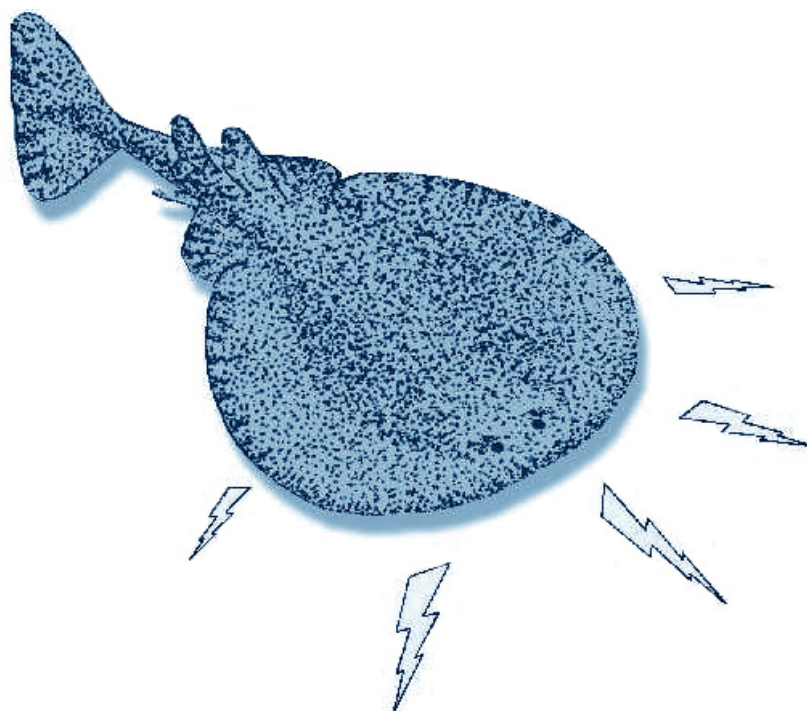


Sector Update

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# Oblenergос

## DTEK opens bottom-fishing season



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## Investment summary

### DTEK's market activity will become a catalyst

On July 14, DTEK announced plans to use part of its newly attracted EUR 50 mln loan to purchase electricity stocks from the market – a catalyst for Oblenergos, those foremost in the sphere of DTEK's interest: DNON, DOON.

### More than doubled bottom lines in 1Q08

The Oblenergo sector boosted its reported profits in 1Q08 more than twofold, mainly due to an upward revision in their main profit-generator – investment programs for 2008. We expect the sector's EBITDA to double in FY08.

### Sector inefficiencies almost solved

Fighting inefficiencies, as we expected, is no longer a major source of bottom line growth. The Ukrainian electricity distribution sector is reaching a 0% level of commercial losses, 100% payments collection, and is granted (by the regulator) more independence in cash flow distribution. Efficiency-based growth potential remains for the narrow list of still inefficient Oblenergos: DOON, CHEN, ZOEN.

### Implementation of new tariff policy is likely to be postponed

With the deadline for implementation of the new RAB-based tariff policy approaching, we see political and technical concerns that are likely to postpone implementation. We shift our view on the target date from the start of 2009 to mid-2009 or early 2010.

### Political instability makes privatization pipeline unpredictable

Differences in the President and Prime Minister's views on the privatization of blocking stakes in six Oblenergos derailed efforts to hold tenders in May 2008. The key opponent, State Property Fund head Valentyna Semenyuk-Samsonenko has so far retained her position, supported by the President and parliamentary opposition. Only her removal (timing is a completely random variable) would revive the privatization process.

### Smaller companies are our top picks

We widened our set of valuation tools to more accurately estimate Oblenergos' value under the new tariff policy. While most stocks promise mid-term upside, our view remains that companies oriented toward industrial consumers and Oblenergos that enjoy a preferential tariff policy are less attractive investment opportunities. We like relatively liquid Oblenergos that are not concentrated on industrial consumers: KREN, LVON, CHEON and POON. In addition, DNON whose price is likely to be driven by buying pressure from DTEK, also looks like a good investment opportunity.

### WATCH:

- Presentation of regulation on tariff reform for Oblenergos (2H08)
- Privatization of 25%-27% stakes in CHEON, LVON, ODEN, POON, PREN and SOEN (2H08-2009)
- Privatization/placement of 46% and/or 25% stake in CHON (2H08-2009)
- Privatization of controlling stakes in CHEN, DNON, DOON, HAON, HMON, KREN, TOEN, VIEN, VOEN and ZAON (2009-2010)
- Resolution of conflicts between main private shareholders of CHEON, LVON, POON, PREN, SOEN and TOEN (2H08-2010)

### Valuation summary

	Price, USD	MCap, USD mln	EV/S	EV/EBITDA	12M target, USD	Upside	Rec.
CHEN	0.6	34.1	0.6	5.4	3.0	400%	BUY
CHEON	0.5	59.7	0.5	4.7	2.8	460%	BUY
CHON	0.8	111.3	0.8	6.1	2.6	247%	BUY
<b>DNON</b>	<b>65.0</b>	<b>389.5</b>	<b>0.2</b>	<b>7.3</b>	<b>130.0</b>	<b>100%</b>	<b>BUY</b>
DOON	3.2	209.7	0.8	neg.	n/a	n/a	N/R
ENUG	10.0	54.8	0.6	6.2	8.0	-20%	SELL
<b>HAON</b>	<b>0.9</b>	<b>230.9</b>	<b>0.6</b>	<b>5.2</b>	<b>2.5</b>	<b>180%</b>	<b>BUY</b>
HMON	1.0	134.6	1.1	11.9	2.5	150%	BUY
HOEN	1.3	232.6	1.6	23.6	1.8	38%	BUY
KION	1.5	179.1	2.0	13.0	2.8	87%	BUY
<b>KREN</b>	<b>1.0</b>	<b>173.0</b>	<b>0.8</b>	<b>8.7</b>	<b>3.0</b>	<b>200%</b>	<b>BUY</b>
<b>LVON</b>	<b>1.1</b>	<b>213.4</b>	<b>0.9</b>	<b>11.1</b>	<b>2.7</b>	<b>145%</b>	<b>BUY</b>
ODEN	0.6	114.7	0.5	5.4	1.0	82%	BUY
<b>POON</b>	<b>1.1</b>	<b>243.1</b>	<b>0.9</b>	<b>8.0</b>	<b>2.5</b>	<b>127%</b>	<b>BUY</b>
PREN	1.2	124.4	1.0	9.1	3.1	160%	BUY
SMEN	3.0	80.7	1.4	19.1	1.8	-40%	SELL
TOEN	1.2	73.3	1.0	9.1	4.0	233%	BUY
<b>VIEN</b>	<b>65.0</b>	<b>201.3</b>	<b>1.7</b>	<b>19.7</b>	<b>140.0</b>	<b>115%</b>	<b>BUY</b>
VOEN	0.3	143.2	1.7	15.2	0.5	67%	BUY
ZAON	2.5	448.4	0.6	26.0	3.0	20%	HOLD
ZHEN	1.0	122.4	1.0	8.0	2.7	170%	BUY
<b>ZOEN</b>	<b>0.9</b>	<b>112.1</b>	<b>1.2</b>	<b>13.8</b>	<b>1.9</b>	<b>110%</b>	<b>BUY</b>

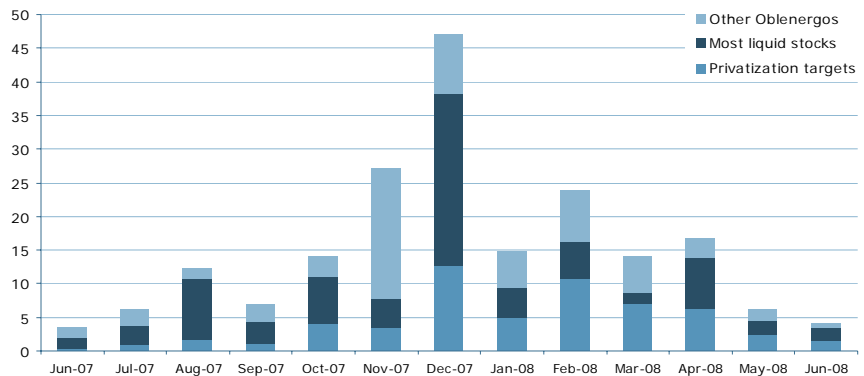
Note: bold recommendations are for our top picks

# STOCK MARKET AND CORPORATE GOVERNANCE

## Privatization targets trade more actively

The 'privatization mark' has served as a driver for five Oblenergo stocks ever since the Yanukovich government announced in September 2007 that it planned to privatize the 25%-27% stakes in six Oblenergos remaining in state hands (the sixth Oblenergo, Sumyoblenergo, is not listed). Interest picked up again in January 2008 on new Prime Minister Tymoshenko's initiative to revive the process. Over 1H08, the trading volume of the five privatization-marked Oblenergos increased 17 times yoy, and accounted for 41% of the entire sector's trading volume, though the stocks only make up 23% of the free float.

Monthly trading volumes by groups of Oblenergos, USD mln

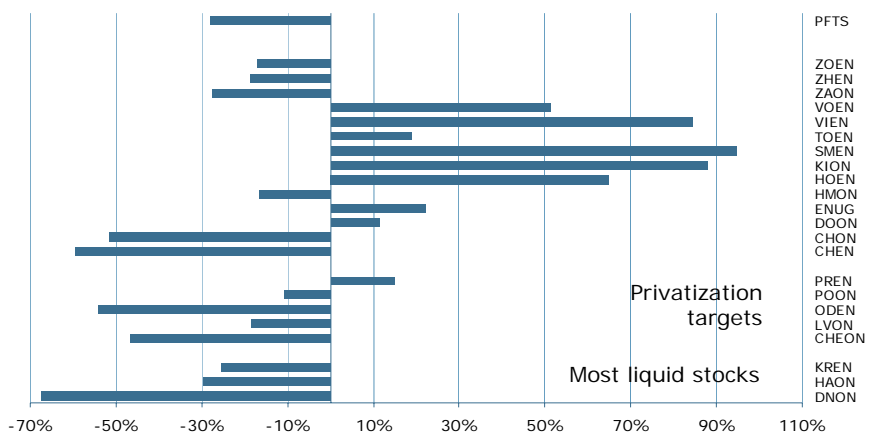


Source: PFTS, Concorde Capital calculations

Of all Oblenergos, the most liquid and the privatization targets have suffered the most from this year's market recession, underperforming the PFTS by up to 40 pp YTD.

Dniprooblenergo has lost 2/3 of its value (or nearly USD 1 bln in MCap) since start of 2008, which we relate to overvaluation in 2007 (the market clued into the gap between sales and earnings potential) and the conflict involving management and the majority shareholder that became visible at its April 30, 2008 AGM.

Performance, YTD



Source: PFTS, Concorde Capital calculations

## DTEK is likely to drive the market

Two days ago, DTEK announced it has attracted a EUR 50 mln loan from Erste Bank, with part of the attracted amount to be spent on purchasing electricity distribution and generation stocks from the market. This could become a catalyst for stocks in DTEK's sphere of interest: primary targets are Donetskoblenergo and Dniprooblenergo.

We do not exclude that DTEK will actively buy shares of other distribution companies - the current cheap levels of sector stocks makes them attractive short-term investments. In general, we believe DTEK's moves will be a catalyst for the whole Ukrainian electricity sector.

## Political loggerheads

The Tymoshenko government encountered formidable resistance in trying to bring the 25%-27% stakes in six Oblenergos to the privatization block in May 2008, from President Yushchenko and State Property Fund Head Valentyna Semenyuk-Samsonenko. Both openly declare the need for privatization, but in reality have done their best to postpone the tenders.

We believe that privatization only is possible after the dismissal of Valentyna Semenyuk-Samsonenko. Tymoshenko made several fruitless attempts to get the motion through parliament, but the opposition did not even allow for a vote on the issue to take place.

In our view, the most probable way to unblocking the privatizations is for Tymoshenko to make some political concessions to the opposition (Party of Regions). We put the probability of this occurring at 50/50.

## Corporate conflicts wind down

### Privat/Energy Standard conflict: Seeking common ground?

Ukrainian businessman Ihor Kolomoyskiy (Privat) said in an interview in March 2008 that he was trying to find common ground with Konstantin Grigorishyn over the control of the six Oblenergos, in which they together hold 36%-40% stakes. So far, there is no evidence that the parties have reached an agreement: the AGMs for the five Oblenergos where they together control 40% have failed. Accounting for the conflicts moving into a more neutral phase, we revised our corporate governance ratings for the "conflicting" Oblenergos upward.

### DTEK vs. the NC ECU

The Donbas Fuel and Energy Company (DTEK), whose people controlled the National Energy Company of Ukraine (NC ECU) under the Yanukovich government, managed to retain control over a couple electricity companies even under the new pro- Kolomoyskiy team in the NC ECU. With only a minority stake but loyal top management in Dniprooblenergo, DTEK did its best to make two AGMs (scheduled for April 30 and June 30) fail, allowing it to keep its pro-DTEK supervisory board and management team in place.

At the moment, it is not explicitly clear why DTEK has retained operating control over Dniprooblenergo: it holds less than a 10% share in the company.



## Dividend policies: No changes

State-controlled Oblenergos followed a common dividend policy as dictated by the NC ECU: 15% of last year's net income (if positive), unless book value was negative.

Among Oblenergos controlled by Privat and Energy Standard, only Prykarpatooblenergo's AGM took place: 30% dividend payout, as before.

Odesaoblenergo reduced its 2007 dividend payout from 95% to 15%. It seems like its majority shareholder, on one side, did not want to share dividends with the state (holding 25% of the company), but that they also did not want to spoil their relationship.

Zhytomyroblenergo shareholders decided not to pay dividends from the company's net income, which dropped more than 90x yoy, due to higher reported D&A expenses.

	Dividends 2007		Dividends 2008	
	USD mln	% of Net income	USD mln	% of Net income
<b>State controlled</b>				
<b>Total</b>	<b>0.62</b>		<b>1.78</b>	
CHEN	0.01	15%	0.04	15%
CHON	Nil		Nil*	
DNON	Nil		**	
HAON	Nil		0.48	15%
HMON	0.22	15%	0.24	15%
KREN	0.21	15%	0.25	15%
VIEN	Nil*		Nil	
VOEN	0.08	15%	0.08	15%
ZOEN	0.08	15%	0.10	15%
ZAON			0.58	15%
<b>"Conflict" companies</b>				
<b>Total</b>	<b>0.20</b>		<b>0.29</b>	
CHEON	**		**	
LVON	**		**	
POON	**		**	
PREN	0.20	30%	0.29	30%
SOEN	**		**	
TOEN	**		**	
<b>Private</b>				
<b>Total</b>	<b>11.66</b>		<b>6.91</b>	
ZHEN	3.87	95%	Nil	
ODEN	0.80	95%	0.15	15%
KION	2.97	95%	3.66	95%
SMEN	4.02	100%	3.10	100%
<b>Sector total</b>	<b>12.47</b>		<b>8.98</b>	

\* Shareholders decided to pay 15% of net income as dividends, but courts banned the payout

\*\* Failed to convene an AGM

Source: Company data, Concorde Capital

## **PAYMENT COLLECTION, GRID LOSSES PROBLEMS NO MORE**

## We stop discriminating against poor-performing Oblenergos

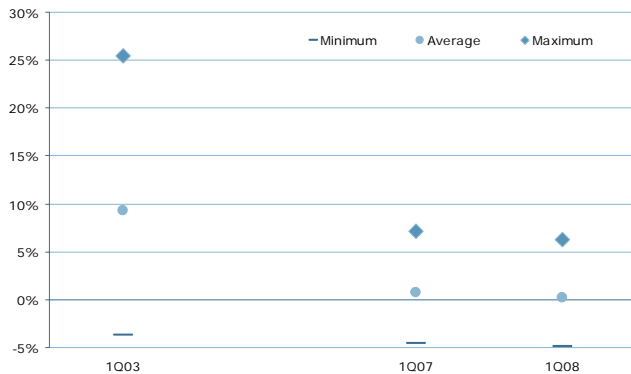
We stop rating Oblenergos by their operating performance for the purpose of applying discounts on peer multiples. As we show on the following pages, most Oblenergos made significant progress in solving the operating inefficiencies that plagued past periods (poor payment collection and high commercial grid losses). Most companies have now reached their profitability ceiling under the current tariff policy.

Moreover, we believe the inefficiencies that remain and those from the past (reflected as retained losses) can be captured by using P/B and EV-based valuation with necessary adjustments. We adjust excessive payables (as an addition to net debt) and receivables (as a deduction from book value) to capture Oblenergos' inefficiencies.

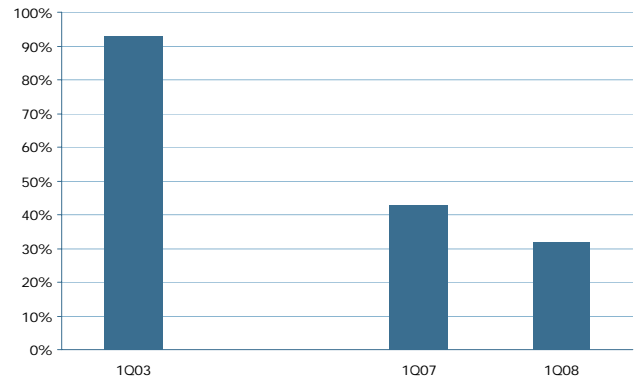
## Grid losses

In 1Q08, the Ukrainian distribution sector decreased electricity losses almost to the level compensated by distribution and supply tariffs (the so-called *permissive level*). Moreover, most Oblenergos reported their grid losses below the permissive level, i.e. they generated additional profits from economizing electricity. Aggregate *commercial electricity losses* (in excess of the permissive level) came to USD 7.8 mln in 1Q08 – a 10x decrease over five years. As we expected 12 months ago, the economic effect from cutting grid losses in 2007-2008 is becoming smaller in scale.

