



Presidential election 2010

Road to remain rocky until Rada is tamed

February 3, 2010

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- **Ukrainians will vote in Viktor Yanukovich or Yulia Tymoshenko as their next president this Sunday, February 7**
- **The stability and allegiance of the post-election Rada, in our view, is more important to Ukraine's political risk perception and economic direction than the identity of the president**
- **A drawn-out election cycle (via court challenges, negotiations, or parliamentary elections) could bring short-term macroeconomic risks and volatility for equity and fixed income instruments**
- **Regardless of the winner, we favor Ukrainian equities over bonds this year**

Days left until the election 4

First round results

Viktor Yanukovich	35.32%
Yulia Tymoshenko	25.05%
Sergiy Tigipko	13.05%
Arseniy Yatseniuk	6.96%
Viktor Yushchenko	5.45%
Petro Symonenko	3.55%
Volodymyr Lytvyn	2.35%

Note: Only the top two candidates advance to the second round. Candidates with over 2% of the vote

Source: Central Election Commission

Politically sensitive stocks

Cadogan (CAD LN)	License dispute
Centrenergo (CEEN)	Tariffs/privatiz.
Dniproenergo (DNEN)	Tariffs/privatiz.
Donbasenergo (DOEN)	Tariffs/privatiz.
Luhanskteplovoz (LTPL)	Reprivatization
Ukrnafta (UNAF)	Corp. conflict
Ukrtelecom (UTLM)	Privatization
Zakhidenergo (ZAEN)	Tariffs/privatiz.

Note: We highlight these stocks as potentially the most sensitive to the outcome of the presidential election

Presidential election watch list

Second round vote	Feb. 7
Second round results	By Feb. 17
Inauguration*	By Mar. 17

* Exact date yet to be announced; subject to change

Source: Central Election Commission

President's ability to bury ax with Rada, not identity, is key

We reiterate that the actual identity of the next president is not as important as their ability to secure a friendly coalition in parliament (either via negotiation or calling pre-term parliamentary elections) and thus end the deadlock that has marred Ukrainian politics for the last five years. Therefore, we view the stability and allegiance of the Verkhovna Rada as having the greatest influence on Ukraine's political risk perception and economic direction.

Macroeconomic view

In the near-term, until a new government is formed (paving the way for the unlocking of IMF funds, passage of 2010 budget, et. al.), we see risks that Ukraine runs into difficulties refinancing its UAH debt or that the UAH/USD rate crosses 9 again. Post-presidential elections, **we deem the mid-term outlook for Ukraine encouraging, regardless of the eventual winner.** In our view, the impact of differences in Yanukovich's or Tymoshenko's will be minimal in a broad macroeconomic sense, as under either's leadership we believe IMF support will be renewed, the government will follow a more grounded fiscal policy and the real economy will continue to gain momentum (see our report "2010 outlook rides on elections" of January 20 for more).

Equity market view

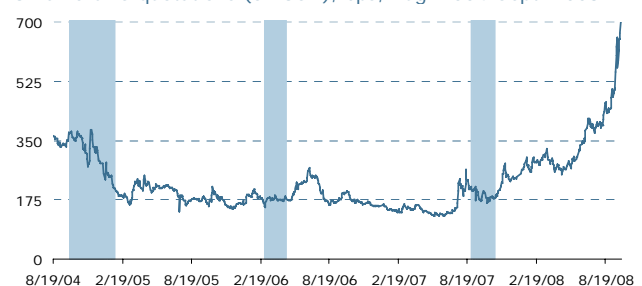
Continued volatility in local equities will linger, in our view, until the election cycle concludes. If the election can facilitate an easing in the perpetual political deadlock, as we believe it will by midyear, then the impact on Ukraine's political risk profile will point big money back Ukraine-ward. Overall, **we hold that Ukrainian equities will outperform bonds in 2010**, and believe the best performers this year will be: agriculture, machinery and metals & mining.

Fixed income market view

With the aforementioned immediate macroeconomic risks, combined with global sentiment toward sovereign fiscal policy, we note that **the recent trend for Ukrainian Eurobond yields to shrink could be interrupted.** The market's attractiveness post-elections is sensitive, in particular, to the next president's budget (namely, the deficit) and hryvnya management (Tymoshenko favors a strong UAH while Yanukovich, backed by export-driven industrial groups, is likely to let it float). On top of that, the perception of Tymoshenko as more pro-Western is important. Thus, if Tymoshenko wins, we could see short-term upward pressure on Eurobond prices. Conversely, with Yanukovich as head-of-state, there is more uncertainty about yield dynamics.

