

IR-Online in Ukraine 2013

In hopes of better weather



February 25, 2014

Foreword

[This is an English version of our IR-Online survey that was originally released in Russian in December 2013]

We didn't feed any particular illusions when embarking on our second survey on the quality of websites of Ukrainian companies, in terms of their openness to investors. The relations of the global investment community with Ukraine have worsened noticeably compared to May 2012, when we conducted our debut Investor Relations (IR) Online survey. The country's credit ratings, and that means its top quality representatives as well, lost several points while the shares of Ukrainian companies lost a fifth of their value, on average.

Nonetheless, we were heartened by the results – Ukrainian issuers of securities didn't worsen in their efforts on informing investors, and many of them even showed significant progress. But these improvements can hardly be based on significant strides made by companies in realizing their personal role in informing investors about their results and prospects (as the analytical coverage of Ukrainian companies by investment banks has shrunk in half). More likely, such a result can be explained by toughened requirements by regulators of public companies, as well as possibly the hopes of companies that the markets will quickly adjust their attitude towards Ukrainian assets. Whatever the reason may be, the upholding of quality standards by Ukrainian companies leaves the chance that our securities markets sooner or later will recover.

Selected expert quotes

Against the backdrop of curtailed investment analysis on the securities market, the sites of public companies are a key trustworthy source of information about a company for the investor today...

The majority of public companies whose shares are floated on the Ukrainian securities market approached the issue of disclosing information too formally. They created necessary sections for shareholders and posted there the scanned copies of documents required by regulators...

(Anna Gorbenko)

...With the growing competitive struggle to attract capital, neglecting an opportunity to build relations with investors and support effective communications with them is an unacceptable luxury.

(Alexander Nikishev)

... Companies that do not invest in the infrastructure required for good governance and technology that supports this content on their website may be greater challenged to attract investors focused on solid governance principles.

(Michael S. O'Brien)

A high level of corporate culture should not only be supported by the openness with information of an issuer and its transparent financial accounting, but also its effective work with investors.

(Oleg Tkachenko)

... Many sites of Ukrainian companies don't reach the quality level of the sites of good universities, including Ukrainian ones.

(Tom Coupé)

Words of thanks

Concorde Capital expresses its gratitude to its external reviewers, without whom this research would have lost its objectivity and completeness.

Above all, we thank the professional experts who agreed to offer their time to share their recommendations and observations regarding the completeness and quality of the sites of Ukrainian companies.

- Alexander Nikishev, managing partner, Investor Relations Agency.
- Anna Gorbenko, associate, CIS countries, Finance Talking.
- Oleg Tkachenko, CEO, Ukrainian Exchange.
- Michael S. O'Brien, corporate governance officer, deposit receipts, BNY Mellon.
- Tom Coupé, professor, Kyiv School of Economics (KSE).

We also would like to express our gratitude to the Kyiv School of Economics for its help in preparing one of the important sections of this survey, and particularly its students, who directly participated in preparing our survey:

- Oleksandr Golovko
- Oleksandra Isachenko
- Alona Mysko
- Alina Bokach
- Andriy Hudzelyak
- Bogdan Rozhkov
- Volodymyr Mytsko
- Volodymyr Serdechniuk
- Volodymyr Sofynskyi
- Dmytro Karpov
- Elena Horodinscaia
- Nazar Tymtsias
- Mykyta Babych
- Oleg Pynda
- Polina Kanel
- Seit-Bekir Suleimanov
- Tetiana Kalambet
- Yulia Ulianytska

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THE IR-ONLINE SURVEY IN A NUTSHELL

This survey is devoted to analyzing the websites of Ukrainian companies – securities issuers. We see the survey's goal as the popularization of the best investor relations (IR) practices at Ukrainian websites using exemplary companies, as well as directing the attention of issuers on the importance of satisfying the requirements of investors by presenting all the information that's necessary to make investment decisions, with the help of contemporary electronic media.

Survey structure

This is our second survey of IR-Online practices that applies the methodological base of the first survey presented in 2012 with several important changes.

We developed the IR-Online survey on the basis of the following blocks:

1. Expert evaluation of the availability and convenience of access to the content that's important to investors (30%). It consists of scores assigned to 14 criteria by a group of professional experts, including: information on corporate structure, shareholders and/or creditors, and financials; availability of important news; information on a company's governance and controlling organs; contact information for investors.
2. Subjective, individual expert evaluation of websites (20%), including the general impression of a site: the intelligibility of its structure, the grammar quality of its languages, the availability of the entire specter of necessary information, a site's speed, convenient access for various user categories, as well as other things including those not covered by the first block of criteria.
3. Test on the availability of important information (20%) – search for specified information (8 fragments) on the company's site in a limited period of time. The test is based on the results of the work of groups of economics and finance students who have a base knowledge of economics and finance, as well as freely commanding the main languages in which the sites of Ukrainian companies share information.
4. Functional features and conveniences (10%). They take into account technical features of a site, the presence of instruments that are convenient for users and potential investors, such as search windows and the opportunity for subscriptions to company news.
5. Language (20%) – the availability of various language versions of the site, enhancing access to information to various groups of potential investors.

To ensure the research's high level of objectivity, a larger part of the survey consists of evaluations by external experts: a group of specialists evaluated the quality of sites and their content (50% of the total score), as well as groups of finance and economics students – never having visited the given websites – performed a search test (20% of the total score). In addition, we ourselves evaluated the technical features of sites and the availability of language versions (the remaining 30 %).

A full description of the survey's methodology can be viewed in the last chapter.

Key changes in evaluation

The main changes in the methodology of our new survey, compared with the first version, are:

More freedom for experts. As earlier, the evaluation of independent experts account for the most weight in the survey's final results. Yet we gave less weight to the expert evaluations on the availability and completeness of certain blocks of information on websites (since, in each case, the selection of blocks was determined by the survey's authors). At the same time, we gave the experts the opportunity to evaluate the quality of analyzed websites by awarding points independent of whether the blocks we chose were present or not.

Additional analysis of expert evaluation of content. As with the previous survey, we discovered that experts evaluate differently the availability and completeness of information on the same website (each site was analyzed by two different experts). If last time we used as our final score the average between the two scores from experts, this time we conducted additional content analysis: if the scores of availability of information differed among two independent experts, we gave preference to one of their scores in the course of our additional analysis.

Higher weight to website language versions. In contrast to our last survey, we more carefully approached our evaluation of language versions of sites and placed greater weight on the criteria of availability and completeness of alternative language versions in the final result.

Sampling

As in order first survey, we analyzed the websites of 100 companies with their main assets on the territory of Ukraine, including companies listed on stock exchanges (London, Warsaw, Frankfurt, Toronto, Kyiv) and the issuers of debt securities (Eurobonds and local bonds). For this survey, we replaced nine researched companies (because they halted their activity in Ukraine, closed their site, or lack traded market instruments at the moment) with new ones (with new instruments that are more actively traded or having renewed their websites).

Also we note in particular that our survey includes only 56 issuers of local securities, out of hundreds. In view of that, low positions in our survey merely indicate the incomplete adherence to global standards of the websites of local securities issuers. On a local level, most of them can still be examples for imitation.

Survey period

The survey of company websites was conducted between Oct. 20 and Nov. 20, 2013.

Rating categories

As in our regular survey of standards and practices of corporate governance, we present our quality categories of websites based on how many points they gained in our survey. In this case, we distinguish the following categories:

- **Exemplary** (category **EX**) – sites earning 90 to 100 points (out of a possible 100);
- **Investor Friendly** (category **IF**) – from 80 to 89.5 points;
- **Above average** (category **AA**) – from 70 to 79.5 points;
- **Average** (category **A**) – from 60 to 69.5 points;
- **Below average** (category **BA**) – from 50 to 59.5 points;
- **Poor**, unfriendly to investors (category **P**) – less than 50 points.

Number of companies in the IR-Online survey categories



Source: Concorde Capital research

SURVEY RESULTS

	Content score	Experts score	Search test score	Features	Language	Total score	Category	2012 score
Maximum	30	20	20	10	20	100		100
Kernel	30.0	20.0	18.0	9.0	18.0	95.0	EX	91.3
Serinus Energy	30.0	20.0	20.0	6.0	19.0	95.0	EX	84.3
Metinvest	30.0	20.0	18.0	8.0	18.0	94.0	EX	89.3
Avangardco	31.0*	20.0	19.0	3.5	18.0	92.5	EX	93.7
DTEK	28.0	16.0	18.0	10.0	20.0	92.0	EX	95.7
PUMB	28.0	16.0	18.0	8.0	21.0*	91.0	EX	86.7
Myronivsky Hliboproduct	30.0	18.0	18.0	8.0	15.0	89.0	IF	94.0
Ferrexpo	30.0	20.0	18.0	9.0	12.0	89.0	IF	87.0
Oschadbank	29.0	16.0	18.0	5.5	19.0	87.5	IF	80.3
JKX Oil & Gas	30.0	16.0	20.0	9.0	12.0	87.0	IF	84.3
Astarta	28.0	18.0	16.0	7.0	15.0	84.0	IF	84.7
Sberbank of Russia	27.0	12.0	18.0	10.0	17.0	84.0	IF	75.3
Ukrnafta	26.0	18.0	16.0	7.0	17.0	84.0	IF	76.3
Raffaissen Bank Aval	24.0	16.0	18.0	7.0	19.0	84.0	IF	65.7
Coal Energy	26.0	18.0	16.0	8.0	15.0	83.0	IF	75.0
KSG Agro	27.0	14.0	18.0	5.5	18.0	82.5	IF	78.0
Privat Bank	26.0	16.0	18.0	3.5	19.0	82.5	IF	65.7
Prominvestbank	23.0	14.0	18.0	6.5	20.0	81.5	IF	77.3
Ukrproduct Group	30.0	12.0	18.0	5.5	15.0	80.5	IF	89.3
Ovostar Union	29.0	12.0	16.0	8.0	15.0	80.0	IF	86.3
Ukrsotsbank	25.0	10.0	16.0	10.0	19.0	80.0	IF	80.7
Platinum Bank	24.0	14.0	16.0	9.0	17.0	80.0	IF	75.7
Motor Sich	25.0	14.0	14.0	9.0	18.0	80.0	IF	77.3
XXI Century Investments	23.0	14.0	17.0	8.0	18.0	80.0	IF	76.0
KDM Shipping	25.0	14.0	18.0	5.0	18.0	80.0	IF	-
Mriya Agroholding	26.0	18.0	14.0	3.5	18.0	79.5	AA	82.3
ProCredit Bank	23.0	12.0	16.0	8.0	19.0	78.0	AA	75.3
Ukreximbank	22.0	14.0	18.0	5.0	19.0	78.0	AA	67.0
Agroton	25.0	12.0	20.0	5.5	15.0	77.5	AA	79.7
Centrenergo	27.0	14.0	18.0	6.5	12.0	77.5	AA	65.3
Megabank	21.0	10.0	20.0	7.0	19.0	77.0	AA	80.7
Industrial Milk Company	27.0	12.0	20.0	0.0	18.0	77.0	AA	79.7
Credit Agricole Bank	22.0	12.0	18.0	8.0	17.0	77.0	AA	69.7
Ukrsibbank	25.0	16.0	16.0	1.0	19.0	77.0	AA	-
Sadovaya Group	21.0	12.0	18.0	10.0	15.0	76.0	AA	74.3
TMM Real Estate	24.0	14.0	14.0	5.5	18.0	75.5	AA	88.0
Milkiland	28.0	10.0	17.0	2.0	18.0	75.0	AA	78.3
Ukrzaliznytsia	23.0	12.0	14.0	6.5	19.0	74.5	AA	-
Khartsyzk Pipe	20.0	12.0	16.0	9.0	17.0	74.0	AA	69.0
Universalna Insurance	19.0	10.0	18.0	7.0	20.0	74.0	AA	69.7
Creative Group	24.0	14.0	16.0	2.0	18.0	74.0	AA	27.3
Black Iron Inc.	24.0	12.0	16.0	2.5	18.0	72.5	AA	74.3
Yenakieve Steel	18.0	10.0	18.0	9.0	17.0	72.0	AA	66.0
Azovstal	18.0	12.0	16.0	9.0	17.0	72.0	AA	64.3
VTB Bank	24.0	16.0	18.0	8.0	6.0	72.0	AA	64.7
East Coal	26.0	14.0	13.0	4.5	14.0	71.5	AA	65.7
Regal Petroleum	24.0	10.0	16.0	9.0	12.0	71.0	AA	76.3
Cadogan Petroleum	21.0	12.0	18.0	8.0	12.0	71.0	AA	75.0
Turboatom	24.0	12.0	18.0	3.5	13.0	70.5	AA	73.7
VAB Bank	18.0	6.0	18.0	8.0	20.0	70.0	AA	82.7

* Exceptional sites earning one bonus point

Key to survey categories: **EX** - exemplary, **IF** - investor friendly, **AA** - above average

