



CONCORDE CAPITAL

Ukraine / Equity Strategy

Privat_BG Index

Divestiture prompts basket reshuffle

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<http://www.oligarch.com.ua>

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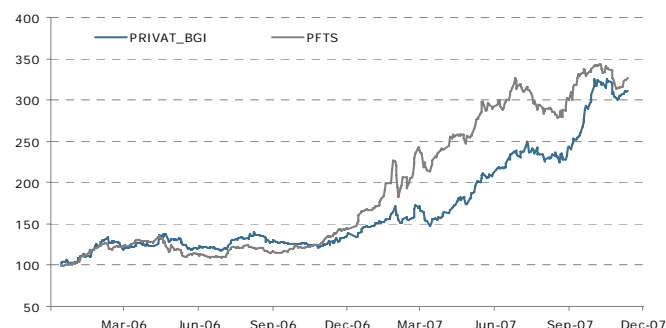
- Yesterday Evraz Group announced the acquisition of five Privat-controlled companies¹, two of which were represented in the Privat_BG Index. The deal prompts us to exclude Sukha Balka (SUBA) and DMP Petrovskogo (DMZP) from the Privat_BG Index, effective today
- Both excluded stocks were among the best performing on the market: SUBA bid price soared 1150% YTD while DMZP increased 916% YTD. Along with the market's overall thirst for metals & mining stories, we believe prices for these stocks were driven by the widespread view that Privat would exit the steel business (see our June 22 report)
- It looks like demand from Privat Group soaked up almost all the free float: in the announced parameters of the deal, Privat is selling 99.25% of SUBA and 95.57% of DMZP. We adjust our estimates of free float from 3.3% to 0.75% (SUBA) and from 10.4% to 4.43% (DMZP)
- Sukha Balka and DMP Petrovskogo had weights of 3% and 8% in the Privat_BGI. Exclusion reduces the aggregate MCap of Privat_BG Index by 11%
- Separately, we have two other Privat Group assets on watch for exclusion: Pivdenny Iron Ore (PGZK, MCap: USD 2.5 bln) and Kominmet (DMZK, MCap: USD 116 mln). We expect to see news that PGZK will be divested in coming months; the general perception is that DMZK has already been sold, we are awaiting official confirmation

BG_Index returns

	2006	YTD
SCM_BGI	-4%	263%
IUD_BGI	48%	176%
GRIGORISHYN_BGI	97%	170%
PINCHUK_BGI	95%	128%
PRIVAT_BGI	39%	127%
ZHEVAGO_BGI	-3%	125%
<i>PFTS Index</i>	<i>44%</i>	<i>125%</i>

Source: www.oligarch.com.ua, Concorde Capital

Privat_BG Index



Source: PFTS, Concorde Capital

Stocks in the Privat_BG index basket

Ticker	Name	Sector	MCap, \$mn	Group's ownership		FF, \$mn	Return	
				share	mkt value, \$mn		2006	YTD
UNAF	Ukrnafta	ENERGY	3 957	42%	1 802	343	53%	21%
PGZK*	Pivdenny Iron Ore	BASIC MATERIALS	2 549	48%	1 157	181	-27%	1165%
DNSS	Dniprospetsstal	BASIC MATERIALS	1 045	35%	377	62	41%	420%
NFER	Nikopol Ferroalloy	INDUSTRIAL	769	27%	260	19	-10%	122%
ZFER	Zaporizhya Ferroalloy	INDUSTRIAL	569	90%	502	45	-47%	338%
POON	Poltavaoblenergo	UTILITIES	538	45%	250	6	350%	433%
LVON	Lvivoblenergo	UTILITIES	444	42%	215	108	394%	144%
CHEON	Chernihivoblenergo	UTILITIES	336	45%	125	27	100%	525%
PREN	Prykarpatooblenergo	UTILITIES	256	44%	104	17	157%	483%
SFER	Stakhaniv Ferroalloy	INDUSTRIAL	213	98%	110	2	-67%	555%
HANZ	Galychyna Refinery	ENERGY	170	73%	135	4	-51%	-27%
TOEN	Ternopiloblenergo	UTILITIES	145	20%	28	13	400%	320%
DNAZ	Dniproazot	BASIC MATERIALS	132	99%	62	1	-50%	-54%
NAFP	Naftokhimik Prykarpattya	ENERGY	130	63%	45	4	25%	-20%
DMZK*	Kominmet	INDUSTRIAL	116	80%	169	42	417%	1514%
ZCPK	Zhydachiv Pulp & Paper	BASIC MATERIALS	34	43%	14	2	145%	4%
SUBA	Sukha Balka	BASIC MATERIALS	663	94%	857	30	n/a	1150%
DMZP	DMP Petrovskogo Steel	BASIC MATERIALS	677	90%	699	81	n/a	916%
TOTAL			11 404		5 356	875		
TOTAL before excl.			12 744		6 912	986		

Source: PFTS, Concorde Capital. * On watch for exclusion; Returns are based on PFTS bid prices; In red are excluded stocks

¹ See our December 11 flash note for more details

FLASH NOTE

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