Ukrainian market sensitivity to elections

PFTS Index, Aug. 2004-Feb. 2010

**Ukraine CDS quotations (5Y USD), bps, Aug. 2004-Sept. 2008**

Note: Shaded blue bars indicate the 30 day period prior to and following the 2004 presidential elections (including all three rounds), the 2006 and 2007 parliamentary elections and the 2010 presidential elections (not depicted on CDS chart), including the campaign period. Source: Bloomberg

Second round still too close to call

The presidential runoff vote, to be held February 7, is still a toss-up, in our view. Viktor Yanukovich, who passed through the first round with a more than 10 pp lead, is generally considered the favorite. However, several moving parts open the door for Yulia Tymoshenko to overtake him after all the ballots are counted. We place the odds for each candidate at closer to 50/50. A close finish means that the winner might not be known for days after the vote, but also significantly increases the risk of legal challenges to the results.

GAP SHOULD BE THINNER ON FEBRUARY 7

We highlight several factors that could make the second round much closer than the first:

- Second-tier candidate votes up for grabs:** Sergiy Tigipko (third place with 13% of the vote), Arseniy Yatseniuk (fourth place, 7%) and incumbent Viktor Yushchenko (fifth place, 5%) all rejected endorsements of a specific candidate in the second round, leaving a considerable amount of votes (about 8.8 million) up in the air. Of these, Tigipko's votes, spread across Ukraine, are likely to split between the two candidates and "against all." Other candidates' votes will tend to divide down geographic lines.

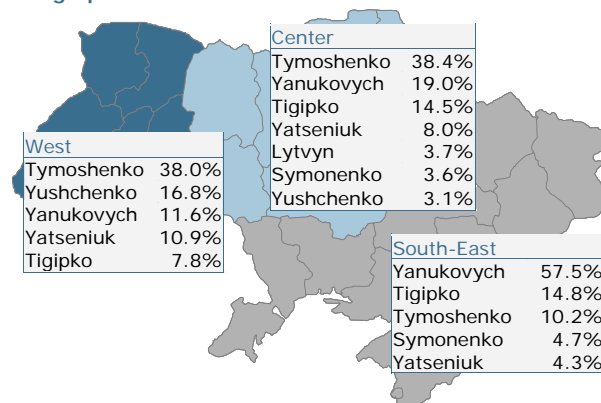
Top vote-getters in the first round of voting

Candidate	Total votes	% of the vote
Viktor Yanukovich	8,686,751	35.32%
Yulia Tymoshenko	6,159,829	25.05%
Sergiy Tigipko	3,211,257	13.06%
Arseniy Yatseniuk	1,711,749	6.96%
Viktor Yushchenko	1,341,539	5.45%
Petro Symonenko	872,908	3.55%
Volodymyr Lytvyn	578,886	2.35%

Note: Candidates that received over 2% of the total vote. The ballot option "Against all" received 2.20% of votes. Total number of votes cast: 24,588,257
Source: Central Election Commission

- Higher turnout:** An even larger pool of eligible votes, 12.2 mln, sat out the primary and could weigh in for round two. We partially attribute low first round turnout to the fact that the result was widely predicted. Turnout on January 17 was 67%, vs. 75-80% in the three rounds of the 2004 presidential election.
- Western & Central voters have traditionally rejected Yanukovich:** The Ukrainian political machine is founded on personalities, the implication being that most of the population has already formed a love/hate or don't care attitude about each candidate. While Yanukovich's base of support in the South-East strongly supported him in the first round, the Western & Central vote, which has traditionally rejected Yanukovich, was far more fractured and could back Tymoshenko. Neither Yanukovich nor his Party of Regions won a Western or Central Ukrainian region in the 2004 presidential elections (all three rounds), nor the 2006 or 2007 parliamentary elections.

