



CONCORDE CAPITAL

Ukraine's New Rada

The Charge Of The Orange Brigade?

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The Rada (450 Seats)	
Factions	# of Seats
Party Of Regions	186
Yulia Tymoshenko Block	129
Our Ukraine	81
Socialist Party	33
Communists	21

Important Dates & Facts	
April 27	Election Results Published
May 25	New Rada Session
30	# of Days To Form Coalition After Opening Of Rada
15	# of Days President has to Approve Coalition PM candidate

Division Of Rada By Sector	
Sector	Seats
Agriculture	36
Metallurgy	29
Energy	24
Construction	14
Banking & Finance	13

Over the next few weeks Our Ukraine, as the deciding party in the coalition talks, is likely to pick the lesser of two evils and side with Tymoshenko to form the new government, however, the party's future is far from bright. Moreover, the chances of this coalition making a long run are pretty slim. Regardless of who runs the government, the new business lobby orientation of the Rada is likely to keep Ukraine on the road to reform and Westernization.

Picking Teams. The polls show that Ukraine wants the return of the orange coalition, but Our Ukraine can barely hide its disdain for the idea of teaming up with the more parental leftist parties and allowing Tymoshenko, the party's most powerful rival, to return. The other option, teaming up with Regions, makes the most business sense, but the possibility of Our Ukraine losing the heart of its constituency is a huge risk, and it is doubtful Yushchenko and company will roll the dice.

The Ukrainian Government On The Road To Italy? Once the new government is formed it will be in entirely new water, with nothing other than the will of the Rada factions to keep it in place. The likely return of a lot of old faces to the government and the business mind sets of Our Ukraine and Regions make us optimistic that the turbulence of the last four months is behind us. Even if we should see several governments formed in the tenure of this Rada, similar to Italy, which often sees governments come and go, we think business and the reforms it will push through will go on even in spite of the government at times.

Business: The Real Leader In The Rada. The representation of big business groups by their leaders makes this Rada like no other in Ukraine's history. Like most countries in the world, business groups will be lobbying the government for legislation in favor of their interests. This should pull Ukraine away from the partisan politics that have bogged it down over the last year, and give the Rada a more business-like approach to conflicts.

Picking Teams: Possible Coalitions

The opening of the new Rada saw the 'orange' parties team up right away in a vote for a recess to allow them to focus on coalition talks. Though this and the agreements they made over the weekend on NATO look like a sign that an orange government will prevail, the sides still have a long way to go to reach an agreement, and Regions has suggested it is not going to bow out of the fight for Our Ukraine's hand yet.



(L to R) Moroz, Tymoshenko, Bezmertni

Operation Orange (243 seats): Polls show that the majority of Ukrainians want to see the return of the orange parties to power but the gap between the three parties has widened. The goals of BYT and the Socialists fit well together. Both tend to lean more towards the left than the center and in contrast to Our Ukraine both are very cautious about privatization.

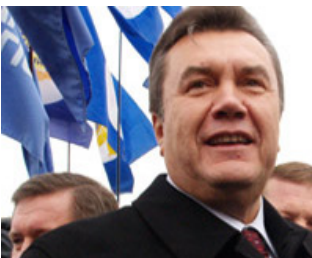
It is clear that Our Ukraine has no interest in being in BYT's shadow. If Our Ukraine can harness BYT by getting them to agree to a coalition agreement that enforces the President's policies it will be much less of a political risk than siding with Regions. However, the friction between Tymoshenko and several members of Our Ukraine will likely shorten the lifespan of this coalition, and if Our Ukraine is not careful with how it handles Tymoshenko it could cost Yushchenko his second term in office.

We believe the government formed by this coalition will bring another wave of shock therapy to those company's slow to come out of the shadows. A government headed by Tymoshenko, the former head of one of Ukraine's largest energy companies, will make securing a reasonable long-term gas deal with Russia one of its top priorities. Tymoshenko has staked her party's reputation on securing a more stable gas agreement.



Viktor Yushchenko

Throw Yulia From The Train (267 seats). Constituencies aside, Our Ukraine and Regions are perfect coalition partners, in fact they need each other. Our Ukraine lost the support of its more idealistic supporters after Yushchenko fired Tymoshenko which cost the party not only in the center of the country but also in its western strongholds and this is not likely to reverse as energy prices continue to rise. Teaming up with Regions would at least give Our Ukraine 'soft' support in the oligarch controlled east and give the party a chance to gain the support of big business for its economic reforms.