Sector's\* commercial losses, % of power input



Share of Oblenergos\* with commercial losses



\* The group of 28 electricity distribution and supply companies: 22 listed (including those not having word "Oblenergo" in their names: Krymenergo, Sevastopoblenergo, PES-Energougol; plus six unlisted(delisted): Kyivoblenergo, Mykolaivoblenergo, Rivneenergo, Sumyoblenergo, Luhansk Energy Union and Servis-Invest. Kyivenergo, which is concentrated on power production, is not included in our Oblenergo universe.  
Source: EnergoBiznes, NERC, Concorde Capital calculations

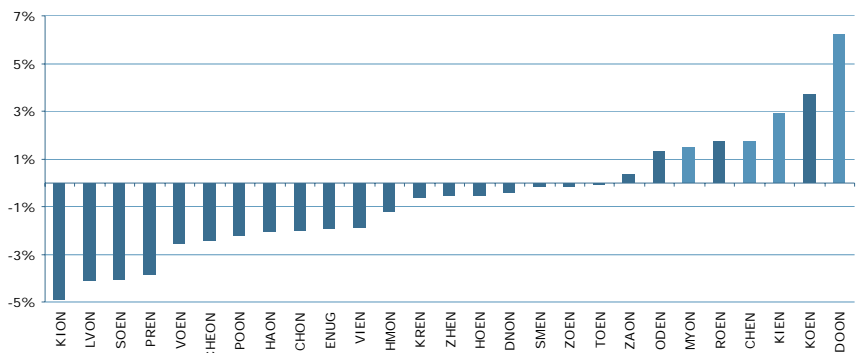
Part of commercial losses of four Oblenergos are compensated by their distribution tariffs, according to a National Electricity Regulatory Commission resolution. These are companies with above 3% commercial losses for the year 2007:

Losses subject to compensation in 2008, % of low-voltage power input

CHEN	4.0%
DOON	5.3%
KIEN	3.0%
MYON	4.0%

Source: NERC

Commercial electricity losses\*, 1Q08, % of power input



\* Commercial losses are losses in excess of the level predetermined by the regulator. If actual losses are below the predetermined level, commercial losses are negative.

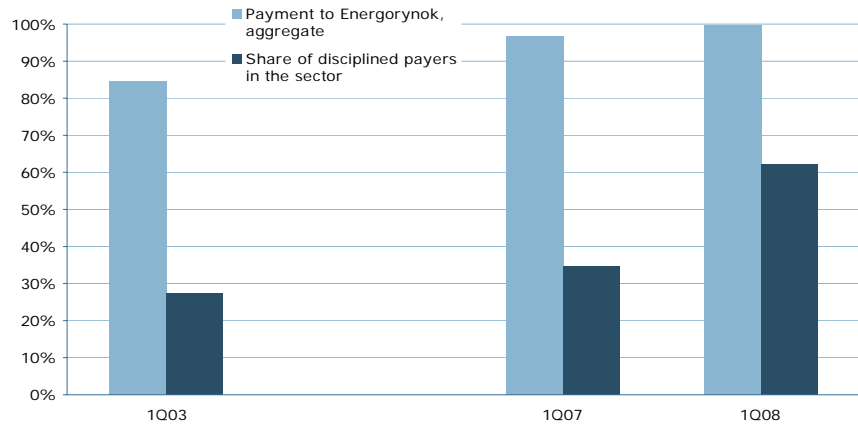
Note: Light bars for Oblenergos whose losses are partially compensated  
Source: EnergoBiznes

Unexpectedly, private Kyivoblenergo significantly increased its commercial electricity losses yoy in 1Q08, which could attest to its underinvestment in grid upgrades over the last couple of years. Other distributors (including the least inefficient DOON) reported trimmed commercial losses.

## Payment collection

The Oblenergo sector achieved a near 100% payment level for purchased electricity in 1Q08, with a significant drop in the share of lapsed payers.

### Settlements with Energorynok

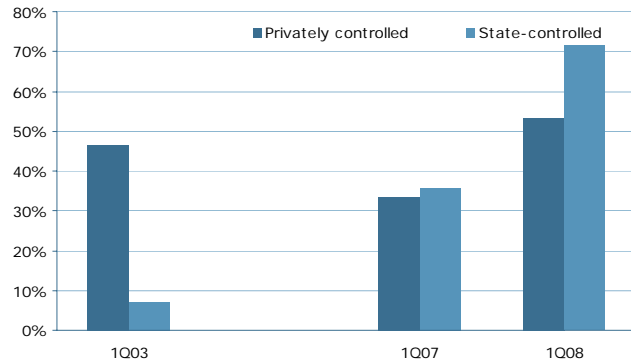


Note: Disciplined payers are those that, as of the end of 1Q08, paid for electricity purchased in the period without delay

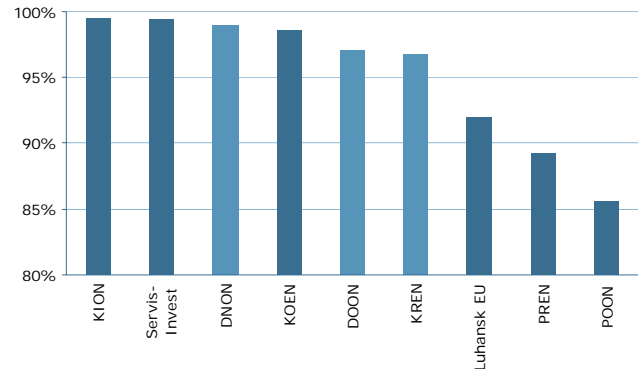
Source: EnergoBiznes, Concorde Capital calculations

State-controlled Oblenergos became more disciplined payers than privately-owned companies. Pressure from the NC ECU seems to have baited state-controlled companies into achieving higher settlement rates, while private Oblenergos took to targeting cash flow optimization.

### Share of disciplined\* payers in group



### Oblenergos with below 100% settlements,



\* Disciplined payers are those that, as of the end of 1Q08, paid for electricity purchased in the period without delay

Source: EnergoBiznes, Concorde Capital calculations

## Cash flow distribution

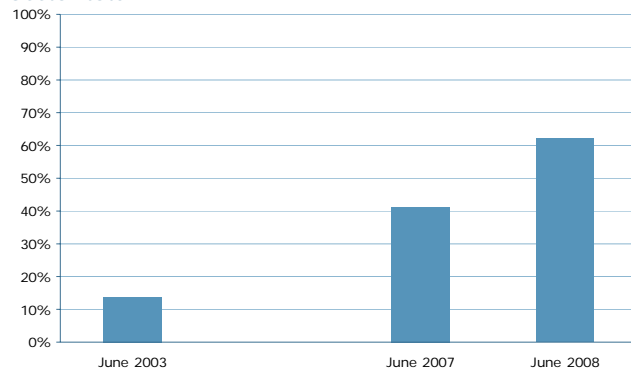
The discriminative *algorithm of cash distribution* from electricity consumers between Oblenergos and Energorynok (Ukraine's wholesale energy market) is becoming a thing of the past. Implemented back in 2000 to increase Oblenergos' payment discipline, the *algorithm* stipulated that part of the cash from electricity consumers should flow directly to the wholesale market operator, bypassing Oblenergos' accounts.

Now that most sector companies have improved settlement rates, the NERC is granting more independence: as of June 2008, almost 2/3 of Oblenergos received the full amount of payments from their customers (a so-called 100% algorithm).

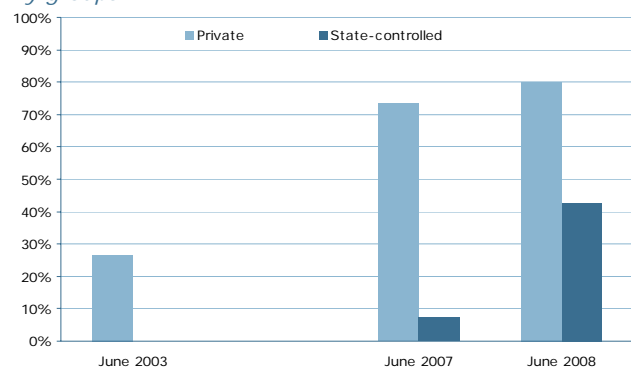
While in past years only private Oblenergos were granted a 100% algorithm, in May 2008, almost half of the state-controlled Oblenergos also started to benefit from this NERC privilege.

### Share of Oblenergos that receive 100% cash flow from customers

*Sector total*



*By groups*



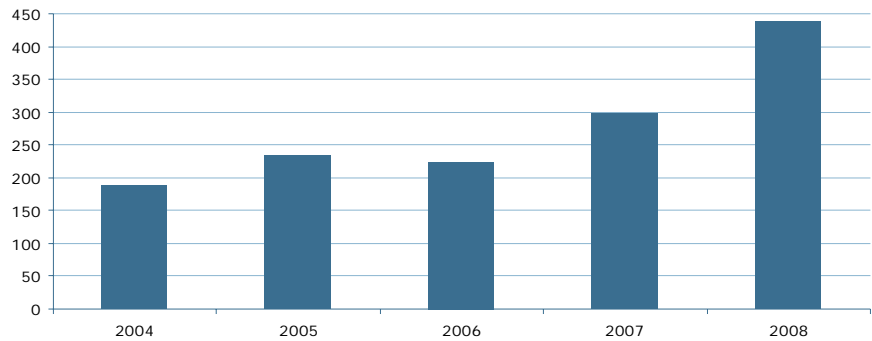
Source: NERC, Concorde Capital calculations

## **TARIFF POLICY: REGULATED PROFITS ARE GROWING**

## CapEx growth/profit increase link

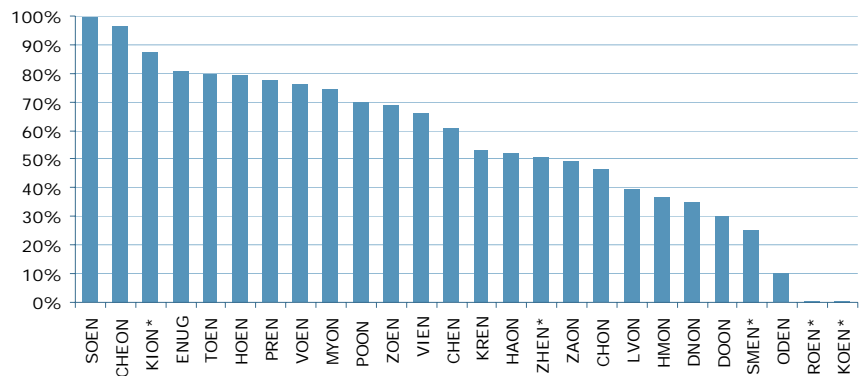
In 2008, the NERC allowed Oblenergos to up their investment programs by 51% aggregately, which will be the main source of reported profit increases this year.

Sector's aggregate investment program, USD mln



Source: NERC, Company data, Concorde Capital calculations

Growth in investments approved by regulator in 2008, yoy



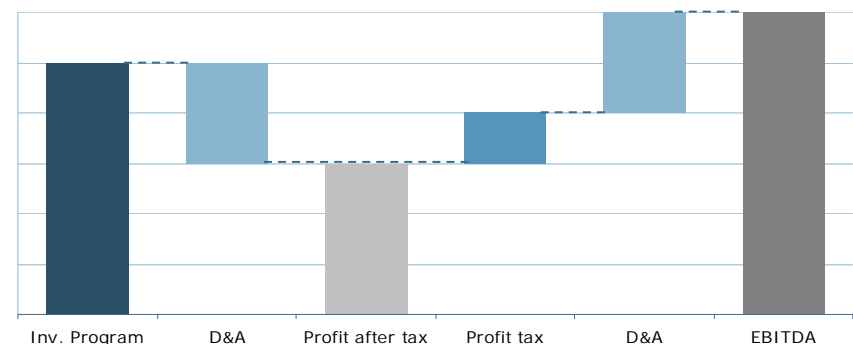
\* Oblenergos with preferential tariff policy

Source: NERC, Company data, Concorde Capital calculations

Without external financing, the higher the investment program the regulator allows, the more profit it has to stipulate for the company to finance the program. Exceptions are Oblenergos with a preferential tariff policy whose profits were set in 2002-2003 and are not correlated with their CapEx (their investment programs have risen much slower).

The simplified relationship between an Oblenergo's investment program and its EBITDA is summarized in the chart below.

"Rule of thumb" link between EBITDA and investment program



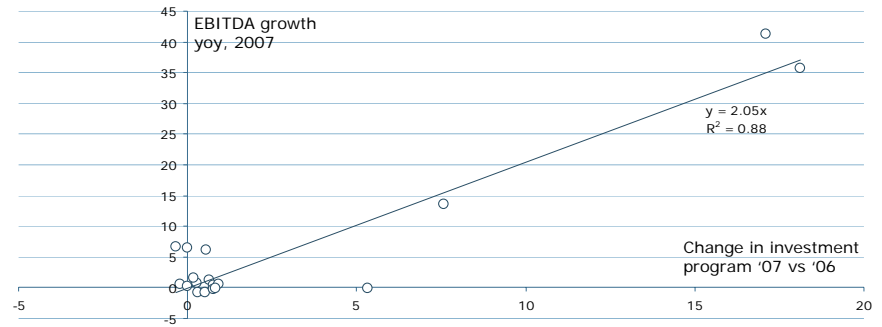
Source: Concorde Capital



The link between investment program growth and profit growth should be linear: every US dollar more into the investment program implies one US dollar approved by the regulator net profit, or a USD 1.33 increase in EBITDA, *ceteris paribus*.

Empirically, investment programs have a larger, but statistically weak, effect on EBITDA: the link is only evident for large values. With investment programs swelling in 2008 (compared to 2007), we expect this relationship to become visible for most of the companies.

**Investment program growth vs. EBITDA growth, USD mln**

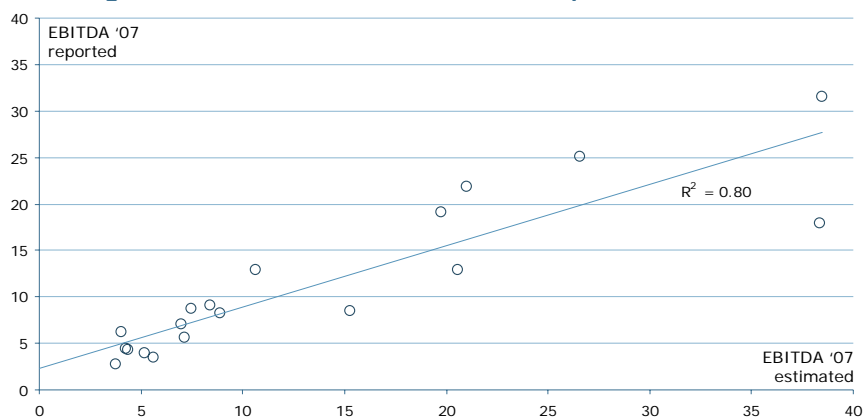


Source: NERC, Company data, Concorde Capital calculations

## EBITDA forecasts for 2008

Forecasting Oblenergos' EBITDA based on the increases in investment programs results in high predicting power: the correlation between 2007 reported EBITDA and our EBITDA estimate (based on investment program growth and reduced commercial losses) is 89.5%. Furthermore, if we adjust reported 2007 EBITDA for one-off rises in bad debt provisions over the period, the correlation would reach 95.0%.

### Oblenergos' EBITDA for 2007: estimated vs. reported, USD mln



Source: NERC, Company data, EnergoBiznes, Concorde Capital calculations

We believe this methodology will yield the most precise estimates of 2008 EBITDA for Oblenergos that do not enjoy a preferential tariff policy. We avoid applying this methodology for Donetskoblenergo, whose profits we believe are subject to significant reporting distortions. For Oblenergos with a preferential tariff policy, we estimate EBITDA based on their regulatory profit and forecasted commercial electricity losses.

### EBITDA forecast summary

	2008 EBITDA, USD mln	Change, yoy
CHEN	8.3	142%
CHEON	14.0	100%
CHON	19.4	50%
DNON	63.3	252%
ENUG	9.1	64%
HAON	46.2	85%
HMON	11.7	41%
HOEN	10.8	73%
KION	16.6	25%
KOEN	16.2	-32%
KREN	28.7	51%
LVON	20.9	63%
MYON	10.3	272%
ODEN	38.8	23%
POON	31.6	45%
PREN	14.3	57%
ROEN	10.9	13%
SMEN	5.2	-21%
SOEN	15.7	79%
TOEN	8.2	87%
VIEN	11.4	103%
VOEN	9.5	121%
ZAON	18.9	124%
ZHEN	17.0	42%
ZOEN	9.3	133%

Source: NERC, Company data, EnergoBiznes, Concorde Capital estimates

We forecast that thanks to a USD 123 mln rise in the investment programs of non-preferential tariff Oblenergos in 2008, their aggregate EBITDA will grow by USD 164 mln. Adding decreased commercial grid losses and adjusting for Oblenergos' 2007 bad debt provision (which tainted 2007 EBITDA), we forecast that Oblenergos with a non-preferential tariff policy will increase their aggregate EBITDA by USD 195 mln in 2008 – more than a twofold increase yoy.

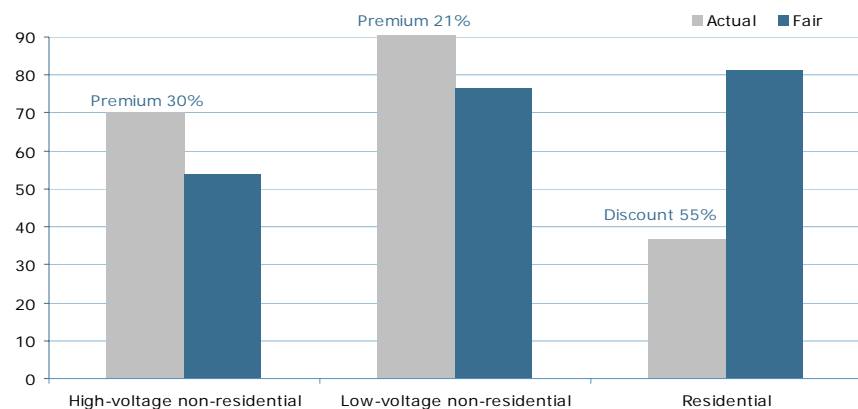
We estimate that Oblenergos with a preferential tariff policy will post lower aggregate EBITDA: their regulated net income (based on return on privatization MCap) will not change, while some will start reporting higher commercial electricity losses.