Source: Concorde Capital research

Survey results continued

	Content score	Experts score	Search test score	Features	Language	Total score	Category	2012 score
Maximum	30	20	20	10	20	100		
Idea Bank	23.0	12.0	18.0	8.0	8.0	69.0	A	-
Interpipe	18.0	14.0	14.0	5.5	17.0	68.5	A	59.3
Galnaftogaz	20.0	10.0	14.0	7.0	17.0	68.0	A	70.0
Kyivenergo	22.0	10.0	18.0	5.0	12.0	67.0	A	65.7
Avdiivka Coke	16.0	8.0	16.0	9.0	17.0	66.0	A	65.3
Forum Bank	17.0	6.0	16.0	7.5	19.0	65.5	A	72.7
Creditprombank	18.0	6.0	16.0	8.0	17.0	65.0	A	72.0
WESTA ISIC	21.0	8.0	10.0	8.0	18.0	65.0	A	68.7
Ukrlandfarming	20.0	12.0	12.0	8.0	12.0	64.0	A	-
Bank Khreshchatyk	24.0	14.0	14.0	3.5	8.0	63.5	A	54.7
Zaporizhtransformator	17.0	10.0	16.0	5.5	13.0	61.5	A	47.3
Hlibprom	18.0	10.0	18.0	3.0	12.0	61.0	A	62.3
Mariupol Illich Metallurgical Plant	17.0	6.0	12.0	9.0	17.0	61.0	A	-
Finance & Credit Bank	18.0	10.0	16.0	7.5	9.0	60.5	A	66.7
Central Iron Ore	18.0	12.0	13.0	9.0	8.0	60.0	A	70.0
Stirol	17.0	10.0	18.0	9.0	6.0	60.0	A	50.0
Sintal Agriculture	12.0	10.0	12.0	8.0	17.0	59.0	BA	64.7
Northern Iron Ore	15.0	10.0	16.0	9.0	8.0	58.0	BA	63.3
Zaporizhstal	17.0	8.0	18.0	6.0	9.0	58.0	BA	49.7
Ukrtelecom	18.0	4.0	16.0	8.0	11.0	57.0	BA	76.3
Donbasenergo	19.0	14.0	14.0	2.0	8.0	57.0	BA	47.7
Prykarpatooblenergo	16.0	10.0	16.0	2.5	12.0	56.5	BA	59.0
Southern Iron Ore	18.0	12.0	18.0	2.0	6.0	56.0	BA	21.0
HarvEast (Ilich Agro Donbas)	19.0	8.0	14.0	2.5	12.0	55.5	BA	-
DTEK Zakhidenergo	16.0	6.0	18.0	2.0	12.0	54.0	BA	48.0
KDD Group	13.0	6.0	12.0	4.5	18.0	53.5	BA	82.3
Alchevsk Coke	18.0	10.0	9.0	4.5	12.0	53.5	BA	45.3
Nadra Bank	17.0	12.0	10.0	9.0	5.0	53.0	BA	58.3
ArcelorMittal Kryviy Rih	13.0	12.0	12.0	3.5	12.0	52.5	BA	54.0
Bogdan Motors	15.0	12.0	12.0	6.5	7.0	52.5	BA	20.7
Alchevsk Steel	12.0	8.0	10.0	4.5	17.0	51.5	BA	34.0
Kharkivoblenergo	18.0	8.0	16.0	1.0	6.0	49.0	P	31.7
DTEK Dniπροenergo	14.0	6.0	14.0	2.0	12.0	48.0	P	73.0
Naftogaz of Ukraine	9.0	8.0	10.0	5.5	15.0	47.5	P	57.0
Khmelnyskoblenenergo	14.0	8.0	16.0	1.0	8.0	47.0	P	34.0
Luhanskteplovovoz	13.0	10.0	14.0	3.5	6.0	46.5	P	-
United Media Holding	12.0	6.0	18.0	8.0	2.0	46.0	P	56.0
Dzerzhinsky Metallurgical Plant	16.0	6.0	14.0	2.0	8.0	46.0	P	35.7
AvtoKrAZ	13.0	10.0	16.0	4.5	2.0	45.5	P	50.0
Petrovsky Metallurgical Plant	14.0	6.0	12.0	5.5	6.0	43.5	P	42.7
Kryukiv Railcar	12.0	8.0	12.0	4.0	6.0	42.0	P	41.7
Komsomolets Donbasa Mine	5.0	4.0	18.0	2.0	12.0	41.0	P	68.7
Sumy Frunze Machinery	9.0	6.0	10.0	6.5	2.0	33.5	P	44.3
Stakhanov Railcar	8.0	4.0	16.0	4.5	1.0	33.5	P	29.0
Novomoskovsk Pipe	4.0	10.0	14.0	1.0	2.0	31.0	P	46.7
Zhytomyroblenergo	8.0	4.0	10.0	2.5	4.0	28.5	P	55.0
Nyzhnyodniprovsk Pipe	5.0	4.0	14.0	1.0	2.0	26.0	P	47.7
TKS Holding	6.0	2.0	8.0	3.5	1.0	20.5	P	-
UkrAvto	5.0	0.0	8.0	1.0	3.0	17.0	P	21.3
MCB Agricole	2.0	0.0	2.0	1.0	2.0	7.0	P	82.3

Key to survey categories: **A** - average, **BA** - below average, **P** - poor
 Source: Concorde Capital research

Top quality company websites

Top Eurobond issuers

Company	Score in 2013	Category	Score in 2012
Metinvest	94.0	EX	89.3
Avangardco	92.5	EX	93.7
DTEK	92.0	EX	95.7
PUMP	91.0	EX	86.7
Myronivsky Hliboproduct	89.0	IF	94.0
Ferrexpo	89.0	IF	87.0
Oschadbank	87.5	IF	80.3

Top stock issuers abroad

Company	Score in 2013	Category	Score in 2012
Kernel	95.0	EX	91.3
Serinus Energy	95.0	EX	84.3
Avangardco	91.5	EX	93.7
Myronivsky Hliboproduct	89.0	IF	94.0
Ferrexpo	89.0	IF	87.0
JKX Oil & Gas	87.0	IF	84.3
Astarta	84.0	IF	84.7

Top local securities issuers

Company	Score in 2013	Category	Score in 2012
Ukrnafta	84.0	IF	76.3
Raiffeisen Bank Aval	84.0	IF	65.7
Sberbank of Russia	84.0	IF	75.3
Prominvestbank	81.5	IF	77.3
Motor Sich	80.0	IF	77.3
Ukrsotsbank	80.0	IF	80.7
Platinum Bank	80.0	IF	75.7

Single company whose website:

- Earned the maximum score in availability and quality of information by all external reviewers: **Avangardco**.
- Offers users three complete language versions: **PUMB**.
- Passed the test for absence of mistakes in programming: **KDM Shipping**.

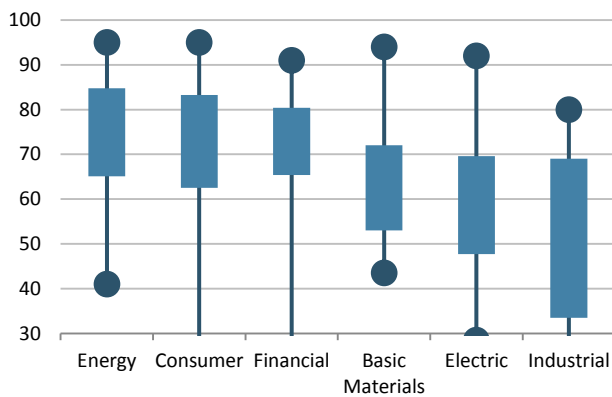
GENERAL SURVEY CONCLUSIONS

Energy, consumer and financial sectors remained the leaders

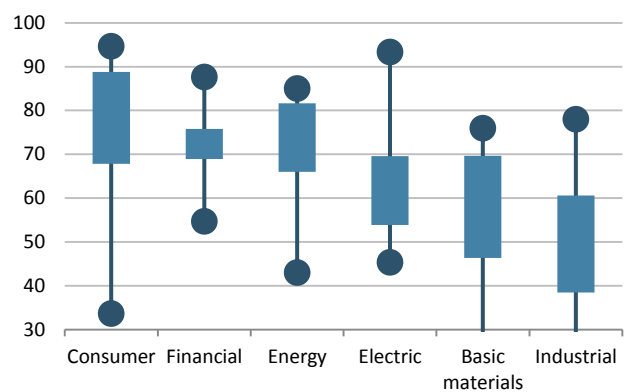
As it should have been expected, the most investor-friendly websites above all remain those from companies in sectors deprived of the attention of Ukrainian banks. That's the agri/food and energy (gas and coal) sectors. Yet the financial sector has also maintained high standards. Our conclusion completely adheres to the conclusions of our first IR-online survey, as well as our ratings of corporate governance standards of 2013.

It's noteworthy that the energy sector became the leader in the number of quality sites. It's also worth noting that there are exemplary companies in each of the reviewed sectors (except for industrial). At the same time, the dispersion of scores almost for all the sectors noticeably increased: the middle 50% of each of the sectors (blue columns on the below charts) were distributed in 2013 more widely on the vertical scale.

**Distribution of points by sector:
2013 survey**



2012 survey

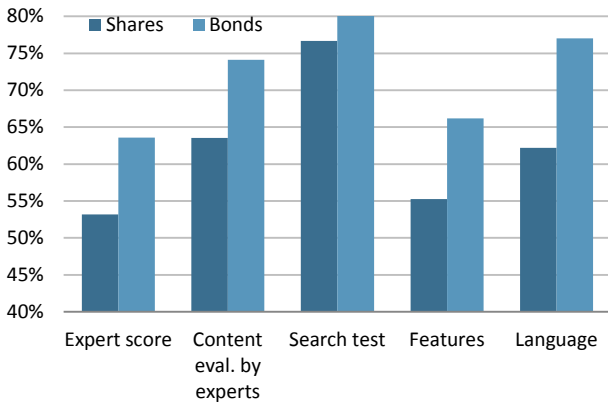


Note: The points represent the highest and lowest scores in a particular sector. The columns represent the middle half of the companies in a particular sector. The sector categories were determined according to the classifications of the Bloomberg Industry Classification System (BICS). Source: Concorde Capital research

Bonds are better than stocks, and foreign issuers offer more quality than local ones

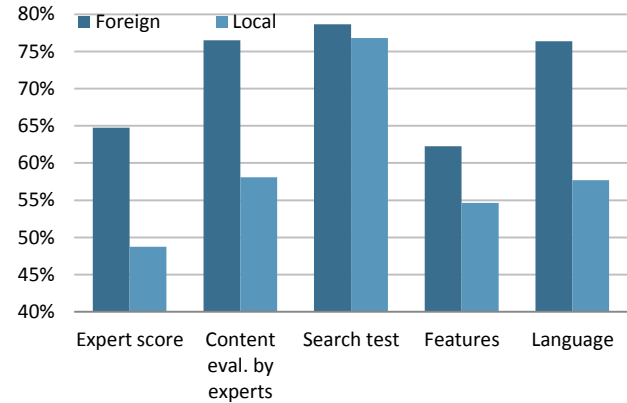
As with all previous surveys, we found serious differences in the results of local securities issuers, which failed to show their better sides, and securities issuers on foreign markets. Once again, our research confirmed that the websites of bond issuers are investor-friendly compared with the sites of stock issuers.

Average score as % of maximum, by securities type



Note: Those having issued both stocks and bonds are classified here as stock issuers. Source: Concorde Capital research

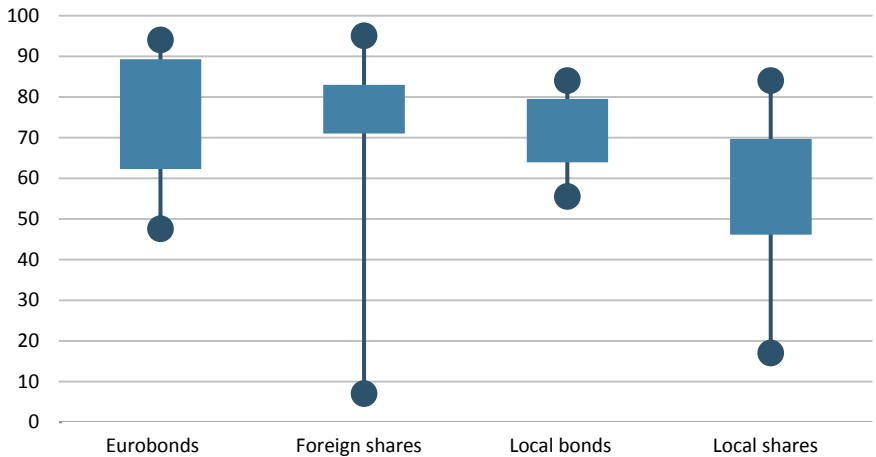
Average score as % of maximum, by securities geography



Source: Concorde Capital research

It's also noteworthy that we didn't find a big difference in the distribution of results among issuers of local and international bonds, though on average, the sites of Eurobond issuers are more investor-friendly.

Distribution of points by securities listing location and type



Note: The points represent the highest and lowest scores in a particular group. The columns represent the middle half of the companies in a particular group.

Source: Concorde Capital research

Nonetheless, local bond issuers proved to be the most disciplined: they have the smallest scattering of points. We explain that by two factors:

- The presence of a selection bias – we chose, apparently, the best local bond issuers;
- The discipline that is naturally inherent in the thoroughly regulated Ukrainian banking sector, the representatives of which dominate the local bond issuers in our sample.

Also our fresh survey confirms our earlier conclusions that local stock issuers aren't investor-friendly. What's acceptable for 75% of local stock issuers isn't acceptable for 75% of foreign stock issuers.

The availability of financial results

We note that when compared with our previous research, company sites are more often offering financial results to visitors. We attribute that to stricter rules of financial reporting for Ukrainian public companies.

