

***Interview with the director of Investing department of
“ArmSwissBank”CJSC.***

Armenak Chatinyan

On December 1 the acquisition period of “Artsakh HPP”'s stocks through preemptive rights was over. From 1112 shareholders only 50 shareholders exercised preemptive their rights, by purchasing over 103 thousands stocks in the amount of USD 114, 5 million. It's necessary to mention that on the 20-th of October the board of directors made a decision on the allocation of 1, 4 million non-documental common nominal stocks. Open subscription of stocks started on the 2-nd of December and lasted till the 22-nd of December.

“ If we take into account the fact of financial rationality, 10% dividend of this year was given for company's 7 months activity”. Says Karen Turyan.

-Mr. Turyan why did only 50 shareholders from 1112 use their preemptive right to purchase shares ?

-First of all we should understand that the number of minority shareholders is considerable among the total number of shareholders. In fact, if all the shareholders used their preemptive rights, then almost 202, 43 thousands stocks in the total amount of USD 240 million would have been bought. The Government of NKR, who is the greatest shareholder (85% of stocks) refused to use its preemptive right, so that part was allocated through open subscription. During the preemptive right acquisition period, about 51% of the arranged volume was allocated. More simply, in the case of using the preemptive rights the amount of allocated stocks are distributed among the shareholders, taking into consideration the amount of stocks they own. As I have already mentioned the Government of NKR had refused to use its right and it was subscribed during open subscription. We are pleased with the results.

- However, why did few shareholders use preemptive right?

-The main aim of using the preemptive right is that you get an opportunity to maintain your share in the company's capital after additional placement. 2% of company's shares, for example, gives the right of candidacy to Board of directors and Audit Committee membership, and if the shareholder wishes to keep his right due to the 2%, he gets the stocks available to him during the preemptive rights acquisition period. Refusing to buy the stocks he can lose his rights because as capital increases his share in it decreases. If the shareholder has few stocks and it can't have any influence on the company's decisions, then he has no purpose to use his preemptive right. Besides, it's important to remember, that if the preemptive right gives an opportunity to purchase limited amount of stocks, during the open subscription there are no limits. So if the shareholder wants to increase his rights in the company, he can use or refuse using his preemptive right, and during the open subscription get as many stocks as he wishes. There have been such cases, when people didn't use their preemptive rights, but bought some stocks during the open subscription.

-As an investment instrument how attractive are Artsakh HPP's stocks comparing with other financial instruments, for example, government bonds ,which have higher yield and are less risky?

First of all we should understand that if the bond has a maturity a stock doesn't. Buying bonds you take some risk connected with that term limit. The stocks of "Artsakh HPP" are bought by its employees, clients and partners, ect. If we take into account the fact of financial rationality, than 10% dividend of this year was given for 7 months activity of the company. If we spread it for a year, then the dividend amounts over 15%. On the other hand, the stocks were subscribed at AMD 1050, but now people can buy them in Nasdaq OMX Armenia at AMD 1140 and sell at AMD 1090.

Real yield of a stock for someone who bought it during the first placement annually amounts 17, 5%. We don't evaluate the level of risk. We can only mention that the open subscription of stocks began on December 2, and as of 10th of December 53 investors took part in it, which got 643 thousand stocks in the amount of USD 713, 5 million. In fact, almost 746 thousand stocks in the amount of USD 828 million have been already distributed. I want to remind that during the additional issue it's planned to distribute 1, 4 million stocks (in the total amount of USD 1,544 billion).