



CONCORDE CAPITAL

Ukraine / Oil & Gas

# Ukrnafta

Technical upgrade to BUY

## BUY

July 28, 2008

Current price: USD 39.5  
12M Target: USD 65.0

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#### Tickers

Bloomberg	UNAF UZ
GDR (Frankfurt/Xetra)	UKAA GR

#### Market information

Market price, USD	39.5
MCap, USD mln	2,141.1
Chg 12M	-60.0%
52Wk Hi/Lo, USD	98.8/38.2
No of shares, mln	54.23
DRs per common share	1:6
Free float	8.0%
Free float, USD mln	171.3

#### Corporate Governance

Concorde Rating*	AA
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\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

#### Shareholders

Naftogaz of Ukraine	50%+1
Privat Group	42%
Other	8%

#### Key financials 1H08, USD mln

Net revenue	827.8
Revenue growth	45.4%
EBITDA margin	32.3%
Net margin	23.3%

We set a BUY recommendation on Ukrnafta, while retaining our previous 12M target of USD 65.0 per share. After a 50% dive since January, Ukrnafta offers 64% upside.

Based on annualized 1H08 net income (USD 197 mln), reported yesterday, the stock is currently trading at 5.2x on P/E '08 – twice lower than the median for its global peers, which we believe is hardly justified.

In our view, Ukrnafta will be among the first to respond to any signals of market warming, as it is one of the most liquid Ukrainian stocks. We do not see any operations-related negatives that could justify trading at current levels. So far, we use our previous target, which does not account for this year's hike in oil prices and moderately positive taxation changes.

FLASH NOTE

FLASH NOTE

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## Appendix - Disclosures

### Analyst Certification

I, Vladimir Nesterenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

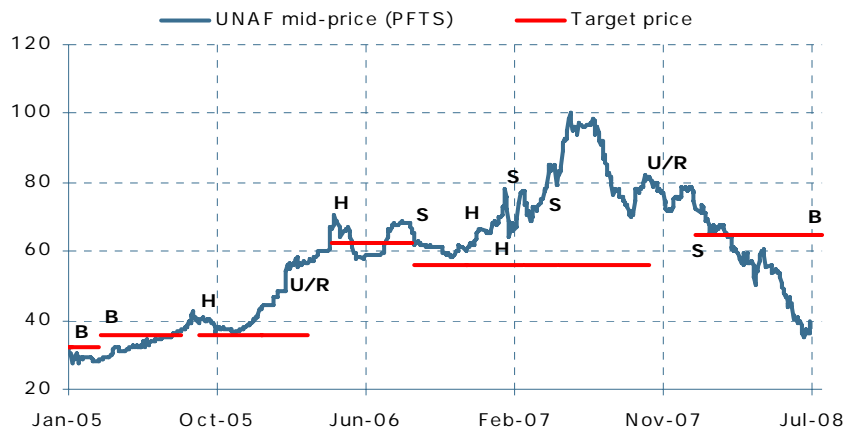
Date	Target price, USD	Market price, USD	Rec	Action
20 Jan 03 <sup>(1)</sup>	7.28	4.43	BUY	Initiate
17 Feb 03	7.36	4.32	BUY	Maintain
07 May 03	8.13	4.23	BUY	Maintain
03 Sep 03	8.34	4.05	BUY	Maintain
05 Dec 03	10.70	5.87	BUY	Maintain
19 May 04	22.65	13.23	BUY	Maintain
06 Sep 04	Pending	5.93	HOLD	Downgrade
03 Dec 04	32.00	15.17	BUY	Upgrade
11 Apr 05	35.70	27.75	BUY	Maintain
26 Aug 05	Pending	37.00	N/A	Suspend
22 Sep 05	35.70	39.20	HOLD	Downgrade
28 Mar 06 <sup>(2)</sup>	Pending	57.28	N/A	Review
15 May 06	62.60	66.83	HOLD	Maintain
21 Sep 06	56.00	65.45	SELL	Downgrade
28 Dec 06	56.00	62.41	HOLD	Upgrade
07 Mar 07	56.00	62.48	HOLD	Maintain
29 Mar 07	56.00	74.75	SELL	Downgrade
30 May 07	56.00	83.09	SELL	Maintain
29 Oct 07	Pending	81.46	N/A	Review
22 Jan 08	65.00	77.40	SELL	Maintain
28 Jul 08	65.00	<sup>(3)</sup> 39.48	BUY	Upgrade

<sup>(1)</sup> This stock was covered by analysts currently engaged with Concorde Capital prior to the legal inception of the company in October 2004, recommendations are supported by research.

<sup>(2)</sup> Until December 2005 the company was covered by Andriy Gostik, who now focuses on another sector. In January 2006, Vladimir Nesterenko took over coverage.

<sup>(3)</sup> PFTS closing price as of July 25, 2008

### Recommendation history, USD per share



## 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 ratings distribution

Buy	77	68%
Hold	21	18%
Sell	7	6%
Under Review	9	8%
Total	114	100%

### Investment banking clients\*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

\* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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