Geographic breakdown of first round results



Source: Central Election Commission, Concorde Capital calculations

- The "Tymoshenko surprise:"** Tymoshenko's final first round numbers were a full 6-11 pp more than predicted by pre-election opinion polls (see Appendix 2). Most political observers agree that her campaign is savvy and capable of increasing her support in the follow up vote as well. Likewise, Tymoshenko's eponymous bloc finished with 8-10 pp more votes in pre-term parliamentary elections in 2006 and 2007 than pre-election surveys indicated.

KEY QUESTION FOR VOTERS: DISILLUSIONMENT OR YANUKOVYCH-FEAR?

We see the ballot on Sunday as a referendum of sorts on which holds greater pull - Ukrainian voters' disenchantment with Ukrainian politics or their fear of a Yanukovich presidency.

- **Disillusionment:** The strong showing of so-called "fresh faces" Tigipko and Yatseniuk and low turnout indicated Ukrainian voters' high cynicism and disenchantment with the current political guard. If this factor is more important on voters' agenda, we could see a high tally for "Against all" and continued low turnout – both of which play to the favor of Yanukovich.
- **Yanukovich-aversion:** While both presidential contenders are polarizing figures, Yanukovich is frequently the target of much criticism in Western & Central regions for his criminal background, alleged ties in shady oligarch circles, involvement in the vote-rigging of the 2004 presidential ballot, perception as a Russian puppet, occasional verbal miscues and questionable academic credentials, among other things... As noted on the previous page, Yanukovich and his Party of Regions has not won a Western & Central Ukrainian region in the 2004, 2006 or 2007 elections. If voters continue to view Yanukovich as the "greater evil", it would obviously work to Tymoshenko's advantage.

RISK OF CHALLENGES IS HIGH; WILL ONLY DELAY NAMING A WINNER

The warring political camps already look steeled for a close finish: two incidents last week highlight their paranoia and gall.

- **Tussle over control of ballot printing house:** Last Monday, A group of Ukrainian MPs and guards loyal to Yanukovich forcibly entered the publishing factor that prints the ballots and attempted to seize it, following a Tymoshenko-led Cabinet of Ministers order to replace its director. Law enforcement officials arrested the men and President Viktor Yushchenko ordered his guards to oversee the ballot printing process.
- **Dismissal of Ukraine's top cop:** The Verkhovna Rada voted last Thursday to sack Interior Minister Yuriy Lutsenko. Tymoshenko said she believed the dismissal was meant to befuddle law enforcement's response to alleged vote rigging in the presidential election, while Yanukovich's camp has repeatedly made accusations about Lutsenko's partiality.

We do not rule out further pre and post-election incidents involving the various levers of oversight, including the courts. In fact, on Monday the Party of Regions registered a draft resolution in the Verkhovna Rada that seeks to dismiss Vasyly Onopenko as the Chair of Ukraine's Supreme Court.

Importantly, while in the event of a close vote tally, say less than 4-5%, we view the risk of challenges to the second round election results as high, **we continue to estimate the probability of actual widespread vote rigging as low.** Ukraine's last two parliamentary elections, in 2006 and 2007, were regarded to be clean contests and the first round was lauded by international observer teams for conforming to international standards for a free and fair democratic election. International observers will again be out in force on Sunday.

The key implication of legal challenges is that sorting out the various claims could delay the official declaration of a winner by a matter of weeks. We see the likelihood of a repeat of 2004 Orange Revolution style protests as also low.

Post-election scenarios revisited

Below we take another look at and update our post-election scenarios under each candidate.