Viktor Yanukovich

In return for teaming up with Yushchenko and Our Ukraine, Regions would be able to shed its shady past, gain credibility in the west and have the chance to attract new supporters to replace its aging power base before the next election. The two parties biggest differences are over the status of Russian language and NATO membership. The former is non-issue used by Regions to gain support in the Russian speaking east, while the later is likely to depend more on a referendum than the support of Regions which means Regions would be likely to let the issue drop over time.

However, the risks for Our Ukraine are greater in this scenario. First of all the party would likely see a huge, possibly fatal, dip in its support after joining with Regions. Secondly, Our Ukraine which has very little support outside of the west would be the weak-sister to Regions, which could put some of the party's westernization goals in danger.

Ukraine: Following The Italian Model?

The new laws that came into effect at the beginning of 2006, in no way bind a coalition to work together after the government is formed. In fact there is nothing that stops another Rada coalition from forming and sacking the government should there be dissatisfaction with it.

While this may mean that we see several governments over the next five years, we believe the new business lobby environment in the Rada will allow Ukraine to forge ahead regardless of who is at the helm. The work of the government since being sacked in January and the activities of several large business groups have suggested that business has already adapted to working without the Rada, and will regardless of what happens on the Rada floor, stay focused on long term goals. This basically mirrors the situation in Italy a country that has had countless governments since the end of World War II, but where business marches on despite the chaos.

Faces To Look For In The New Government

Regardless of who forms the next government, we expect it to generally follow the same path it has been on since last September, using reforms and privatization to fill the state budget. Even though there has been no coalition agreement yet, look for these key figures to stick around in some capacity.



Yurii Yekhanurov (Prime Minister, Vice PM) The President's right hand man and chief negotiator, since coming out of relative obscurity to be named PM. Yekhanurov is considered to be one of the people in Our Ukraine that the President still counts on and trusts entirely. His relationship with Tymoshenko is icy however, it is important to remember that it was Yekhanurov that was the principal author of the energy reforms that Tymoshenko built her legacy on, suggesting that she would grudgingly welcome his professionalism in the new government. Yekhanurov seems to have a solid business-like relationship with Regions.



Arseniy Yatsenuik (Minister of Economics, Vice PM) Yatsenuik is highly respected both at home and abroad. His work picking up the pieces of the economy after the departure of Tymoshenko and holding it together during the gas crisis has his star on the rise. Some have him as a PM candidate in 2011. Yatsenuik has nimbly avoided getting involved in politics which has won him the support of nearly all factions in the government.



Viktor Topolov (Minster of Coal Energy) With coal playing a huge role in Ukraine's 'Energy Development Until 2030' plan it seems likely that one of the architects of the plan (and a hanger-on from the Tymoshenko government) would be kept on board.



Valentina Semenuik (Head of the State Property Fund) Semenuik has been less than excited about filling the state coffers with privatization money but her latest efforts to sell state assets on the London Stock Exchange got investors attention.

Hoping For A Place At The Table

Depending on who forms the new government, look for Petro Poroshenko to return to the government in some capacity, Our Ukraine has been slowly rehabilitating the former National Security and Defense Council chief, who is widely believed to be one of the party's best organizers. If Tymoshenko returns look for her to bring her right-hand man Alexander Turchinov to a high-level position. For Regions, look for unofficial party spokesmen Evgeny Kushnaryov to get a post, possibly for the opposition if Regions does not form the government. Yanukovich will only find place if his party teams up with Our Ukraine.

The Face Of Business In The New Rada

For the first time in Ukraine's modern history the Rada will not be led by politicians, but instead by several business groups and their lobbies. This means it is likely decisions will be made with business in mind, using compromises that will see different business interests working together on one issue and then battling over another.