## Tariff reform: lots of uncertainties

We previously expected the new RAB-based tariff policy for Oblenergos at the start of 2009. Our conversations with regulators since then leads us revise this back by 6-12 months; the major reasons being political instability and the lack of strong political support for the reform.

Tariff reform is part of a broader planned electricity market makeover, which also includes transiting from a pooling system at the wholesale electricity market to bilateral contracts. The most politically sensitive item in the way is cutting out the cross-subsidization of different groups of consumers. Currently, household electricity tariffs cover less than 45% of production, distribution and supply costs, the rest is shelled out by non-residential consumers, who pay 21%-30% premiums. Implementation of the new rules implies lifting residential tariffs by up to 2.5 times, which is politically difficult.

Retail electricity tariffs by consumer groups, June 2008, USD/MWh



Source: NERC, Concorde Capital estimates

We believe a gradual shift in residential tariffs is inevitable: no more than 10% monthly; it will take at least one year.

Another problem is related to revision of Oblenergos' asset bases: new tariff policy would require significant upgrades (2-10 times) to their assets' value to correspond with the replacement value. Revaluation would imply generation of a one-off non-cash profit, which is subject to 25% taxation: according to our estimates, USD 1.9 bln in profit tax for the entire sector. To do this without harming distribution companies, a special amendment to tax legislation should be adopted.

Such amendments are subject to political jostling: the total estimated amount tax payments is equivalent to 4% of 2008 state budget expenses – too large to easily "forgive". The experience of generation companies' not being granted tax privileges could be indicative:

### Case study: Surcharges to GenCo tariffs not tax exempted

In order to collect cash for repaying loans, generation companies Donbasenergo and Centrenergo were granted additional surcharges from the wholesale market: Donbasenergo USD 127 mln over 2002-2008, and Centrenergo USD 15 mln over 2005-2006. The total amount of the payments should have been directed at repaying loan principal and interest (not for taxes). However, relevant amendments to tax legislation have not been made.

Still, we believe that the government will agree to revise tax legislation: the benefits from the new tariff policy on Oblenergos' valuations will bolster the government's plans to privatize stakes in 20 companies.

# 1Q08 FINANCIAL ANALYSIS

## 2.5x bottom line surge in 1Q08

### Sector profits increase, 1Q08, chg yoy

	Net income	EBITDA
Sector	+127%	+78%
Sector without DOON*	+88%	+67%
<b>Listed companies</b>	<b>+150%</b>	<b>+80%</b>
Listed companies without DOON*	+85%	+65%

\* DOON's financials are very volatile (and, we believe, distorted) in recent years

Source: Company data, Concorde Capital calculations

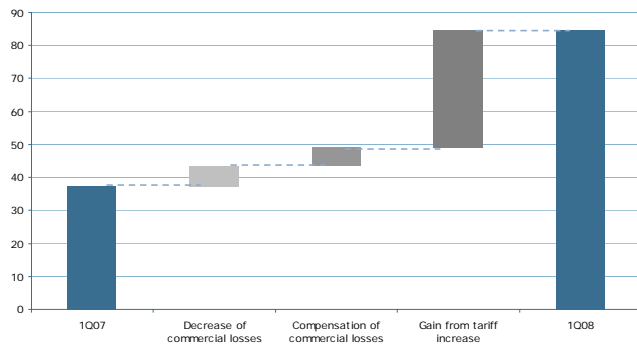
#### Key bottom line drivers:

- upward revision in distribution and supply tariffs, designed to raise profits mainly for increasing investment programs
- reduction in commercial electricity losses (those not covered by Oblenergo tariffs)
- partial compensation of commercial electricity losses for four distributors via their tariffs: compensation was not applied in 1Q07, but from April 2007 until the end of 2008

As we forecasted in our August 2007 report, reduced electricity losses do not have a major impact on Oblenergo's profits, while the most significant bottom line driver was tariff growth.

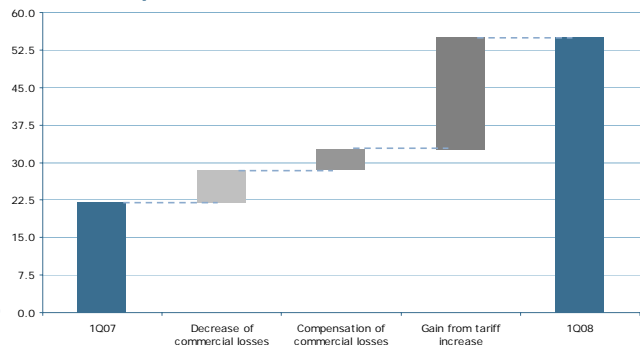
#### Growth in aggregate bottom line, USD mln

##### Sector



Source: Company data, Concorde Capital estimates

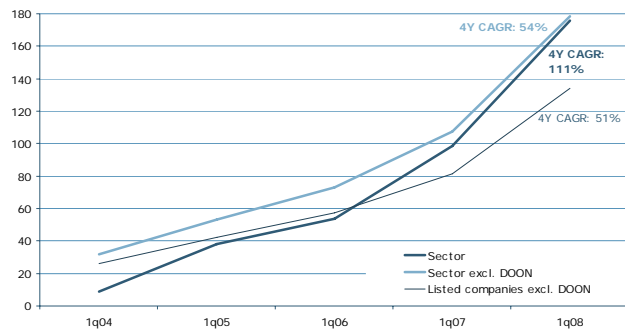
##### Listed companies



# 1Q08 margins touch historical maximum

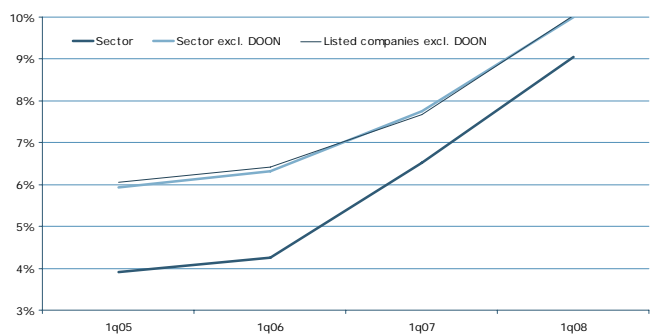
During the first quarter of the year, Oblenergos became as profitable as their international peers. The sector's aggregate EBITDA margin in 1Q08 reached 10% – a level comparable to the margins of their Hungarian peers. Some Oblenergos achieved 18% EBITDA margins, putting them on an even keel with developed market competitors.

**Aggregate EBITDA, USD mln**



Source: Company data, Concorde Capital estimates

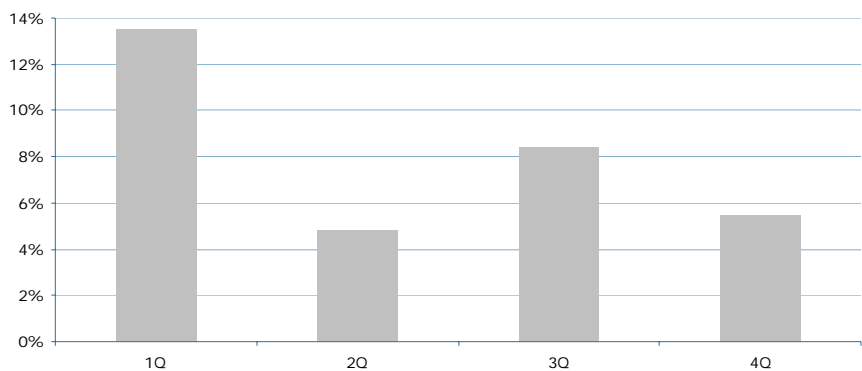
**Aggregate EBITDA margins**



FY08 margins will decrease from what they were in 1Q08, as tariffs (which are based on forecasted full-year expenses) are likely to be unchanged over the year, while costs will grow steadily. Costs are sensitive to the wholesale electricity price, which is going to go up by about 40% over 2008, with the highest increase in 2Q08 and 3Q08. At stable transmission tariffs, sales per MWh will rise and profit per MWh will fall in upcoming quarters.

Last year is illustrative: Oblenergo tariffs were revised in January and July 2007, which stimulated higher margins in 1Q07 and 3Q07.

**Case study: Cherkasyoblenergo quarterly EBITDA margins, 2007**



Source: Company data, Concorde Capital calculations

We forecast the sectors' absolute aggregate EBITDA to grow 70% yoy, while its EBITDA margin will come to 6.6%.

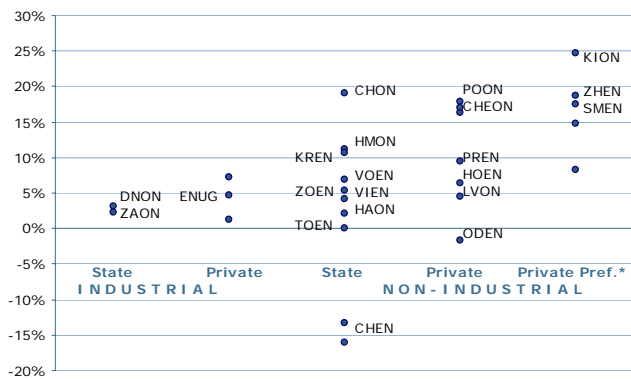
## Profitability: non-industrial Oblenergos have an edge

Previously, to forecast the typical reaction of different Oblenergos to trigger events, we classified them into five groups, dividing by ownership structure and operating results/efficiency. Now that most electricity distributors have solved their key operating problems (poor collection rates and high commercial electricity losses), we slightly modified our classification: we distinguish between ownership structure, tariff policy (to separate those with preferential tariffs), and customer profile (to separate those with industrial consumers accounting for more than 75% of their customer base).

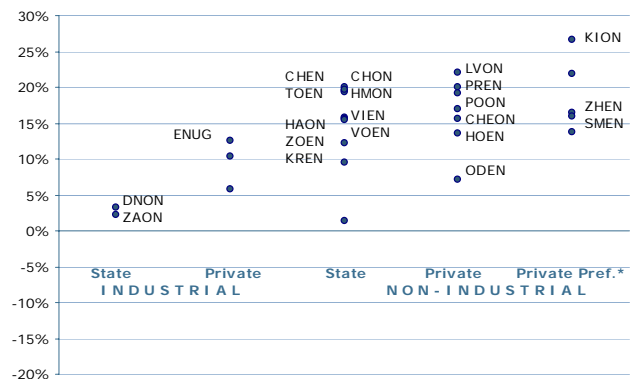
Oblenergos in industrial regions have inherently lower profitability potential than those in non-industrial areas due to smaller electricity supply volume per UAH of investment needs (and per UAH of asset base) - their current (and future) profits per unit of electricity distributed/sold are less. The negative scale effect was illustrated in our August 2007 report.

We see that the largest progress in boosting their EBITDA margins was by the group of non-industrial Oblenergos that do not have a preferential tariff policy. This category was the most efficient in both solving operating inefficiencies and applying for upward tariff revisions. We recommend looking this set of Oblenergos as the sector's most attractive investment opportunity.

EBITDA margins by groups: 1Q05



1Q08



Note: Only listed Oblenergos are labeled; \* Private Oblenergos with a preferential tariff policy  
Source: Company data



## Debt issue

The Oblenergo sector overall reduced its payables by USD 347 mln (15%) yoy, as of the end of 1Q08. The majority of this (USD 306 mln) came from long-term debt restructuring by four sector companies: Zaporizhyaoblenergo, Luhansk Energy Union, PES-Energougol and Mykolaivoblenergo.

Seven Oblenergos still have payables exceeding 25% of their annual revenues (highlighted below in red). Among them, the ones with the highest chances to restructure their payables are small companies with low absolute amounts of debt: Vinnytsyaoblenergo, Kharkivoblenergo, Zakarpatoblenergo and Chernivtsioblenergo.

The debt problems at other distribution companies are likely to be solved by new strategic investors after privatization.

### Account payable statistics, 1Q08, USD mln

	Payables	Payables/ Sales 2007	Change since 1Q07	Restructured since 1Q08
CHEN	46.1	85%	-1.0	0.0
CHEON	0.8	1%	-0.2	0.1
CHON	23.2	23%	-1.5	0.0
DNON	421.5	30%	-11.0	0.0
DOON	883.2	188%	17.8	0.0
ENUG	1.0	1%	-18.3	10.3
HAON	82.1	29%	-5.7	-0.2
HMON	20.9	23%	-1.3	0.0
HOEN	7.0	6%	0.2	0.0
KIEN	54.8	6%	-26.0	0.0
KION	7.1	9%	4.8	0.0
KOEN	1.2	1%	0.4	0.0
KREN	213.0	100%	1.1	0.0
Luhansk Energy Union	19.6	5%	-47.7	69.2
LVON	4.6	2%	0.7	0.3
MYON	1.1	1%	-96.3	92.9
ODEN	24.8	9%	-23.7	3.0
POON	7.1	4%	2.2	0.0
PREN	0.7	1%	0.4	0.0
ROEN	1.5	2%	0.6	0.0
Servis-Invest	0.8	0%	0.0	0.0
SMEN	0.3	1%	-0.7	0.0
SOEN	3.1	3%	-0.5	0.1
TOEN	5.0	9%	-0.5	0.0
VIEN	77.0	79%	0.0	0.0
VOEN	9.0	15%	-0.7	0.0
ZAON	1.1	0%	-140.4	129.9
ZHEN	3.8	4%	-0.2	0.0
ZOEN	56.8	73%	0.5	0.0

Source: Company data, Concorde Capital calculations

## Adjustments of debt

We continue to adjust Oblenergos' reported net debt by adding their estimated overdue payables to account for a risk to future financial stability related to debt repayment. We adjust reported net debt by adding ½ of the difference between payables plus restructured debt, and receivables. In addition, we keep adjusting outstanding receivables to uniformly reflect the probability of getting them back. We estimate the maximum portion of gross receivables that can be returned to companies at 40%, if gross receivables turnover is below 2x; 50% if below 5x; 70% if below 10x, and assume no limits if above 10x. If reported turnover exceeds our maximum assumed value, we adjust receivables downward.

### Receivables adjustment, USD mln

	Net receivables reported	Gross receivables turnover, x	Est. maximum net receivables	Adjusted net receivables
CHEN	36.4	2.1	23.6	23.6
CHEON	2.1	45.4	3.3	2.1
CHON	7.1	14.9	15.2	7.1
DNON	201.3	7.9	193.1	193.1
DOON	376.7	1.6	211.0	211.0
ENUG	8.1	3.2	16.3	8.1
HAON	32.2	5.9	75.1	32.2
HMON	9.9	13.2	16.9	9.9
HOEN	59.0	2.7	40.9	40.9
KIEN	8.4	9.0	8.3	8.3
KION	12.9	19.9	9.8	9.8
KOEN	135.8	2.1	60.1	60.1
KREN	5.2	21.4	25.1	5.2
LVON	25.3	5.9	21.3	21.3
MYON	32.6	8.5	43.9	32.6
ODEN	6.2	24.9	18.7	6.2
POON	5.2	16.9	7.5	5.2
PREN	2.4	32.6	4.7	2.4
ROEN	2.4	10.9	14.0	2.4
SMEN	3.4	25.5	7.2	3.4
SOEN	4.0	18.1	8.3	4.0
TOEN	18.8	7.2	19.6	18.8
VIEN	4.8	13.8	7.4	4.8
VOEN	66.1	11.1	105.2	66.1
ZAON	5.8	21.7	13.4	5.8
ZHEN	48.2	2.2	25.6	25.6
ZOEN	36.4	2.1	23.6	23.6

Source: Company data, Concorde Capital estimates

### Net debt adjustment, USD mln

	Net debt reported	Current payables	Restructured payables	Adjusted receivables	Net debt adjusted
CHEN	-1.6	46.1	2.1	23.6	10.7
CHEON	6.6	0.8	1.3	2.1	6.6
CHON	-1.9	23.2	0.0	7.1	6.2
DNON	-43.3	421.5	0.0	193.1	70.9
DOON	-11.4	883.2	0.0	211.0	324.7
ENUG	-0.1	1.0	10.3	8.1	1.4
HAON	-18.5	82.1	3.4	32.2	8.2
HMON	-1.2	20.9	0.0	9.9	4.3
HOEN	2.0	7.0	74.4	40.9	22.2
KIEN	175.7	54.8	0.0	97.5	175.7
KION	36.2	7.1	1.8	8.3	36.5
KOEN	25.8	1.2	0.0	9.8	25.8
KREN	-0.2	213.0	0.0	60.1	76.2
LVON	16.3	4.6	4.3	5.2	18.1
MYON	2.4	1.1	105.8	21.3	45.2
ODEN	23.9	24.8	148.8	32.6	94.4
POON	10.8	7.1	0.3	6.2	11.4
PREN	5.6	0.7	1.6	5.2	5.6
ROEN	2.1	1.5	0.0	2.4	2.1
SMEN	19.4	0.3	0.0	2.4	19.4
SOEN	0.9	3.1	1.8	3.4	1.7
TOEN	0.9	5.0	0.6	4.0	1.8
VIEN	-4.6	77.0	0.0	18.8	24.5
VOEN	-0.6	9.0	0.0	4.8	1.5
ZAON	11.3	1.1	129.9	66.1	43.7
ZHEN	14.7	3.8	0.0	5.8	14.7
ZOEN	1.3	56.8	0.0	25.6	16.9

Source: Company data, Concorde Capital estimates

## VALUATION

## Valuation methods

### Valuation by reform-based parameters

In anticipation of tariff policy reform, we believe it is time to start valuing Oblenergo stocks by mainly reform-based parameters. We believe value generation potential under the new tariff policy can be best captured by the following multiples, without any preference:

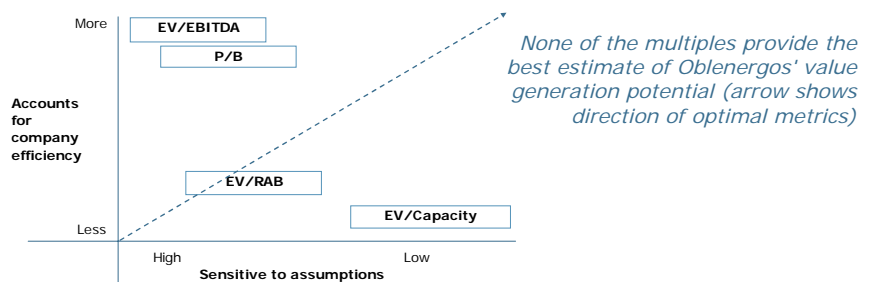
**EV/Transformer Capacity.** As we showed in our August 2007 report, transformer capacity perfectly approximates the asset base of Oblenergos and their profits in current and future periods. EV/Capacity varies from the other three as it is the most straightforward multiple, i.e. does not depend on assumptions of future changes.

