Investment company

Research
May 27, 2009

Telecommunications
Russia

MTS

Cellular communication still standing

Recommendation: BUY

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Bullet moments

☎ Last Friday MTS output US GAAP report for 1Q 2009. Sales of the company for the quarter totaled 1.8 bn USD. OIDBA – 832 mn USD. By the end of the quarter net loss was gained in the volume of 58 mn USD. The main reason for negative operating was loss from currency exchange, which appeared due to ruble devaluation versus dollar, in which the significant share of MTS' debt is nominated.

☎ Operating estimates of the company indicated lowering on almost all States. Particularly, MOU dropped everywhere, except for Ukraine, which is due to the economy crisis, decrease of solvent demand and respectively due to communication services consumption lowering.

☎ Nevertheless, we suppose the reduction of MTS' operating estimates is not of critical nature and the affect of the economy crisis on the communication branch is not that considerable, as on the other industries. Note, the quarter results mostly meet our annual expectations.

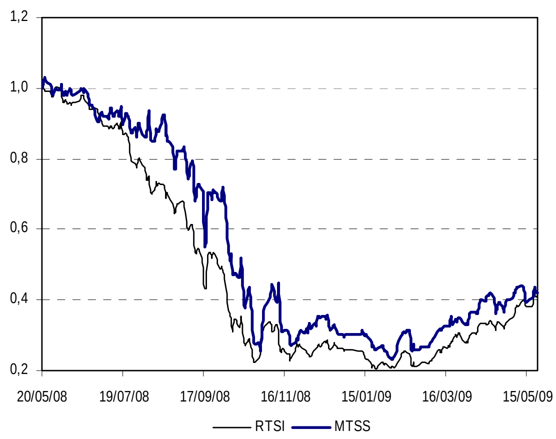
☎ We revised our model of the company and introduced significant corrections to it due to the recommended all-time high dividends for 2008, and also due to new borrowings by MTS. The impact of the given factors on the total estimation was insignificant.

☎ Along with that, the Comstar acquisition process is going at full speed. Currently there is no definite information on the amount and the structure of the deal. At the same time the provisional research indicates that the execution of the given deal depends on many factors, not reliant on MTS, Comstar and Sistema. Along with that within the coming year the coming out details of the deal might affect MTS shares' rates, along with Comstar's rate.

☎ Our new estimation of MTS' shares forms 10.29 USD (51.46 USD per ADR) versus the former one at the level of 10.6 USD. Note, our estimation does not include acquisition of Comstar and all related to it (possible growth of debt load of MTS, upping of income and expense, synergetic affect from the merger). Anyway, the shares of the company obtain significant growth potential, due to which we confirm the recommendation BUY for the shares of MTS.

Principal estimates

Company's shares vs. the RTS index



Information about MTS	
Ticker RTS / NYSE	MTSS / MBT
Market price, USD	5,33
Min / max price during last year, USD	2,95 / 12,82
Fair price at year end, USD	10,29
Fair price at year end (ADR), USD	51,46
Upside (downside), %	*93,1*
Total shares, units[1]	1 885 052 800
MC, mn USD	10 047
EV, mn USD	13 031

[1] Excluding treasury shares

Financial values (US GAAP)	2008	2009 (F)	2010 (F)
Sales, mn USD	10 245	8 356	8 205
OIBDA, mn USD	5 140	3 797	3 407
Net income, mn USD	1 930	996	1 030
OIBDA margin, %	*50,2*	*45,4*	*41,5*
Net income margin, %	*18,8*	*11,9*	*12,6*

Financial coefficients	2008	2009 (F)	2010 (F)
EV / S	1,27	1,56	1,59
EV / OIBDA	2,53	3,43	3,82
P / E	5,20	10,09	9,76
ROIC, %	*29,8*	*25,7*	*20,5*
ROE, %	*35,9*	*26,9*	*30,5*

