



CONCORDE CAPITAL

Ukraine / Insurance

Universalna

Share offering to finance CIS expansion

January 29, 2008

Current price: USD 2.33
12M Target: U/R

HOLD

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Ticker

Bloomberg SKUN UZ

Market information

| | |
|--|-----------|
| No of shares, mln | |
| Current | 100 |
| After additional share issue | 118 |
| Market price, USD | 2.33 |
| Market price adjusted for the new # of shares, USD | 2.30 |
| MCap, USD mln | 233 |
| Chg YTD | -8.4% |
| Hi/Lo YTD, USD | 2.53/2.28 |
| Free float | 40% |
| Free float, USD mln | 93.2 |

Corporate governance

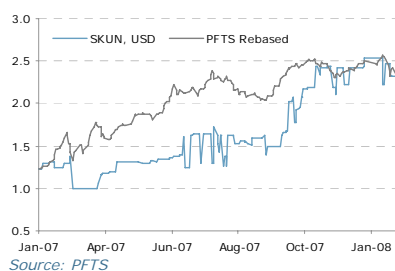
Concorde Rating* AA

* The rating is based on Concorde capital's corporation governance survey. Q denotes quality corporate governance standards, AA – above average standards, A – average, BA – below average, P – for poor

Shareholders

| | |
|-------------------------|-----|
| F.I.E.H. | 60% |
| Institutional investors | 40% |

SKUN share price, 12M



Universalna, Ukraine's #8 insurer, is raising USD 39 mln via an additional share issue at market price, USD 2.18/share, to finance further M&A expansion in Ukraine, Moldova and Belarus. We believe takeovers will lead to a 160% yoy surge in premiums written in 2008 to USD 130 mln, twice our previous forecast. We put our target under review for upgrade, and so far keep the stock at HOLD.

USD 39 mln share offering underway

Subscription for Universalna's additional share issue began on January 28 and will run until March 13. The company will issue 18 mln common shares, bringing total shares to 118 mln. Subscription will be held at USD 2.18 per share, a 6% discount to the current mid-market price. The issue will increase Universalna's share capital by 198% to USD 59 mln. Management informed us the major shareholder will reduce its share to the minimal needed for control, 51%, by conceding its subscription rights.

Proceeds to finance acquisitions

Proceeds will be used to finance acquisitions in Ukraine and neighboring Moldova and Belarus. In Nov-Dec 2007 Universalna concluded the acquisition of small-sized Ukrainian insurer Oradon and small Moldovan Ascargo S.R.L. Universalna is currently engaged in talks to takeover two top-tier players in Moldova and Belarus. According to management, all acquired companies will be consolidated on Universalna's book in 2008.

M&A expansion accretes value, GWP up 160% in 2008

The acquisitions will bring Universalna's aggregated gross premiums to about USD 130 mln, twice more our previous estimates. The surge in premiums makes the company reasonably valued on forward-looking P/Premiums, compared to the only other traded Ukrainian insurer, Oranta.

Gross premiums estimates, USD mln

| | 2006 | 2007E | 2008E | 2009E |
|----------------------------------|-------------|-------------|--------------|--------------|
| Universalna, consolidated | 33.6 | 50.0 | 130.0 | 176.2 |
| Growth, yoy | | 49% | 160% | 35% |
| Universalna | 33.6 | 50.0 | 75.0 | 105.0 |
| Growth, yoy | | 49% | 50% | 40% |
| Acquisitions: | | | | |
| Oradon (Ukraine) | 5.6 | 7.7 | 10.0 | 13.0 |
| Growth, yoy | | 38% | 30% | 30% |
| Insurer in Belarus | 22.4 | 29.1 | 37.8 | 49.2 |
| Growth, yoy | | 30% | 30% | 30% |
| two insurers in Moldova | na | 6.0 | 7.2 | 9.0 |
| Growth, yoy | | na | 20% | 25% |

Source: Company data, Concorde Capital estimates

Universalna vs. Oranta*

| | MCap, USD mln | P/Premiums | | |
|------------------------|---------------|------------|-------|-------|
| | | 2007E | 2008E | 2009E |
| Universalna** | 272.2 | 5.4 | 2.1 | 1.5 |
| Oranta (placement) | 349.8 | 2.7 | 1.9 | 1.4 |
| Oranta (privatization) | 396.6 | 3.0 | 2.2 | 1.6 |

* Oranta's valuations are at the date of 11.4% stake placement in Nov 2007 and privatization of 25% stake in Oct 2007.

** Post-emission MCap.

Source: PFTS

Key financials and ratios, USD mln

| | Premiums | Net income | Book Value |
|-------|----------|------------|------------|
| 2005 | 27.7 | 0.11 | 9.8 |
| 2006 | 33.6 | 0.19 | 21.6 |
| 2007E | 50.0 | 0.38 | 31.0 |

| | Retention ratio | Combined ratio | ROE |
|--|-----------------|----------------|------|
| | 69.2% | n/a | n/a |
| | 74.8% | 91.3% | 1.3% |
| | 80.0% | 94.9% | 1.5% |

FLASH NOTE

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Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital rating universe

| | | |
|--------------|------------|-------------|
| Buy | 38 | 36% |
| Hold | 29 | 28% |
| Sell | 14 | 13% |
| Under Review | 24 | 23% |
| Total | 105 | 100% |

Investment banking clients^{*}

| | | |
|--------------|----------|-------------|
| Buy | 7 | 78% |
| Hold | 1 | 11% |
| Sell | 0 | 0% |
| Under Review | 1 | 11% |
| Total | 9 | 100% |

**Within the last twelve month period, Concorde Capital has obtained compensation from these companies.*

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