukraine	NAFTO	www.naftogaz.com	28%	14%	5%	10%	57%
Centrenergo	CEEN UK	www.centrenergo.com	40%	10%	4%	2%	56%
Zhytomyroblenergo	ZHEN UK	www.ztoe.com.ua	42%	12%	1%	0%	55%
ArcelorMittal Kryviy Rih	KSTL UK	www.arcelormittal.com.ua	31%	8%	5%	10%	54%
Bank Khreschatyk	KHREST	www.xcitybank.com.ua	39%	12%	3%	0%	54%
Kyivstar	VIMPRU	www.kyivstar.ua	29%	14%	0%	10%	53%
Aisi Realty	AISI LN	www.aisicap.com	36%	8%	3%	5%	52%
Zaporizhstal	ZPST UK	www.zaporizhstal.com	29%	14%	6%	2%	51%
AvtoKRAZ	KRAZ UK	www.autokraz.com.ua	29%	8%	3%	10%	50%
Mostobud	MTBD UK	www.mostobud.com.ua	22%	12%	5%	10%	49%
Zaporizhtransformator	ZATR UK	www.ztr.ua	29%	10%	7%	2%	48%
Zakhidenergo	ZAEN UK	www.zakhidenergo.ua	30%	14%	4%	0%	48%
Nyzhnyodniprovsk Pipe	NITR UK	www.interpipe.biz/en/company/...*	28%	6%	3%	10%	47%
Alchevsk Coke	ALKZ UK	www.akz.lg.ua	24%	8%	4%	10%	46%
Novomoskovsk Pipe	NVTR UK	www.interpipe.biz/en/company/...*	27%	6%	3%	10%	46%
Stirol	STIR UK	www.stirol.net	34%	8%	4%	0%	46%
Donbasenergo	DOEN UK	www.de.com.ua	38%	6%	1%	0%	45%
DMP Petrovskogo Steel	DMZP UK	www.dmpz.dn.ua	24%	6%	4%	10%	44%
Kryukiv Wagon	KVBZ UK	www.kvsz.com	28%	6%	3%	2%	39%
Creativ Group	CRGR UK	www.creativ-group.com.ua	18%	6%	2%	10%	36%
Sumy Frunze	SMASH UK	www.frunze.com.ua	23%	4%	6%	2%	35%
Alchevsk Iron & Steel	ALMK UK	www.amk.lg.ua	21%	10%	1%	2%	34%
Khmelnitskoblenergo	HMON UK	www.hoe.com.ua	29%	4%	1%	0%	34%
DMK Dzerzhinskogo	DMKD UK	www.dmkd.dp.ua	24%	4%	3%	2%	33%
Kharkivoblenergo	HAON UK	www.oblenergo.kharkov.ua	24%	6%	3%	0%	33%
Stakhaniv Wagon	SVGZ UK	www.stakhanovvz.com	23%	2%	4%	0%	29%
Boryspil Airport	BORYS	www.kbp.aero	16%	0%	1%	10%	27%
Darnitsa	4SI1 GR	www.darnitsa.ua	19%	4%	3%	0%	26%
UkrAvto	AVTO UK	www.ukrauto.ua	9%	2%	2%	10%	23%
Southern Iron Ore	PGZK UK	www.ugok.com.ua	16%	2%	3%	0%	21%
Bogdan Motors	LUAZ UK	www.luaz.com	17%	2%	1%	0%	20%
Sh. Pokrovskoye Mine	SHCHZ UK	www.kz1.donetsk.ua	13%	0%	5%	0%	18%

* Website URLs truncated due to space restrictions: Komsomolets Donbasa (www.dtek.com/ua/plants/mining_enrichment/komsomolets/), Nyzhnyodniprovsk Pipe (www.interpipe.biz/en/company/productions/ntz/), Novomoskovsk Pipe (www.interpipe.biz/en/company/productions/nmtz/).

Note: A full breakdown of scores can be provided upon request (please e-mail bw@concorde.com.ua).

Top-5 Foreign-listed shares/DRs

Company	Bloomberg		Expert (60%)	Timed (20%)	Features (10%)	Language (10%)	IR Online Total
	Ticker	Website					
Avangard	AVGR LI	www.avangard.co.ua	58%	20%	8%	10%	96%
Kernel	KER PW	www.kernel.ua	56%	20%	6%	10%	92%
Alpcot Agro	ALPA SS	www.alpcotagro.com	56%	18%	8%	10%	92%
Myronivsky Hliboproduct	MHPC LI	www.mhp.com.ua	59%	18%	7%	7%	91%
Ukrproduct Group	UKR LN	www.ukrproduct.com	59%	20%	4%	7%	90%

Top-5 Local-listed shares

Company	Bloomberg		Expert (60%)	Timed (20%)	Features (10%)	Language (10%)	IR Online Total
	Ticker	Website					
Megabank	MEGA UK	www.megabank.net	46%	20%	6%	10%	82%
Ukrsotsbank	USCB UK	www.ukrsotsbank.com	46%	18%	8%	10%	82%
Ukrnafta	UNAF UK	www.ukrnafta.com	47%	16%	4%	10%	77%
Ukrtelecom	UTLM UK	www.ukrtelecom.ua	50%	18%	7%	2%	77%
Motor Sich	MSICH UK	www.motorsich.com	45%	16%	5%	10%	76%

Top-5 Eurobonds

Company	Bloomberg		Expert (60%)	Timed (20%)	Features (10%)	Language (10%)	IR Online Total
	Ticker	Website					
DTEK	DTEKUA	www.dtek.com	58%	20%	9%	10%	97%
Avangard	AVINPU	www.avangard.co.ua	58%	20%	8%	10%	96%
Myronivsky Hliboproduct	MHPSA	www.mhp.com.ua	59%	18%	7%	7%	91%
Metinvest	METINV	www.metinvestholding.com	56%	18%	6%	10%	90%
First Ukrainian Int'l Bank	PUMBUA	www.pumbua	54%	20%	4%	10%	88%

Top-5 Local bonds

Company	Bloomberg		Expert (60%)	Timed (20%)	Features (10%)	Language (10%)	IR Online Total
	Ticker	Website					
Sberbank of Russia (Ukr)	SBERRU	www.sberbank.com.ua	48%	18%	8%	4%	78%
Platinum Bank	PLATBK	www.platinumbank.com.ua	44%	16%	7%	10%	77%
ProCredit Bank Ukraine	PROCRE	www.procreditbank.com.ua	45%	16%	5%	10%	76%
Kreditprombank	KREDBK	www.kreditprombank.com	40%	16%	6%	10%	72%
Credit Agricole Bank Ukr	CRAB UZ	www.credit-agricole.com.ua	40%	14%	7%	10%	71%

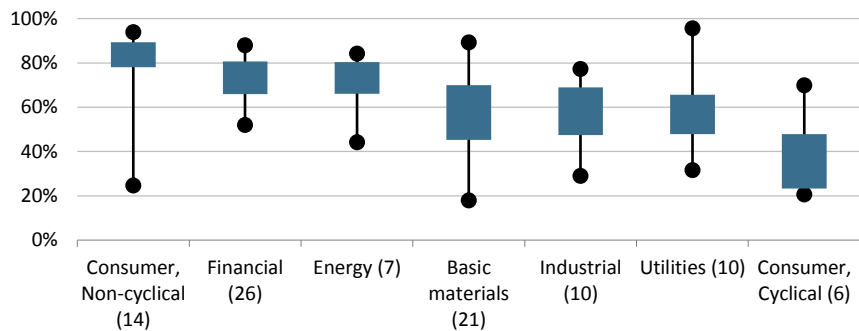
RATINGS ROUNDUP

The median score in the inaugural 2012 “Investor Relations Online” study of 100 leading Ukrainian companies that have tradable equity or debt securities was 69%. The highest score was 97% and the lowest was 18%.

Consumer & financial sectors lead the way

A sector-by-sector look of website investor friendliness turned out to be fairly predictable, with the pecking order, in fact, nearly identical to the list of most to least progressive sectors in terms of corporate governance from last fall. The Consumer Goods, Financials and Energy sectors, which have been among the most active on international capital markets in new equity and Eurobond offerings in recent years, not surprisingly, excelled. Meanwhile, the websites of Industrials, Utilities and Manufacturers (Consumer, Cyclical) were among the worst scoring.

Distribution of scores by industry



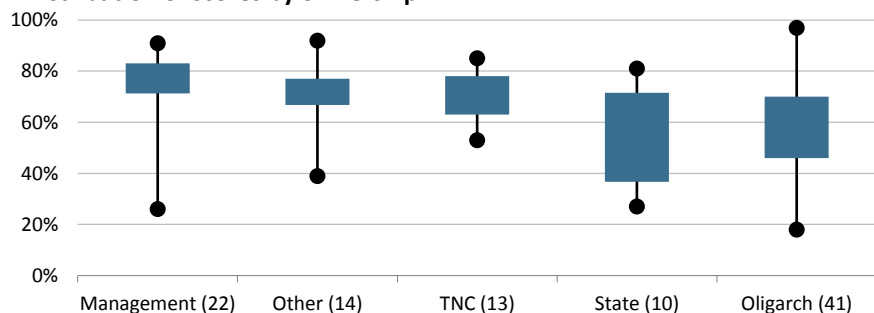
Note: Dots indicate the highest and lowest scoring websites in each sector. Bars indicate the range within which 50% of websites in that sector scored. Number in parenthesis indicates amount of rated companies falling within that industry category. Industry categories according to the Bloomberg Industry Classification System (BICS). Source: Concorde Capital research

Interestingly, the three companies whose core business dealt most closely with websites all received relatively low scores: Ukrtelecom (73%), United Media Holding (60%), and Kyivstar (53%, which had the only zero score on features).

State & oligarch controlled companies lag

We found that the websites of enterprises controlled by the state and oligarchs to be the least investor relevant: the majority of their sites fell short of other ownership groupings.

