



June 27, 2008

Current price: USD 385  
 12M Target: USD 460 *diluted* (USD 580 *undiluted*) **BUY**

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**Tickers**

PFTS	DNEN
GDR (Frankfurt/Xetra)	DPG
DR ratio	4 : 1

**Market information**

Market price, USD	385
Chg YTD	-27%

MCap, USD mln*:	
(old share number)	1,510
(increased charter fund)	2,297

No of shares, mln*:	
old shares	3.92
(increased charter fund)	5.97

Free float, USD mln	89.6
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**Shareholder structure:**

**By proportion in new charter fund\***

NC ECU (State)	50.0%
DTEK (SCM)	46.1%
Other	3.9%

**By number of actual shares**

NC ECU (State)	76.0%
DTEK (SCM)	18.0%
Other	6.0%

\* Dniproenergo raised its charter fund by 1.52x in late 2007, but DNEN's registrar refused to register the new shares proportionally to the fund increase. De jure, the number of shares has not grown.

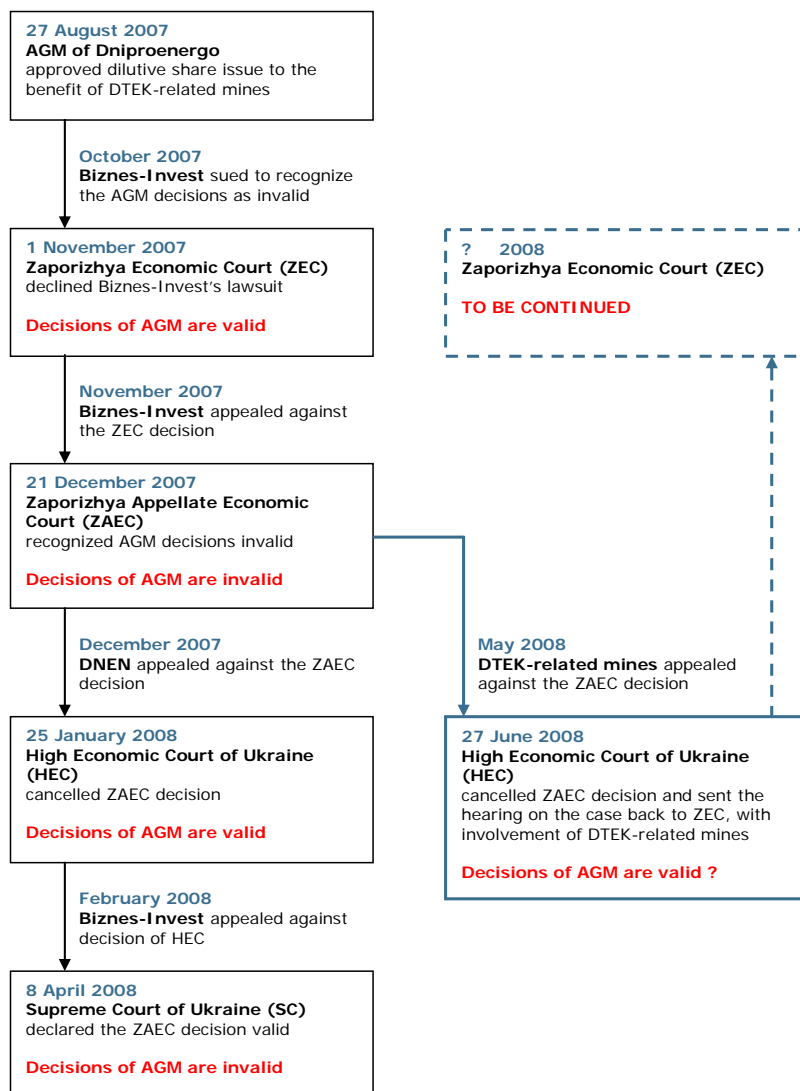
**Key financials and ratios\*\***

USD mln	2006	2007	2008E
Sales	551	758	1,051
EBITDA	56.6	79.2	104.2
Net income	2.5	24.3	46.4
EV/S	3.9	2.8	2.0
EV/EBITDA	27.2	20.5	15.5
P/E	919	94	49
EV/Capacity, USD/kW	374	371	363

\*\* Ratios assuming increased charter fund.

- Today's decision by the High Economic Court of Ukraine (HEC) paves the way for DTEK to continue its battle for Dniproenergo
- The ruling redirects the examination into the validity of Dniproenergo's Aug. 27, 2007 AGM back to the Zaporizhya Economic Court
- The decision effectively suspends the Supreme Court's April 8 ruling that declared the dilutive pro-DTEK share issue invalid
- **Rationale:** previous court hearings took place without the involvement of all interested parties, specifically two DTEK coal mines, which effectively bought the additionally issued shares of Dniproenergo
- DTEK wins more time (at least a year if the case goes back to court), which if the political wind does changes... the Supreme Court becomes highly likely to support DTEK keeping its 46% Dniproenergo stake
- We restore our practice of calculating both diluted and undiluted target prices for Dniproenergo: each yield more than 20% upside

**Timeline of legal actions related to DNEN's additional share issue**



## Valuation update

With increased probability that the additional share issue (favoring DTEK) is approved, we again provide both diluted (based on the increased number of shares) and undiluted (based on the old number of shares) targets. Our undiluted target was derived in our May 28 report on GenCos: USD 580 per share (51% upside).

To return to a diluted target, we assume a discounted benefit for Dniproenergo from DTEK's presence at USD 471 mln, as derived in our April 10 note on the company. Our diluted target is USD 460 per share (20% upside).

We reiterate our BUY recommendation on the stock, while warning that the weak market coupled with noise related to the conflict around Dniproenergo make the company a long-term investment opportunity.

## 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	56	49%
Hold	22	19%
Sell	19	17%
Under Review	18	16%
Total	115	100%

### Investment banking clients\*

Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	6	100%

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

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