

This publication intends to inform readers about the pre-term parliamentary election in Ukraine scheduled for September 30, 2007. It reflects the views and opinions of The PBN Company's professional staff on issues of concern to voters, business and the international community. It is not a partisan publication and is not funded by any campaign, government or donor organization.

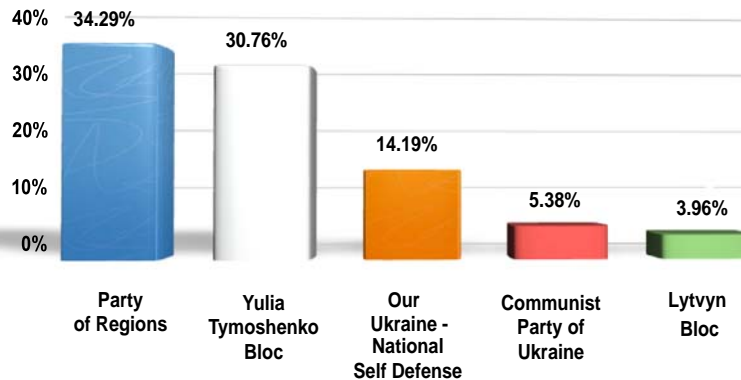
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Results from Central Election Commission
Ballots counted = 99.48%



A Razor Thin Lead for Orange Parties

Prime Minister Viktor Yanukovich's Party of Regions won the plurality of votes in Sunday's election for seats in Ukraine's parliament – the Verkhovna Rada. However, two orange parties that came in second and third – the Yulia Tymoshenko Bloc and the pro-presidential Our Ukraine-National Self Defense Bloc – together won more votes and enough to form a coalition government. Communists ended the race in a distant fourth place followed by former Rada Speaker Volodymyr Lytvyn, who made a political comeback by capturing enough rural votes to make it past the three percent threshold to qualify for seats in the 450 member assembly.

Incumbent Rada Speaker and socialist leader Oleksandr Moroz was the election's loser finishing below the threshold. He backed Viktor Yushchenko's 2004 presidential bid, but later switched sides to support Party of Regions leader Viktor Yanukovich for Prime Minister after the March 2006 parliamentary election in exchange for the Speaker's chair and a handful of executive appointments for key party allies. The move was characterized as a betrayal of the orange revolution, which Sunday night proved fatal to his political career.

With 226 votes needed to pass legislation, orange political forces will control 228 seats. It remains to be seen if they offer former Rada Speaker Volodymyr Lytvyn the opportunity to join their group. Together with Lytvyn, the pro-western forces would comfortably control 248 seats, and send the Party of Regions and their communist allies into opposition with 202 seats.

Prime Minister Yanukovich argues that his party should be given the first opportunity to form a coalition since they won voter plurality. They will most likely approach the pro-presidential Our Ukraine-National Self Defense Bloc and the Lytvyn Bloc for a coalition of 266 seats. However, Yanukovich's efforts will be hindered by an agreement signed earlier between Our Ukraine and the Tymoshenko Bloc that calls for the two to act jointly in forming a coalition.

None of these potential configurations will muster the 300 votes needed to amend Ukraine's constitution and put an end to political ambiguities and power clashes.

Following the announcement of official results this week, and after time allocated for potential court challenges expires, a new coalition government is expected to be led by Yulia Tymoshenko.