Scenario 1. Yanukovych wins

Potential parliamentary configurations	Probability
<ul style="list-style-type: none"> Pre-term parliamentary elections: Yanukovych is unable to negotiate a friendly majority coalition in the Verkhovna Rada and calls for new parliamentary elections. Throughout the campaign Yanukovych has repeatedly said he was prone to follow this course. Thus we view it as the most probable, but at the same time it is the most questionable in terms of prospects for stability. While fresh Rada elections might allow for the formation of a stable, cooperative majority (with Yanukovych consolidating electoral gains), we believe Ukrainians could also rally around Tymoshenko following the defeat of her presidential bid and appoint a majority of combative MPs. Either way, we believe the exit or minimalization of the fluid Our Ukraine Bloc (which has been the swing vote in the current Rada) and reconfiguration (with the potential entrance of other parties) should breed a more cohesive majority. <p>Yanukovych has said new elections could be held as early as May and run simultaneously with local elections. However, this might be difficult to realize logistically and negotiations could drag out the date until late summer/early fall. After elections, according to law, the new Rada has 30 days to convene, and then one month from that point to form a coalition. <i>Under this scenario, a new government could be formed as soon as June-July or as late as September-October.</i></p>	60%
<ul style="list-style-type: none"> New Party of Regions-led majority: The Party of Regions secures a sufficient number of defectors from the Tymoshenko Bloc and Our Ukraine to form a workable majority coalition in the Verkhovna Rada and appoints a new Cabinet of Ministers. This scenario presents questionable prospects in terms of stability. <i>Under this scenario, a new government could also be formed in April-May.</i> 	35%
<ul style="list-style-type: none"> Yanukovych-Tymoshenko truce: Yanukovych and Tymoshenko agree to cooperate on key issues and share power. This route is also shaky in terms of potential stability, given the parties' history, and only possible after difficult negotiations. <i>Under this scenario, a new government could be formed in April-May.</i> 	5%

Scenario 2. Tymoshenko wins

Potential parliamentary configurations	Probability
<ul style="list-style-type: none"> Reformatted Tymoshenko-led majority: Tymoshenko rejuvenates the majority coalition in the current Verkhovna Rada between her eponymous Yulia Tymoshenko Bloc, Our Ukraine and the Lytvyn Bloc. In addition, the loss of Viktor Yanukovych in the election could even lead to the formal splintering of the Party of Regions – with several deputies realigning with the majority coalition, further consolidating Tymoshenko's hold on power. <i>Under this scenario, a new government could be formed as soon as March.</i> 	95%
<ul style="list-style-type: none"> Yanukovych-Tymoshenko truce: Yanukovych and Tymoshenko agree to cooperate on key issues and share power, forming a new "broad coalition" in parliament. With Yanukovych suffering yet another election defeat, we see his leverage being somewhat limited. We see high prospects for stability of this coalition, but it would only be possible after difficult negotiations. <i>Under this scenario, a new government could be formed in April-May.</i> 	5%

Regardless of the winner...

We reiterate that the actual identity of the next president is not as important as their ability to secure a friendly coalition in parliament and thus end the political deadlock that has marred Ukrainian politics for the last five years. Therefore, we view the stability and allegiance of the Rada majority as having the greatest influence on Ukraine's political risk perception and economic direction. Depending on the outcome and subsequent negotiations in parliament, the entire Cabinet could, and probably will, be reformatted. In addition, the new president will name a new Central Bank Governor; Volodymyr Stelmakh's term officially expired in December.

Equity market outlook

SECTOR BAROMETER

Overall, we expect the Ukrainian equity market to grow 50-60% in aggregate, after 90% in 2009 (and Russia's 131% in 2009).

Sector	2010 performance	Political sensitivity	Our view
Agriculture	market perform	low	Positive outlook regardless of election winner due to expected strong operating and financial results. Depends on bank loan availability, global commodity prices. If Tymoshenko wins, export opportunities might improve (i.e. to Europe); and imports could grow, increasing competition on local market. Cancellation of the moratorium on agricultural land sale is not likely before 2012 no matter who wins the election. Less liquid stocks in the sector are expected to outperform in 2010, while liquid names have already eaten up most of their upside.
Banks	underperform	medium-high	We expect banks to recover faster under Tymoshenko – who we believe has higher chances of strengthening the UAH (not more than 10%) and continuing the bank rehabilitation program. Depends on rate of recovery in the real economy and the regulatory environment (i.e. FX lending restrictions). Banks still lack cheap UAH funding sources to expand lending in local currency.
Consumer, retail	underperform	low	As we expect recovery in domestic demand to be slow and deleveraging to be painful, we think fundamentally these sectors will see only a marginal improvement in 2010. Respective stocks, which are illiquid small caps en masse, are set to underperform in the current year. Exception: liquid names with exposure to agriculture, such as Astarta, are expected to outperform.
Machinery	outperform	neutral	Listed stocks are dependent on external demand, mainly from Russia, with whom relations will improve under either candidate. Railway machinery has been recovering at the fastest rate: traded railcar makers beat their 2005-2008 monthly average output in December and we forecast will increase production at 21% CAGR in 2010-2015.
Metals & Mining	market perform	neutral	Outlook depends on global steel and iron ore markets, less on domestic politics. We expect domestic steel & iron ore output to grow 15% and 10-14%, respectively in 2010. Prices should increase 20-25% as well. We prefer iron ore due to strong financials and high margins, and then liquid names in steel.
Oil & Gas	market perform	medium	Names like Galnaftogaz, and the London-traded E&P firms are unlikely to be at a benefit or loss depending on the candidate that wins. At the same time, we note the government's traditionally high attention to the sector. Specific cases carry higher sensitivity: Cadogan Petroleum (license dispute) and Ukrnafta (wrestling for control between the government and Privat group).
Real estate	outperform	neutral	Pessimistic outlook no matter who wins. Construction will continue to be stagnant; prices for all real estate segments expected to bottom. Demand for residential and commercial real estate expected to remain similar to 2H09. Depends on resumption of mortgage lending, bank loan availability, recovery in real economy. At the same time, sector stocks, most badly hit by the investor stampede, are likely to outperform in the anticipation of recovery despite currently weak fundamentals.
Utilities	outperform	medium-high	GenCos' margins will benefit directly from wholesale electricity price growth of 15-20% after elections (they were held flat pre-elections). If Yanukovich wins, there is a higher likelihood of the privatization of GenCo stakes in the short-term, which would be a price trigger. The privatization of the state's Oblenergo stakes, begun in 2009, should be back on, especially if Tymoshenko wins. GenCos are set to be outperformers in 2010, while Oblenergos will stay largely illiquid.