Financial and operating results

MTS's operational results

	1Q2008	Chng., %	1Q2009	1Q2008	Chng., %	2Q2008	Chng., %	3Q2008	Chng., %	4Q2008	Chng., %	1Q2009
Subscriber base, th	84 960	8,5	92 190	84 960	2,3	86 940	0,7	87 570	4,3	91 350	0,9	92 190
Russia	59 900	8,7	65 110	59 900	2,5	61 380	0,8	61 880	4,4	64 630	0,7	65 110
Ukraine	19 610	-8,5	17 940	19 610	-2,4	19 130	-5,4	18 090	0,2	18 120	-1,0	17 940
Uzbekistan	3 560	67,7	5 970	3 560	22,8	4 370	15,8	5 060	11,7	5 650	5,7	5 970
Turkmenistan	470	138,3	1 120	470	21,3	570	33,3	760	22,4	930	20,4	1 120
Armenia	1 420	44,4	2 050	1 420	4,9	1 490	19,5	1 780	13,5	2 020	1,5	2 050
Churn rate, %												
Russia	4,8	3,2	8,0	4,8	1,8	6,6	2,5	9,1	-2,7	6,4	1,6	8,0
Ukraine	10,3	-0,1	10,2	10,3	0,4	10,7	5,1	15,8	-5,0	10,8	-0,6	10,2
Uzbekistan	2,8	3,8	6,6	2,8	1,2	4,0	3,3	7,3	-1,6	5,7	0,9	6,6
Turkmenistan	5,0	-1,1	3,9	5,0	-0,6	4,4	-2,4	2,0	2,2	4,2	-0,3	3,9
Armenia	8,0	0,9	8,9	8,0	-0,3	7,7	-0,5	7,2	-0,2	7,0	1,9	8,9
ARPU, USD												
Russia	10,1	-32,8	6,8	10,1	8,9	11,0	4,5	11,5	-17,6	9,5	-28,3	6,8
Ukraine	6,8	-39,1	4,1	6,8	8,8	7,4	10,8	8,2	-28,6	5,9	-29,3	4,1
Uzbekistan	8,3	-30,1	5,8	8,3	-6,0	7,8	-6,4	7,3	-1,4	7,2	-19,4	5,8
Turkmenistan	35,4	-70,1	10,6	35,4	-38,1	21,9	-54,3	10,0	32,4	13,2	-20,0	10,6
Armenia	13,1	-32,0	8,9	13,1	7,6	14,1	7,8	15,2	-25,1	11,4	-21,7	8,9
MOU, minutes												
Russia	193	6,2	205	193	7,3	207	2,9	213	2,3	218	-6,0	205
Ukraine	175	144,0	427	175	36,6	239	37,7	329	18,2	389	9,8	427
Uzbekistan	520	-20,0	416	520	10,6	575	-8,7	525	-5,3	497	-16,3	416
Turkmenistan	273	-17,6	225	273	6,6	291	-4,8	277	-8,7	253	-11,1	225
Armenia	157	9,6	172	157	16,6	183	10,4	202	1,5	205	-16,1	172

Note: margin changes are given in percentage points, ARPU was recalculated using average exchanges rates to USD for proper period