Some Names To Keep An Eye On In The Rada

Name	Faction	Assets/Affiliation	Industries	Notes
Rinat Akhmetov	Regions	SCM	Metals, mining, energy, telecom	Leader of the strongest lobby in Rada (metal/energy)
Vyacheslav Boguslaev	Regions	Motor Sich	Machine-building	General Director
Valentin Landyk	Regions	Nord group	Machine-building	General Director
Andrey Kluev	Regions	Ukrpodshipnik	Machine-building, coal, metals	Vice-Pres. Rada Energy Committee.
Sergey Kluev	Regions	Ukrgrafit	Mining	
Nikolay Yankovsky	Regions	Stirol	Chemicals	CEO
Georgy Skudar	Regions	Novokramatorsky	Machine-building	
Vladimir Bronnikov	Regions	EnergoAtom		
Alexsy Beli	Regions	Azovstal	Metals	General Director
Alexander Savchuk	Regions	MZVM	Machine Building	General Director
Jacob Tabachnik	Regions	Stil Trek	Metals	CEO, close ties to Edward Shifrin (ZPST)
Vitali Brot	Regions	YASK	Coke	Commercial Director
Efim Zuyagilsky	Regions	Zasyadko Coal Mine	Mining	Director
Boris Koleysnikov	Regions	Kyiv-Konti	Confectionary	CEO, right hand of Akhmentov
Oleg Tsarov	Regions	Dnipro-Paper	Paper Mill	CEO
Boris Petrov	Regions	UkrGrafit	Mining	Director
Vasyl Gorbal	Regions	Ukrgazbank	Banking	CEO
Ihor Gumenyk	Regions	ARS	Metals, Mining	President, close to SCM
Konstantin Zhevago	BYT	Finance & Credit	Mach.-build, iron ore, pharma, chem	Key man behind BYT campaign,
Bogdan Gybski	BYT	Slavutich	Beer	Connected to Surkis
Vasiliy Khelimitskii	BYT	ZPST,KIEN,ZKOK	Metals, Mining, Energy, Banks	One of the owners of ZPST
Svatoslav Oleynik	BYT	Privat		Top lawyer for Privat
Tapiel Basadze	BYT	UkrAvto	Automotive	CEO
Sergey Burak	BYT	BrokbiznesBank	Banking	CEO
Evgeny Shago	BYT	UES		Former top man at UES during Tymoshenko's time there
Alexej Poroshenko	OU	Ukrprominvest	Confectionary, Auto, shipyards	
Petro Poroshenko	OU	Ukrprominvest	Confectionary, Auto, shipyards	
Alexander Tretyakov	OU			On Rada Energy committee, said to be close to RusUkrEnerg
David Zhvania	OU	Zaparozhia Abrasive	Chemicals, Food, Banking	Has ties to Grigorishin
Alexander Volkov	OU	Kyiv Basketball Club		President, Close ties to Firtash
Vladimir Bojko	SPU	Mariupol Illich	Steel	General Director
Anotoli Bugeats	SPU	Turboatom	Energy	General Director
Andriy Derkach	SPU	UNAF, Turboatom	Energy	Ties To Pinchuk
Iosif Vinski	SPU	Ukrspirit	Alcohol	Connected to the state alcohol monopoly.
Evgeny Marmazov	CPU	Energy Standard	Energy	Advisor To Grigorishin
Aleksiy Baburin	CPU			Ties to Grigorishin
Igor Alekseev	CPU			Ties To Grigorishin



The Party of Regions huge presence in the Rada is intimidating at first glance, however, a large number of their deputies are heads of large enterprises which may lead to internal conflicts as different industries have different needs. Moreover, the demands of their businesses will mean that few are present in the Rada on a regular basis which could potentially hurt the block's voting power. Another factor that is worth noting is that perhaps more than any other party, Regions will be working to defend their business interests and as the Russian saying goes 'business loves tranquility.' Regions will be in the Rada to work, not rock the boat.



The Tymoshenko Block is full of people with ties to Yulia Tymoshenko's past as head of Ukraine's largest energy trader Unified Energy Systems (UES), additionally these are people who for the most part had high posts in the energy sector and are likely looking to make their return. Some interesting names from the block to remember are Konstantin Zhevago, the head of Finance & Credit Group which is in the process of developing a machine building holding based on AvtoKrAZ, Evgeny Shago, a former top man at UES during Tymoshenko's time there, Alexander Abdullin, former Head of NFER, and the Burak brothers (Sergey and Alexander) the owners of BrokbiznesBank.