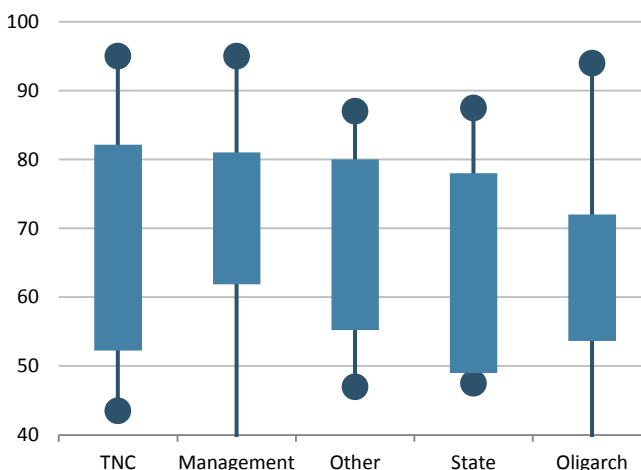
We also note separately several distortions in the presentation of financial information by representatives of the following companies:

- **Ukrlandfarming** – the single company among Eurobond issuers that is thoroughly guarding access to its financial information. The company's financial results can only be gained after filling out a request form. At that, it's not a given that you will be able to receive them (we haven't, as of the survey's completion).
- Among issuers of foreign stocks, more companies didn't provide updated financial information (for 2012, or at least 2011): that was **Sintal** and **KDD Group**, undergoing financial difficulties; as well as **MCB Agricole**, **TKS** and **UMH**, which, apparently, made the decision to stop being public.

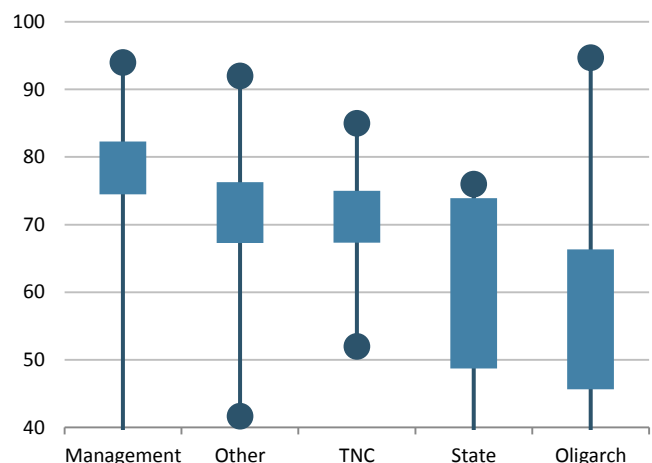
Oligarchs are catching up, but are still lagging

As in the previous survey, we notice marked discipline and openness with information at companies whose main owners are top-management and in which there isn't a key shareholder (the "other" group).

Distribution of points by ownership type:
2013 survey



2012 survey



Note: The points represent the highest and lowest scores in a particular ownership group. The columns represent the middle half of the companies in a particular group.
Source: Concorde Capital research

We also want to note the marked progress in openness with information among companies whose owners are transnational corporations (TNC). However in the sake of fairness, we observed the largest point spread in this survey in these assets. Therefore, TNC assets left a twofold impression to us.

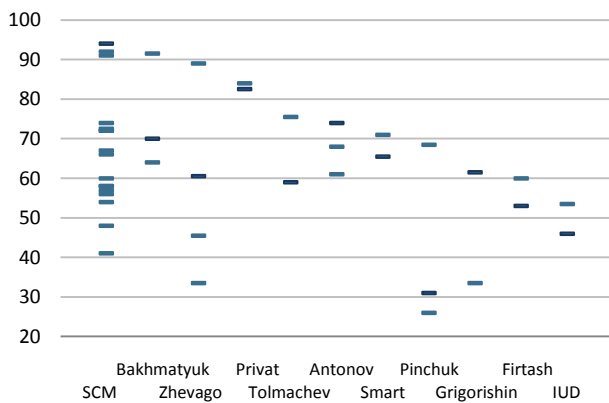
The anti-heroes of our survey above all remain the assets of oligarchs, though it's apparent that on average, they caught up not so badly.

The gap is growing between the flagship and secondary assets of oligarchs

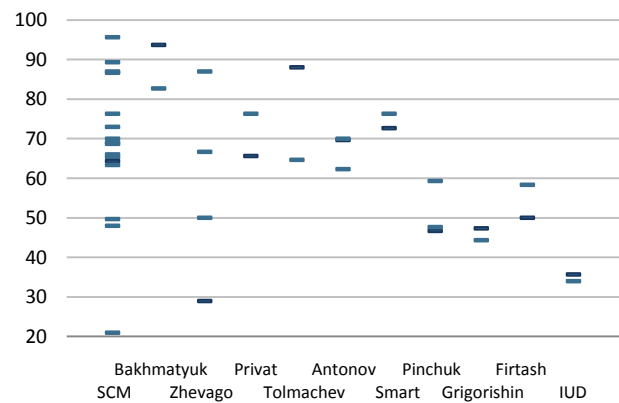
Earlier, we noticed an amusing phenomenon among the sites of various assets of oligarchs: some of them were clearly created to target potential investors (flagships of business groups), while others look like “poor relatives.”

In this survey, we can state that the gap between the openness of flagship companies and their “poor relatives” widened significantly. We see the reason being the more active consolidation of assets, resulting in smaller oligarchic assets practically losing their independence and becoming flagship subsidiaries.

**Distribution of scores among business group assets:
2013 survey**



2012 survey



Source: Concorde Capitalresearch

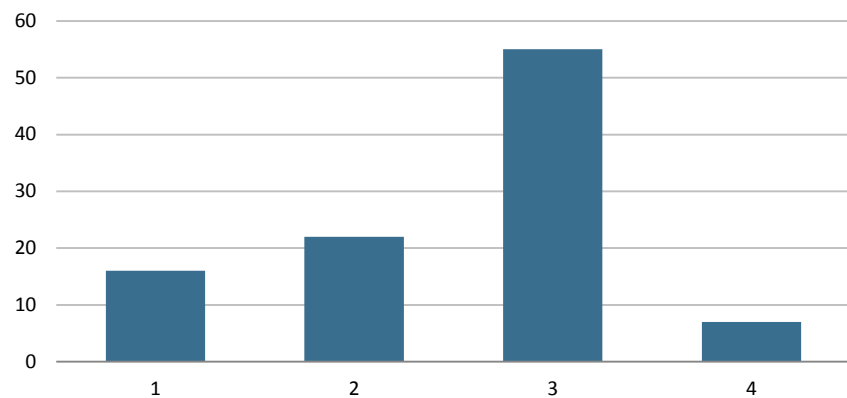
In this case, we see a simple logic explaining the growth in the gap: the concentration of IR activeness in the flagship firm allows for reduced expenses and efforts of the business groups.

LANGUAGE ISSUE

Trilingual site – the most widespread

The predominant bilingualism in Ukraine, as well as attempts by Ukrainian companies to be recognized among foreign partners, is brightly reflected in the number of language versions of the sites of our companies. More than half of the sites we reviewed offer three language versions. At the same time, precisely one half of all the sites offer a selection of Ukrainian, Russian and English versions.

Number of websites based on language versions

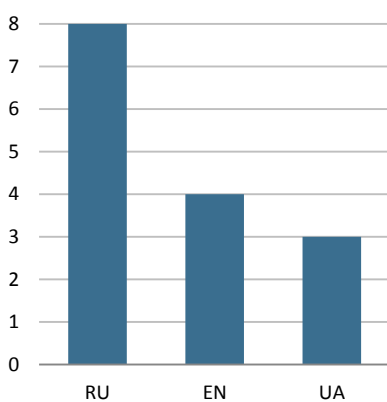


Source: Concorde Capital research

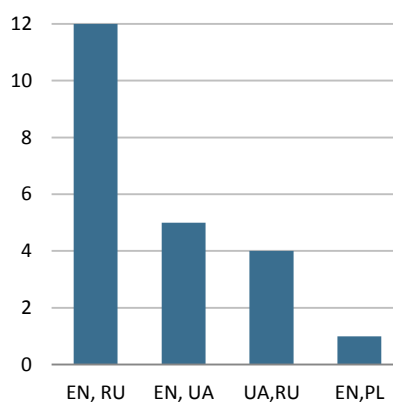
Monolingual sites – a relative rarity for companies working in Ukraine and the language of these sites directly points to their target audience:

- The sites of **Ferrexpo**, **JKX Oil & Gas**, **Cadogan Petroleum** and **Regal Petroleum**, whose shares are traded on the London exchange, offer only an English-language version for visitors. It's possible they even want to hide the fact that the main part of their business is located in Ukraine;
- Ukrainian and Russian mono-versions of websites are present only in those companies whose securities are traded on Ukrainian exchanges.

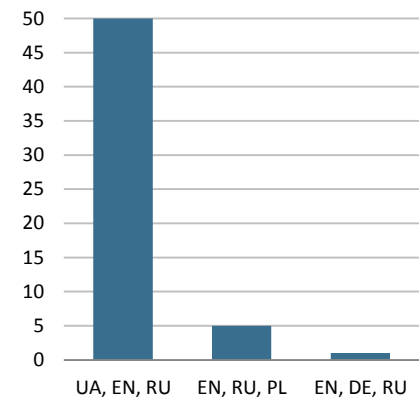
Number of sites by languages versions: **Monolingual**



Bilingual



Trilingual



Source: Concorde Capital research

Four-language sites are the least widespread. As a rule, they are represented by issuers on the Warsaw Stock Exchange (**Ovostar**, **KSG Agro**, **Milkiland**, **WESTA**, offering versions in EN, UA, RU, PL and **Agroton**, offering versions in EN, DE, RU, PL). Additionally, **Mriya**, which is listed in Frankfurt, offers a choice of EN, DE,

RU, UA. The most «exotic» in this list is **Zaporizhstal**, which besides its meager Ukrainian and incomplete Russian versions, offers no less scanty Arabic and Chinese “pages”.

Though the amount of companies with Russian mono-versions is the most numerous in our selection, these sites without exception can be characterized as “not for Russian investors” all the same (see below for more details).

The Russian language – only on the cover

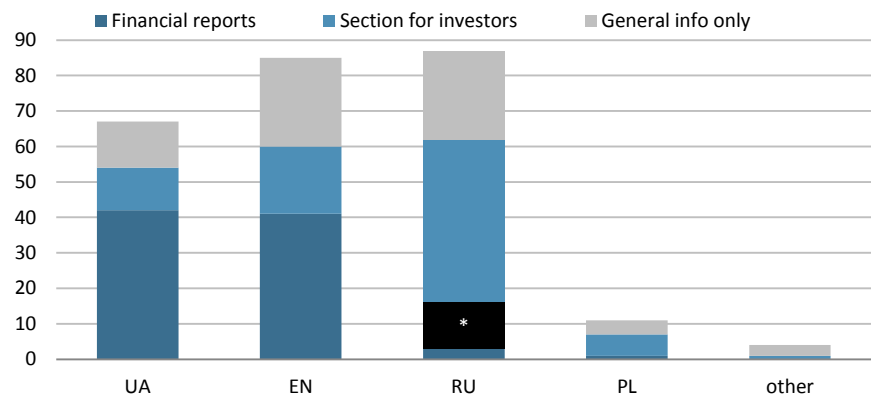
As in the previous survey, we became convinced that the Ukrainian language is only third in terms of popularity among Ukrainian companies. Only 67 percent of the companies we reviewed offer a Ukrainian version when a Russian version is available on 87% of sites and English version on 85%.

However, with deeper analysis, we came to the conclusion that Ukrainian versions of sites offer the fullest content for investors and analysts when Russian versions are generally useless for investors.

In this survey, we separately analyzed how complete is the information given to visitors of various language versions of company sites. For simplification, we classified three levels of completeness of language versions based on the target audience of our survey:

- **Surface versions** are those offering nothing for investors (shareholders, bondholders) and lacking the company’s financial reports.
- **Relatively complete** are those language versions offering a working section for investors or shareholders, or information on a company’s securities.
- **Full versions** are those besides the second level of details offer visitors financial accounts in the site’s selected language.

Accessibility of information based on language versions of sites



* Financials are available only in the Ukrainian language

Source: Concorde Capital research

It’s noteworthy that the Russian language dominates on the homepages of sites and it offers more often than not some basic information for investors or shareholders. However, it’s practically impossible to find a company’s financial reports in the Russian language. Out of 100 sites that we reviewed, only four offer annual financial results in Russian and only three offer quarterly financials in Russian.

PUMB: the only entirely trilingual site

It's worth giving special attention to **First Ukrainian International Bank (PUMB)** as the single website offering complete versions in three languages: Ukrainian, English and Russian.

It's noteworthy that another bank, **Prominvestbank**, also could have boasted of a complete trilingual site but we couldn't find on it its annual report in Russian (although we found a Russian version of its quarterly financials).

Sites with two complete language versions also turned out to be not so many: **DTEK, Serinus Energy, Universalna Insurance**, as well as two state companies: **Oschadbank** and **Ukrzaliznytsia**. Not quite reaching two complete versions were another four sites: **Privatbank, Sberbank of Russia, Ukreximbank** and **Motor Sich**.

The “Ukrainian-Russian” language: local know-how

The approach to the language issue looks quite amusing among several Ukrainian issuers of local securities.