Source: company's data, Estimates: Veles Capital

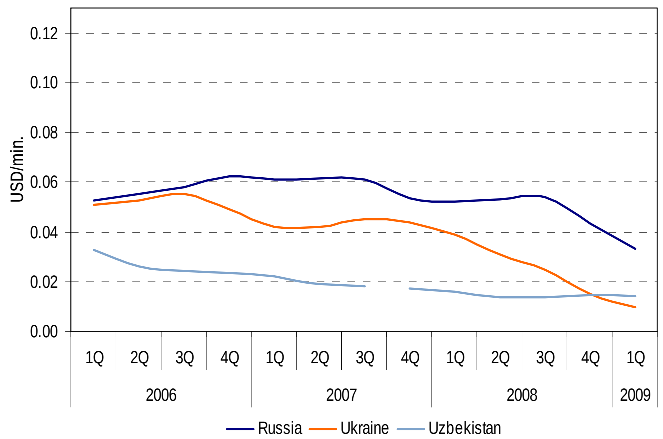
MTS's US GAAP financial results, mn USD

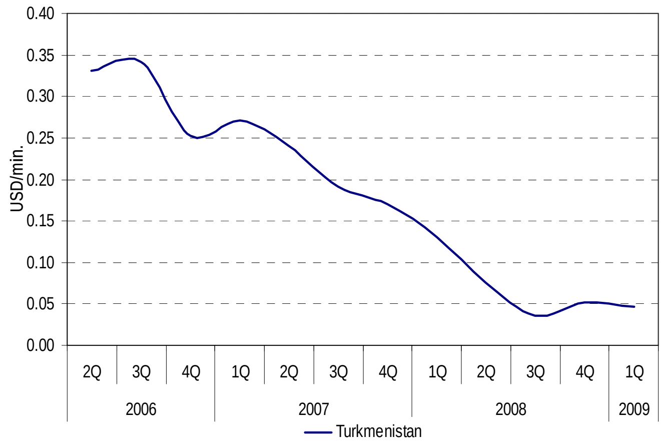
	1Q2008	Chng., %	1Q2009	1Q2008	Chng., %	2Q2008	Chng., %	3Q2008	Chng., %	4Q2008	Chng., %	1Q2009
Sales	2 379	-24,0	1 809	2 379	10,8	2 635	6,7	2 812	-14,0	2 418	-25,2	1 809
Expenses	(1 675)	-19,7	(1 345)	(1 675)	6,2	(1 778)	5,5	(1 877)	-8,8	(1 712)	-21,5	(1 345)
incl. amortization	(471)	-22,0	(367)	(471)	4,5	(492)	5,2	(518)	-11,9	(456)	-19,5	(367)
Operating income	705	-34,1	464	705	21,7	857	9,1	935	-24,5	706	-34,3	464
Operating income margin, %	29,6	-4,0	25,7	29,6	2,9	32,5	0,7	33,3	-4,1	29,2	-3,5	25,7
OIBDA	1 176	-29,3	832	1 176	14,8	1 349	7,7	1 453	-20,0	1 162	-28,5	832
OIBDA margin, %	49,4	-3,4	46,0	49,4	1,8	51,2	0,5	51,7	-3,6	48,1	-2,1	46,0
Interest expenses	(41)	55,0	(63)	(41)	-24,2	(31)	13,4	(35)	34,8	(47)	33,8	(63)
Non operating incomes/losses	110	н/с	(446)	110	-59,2	45	n/m	(176)	161,1	(459)	-2,8	(446)
EBT	774	н/с	(45)	774	12,5	871	-16,8	725	-72,4	200	n/m	(45)
EBT margin, %	32,5	-35,0	Neg.	32,5	0,5	33,1	-7,3	25,8	-17,5	8,3	-10,8	Neg.
Income tax	(166)	-92,9	(12)	(166)	26,7	(210)	-3,9	(202)	-74,0	(52)	-77,4	(12)
Minority interest	2	н/с	(1)	2	n/m	(2)	245,7	(7)	-69,6	(2)	-55,9	(1)
Net income	610	н/с	(58)	610	8,0	659	-21,8	516	-71,8	146	n/m	(58)
Net income margin, %	25,6	-28,8	Neg.	25,6	-0,6	25,0	-6,7	18,3	-12,3	6,0	-9,2	Neg.
Average RUR/USD exchange ratio	25,55	-2,7	24,87	24,25	-2,6	23,62	2,6	24,23	12,5	27,26	26,2	34,39

Note: margin changes are given in percentage points

Source: company's data, Estimates: Veles Capital

Dynamics of ARPU/MOU





Financial model

Income statements of MTS, mn USD

	2005	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)
Sales	5,011	6,384	8,252	10,245	8,356	8,205	8,692	9,644	10,802	11,982
Costs	(2,472)	(3,155)	(4,029)	(5,105)	(4,559)	(4,798)	(5,176)	(5,613)	(6,212)	(6,827)
OIBDA	2,539	3,230	4,223	5,140	3,797	3,407	3,516	4,031	4,589	5,155
OIBDA margin, %	*50.7*	*50.6*	*51.2*	*50.2*	*45.4*	*41.5*	*40.4*	*41.8*	*42.5*	*43.0*
Amortization	(907)	(1,096)	(1,490)	(1,937)	(1,708)	(1,650)	(1,703)	(1,840)	(2,037)	(2,241)
EBIT	2,539	3,230	4,223	5,140	3,797	3,407	3,516	4,031	4,589	5,155
EBIT margin, %	*50.7*	*50.6*	*51.2*	*50.2*	*45.4*	*41.5*	*40.4*	*41.8*	*42.5*	*43.0*
Interest expenses	(132)	(177)	(135)	(153)	(386)	(390)	(335)	(268)	(147)	(72)
Non-operating income (losses)	64	(291)	230	(479)	(445)	(67)	(78)	58	50	67
EBT	1,564	1,666	2,829	2,571	1,257	1,299	1,399	1,981	2,455	2,909
Income tax	(411)	(576)	(738)	(631)	(257)	(264)	(283)	(398)	(491)	(582)
Minority interest	(27)	(14)	(19)	(10)	(5)	(5)	(6)	(8)	(10)	(12)
Net income	1,126	1,076	2,072	1,930	996	1,030	1,111	1,575	1,954	2,316
Net income margin, %	*22.5*	*16.8*	*25.1*	*18.8*	*11.9*	*12.6*	*12.8*	*16.3*	*18.1*	*19.3*

