

Nick Piazza
+380 44 391 5570
np@concorde.com.ua

Polina Khomenko
+380 44 391 5577
pk@concorde.com.ua

Sept. 30 Poll results

Party of Regions	34.37%
Tymoshenko Bloc	30.71%
Our Ukraine	14.15%
Communists	5.39%
Lytvyn Bloc	3.96%

Seats in parliament of 450*

Party of Regions	175
Tymoshenko Bloc	156
Our Ukraine	72
Communists	27
Lytvyn Bloc	20

**226 seats required to form coalition*

Stocks to watch

Ukrtelecom	Privatization
Luhanskteplovoz	Reprivatization
Stirol	Gas Price Risk
Kyivenergo	Gas Price Risk
Dniproenergo	Corp Conflict
Turboatom	Holding Creation
Nikopol Ferroalloy	Corp Conflict

In a live conference call with representatives from over 60 western funds, former Finance Minister and one of the leaders of the Yulia Tymoshenko Bloc, Viktor Pynzenyk, spoke at length on topics including privatization, the future of the Ukrainian currency, land and property rights and future initiatives the government plans to implement in or boost investment.

Politics: Coalition Formed

Speaking on the make-up of the future government, Pynzenyk went out of his way to assure his audience that only legal delays concerning the final vote count were slowing the announcement of a new orange coalition. According to the former Finance Minister, despite any media speculation about possible roadblocks to forming an orange coalition, the reinstatement of an orange government led by Yulia Tymoshenko is only a matter of time. He went on to add that he saw no risk to the future government's stability. Pynzenyk also added that his party welcomed the inclusion of the Lytvyn Bloc to the new government, but that the ball was in Lytvyn's court.

Privatizations: Public auctions to return

On the topic of privatization, Pynzenyk's goal was clear: the only criteria for those wishing to take part in public tenders was price, with assets going to the highest bidder. One of the main goals of the new government will be providing greater access to all who wish to take part in privatization tenders.

Pynzenyk said that the party saw no need for any reprivatizations. The government is going to use the courts to examine some cases of privatization (where tender conditions were not inline with the law), some of which are already under appeal. According to Pynzenyk, the passage of a law sent to the Rada in 2005 allowing the government to sell assets along with the land underneath them will be one of the first to be passed by the new government.

In the energy sector, Pynzenyk said that privatization was the only way to keep energy assets from being stolen – a thinly veiled reference to Dniproenergo, which was recently acquired by SCM's energy wing, DTEK. Pynzenyk added that he knew of no cases when a state-owned company has run an effective business.

The Purchasing of Land to be Simplified

As with privatization, Pynzenyk said that land will be privatized through open tenders with the price as the only criteria. The process of purchasing land will be radically simplified - land will be sold only after predefining its purpose (a positive for greenfield construction projects).

In discussing Ukraine's moratorium on the sale of agricultural land, Pynzenyk stressed that this was originally intended to be imposed for a short time while the government made a number of amendments to agricultural property legislation. Among the regulations that must be adopted, he mentioned the creation of a unified land registry and rules for altering the use of land.

UAH to Strengthen?

When fielding a question on the exchange rate, Pynzenyk said he sees a significant appreciation potential for Ukraine's currency, the hryvna (UAH), which according to Pynzenyk should no longer be pegged to the dollar if the country wants to avoid inflation. According to Pynzenyk, the government needs to switch to a policy of inflation targeting, which envisages a more liberal exchange rate. Pynzenyk also said he felt that the Central Bank needed to halt external borrowing and focus on the domestic market where bank liquidity is extremely high and has put heavy upward pressure on inflation.

Gas: Time to Pay

In response to a question about Ukraine's state-owned gas company Naftogaz Ukraine, Pynzenyk went out of his way to criticize the company's management which he said has always been poor. Pynzenyk also stressed that Ukrainian citizens were going to have to pay more for gas than they used to.

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Equity Sales

Anastasiya Nazarenko
Duff Kovacs, CFA
Zack Watson
Marina Martirosyan

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

Strategy

Konstantin Fisun
Oleksandr Klymchuk

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

Metals & Mining

Eugene Cherviachenko
Andriy Gerus

ec@concorde.com.ua
ga@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Real Estate 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

Eugene Cherviachenko
Inna Pereplytsya

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

Financial Services, Retail

Alexander Viktorov

av@concorde.com.ua

Macroeconomics

Polina Khomenko

pk@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 have had 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.

Prices of listed securities referred to in this report are denoted in the currency of the respective exchanges. Investors in financial instruments such as depository receipts, the values or prices of which are influenced by currency volatility, effectively assume currency risk.

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