**EV/RAB multiple** (instead of simply approximating EV to future RAB, as we did before) – alike the first multiple, it can indicate how the market might value companies' asset bases.

**P/B** applying the book value adjusted for the new regulatory environment, i.e. revaluation of assets. Similar to EV/EBITDA, it also accounts for company-specific factors like over-reported receivables and retained earnings / accumulated losses.

**EV/EBITDA** with assumed EBITDA under the new tariff policy, (unlike the two first multiples) accounts for company-specific (in)efficiencies reflected in additional costs/profits.

Each of the approaches value Oblenergos from a different angle. EV/RAB (EV/Capacity) encompasses only Oblenergos' asset base value (transformer capacity), almost ignoring their operating (in)efficiencies; while P/B guards for past inefficiencies (via retained earnings / accumulated losses), and EV/EBITDA partially controls for current (in)efficiencies related to commercial electricity losses. On the other hand, EV/Capacity and EV/RAB are less sensitive to our assumptions.



### Valuation by current operating and financial data

**EV/Sales and EV/Electricity for 2008:** as our analysis showed (refer to our August 2007 report), these multiples should be applied cautiously when valuing large industrial-focused Oblenergos: Dniprooblenergo, PES-Energougol and Zaporizhyaoblenergo.

**EV/EBITDA multiple for 2008** is an estimate of Oblenergos' floor value generation potential.

## EV/Sales and EV/Electricity

As we highlighted in previous reports, value generation potential is poorly correlated with Oblenergos' revenue and electricity output. Though, as EV/Sales and EV/Electricity are the most straightforward multiples, we feel the need to present them, without direct implications for valuation.

### Benchmarking to integrated (distribution and supply) companies

#### Peer multiples: Distribution and supply companies

	EV/S		EV/Electricity distr.	
	2008E	2009E	2008E	2009E
EMASZ	0.8	0.8	82	81
ELMU	0.6	0.6	86	85
Prazska Energetika	1.9	1.9	257	255
Horizon Energy	3.5	3.4	135	133
Cegedel	1.3	1.2	151	139
<b>Mean</b>	<b>1.8</b>	<b>1.8</b>	<b>142</b>	<b>139</b>

Source: Bloomberg, Company data, Concorde Capital estimates

### Benchmarking to pure grid companies

As the major part of Oblenergo's bottom line comes from their power transmission and distribution business, we believe pure grid companies can be used as peers. Though, most of Oblenergos' reported revenues are attributed to their electricity *supply* business - to make Oblenergos' sales comparable to that of grid companies, we only need to adjust Oblenergos' reported sales by eliminating revenue from their power supply segment.

#### Peer multiples: Grid companies

	EV/S		EV/Electricity distr.	
	2008E	2009E	2008E	2009E
Elia	4.7	4.6	61	60
Terna	6.5	6.3	40	40
Central MRSK	1.4	1.2	38	37
Ural MRSK	1.0	0.9	n/a	n/a
<b>Mean</b>	<b>3.4</b>	<b>3.2</b>	<b>46</b>	<b>46</b>

Source: Bloomberg, Company data, Concorde Capital estimates

### Implied share prices, USD

	EV/S (integrated)		EV/S (grid)		EV/EI. Integrated	
	Implied price	Upside	Implied price	Upside	Implied price	Upside
CHEN	1.4	138%	1.7	181%	2.8	363%
CHEON	1.1	121%	1.4	175%	2.1	324%
CHON	1.1	42%	1.3	70%	3.0	301%
DNON	348.4	436%	134.8	107%	718.0	1005%
DOON	6.3	96%	5.9	83%	15.9	398%
HAON	1.8	96%	1.7	84%	4.0	344%
HMON	1.1	8%	1.3	27%	2.1	112%
HOEN	0.9	-30%	1.1	-16%	1.6	25%
KION	0.7	-51%	1.1	-30%	2.3	51%
KREN	1.6	57%	1.7	67%	3.5	247%
LVON	1.5	32%	1.5	36%	2.9	166%
ODEN*	1.7	206%	1.9	251%	3.5	535%
POON	1.3	23%	1.7	59%	3.4	211%
PREN	1.3	11%	2.2	84%	2.9	146%
SMEN	2.4	-18%	2.5	-18%	4.3	45%
TOEN	1.4	13%	1.7	42%	2.7	121%
VIEN	42.3	-35%	54.6	-16%	103.0	58%
VOEN	0.20	-34%	0.21	-28%	0.39	29%
ZAON	5.0	101%	2.1	-17%	9.9	298%
ZHEN	1.2	22%	1.5	49%	2.2	121%
ZOEN	0.9	-2%	1.0	6%	1.8	97%
ENUG	19.5	95%	12.5	25%	28.2	182%

Source: Bloomberg, Company data, Concorde Capital estimates

## EV/EBITDA

Estimations of 2008 EBITDA are provided on page 18.

For estimating 2009 EBITDA, we use the assumption that the new RAB-based tariff policy will be in place since the beginning of 2009. Though a relatively strong assumption (tariff reform could be delayed by up to one year), it still provides a rough guess at the value of Oblenergos under the new tariff policy whenever it is implemented.

Assumptions for 2009 EBITDA forecast:

- We assume linear depreciation of the replacement value at over 40 years (for replacement value estimates, refer to page 31)
- Interest expenses plus net income are equal to return on RAB. This means regulated  $EBIT = [R(RAB) - Interest * t] / (1 - t)$  where  $R(RAB)$  is return on RAB,  $t$  is income tax rate (25%)
- Forecasted EBIT is adjusted for expected commercial electricity losses/gains
- Return on RAB is 11%\*RAB
- RAB assumptions are provided on page 31
- Interest rate is 10%; debt is taken based on 2:3 D/E, which we expect will be required by NERC (more details on debt and equity assumptions under the new tariff policy are on page 31)

### Peer EV/EBITDA multiples

	2008E	2009E
EMASZ	6.8	6.4
ELMU	4.7	4.7
Prazska Energetika	8.2	8.1
Horizon Energy	7.6	7.5
Cegedel	4.4	4.1
Elia	11.4	11.1
Terna	9.1	8.9
<b>Mean</b>	<b>7.5</b>	<b>7.3</b>
<b>Median</b>	<b>7.6</b>	<b>7.5</b>

Source: Bloomberg, Company data, Concorde Capital estimates

### Implied share prices, USD

	EV/EBITDA 2008E		EV/EBITDA 2009E	
	Implied price	Upside	Implied price	Upside
CHEN	0.9	50%	3.1	416%
CHEON	0.8	65%	2.6	421%
CHON	0.9	24%	2.3	205%
DNON	67.1	3%	149.7	130%
DOON	neg	n/m	20.5	541%
HAON	1.3	46%	2.6	193%
HMON	0.6	-38%	2.3	134%
HOEN	0.3	-75%	1.8	36%
KION	0.7	-51%	2.6	75%
KREN	0.8	-20%	3.4	238%
LVON	0.7	-35%	2.2	101%
ODEN	0.9	70%	2.7	394%
POON	1.0	-7%	2.4	120%
PREN	1.0	-19%	2.6	119%
SMEN	0.7	-76%	1.8	-39%
TOEN	1.0	-19%	3.6	197%
VIEN	19.7	-70%	136.5	110%
VOEN	0.15	-51%	0.50	66%
ZAON	0.5	-78%	2.9	16%
ZHEN	0.9	-8%	2.4	137%
ZOEN	0.4	-53%	1.8	104%
ENUG	12.2	22%	5.2	-48%

Source: Bloomberg, Company data, Concorde Capital estimates

## EV/RAB and P/B

The key assumption of these two approaches is the implementation of the RAB-based tariff policy in one year. Following the reform, Oblenergos will need to revise their asset value and equity to correspond to the real market value and/or assets' value generation potential.

EV/RAB metrics just estimate the value of Oblenergos solely based on the new tariff policy, while P/B is a more company-specific metric that captures past period performance (reflected as retained earnings or accumulated losses) and accounts for the risk of increased bad debt provisions.

### Fixed asset revaluation assumptions

- As in our August 2007 industry update, we calculate net fixed assets as depreciated replacement value
- Like in our previous report, accumulated depreciation is taken as 75% for all companies
- Replacement value of assets is taken as provided by NERC for 2006 (refer to our August 2007 report), and adjusted for growth in equipment prices
- We assume the NERC provided replacement value data based on mid-2006 equipment prices - to arrive at mid-2009 prices, we use equipment inflation rates

### Equipment price indices

	2006	2007	2008E	2009E
Transformers	29%	16%	18%	15%
Substations	1%	5%	5%	5%
<b>T&amp;S</b>	<b>19%</b>	<b>12%</b>	<b>14%</b>	<b>12%</b>
<b>Wires</b>	<b>26%</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>

*Source: State Statistics Committee of Ukraine, Concorde Capital estimates*

Accumulated inflation is 48% for transmission and distribution equipment and 51% for the power grid (wires).

### Book value assumptions:

- Current book value is adjusted to reflect the revaluation of fixed assets and risk of increased bad debt provisions
- For those Oblenergos, which in our view too optimistically report their receivables, we reduce their book value to reflect high risk of bad debt provisions rising in future periods (which will affect negatively book value). More details on receivables adjustment are on page 26.

### Net debt assumption for valuation purpose:

We take net debt as regulated value, assuming the proportion of debt to equity required by NERC to be 40:60 under the new tariff policy.

### RAB assumptions:

- RAB is calculated as depreciated replacement value of assets, plus need for working capital
- Working capital needs are calculated as 1/24 of 2009 revenues (i.e. assuming receivables turnover of 15 days).

**Book value and RAB estimates, USD mln**

	RV of assets, mid-2009	RAB, mid-2009	Equity, EoY 2008	Plus revaluation of assets	Less increase of bad debt	Equity adjusted
CHEN	660	160	11	146	-13	144
CHEON	1,319	317	39	289	0	327
CHON	1,415	341	37	301	0	338
DNON	2,881	774	-19	603	-8	576
DOON	3,635	890	-341	795	-166	244
ENUG	107	30	12	14	0	26
HAON	2,229	546	258	194	0	452
HMON	1,331	321	52	266	0	319
HOEN	1,304	316	40	273	-18	296
KION	1,390	333	82	279	0	361
KOEN	1,808	442	58	397	-3	453
KREN	2,041	497	22	419	-76	365
LVON	1,825	444	66	386	0	452
MYON	1,256	304	-25	264	-4	235
ODEN	1,993	490	48	310	0	358
POON	1,617	485	110	314	0	424
PREN	1,249	301	46	274	0	320
ROEN	1,016	246	38	220	0	258
SMEN	212	54	15	43	0	58
SOEN	1,293	312	76	260	0	336
TOEN	963	231	21	214	0	236
VIEN	1,699	408	7	375	0	381
VOEN	938	226	78	130	0	208
ZAON	1,990	511	31	419	0	450
ZHEN	1,428	344	175	206	0	381
ZOEN	934	226	34	201	-23	212

Source: NERC, Company data, Concorde Capital estimates

**Peer multiples**

	P/B	EV/RAB
EMASZ	1.4	n/a
ELMU	1.2	n/a
Prazska Energetika	2.1	n/a
Horizon Energy	1.1	1.3
Cegedel	1.2	0.9
Elia	0.9	1.0
Terna	2.2	1.4
Mean	<b>1.4</b>	<b>1.2</b>
Median	<b>1.2</b>	<b>1.2</b>

Source: Bloomberg, Company data, Concorde Capital estimates

Median EV/RAB and P/B multiples are close for electricity companies. We use median values for Oblenergos' valuation.



	Implied share prices, USD P/B		EV/RAB	
	Implied price	Upside	Implied price	Upside
CHEN	3.0	406%	3.1	412%
CHEON	3.3	555%	3.0	506%
CHON	2.7	263%	2.6	250%
DNON	114.7	76%	137.9	112%
DOON	4.4	39%	10.8	238%
HAON	2.1	134%	2.4	171%
HMON	2.8	183%	2.7	173%
HOEN	2.0	52%	1.9	48%
KION	3.6	140%	2.9	96%
KREN	2.5	152%	2.9	189%
LVON	2.8	153%	2.6	133%
ODEN	2.1	273%	2.3	313%
POON	2.3	108%	2.5	127%
PREN	3.7	207%	3.3	176%
SMEN	2.6	-15%	1.6	-47%
TOEN	4.6	284%	4.4	263%
VIEN	147.1	126%	144.7	123%
VOEN	0.52	74%	0.54	82%
ZAON	3.0	20%	3.1	22%
ZHEN	3.7	272%	3.1	214%
ZOEN	2.0	126%	2.0	119%
ENUG	5.8	-42%	6.1	-39%

Source: Bloomberg, Company data, Concorde Capital estimates

P/B and EV/RAB yield similar results, and most of the difference is explained by large outstanding receivables or high retained losses (accounted for in book value).

## EV/Transformer capacity

As we outlined in our August 2007 sector update, total transformer capacity can be used to estimate Ukrainian distribution companies' value generation potential as it correlates perfectly with most value-determining factors and is the best estimate of the companies' RAB.

### Correlation matrix for Oblenergo parameters

	RAB	Sales 08	EBITDA 08	EBITDA 09
Capacity	0.928	0.847	0.816	0.924
RAB		0.753	0.855	0.997
Sales 08			0.794	0.745
EBITDA 08				0.873
EBITDA 09				

Source: NERC, Company data, Concorde Capital estimates

Peers' median EV/Capacity corresponds to 1.25x of the current replacement value of Oblenergos' transformers (per kVA) - we believe it is a good estimate of Ukrainian companies' value generation potential.

### Peer multiples: EV/Transformer capacity, USD/kVA

EMASZ	131.8
ELMU	109.9
Prazska Energetika	251.3
Horizon Energy	357.6
Cegedel	116.2
Elia	n/a
Terna	120.6
Mean	<b>181.2</b>
Median	<b>126.2</b>

Source: Bloomberg, Company data, Concorde Capital estimates

### Implied share prices by peer median EV/Capacity, USD

	Implied price	Upside
CHEN	3.1	420%
CHEON	3.2	537%
CHON	3.2	326%
DNON	216.5	233%
DOON	18.1	465%
HAON	3.7	311%
HMON	2.9	188%
HOEN	2.5	93%
KION	3.5	136%
KREN	4.0	298%
LVON	3.0	175%
ODEN	2.9	424%
POON	2.2	103%
PREN	3.3	174%
SMEN	3.5	17%
TOEN	4.3	259%
VLEN	141.8	118%
VOEN	0.55	85%
ZAON	6.4	154%
ZHEN	3.5	248%
ZOEN	2.3	161%
ENUG	9.7	-3%

Source: Bloomberg, Company data, Concorde Capital estimates

## Target price estimation

We estimate our targets individually for three groups of companies, and account for two special cases that call for additional attention.

### Special case 1. DOON: bankruptcy scenario looks realistic

Donetskoblenergo's outstanding payables are more than USD 0.9 bln and are comparable with its asset base. At the moment, the company is protected from the bankruptcy by law 2711, which is scheduled to expire at the end of 2008 (but can be prolonged).

The future of the company depends heavily on DTEK, its main private shareholder and the key candidate to privatize it (or to buy out its assets in the process of bankruptcy). It looks like DTEK prefers the first option: we do not rate the stock (see case study below).

#### Case study: Fresh lawsuit for DOON's bankruptcy

According to the Delovaya Stolitsa newspaper, during the short period when law 2711 was suspended over May-June 2008 (refer to our notes of June 2 and June 5), Ukrelectrosilbud sued Donetskoblenergo in court for bankruptcy. Mass media relate the claimant to DTEK.

### Special case 2. ODEN: we recommend using the diluted target

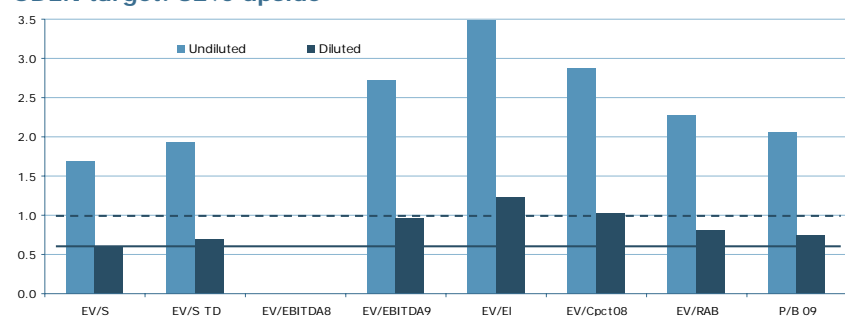
#### Additional share issue story

At their October 2006 EGM, Odesablenergo shareholders approved a 2.9x charter fund increase via an additional share issue, the initiator, VS Energy, controls 55% of shares. Subscription finished in January 2007, the state (NC ECU), 25% shareholder, did not subscribe and declared that it would block votes to approve the issue's results.