Source: company's data, Estimation: Veles Capital

Balance sheets of MTS, mn USD

	2005	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)
ASSETS										
Non-current assets										
PPE and intangible assets	5,922	6,705	8,703	7,670	6,282	5,808	5,752	5,861	6,495	6,452
Other non-current assets	332	240	317	409	482	507	518	560	600	639
Total non-current assets	6,255	6,945	9,020	8,080	6,764	6,314	6,271	6,421	7,095	7,092
Current assets										
Working assets	1,185	1,353	1,296	1,264	1,120	1,165	1,223	1,399	1,567	1,738
Short-term investments	28	56	16	46	1,155	1,077	1,111	358	709	1,246
Cash and equivalents	78	220	634	1,059	853	976	1,024	1,172	582	1,456
Total current assets	1,291	1,629	1,947	2,369	3,128	3,218	3,358	2,929	2,858	4,439
Total assets	7,546	8,574	10,967	10,448	9,892	9,532	9,629	9,349	9,953	11,531
LIABILITIES AND SHAREHOLDER'S EQUITY										
Shareholder's equity										
Shareholder's capital	655	597	966	-1,132	-950	-900	-838	-829	-821	-813
Retained earnings	2,639	3,154	4,477	5,187	4,424	4,762	5,037	6,023	7,132	8,403
Total shareholder's equity	3,294	3,752	5,443	4,055	3,474	3,862	4,199	5,194	6,311	7,590
Minority interest	31	45	20	23	24	28	31	39	48	59
Non-current liabilities										
Long-term borrowings	2,851	3,078	3,402	4,075	4,360	3,537	3,201	1,620	809	801
Other non-current liabilities	216	177	237	171	144	136	127	126	124	123
Total non-current liabilities	3,067	3,255	3,638	4,247	4,504	3,673	3,328	1,746	933	924
Current liabilities										
Working liabilities	405	445	647	976	865	900	944	1,080	1,210	1,342
Other current borrowings	750	1,077	1,219	1,147	1,025	1,069	1,126	1,291	1,451	1,615
Total current liabilities	1,154	1,522	1,866	2,123	1,890	1,969	2,070	2,371	2,660	2,957
Total liabilities	7,546	8,574	10,967	10,448	9,892	9,532	9,629	9,349	9,953	11,531

Source: company's data, Estimation: Veles Capital

Statements of cash flow of MTS, mn USD

	2005	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)
Cash flows from operating activities										
Net income	1,126	1,076	2,072	1,930	996	1,030	1,111	1,575	1,954	2,316
Minority interest	27	14	19	10	5	5	6	8	10	12
Amortization	907	1,096	1,490	1,937	1,708	1,650	1,703	1,840	2,037	2,241
Changes in working capital	(175)	7	53	453	44	72	98	128	124	128
Other	(88)	186	(283)	93	422	77	90	(36)	(45)	(45)
Net cash provided by operating activities	1,797	2,379	3,350	4,423	3,174	2,835	3,007	3,514	4,080	4,650
Cash flows from investing activities										
CapEx	(2,181)	(1,722)	(1,540)	(2,227)	(1,500)	(1,500)	(2,000)	(2,000)	(2,262)	(2,262)
Other	(271)	(58)	(804)	(108)	(1,345)	18	(177)	739	(826)	(546)
Net cash provided by investing activities	(2,452)	(1,780)	(2,344)	(2,335)	(2,845)	(1,482)	(2,177)	(1,261)	(3,088)	(2,809)
Cash flows from financing activities										
Proceeds from borrowings	1,412	1,284	476	1,696	874	0	0	0	0	0
Repayments of borrowings	(559)	(1,091)	(163)	(914)	(333)	(740)	(232)	(1,567)	(801)	0
Other	(391)	(658)	(1,005)	(2,157)	(910)	(441)	(479)	(528)	(772)	(958)
Net cash provided by financial activities	462	(464)	(693)	(1,374)	(368)	(1,181)	(710)	(2,095)	(1,573)	(958)
Currency translation changes	(3)	6	101	(290)	(167)	(49)	(72)	(11)	(9)	(10)
Net change of cash	(196)	142	415	424	(206)	122	49	147	(590)	874
Cash at the beginning of period	274	78	220	634	1,059	853	976	1,024	1,172	582
Cash at the end of period	78	220	634	1,059	853	976	1,024	1,172	582	1,456

