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December 17, 2007

## **Press release**

### **The overall results of “The opportunities of Ukrainian issuers in making private and public offerings” research.**

In September-November 2007 the analytical service of Expert-Rating rating agency has conducted the research of opportunities of Ukrainian issuers to conduct private and public offerings in foreign stock markets. Research embraced three main issues- the choice of type of offering, the choice of stock market and service market analysis necessary for offering. On results of research the following conclusions have been drawn:

#### **The choice of the type of offering**

1. The market of depositary receipts has enormous potential for development in the global scale and is a robust alternative to offerings conducted by way of off-shore companies. The formation of European and Russian markets of depositary receipts is able to create the competitive surrounding between the institutes of infrastructure which secure the circulation of receipts as well as to broaden the issuers' opportunities in capital formation. In the last 3 years more than 80% of offerings by Ukrainian issuers were made by companies registered in the countries with so-called mild tax climate. This fact must be considered as a warning signal to Ukrainian regulators.

2. American depositary receipt (ADR) as well as Global depositary receipt (GDR) are still the single universal instruments providing the respectable corporations direct access to foreign capital markets. The standardized procedure of issue, transparent rules, the possibility to cancel the programs make the receipts a convenient instrument for respectable issuers to manage the market of own shares. As to global aspect The Bank of New York Mellon и Deutsche Bank predominate in the market of services on issue of depositary receipts.

3. The growth of the number of European and Asian markets ready to include the GDR into listing, the automation of dealings in the OTC market in the USA, the record growth rate of dealings and the simplicity of PORTAL access as well as liberalization of regulation of the USA stock market denote the attractiveness of making offerings by means of depositary receipts. 60 programs of depositary receipts were issued by Ukrainian issuers by the year-end 2007. As to the number of depositary programs Ukraine takes the 11<sup>th</sup> place in the world. Nearly all significant IPOs made by companies carrying business in Ukraine were conducted by means of depositary receipts.

#### **The choice of the offering market**

1. Within the next few years the basic mass of foreign offerings by Ukrainian issuers will concentrate in Frankfurt, Warsaw and London stock exchanges. Most likely the share of London SE will drop because of a high cost of capital formation. The Frankfurt SE will remain for Ukrainian issuers one of the most attractive stock markets in continental Europe because of its technical feasibility to trade depositary receipts.

2 After the merger of New York Stock Exchange (NYSE) and Euronext a new big-time exchange holding able to offer the simultaneous listing on at least 4 stock platforms in EU and USA entered the world market. The NYSE Euronext's proposals may rouse interest in both companies with little capitalization and big-time Ukrainian FIG targeted on simultaneous listing in several stock platforms first of all because of an unexampled level of liquidity of its stock platforms and moderate cost of IPO preparation. NYSE continues to be both the biggest stock platform in our planet and the best choice for the big-time issuers.

3. A new prospective center of stocks trade is getting under way to be formed on the basis of OMX exchange group. NASDAQ and 7 more banks (Citigroup, Credit Suisse, Deutsche Bank,

Goldman Sachs, Merrill Lynch, Morgan Stanley, UBS) account for half of the European companies' stocks trade are taking part in the project. The joint project named Turquoise became possible owing to applying to all countries of EU 'On Market of Financial Instruments' Directive (MiFID) which came into force in November 2007. MiFID eliminates the exchanges' monopoly on securities trade but toughens the information disclosure rules. Most likely the united platform will be accessible to issuers not before 2009.

### **Market analysis**

1. The largest volume of shares placement (\$78 bln) was freezed in EMEA (Europe, Middle East, and Africa). The placement of Russia VTB Bank which rose \$8 bln is still the biggest IPO in the region in 2007. Three of the ten biggest IPO in the region were made by Russia companies. Privatization is the abundant reason for IPO in the EMEA. As to the results of 9 months 2007 performance the Deutsche Bank remains the biggest underwriter in the region's stock market.

2. The ten biggest investors in the market of depositary receipts had invested \$251 bln in receipts of issuers from CEE. 9 of the 10 biggest institutional investors are registered in the USA. The depositary receipts of the issuers from the Central and Eastern Europe were bought by 256 institutional investors the total volume of investments of which in CEE made \$55 bln. The biggest institutional investors from USA bought receipts on shares of Russian and Kazakhstan issuers. The filling of the market with Russian securities may be regarded as a positive tendency which attracts attention of unspecialized investors to issuers from the other region.

3. In 2005-2007 the issuers from Ukraine made 42 placements. The quality of these placements may be regarded as satisfactory. More than two thirds of declared IPOs made in Ukrainian market are not IPO in fact and may be considered just as private placement. In the last 3 years about \$2 bln were raised by Ukrainian issuers. Expert Rating predicts the Ukrainian issuers will rise in 2008 \$1.5-2.0 bln. from abroad. However, this figure may increase several times at the expense of privatization by means of depositary receipts.

4. The study of 42 placements and price quotations, interrogation of mass media representatives and experts of several exchanges allowed Expert Rating to come to a conclusion that the best placement in 2007 was the placement of **TMM Real Estate Development** company in Frankfurt SE conducted by Concorde Capital company as well as the **Kernel Holding's** placement in Warsaw SE (financial council ING company). When appraising the placements the following factors were taken into account: the amount of real attracted financing, the company's transparency when in placement, the company's willingness to information disclosure after the placement, the company's communication policy in the field of relations with investors and community.