The websites of 13 companies examined by us presented the most complete (or only accessible) versions of their sites in Russian that are practically not accommodating to Russian-speaking investors. The only accessible financial results on such sites are in the Ukrainian language. The marked amount of such mixed-language sites allows us to identify a local phenomenon of “a Russian language not for Russians.”

Sites with exclusive Russian-language versions offering financials only in Ukrainian

Company	Main owner
VTB Bank	VTB (Russia)
Luhanskteplovoz	Transmashholding (Russia)
Petrovskiy Metallurgical Plant	Evrast (Russia)
Stirol	DF Group (Ukraine)
Kharkivoblenergo	State (Ukraine)
Southern Iron Ore	Metinvest (Ukraine) /Evrast (Russia)

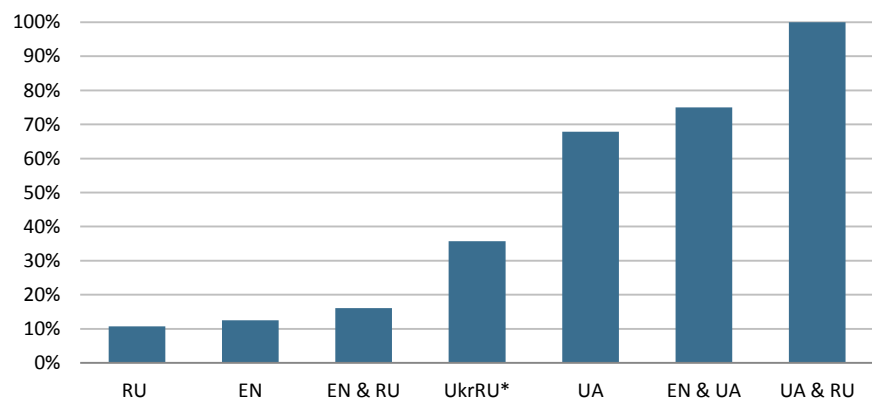
This form of bilingualism only can be explained by the low level of investor relations culture. In essence, Ukrainian financial reporting on such sites is merely a fulfillment of a standard requirement that issuers reveal their financial information. The target audience of such financial information isn't Russian investors at all. These companies see their audience exclusively as their clients (buyers of goods or services) located either in the Russian-speaking southeastern Ukraine or in Russia.

The key to local companies: Ukrainian and Russian

Having analyzed the most complete language versions of the sites of Ukrainian issuers of local securities, we came to the conclusion that:

- Commanding Russian and/or English doesn't give visitors access to the entire specter of information on the sites of companies that have placed local securities;
- Commanding the Ukrainian language offers access to the most complete versions of two-thirds of sites;
- Commanding the Ukrainian and Russian languages offers visitors full access to all the available information of a site.

Necessary linguistic arsenal for access to the most-complete versions of sites (local listings)



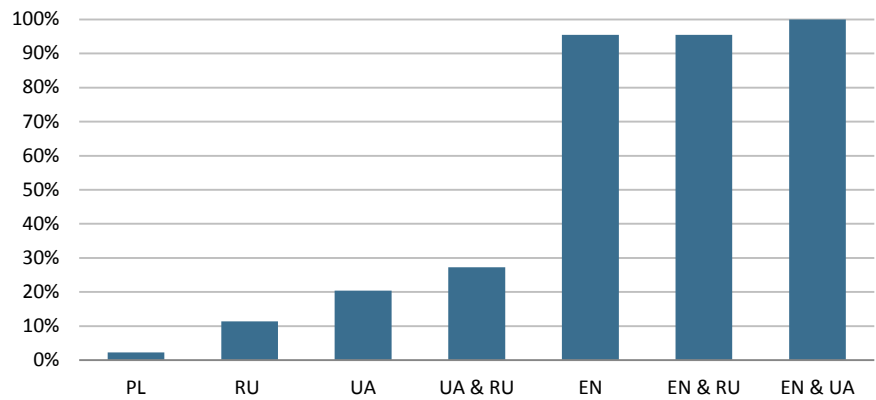
Source: Concorde Capital research

The key to foreign companies: Ukrainian and English

Having analyzed the most complete language versions of the sites of companies that have floated their securities abroad, we came to the conclusion that:

- Commanding the English language gives visitors access to the entire specter of information in more than 90% of cases;
- Additional command of the Russian language doesn't offer any advantages to visitors to the sites of these companies;
- Commanding Ukrainian and English gives the visitor full access to all the information on the site of an issuer of foreign paper.

Necessary linguistic arsenal for access to the most-complete versions of sites (foreign listings)

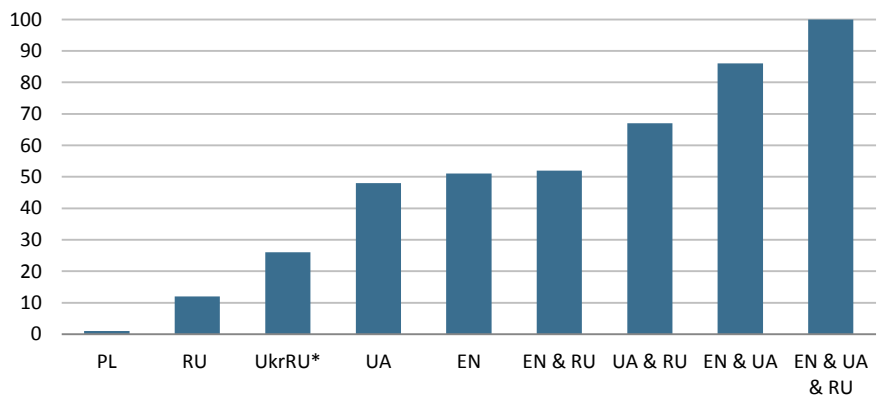


Source: Concorde Capital research

The entire specter of companies: trilingualism required

Access to the maximally complete versions of sites of Ukrainian companies is possible only with the knowledge of three languages: Ukrainian, Russian and English. Such linguistic nuances practically dictate the requirements for financial analysts wanting to work on the Ukrainian market or at least gain a grasp of them.

Necessary linguistic arsenal for access to most- complete versions of sites (all researched sites)



Source: Concorde Capital research

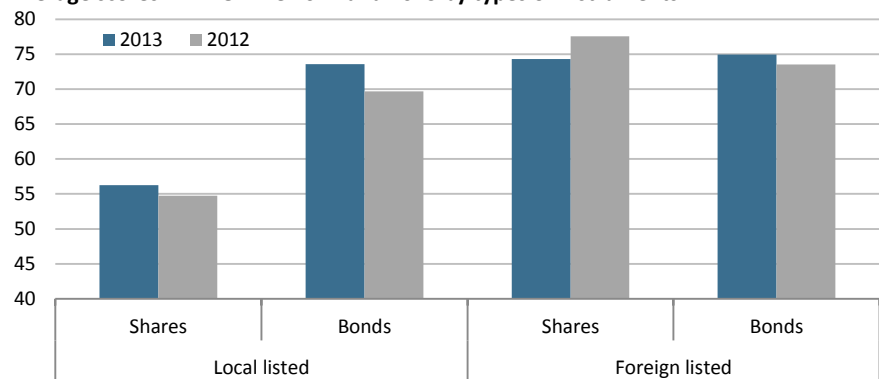
KEY CHANGES OVER TIME

Changes aren't substantial, on average

The most encouraging conclusion, to which we came to, having analyzed changes in our ratings, is the absence of degradation of websites.

In particular, we are pleased with the consistent though not high enough, result of local stock issuers. And that's regardless of the attitude of investors towards the Ukrainian securities during the last year-and-a-half period, which in no way can be called improved. Ukrainian companies with local listings support the quality of their sites on a consistent level either because of the expectation of renewed activity on the markets, or some tightened requirements on local public companies from regulators, or because it's practically impossible to present a worse site for investors.

Average scores in IR-Online 2012 and 2013 by types of instruments*



* Only for companies represented in each of the surveys, 2012 and 2013

Source: Concorde Capital research

Regardless of the year-and-a-half that has passed since our last survey of websites, what caught our eyes was a sizeable renewal or complete relaunch of sites among 25% of the companies we reviewed. In particular, we note:

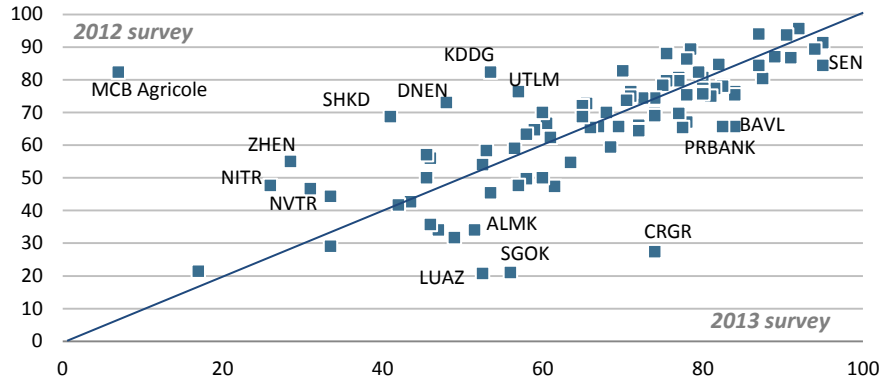
- The new sites of **Centrenergo**, **Donbasenergo**, **Kyivenergo**, **Stirol**, as well as **Serinus Energy**, which changed its name along with its site. Noticeably renewed sites are **Ukrsofsbank**, **Creative Group**, **Forum Bank** and **Privatbank**;
- Renewed work of the sites of **Mariupol Illich Metallurgical Plant** and **Luhanskteplovoz**, which weren't working during our last survey;
- The independent site of **Dniproenergo** has ceased to exist, having migrated "under the wing" of the corporate DTEK site and undergone a marked loss of information during the migration;
- The shutting down of the **Pokrovskoye Mine** site and disappearance of all the content from the **Ukrzernoprom-Agro (MCB Agricole)** site.

We also want to separately note the company site of **Bogdan Motors**. In our last survey, we analyzed an alternative site that wasn't designated for investors. In the current survey, we corrected our shortcoming.

Substantial changes in scores

Even during a rather short period of time that has passed since our first IR-Online survey, we have observed some serious changes in our ratings.

Changes as compared with our last survey



Source: Concorde Capital research

It's worth noting that an insignificant change in the ratings (in the range of 10 points out of 100) can be explained by changes in our evaluation methodology or a sheer luck factor. Therefore, in the given section we're only turning attention to fundamental changes in company ratings and to changes in ratings categories.

The most marked improvements in the approach of sites to investors we noticed:

- In **Creative Group**, clearly improving the scope of presented information on its site;
- In issuers of local shares, having improved their standards of disclosing information: **Northern Iron Ore**, **Raiffesen Aval** and **Privat** banks, as well as **Alchevsk Steel**.

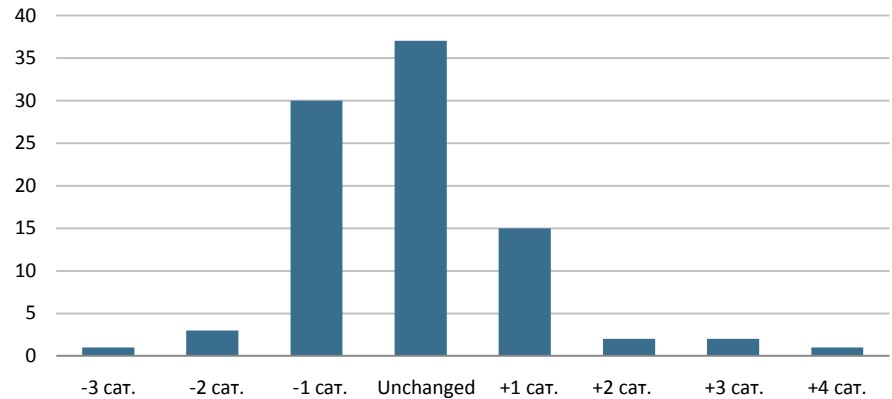
Evident worsening was noticed in the sites of:

- **MCB Agricole**, which has practically ceased to be a public company;
- **Dniproenergo** and **Komsomolets Donbasa**, companies that have lost their identity because of full integration into the structures of DTEK;
- **Ukrtelecom**, evidently suffering from the indeterminacy of the final owner;
- **KDD Group**, mainly for not publishing its financial results because of financial difficulties;
- The never-public **pipe factories of Interpipe**.

Changes to rating categories

Having analyzed changes in the categories of our ratings, we see that more than 90% of the changes were within the range of one position and more than a third of the sites remained in the same category as our last survey. The main reason for such concentration is the rather small time gap since our first survey.

The number of change in rating categories compared to 2012



Source: Concorde Capital research

Below are shown all changes in categories when compared with our last survey and noted companies whose sites showed the most serious progress or regress.

Number of companies in rating categories in 2012 and 2013

		Category 2013					
		EX	IF	AA	A	BA	P
Category 2012	EX	3	1				
	IF	3	7	4		1	1
	AA		8	9	4	1	1
	A		2	9	5	2	1
	BA				3	3	4
	P			1	1	7	10
New			1	2	3	1	2

Company sites:

DTEKUA	MHPC LI	MAYA GR	ZPST UK	KDDG LN	MCB Agri
AVGR LI	CLE PW	T.M.M.		UTLM UK	DNEN UK
KER PW	KSG PW	VABANK			SHKD UK
SEN PW	MSICH UK	MEGA UK			
METINV	UNAF UK	Creative			
PUMBUZ	XXIC LN				
	Platinum				
	Prominv				
	Sberbank				
	BAVL UK				
	PRBANK				

Note: EX – exemplary websites, IF – investor-friendly, AA – above average, A - average, BA – below average, P - poor.

