



CONCORDE CAPITAL

Ukraine / Electricity

# Dniproenergo

## DTEK defends additional share issue

January 30, 2008

Current price:  
12M Target:

USD 481  
USD 516

**HOLD**

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### Ticker

PFTS	DNEN
GDR (Frankfurt/Xetra)	DPG

### Market information

Market price, USD	481.7
MCap, USD mln	2,875.7
52 Wk Hi/Low, USD	519/168
DRs per common share	4:1
No of shares new, mln	5.97
Free float	5.0%
Free float, USD mln	143.8

### Corporate Governance

Concorde Rating\* A

\*\* 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

State (NC ECU)	50.0%
DTEK	44.3%
Other	5.7%

According to Dniproenergo's press service, the company's additional share issue was recognized as valid by Ukraine's High Economic Court. The implication of the decision is that DTEK now has more incentive to fulfill its investment obligations for 2008. As this is in line with our expectations, we stick to our previous target and HOLD recommendation.

### Court recognized validity of additional share issue

Ukraine's High Economic Court satisfied an Dniproenergo's appeal against a decision by the Zaporizhya Appellate Economic Court, which invalidated the results of Dniproenergo's AGM in August 2007 (1.52x increase of charter fund via a dilutive share issue). The decision provides solid legal backing for the capital increase process: chances for reprivatization now look pale.

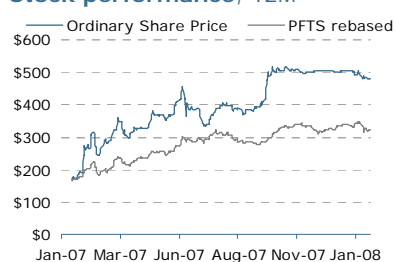
### Key implication: No delays in investment program

Now more confident about retaining its 45% stake in Dniproenergo, DTEK is poised to fulfill its USD 40 mln investment obligations for 2008, as initially planned.

### Registrar looks like the only impediment to fixing DTEK's victory

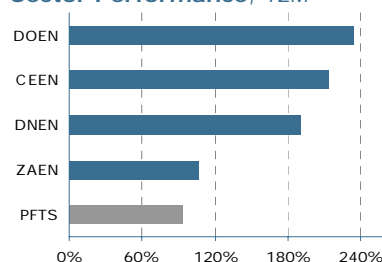
The registrar of Dniproenergo still has not registered the newly issued shares, in spite of a Kyiv Economic Court ruling obligating it to do so. This means the *de jure* number of shares of Dniproenergo did not increase (i.e. 3.92 mln). In an interview with us, a member of Dniproenergo's management board confirmed that due to a conflict with the registrar, timing of the share registration is hard to predict. For valuation purposes, we continue using the new number of shares, as we believe the issue will ultimately be registered.

### Stock performance, 12M

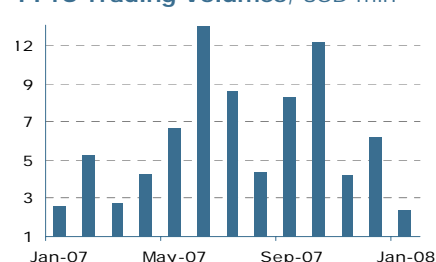


Source: PFTS. Note: PFTS-bid price

### Sector Performance, 12M



### PFTS Trading Volumes, USD mln



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 ratings distribution

Buy	39	37%
Hold	30	28%
Sell	13	12%
Under Review	24	23%
<b>Total</b>	<b>106</b>	<b>100%</b>

### Investment banking clients\*

Buy	7	78%
Hold	1	11%
Sell	0	0%
Under Review	1	11%
<b>Total</b>	<b>9</b>	<b>100%</b>

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

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