Source: company's data, Estimation: Veles Capital

Price estimation

Discount rate (WACC) of MTS, %

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cost of equity (k_s)	14.49	14.53	14.70	14.11	15.60	16.50	15.28	14.73	13.10	12.43
Risk-free rate	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Stock market risk	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Coefficient β	1.2	1.2	1.2	1.1	1.4	1.5	1.3	1.2	0.9	0.8
Corporate risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of equity, %	*57.2*	*53.8*	*55.2*	*61.6*	*50.0*	*44.5*	*52.4*	*56.9*	*76.4*	*88.7*
Cost of debt (k_d)	17.41	17.41	17.41	17.41	17.41	17.41	17.41	17.41	17.41	17.41
Risk-free rate	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Debt premium	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Tax rate	26.3	34.6	26.1	24.5	20.4	20.3	20.2	20.1	20.0	20.0
Share of debt, %	*42.8*	*46.2*	*44.8*	*38.4*	*50.0*	*55.5*	*47.6*	*43.1*	*23.6*	*11.3*
WACC	13.78	13.08	13.88	13.74	14.73	15.04	14.62	14.37	13.30	12.60

Estimation: Veles Capital

Cash flows of MTS, mn USD

	2005	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)
Net income (corr.)	1,275	1,563	2,062	2,657	1,866	1,554	1,589	1,860	2,113	2,400
Depreciation and amortization	907	1,096	1,490	1,937	1,708	1,650	1,703	1,840	2,037	2,241
CapEx	(2,181)	(1,722)	(1,540)	(2,227)	(1,539)	(1,500)	(2,064)	(2,006)	(2,732)	(2,262)
Changes in working capital	(175)	7	53	453	44	72	98	128	124	128
Free cash flow	(174)	944	2,065	2,820	2,080	1,777	1,327	1,822	1,542	2,506
Discount rate, %					14.7	15.0	14.6	14.4	13.3	12.6
Dicount coefficient					1.00	0.87	0.76	0.66	0.59	0.52
Discounted cash flow					2,080	1,545	1,006	1,208	902	1,302

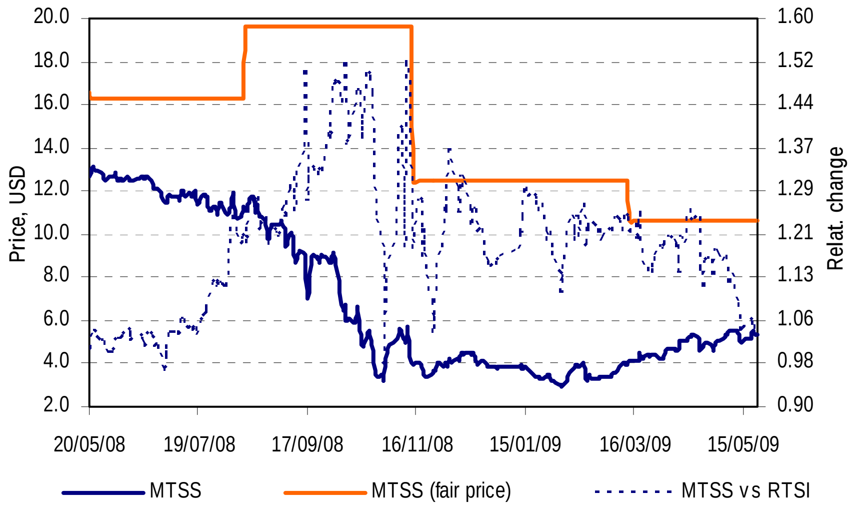
Source: company's data, Estimation: Veles Capital