It's noteworthy that only of the sites included for the first time in our survey this year ended up among the investor-friendly sites (**KDM Shipping**). That contrasts with the results of our survey of corporate governance standards in 2013, in which newcomers to the ratings represented almost a half of survey's two best categories. It's worth noting that our survey of corporate governance standards was conducted with a two-year pause. That enabled us to come to the conclusion that changes in standards in 2013 were critical when compared with 2011, but practically unnoticeable when compared with the prior year.

Survey leaders

DTEK, Avangardco, Kernel: stable exemplary result

The sites of three companies were able to show in 2013 the consistently best standards in investor relations.

We want to note separately that Avangardco's (Avangard) site, though remaining in the highest category of our survey, showed some areas of neglect – such important features as the site map and search window stopped working, though the icons for them were present. Avangard's site also suffered from a rather blurred and universal company name: it wasn't simple for our unprepared experts to find it on the World Wide Web. Nonetheless, Avangard's site is the single one in the 2013 survey that was awarded 100% of all possible points by all the experts, both by content completeness and by individual expert evaluation. We note that in the 2012 survey, the site also earned the highest points among experts.

We also note that DTEK's site is the single one from the "exemplary" group for which not one expert awarded the maximum individual score (five), which attests to some problems with the presentation of information on the site.

We will also add that the experts noticed progress on Kernel's site.

Metinvest, PUMB, and Serinus Energy showed the most substantial progress by joining the exemplary category of our survey.

We note separately that PUMB's site is the single one among the survey's leaders that earned three out of five points from an expert. Despite its completeness of information, the site doesn't display simplicity with navigation and "intuitiveness" in its layout of information.

The sites of Ferrexpo and MHP only slightly didn't achieve our ideal, mainly for the reason of an absence of a complete version in a second language, besides English. Yet experts awarded the companies higher individual points than survey leaders DTEK and PUMB.

Because of our stricter requirements on the language versions of sites, Myronivsky Hliboproduct even fell out of the "exemplary" status from our last survey.

We note that, apparently, each of the sites lost a key single point because the students researching them did not find all the necessary fragments of information.

Investor-friendly sites

An entire **19 companies** qualified for the “investor-friendly” category (from 80 to 90 points in our survey), which is two more than the results of our 2012 survey.

Among them, 10 companies rose from lower categories:

- **Coal Energy** and **KSG Agro** – mainly because of changes in the methodology of our ratings;
- **XXI Century, Motor Sich, Ukrnafta, Platinum Bank, Sberbank of Russia, Prominvestbank** – owing to marked improvements of their sites;
- **Raiffeisen Bank Aval** and **Privat Bank** rose at once by two categories in our survey. That can be tied to the former’s initiation of pre-sale preparations and the more active advancement onto international banking markets of the latter.

Additionally, **seven companies preserved** their high standards of presenting information:

- **Astarta, Ukrproduct, Ovostar, Ukrsotsbank, JKX Oil & Gas, Oschadbank**, as well as the above mentioned Ferrexpo.

We also make note of **KDM Shipping**, the single debutante with high-quality presentation of information for investors.

Markedly improved sites

The most considerable progress was demonstrated by the sites of:

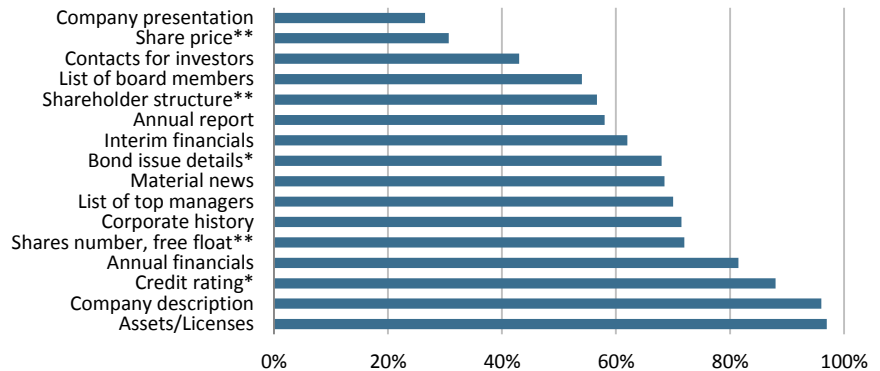
- **Creative Group** – the single company that improved at once by four categories in our new survey. This company seriously improved the quality of disclosing information that apparently helped it attract funds on international debt markets.
- The **Bogdan Motors** site showed similar progress (for the reason that this time we located the company’s site that’s designated for investors) but couldn’t emerge from the “poor” category. In essence, the earlier omitted site worsened in its indicators when compared to the prior year – its financial information disappeared.
- The above-mentioned sites of **Aval** and **Privat** banks also are leaders in improvement.
- Rather modest in points, but marked progress in our ratings categories was demonstrated by Zaporizhstal. The company improved from the “poor” category to “average” which, in theory, isn’t enough to write a lot about here.

EXTERNAL REVIEWERS EVALUATION

The main scores in our survey of websites were offered by our external reviewers, the weight of which made up 70% of the final result. The scores of external residents can be divided into three groups:

1. The scores of professional experts on site content – the availability and completeness of information that’s important for investors, from our point of view.

Evaluated content: average expert scores

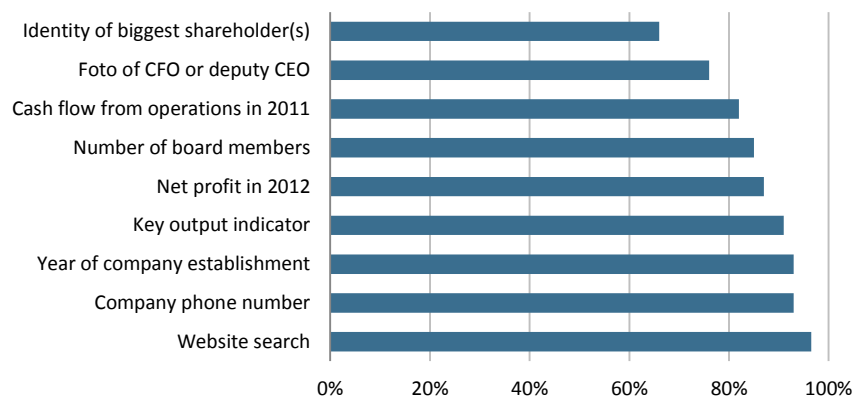


*Only for debt issuers; **Only for stock issuers

Source: Concorde Capital research

2. Individual scores of professional experts on the quality of sites, with or without ties to the first category. This criterion is a novelty – it wasn’t applied in our previous survey. Each expert could award an analyzed site (during his work on the first task) his individual score, from 0 to 5 points.
3. Search for information by unprepared users. Search by unprofessional experts (students of an economics school) for fragments of information about companies on their websites.

Sought- after content: average student scores

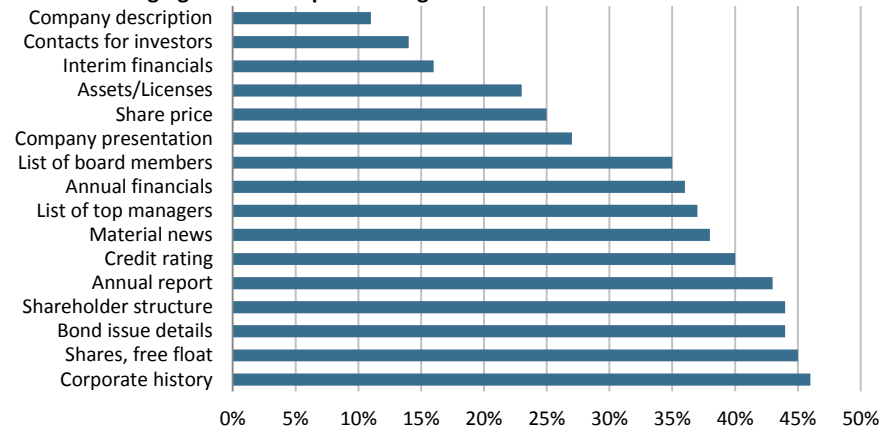


Source: Concorde Capital research

Experts diverge in their diagnoses

We were a bit surprised the pluralism among the experts in their scoring of the availability and completeness of information on researched sites (each site was analyzed by two different experts). On average, the scores didn't match in 26% of the fragments of information under search. The amount of divergence reaches half in some criteria.

Share of diverging scores of experts on a given criterion

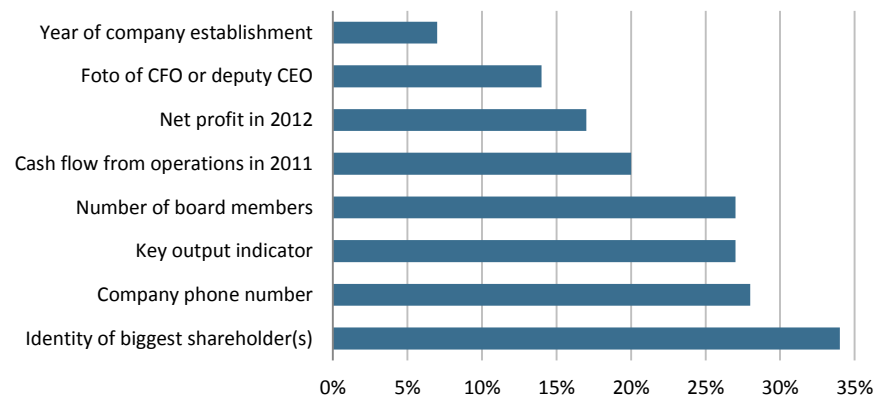


Source: Concorde Capital research

In order to smoothen such a span of views, we decided to conduct additional research into sites. In cases in which experts' scores diverged for both the site and criteria, we took the view of one of the experts, not an average.

We note that the students – less prepared experts – also significantly diverged in their results. In 22% of cases, one of the students couldn't find a fragment of information that was retrieved by another.

Share of information fragments found divergently by students



Source: Concorde Capital research

Only Avangardco impressed all the experts

We want to note separately that there were two companies in the evaluation of the availability of content for which the expert readings fully converged: those are the sites of **Avangardco** and **Coal Energy**. Yet all of the experts' scores without exception (including the individual scores of experts) were highest for only one company, **Avangardco**.

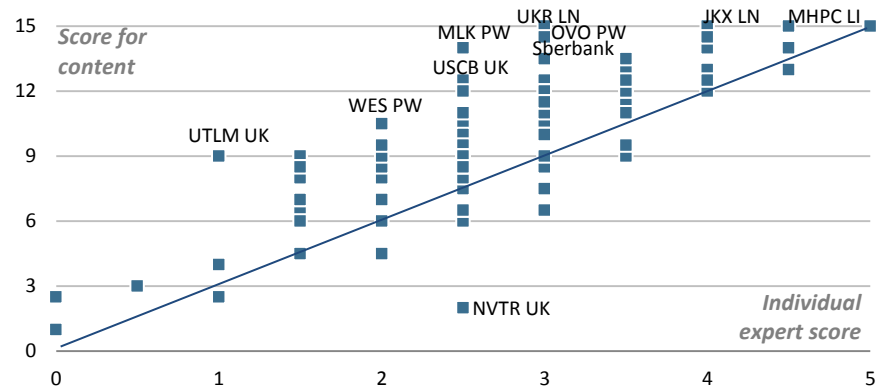
It's noteworthy that inexperienced reviewers – students searching for information on websites – confirmed the high quality of **Avangardco's** site: all the information was found. However, the site itself wasn't found by everyone because of the company's rather indistinct name ("Avangard" is a very often-used name in post-Soviet countries).

Experts more critical to the average sites

Rather interesting conclusions arise if we compared the scores of professional experts of web site content (on a 15-point scale) and their individual score of sites (on a 5-point scale): sites with more "meaty" content were scored by experts more critically.

Usually, experts' comments on low-quality sites amounted to there being nothing available for investors. At the same time, experts approached the more meaty sites with more enthusiasm and scrupulousness.

Professional expert scores: individual scores vs. evaluation of content



Source: Concorde Capital research

The problems with sites not gaining substantial individual points from experts (compared with points for content availability) can be identified as follows:

- The overwhelming majority of quality sites were penalized by experts for not looking contemporary (particularly **Industrial Milk Company, KSG Agro, Cadogan Petroleum, Regal Petroleum, WESTA, Urkproduct**, and of course the site of the biggest Internet provider in Ukraine, **Ukrtelecom**);
- The majority was penalized for poor structure of information (particularly **PUMB, Ukrtelecom, Oschadbank, JKX Oil & Gas**);
- Many suffered for using an excessively formal approach – displaying only the most basic information (covering just the first part of our survey): **Ovostar, Industrial Milk Company, Cadogan Petroleum, Regal Petroleum, Urkproduct, Milkiland**;
- Some of the sites offer incomplete (or entirely absent) alternative language versions: **Myronivsky Hliboproduct, JKX Oil & Gas, Urkproduct**;
- The quality of English versions of some websites and accessibility of information on them somewhat upset the English-speaking experts;

- An excess of non-working external links to important information (**Industrial Milk Company, Regal Petroleum, Ukrproduct**) was also noticed;
- Also noticed was the unbearably slow speed of several sites (**Ukrsotsbank, Nadra Bank**, and to a lesser extent, **ArcelorMittal Kryviy Rih** and **XXI Century**).

