

NEWS FLASH

November 5, 2007

Galnaftogaz EGM approves share capital increase

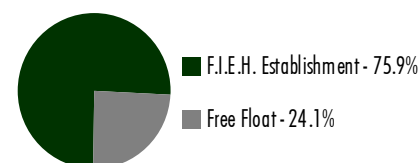
- ▶ **Shareholders have approved an 11% share capital increase...** Today's EGM of Galnaftogaz voted to issue 1,812,500,000 new shares, bringing the company's shares outstanding to 17,812,500,000 (up 11.3%).
- ▶ **...at a market price of \$0.0317/share...** The subscription price was set at \$0.0317 (UAH 0.16) per share, in line with the stock's current market price and much higher than the \$0.002/share (UAH 0.01) par value. As a result, while the share capital will increase by 11% (\$3.6m), the total equity capital injection will reach \$57.4m.
- ▶ **...to be completed in January 2008.** The EGM scheduled the subscription for new shares for November 30, 2007-February 29, 2008. This implies a record date, according to local legislation, of November 30. The first stage of the subscription, when existing investors can subscribe for new shares pro rata, will last for 45 days (November 30, 2007-January 15, 2008), while the second stage, when the remaining shares will be offered to the existing shareholders and other investors in a private offering, will take place on January 16-29, 2008.

Price Target (\$)	Under
Upside (%)	Review

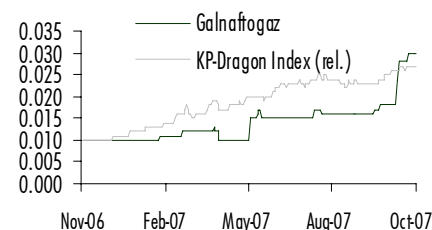
Company Data

Market Price (\$)	0.0297
Market Cap (\$m)	475
Enterprise Value (07E; \$m)	686
Free Float (%)	24.1%
Free Float (\$m)	114.5
Shares Outstanding	16,000,000,000
New Number of Shares	17,812,500,000
Nominal Value (UAH)	0.01
Bloomberg Code	GLNG UZ
DR Ratio	1:500
Number of Employees	9,800

Current Shareholder Structure



Price Performance (\$)



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Dragon Capital employs three basic recommendations to rate stocks under coverage: Buy, Hold and Sell. The recommendations are assigned according to the table below.

12-m Upside from Current Market Price	Recommendation
>20%	Buy
0% - 20%	Hold
<0%	Sell

In addition, the Buy recommendation has two variations, Strong Buy and Speculative Buy. We rate a stock as a Strong Buy if its upside exceeds 40% and we see no material risks that could jeopardize our valuation. We assign a Speculative Buy recommendation to stocks whose valuation justifies a Buy or Strong Buy recommendation but is vulnerable to downside risks, particularly adverse corporate governance developments.

We put a stock Under Review if its price target and/or recommendation are subject to change based on latest financial results, newly arisen risk factors, or other important events. We make all reasonable effort to reinstate recommendations and price targets on stocks under review in the shortest possible time.

Current Rating Distribution

Companies Covered	Recommendation					
	Buy	Hold	Sell	Under Review	Not Rated	Suspended
113	16	18	53	14	11	1
% of Total	14%	16%	47%	12%	10%	1%

Note: Stocks rated as Buy, Strong Buy and Speculative Buy

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