



CONCORDE CAPITAL

Ukraine / Retail Galnaftogaz

Share Issue Alert

November 06, 2007

Current Price: USD 0.032
12M Target: U/R

U/R

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Market information

No of Shares, mln
Diluted 17,812
Non-diluted 16,000
Reg S GDR to Ord. 1:500

Market price*, USD 0.032

* PFTS mid-market

Fully diluted price, USD** 0.032

52Wk H/L, USD 0.04/0.01

MCap, USD mln 515.6

Free float 19.0%

Free float, USD 98.0

* Based on the additional share issue approved at the company's EGM on November 5

Corporate Governance Rating** Q

** The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor

Ownership

F.I.E.H. and related 81%
Other 19%

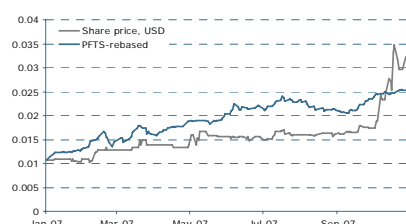
Ratios 2006

EBITDA Margin 5.0%

Net Margin 1.4%

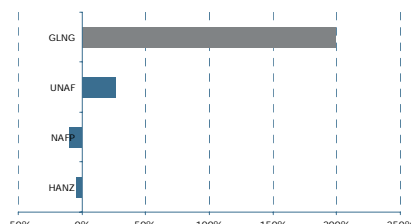
Net Debt/ Equity 1.2

Stock performance, 12M

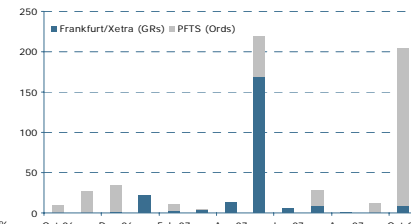


Source: PFTS, PFTS mid-market prices

Sector performance, YTD



Trading Volumes, USD ths



Key financials, USD mln

(in USD mln)	Sales	EBITDA Margin	Net Margin
2006	514.7	5.0%	1.4%
2007E	645.4	6.1%	2.0%
2008E	904.8	6.1%	1.9%

UAH/USD Spot exchange rate is 5.05

Gaining weight on the verge of IPO

At their EGM yesterday, Galnaftogaz shareholders approved a capital increase of USD 57.4 mln (11% of its current MCap). The capital injection will be 21% larger than initially planned (see our news from Oct. 23); proceeds will be used to expand the company's retail network next year. The ex-rights date was rescheduled to November 30, all shares will be distributed only among existing shareholders. Subscription will take place from Nov. 30, 2007 to Jan. 29, 2008.

Third share issue in Ukraine at market price

Galnaftogaz is going to become the third company in Ukraine and the first non-bank to place an additional share issue at market price. We consider it as further evidence of the company's superior corporate governance practices. The company will place the issue at a price very close to its most recent mid-market of UAH 0.16 (USD 0.032). Although the price is more than 20% higher than current bids on PFTS (96% of October's trading volume), it still does not exceed ask prices.

Share issue details, USD mln

	# of shares	Charter fund	Additional paid-in capital	Total
Current	16,000.0	31.7	4.0	35.6
Additional issue	1,812.5	3.6	53.8	57.4
After issue	17,812.5	35.3	57.8	93.1
Change	11.3%	11.3%	1359.4%	161.1%

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