Distribution of scores by ownership

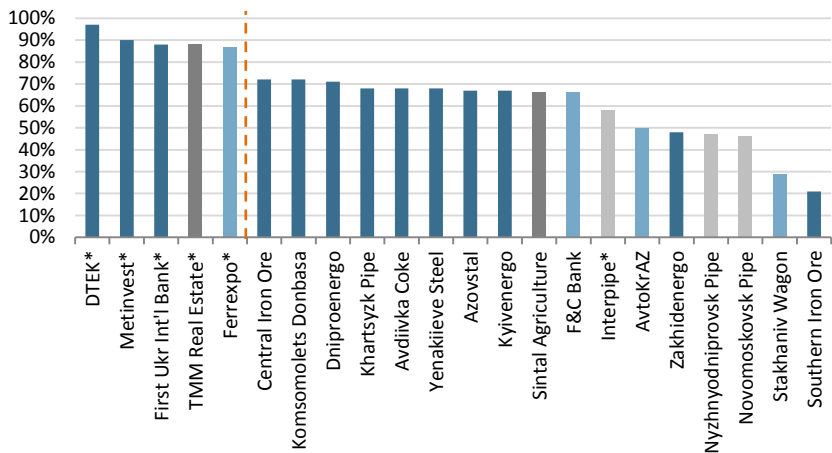


Note: Dots indicate the highest and lowest scoring websites in each sector. Bars indicate the range within which 50% of websites in that sector scored. Number in parenthesis indicates amount of rated companies falling within that ownership category. TNC = Transnational corporation. Other includes companies owned by investment/private equity firms and those where no single shareholder controls a majority stake. Source: Concorde Capital research

The state and oligarch groups were the only ones to have their median scores (57% and 60%, respectively) fall below overall survey median of 69%. This is little surprise as the state and oligarchs tend to have their own financial resources for their enterprises, while other categories require better access to capital markets.

Interestingly, for several large business groups (including Finance & Credit, Interpipe and SCM), the scores of “flagship” assets (with foreign-listed shares or Eurobonds) were typically much higher than for other assets (listed on the local Ukrainian Exchange or a local bond issuer). For all these three business groups, the score of their flagship asset(s) were at least 10 points more than for other enterprises. All but one flagship (Interpipe) scored above the survey median.

Scores of large business group assets

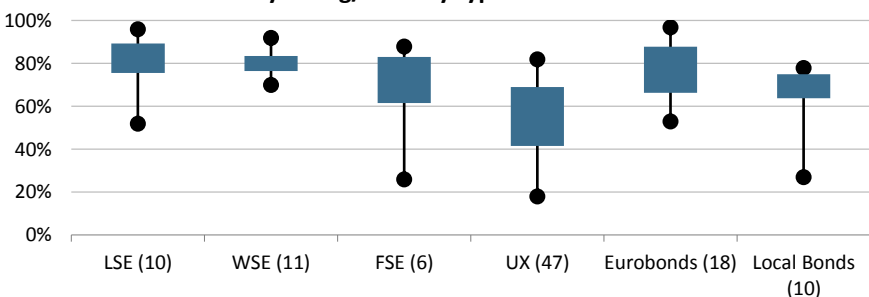


* Flagship assets of business groups. Note: Dark blue indicates SCM assets, light blue indicates Finance & Credit assets and dark gray indicates assets owned by Mykola Tolmachov and light gray indicates Interpipe/East One. The orange line indicates the survey median. Source: Concorde Capital research

Foreign-currency securities are more advanced

Again, in another intuitive finding that mirrored our corporate governance research, foreign investment vehicles tended to do better than local instruments. In the equity space, London and Warsaw listed companies set the gold standard, which is, at least in part, attribute to the greater transparency & disclosure requirements and investment culture of those platforms. For the first time, we extended our survey universe to include bond issuers and reached a similar finding: companies with Eurobonds outshone local bond issuers (even though we selected the leading companies with the most liquid local bonds).

Distribution of scores by listing/security type

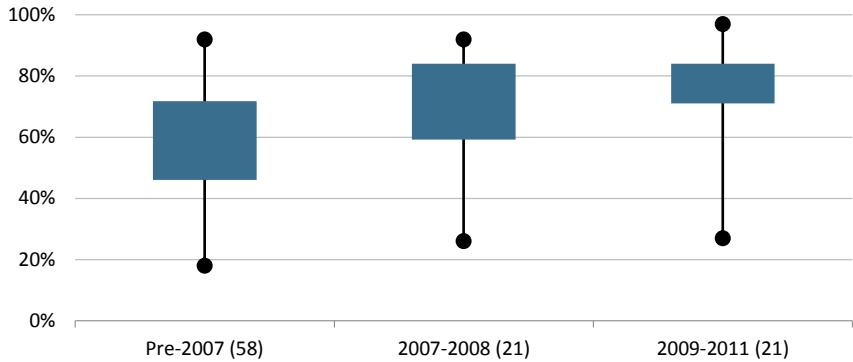


Note: Dots indicate the highest and lowest scoring websites in each category. Bars indicate the range within which 50% of websites scored. Number in parenthesis indicates amount of rated companies falling within that listing/security category. LSE = London Stock Exchange, WSE = Warsaw Stock Exchange, FSE = Frankfurt Stock Exchange, UX = Ukrainian Exchange. Source: Concorde Capital research

The top scoring websites from companies listed on the UX were Megabank and Ukrasotsbank (tied at 82%).

The websites of companies that carried out equity or debt placements more recently scored better: the median score was 78% for post-crisis placements (2009-2011), 74% for companies placed during the market's banner years (2007-2008) and 63% for pre-2007 placements.

Distribution of scores by listing/issuance date



Note: Dots indicate the highest & lowest scoring websites in each range. Bars indicate the range within which 50% of websites scored. Number in parenthesis indicates amount of rated companies falling within that category. Source: Concorde Capital research

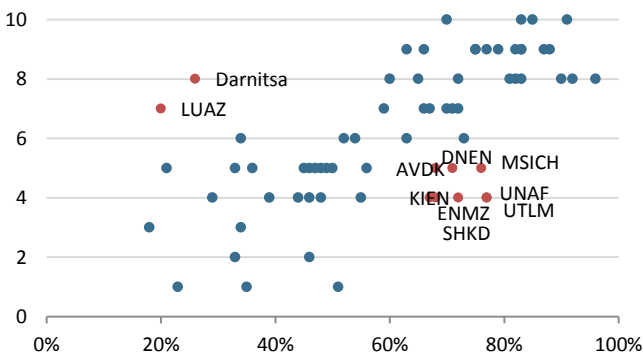
High scores do not always mean high governance

The characteristics of the rankings were, in most cases, eerily similar to the ratings of corporate governance we did last fall (see more in our report "Corporate Governance in Ukraine: Passing Go" dated October 2011). As a result, many of the names with top IR websites are quite familiar as truly stellar embodiments of international IR best practices.

Overall, there was a very high correlation between high Investor Relations Online scores and Corporate Governance scores and companies' scores on non-website related Corporate Governance scores, though there were some notable exceptions in both cases.

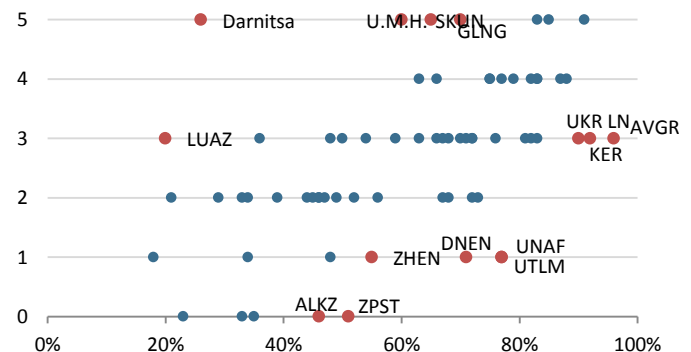
There were two companies (Bogdan Motors and Darnitsa) with high CG scores that we dub "IR offline" who are very communicative with the investment community, in our experience. This makes their website a potential target to improve in terms of their tools for investors. At the same time, there was a slightly larger group that could perhaps be coined "online-only" whose overall governance scores were quite low. In these cases, poor IRO scores might be symptomatic of a low prioritization of investor-concerns by the company.

IRO score vs. CG score



Source: Concorde Capital

IRO score vs. Non website-related CG scores*



* Included Management Access, Public Face, Dilution Risk, Institutional Presence and Strategic Risks. Source: Concorde Capital

The group of top-10 IR Online scores included three of the perfect scorers (10/10) on corporate governance.

There were two companies that received the second highest corporate governance rating, AA (Above Average), among the bottom-10 IR Online scores: Bogdan Motors and Darnitsa. Most of the bottom-10 scorers received no points from their online presence toward their CG ratings, making this a potential area that could lead to a governance rating upgrade if changes are made.