We also note that the experts were unanimous in awarding the highest individual scores for the following sites:

- **Kernel, Metinvest** and **Ferrexpo**.

Of equally low quality (zero points in the experts' individual scoring) were the sites of two companies:

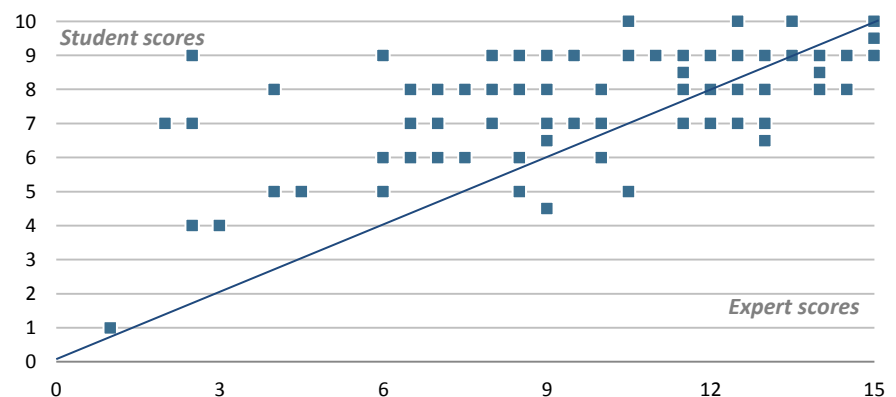
- **UkrAvto** and **MCB Agricole**.

Students vs. experts

The high standards set by our professional experts can be distinctly traced if we compare their scores regarding the completeness of site content and the fulfillment of student search requests for info fragments. Students' scores turned out to be higher.

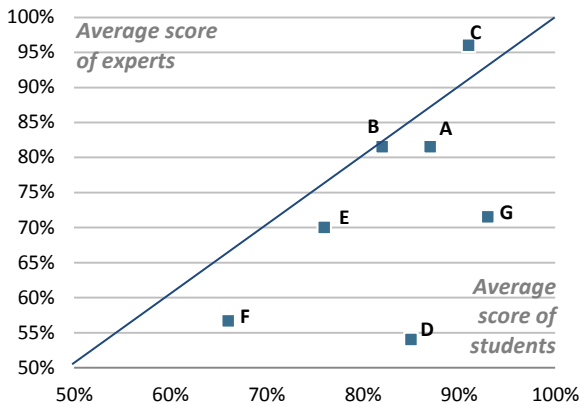
Our explanation is that the experts more critically approached the completeness of content, an indicator that wasn't important for students, who simply need to find information.

Evaluation of content by professional experts compared to student scores



Source: Concorde Capital research

Nonetheless, our analysis showed that both students and experts equally thoroughly approached their task. Similar average scores emerged for those criteria for which the task for experts and students was comparable.

**Comparable criteria in the tasks of students and experts:
average points, as a % of the maximum**


Source: Concorde Capital research

Comparable criteria/indicators

	Availability of information: students	Completeness of content: experts
A	Net income 2012	Annual financial report
B	2011 cash flow from operations	Annual financial report
C	Key output indicator	Descript. of product/service
D	Number of board members	Supervisory board list
E	Vice chair/ fin. director photo	Board of directors list
F	Identity of top shareholder	Shareholder structure
G	Year company founded	Company history

Nonetheless, we got a substantial difference in two criteria:

- Company history/ year of company's founding. The lower expert scores is explained by their having the opportunity to award an incomplete point for incomplete company history, in their view. The availability of the company's history was confirmed in 85% of cases. Yet the year of the company's founding didn't necessarily appear in the "company history" section;
- Number of board members/list of names and bios. The considerable difference in this indicator is hard to explain: experts found lists of names of board members only in 74% of cases, which is less than the 85% rate of students. Most likely, the students didn't always fully understand the type of board they should have been looking for (we didn't further review their scores).

On the simplicity of site searches

A separate assignment for the students was to find the needed company site by its name given in Russian and English. The result impressed us – in 97% of cases the needed site was found in one minute. There were noticeable blunders in several instances:

- Instead of the egg production holding **Avangard** (Avangardco), one of the students was led to the site of a Russian bank with the same name;
- Instead of the Ukrainian **Central Iron Ore Processing Plant**, one of the students was led to the site of the Australian company Central Iron Ore limited;
- In several cases, unofficial, alternative sites were found, or sites that were designed only for consumers: **Milkiland**, **East Coal**, **Alchevsk Coke**, **Luhanskteplovoz**.

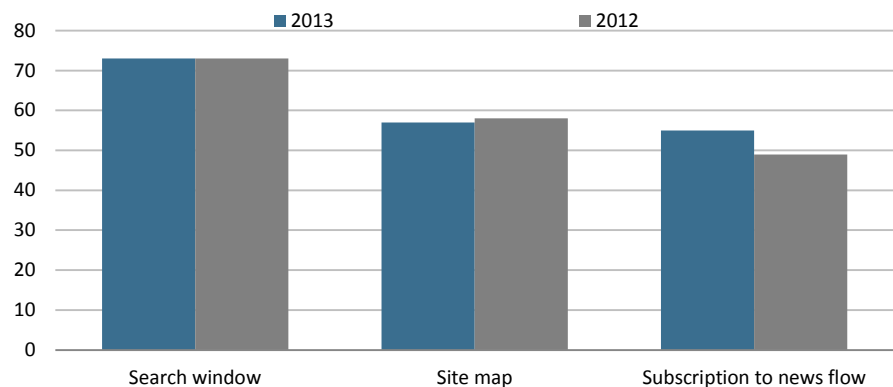
TECHNICAL FEATURES OF WEBSITES

Regarding site functions and features, this time we saw only three main ones that influence the simplicity of searches and navigation, as well as help investors to be always on top of the company's latest news.

When compared with the previous survey, we didn't find fundamental changes in site functions. The main changes in functions are exclusively the result of changes to the list of analyzed sites (nine sites were changed when compared with our debut survey). Therefore, just as in our debut survey, we separately underline that:

- A fourth of company sites don't offer a search window, which is a must for a solid and informative site;
- Almost half of the sites don't offer map.

The availability of key features on sites



Source: Concorde Capital research

We also noticed changes in the availability of subscriptions to site news, either by e-mail or RSS.

Subscriptions to company news: changes from the previous survey

Vanishing (not appearing)

Centrenergo
Dzerzhinsky Metallurgical
Finance and Credit Bank
KDD Group
KSG Agro
Privat Bank
Prykarpatooblenergo
UkrAvto
Zaporizhtransformator

Emerging (appearing)

Bogdan Motors
Coal Energy
PUMB
Galnaftogaz
Motor Sich
Myronivsky Hliboproduct
ProCredit Bank
Sadovaya Group
Sintal Agriculture
Stirol
VTB Bank
WESTA

IR-ONLINE AND CORPORATE GOVERNANCE

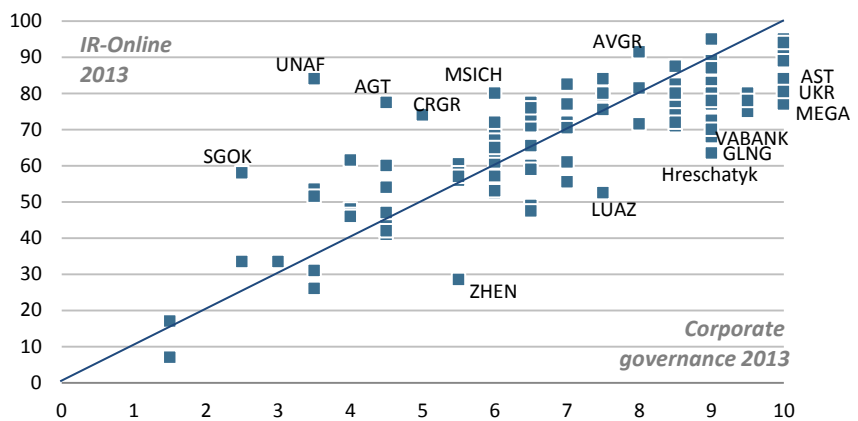
There is an 80% correlation between the scores of our last survey of corporate governance standards and the new IR-Online survey. That's a higher dependency compared to what we observed when drawing a comparison with the results of the previous ratings (a 65% correlation).

Nonetheless, the spread in the scores of several companies remained significant.

Of the companies that we classified earlier as "IR-only Online" (when company sites look better than their investor relations practices), **Motor Sich** and **Ukrnafta** retained that status. Based on the results of this survey, **Agroton**, **Creative Group**, and **Northern Iron Ore** can be added to them.

Of the companies that we classified earlier as "IR-offline" (in which the investor-friendliness of sites was worse than corporate governance practices), we would include **Zhytomyroblenergo**, **Khreshchatyk Bank**, **Galnaftogaz**, **VAB Bank**, and as earlier, **Bogdan Motors**.

2013: IR-Online ratings compared to Corporate Governance ratings



Source: Concorde Capital research

IR-ONLINE AND CAPITAL MARKETS

The situation of the Ukrainian stock market can't in any way be called improved in the last year. Nonetheless, certain worsening on the market didn't particularly reflect the quality of information presented on company sites.

Quality site – cheaper credit

The example of Creative Group, having improved the quality of its site and having received syndicated debt financing, can serve as inspiration for others. Of course, it would be hasty to assert that the key to success in attracting credit is so simple. But an open, quality site, being a company's face, truly can help a quality applicant gain cheap credit.

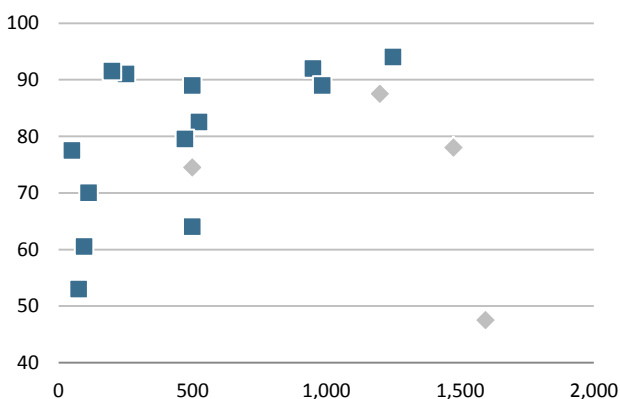
In our survey of Eurobond issuers, we came to the conclusion that there is a correlation between IR-Online indicators and:

- The volume of attracted loans on the open market;
- The spread between Eurobond yields to the sovereign curve.

We note that the link is two-sided. From one end, a company capable of borrowing a lot should already possess the necessary attributes, among them being an investor-friendly website. Moreover, to retain such ability, it must support high standards of communication with investors, including contemporary methods. From another end, an informative company site expands the circle of its potential partners (investors), which in turn expands the likelihood of making its financial resources cheaper.

The tie between the cost of borrowing (the spread to the yield curve of state bonds) and website quality looks statistically more plausible for longer-term debt. It's also worth mentioning that such rule doesn't apply so strongly to state debt issuers.

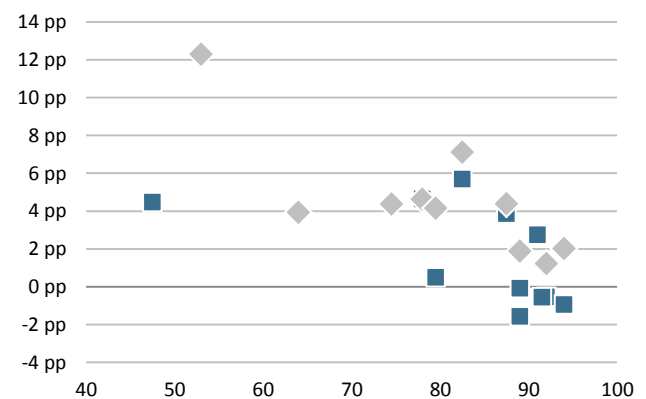
Eurobonds outstanding (USD mln) and IR-Online score



Note: state issues are designated in gray

Sources: Company data, Bloomberg, Concorde Capital research

IR-Online score and the YTM spread to sovereign curve



Note: Debt maturing in 2014-2016 is designated in blue, debt maturing in 2017-2018 is designated in gray

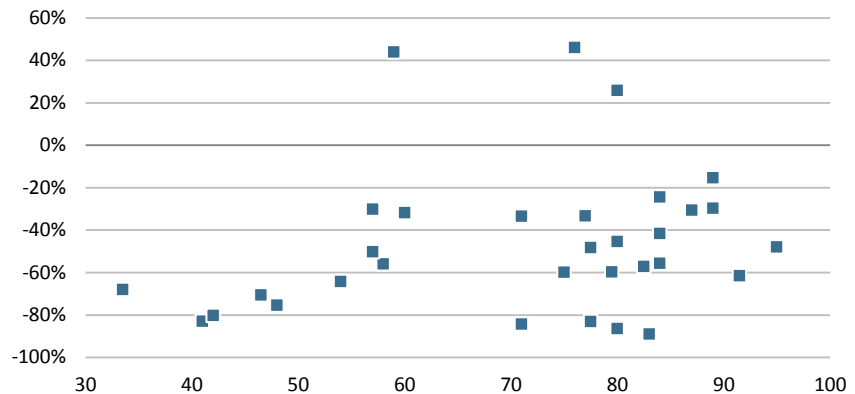
Sources: Bloomberg, Concorde Capital research

A quality site is a feasible burden

Stock issuers currently don't feel a particular advantage from the high quality of their sites. We didn't find a statistically significant dependence between the quality of company websites and their market multipliers or the market's premium to comparable companies. We also didn't notice any dependence between changes in company share prices on changes in website quality.