MTS's shares valuation

TGR, %	*3.0*
Sum of cash flows, mn USD	10,614
Termimal value, mn USD	34,254
Discounted terminal value, mn USD	12,550
Enterprise value, mn USD	23,164
Net debt, mn USD	3,628
Shareholer's equity (incl. minority interest), mn USD	19,536
Minority interest, mn USD	136
Shareholer's equity, mn USD	19,400
Number of shares, mn units	1,885
Fair value of stock at the year end, USD	10.29
Upside (downside), %	*93.1*

Source: company's data, Estimation: Veles Capital

MTS' fair price history



Sector coverage

Share	Tiker	Current price, USD	Target for year end, USD	*Current growth potential, %*	Recommendation	Date of recommendation revision	Investment idea
Traditional telephony							
Volgatelecom, cs	NNSI	1.3000	2.5993	*99.9*	BUY	4/20/2009	
Volgatelecom, ps	NNSIP	0.8000	1.9495	*143.7*	BUY	4/20/2009	
Dalsvyaz, cs	ESPK	1.5000	2.3993	*60.0*	BUY	4/20/2009	
Dalsvyaz, ps	ESPKP	1.0000	1.7994	*79.9*	BUY	4/20/2009	
NWT, cs	SPTL	0.3300	0.3008	*-8.9*	BUY	4/20/2009	
NWT, ps	SPTLP	0.2225	0.2256	*1.4*	HOLD	4/20/2009	Rapidly fall quotes last year intends considerable potencial of growth despite of negative moments
Sibirtelecom, cs	ENCO	0.0180	0.0392	*117.8*	BUY	4/20/2009	
Sibirtelecom, ps	ENCOP	0.0125	0.0294	*135.2*	BUY	4/20/2009	
Uralsvyazinform, cs	URSI	0.0152	0.0295	*94.9*	BUY	4/20/2009	
Uralsvyazinform, ps	URSIP	0.0105	0.0221	*110.9*	BUY	4/20/2009	
Centrtelecom, cs	ESMO	0.2070	0.3083	*48.9*	BUY	4/20/2009	
Centrtelecom, ps	ESMOP	0.1350	0.2312	*71.3*	BUY	4/20/2009	
STC, cs	KUBN	0.0350	0.0191	*-45.4*	REDUCE	4/20/2009	High debt level carries highly risks of investments in this shares
STC, ps	KUBNP	0.0220	0.0143	*-34.9*	SELL	4/20/2009	
Alternative telephony							
Comstar-UTS	CMST	5.0000	5.6700	*13.4*	BUY	5/27/2009	Company has all chances to live out crisis with minimum losses
Long-distance communication							
Rostelecom, cs	RTKM	7.1600	3.6300	*-49.3*	SELL	12/11/2008	An extremely high market price, resulted from buyup of shares, yet unsupported by fundamental factors
Rostelecom, ps	RTKMP	1.4500	2.7200	*87.6*	BUY	12/11/2008	
Cellular communication							
Vimpelcom	VIMP	12.07	10.59	*-12.3*	REDUCE	5/21/2009	High debts cuts up development
MTS	MTSS	5.45	10.29	*88.8*	BUY	5/25/2009	Fundamental underestimation of shares
Media							
CTC Media	CTCM	9.90	11.06	*11.7*	BUY	5/8/2009	Rapidly fall quotes last year intends considerable potencial of growth

Estimation: Veles Capital

Brief investor's guide

Methods, used for company's share evaluation				
	Income approach		Comparables approach	Expenses approach
	DCF method	EVA method	Multiplicative method	Net assets method
*Concept of evaluating the unified object (EV) **	FCFF discounting	EVA discounting		
*Shareholders' value direct calculation (SV) ***	FCFE discounting	EVA for shareholders discounting (**Edwards-Bell-Ohlson method**)		

* *Debt cost is calculated separately and then subtracted from the sum total cost of business (target EV), formed considering the cash flows/ economic profits of firm.*

** *Debt is accounted integrated -via annual coverage. So the fair cost of shareholders' value (target SV) is formed directly - considering the cash flow / economic profits for holders.*

Note:

DCF methods differ from the methods of economic profit by the way of investments calculation. The methods of unified object evaluation concept differ from thee methods of direct calculation of shareholders' value costs - by the way of accounting cost and maintenance of debt liabilities.