Round two contender profiles



Candidate	Viktor Yanukovych	Yulia Tymoshenko
Political affiliation	Party of Regions	Yulia Tymoshenko Bloc (BYuT)
Financial sponsors*	Akhmetov (SCM), Firtash (Rosukrenergo), Klyuev (Ukrpodshipnik), Boguslayev (Motor Sich), Yankovskiy (Stirol), Pinchuk (EastOne)	Zhevago (F&C), Vasadze (UkrAvto), Kolomoyskiy (Privat), Poroshenko (Ukrprominvest), Taruta (IUD)
Policy vectors	<ul style="list-style-type: none"> • Improve relations with Russia; take accession to NATO, EU off the table • Exchange rate stabilization 	<ul style="list-style-type: none"> • Improve relations with Russia & EU; continue work with NATO • Strong hryvnya
Declared first steps as president	<ul style="list-style-type: none"> • Resume cooperation with IMF • Call pre-term parliamentary elections, if coalition-building talks fail • Open Russia-EU talks on a gas transportation consortium 	<ul style="list-style-type: none"> • Resume cooperation with IMF • Reverse the presidential veto on the 2010 budget law • Accelerate EU talks on association agreement, including free trade zone
Campaign promises	<ul style="list-style-type: none"> • Bring Ukraine into G-20 by 2020 • Increase FDI to USD 50 mln by 2014 • Review gas agreements with Russia • Make Ukraine neutral state; stay out of NATO • New tax code: 5-year tax holiday for SME, cut VAT to 17% and income tax to 19% in 2011 • Increase population to 50 mln by 2020 • Renew mortgage lending at rates not exceeding 7% p.a. • Grant Russian language status of official minority language • Rank 3 universities among world's top 500 • Transition to contract army in 2011 	<ul style="list-style-type: none"> • Eliminate influence of oligarchs in politics • Root out corruption in courts and ensure their independence • Build new oil & gas pipelines, modernize refineries, strengthen gas transit capacity • Increase support to manufacturing and defense • Create 300 ths jobs in nanotechnology sphere • Tax breaks for banks that lend to startups • Tax-exemption for investors that establish new production facilities for 10 years • Renew mortgage lending at European rates • Return savings lost in USSR Savings Bank • Transition to contract army
Potential Prime Minister candidates	Mykola Azarov, Sergey Tigipko, Yulia Tymoshenko (if compromise)	Sergey Tigipko, Oleksandr Turchinov, Hryhoriy Nemyrya
Previous national government posts	Prime Minister, 2002-2004, 2006-2007 Governor of Donetsk Oblast, 1997-2002	Prime Minister, 2005, 2007-Present Vice PM of Fuel & Energy, 1999-2001
Previous business experience	20-years as executive at automobile repair and transportation companies in Eastern Ukraine	CEO, United Energy Systems, 1995-1997 General Director, Ukrainian Gasoline, 1991-1995
Campaign bank account holder	First Ukrainian International Bank, controlled by Party of Regions' Rinat Akhmetov	Brokbiznesbank, controlled by Sergey and Aleksandr Buryak, the former a member of BYuT
Personal data	Age: 59. Married. Two children. Place of birth: Enakievo, Donetsk region	Age: 48. Married. One child. Place of birth: Dnipropetrovsk
Education	MA in international law, Ukrainian Academy of Foreign Trade	Candidate degree in economics, Dnipropetrovsk State University
Web presence	www.yanukovych.com.ua	www.tymoshenko.ua