The single thing we can say with confidence is that companies with sites that aren't investor-friendly (points lower than 55 out of 100) trade at a 60% discount or more to their peers. But that doesn't mean that more open companies can claim a better evaluation by the market.

IR-Online score and company premiums in to their international peers*



* 2012 multipliers were applied: EV/EBITDA, P/B (for banks), EV/2P (for gas extraction companies). Premiums were determined in relation to the average indicators of European peers.

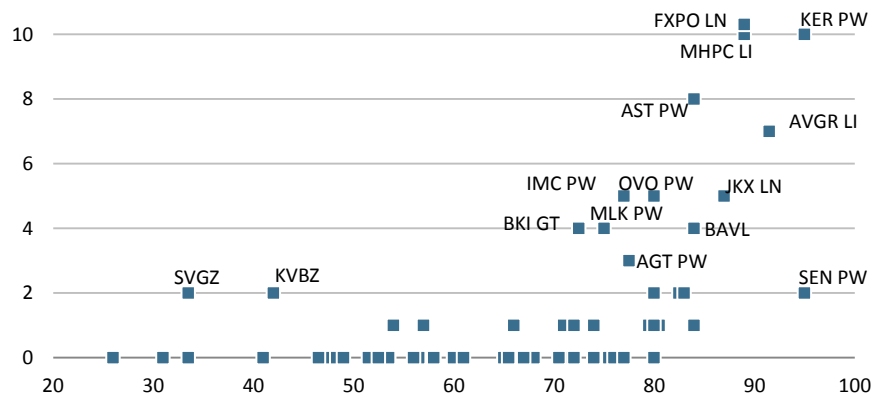
Sources: Bloomberg, Concorde Capital research

Possibly for the very reason that openness with information doesn't bring tangible dividends to stock issuers, their sites cede in quality to the sites of bond issuers, on average.

Under the surveillance of regulators

Attention on a company from sell-side analysts, which also means investors, forces it to remain in shape – we can draw such a conclusion from a comparison of site quality results and number of analytical recommendations awarded to companies by analysts.

IR-Online score and number of recommendations per stock*



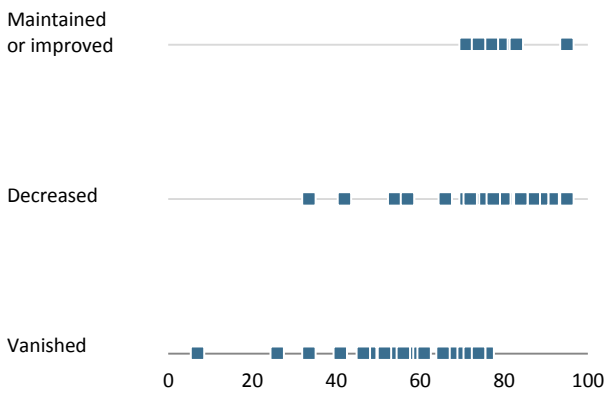
* For better visualization, we truncated the number of recommendations to 10. The actual number of recommendations for Ferrexpo was 23, for Kernel - 14, for MHP - 12.

Sources: Bloomberg, Concorde Capital research

Yet high website standards don't always guarantee much attention to companies by analysts – the host stock exchange also has significance. As of today, more than three analysts' recommendations have been conferred upon a dozen Ukrainian companies. Of them, only one is listed on the Ukrainian Exchange. It's obvious that it's the very high requirements of quoted companies that determine the higher standards for the websites of stock issuers abroad.

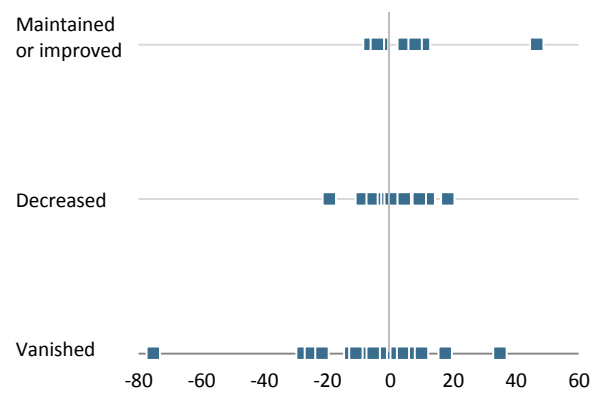
It's also interesting that companies that have vanished from all analysts' lists (in most cases – local stock issuers), on average didn't show worsening IR Online practices for the last year. Yet their initial and updated IR-Online score was noticeably lower than for those who remained under analytical coverage. It's entirely possible that this very difference in initial practices of openness with information was enough for the investment community to refrain from giving attention to companies on the local stock market.

IR-Online 2013 and changes in analysts' coverage* from mid-2012



*The change in the number of analytical recommendations of company stock from May 2012
Sources: Bloomberg, Concorde Capital research

Changes in IR-Online ratings* and changes in analysts' coverage* from mid-2012



* The change in the number of analytical recommendations of company stock from May 2012. The change in scores in our IR-Online compared with 2012 survey. Sources : Bloomberg, Concorde Capital research

Company sites that aren't covered by analysts anymore are practically the single source of information for their potential investors – but it's probably not the reason why they keep themselves "in shape." More likely, the local market's regulator played a role here, somewhat tightening reporting obligations for joint stock companies. Whatever the reason for them keeping in shape is, such support of standards ensures the chance for a revival of the local stock market.

EXPERT COMMENTARY



Anna Gorbenko

**Associate, CIS countries
Finance Talking**

The sites of public companies are a key trustworthy source of information about a company for the investor today, against the backdrop of curtailed investment analysis on the securities market. The availability of well-structured and constantly updated information about the company's activity on a site also simplifies the work of analysts. All public information about a company should be maintained on its site for several years. Its completeness and depth shows the degree of quality that the company's management reveals information about its activity and how it takes care of those audiences to whom it's designated.

This survey shows well the level of openness of companies for investors and as a whole, the level of their interest in foreign investments. For a company's IR team, a high position in the survey's ratings is additional confirmation of the quality of their work and the adherence of site content to the basic requirements set by investors and analysts. For me, this survey is an opportunity to learn something new about Ukrainian public companies and see their development. Having the opportunity to compare their achievements annually, I make note of positive changes with pleasure. It's wonderful experience that can be used in my further practice.

Among the companies whose websites I researched, not many can boast of high scores. The majority of public companies whose shares are floated on the Ukrainian securities market approached the issue of disclosing information too formally. They created necessary sections for shareholders and posted there the scanned copies of documents required by regulators for downloading: the charter, annual reports, special reports, shareholder meeting minutes, as well as financial accounts (in many cases without notes). This information isn't enough for investors to understand the company's true condition, its future development and its attractiveness as an investment target. And in such documents, it takes too much time and effort to search for information that investors are interested in. What's more, there aren't contacts to whom an investor can turn to for more detailed information. Some companies in the last year or two significantly worsened their informational support for their sites and stopped publishing updated financial accounts. As a rule, financial indicators significantly worsened for these companies. More often than not, if a site lacks a section for investors (shareholders) and/or bondholders, then the information that they're interested in is also lacking.

As a whole, I would like to note that the quality of disclosing information on sites is a lot better in those companies whose securities are listed on international exchanges, although there are exceptions. Particularly noteworthy is the efforts of the Kernel investor relations team, whose site content has become more comprehensive compared to previous years.

The survey results speak of a significant underestimation by company managements of sites as a powerful and efficient means of communications with investors/shareholders and creditors. I hope that such research will help the managers of Ukrainian companies uncover their potential in the near future.



Alexander Nikishev

**Managing partner
Investor Relations Agency**

The Investor Relations-Online survey, like a litmus paper, illuminates problem areas: where does the owner and management not have the desire to be close and understood to the investor, where are regular and honest communications with the investment community absent, where trust in the managing team is not being observed, where complications in operating activities arise, where it's harder to attract capital for development.

Only certain companies, undergoing an IPO and comprehending the importance of communicating with their investors on a 24/7/365 basis, demonstrate positive dynamics and multiply their capital. Those who still don't want to comprehend the importance of this strategic function will become outsiders on the capital markets.

The brightest representatives of the first group are agricultural companies, maintaining communications in a non-stop regime that is undoubtedly reflected on their sites in special sections for investors.

Unfortunately, we find the opposite picture on the sites of metallurgical enterprises and a series of construction companies. Even the sites of banks, with their requirements for their publicity, aren't always as focused towards investors as they are towards their clients.

In the materials that we analyzed, we came across a site that has been abandoned for several years, while another site had its last information updated almost a year ago. Undoubtedly, that's unacceptable. The financial results of these companies correspond: everything is interrelated.

For the sake of fairness, I should note that I was able to find information important for investors on company sites (I knew where to search), but it was necessary to make an extra effort and waste time. Those who hope to attract investment should change their information policy, simplifying access to key data.

With the growing competitive struggle to attract capital, neglecting an opportunity to build relations with investors and support effective communications with them is an unacceptable luxury.



Michael S. O'Brien

**Corporate governance officer
Deposit receipts, BNY Mellon**

[Original text]

While the roots of corporate governance date back more than a hundred years, a variety of circumstances, including the 2008 global financial crisis, have raised the profile of corporate governance. Currently, many investors are placing more weight on non-financial factors that emphasize environmental, governance and social (ESG) criteria. A 2012 BNY Mellon survey indicates that up to one-quarter of investors may be using ESG information in their decision-making process. Additionally, the number of investors that have become United Nations Principles for Responsible Investment (UNPRI) signatories has risen significantly, increasing by 30% in 2012 alone.

Given the increased focus on corporate governance, it is important that issuers meet the challenge. A company website for investors that is user-friendly and transparent with regards to governance information is one solution to meet investor demand for information.

As corporate governance officer for BNY Mellon's depository receipts business, I seek to promote good governance amongst our issuer clients with sponsored programs. For some of these issuers, this includes a review of their website from a corporate governance perspective. As such, I have had the opportunity to review companies in many diverse markets, developed and emerging, as BNY Mellon acts as depository for over 1,300 sponsored programs in over 60 countries [as of September 30, 2013].

Of the Ukrainian websites that I reviewed for this study, a few are on a par with those maintained by what may be considered "best in the class" international companies, while many are in need of a substantial upgrade. In particular:

- There was a wide range of information available at Ukrainian companies on the Board of Directors, with some companies including just the names and threadbare biographies while others provide more comprehensive information such as educational background, employment history and tenure on the Board. All companies should aim to provide separate clear information on the Board overall that outlines the aggregate independence level and the existence of term limits. With regards to individual board members, their board committees, other company board memberships and board tenure should be clearly stated separate from the biographical summary.
- For many companies, information was available on the website but was not 1) clearly presented or 2) easily located. For example, in many cases companies would provide a shareholder structure where the free float could be calculated or inferred instead of being directly stated.
- Related-party transaction information generally is not prominently displayed and/or may not be provided at all. This information, specifically in regards to evaluating minority shareholder rights, is very important to investors that stress governance.

Competition for capital from investors, particularly foreign investors, can be aggressive. Many investors seek companies with good governance as a risk-mitigate for their investments. Those companies that provide this information should be better positioned to attract such capital. Meanwhile, companies that do not invest in the infrastructure required for good governance and technology that supports this content on their website may be greater challenged to attract investors focused on solid governance principles.



Oleg Tkachenko

CEO

Ukrainian Exchange

Based on the results of recent years, we should mention the state's legal initiatives aimed at improving corporate culture in Ukraine and, as a consequence, the development of a wide scale database on the issuers' corporate events on open sources, including company sites.

In particular, we can mention the transition of joint stock companies to international accounting standards; the gradual expansion of the number of companies publishing their annual and quarterly results, information on the meetings of shareholders and top management; the implementation of the institution of a corporate secretary in the organizational structures of enterprises etc. All these positive changes bring the IR culture of Ukrainian issuers closer to Western practices.

However, a high level of corporate culture should not only be supported by the openness of information of an issuer and its transparent financial accounting, but also its efficient work with investors, including minority shareholders. As a whole, these factors ensure the stable growth of a company's market capitalization and create a powerful capital market in our country.

We wish to express our gratitude to Concorde Capital for its proper and necessary accents on the development of the investment environment in Ukraine. Such surveys offer the opportunity for companies to analyze the market and understand what's necessary to improve it in order to adhere to high standards that the current situation dictates.



Tom Coupé

**Professor, senior economist
Kyiv School of Economics (KSE)**

[Original text]

As a professor, I regularly visit the websites of universities and academic research institutes. Usually, these are not organizations with an unlimited access to financial resources, which make it priority to create and support a quality website. So when Concorde asked me to study the websites of for-profit companies, my expectation was that I'd see some real professional sites. True, I was impressed by some. But in general, I was rather disappointed by the quality of the company websites I evaluated.

In fact, many sites of Ukrainian companies don't reach the quality level of the sites of good universities, including Ukrainian ones. If companies are profitable, and investors help them achieving these profits, then one can only wonder why these companies can't set aside a small part of their profit to provide an effective communication channel with their current and future partners.