Cost calculation within the frames of income approach:

	*Business cost calculation (**EV**) within the frames of united object cost evaluation*	*Shareholders' capital value calcculation (**SV**)*
DCF method (FCFF)	$EV = \sum_{i=1}^{n} \frac{FCFF_i}{(1+WACC_i)^i} + \frac{TV}{(1+WACC_i)^n} + NA$	$SV = EV - D$
DCF method (FCFE)		$SV = \sum_{i=1}^{n} \frac{FCFE_i}{(1+k_{si})^i} + \frac{TV}{(1+k_{si})^n} + Cash + NA$
EVA method	$EV = IC_1 + \sum_{i=1}^{n} \frac{EVA_i}{(1+WACC_i)^i} + \frac{TV}{(1+WACC_i)^n} + NA$	$SV = EV - D$
EBO method		$SV = BV_1 + \sum_{i=1}^{n} \frac{SVA_i}{(1+k_{si})^i} + \frac{TV}{(1+k_{si})^n} + Cash + NA$

Signs:

EV - *Enterprise Value*
SV - *Shareholders Value*
TV - *Terminal Value*
Cagr - *development rates within the target period*
BV, E - *Balance Value, Equity*
EBIT - *operational profit from selling, profit before payments of credit interest and income tax*
EBITDA - *operational profit before payment of credit interest, income tax and amortization*
EBT - *Earnings Before Tax*
EAT - *Earnings After Tax*
EPS - *Earnings Per Share*
NOPAT - *net operational profit, free from effects of debt financing*
NOPAT = EBIT * (1- income tax effective rate)
FCFF - *Free Cash Flow to Firm*
FCFF = gross cash flow - gross investments
Gross cash flow = NOPAT + amortization
FCFE - *Free Cash Flow to Equity*
FCFE= gross shareholders' cash flow - gross investments
Gross shareholders' cash flow = EAT of operational profit (including interest payoffs) -annual debt coverage + attracted borrowed assets + amortization
EVA - *Economic Value Added*
EVA = economic profit spread * IC = (ROIC - WACC) * IC
SVA - *Shareholders Value Added*
SVA = spread * E = (ROE - k_s***) * E***
WACC - *Weighted Average Cost of Capital*
k_s - *required shareholders' yield*
D - *fair (market) cost of net debt*
Cash - *cash assets, along with market securities on thee balance*
NA - *non-operational assets*
IC - *Invested Capital*
ROIC - *Return on Invested Capital*
ROIC = $NOPAT / IC$
ROE - *Return on Equity*
ROA - *Return on Assets*

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The principle of recommendation assignment

The investment recommendations are given based on the evaluation of the company's share yield. The basis for the calculation of the expected company's cost is the evaluation by the discounted cash flows method (DCF). In some estimations the method of comparable coefficients, and also the mixed estimation (by DCF method and by comparable coefficients method) are applied. All recommendations are assigned based on the determined by us the fair cost of the shares within the nearest 12 months.

At the present moment the investment scale of the Investment Company Veles Capital is the following:

BUY – corresponds to the growth potential of the shares within the nearest 12 months by 15% or more.

ACCUMULATE – corresponds to the growth potential of the shares within the nearest 12 months for 5-15%.

HOLD – corresponds to the growth (reduction) potential of the shares within the nearest 12 months from -5% to 5%.

REDUCE – corresponds to the reduction potential of the shares within the nearest 12 months from 15% to 5%.

SELL – corresponds to the reduction potential of the shares within the nearest 12 months by 15% or more.

In some cases the deviations from the evaluation scale given above, based on which the recommendations are assigned, are possible. That fact relates to the high volatility of some securities in particular, and market in the whole, and also to the individual characteristics of one or another issuer.

In order to get additional information and specifications please contact the Research Department of the Investment Company Veles Capital.

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