* Information on financial sponsors is not purported to be accurate as by its nature it is based on unofficial information; it was culled from media reports, Concorde Capital sources and the blogs of Ukrainian political commentators and journalists. Source: Kyiv International Institute of Sociology, candidate websites, party websites and media reports.

Appendices

Appendix 1: First round exit poll results

Exit poll results round-up

First round exit poll results

Candidate	National Poll	ICTV	Inter	Shuster	R&B
Yanukovych	31.5%	34.5%	36.6%	34.7%	37.7%
Tymoshenko	27.2%	25.6%	25.8%	25.0%	26.1%
Tigipko	13.5%	13.8%	13.5%	13.2%	11.6%
Yatseniuk	7.8%	7.0%	6.6%	7.1%	7.1%
Yushchenko	6.0%	5.7%	5.2%	5.8%	5.1%
Symonenko	2.8%	3.0%	3.0%	3.0%	3.0%
Lytvyn	2.2%	2.3%	2.0%	2.5%	2.1%

Exit poll notes

National Exit Poll 2010 (Democratic Initiatives, Kyiv International Institute of Sociology, Razumkov Center for Economic & Political Studies): 12,456 participants at 240 polling stations. Margin of error: $\pm 1.3\%$.

ICTV (GfK) exit poll: 25,105 participants at 300 polling stations. Margin of error not published.

Inter (SOCIS, Ukrainian Sociological Service and FOM-Ukraine) exit poll: 15,000 participants at 420 polling stations. Margin of error: $\pm 0.7\%$.

Savik Shuster Live exit poll: 20,000 participants at 350 polling stations. Margin of error not published.

Research & Branding Group exit poll: 10,000 participants at 500 polling stations. Margin of error: $\pm 1.0\%$.

Appendix 2: Pre-election survey results

Public opinion survey results round-up

First round survey results

Candidate	KIIS	Dem. Initiatives	R&B Group	FOM-Ukraine
Yanukovych	30.3%	33.6%	33.3%	29.0%
Tymoshenko	15.8%	19.2%	16.6%	14.0%
Tigipko	7.1%	9.2%	7.4%	6.0%
Yatseniuk	4.2%	6.1%	6.7%	6.0%
Symonenko	2.9%	3.4%	3.4%	5.0%
Yushchenko	3.7%	3.7%	3.8%	4.0%
Lytvyn	2.5%	2.6%	4.1%	3.0%
Against all	7.1%	5.3%	9.0%	9.0%
Undecided	19.4%	11.1%	9.0%	16.0%
Will not vote	4.0%	-	3.5%	6.0%

Note: Democratic Initiatives adjusted their survey results to exclude respondents that did not intend to vote

Second round survey results

Candidate	KIIS	Dem. Initiatives	R&B Group	FOM-Ukraine
Yanukovych	43.3%	42.9%	46.7%	38.0%
Tymoshenko	29.2%	27.4%	30.0%	24.0%
Against all	13.9%	18.7%	13.2%	22.0%
Undecided	9.5%	9.2%	6.5%	10.0%
Will not vote	4.1%	1.8%	3.6%	6.0%

Note: Democratic Initiatives "will not vote" includes participants that said they would vote in the first round but not in the second

Survey notes

According to Ukrainian law, the last day for the publication of public opinion surveys before elections was January 2.

Kyiv International Institute of Sociology survey: Conducted December 12-24, 2009. 4,074 participants. Margin of error: $\pm 2.3\%$.

Democratic Initiatives & Ukrainian Sociology Service survey: Conducted December 12-26, 2009. 2,010 participants. Margin of error: $\pm 2.3\%$.