VS Energy initiated more than 20 EGMs since March 2007 to approve the issue's results. The NC ECU checked in, which automatically ensured that VS Energy wouldn't get the 75% of present votes it needed to pass the motion. VS Energy itself did not check in for the EGMs, forcing them to not convene due to a lack of quorum.

VS Energy's eagerness to approve the results of the additional share issue is evident. As Odesablenergo is one of the primary privatization targets and VS Energy is the main candidate to privatize it (and then approve the issue's results), we believe it is appropriate to account for the increased charter fund and new number of shares when setting our target price.

#### ODEN target: 82% upside



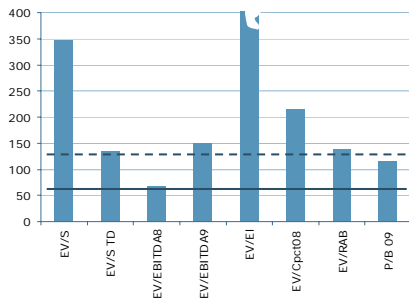
Note: Solid line - market price; Dashed line - target  
Source: Bloomberg, Company data, Concorde Capital estimates

It appears that at the current market price, ODEN promises upside by most of multiples, even under the diluted scenario: with a target price of USD 1.0, we upgrade the stock to BUY.

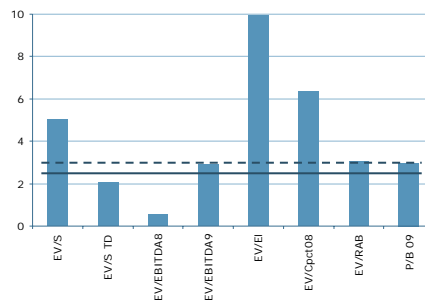
### Industrial Oblenergos: DNON, ZAON, ENUG

This group includes three companies whose share of industrial consumers exceeds 75%. The companies are characterized by past periods' of poor operating efficiency, which is reflected in high accumulated losses (relatively low P/B implied price) and high discrepancies between prices implied by EV/S, EV/Electricity multiples and other metrics. We believe EV/S and EV/Electricity metrics are meaningless for this group, as they tend to overestimate potential value. We value this group close to the median on EV/EBITDA '09, EV/Capacity, EV/RAB and P/B.

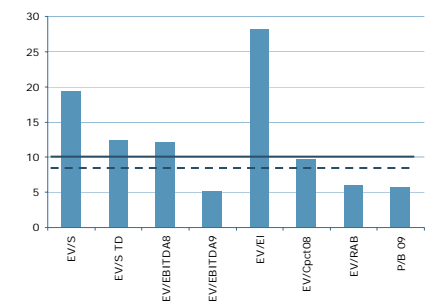
**DNON: 100% upside**



**ZAON: 20% upside**



**ENUG: 20% downside**

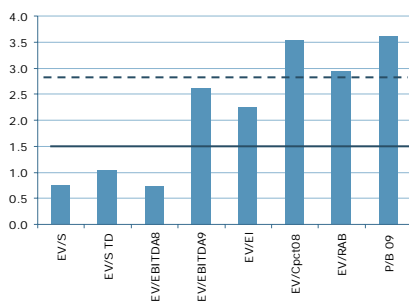


Note: Solid line - market price; Dashed line - target  
Source: Bloomberg, Company data, Concorde Capital estimates

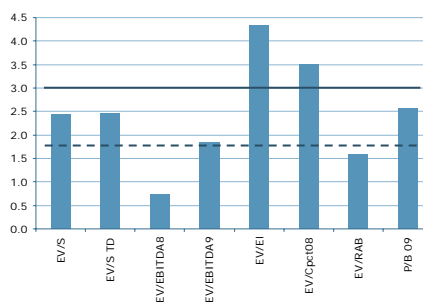
### Oblenergos with a preferential tariff policy: KION, SMEN, ZHEN

This group inherits a high risk to their profits in 2009: currently the companies are benefiting from a 7-year grace period when their profits are calculated as a 17% return on privatization MCap (at their 2001 privatization tenders). Return rate can be revised downward (down to 11%), if the new tariff policy does not take effect in 2009. In addition, for Sevastopoblenergo, concerns about overvaluation on EV/S and EV/Electricity multiples, like for industrial Oblenergos, is valid. We value this group between the two lowest metrics among EV/EBITDA '09, EV/RAB, P/B and EV/Capacity.

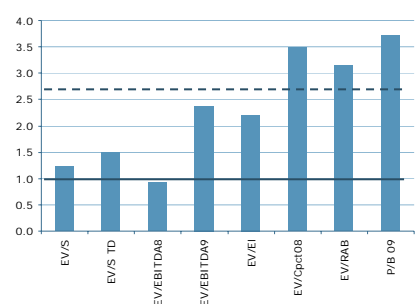
**KION: 87% upside**



**SMEN: 40% downside**



**ZHEN: 170% upside**

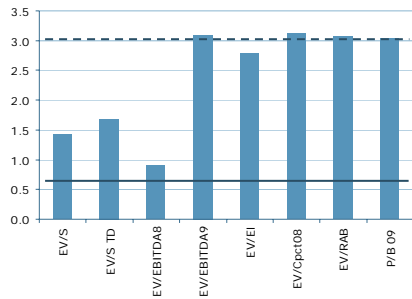


Note: Solid line - market price; Dashed line - target  
Source: Bloomberg, Company data, Concorde Capital estimates

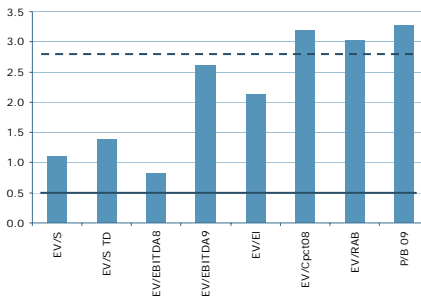
### Non-industrial Oblenergos with a non-preferential tariff policy

This broad group is remarkable for the uniform implied prices by most employed multiples: EV/Electricity, EV/EBITDA '09, EV/RAB, P/B and EV/Capacity. Setting target prices is rather straightforward.

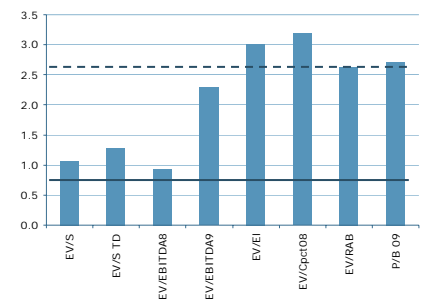
**CHEN: 400% upside**



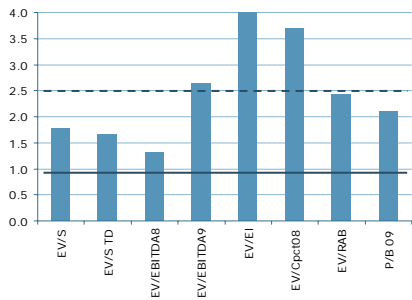
**CHEON: 460% upside**



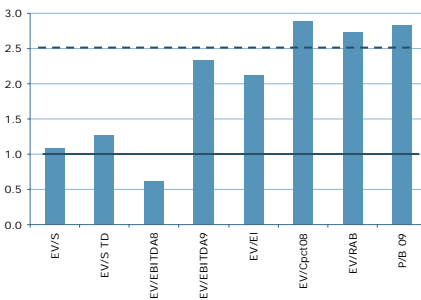
**CHON: 247% upside**



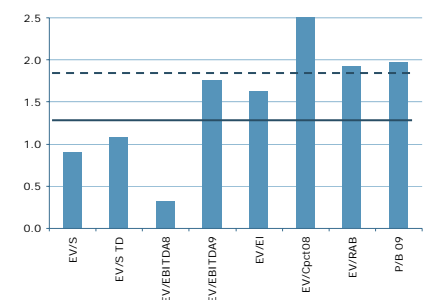
**HAON: 180% upside**



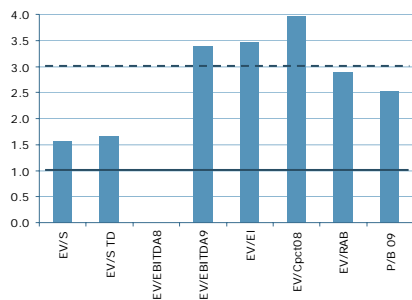
**HMON: 150% upside**



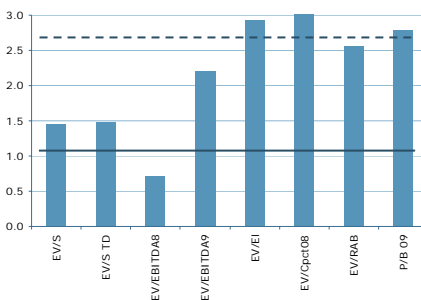
**HOEN: 40% upside**



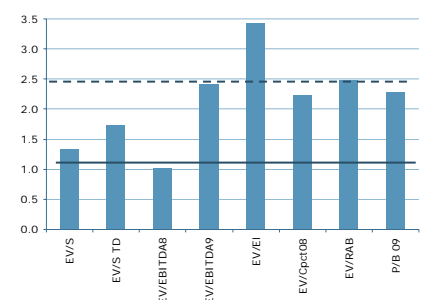
**KREN: 200% upside**



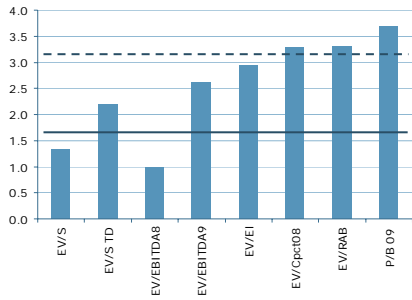
**LVON: 145% upside**



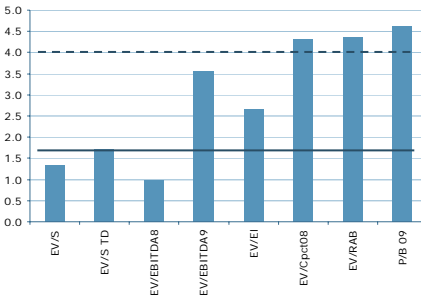
**POON: 127% upside**



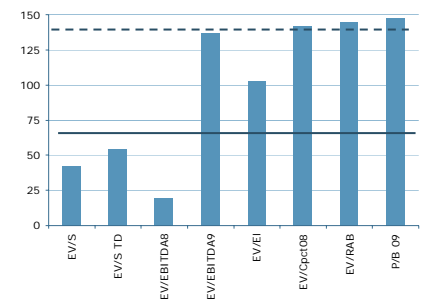
**PREN: 160% upside**



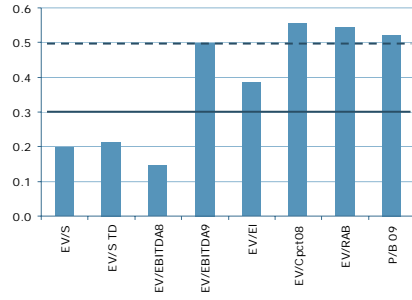
**TOEN: 233% upside**



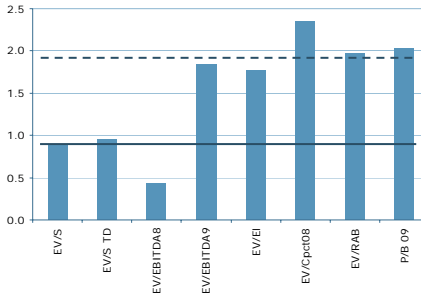
**VIEN: 115% upside**



**VOEN: 67% upside**



**ZOEN: 110% upside**

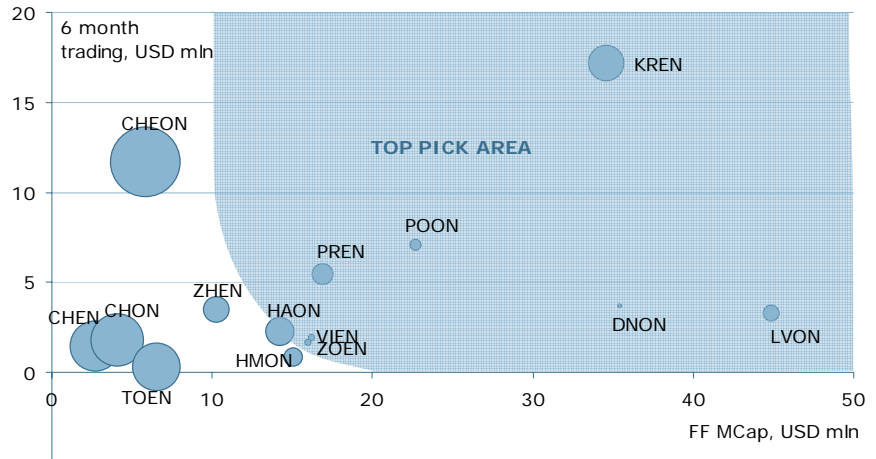


Note: Solid line - market price; Dashed line - target  
 Source: Bloomberg, Company data, Concorde Capital estimates

## Top picks selection

With the current weakness prevailing on the stock market and high upsides promised for most of the stocks, we believe it is necessary to differentiate top picks. In addition to upside potential, we account for liquidity, as gauged by free float and trading volumes. We select candidates for top picks among those yielding more than 100% upside.

### Top picks selection summary



Note: Width of a bubble represents upside (width of 0 is for 100% upside)  
 Source: Bloomberg, Company data, Concorde Capital research

### Valuation summary table

	MCap USD mln	Market price, USD	Target, USD	Upside	Rec.	Action
<b>Top picks</b>						
KREN	1	173	3	200%	BUY	Upgrade
HAON	0.9	231	2.5	180%	BUY	Upgrade
PREN	1.2	124	3.1	160%	BUY	Upgrade
LVON	1.1	213	2.7	145%	BUY	Upgrade
POON	1.1	243	2.5	127%	BUY	Upgrade
VIEN	65	201	140	115%	BUY	Upgrade
ZOEN	0.9	112	1.9	110%	BUY	Upgrade
DNON	65	389	130	100%	BUY	Upgrade
<b>Other stocks</b>						
CHEON	0.5	60	2.8	460%	BUY	Upgrade
CHEN	0.6	34	3	400%	BUY	Maintain
CHON	0.75	111	2.6	247%	BUY	Upgrade
TOEN	1.2	73	4	233%	BUY	Upgrade
ZHEN	1	122	2.7	170%	BUY	Upgrade
HMON	1	135	2.5	150%	BUY	Upgrade
KION	1.5	179	2.8	87%	BUY	Maintain
ODEN	0.55	115	1	82%	BUY	Upgrade
VOEN	0.3	143	0.5	67%	BUY	Upgrade
HOEN	1.3	233	1.8	40%	BUY	Maintain
ZAON	2.5	448	3	20%	HOLD	Upgrade
ENUG	10	55	8	-20%	SELL	Maintain
SMEN	3	81	1.8	-40%	SELL	Downgrade
DOON	3.2	210	n/a	n/a	N/R	Maintain

Source: Bloomberg, Company data, Concorde Capital research

## **APPENDIX: COMPANY PROFILES**

# Cherkasyoblenergo (CHON UZ)

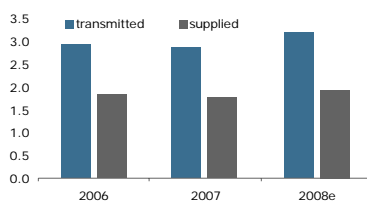
## BUY

12M target (USD) 2.6  
 Upside\* 247%

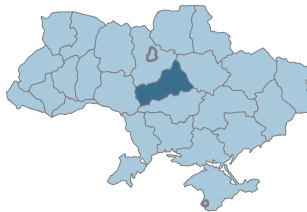
### INVESTMENT CASE

- Privatization target for 2008-2009: SPF (holds 46%) and state company UkrEsCo (holds 25%) are likely to sell their stakes in 2H08-2009
- Net margin of 12.6% in 1Q08 was one of the largest in the sector (sector's median was 7.1%)
- One of the least liquid Oblenergo stocks

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to central Cherkasy region (area 20,900 km<sup>2</sup>; population 1.39 mln). Owns a 38,500 km transmission grid (capacity: 3.8 GVA). Main customers are chemical enterprises in Cherkasy. Main shareholders are the state (46% of shares owned directly and 25% owned through state company UkrEsCo) and offshore companies related to Energy Standard. Planned investments in 2008 are USD 13.6 mln (up 46% yoy).

In 2007 supplied 1,76 TWh of electricity, raised sales by 16.9% yoy to USD 99.3 mln and almost doubled net income to USD 6.0 mln.

The stock was re-listed at PFTS in November 2007.

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.75
Price impact**	3
52 Wk H/L USD*	3.27/0.74
Chg 3m/6m*	-60%/-71%
Chg vs PFTS 3m/6m*	-33%/-28%
Chg YTD*	-72%
Avg M Tr Vol 6M, USD ths	313.5

<b>MCap</b> , USD mln	111.3
Free float	3.7%
FF Mcap, USD mln	4.1

<b>No of shares</b> , mln	148.4
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	46.0%
UkrEsCo (State)	25.0%
Energy Standard	25.3%
Other	3.7%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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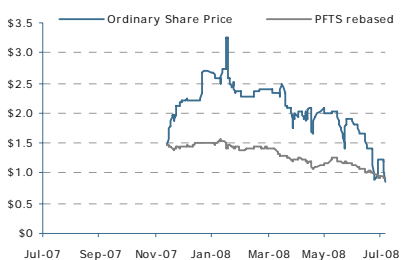
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.8	0.5
EV/EBITDA	6.1	1.5
P/E	10.1	3.6
P/B	3.0	0.3

### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	13.0%	13.5%	34.8%
Net Margin	6.0%	7.7%	13.8%
ROE	28%	35%	15%
Net Debt/Equity	-0.02	-0.02	0.09

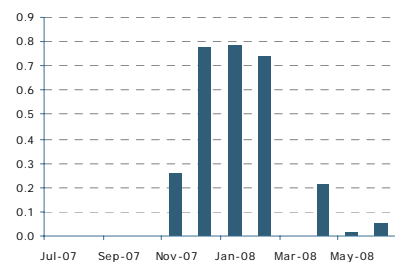
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.