Top-10 and Bottom-10 IR online scores with corporate governance ratings

<i>Company</i>	<i>Security</i>	<i>CG Score</i>	<i>CG Rating</i>	<i>IR Online Score</i>
Top-10				
Avangard	LSE/Eurobonds	8	AA	96%
Kernel	WSE	8	AA	92%
Myronivsky Hliboproduct	LSE/Eurobonds	10	Q	91%
Ukrproduct Group	LSE	8	AA	90%
TMM Real Estate	FSE	9	Q	88%
Ferrexpo	LSE/Eurobonds	9	Q	87%
JKX Oil & Gas	LSE	10	Q	85%
Astarta	WSE	10	Q	83%
KDD Group	LSE	8	AA	83%
MCB Agricole	FSE	9	Q	83%
Bottom-10				
Alchevsk Iron & Steel	UX	3	P	34%
Khmelnitskoblenergo	UX	6	A	34%
DMK Dzerzhinskogo	UX	2	P	33%
Kharkivoblenergo	UX	5	A	33%
Stakhaniv Wagon	UX	4	BA	29%
Darnitsa	FSE	8	AA	26%
UkrAvto	UX	1	P	23%
Southern Iron Ore	UX	5	A	21%
Bogdan Motors	UX	7	AA	20%
Sh. Pokrovskoye Mine	UX	3	P	18%

Note: LSE = London Stock Exchange, WSE = Warsaw Stock Exchange, FSE = Frankfurt Stock Exchange. Corporate Governance ratings: Q = Quality, AA = Above Average, A = Average, BA = Below Average, P = Poor. For more about corporate governance scores and ratings, see our report from October 2011. Source: Concorde Capital research

SCORING BREAKDOWN

Block 1: Expert evaluation of content

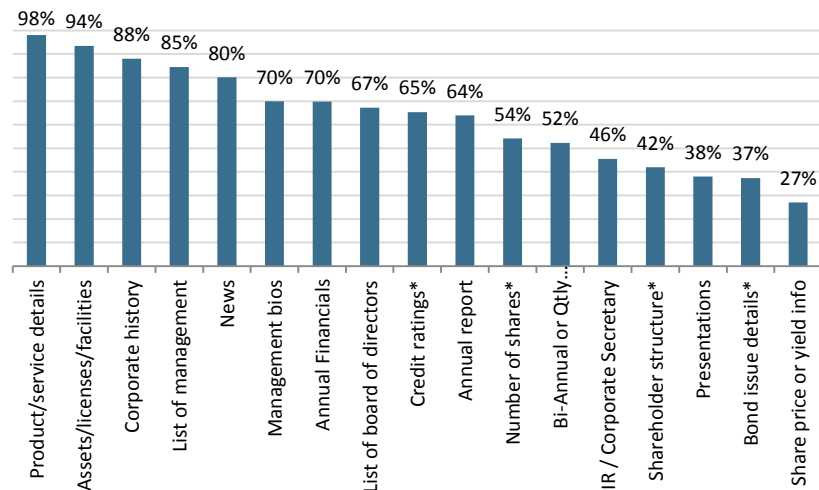
Most websites were designed with customers in mind, not investors

Why it matters: When it comes to IR websites, quality not quantity matters. If there was one thing our expert panel noted, it was the diversity of surveyed sites – some had strong favorites while others lamented at times, “there is nothing here for investors.” Quality content is informative and arresting.

How it was scored: A panel of eight industry experts each evaluated a randomized list of 25 websites for the quality of their content. The final score was an average of the two expert scores as a percentage of 15 criteria. This block had a 60% weight in the total IR Online score.

What we found: Our research showed that websites by far catered more to customers than to investors: the average scores in the corporate information category (product & service details – 98%, asset/license/facilities details – 94%) were the highest, while shareholder & credit information category was the lowest (e.g. shareholder structure – 42%, bond issue details – 37%, share price or yield information or charts – 27%).

Average expert scores by criteria



* Shareholder structure and number of shares applied only to companies with publicly listed shares; credit ratings and bond issue details only to companies that issued bonds.

Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

Perhaps not surprisingly, companies listed abroad or that had Eurobonds did the best. Of the top 20 scores in this block, 15 companies had shares listed on foreign stock exchanges, eight had Eurobonds, and only one had shares that were listed on the local Ukrainian Exchange. Conversely, the group of bottom 20 scorers consisted of 17 that had shares listed on the UX, one that was Frankfurt-listed, one that had Eurobonds and one with local bonds. Note that we took the only the leading companies with locally listed shares and bonds in terms of liquidity.

Median score in block: 67.5%

Top-10 and Bottom-10 scores in Expert Evaluation block

Top-10	Score	Bottom-10	Score
Myronivsky Hliboproduct	98.3%	Stakhaniv Wagon	38.3%
Ukrproduct Group	98.3%	Mostobud	36.7%
Avangard	96.7%	Alchevsk Iron & Steel	35.0%
DTEK	96.7%	Darnitsa	31.7%
Alpcot Agro	93.3%	Creativ Group	30.0%
Ferrexpo	93.3%	Bogdan Motors	28.3%
Kernel	93.3%	Boryspil Airport	26.7%
Metinvest	93.3%	Southern Iron Ore	26.7%
TMM Real Estate	93.3%	Shakhtoupravlenie Pokrovskoye	21.7%
Ovostar Union	91.7%	UkrAvto	15.0%

Source: Concorde Capital research

Block 2: Timed tests

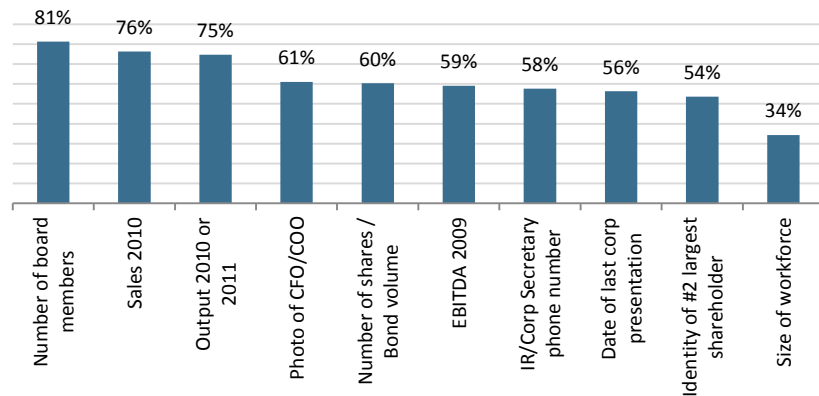
Information was not always easy to find or there at all

Why it matters: Information, in order to offer value to investors, must be easily and quickly located. This is important online, where each website is different and navigation, especially for first-time users, can occasionally be frustrating.

How it was scored: We had a test group (Concorde Capital interns) who had finance & economic academic backgrounds but no prior experience with these websites try to find 10 pieces of information (or as many as possible) within a five minute period. We took the median number of items found as the score in this block to control for human error – with each website tested three times this eliminated the highest and lowest scores. This block had a 20% weight in the total IR Online score.

What we found: The average number of items found on all websites was only 61%. The most readily found information was: number of board members (81%), sales in 2010 (76%), and output in 2010/2011 (75%). Interestingly, the least discovered piece of information was size of workforce (34%).

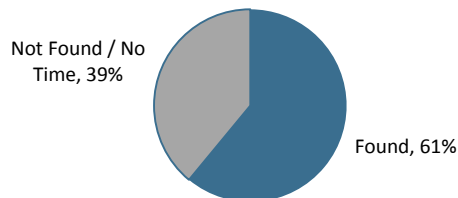
Average timed test scores by criteria



*Note: For a full description of scoring methodology and descriptions, see Appendix 1.
Source: Concorde Capital research*

Overall, the findings in this block were disappointing - 39% of information looked for was not found in the five minute time limit. No websites received a full score in this block and two received zero scores in this block (Boryspil Airport and the Pokrovskoye Mine).

Percentage of information found by testers in timed tests



*Note: For a full description of scoring methodology and descriptions, see Appendix 1.
Source: Concorde Capital research*

Median score in block: 80%

Top scores: 19 companies tied with a full 100% score in this block

Bottom-10 scores in Timed tests block

Bottom-10	Score
Darnitsa	20%
DMK Dzerzhinskogo	20%
Khmelnitskoblenergo	20%
Sumy Frunze	20%
Bogdan Motors	10%
Southern Iron Ore	10%
Stakhaniv Wagon	10%
UkrAvto	10%
Boryspil Airport	0%
Shakhtoupravlenie Pokrovskoye	0%

Source: Concorde Capital research

Block 3: Features

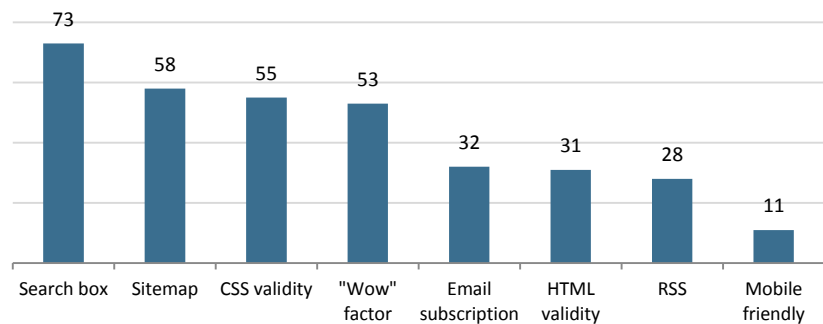
“Advanced” features rare, quite a few lack even “basic” features

Why it matters: Beyond the actual content and how easily it can be accessed, the user experience itself matters.

How it was scored: We based scores in this section on 10 criteria, including some to address mobile-friendliness, information delivery convenience (RSS or email), programming language validity (HTML and CSS), ease of navigation (sitemap and search), and a “wow” factor (interactive charts/menus, video content, etc.). This block had a 10% weight in the total IR Online score.

What we found: The most difficult criteria turned out to be mobile friendliness: only 11 of websites received the full score in this area. Websites scored the best on simple navigation features, though there remained a frustratingly large number of websites that lacked the two things we were looking for, sitemaps (42 websites) and search boxes (27).

Features by number of websites



Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

Also high on the wish list of features for investors and analysts, but poorly represented were other information delivery options, either via RSS (only on 28 sites) or email subscriptions (32).

We did find that an impressive majority of sites (53) went beyond simple offerings with some sort of a “wow” factor – an interactive menu/chart, video content, or the ability to interact live with a company representative.

Median score in block: 50%

Top-10 and Bottom-10 scores in Features block

Top-10	Score	Bottom-10	Score
DTEK	90%	Milkiland**	20%
Alpcot Agro	80%	Mriya Agroholding**	20%
Avangard	80%	UkrAvto**	20%
Bank Forum	80%	Alchevsk Iron & Steel	10%
Ferrexpo	80%	Bogdan Motors	10%
JKX Oil & Gas	80%	Boryspil Airport	10%
Nadra Bank	80%	Donbasenergo	10%
Sberbank Russia (Ukraine)	80%	Khmelnitskoblenergo	10%
Ukrsotsbank	80%	Zhytomyroblenergo	10%
Avangard*	70%	Kyivstar	0%

* 12 other companies also scored 70%. ** Creative Group and MCB Agricole also scored 20%.