Research & Branding Group survey: Conducted December 5-13, 2009. 3,083 participants. Margin of error: $\pm 1.8\%$.

FOM-Ukraine survey: Conducted December 17-22, 2009. 1,000 participants. Margin of error $\pm 4\%$.

Appendix 3: 2010 presidential election timeline

Date	Event
February 7	Second round of voting. Polling stations open from 8:00 to 22:00 Kyiv time (GMT +2:00)
February 17	Deadline for Central Election Commission to publish official voting results of second round in official government newspapers
By March 17	Inauguration should take place no later than 30 days after publication of official voting results of the second round

Source: Central Election Commission

Appendix 4: Ukrainian political system

Ukraine is a semi-presidential republic. It declared independence from the Soviet Union on August 24, 1991. The government has three branches: executive, legislative and judicial. Ukraine has 24 oblasts (regions), one autonomous republic and two cities with special status. Ukraine's capital is Kyiv. Ukraine's current constitution was adopted June 28, 1996 and was amended December 8, 2004.

Verkhovna Rada of Ukraine. Ukraine's Verkhovna Rada (Supreme Council in Ukrainian) is a unicameral parliament with 450 seats. The Verkhovna Rada amends the Constitution of Ukraine, adopts laws, approves the state budget, ratifies and denounces international treaties, declares war and peace, and appoints officials and judges. The Verkhovna Rada can dismiss the Cabinet of Ministers. The Verkhovna Rada can override a presidential veto with a two-thirds majority. The Verkhovna Rada is presided over by a speaker. Seats in the Verkhovna Rada are distributed on a proportional basis among political parties based on the results of a nationwide vote (to parties whose vote total exceeds a 3% barrier).

President of Ukraine. Ukraine's president is the head of state. The Ukrainian president is elected by popular vote for a five-year term. The current president, Viktor Yushchenko, was inaugurated on January 23, 2005; his term expires January 23, 2010. The Ukrainian president has the power to:

- Guarantee independence, territorial integrity, national security, the Constitution of Ukraine and basic human rights and freedoms
- Disband the Verkhovna Rada if it does not form a majority coalition within a month, appoint the government within 60 days or convene for an ordinary session for 30 days
- Nominate several key government positions to the Verkhovna Rada for approval: the Prime Minister proposed by the majority coalition, the Minister of Foreign Affairs, the Minister of Defense, the Prosecutor General, Head of the Security Service of Ukraine (SBU), and Head of the National Bank of Ukraine
- Sign into effect or veto laws passed by the Verkhovna Rada
- Suspend acts passed by the Cabinet of Ministers if they contradict the Constitution of Ukraine and challenge the acts in the Constitutional Court

Cabinet of Ministers of Ukraine. Ukraine's Cabinet of Ministers is the highest body of executive power. Ukraine has 20 ministries and there are 25 positions in the Cabinet (including the Prime Minister and Vice Prime Ministers). Nominations to the Cabinet, made by the Prime Minister or President depending on the position, are affirmed by the Verkhovna Rada. The Cabinet of Ministers term is for the duration of the parliamentary convocation or coalition. In Ukraine, the Prime Minister is the head of the executive and presides over the Cabinet of Ministers. The Prime Minister is appointed by the Verkhovna Rada, following submission by the President of Ukraine of the nominee from the majority coalition in the Verkhovna Rada. The Prime Minister nominates the heads of government ministries, the State Property Fund, the Antimonopoly Committee to the Verkhovna Rada for approval. The current prime minister, Yulia Tymoshenko, was confirmed on December 18, 2007.

Constitutional Court of Ukraine. Ukraine's Constitutional Court is charged with interpreting the Constitution of Ukraine and decides whether laws and legal acts are unconstitutional. The court is composed of 18 judges, appointed in equal shares by the president, Verkhovna Rada and the Congress of Judges. Judges are currently appointed for a single nine-year term.

Court system in Ukraine. The judicial system in Ukraine has four levels of courts of general jurisdiction: local courts, appeals courts, high courts and the Supreme Court. High courts include the High Administrative Court of Ukraine, which rules on administrative cases, and the High Economic Court of Ukraine, which rules on economic and commercial cases. The highest level is the Supreme Court of Ukraine. Supreme Court appointments are made by parliament and have no term limits. The Supreme Court is regarded to be an independent and impartial body.

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