



Analyst's Notebook

Ukraine/ Politics
 March 27, 2006

****Editor's Note:** The Analyst's Notebook is Concorde Capital's fast response tool for keeping our coverage of the Ukrainian market as up to date as possible. Unlike our more in-depth desk notes and reports, Analyst's Notebook provides rapid feedback on breaking news in the Ukrainian market. Analyst's Notebook gives you our analysts' first impressions of a situation and may set the table for further investigation. Our analysts will use their experience in their sectors to take a look at the situation and provide insight or speculate on possible scenarios. We want to emphasize however, this product consists mostly of the analyst's intuition and may require further analysis.

It's Over: Regions 33% BYT 23% OU 14%

In a nutshell: The elections themselves saw few surprises. According to official exit polls Party of Regions, which has had a commanding lead in the polls since coming back from death's door after the firing of the Tymoshenko government and the Yanukovich-Yushchenko memorandum, finished with roughly 33%. A minor surprise was the Tymoshenko block in second with almost 23%. The President's party, Our Ukraine, stumbled in with 13.5% - strange how all opinion polls over estimated the party. From the second tier the Socialists 5.4%, Communists 3.5% and the Natailia Vitrenko Block 3.4% all seem likely to overcome the 3% barrier and will be selling their votes to the big three. In any case, the new political reforms make the coalition process more important than the elections.

Exit Poll Results %

	Democratic Initiatives*	Ukraine Social Service	FOM Ukraine
Party of Regions	33.3	28.5	31.4
Tymoshenko Block	22.7	21.6	22.9
Our Ukraine	13.5	15.6	17.0
Socialists	5.4	5.5	6.9
Communists	3.5	4.7	3.9
Block Nataliya Vitrenko	3.4	3.2	2.9
Lytvyn Block	2.7	5.1	2.5

*Official exit polls

Possible coalitions:

Operation Orange. (Probability: High) After the results of the exit polls were announced Yulia Tymoshenko held a press conference where she said her party would begin meetings immediately to form a new 'orange' coalition with Our Ukraine and the Socialists giving them ~229 seats (226 are need for a simple majority) according to most exit polls. Earlier the parties were able to agree that whoever got the most votes would name the PM. Now the other sticking point, the current gas agreement with Russia which Yushchenko to this point has refused to abandon might be the last remaining hurdle. However, this could be a shaky union, and this lack of stability will be preyed on by a more unified and powerful Party of Regions.

The Judas Theory. (Probability: Low) Regions are extremely flexible ideologically and Our Ukraine is known for its ability to reach political compromises, however, BYT's strong showing and Our Ukraine's let down at the polls make the possibility of Regions enticing Our Ukraine to work with them less likely. BYT's hostile attitude towards Regions makes a union almost impossible.

Let's Do It All Again. (Prbability: Not Likely) It's important to remember that under the current legislation, if the new Rada fails to form a coalition within one month or elect a Prime Minister one month after that Yushchenko can fire the Rada and call new elections. Yushchenko and his party are gunning to turn back the legally questionable constitutional changes limiting his powers and this may be one tool he could use to help obtain this goal. However as things stand now it looks as though compromises will be found.

Luck Be A Lady Tonight....

The Yulia Tymoshenko Block looks as though it is a bit shocked by its strong showing in the polls. Two days earlier Tymoshenko's fiery speech at a party rally in Kyiv gave the impression that she was prepared to go into the opposition. Her lambasting of the Party of Regions will make it difficult for her form the government with any Regions members involved. Moreover, her criticism of Our Ukraine and its poor showing at the polls, puts her in a strong negotiating position in coalition talks.

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