Source: Concorde Capital research

Block 4: Language

English & Russian are needed to understand most Ukrainian sites

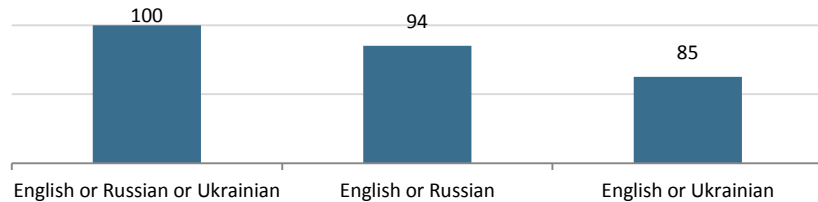
Why it matters: Investors in Ukraine are a diverse & geographically dispersed group – access to information in a familiar language is essential.

How it was scored: We used a matrix to assign points in this section (see Appendix 1), with a strong bias toward websites with information in English. This block had a 10% weight in the total IR Online score.

Three languages necessary for full access to Ukrainian investments

English, Russian and Ukrainian languages were by far the most popular offerings – with some knowledge of each necessary to understand and get information from the full universe of 100 websites. English and Russian knowledge would get you access to 94% of websites, and English and Ukrainian to 85%.

Languages required for full access by number of websites



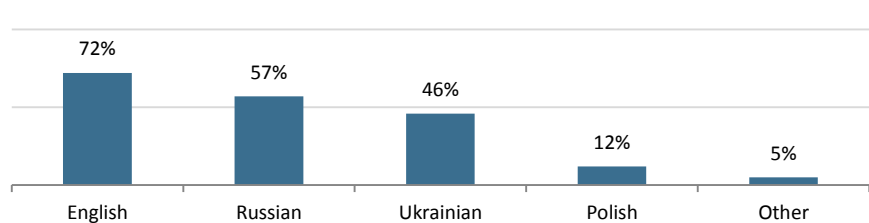
Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

Ukraine’s leading IR language: English

English was the most common language for investor relations: it was available on 72% of websites that had a dedicated IR, investor or shareholder section.

IR sections: Language availability by percentage of websites



Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

But English & Russian share stage as the primary languages of business

That differed from the most prevalent languages on overall websites, where English (70 websites) and Russian (69) were at near parity.

Language availability by number of websites



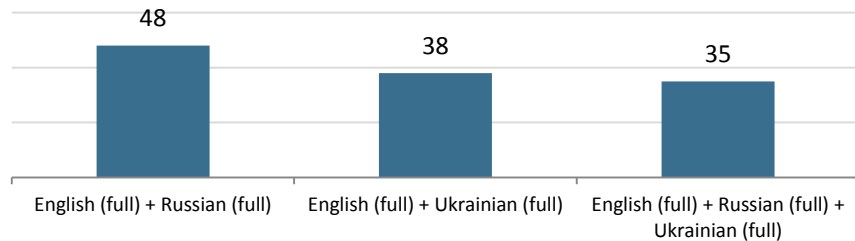
Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

We distinguished between websites that had full information available in a language and only partial information available: typically this included static information about a company's history and management and was less frequently updated. Here too - the most common partial language options were English (14 websites) and Russian (11).

Also illustrating the dual language supremacy is that the most frequent combination of full language versions was English and Russian (48 websites).

Language combinations by number of websites



Note: For a full description of scoring methodology and descriptions, see Appendix 1. Source: Concorde Capital research

English enough for foreign investments, but local lingo needed in Ukraine

Among the websites of companies with foreign securities (equities listed abroad and Eurobonds), all but three had full English language websites (Darnitsa, Nadra Bank and Ukreximbank). The IR sections of **all** websites that had such a dedicated area had an English-language version.

Meanwhile, all companies listed on the local UX or that had local UAH-bonds had either a full Russian (48 websites, 84%) or Ukrainian language website (36 websites or 63%). Only 31 of these websites (54%) had a full English language option. Furthermore, all the locals had IR or shareholder sections that were either in Russian (22 websites, 73%) or Ukrainian languages (20 websites, 67%), while only a minority had English (12 websites, 40%).

WSE-listed company websites were all in English (100%), with 64% having full Polish-language versions, one a full Russian site and none in Ukrainian.

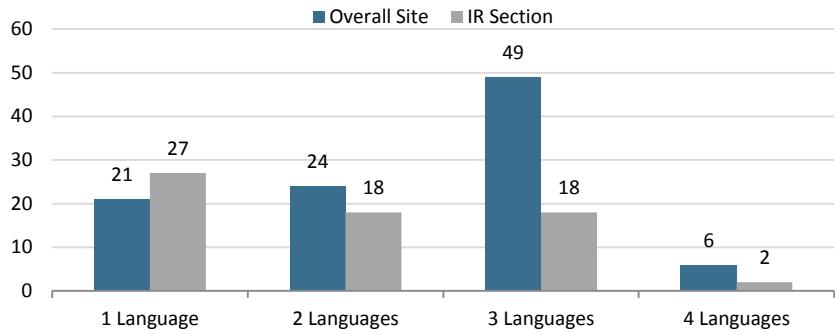
Multiple languages common overall, but not on IR sections

Most websites had a multitude of language options available, with the largest number having three languages (49 websites).

Six sites had four languages: Agroton offered English, German, Polish and Russian; KSG Agro, Milkiland, Ovostar Union and Westa offered English, Polish, Russian and Ukrainian; and Mriya Agroholding offered English, German, Russian and Ukrainian. However, a relatively large number, 21 companies, had only one language option.

The situation was dramatically different on the investor sections of websites. Most had just one language available and the mix was relatively balanced (12 English only, eight Russian only, and seven Ukrainian only).

Number of languages by number of websites



*Note: For a full description of scoring methodology and descriptions, see Appendix 1.
Source: Concorde Capital research*

Median score in block: 100%

Top scores: 58 companies tied with a full 100% score in this block

Bottom scores: 15 companies tied with a 0% score in this block

IR ONLINE & EQUITY MARKETS

We tested the connection between Investor Relations Online scores and a variety of parameters in an attempt to find out how a quality investor-relevant website can affect capital market performance.

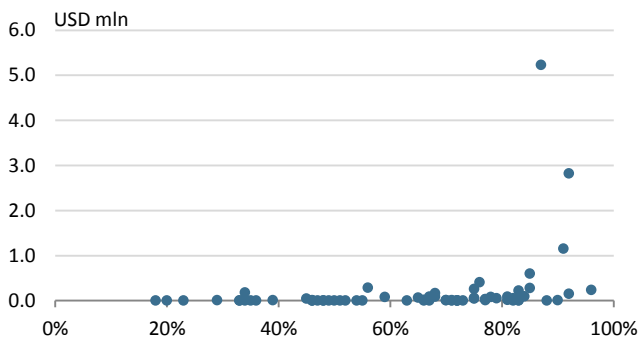
Good websites = better liquidity through analyst coverage

The general consensus is the companies with better Investor Relations Online scores should have stronger recognition by investors and better liquidity.

Our conclusion is: higher website scores can only stimulate better recognition from investors (approximated by the number of analyst recommendations) and vice-versa. IR Online scores can affect liquidity only through better recognition.

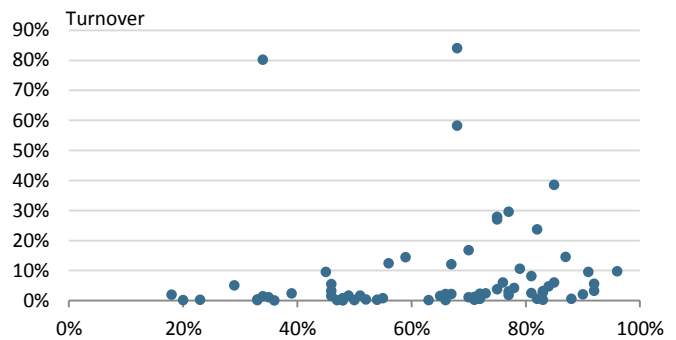
Our analysis shows that there is weak statistical (and even visual) link between IR Online and liquidity (turnover or free float turnover). The only trend clearly seen is that companies with average daily turnover of above USD 0.5 mln have scores of more than 83% (top-15% of studied universe).

IRO score vs. Average daily turnover 1M



Source: Bloomberg, Concorde Capital

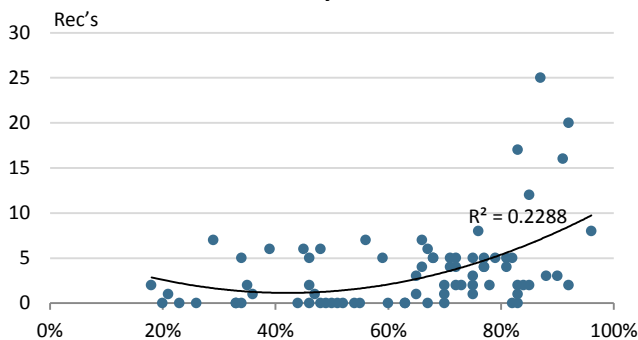
IRO score vs. Free float turnover 1M



Source: Bloomberg, Concorde Capital

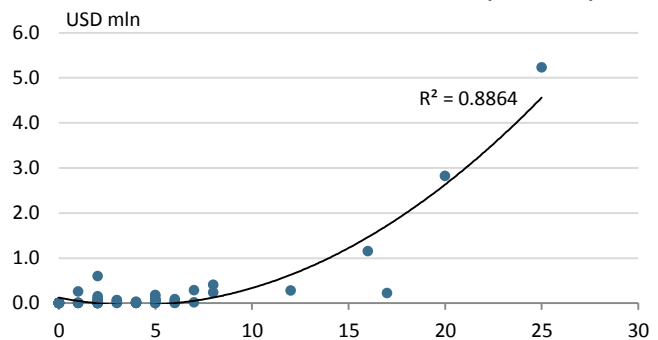
We found the link between IR Online and intensity of stock coverage (number of analyst recommendations) was stronger. Further, coverage intensity is better correlated with turnover.