The development and launch of a reasonably good website should not cost more than a few thousand dollars – this should be crumbs for large Ukrainian companies. But some of these companies obviously cannot or do not want to spend such sum of money in order to improve the quality of the information they offer about themselves.

Sometimes I felt that a company simply decided to waste their money. For several sites, it is not clear what the target audience is and for many sites, it was clear that they were not created for informing investors. For example, it was even hard to figure out whether the site's owner had traded securities. Also noticeable, was the very poor level of English of some of the sites I reviewed.

What surprised me most, however, was that the sites of companies, for which the Internet is part of their business (such as Internet provider Ukrtelecom, the UMH media holding), were worse than the websites of companies that have nothing to do with the Internet, like for example coal extraction companies.

SURVEY METHODOLOGY

I. Expert evaluation of content completeness: 30%

Every expert in our group of five specialists evaluated the quality of the content of sites on our list. To minimize the subjectivity of the experts' evaluations, each expert received in equal proportions sites from the categories of better and worse based on the results of our last survey.

Calculating points

The site of each company was evaluated by two experts. After getting the scores of experts, we compared them and in cases of disagreement in scores, we conducted additional research with the goal of accepting the position of one of the experts in each contradictory criterion. The maximum number of points that a website could have gained in this section is 15.0. The final score was multiplied for each company by the correcting factor of 2.0.

An additional individual point based on the results of this section was awarded to the company Avangardco – the single one to reach the maximum in all criteria from all experts.

Criteria reviewed by experts

A. Information on business

1. Information on products and/or services. Whether a company website contains adequate information about the products and services that it offers, or on its client base.
1 point, if the information is adequate, 0 if not.
2. Assets / licenses / production capacity. Whether information is presented on company assets, gained licenses, industrial capacity or reserves/resources.
1 point if the information is presented, 0 if not.

B. Information on securities

- 3A. Amount of total shares and on the free float (for issuers of traded stocks). Whether information is accessible on the site about the amount of company shares, and whether it's possible to estimate the amount or shares of stocks in free circulation when using the site.
1 point if the information is accessible, 0 if not.
- 3B. Credit ratings of a company or its debt instruments (for issuers of bonds only). Whether information is accessible on the site about credit ratings assigned to the company or its bonds.
1 point if the information is accessible, 0 if not.
- 4A. Structure of shareholders (for issuers of traded shares). Whether information is presented on the site on the shareholders structure and whether it's possible to understand the share of key shareholders and identify them with this information.
1 point if the information is full, 0.5 point if the information is partly presented, 0 points if not.
- 4B. Details of debt issuance (for issuers of bonds only). Whether the information on issued company bonds is accessible, including the amount of the issue, the maturity date, coupon payments, and so forth.
1 point if the information is full, 0.5 points if the information is partly presented, 0 if not.

5. The price of shares. Whether the market price of its shares can be found using the company site.
1 point if yes, 0 if not. Debt-only issuers were automatically awarded a point.

C. Financial information

6. Annual financial accounts. Whether downloads/reviews of annual financial accounts for 2011 and/or 2012 are accessible. Financial information can be presented separately from annual reports.
A company earns 2 points if financial information is accessible for the last two years (2011 and 2012), 1 point if for only one of the last two years, and 0 points if the information is inaccessible for both 2011 and 2012.
7. Interim financials (for 2013). Whether the financial accounts for any period in 2013 is accessible on the website.
The company earns 1 point if the information is accessible, and 0 points if it's not.

D. Company information

8. Company history. Whether the site offers a historical reference about the company, and to what extent is it complete.
1 point if the expert determined that the information is complete, 0.5 points if it's present but doesn't look complete, and 0 points if it's not there at all.
9. Important news. Whether news, press releases or corporate announcement posted during the last three months (from August 2013) is accessible. To what extent can that information be important or beneficial to investors (news on corporate awards, charity or new promo campaigns for clients weren't taken into account).
1 point if the information looks relevant and material, 0.5 points if the information doesn't offer an understanding of a company's financial health, 0 points if there's no relevant information during the designated period.
10. Annual reports. Whether downloads of company annual reports for 2012 are accessible.
1 point if an annual report in a form convenient for review is accessible, 0.5 points if only a so-called "issuer annual report" for submission to regulators is available, 0 points if there's no annual report.
11. Corporate presentation. Whether downloads of company presentations dated 2013 are accessible.
1 point if yes, 0 if not.

E. Corporate governance information.

12. Board of directors / top managers. Whether a full list of key company managers with their profiles are accessible.
1 point if yes, 0.5 points if only the CEO/general director or managers are simply listed, 0 points if such information is inaccessible.
13. Supervisory board. Whether a full list of the company's supervisory board (or another controlling body) is accessible, with profiles of board members.
1 point if yes, 0.5 points if board members are simply listed, 0 points if such information is inaccessible.
14. Contact information for the investor. Whether the site offers contact information (e-mail, telephone) for shareholders or investors (corporate

secretary, IR manager, investor relations department or a department for attracting investments).

1 point if yes, 0 if not.

Changes compared to the last survey:

- We reduced the multiplying factor for this section of the survey from 4 to 2. Yet we introduced an additional part of the survey in which experts could individually evaluate the quality of reviewed sites, regardless of which criteria they had to evaluate in this section. We kept the correcting factor for experts' individual scores at 4.
- In contrast to our previous survey, this time if the experts' score for any criteria for a company differed, we didn't take the average score but conducted an additional analysis with the goal of accepting one of the experts' scores.

II. Individual expert site evaluation: 20%

Each of the experts having analyzed the availability and completeness of data on company sites was granted an opportunity to evaluate the analyzed site on a simple five-point scale (from 0 to 5). As in the previous section, every site was evaluated by two professional experts.

Calculating points

The final score was determined as the average of two individual scores of experts (the result was in the range of 0 to 5 points). In our survey, the final score for each company was multiplied by a correcting factor of 4.0.

Evaluation criteria

Clear evaluation criteria were not provided. Yet experts evaluated both the availability and completeness of information (examined and evaluated in the previous assignment), as well as their own general impressions of the site. The latter included: convenience of navigation, sophistication and contemporaneity of its design, the site's speed, the accessibility of information in various languages, the absence of contradictions in the presented information, the grammar quality of its texts, and the absence of dysfunctional sections or links that lead to nowhere.

Distinction from previous survey. The given section is new for our IR-Online survey.

III. Test on information search: 20%

A test on an information search was conducted by our test group composed of students of the Kyiv School of Economics (KSE). The uniqueness of the School's students is that their language of study is English, while at the same time they are fluent in Ukrainian and Russian. Every site was analyzed by two students.

The essence of the test lies in the need to find:

- Company sites on the World Wide Web, using the company's name, within one minute;
- Eight information fragments on a company site (the website address was given):
 1. 2012 net income;
 2. 2011 cash flow from operations;
 3. Production volume of key products/services, or the size of a company's client base;
 4. The number of supervisory board members;
 5. Telephone numbers by which it's possible to contact a company representative;
 6. A photograph of the deputy CEO or financial director;
 7. Identity of the top shareholder;
 8. The year the company was founded.

Calculating points

- The final score for site searches was determined to be the average of the results of two students (1 point if both of them succeeded, 0.5 point if only one did, while there were no cases in which no one found the website). The maximum score is 1.0.
- The final score for each information fragment for each site was determined to be the top score from two different students (1 point if at least one student succeeded, 0 points if no one succeeded). That way, we modeled the situation for at least half of the unprepared users being able to find the necessary information on the site. The maximum score is 8.0 here.
- In addition, we awarded one bonus point to companies for which all students found all the requested information on their sites. There were six such sites: **Avangardco, JKX Oil & Gas, Serinus Energy, Agroton, Industrial Milk Company** and **Megabank**.

That way, the maximum possible sum of this test is 10 points. The final score was multiplied for each company by a correcting factor of 2.0.

Distinctions from previous survey:

- We didn't use the services of interns from various departments of our company (as the last time), but a more homogenous group of students from a single school.
- Each site was analysed not by three, but two participants in the experiment, which proved to be enough during our first survey.
- In this survey, a test for a search of the very company site was added, as well as a reduced amount of information fragments to be searched, from 10 to 8. Yet a bonus point was introduced in those cases in which all the students were able to find all the information that would have enabled the higher quality sites to gain a higher score.
- Time limits of five minutes, applied in the previous survey, were not monitored, though we recommended adhering to timeframes (10 minutes for each site). That allowed all the experiment's participants to figure out to the fullest extent the availability of information on each of the analysed sites (having the earlier-unavailable existing option of "not enough time"). That also helped avoid the phenomenon in which reviewers only learn to find information on the first of the analyzed sites. Otherwise, the first sites would have been scored lower than those analyzed later when the user has gained experience in searching for the necessary information.

IV. Functional features and conveniences: 10%

Every site was analyzed for the presence of simple but important features that a modern website has to have, including a contemporary design, grammar quality of the programming language that is capable of influencing the site's speed.

The maximum points of a given section (10.0, multiplied by the correcting factor of 1.0) was distributed between the following criteria:

1. **The availability of a content search window:** 2.5 points with the availability of such an option, 0 points in its absence or non-performing search functions (including the availability of a search option exclusively for the company news section).
2. **The ability to subscribe to company news,** either by connecting to RSS, either by subscribing to an e-mail listserv. 2.5 points were awarded for this availability, 0 points if not.
3. **The availability of a site map:** 2 points for its availability, 0 points for its absence or a non-functioning map.
4. **The grammar quality of programming language:** the absence of mistakes in testing for adherence to HTML+Markup (with the help of Markup Validation Service, <http://validator.w3.org/>) and CSS (using the special security program W3C's CSS Validation Service, <http://jigsaw.w3.org/css-validator/>). 1 point was awarded for each of the two tests if the number of mistakes found on the site didn't exceed 20.
5. **«Wow» factor,** or the site's adherence to contemporary standards. If the website has an evident "wow" factor (interactive diagrams/menu, video content, instruments of online intercommunication or the availability of links to social networks) and doesn't look meager at that, it earns 1 point.
6. **Individual bonus point** for this section's results was awarded to **KDM Shipping** – this company's site turned out to be the only one in which both programming error search services didn't find a single mistake.

Distinctions from the previous survey

We added a little weight to such important factors as the availability of a search window and the ability to subscribe to news (2.0 points in the last survey), as well as excluded criteria that showed us to be irrelevant, such as the availability or convenience of a mobile version of the site.

V. Language versions of sites: 20%

The availability of various language versions of a site can say a lot about its target audience. In this survey, we approached the language issue in evaluating the level of detail of information on the various language versions of the sites.

Classification of the completeness of a site's language versions

- We considered **complete language versions** to be that version (if it existed) that contains a section for investors/shareholders or a section with financial information, as well as financial accounting in that language.
- We considered **partial versions** to be those that contain information or a section for investors/shareholders, but don't contain financial reports.
- We considered a version to be **basic** on which information is inaccessible for shareholders or investors.
- For sites of securities issuers with listings on Ukrainian exchanges, we also saw a type of **mixed (not quite full) language version**. That's when the main part of the information (including for shareholders/investors) is accessible only in Russian, while financial reports are accessible only in Ukrainian.

Calculating points

The maximum amount of calculated points in this section was 20. Among them:

- Up to 19 points was awarded in the analysis of the completeness of English or one (the most complete) of the "local" site versions: Ukrainian, Russian or Polish. The points were calculated according to the matrices demonstrated below.
- one additional point was calculated if the site contains more than two language versions, regardless of their completeness.

An individual bonus point based on the results of this section was awarded to First Ukrainian International Bank (PUMB) – the single company presenting complete information on its site in three language versions.

Scoring of local (Ukrainian) securities issuers

The target audience of such issuers is local and foreign investors. We believe that the completeness of local language versions (Russian or Ukrainian) for such sites is most important, though the presence of an English version is also desired.

Depending on the completeness of language versions, we awarded local-listed companies the following points:

Language scoring matrix, local listing

		Local version (Ukrainian, Russian)				
		Full	Mixed	Partial	Basic	Absent
English version	Full	19	17*	15	11*	8*
	Partial	16	13	11	6*	3*
	Basic	11	8	6	2	1*
	Absent	8	6	4	1	-

* Companies with such a set of site versions didn't appear in our research

Scoring of securities issuers that are traded on foreign platforms

Obviously, the target audience of such issuers is mainly foreign English-speaking investors. Therefore, the completeness of the English versions is exceptionally important.

Nonetheless, we also assign significance to the availability of local language versions of sites, though we score their importance lower. That way, we add points for the efforts of company that didn't get lazy in creating and updating alternative language versions.

Based on the completeness of language versions, we awarded foreign-listed companies the following points:

Language scoring matrix, foreign listings

		Local versions (Ukrainian, Russian, Polish)			
		Full	Partial	Basic	Absent
English version	Full	19	17	14	12
	Partial	13	11	8*	4*
	Basic	8	5*	2	1
	Absent	5	3*	1	-

* Companies with such a set of versions didn't appear in our research

Distinctions from the previous survey

In this survey, we doubled the weight of this section in the final rating since we received many remarks from colleagues that importance of this section was undervalued in our debut research.

We also applied a diverse selection of scores of language versions based on what exchange the companies placed their securities.

About Concorde Capital



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

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

The ThomsonReuters Extel Survey recognized Concorde Capital as the best brokerage in Europe's developing markets in 2009, while Concorde Capital's analytical department has been rated among the top three strongest analytical teams in Ukraine for the past seven 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 its Investment Companies category.

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