## INCOME STATEMENT SUMMARY, USD

	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>22.5</b>	<b>57.8</b>	<b>68.7</b>	<b>85.0</b>	<b>99.3</b>	<b>142.9</b>	<b>223.9</b>
<i>Change yoy</i>	<i>n/a</i>	<i>156.3%</i>	<i>18.9%</i>	<i>23.7%</i>	<i>16.9%</i>	<i>43.9%</i>	<i>56.6%</i>
Gross Profit	11.2	12.4	11.7	16.7	15.8	22.3	81.0
<b>EBITDA</b>	<b>2.2</b>	<b>(1.5)</b>	<b>9.2</b>	<b>10.5</b>	<b>12.9</b>	<b>19.4</b>	<b>78.0</b>
<i>Margin</i>	<i>9.7%</i>	<i>-2.5%</i>	<i>13.4%</i>	<i>12.4%</i>	<i>13.0%</i>	<i>13.5%</i>	<i>34.8%</i>
Depreciation	(3.3)	(3.6)	(4.0)	(4.4)	(4.3)	(4.5)	(33.4)
<b>EBIT</b>	<b>(1.1)</b>	<b>(5.1)</b>	<b>5.2</b>	<b>6.1</b>	<b>8.5</b>	<b>14.8</b>	<b>44.6</b>
<i>margin</i>	<i>-5.0%</i>	<i>-8.8%</i>	<i>7.6%</i>	<i>7.2%</i>	<i>8.6%</i>	<i>10.4%</i>	<i>19.9%</i>
Financial Expense, net	(0.0)	-	-	(0.0)	(0.1)	(0.1)	(3.4)
Other income/(expense)	(0.3)	(0.0)	0.0	(0.3)	(0.3)	-	-
<b>PBT</b>	<b>(1.4)</b>	<b>(5.1)</b>	<b>5.2</b>	<b>5.7</b>	<b>8.2</b>	<b>14.7</b>	<b>41.2</b>
Tax	(1.4)	(1.6)	(1.7)	(0.8)	(2.4)	(3.7)	(10.3)
<i>Effective tax rate</i>	<i>-96.4%</i>	<i>-31.3%</i>	<i>31.9%</i>	<i>14.0%</i>	<i>29.4%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(2.8)</b>	<b>(6.7)</b>	<b>3.6</b>	<b>3.1</b>	<b>6.0</b>	<b>11.1</b>	<b>30.9</b>
<i>Net Margin</i>	<i>-12.2%</i>	<i>-11.7%</i>	<i>5.2%</i>	<i>3.6%</i>	<i>6.0%</i>	<i>7.7%</i>	<i>13.8%</i>

## BALANCE SHEET SUMMARY, USD mln

	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>21.1</b>	<b>14.6</b>	<b>13.6</b>	<b>10.7</b>	<b>12.2</b>	<b>16.9</b>	<b>74.5</b>
Cash & Equivalents	1.3	1.0	1.5	1.0	0.7	0.7	49.1
Trade Receivables	14.1	9.4	8.4	6.2	6.3	6.3	9.9
Inventories	1.4	1.2	1.3	1.6	2.1	3.1	4.8
Other	4.3	2.9	2.4	1.9	3.0	6.8	10.6
<b>Fixed Assets</b>	<b>39.2</b>	<b>41.3</b>	<b>50.8</b>	<b>52.6</b>	<b>56.6</b>	<b>63.0</b>	<b>370.7</b>
PP&E, net	36.0	38.2	45.6	47.5	53.2	59.6	333.9
Other	3.2	3.2	5.2	5.0	3.4	3.4	36.8
<b>Total Assets</b>	<b>60.3</b>	<b>55.9</b>	<b>64.4</b>	<b>63.2</b>	<b>68.8</b>	<b>79.9</b>	<b>445.2</b>
<b>Shareholders' Equity</b>	<b>14.2</b>	<b>7.6</b>	<b>17.0</b>	<b>19.4</b>	<b>25.8</b>	<b>36.9</b>	<b>368.8</b>
Share Capital	7.0	7.0	7.3	7.3	7.3	7.3	7.3
Retained Earnings and Other	7.2	0.6	9.6	12.1	18.5	29.5	361.4
<b>Current Liabilities</b>	<b>46.0</b>	<b>48.2</b>	<b>47.1</b>	<b>43.7</b>	<b>42.9</b>	<b>42.9</b>	<b>28.2</b>
ST Interest Bearing Debt	-	-	-	-	-	-	-
Trade Payables	40.8	36.8	34.5	26.4	24.0	24.0	9.3
Other	5.2	11.4	12.6	17.3	18.9	18.9	18.9
<b>LT Liabilities</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>48.2</b>
LT Interest Bearing Debt	-	-	-	-	-	-	33.4
Other	0.2	0.2	0.4	0.1	0.1	0.1	14.8
<b>Total Liabilities &amp; Equity</b>	<b>60.3</b>	<b>55.9</b>	<b>64.4</b>	<b>63.2</b>	<b>68.8</b>	<b>79.9</b>	<b>445.2</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>26.5</b>	<b>17.2</b>	<b>17.1</b>	<b>24.2</b>	<b>25.3</b>	<b>21.6</b>	<b>22.5</b>	<b>29.9</b>	<b>33.5</b>
<b>EBITDA</b>	<b>0.2</b>	<b>4.1</b>	<b>3.0</b>	<b>3.2</b>	<b>5.2</b>	<b>2.0</b>	<b>2.9</b>	<b>2.8</b>	<b>6.7</b>
<i>margin</i>	<i>0.8%</i>	<i>23.9%</i>	<i>17.7%</i>	<i>13.1%</i>	<i>20.6%</i>	<i>9.4%</i>	<i>12.7%</i>	<i>9.3%</i>	<i>19.9%</i>
<b>EBIT</b>	<b>(0.8)</b>	<b>3.0</b>	<b>2.0</b>	<b>1.9</b>	<b>4.2</b>	<b>1.0</b>	<b>1.8</b>	<b>1.6</b>	<b>5.5</b>
<i>margin</i>	<i>-3.0%</i>	<i>17.7%</i>	<i>11.4%</i>	<i>7.9%</i>	<i>16.5%</i>	<i>4.5%</i>	<i>7.9%</i>	<i>5.3%</i>	<i>16.5%</i>
<b>Net Income</b>	<b>(1.6)</b>	<b>2.0</b>	<b>1.4</b>	<b>1.3</b>	<b>3.2</b>	<b>0.8</b>	<b>1.3</b>	<b>0.7</b>	<b>4.2</b>
<i>Net Margin</i>	<i>-6.0%</i>	<i>11.6%</i>	<i>8.5%</i>	<i>5.2%</i>	<i>12.8%</i>	<i>3.5%</i>	<i>5.6%</i>	<i>2.5%</i>	<i>12.6%</i>

# Chernihivoblenergo (CHEON UZ)

## BUY

www.chernigivoblenergo.com.ua

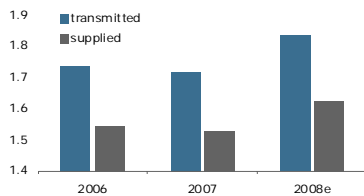
12M target (USD)  
Upside\*

2.8  
460%

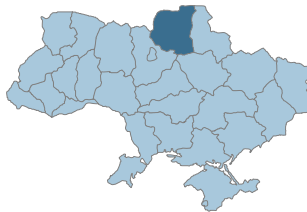
### INVESTMENT CASE

- One of the most actively traded Oblenergo stocks in 1H08
- Improved net margin to 10.4% in 1Q08 (up 3.5% pp) vs. 7.5% median for sector
- Increased twofold its investment plans for 2008 yoy, signaling that it could post of one of the highest increases in bottom line in the sector
- Belongs to "conflict" group of Oblenergos; has been unable to hold an AGM for the last five years
- Privatization of state's remaining stake (25%) will resolve conflict between two rival private shareholders

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to northern Chernihiv region (area 31,900 km<sup>2</sup>; population 1.2 mln). Among the most efficient in the sector. Main consumers are Chernihiv Khimvolokno and the Gnidensk Natural Gas Processing Plant. Industrial users (38.6%), residential (25.8%) and agricultural users (16.2%). In 2007 supplied 1.52 TWh of electricity, and sales grew by 17.8% yoy to USD 87.0 mln, leading to a profit of USD 0.7 mln (vs. a net loss of USD 0.44 mln in 2006).

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.5
Price impact**	3
52 Wk H/L USD*	2.76/0.41
Chg 3m/6m/52w*	-76%/-81%/-54%
Chg vs PFTS 3m/6m/52w*	-48%/-38%/-21%
Chg YTD*	-82%
Avg M Tr Vol 6M, USD ths	1952.4

<b>MCap</b> , USD mln	59.7
Free float	9.9%
FF Mcap, USD mln	5.9

<b>No of shares</b> , mln	119.3
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	25.0%
EnSt/Privat	40.0%
Privat/Surkis	25.1%
Other	9.9%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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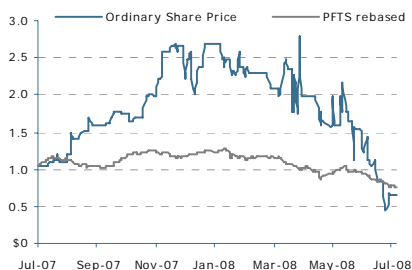
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.5	0.3
EV/EBITDA	4.7	0.9
P/E	9.4	2.1
P/B	1.6	0.2

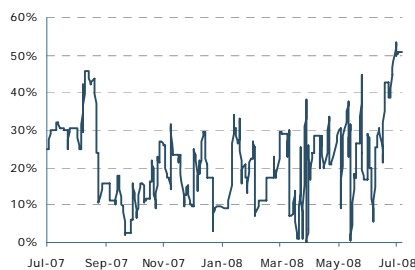
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	8.0%	11.6%	38.3%
Net Margin	0.8%	5.2%	14.8%
ROE	2%	18%	14%
Net Debt/Equity	0.22	0.18	0.06

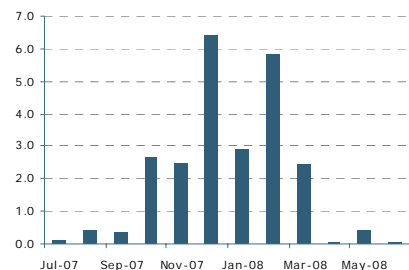
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>0.0</b>	<b>63.0</b>	<b>57.1</b>	<b>56.4</b>	<b>73.9</b>	<b>87.0</b>	<b>120.5</b>	<b>190.7</b>
<i>Change yoy</i>	<i>n/a</i>	<i>159361.1</i>	<i>-9.3%</i>	<i>-1.2%</i>	<i>30.9%</i>	<i>17.8%</i>	<i>38.5%</i>	<i>58.3%</i>
Gross Profit	0.0	7.7	8.1	6.9	8.4	10.0	17.0	75.9
<b>EBITDA</b>	<b>0.0</b>	<b>5.8</b>	<b>5.6</b>	<b>4.9</b>	<b>6.2</b>	<b>7.0</b>	<b>14.0</b>	<b>73.0</b>
<i>Margin</i>	<i>4.6%</i>	<i>9.2%</i>	<i>9.7%</i>	<i>8.8%</i>	<i>8.4%</i>	<i>8.0%</i>	<i>11.6%</i>	<i>38.3%</i>
Depreciation	-	(4.1)	(4.6)	(5.5)	(4.9)	(4.3)	(4.1)	(31.1)
<b>EBIT</b>	<b>0.0</b>	<b>1.7</b>	<b>0.9</b>	<b>(0.6)</b>	<b>1.3</b>	<b>2.7</b>	<b>9.9</b>	<b>41.9</b>
<i>margin</i>	<i>4.6%</i>	<i>2.7%</i>	<i>1.7%</i>	<i>-1.0%</i>	<i>1.8%</i>	<i>3.1%</i>	<i>8.2%</i>	<i>22.0%</i>
Financial Expense, net	-	(1.2)	(1.5)	(1.9)	(1.8)	(1.5)	(1.5)	(4.4)
Other income/(expense)	-	0.2	(0.2)	0.5	0.1	(0.3)	-	-
<b>PBT</b>	<b>0.0</b>	<b>0.8</b>	<b>(0.7)</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.9</b>	<b>8.4</b>	<b>37.5</b>
Tax	-	(0.8)	(0.2)	-	(0.0)	(0.7)	(2.1)	(9.4)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>100.4%</i>	<i>-29.4%</i>	<i>0.0%</i>	<i>-0.4%</i>	<i>81.6%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.9)</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.7</b>	<b>6.3</b>	<b>28.1</b>
<i>Net Margin</i>	<i>-7.9%</i>	<i>-0.0%</i>	<i>-1.6%</i>	<i>-3.5%</i>	<i>-0.5%</i>	<i>0.8%</i>	<i>5.2%</i>	<i>14.8%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	-	<b>8.2</b>	<b>8.0</b>	<b>4.6</b>	<b>5.6</b>	<b>6.2</b>	<b>13.6</b>	<b>64.1</b>
Cash & Equivalents	-	0.2	0.1	0.1	0.1	0.1	0.1	42.6
Trade Receivables	-	3.3	2.1	1.5	2.0	2.2	5.0	7.9
Inventories	-	2.7	4.4	2.0	1.9	2.2	3.0	4.7
Other	-	2.1	1.4	1.1	1.6	1.7	5.6	8.8
<b>Fixed Assets</b>	-	<b>41.7</b>	<b>40.6</b>	<b>42.5</b>	<b>42.1</b>	<b>43.3</b>	<b>46.3</b>	<b>345.0</b>
PP&E, net	-	36.0	36.2	39.1	38.9	40.8	43.8	311.3
Other	-	5.6	4.4	3.4	3.2	2.5	2.5	33.6
<b>Total Assets</b>	-	<b>49.9</b>	<b>48.6</b>	<b>47.1</b>	<b>47.7</b>	<b>49.5</b>	<b>60.0</b>	<b>409.1</b>
<b>Shareholders' Equity</b>	-	<b>32.5</b>	<b>31.7</b>	<b>31.4</b>	<b>31.0</b>	<b>31.5</b>	<b>37.8</b>	<b>355.4</b>
Share Capital	-	5.6	5.6	5.9	5.9	5.9	5.9	5.9
Retained Earnings and Other	-	26.9	26.1	25.5	25.1	25.6	31.9	349.5
<b>Current Liabilities</b>	-	<b>8.9</b>	<b>11.1</b>	<b>11.4</b>	<b>12.3</b>	<b>13.6</b>	<b>17.7</b>	<b>20.7</b>
ST Interest Bearing Debt	-	4.2	5.2	5.5	5.2	5.2	5.2	5.2
Trade Payables	-	2.9	3.3	1.8	1.6	0.9	5.0	7.9
Other	-	1.7	2.6	4.1	5.5	7.5	7.5	7.5
<b>LT Liabilities</b>	-	<b>8.6</b>	<b>5.7</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>33.1</b>
LT Interest Bearing Debt	-	-	4.4	3.0	3.0	2.5	2.5	31.1
Other	-	8.6	1.3	1.2	1.2	1.9	1.9	1.9
<b>Total Liabilities &amp; Equity</b>	-	<b>49.9</b>	<b>48.6</b>	<b>47.1</b>	<b>47.7</b>	<b>49.5</b>	<b>60.0</b>	<b>409.1</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>18.8</b>	<b>16.5</b>	<b>17.4</b>	<b>21.2</b>	<b>21.9</b>	<b>19.3</b>	<b>20.2</b>	<b>25.6</b>	<b>28.3</b>
<b>EBITDA</b>	<b>1.9</b>	<b>1.5</b>	<b>1.5</b>	<b>1.2</b>	<b>3.0</b>	<b>0.9</b>	<b>1.7</b>	<b>1.4</b>	<b>4.4</b>
<i>margin</i>	<i>10.2%</i>	<i>9.4%</i>	<i>8.9%</i>	<i>5.7%</i>	<i>13.5%</i>	<i>4.8%</i>	<i>8.4%</i>	<i>5.5%</i>	<i>15.6%</i>
<b>EBIT</b>	<b>0.8</b>	<b>0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>1.9</b>	<b>(0.2)</b>	<b>0.6</b>	<b>0.3</b>	<b>3.4</b>
<i>margin</i>	<i>4.4%</i>	<i>0.9%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>8.7%</i>	<i>-0.8%</i>	<i>3.0%</i>	<i>1.2%</i>	<i>12.0%</i>
<b>Net Income</b>	<b>0.3</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>1.5</b>	<b>(0.5)</b>	<b>0.3</b>	<b>(0.7)</b>	<b>2.9</b>
<i>Net Margin</i>	<i>1.8%</i>	<i>-1.7%</i>	<i>-0.5%</i>	<i>-1.7%</i>	<i>6.9%</i>	<i>-2.5%</i>	<i>1.5%</i>	<i>-2.6%</i>	<i>10.4%</i>

# Chernivtsioblenergo (CHEN UZ)

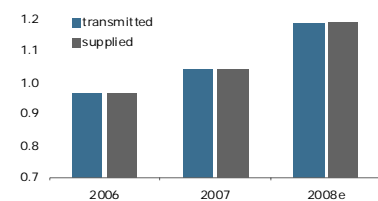
## BUY

12M target (USD) 3.0  
Upside\* 400%

### INVESTMENT CASE

- 7x yoy growth in net income in 1Q08; 13.1% net margin for 1Q08 was one of the highest in the sector
- Showed the best progress among still inefficient Oblenergos in reducing commercial electricity losses: down 4.5 pp yoy to 1.4% of power input for 4M08
- One of the least liquid Oblenergo stocks

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to western Chernivtsi region (area 8,100 km<sup>2</sup>; population 0.91 mln). Owns a 17,300 km transmission grid (transformer capacity: 1.44 GVA). Residential users (-58.1%); industrial users (23.3%). Main consumers: Chernivtsivodokanal, Rosma, Mashzavod, Lviv Railways, Chernivtsi trolleybus administration and the Bukovinka confectionary company. Chernivtsioblenergo supplied 1.04 TWh of electricity in 2007. Inefficiencies inside the company started improving in 2007, which was reflected in an increase in profits. Planned investments for 2008 are USD 5.5 mln (up 61% yoy). In 2007 the company's sales grew 29% yoy to USD 54.2 mln.