IRO score vs. Number of analyst recommendations



Source: Bloomberg, Concorde Capital

Number of recommendations vs. ADT 20D (USD mln)



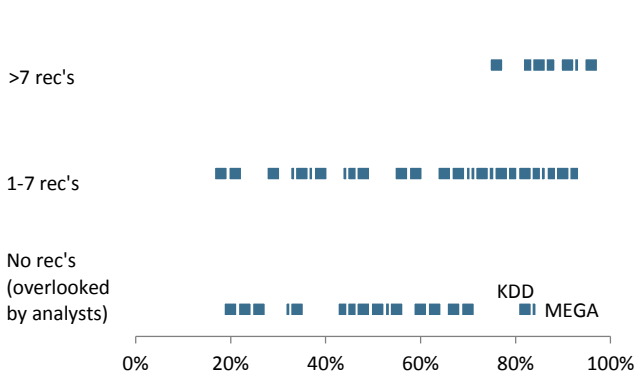
Source: Bloomberg, Concorde Capital

Companies with bad sites are “overlooked”

The hypothesis that companies with better communication with investors (with websites as a tool to facilitate that process) being treated preferably by them was not supported by our study.

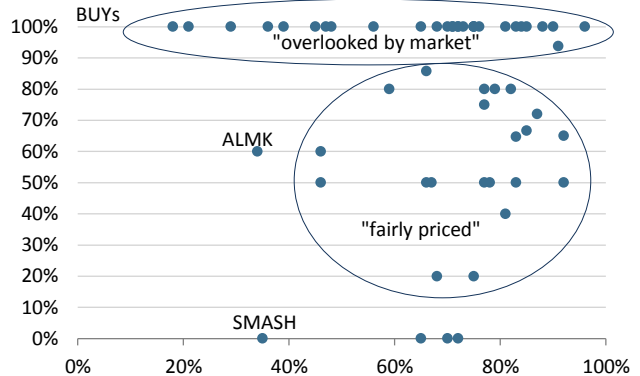
Though, our analysis suggested that companies with good websites tended to be much better covered by analysts (with the exceptions of KDD Group and Megabank). At the same time, more IR Online-friendly companies tended to have a more balanced mix of recommendations (suggesting they are more “fairly priced” by the market from an analyst’s point of view). Meanwhile, BUY recommendations from analysts were much less common among companies with lower website scores.

IRO score vs. number groups of recommendations



Source: Bloomberg, Concorde Capital

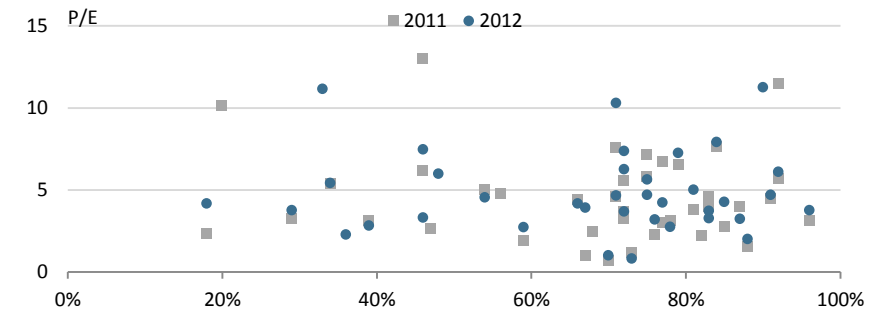
IRO score vs. Percentage of BUY recommendations



Source: Bloomberg, Concorde Capital

Companies with higher IR Online scores also did not necessarily have higher Price/Equity (P/E) multiples.

IRO score vs. P/E 2011 and 2012

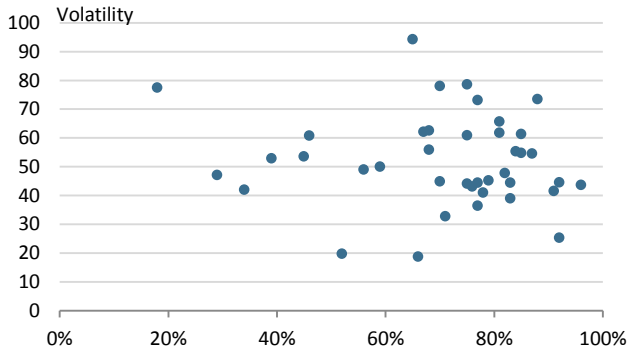


Source: Bloomberg, Concorde Capital

Quality sites do not necessarily mean less risk

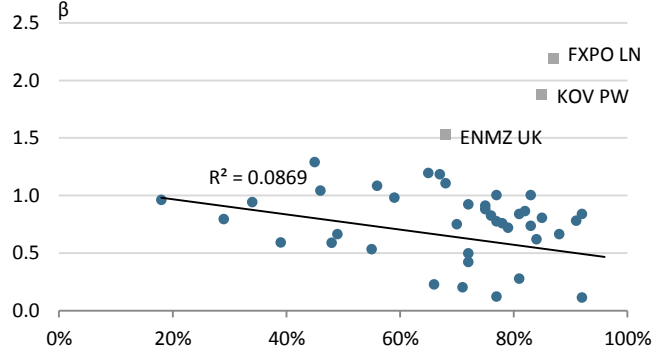
Another popular notion is that good IR communication (i.e. good IR Online scores) allows a company to better address investors' concerns and thus prevents price volatility. We found no statistical proof of this – there is only a weak visual link between IRO scores and market beta.

IRO score vs. Volatility index 60D



Source: Bloomberg, Concorde Capital

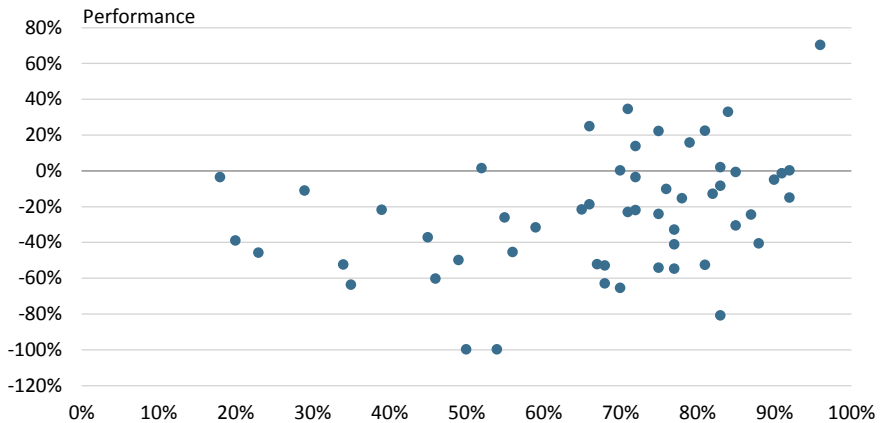
IRO score vs. Equity beta 6M



Note: Red blocks indicate outliers.
Source: Bloomberg, Concorde Capital

Though, again, companies with extremely poor IRO tend to be more subject to negative market sentiment – there was not a single stock in our universe with a poor IRO score (below 50%) and positive YTD performance.

IRO score vs. Performance YTD

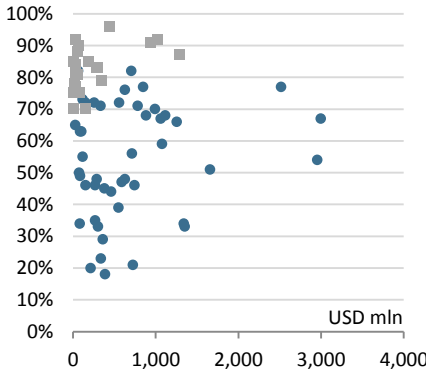


Source: Bloomberg, Concorde Capital

Big companies have better websites

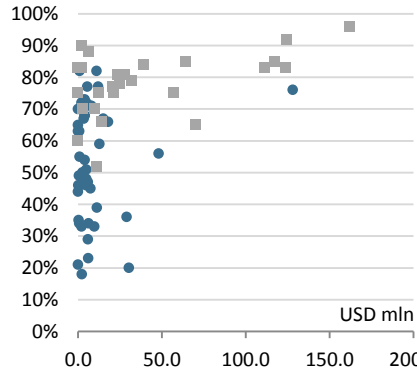
The hypothesis that large companies have more investor-friendly sites bore out in reality only for foreign-listed companies. Those companies with revenue exceeding USD 500 mln and MCap FF exceeding USD 100 mln had high IRO scores (80% or more). The same is true for foreign-listed companies whose General and Administrative expenses exceeded USD 40 mln.