Our Ukraine's voting power in the Rada will depend on its ability to team up with other blocks to get what it wants. Besides deputies like Yekhanurov, who will be pushing the President's agenda in the Rada, watch the so-called 'orange oligarchs' Tretyakov, Zhvania and Poroshenko. All have diverse mid-sized business interests. Tretyakov, the head of the 'gas wing' of Our Ukraine, is a former member of Ukranafta's board, and ex-Industrial Policy Minister. Tretyakov is said to have close ties with RosUkrEnergo. The former Security and Defense Council chief, Poroshenko is one of the main forces in the party and godfather of one of Yushchenko's children. Poroshenko is believed to have ties to UkrAvto.



The thing that stands out the most about the Socialists in the Rada is their ties to several large state owned enterprises. Vinski is said to be connected to Ukrspirit the state monopoly spirits producer. Moreover, Bugeats is the General Director of Turboatom. Despite the government's interest in privatizing both of these enterprises, look for the Socialists use their position in the State Property Fund to defend these interests.



Russian businessman, Konstantin Grigorishin, who is involved in a heated struggle for several oblenergos, seems to have decided to use the Communists to lobby some of his interests. Marmazov, is one of his top advisors and he is said to have business with both Baburin and Alekseev. For the most part we do not expect the Communists be much of a factor except for some shenanigans on the Rada floor.

On The Outside Looking In

The election results were the final blow for nearly all the business groups and figures with close ties to former President Leonid Kuchma. Grigory Surkis one of the owners of the Dynamo Kyiv football club with holdings in Slavutich and several oblenergos has been hounded by the orange parties since the revolution and is now for the most part out of big politics. CEO of UkrSibbank, Alexander Yaroslavsky, who supported the disappointing NE TAK! Block in the elections, also found himself without a seat in the new Rada. The sale of 51% of UkrSibbank to France's BNP Paribas was widely seen as a defensive measure. Probably the figurehead of the former Kuchma group, is his son-in-law Viktor Pinchuk, whose ownership in NFER has been under fire for the last year. Pinchuk, has been slowly selling assets (one example, UkrSotsbank, was sold in Febuary) to avoid trouble with the government, and buying into different trouble-free industries. In contrast to the Kuchma-related groups, Ihor Kolomosky, the head of Privat Group, and one of Pinchuk's largest rivals, appears to be much better positioned in the new Rada. Privat's connections to the state, through its stake in Ukrnafta and warm relationship with BYT are likely to give it a solid lobby regardless of the coalition that is formed.

2006 Vote: A Look Back At The Future?

The Rada elections were unique in Ukraine for their transparency, and the unmolested voting results give a good idea of what the winning parties will have to do to maintain or recover their power before the Presidential elections in 2010. While Our Ukraine is in need of a complete make-over, it looks like Regions will have to work to fend off pan-Tymoshenkoism.

An Eye On The Future

Taking a peak into the future voter demographics suggest that for Regions it is time to seize the day, as the Party will have to find a way to attract new voters or risk seeing their power wane before the Presidential elections in 2010. For Tymoshenko it certainly looks like her star is on the rise and further development in the east could make her Ukraine's most powerful



political force just in time for the Presidential elections. The picture is bleaker for Yushchenko and company, look for the party to take aggressive steps to improve its imagine or risk being pushed out of the political scene all together.

Voting Breakdown.

Of the big three, Our Ukraine won the fewest oblasts (four), in Ukraine's western-most regions. BYT dominated the center, beat out Our Ukraine in some western oblasts and took Ukraine's largest single constituency – Kyiv. The Party of Regions controlled the eastern and southern regions winning a total of nine oblasts. On the whole Tymoshenko won more oblasts than any other party (12), nearly as many as Our Ukraine and Regions combined (13).

Looking at the voters, it appears Regions was able to grab the greatest percentage of its votes from the age group that traditionally votes for the Communist Party. Voters from the 60+ and 50-59 age groups were the parties strongest backers with 36% and 32.9% voting for the party respectively. BYT did best with the 40-49 year-old age group (27.3%), while Our Ukraine got its strongest support from 30-39 year-olds (16.3%).

Additionally it was the Tymoshenko Block that made the most headway in oblasts controlled by other parties. In the western regions BYT (33.0%) was narrowly edged out by Our Ukraine (34.1%). In the south and east BYT was far from a force, however, it did manage to come in above any of its orange allies finishing with 13.7% and 6.1% of the vote in these regions respectively.

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