

August 2, 2007

Nick Piazza
+380 44 207 5030
np@concorde.com.ua

Important Dates

Election Campaign Begins	August 2
Tymoshenko Bloc Congress	August 2
Regions Party Congress	August 4
Our Ukraine Congress	August 7
Elections	Sept 30
Opening Of Rada Session	+30 days
Government Formation	+30 days

As the new election campaign kicks off today, the dog days of summer should be anything but quiet on the Ukrainian political front, however don't expect any major changes in the makeup of the Rada as the polls show that we are likely to see a strengthening of the top three parties' positions. As was the case last time, a coalition agreement following the elections is likely to decide which group of political elite gets to form Ukraine's next government.

Let's Get This Show On The Road

With all major political parties except the Socialists agreeing to take part in the upcoming elections and the Central Elections Commission announcing that it is ready to carry out elections, it looks highly likely that Ukraine will head to the ballot boxes on September 30 without any major obstacles. However, expect the process of forming the government to take as long as the election campaign, with a new government being seated sometime in 4Q07.

Regions: Ready To Go It Alone

The Party of Regions skipped a Socialist-led meeting of the Rada last week, signaling that Regions has no intension of blocking with its current political allies and feels that they can form the government without the Socialists. As part of the Regions Party's strategy, they have filled their election list with several well-known politicians from other smaller political parties. The latest polls have the party with a support level of between 28-33%.

BYUT & Our Ukraine: Weary Partners

The Yulia Tymoshenko Bloc and Our Ukraine have come up with a coalition agreement, but there have been signs from both sides that neither is putting much faith in the other. Following the reshuffling of Our Ukraine, the party tends to lean more toward BYUT in terms of ideology, however, over the past few weeks the President and his circle have hinted toward an agreement with the Party of Regions. Tymoshenko for her part has been very clear that there would be no "intrigue," BYUT plans to win a majority outright and form the new government with their former orange allies. This looks unlikely however, as the latest polls have shown Tymoshenko with 17-19% of the vote will have to team up with someone if she wishes to form the new government. Our Ukraine with 10-17% of the vote during the last two months has made huge strides since its election humiliation in March 2006, and will likely find itself in the role of kingmaker.

Blue & Orange or the Queen of Hearts?

The elections look to be a done deal with the top three parties roughly retaining their seats in the Verkhovna Rada, however, how the share of votes that formerly went to Socialists is divided will likely decide how the new government will be formed. If Our Ukraine and BYUT finish with nearly equal results, allowing them to form a government on equal terms look for their coalition hold. However if Our Ukraine falters at the polls look for them to join with Regions. The President and the Party of Regions main benefactor Rinat Akhmetov are rumored to have developed closer ties following the latter's key role ending the standoff between Yushchenko and Yanukovich. Moreover, the growing interest of Regions business circle in attracting foreign capital meshes well with Yushchenko's plans for western integration. There is also an outside chance that the void caused by the Socialist departure will be filled by one of the smaller parties including the Lytvyn Bloc or the Progressive Social Democratic Party, both of which just failed to get over the 3% barrier to enter the Rada during the last elections, and would be more likely to team up with Regions. A strong Regions showing would allow them to form a coalition with the Communists and a smaller party, creating a similar situation to the one that we had before the elections.

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel: +380 44 207 5030
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Head of Equity Sales

Lucas Romriell

lr@concorde.com.ua

Strategy

Konstantin Fisun
Oleksandr Klymchuk

kf@concorde.com.ua
ok@concorde.com.ua

Equity Sales

Marina Martirosyan
Anastasiya Nazarenko
Duff Kovacs, CFA
Tatyana Chub

mm@concorde.com.ua
an@concorde.com.ua
dk@concorde.com.ua
tc@concorde.com.ua

Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Retail Group

Andriy Gostik, CFA
Olha Pankiv
Alexander Romanov
Anna Dudchenko

ag@concorde.com.ua
op@concorde.com.ua
ar@concorde.com.ua
ad@concorde.com.ua

Machinery

Olha Pankiv
Eugene Cherviachenko
Inna Perepelytsya

op@concorde.com.ua
ec@concorde.com.ua
pi@concorde.com.ua

**Financial Services,
Macroeconomics**

Alexander Viktorov

av@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
Polina Khomenko

np@concorde.com.ua
pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital might have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients might have or has interests or long /short positions in the securities referred to herein, and might at any time make purchases and/or sales in them as a principal or an agent. Concorde Capital might act or has acted as a market-maker in the securities discussed in this report. The research analysts and/or corporate banking associates principally responsible for the preparation of this report receive compensation based upon various factors, including quality of research, investor/client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

Due to the timely nature of this report, the information contained might not have been verified and is based on the opinion of the analyst. We do not purport this document to be entirely accurate and do not guarantee it to be a complete statement or summary of available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2007 Concorde Capital