Revenue 2010 vs. IRO score



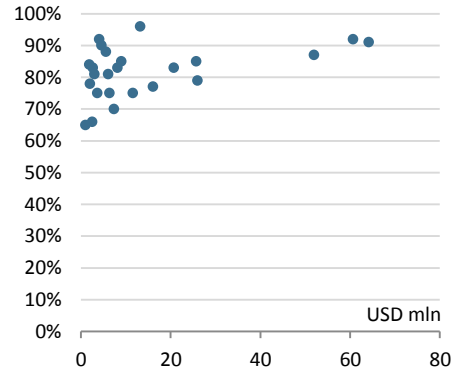
Note: Gray blocks indicate foreign-listed companies.
Source: Bloomberg, Concorde Capital

MCap FF 2010 vs. IRO score



Note: Gray blocks indicate foreign-listed companies.
Source: Bloomberg, Concorde Capital

Foreign-listed companies: G&A 2011 vs. IRO score



Source: Bloomberg, Concorde Capital

CASE STUDY: AVANGARD

www.avangard.co.ua

Comments

- Expansive Investor Relations section chock full of relevant information: both on bonds and shares, financials, analyst coverage, various corporate reports (annual, presentations, etc.), and an IR calendar
- News & press releases are material and updated in a timely manner
- Detailed bios and photos of all senior management and board of directors
- Contact information is easy to find and comprehensive: both for general corporate and IR representative
- Typical expert comment: “Hands down the best site I reviewed for investors.” *[Editor’s comment: each expert reviewed 25 websites]*

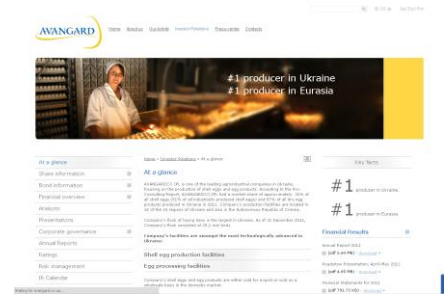
Screenshots

Main page



Source: www.avangard.co.ua

IR page



Site map

About Us

- At a glance
- Investment projects
- Mission
- Strategy
- History
- Awards
- Board of Directors
- Senior Management
- Corporate Governance

Contacts

- Office locations
- Contact form

Source: www.avangard.co.ua

Our Activity

- Products
- Geographical Coverage
- Vertical Integration
- Biosecurity

Press-centre

- News
- Press-releases
- Media Coverage Avangard
- Media Coverage Industry
- Media contact
- Subscription

Investor Relations

- At a glance
- Share information
- Bond information
- Financial overview
- Analysts
- Presentations
- Corporate governance
- Annual Reports
- Ratings
- Risk management
- IR calendar
- IR contacts

Scoring summary

Total IR Online Score		96%	Block 2: Timed tests			1	2	3
Block 1: Expert evaluation		1	2	Sales in 2010	1	1	1	
A. Corporate structure info				EBITDA in 2009	1	1	1	
1. Details of products & services	1	1	Output in 2010/2011	1	1	1		
2. Assets/licenses/facilities	1	1	Number of board members	1	1	1		
B. Shareholder & credit info				Phone of IR/Corp Secretary	0	1	1	
3. Shareholder structure	1	1	Photo of CFO/COO	1	1	1		
4. Number of shares	1	1	Number of shares/Bond volume	1	1	1		
5. Credit ratings	1	1	Identity of #2 shareholder	1	1	1		
6. Bond issue details	1	1	Date of last corp. presentation	1	1	1		
7. Share price or yield info	1	1	Size of workforce	0	1	1		
C. Financial information				Timed test Scores	8	10	10	
8. Annual	1	1	Timed test Total			100%		
9. Bi-Annual or Quarterly	0	1	Timed test Subscore (*.20)			20%		
D. Company information				Block 3: Features			Score	
10. Corporate history	1	1	Mobile			0		
11. News	1	1	RSS feed			1		
12. Annual report	1	1	Email list			1		
13. Presentations	1	1	Wow factor			1		
E. Management/board info				HTML+Markup validity		1		
14. List of management	1	1	CSS validity			0		
15. Management bios	1	1	Site map			2		
16. List of board of directors	1	1	Search			2		
F. Contact information				Features Total		80%		
17. IR / Corporate Secretary	1	1	Features Subscore (*.10)			8%		
Expert Scores	14	15	Block 4: Language					
Expert Total		97%	RUS+UKR+ENG			10		
Expert Subscore (*.60)		58%	Language Total			100%		
			Language Subscore (*.10)			10%		

Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

CASE STUDY: UKRAVTO

www.ukravto.ua

Comments

- Very consumer-oriented with extremely detailed sections on products and services, but virtually no investor-relevant information (on shares & bonds, financials or management & board, etc.); no dedicated IR section
- Corporate news is limited to product announcements and achievements
- No contact information provided for IR manager or corporate secretary: only for general corporate & PR inquiries
- Typical expert comment: “There is nothing here for investors.”

Screenshots

Main page



Source: www.ukravto.ua

Press centre page



Site map

About Company

- Legal information
- History
- Presentation
- Loyalty program
- Promotion projects
- Real service care
- Contacts

Production

- Export of UkrAvto

Press-Centre

- Catalog auto
- Legal information

Sales

- Commercial machinery & buses
- Motorcycles
- For corporate clients
- Distribution companies

Service

- Spare parts, accessories
- Service stations machinery
- Petrol stations

Finance

- Insurance
- UkrAvto Finance paper

Logistics

- Custom-licensing warehouses
- Logistic company

Other business

- Auto Show partners
- Hotel business
- Partners

Source: Concorde Capital, www.ukravto.ua

Scoring summary

Total IR Online Score	23%	Block 2: Timed tests	1	2	3
		Sales in 2010	0	0	0
		EBITDA in 2009	0	0	0
Block 1: Expert evaluation	1 2	Output in 2010/2011	0	0	0
A. Corporate structure info		Number of board members	0	0	0
1. Details of products & services	1 1	Phone of IR/Corp Secretary	0	0	0
2. Assets/licenses/facilities	0 1	Photo of CFO/COO	1	0	1
B. Shareholder & credit info		Number of shares/Bond volume	0	0	0
3. Shareholder structure	0 0	Identity of #2 shareholder	0	0	0
4. Number of shares	0 0	Date of last corp. presentation	0	0	0
5. Credit ratings	X X	Size of workforce	0	0	0
6. Bond issue details	X X	Timed test Scores	1	0	1
7. Share price or yield info	0 0	Timed test Total			10%
C. Financial information		Timed test Subscore (*.20)			2%
8. Annual	0 0	Block 3: Features			Score
9. Bi-Annual or Quarterly	0 0	Mobile			0
D. Company information		RSS feed			0
10. Corporate history	0 1	Email list			1
11. News	0 0.5	Wow factor			1
12. Annual report	0 0	HTML+Markup validity			0
13. Presentations	0 0	CSS validity			0
E. Management/board info		Site map			0
14. List of management	0 0	Search			0
15. Management bios	0 0	Features Total			20%
16. List of board of directors	0 0	Features Subscore (*.10)			2%
F. Contact information		Block 4: Language			
17. IR / Corporate Secretary	0 0	RUS+UKR+ENG			10
Expert Scores	1 3.5	Language Total			100%
Expert Total	15%	Language Subscore (*.10)			10%
Expert Subscore (*.60)	9%				

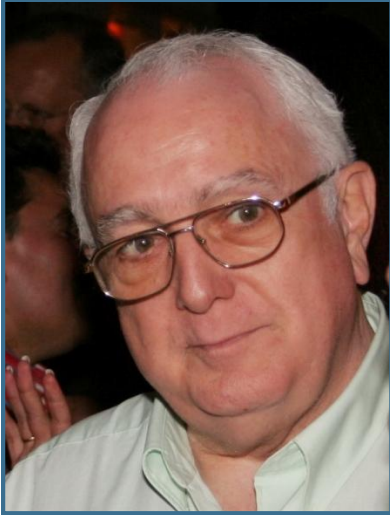
Note: For a full description of scoring methodology and descriptions, see Appendix 1.

Source: Concorde Capital research

EXPERT COMMENTARY

Jim Davis

**Editor and Publisher
Ukraine Business Online**



Examining a variety of company websites in relation to the IR study, I was reminded of the old American movie entitled, “The Good, the Bad and the Ugly”. Among the websites that I examined there were certainly some of each of the categories suggested by the title.

My first impression was a quite favorable one, recognizing how many of the websites I studied appeared to have a clear understanding of the importance of their website to investors and anyone else seeking information about their company. I would say there are a few Ukrainian corporate sites that are as good as any in the world. They have all the information that any customer or investor might want or need, they are colorful, dynamic and up-to-date, clearly demonstrating their management’s understanding of the value of good communications.

What was most interesting about examining the wide variety of Ukrainian websites were the things unsaid but clearly discernible that might be considered negative by potential investors.

- Some websites demonstrated that the company is a “one-man-band” and that there is only one real decision-maker in the company. All board members appeared to be cronies or employees with no capacity to advise the company independently.
- There were instances of companies that we know to be generally well-managed but that is not reflected in a website that is amateurish and out-of-date.
- There were some websites on which there was a huge volume of dense legal language posted instead of clear stated summaries of information that an investor might want. Such websites do nothing more than emphasize that the company is in financial and/or legal difficulty.

There was a time when investors might seek a copy of an annual statement or some other similar material when considering an investment. Today investors and customers consider a company’s website its face. Any company that is not spending the money and the management time to develop and maintain the best possible website is, in my opinion, not looking out for its own best interests.

Anna Gorbenko

**Head, FinanceTalking CIS
Director, AvantCapital**



The study “IR Online” by Concorde Capital is very timely and useful. This is good reason for the management of companies to pay attention to the huge potential for development in the area of IR websites. My experience in participating with this project suggests that the majority of studied companies are more successful in providing information to customers than to investors. As a rule, the websites of Ukrainian public companies have adequate information about their products and services, and virtually nothing for investors. Many are limited only to annual regulatory reports in Ukrainian language and an announcement of the annual shareholder meeting.

I believe the reasons for low information value are the following:

- Lack of proper attention to the topic by the top management of companies
- Lack of technical capacity of the website
- Lack of administrative resources for the maintenance of appropriate content for investors
- Finally, a lack of trained specialists responsible for communication with investors, shareholders and analysts (IR Managers)

The last two reasons are the most important as they relate to daily website content. I’m sure we will solve this issue and I hope this study will serve as an incentive for many companies to increase the informativeness of their websites.

Why do IR websites matter?

Without going into technical details, an IR website is a convenient and effective tool for providing information to investors and analysts that allows the company to save time and investors/shareholders to communicate with each other. In the absence of an informative website, management is forced to answer the same questions and is constantly distracted from more important work.

Investors decide to invest only if they have objective information on the potential market, company value and liquidity of its securities. Corporate websites are the first destination that investors and analysts stop when they begin to analyze a company. The timeliness of information is also important in the presence of multiple alternatives for investment in capital markets so the quality of public company websites has a direct impact on the desire to analyze a company and invest in it. This is especially true for foreign investors who are more Internet dependent and therefore more frustrated when they cannot obtain information on a company website.