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.6
Price impact**	3
52 Wk H/L USD*	2.57/0.41
Chg 3m/6m/52w*	-74%/-78%/-26%
Chg vs PFTS 3m/6m/52w*	-46%/-35%/8%
Chg YTD*	-80%
Avg M Tr Vol 6M, USD ths	246.9

<b>MCap</b> , USD mln	34.1
Free float	8.0%
FF Mcap, USD mln	2.7

<b>No of shares</b> , mln	56.8
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	70%
VS Energy	22%
Other	8%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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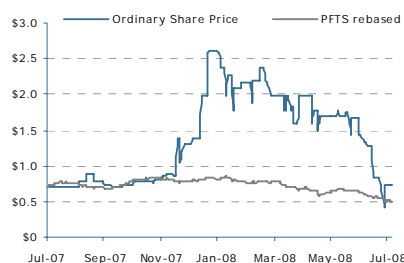
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.6	0.4
EV/EBITDA	5.4	1.2
P/E	7.1	2.2
P/B	3.0	0.2

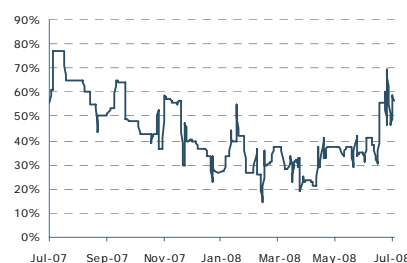
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	6.3%	10.4%	30.6%
Net Margin	0.6%	6.0%	12.4%
ROE	5%	55%	18%
Net Debt/Equity	0.26	0.15	0.32

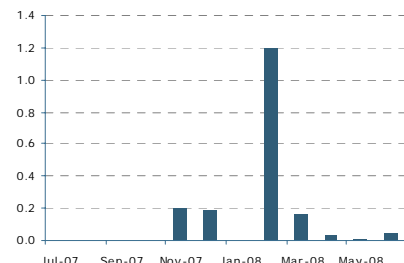
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>25.7</b>	<b>11.6</b>	<b>29.7</b>	<b>32.7</b>	<b>42.0</b>	<b>54.2</b>	<b>79.7</b>	<b>122.8</b>
<i>Change yoy</i>	<i>n/a</i>	<i>-54.9%</i>	<i>156.3%</i>	<i>10.1%</i>	<i>28.4%</i>	<i>29.0%</i>	<i>46.9%</i>	<i>54.1%</i>
Gross Profit	1.9	8.0	2.0	(1.6)	3.2	5.1	10.0	39.2
<b>EBITDA</b>	<b>1.0</b>	<b>1.0</b>	<b>(1.4)</b>	<b>2.1</b>	<b>2.6</b>	<b>3.4</b>	<b>8.3</b>	<b>37.6</b>
<i>Margin</i>	<i>4.0%</i>	<i>8.3%</i>	<i>-4.6%</i>	<i>6.4%</i>	<i>6.3%</i>	<i>6.3%</i>	<i>10.4%</i>	<i>30.6%</i>
Depreciation	(1.0)	(1.0)	(1.0)	(1.8)	(1.8)	(1.6)	(1.8)	(15.6)
<b>EBIT</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(2.4)</b>	<b>0.3</b>	<b>0.8</b>	<b>1.9</b>	<b>6.5</b>	<b>22.0</b>
<i>margin</i>	<i>0.1%</i>	<i>-0.3%</i>	<i>-8.1%</i>	<i>0.9%</i>	<i>2.0%</i>	<i>3.4%</i>	<i>8.1%</i>	<i>17.9%</i>
Financial Expense, net	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(1.6)
Other income/(expense)	0.1	0.1	0.2	0.1	0.1	(0.0)	-	-
<b>PBT</b>	<b>0.1</b>	<b>0.0</b>	<b>(2.3)</b>	<b>0.4</b>	<b>0.8</b>	<b>1.8</b>	<b>6.4</b>	<b>20.4</b>
Tax	-	(0.0)	(0.2)	(0.3)	-	(1.6)	(1.6)	(5.1)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>12.0%</i>	<i>-8.4%</i>	<i>64.3%</i>	<i>0.0%</i>	<i>87.9%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.5)</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>4.8</b>	<b>15.3</b>
<i>Net Margin</i>	<i>0.1%</i>	<i>0.3%</i>	<i>-8.3%</i>	<i>0.5%</i>	<i>0.2%</i>	<i>0.6%</i>	<i>6.0%</i>	<i>12.4%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>37.2</b>	<b>41.2</b>	<b>42.7</b>	<b>49.0</b>	<b>42.4</b>	<b>41.6</b>	<b>43.9</b>	<b>57.7</b>
Cash & Equivalents	1.1	2.3	0.5	0.2	1.0	1.0	1.0	24.4
Trade Receivables	32.4	36.3	38.6	44.2	37.7	37.1	37.1	24.3
Inventories	0.8	0.8	1.1	1.1	1.1	1.0	1.5	2.4
Other	2.9	1.8	2.5	3.5	2.6	2.5	4.3	6.6
<b>Fixed Assets</b>	<b>15.6</b>	<b>15.2</b>	<b>14.6</b>	<b>16.5</b>	<b>17.5</b>	<b>19.3</b>	<b>21.8</b>	<b>172.1</b>
PP&E, net	15.3	14.9	14.2	15.7	16.9	18.3	20.9	155.6
Other	0.3	0.2	0.4	0.8	0.5	0.9	0.9	16.5
<b>Total Assets</b>	<b>52.8</b>	<b>56.3</b>	<b>57.3</b>	<b>65.5</b>	<b>59.9</b>	<b>60.9</b>	<b>65.7</b>	<b>229.8</b>
<b>Shareholders' Equity</b>	<b>9.9</b>	<b>10.1</b>	<b>7.2</b>	<b>7.7</b>	<b>5.7</b>	<b>6.4</b>	<b>11.2</b>	<b>159.7</b>
Share Capital	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8
Retained Earnings and Other	7.2	7.5	4.5	4.9	2.9	3.6	8.4	156.9
<b>Current Liabilities</b>	<b>42.9</b>	<b>46.2</b>	<b>50.1</b>	<b>57.8</b>	<b>51.6</b>	<b>51.9</b>	<b>51.9</b>	<b>9.9</b>
ST Interest Bearing Debt	0.5	-	-	0.6	0.8	0.4	0.4	0.4
Trade Payables	40.4	43.4	47.2	53.5	47.3	47.1	47.1	5.1
Other	2.1	2.8	2.9	3.7	3.5	4.4	4.4	4.4
<b>LT Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>60.1</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-	15.6
Other	-	-	-	-	2.6	2.6	2.6	44.6
<b>Total Liabilities &amp; Equity</b>	<b>52.8</b>	<b>56.3</b>	<b>57.3</b>	<b>65.5</b>	<b>59.9</b>	<b>60.9</b>	<b>65.7</b>	<b>229.8</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>11.8</b>	<b>8.7</b>	<b>8.6</b>	<b>12.9</b>	<b>13.8</b>	<b>11.8</b>	<b>12.1</b>	<b>16.5</b>	<b>18.8</b>
<b>EBITDA</b>	<b>0.4</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>0.6</b>	<b>0.5</b>	<b>1.2</b>	<b>3.7</b>
<i>margin</i>	<i>3.6%</i>	<i>7.3%</i>	<i>9.2%</i>	<i>6.0%</i>	<i>8.1%</i>	<i>5.1%</i>	<i>4.5%</i>	<i>7.1%</i>	<i>19.6%</i>
<b>EBIT</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>0.2</b>	<b>0.2</b>	<b>0.7</b>	<b>3.2</b>
<i>margin</i>	<i>0.0%</i>	<i>3.7%</i>	<i>2.6%</i>	<i>2.2%</i>	<i>5.2%</i>	<i>2.1%</i>	<i>1.5%</i>	<i>4.2%</i>	<i>17.1%</i>
<b>Net Income</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.4</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.1</b>	<b>2.5</b>
<i>Net Margin</i>	<i>0.0%</i>	<i>1.0%</i>	<i>0.2%</i>	<i>-0.1%</i>	<i>2.5%</i>	<i>-1.1%</i>	<i>0.3%</i>	<i>0.4%</i>	<i>13.1%</i>

# Dniprooblenergo (DNON UZ)

## BUY

www.doe.dp.ua

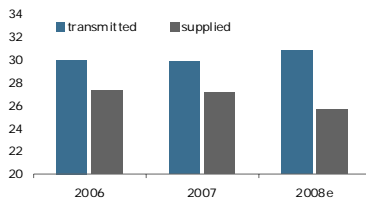
12M target (USD)  
Upside\*

130.0  
100%

### INVESTMENT CASE

- Likely acquisition target by DTEK
- DTEK's likely attempt to buy shares from the market will be a price catalyst
- One of the most liquid Oblenergo stocks
- Problem of high debt (USD 430 mln payables) remains, needs solving by new investor or regulator; risk of bankruptcy is low

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Largest Oblenergo by electricity supply, located in Ukraine's most industrialized region, Dnipropetrovsk (area 31,900 km<sup>2</sup>; population 3.5 mln), where the country's main metal producing assets and iron ore deposits are located. Industrial consumers (80% of which are metallurgical plants) account for more than 75% of electricity sales. Main consumers: Nikopol Ferroalloy, Dzerzhynsk and Petrovskogo metal plants. Owns a 63,500 km transmission grid (transformer capacity: 10.9 GVA). Main risk to its operations is a possible decrease in its customer base, as most of its industrial consumers are likely to shift to other power suppliers or to start buying power directly from the market in the mid-term. Investments for 2008 are planned at USD 42.4 mln (up 35% yoy).

Supplied 27.14 TWh of electricity in 2007. Sales grew last year by 19.1% yoy to USD 1,399.7 mln while net income fell to USD 1.5 mln from USD 4.0 in 2006.

### MARKET INFORMATION

<b>Market Price*</b> , USD	65.0
Price impact**	3
52 Wk H/L USD*	214.16/65.46
Chg 3m/6m/52w*	-46%/-63%/-66%
Chg vs PFTS 3m/6m/52w*	-18%/-20%/-32%
Chg YTD*	-62%
Avg M Tr Vol 6M, USD ths	595.2

<b>MCap*</b> , USD mln	389.5
Free float	9.1%
FF Mcap, USD mln	35.4

<b>No of shares</b> , mln	6.0
Par Value, UAH	10

### STOCK OWNERSHIP

NC ECU (State)	75.0%
EnSt/Privat	15.9%
Other	9.1%

### CORPORATE GOVERNANCE

Concorde Rating***	BA
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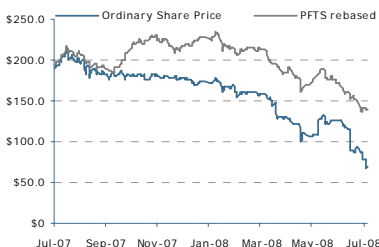
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.2	0.2
EV/EBITDA	7.3	2.6
P/E	11.8	5.1
P/B	-22.0	0.6

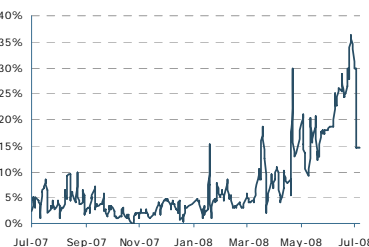
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	1.3%	3.4%	7.9%
Net Margin	0.1%	1.8%	3.4%
ROE	n/m	n/m	24%
Net Debt/Equity	0.54	1.55	0.48

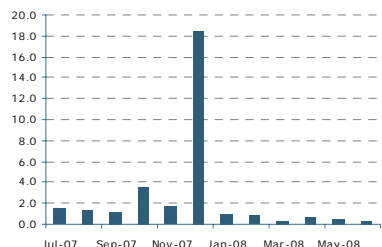
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>72.8</b>	<b>719.9</b>	<b>840.1</b>	<b>1175.1</b>	<b>1399.7</b>	<b>1875.8</b>	<b>2252.9</b>
<i>Change yoy</i>	<i>n/a</i>	<i>888.3%</i>	<i>16.7%</i>	<i>39.9%</i>	<i>19.1%</i>	<i>34.0%</i>	<i>20.1%</i>
Gross Profit	58.5	36.3	24.9	47.7	63.8	109.1	222.8
<b>EBITDA</b>	<b>9.0</b>	<b>6.9</b>	<b>15.0</b>	<b>26.3</b>	<b>18.0</b>	<b>63.3</b>	<b>177.0</b>
<i>Margin</i>	<i>12.3%</i>	<i>1.0%</i>	<i>1.8%</i>	<i>2.2%</i>	<i>1.3%</i>	<i>3.4%</i>	<i>7.9%</i>
Depreciation	(10.2)	(10.1)	(12.4)	(17.0)	(17.3)	(19.4)	(68.0)
<b>EBIT</b>	<b>(1.2)</b>	<b>(3.2)</b>	<b>2.6</b>	<b>9.3</b>	<b>0.7</b>	<b>43.9</b>	<b>109.0</b>
<i>margin</i>	<i>-1.7%</i>	<i>-0.4%</i>	<i>0.3%</i>	<i>0.8%</i>	<i>0.0%</i>	<i>2.3%</i>	<i>4.8%</i>
Financial Expense, net	(0.0)	(0.2)	-	(0.0)	-	-	(6.8)
Other income/(expense)	(0.3)	(12.3)	0.5	0.7	(0.1)	-	-
<b>PBT</b>	<b>(1.5)</b>	<b>(15.7)</b>	<b>3.1</b>	<b>10.1</b>	<b>0.5</b>	<b>43.9</b>	<b>102.2</b>
Tax	(9.8)	(0.4)	(4.9)	(1.8)	-	(11.0)	(25.6)
<i>Effective tax rate</i>	<i>-642.0%</i>	<i>-2.6%</i>	<i>158.8%</i>	<i>17.9%</i>	<i>0.0%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(11.3)</b>	<b>(16.2)</b>	<b>(1.8)</b>	<b>4.0</b>	<b>1.5</b>	<b>32.9</b>	<b>76.7</b>
<i>Net Margin</i>	<i>-15.5%</i>	<i>-2.2%</i>	<i>-0.2%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>1.8%</i>	<i>3.4%</i>

## BALANCE SHEET SUMMARY, USD mln

	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>348.5</b>	<b>329.3</b>	<b>351.8</b>	<b>311.9</b>	<b>281.7</b>	<b>300.0</b>	<b>421.8</b>
Cash & Equivalents	3.2	1.2	1.4	7.5	27.4	27.4	145.8
Trade Receivables	283.3	263.3	278.0	254.5	215.0	215.0	206.9
Inventories	10.0	7.8	9.9	10.7	11.9	15.9	19.1
Other	51.9	57.1	62.6	39.3	27.3	41.6	50.0
<b>Fixed Assets</b>	<b>105.6</b>	<b>114.8</b>	<b>125.6</b>	<b>131.6</b>	<b>151.0</b>	<b>165.6</b>	<b>781.6</b>
PP&E, net	93.6	90.1	104.1	109.6	117.3	131.8	679.9
Other	12.0	24.7	21.5	22.0	33.7	33.7	101.7
<b>Total Assets</b>	<b>454.1</b>	<b>444.1</b>	<b>477.5</b>	<b>443.5</b>	<b>432.7</b>	<b>465.6</b>	<b>1203.4</b>
<b>Shareholders' Equity</b>	<b>(15.3)</b>	<b>(31.4)</b>	<b>(37.8)</b>	<b>(36.8)</b>	<b>(50.6)</b>	<b>(17.7)</b>	<b>652.2</b>
Share Capital	11.2	11.3	11.9	11.9	11.9	11.9	11.9
Retained Earnings and Other	(26.5)	(42.7)	(49.7)	(48.6)	(62.5)	(29.6)	640.3
<b>Current Liabilities</b>	<b>460.6</b>	<b>469.7</b>	<b>509.5</b>	<b>476.2</b>	<b>483.3</b>	<b>483.3</b>	<b>158.6</b>
ST Interest Bearing Debt	-	-	-	-	-	-	-
Trade Payables	439.1	442.9	476.3	427.3	418.5	418.5	93.9
Other	21.5	26.8	33.2	48.9	64.8	64.8	64.8
<b>LT Liabilities</b>	<b>8.7</b>	<b>5.8</b>	<b>5.7</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>392.6</b>
LT Interest Bearing Debt	-	-	-	-	-	-	68.0
Other	8.7	5.8	5.7	4.1	-	-	324.6
<b>Total Liabilities &amp; Equity</b>	<b>454.1</b>	<b>444.1</b>	<b>477.5</b>	<b>443.5</b>	<b>432.7</b>	<b>465.6</b>	<b>1203.4</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>282.2</b>	<b>268.5</b>	<b>286.8</b>	<b>337.6</b>	<b>351.1</b>	<b>351.8</b>	<b>338.1</b>	<b>358.7</b>	<b>406.7</b>
<b>EBITDA</b>	<b>6.4</b>	<b>7.6</b>	<b>6.6</b>	<b>5.8</b>	<b>6.1</b>	<b>6.9</b>	<b>8.7</b>	<b>(3.8)</b>	<b>12.8</b>
<i>margin</i>	<i>2.3%</i>	<i>2.8%</i>	<i>2.3%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>2.0%</i>	<i>2.6%</i>	<i>-1.1%</i>	<i>3.2%</i>
<b>EBIT</b>	<b>2.7</b>	<b>4.1</b>	<b>1.9</b>	<b>0.7</b>	<b>2.5</b>	<b>3.6</b>	<b>3.6</b>	<b>(9.0)</b>	<b>7.9</b>
<i>margin</i>	<i>1.0%</i>	<i>1.5%</i>	<i>0.7%</i>	<i>0.2%</i>	<i>0.7%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>-2.5%</i>	<i>1.9%</i>
<b>Net Income</b>	<b>0.9</b>	<b>1.6</b>	<b>0.8</b>	<b>0.7</b>	<b>1.1</b>	<b>1.5</b>	<b>1.2</b>	<b>(2.2)</b>	<b>4.5</b>
<i>Net Margin</i>	<i>0.3%</i>	<i>0.6%</i>	<i>0.3%</i>	<i>0.2%</i>	<i>0.3%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>-0.6%</i>	<i>1.1%</i>