Unable to find information of interest on the website, investors can contact the company directly. Unfortunately, here they do not get a friendly reception – the websites of many Ukrainian public companies analyzed in this study did not have the contacts of a manager responsible for investor relations. This lengthens the information gathering process, thus reducing the credibility of the company and willingness to invest in its securities. Limited access to information reduces the number of possible transactions in companies’ securities and their level of liquidity, which further alienates investors.

Dmitry Koshevoy

**First Deputy Executive Director, Head of Economic News
Interfax-Ukraine**



The key problem of Ukrainian IR is a misunderstanding by majority owners and accordingly of their designated managers of the importance of investors. In many respects, this situation is explained by objective factors: very weak development of the domestic capital market (aside from bank financing), and a lack of experience in corporate governance. There is also a subjective factor – a reluctance of the majority shareholder to share any control over their enterprise.

That the situation with IR, which is much better in companies that have conducted IPOs confirms this: as long as the owner does not come to the conclusion that attracting investors is an alternative method of financing the company, there will not be much progress no matter how hard the State Securities & Exchange Commission or market participants try.

Another confirmation of this comes from the first two blocks of this survey – about the company, its services, goods, certificates, etc.: the owners and management understand that the importance of the Internet and their own website is to promote their products.

My experience as a journalist and with this website analysis gives me reason to believe that the current owners of Ukrainian companies do not consider shareholders “inherited” from mass privatization to be investors and therefore do not see a need for IR. If there was not mandatory reporting from the State Securities & Exchange Commission, much of the scores in this study would be zeros. Only one (!) of 25 websites I surveyed had information about stock quotations and only four of 25 provided a contact telephone number for shareholders, either for their corporate secretaries or IR specialists.

For example, the websites of Metinvest, Interpipe and DTEK, which have IR sections, are directed almost exclusively to foreign markets where their Eurobonds are attractive or they are planning IPOs, while the shareholders of companies included in those holdings are not treated on the same level as investors.

This is confirmed by the practices of other advanced Ukrainian companies that have already conducted IPOs: IR material, mostly, is in English. Though, information about their main activities and key issues is in Ukrainian. Conference calls without local Kyiv dial-in numbers are a common occurrence.

Finally, another journalistic comment: IR information, where available, is far from the press service. Often, a company’s press service does not know when and how the company will release reports or special information.

Geoffrey Mazullo

**Senior Financial Sector Advisor
East-West Management Institute (EWMI)
Partners for Financial Stability (PFS) Program**



Prior to 1999 no stock exchange in Central and Eastern Europe (CEE) had implemented a corporate governance code. Very few CEE listed companies had a designated investor relations officer and there were no local or regional investor relations societies. National standards in corporate governance, financial reporting and investor relations varied greatly. In general, they fell short of best practice or international standards.

In response to requests from several CEE stock exchanges and securities commissions, the Partners for Financial Stability (PFS) Program launched a multi-faceted regional initiative designed to stimulate listed companies to strengthen financial as well as extra-financial disclosure and improve corporate governance practices.

At the core of the initiative was in-house research, namely two ongoing semi-annual regional surveys: Investor Relations Online: Survey of the Websites of the Largest Listed Companies in CEE (launched in 2001) and Survey of Reporting on Corporate Social Responsibility (CSR) by the Largest Listed Companies in CEE (launched in 2003). In 2004, the PFS Program added listed companies in Bulgaria, Croatia and Romania to each of the surveys. The surveys conducted in summer 2005 included a comparison with peers in Greece and Turkey. The surveys conducted in February and April 2006 included a comparison with peers in Portugal and Spain. Since August 2006 each survey included a comparison with peers in BRIC (Brazil, Russia, India and China) as well as Ukraine.

For the first time in CEE, the surveys provided a benchmarking tool whereby listed companies could compare their disclosure practices (with peers nationally, regionally and in other emerging markets) and identify best practice in investor relations. The PFS Program used the valuable time-series survey data to develop tailor-made training programs on corporate governance, financial reporting, extra-financial reporting (on environmental, social and governance [ESG] issues) and investor relations.

Inspired in part by the PFS Program regional surveys, country surveys of a larger number of companies were conducted in several countries, including Bulgaria, Croatia, Czech Republic, Hungary, Macedonia and Serbia. The PFS Program regional surveys and the country surveys document incremental and sustainable improvements in the quantity and quality of governance data disclosed by CEE listed companies during the past decade. Drivers for better disclosure include: coverage of the surveys in the financial media, both within CEE and globally; CEE financial sector regulatory authorities' efforts to improve corporate governance and disclosure; decreased costs of information technologies necessary for effective corporate internet sites; improved English-language proficiency across CEE; institutional investors' interest in emerging Europe; and outreach and training programs coordinated with professional associations across CEE.

This PFS Program is pleased to be a part of this survey, which will promote the implementation of best practice in investor relations in Ukraine.

Alexander Nikishev

Managing Partner
Investor Relations Agency



“The globalization of financial markets requires a company to communicate 24 hours a day.”

Every public company has an obligation to its investors and the investment community to be open, timely and fully report important information. One of the most technologically advanced and affordable communications tools with the investment community is the corporate website (IR section).

The study “Investor Relations Online” shows how informative the websites of Ukrainian issuers are for current and potential investors.

Traditionally, the websites of banks have had a high level of disclosure due to the requirements of the National Bank of Ukraine and the orientation of banks to electronic communication with customers. At the same time, the focus of bank customers is significantly different from the focus of investors: no bank in the group I reviewed provided contact information for the person responsible for their investor relations. This information was only the websites of six issuers in my group [Editor’s comment: out of a group of 25], representatives of the real economy and insurance industry.

There was very limited information about management: nine issuers [Editor: out of 25] did not have information on their websites about the management or supervisory board of the company. Unfortunately, on three websites, a related website section was completely missing. Disclosure of shareholder structure was also a rarity.

Six issuers did not have annual financial reports on their website; three had only the latest report. In terms of quarterly reports, the situation was even worse: nearly 2/3 of analyzed issuers did not disclose these at all.

Perhaps as a result of the crisis, annual reports, a key corporate communication tool, was not provided by most firms – only six companies [Editor: out of 25] had them on their websites.

There were some instances of good disclosure of information, for example the website of Khmelnytskoblenergo pointed out major competitors and Motor Sich posted information on analysts providing coverage and analysis of independent reports.

All issuers universally had information on corporate history, company news, and a description of products, services, resources and existing licenses. This is related to the client orientation of companies. For the websites of Ukrainian companies to become sources of information for making investment decisions, companies need to rethink and consider global best practices for building IR websites.

I would like to remind public companies that always – 24 hours a day, 7 days a week – their website communicates not only with customers, but also with investors. Their competitiveness on capital markets depends on the quality of that communication.

Michael Stensrud

Corporate Governance Consultant



It was a pleasure to participate in the IR Online Project and to perform a comprehensive review of some company data that is now readily available on the web. It is clear that information flow and transparency by top Ukrainian firms has improved in recent years. The online data I reviewed support the conclusions of Concorde Capital in their recent research report on Corporate Governance in Ukraine: Progress is being made (even if slowly) among enlightened firms and new players.

As market conditions improve and foreign investors gain confidence, this trend is bound to continue. It is well known that better governance is in everyone's interest - of management, staff, shareholders, clients, regulators and investors. It is up to the leaders in business, government and education to ensure that the positive trend continues.

A strong and lasting commitment that includes resolute actions will shape the future direction and development of corporate governance in Ukraine.

Oleg Tkachenko

CEO

Ukrainian Exchange



The topic of corporate culture of issuers is now more relevant than ever. But this question is quite versatile, so it is not always clear what is meant by it. The disclosure of information on corporate websites is a simple and clear indicator of how open a company is and whether it is ready to engage in dialogue with its investors.

The websites of our local issuers currently do not have all of the information necessary for investors. Although, of course, there are companies paying more attention to this issue. Notably, these are companies whose shares are traded on foreign exchanges. Their sites are targeted at foreign investors and the information is provided in English. However, I am confident that with the introduction of dual listing, which will allow domestic investors to buy these securities, issuers that already have an established IR strategy will pay due attention to keeping domestic investors informed.

We believe this study will help companies not only improve their corporate websites, but reassess the information needs of investors and their relationship with them.

APPENDICES

Appendix 1 Methodology

Expert evaluation of content – 60%

Our panel of eight industry experts each evaluated a randomized list of 25 websites for the quality of their content. Each company website was reviewed by two experts. The final score for each website is an average of the two expert scores, as a percentage of 15 criteria (for one block – shareholder & credit information – we took the higher of two criteria based on whether the company had listed shares or bonds).

A. Corporate structure information

1. Details of products & services. Is there information about the company's product line and services it provides? 1 point for yes, 0 points for no.
2. Assets/licenses/production facilities. Is there information about the company's assets, licenses, production facilities or reserves/resources? 1 point if yes, 0 points if no.

B. Shareholder & credit information

3. Shareholder structure. Is there information about the number & identity of shareholders? Is there a breakdown of shareholders by percentage? 1 point if yes, 0.5 points if only partial information, 0 points if no. *This criterion will only apply to publicly listed companies.*
4. Number of shares. Is there information about the company's total number of shares? 1 point for yes, 0 points for no. *This criterion will only apply to publicly listed companies.*
5. Credit ratings. Is there information about current credit ratings assigned to the company's bond issue(s)? 1 point if yes, 0 points if no. *This criterion will only apply to companies that have bonds.*
6. Bond issue details. Is there information about the company's bond issue, including volume, maturity date, coupon payments, etc.? 1 point if yes, 0.5 points if only partial information, 0 points if no. *This criterion will only apply to companies that have bonds.*
7. Share price or yield info / charts. Is there information about the company's current share price or bond yield? Are there any charts with this information? 1 point if yes, 0 points if no.

C. Financial information

8. Annual (for last three years). Is there available for download/viewing the company's annual financial statements? Note that the financial statements can be separate from a corporate annual report. 1 point if available for last three consecutive years (i.e. 2011, 2010 and 2009), 0.5 points if only the most recent financial statement is available, 0 points if none are available.
9. Bi-Annual or Quarterly (for last year). Are there quarterly or bi-annual financial statements available for the company? 1 point if bi-annual and last two quarterly reports are available, 0.5 points if only one such financial statement is available (for example, bi-annual), and 0 points if none are available.

D. Company information

10. Corporate history. Is there any information about the history of the company? 1 point if yes, 0 points if no.
11. News. Are there any current reports, press releases or corporate announcements available and posted within the last 3 months (since January 15, 2012)? The information should be material news useful for investors (i.e. not just about awards or charity activities). 1 point if yes, 0.5 points if a low number of news or little investor-relevant information, 0 points if none.
12. Annual report. Is there a copy available for download/viewing of the company's most recent annual report (for the year 2011 or 2010)? 1 point if yes, 0 points if no.
13. Presentations. Is there available for download/viewing any corporate presentations (PowerPoint or PDF format)? 1 point if yes, 0 points if no.

E. Management/supervisory board information

14. List of management. Is there a list of the company's management team or management board? 1 point if yes, 0.5 points if only CEO/General Director is named, 0 points if no.
15. Management bios. Are there brief biographies of the company's management team or management board? 1 point if yes, 0 points if no.
16. List of board of directors. Is there a list of the company's board of directors or supervisory board? 1 point if yes, 0.5 points if only the head of the board of directors or head of the supervisory board is named, 0 points if no.

F. Contact information

17. IR / Corporate Secretary. Is there contact information for the company's Investor Relations manager, corporate secretary or external relations department? 1 point if yes, 0 points if no.

Timed test scores – 20%

Timed tests were conducted by our test group, composed of Concorde Capital interns, to try to find 10 different pieces of information (or as many as possible) within a five minute time period. Each website was examined three times. For the final score in this section, we took the median number of items found by one tester.

Criteria

1. Sales in 2010
2. EBITDA in 2009
3. Output of key product/service in 2010 or 2011
4. Number of board members
5. Phone number of IR or corporate secretary
6. Photo of CFO/COO
7. Number of shares / Volume of bond issue
8. Identity of #2 shareholder
9. Date (month) of last corporate presentation
10. Size of workforce

Scoring: 1 point if the information was found, available and clear; 0 points if the information was not found, incomplete, unclear, not available or the tester did not have time to determine whether or not the information was available.

Website features – 10%

1. Mobile version / mobile friendly – 1%. If a website had a dedicated mobile/WAP version, it received a full score. Other websites were evaluated using the W3C's mobileOK Checker (<http://validator.w3.org/mobile/>). Websites that scored over 60% were give the full score; websites that did not received zero scores.
2. RSS feed – 1%. If a website had an RSS feed (<http://www.rssboard.org/>), it received a full score; those that did not received a zero. Website feeds were checked using NewsGator's FeedDemon 3.0.
3. E-mail subscription – 1%. If a website had an option to subscribe to IR releases, news or current reports via email, it received a full score; those that did not received a zero.
4. "Wow" factor – 1%. If a website had a discernible "wow" factor (interactive charts/menus, video content, live interaction tools), it received a full score; those that did not received a zero.
5. HTML+Markup validity – 1%. We evaluated all websites using the W3C's Markup Validation Service (<http://validator.w3.org/>). Websites that had 10 errors or fewer received a full score; those that did not received a zero.
6. CSS validity – 1%. We evaluated all websites using the W3C's CSS Validation Service (<http://jigsaw.w3.org/css-validator/>). Websites that had 10 errors or fewer received a full score; those that did not received a zero.
7. Sitemap – 2%. If a website had sitemap, it received a full score; those that did not received a zero.
8. Search – 2%. If a website had a search feature, it received a full score; those that did not received a zero.

Language – 10%

We assigned scores in this section based on the following matrix.

Language scoring matrix

	Local language (full)	Local language (partial)	No local language
English (full)	10	7	5
English (partial)	2	X	X
No English	0	X	X

Source: Concorde Capital

We defined a local language as being prevalent in the area of operations or official language of the country of the listing exchange (typically this was Russian or Ukrainian for UX-listed companies or bond issuers or Polish for WSE-listed companies). We considered a language version to be "partial" if it was not equivalent in information content or had less information than the dominant language version.

We also assigned two bonuses in this category:

- 2 points for a combination of any two local languages (full)
- 1 point bonus for any other UN language (full)

In order to avoid encroaching on other blocks, we capped the maximum score in this section at 10 points, disregarding bonuses as necessary.

Appendix 2

Investor Relations Online evaluation in Ukraine

Compared to evaluation of corporate governance in Ukraine, the research space on how investor-friendly the websites of Ukrainian stock market participants appears to be active and developing. Partners for Financial Stability updated their study, *Investor Relations Online in Emerging Europe*, one of the inspirations for this report, last fall. Also in recent months, two other organizations have analyzed the value of Ukrainian stock market participants' websites, though from two different perspectives.

Partners for Financial Stability: Investor Relations Online in Emerging Europe (<http://www.pfsprogram.com/investor-relations-online-sept-2011>): Partners for Financial Stability, USAID's flagship regional program for financial sector development in Southeast Europe and Eurasia, launched its first survey dedicated to Investor Relations Online in Emerging Europe in 2001; it issued its most recent and 19th survey in September 2011. The survey aggregated results to enable benchmarking: 90 companies (10 each) from Armenia, Belarus, Bosnia & Herzegovina, Georgia, Macedonia, Montenegro, Moldova, Serbia and Ukraine; 2 companies from Azerbaijan; 10 companies from the eight CEE countries that joined the EU in 2004; 10 companies each from Bulgaria, Croatia, Romania; and 10 companies each from the BRIC countries. The survey analysed only the English-language websites and online annual reports of the companies. A selection of the findings on Ukraine: 70% had an English-language website, 60% disclosed a list of management, and 30% disclosed a list of board members.

Corporate Social Responsibility Center: Transparency Index of Ukrainian Companies (http://www.csr-ukraine.org/rezultati_indeksu_prozorosti.html): For the first time, in September 2011, Ukraine's Center for Corporate Social Responsibility Development published a transparency index for Ukrainian companies, based on the Global Transparency Index (GTI) criteria. The index, of 109 Ukrainian companies, both public and private, was based entirely on information available on the companies' websites. Criteria were grouped into four areas: non-financial reporting, transparency, website navigation and access. The average score in the survey was only 20.5%.

SMIDA, Fundove Partnerstvo & FundMarket: Disclosure Ranking of Ukrainian Stock Market Participants (www.fundmarket.ua/ranking/transparent/): In May 2012, SMIDA, Fund Partnership and FundMarket issued their first disclosure ranking of Ukrainian stock market participants, which included 181 asset management companies. The study looked at information exclusively available on stock market participant websites from the point-of-view of a local investor. Evaluation criteria included 27 items grouped into three categories: general information, operational information, and performance. The survey found that 55-67% of Ukrainian stock traders and asset management companies did not even have their own website.

Appendix 3

Links

Project partners

Avant Capital	www.avantcapital.biz
Bank of New York Mellon Depository Receipts	www.adrbnymellon.com
Interfax-Ukraine	www.interfax.com.ua
Investor Relations Agency	www.ua-ir.com.ua
Partners for Financial Stability	www.pfsprogram.org
Ukraine Business Online	www.ukrainebusiness.com.ua
Ukrainian Exchange	www.ux.com.ua

Stock exchanges

Ukrainian Exchange	www.ux.com.ua
PFTS	www.pfts.com
London Stock Exchange	www.londonstockexchange.com
Frankfurt Stock Exchange	www.boerse-frankfurt.de
Warsaw Stock Exchange	www.gpw.pl
WSE Corporate Governance Portal	www.corp-gov.gpw.pl

Depository receipts

Bank of New York Mellon DR Portal	www.adrbnymellon.com
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Key Ukrainian government bodies & stock market regulators

State Securities & Exchange Commission	www.ssmc.gov.ua
SSEC Public Information Portals	www.smida.gov.ua
Public Shareholder Meeting Database	http://db.stockinform.com.ua
National Bank	www.bank.gov.ua
Audit Chamber	www.apu.com.ua
National Depository	www.ndu.gov.ua
State Property Fund	www.spfu.gov.ua

Professional associations & centers in Ukraine

Association of Corporate Governance Professionals	www.cgpa.com.ua
Corp. Governance Center (Kyiv Business School)	www.kbs.kiev.ua
Corp. Governance Center (Int'l Institute Business)	www.iib.com.ua
Centre for Corp. Social Responsibility Development	www.csr-ukraine.org
Ukrainian Association of Investor Relations	www.uair.com.ua
Ukrainian Mediation Center (Kyiv Mohyla)	www.ukrmediation.com.ua

IR Online international best practices

UK IR Society	www.irs.org.uk/resources/websites/
Q4 Web Systems	www.q4websystems.com/best-practices/

About Concorde Capital



Concorde Capital is a leading investment company based in Ukraine that provides a full range of brokerage, investment banking and asset management services. It was founded in 2004 and is owned by management.

The firm attracted more than USD 2 billion for leading Ukrainian companies via IPOs and private placements since 2004 in the metallurgy, automobile, chemical, oil & gas, agricultural, real estate and pharmaceutical sectors. Concorde Capital led by number of M&A transactions in Ukraine among local and global firms in 2007-2008, and by number of M&A deals in the CIS financial market in 2007, according to mergermarket and DealWatch.

Thomson Reuters Extel Surveys rated Concorde Capital the highest Ukraine-based Pan-European brokerage firm in European Emerging Markets in 2009-2011 and consistently ranked Concorde Capital's research department among the top three in Ukraine in 2007-2011. Cbonds awarded Concorde Capital second best sales team in the Ukrainian bond market in 2010. Concorde Capital received second place among investment companies in Ukraine in 2011 according to the annual local rating Top 100 Companies in Ukraine.

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