# Energougol (ENUG UZ)

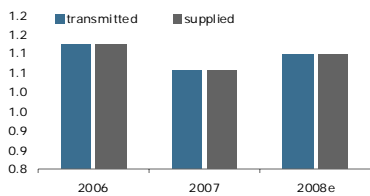
## SELL

12M target (USD) 8.0  
Upside\* -20%

### INVESTMENT CASE

- Part of vertically integrated DTEK holding
- Energougol is the second fiddle of DTEK-related distribution companies: it decreased electricity supplies at 5% CAGR over 2005-2007 vs. +14% CAGR for Servis-Invest, DTEK's flagship
- Increased 1.8x its investment plans for 2008 yoy, a signal that it could post one of the highest increases in bottom line in the sector in 2008
- Risk of profits decreasing after introduction of tariff reform for Oblenergos (expected in mid-2009)

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

One of the smallest in the sector; focuses on supplying power to coal mines and industrial customers in Donetsk region. Acquired by SCM in 2004. Plays secondary role among DTEK distribution companies to Servis-Invest. PES-Energougol carries the highest risk of gradually decreasing its margins after the introduction of the new tariff policy expected in 2009. Owns a 1,154 km transmission grid with 0.4 GVA transformer capacity. Supplied 1.09 TWh of electricity in 2007. In 2007, net income amounted to USD 8.4 mln versus USD 2.9 mln in 2006. Sales increased by 6.9% yoy to USD 68.7 mln in 2007. The stock was listed on PFTS in February 2008.

### MARKET INFORMATION

<b>Market Price*</b> , USD	10.0
Price impact**	3
52 Wk H/L USD*	25.84/8.42
Chg 3m*	-50%
Chg vs PFTS 3m*	-22%
Chg YTD***	n/a
Avg M Tr Vol 6M, USD ths	167.0
<b>MCap</b> , USD mln	54.8
Free float	8.9%
FF Mcap, USD mln	4.9
<b>No of shares</b> , mln	5.5
Par Value, UAH	1.86

### STOCK OWNERSHIP

DTEK	81.8%
Other	18.2%

### CORPORATE GOVERNANCE

Concorde Rating****	BA
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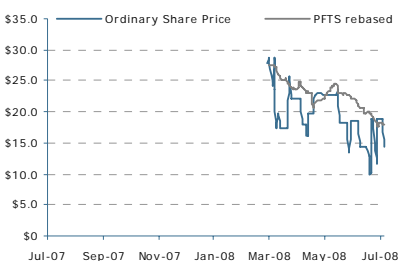
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.6	0.5
EV/EBITDA	6.2	8.7
P/E	10.6	20.3
P/B	4.4	1.9

### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	8.1%	9.7%	6.0%
Net Margin	12.2%	5.5%	2.5%
ROE	126%	53%	13%
Net Debt/Equity	1.41	0.82	0.35

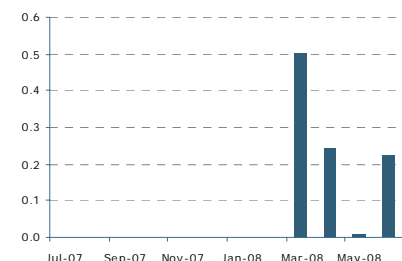
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* The stock was listed in February 2008

\*\*\*\* 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.



## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>31.0</b>	<b>39.0</b>	<b>39.4</b>	<b>44.6</b>	<b>64.3</b>	<b>68.7</b>	<b>94.0</b>	<b>108.3</b>
<i>Change yoy</i>	<i>n/a</i>	<i>25.8%</i>	<i>1.0%</i>	<i>13.3%</i>	<i>44.1%</i>	<i>6.9%</i>	<i>36.7%</i>	<i>15.3%</i>
Gross Profit	1.9	3.9	3.8	4.1	5.2	7.6	11.2	8.5
<b>EBITDA</b>	<b>1.0</b>	<b>2.8</b>	<b>2.6</b>	<b>2.8</b>	<b>5.7</b>	<b>5.6</b>	<b>9.1</b>	<b>6.5</b>
<i>Margin</i>	<i>3.2%</i>	<i>7.1%</i>	<i>6.5%</i>	<i>6.2%</i>	<i>8.8%</i>	<i>8.1%</i>	<i>9.7%</i>	<i>6.0%</i>
Depreciation	(0.3)	(0.3)	(0.4)	(0.5)	(0.6)	(2.1)	(2.1)	(2.5)
<b>EBIT</b>	<b>0.7</b>	<b>2.5</b>	<b>2.2</b>	<b>2.3</b>	<b>5.1</b>	<b>3.4</b>	<b>7.0</b>	<b>3.9</b>
<i>margin</i>	<i>2.2%</i>	<i>6.3%</i>	<i>5.6%</i>	<i>5.1%</i>	<i>7.9%</i>	<i>5.0%</i>	<i>7.4%</i>	<i>3.6%</i>
Financial Expense, net	-	(0.0)	(0.0)	-	-	(0.1)	(0.1)	(0.3)
Other income/(expense)	(0.3)	(0.6)	(0.2)	0.0	(1.1)	6.0	-	-
<b>PBT</b>	<b>0.4</b>	<b>1.9</b>	<b>2.0</b>	<b>2.3</b>	<b>4.0</b>	<b>9.4</b>	<b>6.9</b>	<b>3.6</b>
Tax	(0.3)	(0.5)	(0.7)	(0.6)	(0.1)	(1.0)	(1.7)	(0.9)
<i>Effective tax rate</i>	<i>60.8%</i>	<i>28.1%</i>	<i>34.0%</i>	<i>28.0%</i>	<i>3.7%</i>	<i>10.2%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>0.2</b>	<b>1.4</b>	<b>1.3</b>	<b>1.7</b>	<b>2.9</b>	<b>8.4</b>	<b>5.2</b>	<b>2.7</b>
<i>Net Margin</i>	<i>0.5%</i>	<i>3.5%</i>	<i>3.4%</i>	<i>3.7%</i>	<i>4.6%</i>	<i>12.2%</i>	<i>5.5%</i>	<i>2.5%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>26.1</b>	<b>32.3</b>	<b>34.1</b>	<b>38.2</b>	<b>26.9</b>	<b>5.3</b>	<b>10.5</b>	<b>16.4</b>
Cash & Equivalents	0.1	0.0	0.3	0.0	0.0	0.0	0.0	4.3
Trade Receivables	24.6	30.0	31.0	35.2	24.0	4.2	4.2	4.8
Inventories	0.3	1.5	2.3	2.6	2.5	0.7	0.9	1.1
Other	1.0	0.8	0.5	0.4	0.4	0.4	5.4	6.2
<b>Fixed Assets</b>	<b>2.7</b>	<b>3.0</b>	<b>3.3</b>	<b>4.2</b>	<b>10.9</b>	<b>16.2</b>	<b>18.8</b>	<b>32.2</b>
PP&E, net	2.2	2.5	2.8	3.5	10.0	11.8	14.4	25.3
Other	0.5	0.4	0.5	0.7	0.8	4.4	4.4	6.9
<b>Total Assets</b>	<b>28.8</b>	<b>35.3</b>	<b>37.4</b>	<b>42.3</b>	<b>37.8</b>	<b>21.5</b>	<b>29.3</b>	<b>48.6</b>
<b>Shareholders' Equity</b>	<b>2.7</b>	<b>4.2</b>	<b>5.6</b>	<b>6.2</b>	<b>14.2</b>	<b>7.2</b>	<b>12.3</b>	<b>29.1</b>
Share Capital	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0
Retained Earnings and Other	0.8	2.3	3.6	4.1	12.2	5.2	10.3	27.1
<b>Current Liabilities</b>	<b>26.1</b>	<b>31.1</b>	<b>31.9</b>	<b>36.2</b>	<b>22.4</b>	<b>4.2</b>	<b>6.9</b>	<b>7.5</b>
ST Interest Bearing Debt	-	-	-	-	-	-	-	-
Trade Payables	24.4	29.6	30.4	33.6	19.2	1.3	3.9	4.5
Other	1.6	1.5	1.5	2.6	3.3	2.9	2.9	2.9
<b>LT Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>10.1</b>	<b>10.1</b>	<b>12.1</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-	2.5
Other	-	-	-	-	1.1	10.1	10.1	9.5
<b>Total Liabilities &amp; Equity</b>	<b>28.8</b>	<b>35.3</b>	<b>37.4</b>	<b>42.3</b>	<b>37.8</b>	<b>21.5</b>	<b>29.3</b>	<b>48.6</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>16.4</b>	<b>15.1</b>	<b>14.8</b>	<b>18.0</b>	<b>18.9</b>	<b>17.0</b>	<b>14.8</b>	<b>18.0</b>	<b>20.6</b>
<b>EBITDA</b>	<b>1.0</b>	<b>1.6</b>	<b>1.8</b>	<b>1.3</b>	<b>2.9</b>	<b>2.1</b>	<b>1.8</b>	<b>(1.3)</b>	<b>2.6</b>
<i>margin</i>	<i>5.8%</i>	<i>10.7%</i>	<i>12.0%</i>	<i>7.4%</i>	<i>15.5%</i>	<i>12.3%</i>	<i>12.2%</i>	<i>-7.0%</i>	<i>12.5%</i>
<b>EBIT</b>	<b>0.8</b>	<b>1.5</b>	<b>1.6</b>	<b>1.2</b>	<b>2.3</b>	<b>1.6</b>	<b>1.3</b>	<b>(1.7)</b>	<b>2.0</b>
<i>margin</i>	<i>5.0%</i>	<i>9.8%</i>	<i>10.9%</i>	<i>6.5%</i>	<i>11.9%</i>	<i>9.1%</i>	<i>9.0%</i>	<i>-9.6%</i>	<i>9.9%</i>
<b>Net Income</b>	<b>0.6</b>	<b>1.2</b>	<b>1.3</b>	<b>(0.2)</b>	<b>1.7</b>	<b>1.2</b>	<b>1.4</b>	<b>4.2</b>	<b>1.1</b>
<i>Net Margin</i>	<i>3.9%</i>	<i>8.0%</i>	<i>8.6%</i>	<i>-1.0%</i>	<i>8.8%</i>	<i>6.9%</i>	<i>9.3%</i>	<i>23.3%</i>	<i>5.2%</i>

# Kharkivoblenergo (HAON UZ)

## BUY

www.oblenergo.kharkov.ua

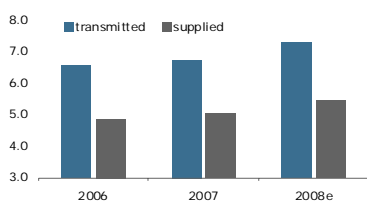
12M target (USD) 2.5  
Upside\* 180%

### INVESTMENT CASE

- One of the most liquid Oblenergo stocks
- 2.5x growth in EBITDA and net income in 1Q08: above the sector median
- Possible acquisition target of DTEK

#### Electricity data, TWh

#### Area of operation



### BUSINESS OVERVIEW

Fourth largest Oblenergo by sales, located in industrial Kharkiv region (area 31,400 km<sup>2</sup>; population 2.89 mln). Owns a 42,000 km transmission grid (transformer capacity: 7.3 GVA). Industrial consumers (mostly machine building plants) account for about 30% of sales. Supplied 5.03 TWh of electricity in 2007. Planned investments for 2008 are USD 22.2 mln (up 52% yoy).

In 2007, net income grew to USD 3.1 mln (17% growth yoy); net revenue grew by 25.9% yoy to USD 282.5 mln.

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.9
Price impact**	3
52 Wk H/L USD*	2.52/0.82
Chg 3m/6m/52w*	-50%/-65%/-36%
Chg vs PFTS 3m/6m/52w*	-22%/-22%/-2%
Chg YTD*	-65%
Avg M Tr Vol 6M, USD ths	372.9

<b>MCap</b> , USD mln	230.9
Free float	6.2%
FF Mcap, USD mln	14.3

<b>No of shares</b> , mln	256.5
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	65%
Energy Standart	28.8%
Other	6.2%

### CORPORATE GOVERNANCE

Concorde Rating***	AA
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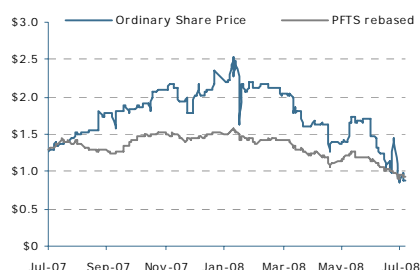
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.6	0.4
EV/EBITDA	5.2	1.8
P/E	11.4	4.0
P/B	0.9	0.5

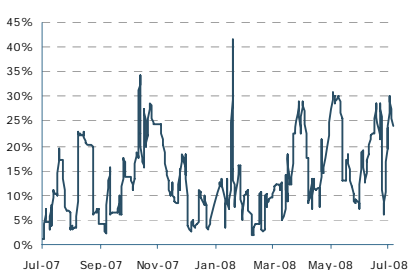
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	8.9%	11.5%	24.2%
Net Margin	1.1%	5.1%	10.4%
ROE	2%	8%	15%
Net Debt/Equity	0.27	0.25	0.33

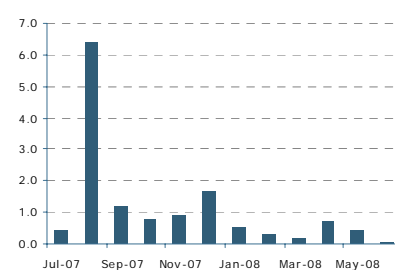
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* 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.

INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>35.3</b>	<b>44.9</b>	<b>180.4</b>	<b>193.9</b>	<b>224.4</b>	<b>282.5</b>	<b>400.4</b>	<b>559.1</b>
<i>Change yoy</i>	<i>n/a</i>	<i>27.1%</i>	<i>302.0%</i>	<i>7.5%</i>	<i>15.7%</i>	<i>25.9%</i>	<i>41.7%</i>	<i>39.6%</i>
Gross Profit	20.4	24.7	19.4	18.8	25.0	36.0	57.2	146.1
<b>EBITDA</b>	<b>(9.3)</b>	<b>(19.5)</b>	<b>(11.5)</b>	<b>14.2</b>	<b>20.8</b>	<b>25.0</b>	<b>46.2</b>	<b>135.1</b>
<i>Margin</i>	<i>-26.5%</i>	<i>-43.4%</i>	<i>-6.3%</i>	<i>7.3%</i>	<i>9.3%</i>	<i>8.9%</i>	<i>11.5%</i>	<i>24.2%</i>
Depreciation	(4.8)	(14.2)	(9.5)	(9.2)	(9.1)	(15.7)	(19.2)	(52.6)
<b>EBIT</b>	<b>(14.1)</b>	<b>(33.7)</b>	<b>(21.0)</b>	<b>5.0</b>	<b>11.8</b>	<b>9.4</b>	<b>27.0</b>	<b>82.5</b>
<i>margin</i>	<i>-40.1%</i>	<i>-75.1%</i>	<i>-11.6%</i>	<i>2.6%</i>	<i>5.2%</i>	<i>3.3%</i>	<i>6.8%</i>	<i>14.8%</i>
Financial Expense, net	(0.4)	(0.1)	(0.1)	(0.0)	(0.0)	-	-	(5.3)
Other income/(expense)	(2.9)	(3.0)	0.9	0.6	0.8	(1.6)	-	-
<b>PBT</b>	<b>(17.4)</b>	<b>(36.8)</b>	<b>(20.1)</b>	<b>5.6</b>	<b>12.6</b>	<b>7.8</b>	<b>27.0</b>	<b>77.2</b>
Tax	(0.0)	-	-	(2.9)	(1.1)	(5.9)	(6.8)	(19.3)
<i>Effective tax rate</i>	<i>-0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>52.2%</i>	<i>8.7%</i>	<i>76.4%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(17.4)</b>	<b>(36.8)</b>	<b>(20.1)</b>	<b>2.6</b>	<b>2.7</b>	<b>3.2</b>	<b>20.3</b>	<b>57.9</b>
<i>Net Margin</i>	<i>-49.4%</i>	<i>-82.0%</i>	<i>-11.2%</i>	<i>1.3%</i>	<i>1.2%</i>	<i>1.1%</i>	<i>5.1%</i>	<i>10.4%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>127.7</b>	<b>111.9</b>	<b>88.1</b>	<b>80.0</b>	<b>52.6</b>	<b>50.3</b>	<b>72.1</b>	<b>159.7</b>
Cash & Equivalents	0.8	1.3	3.5	2.0	6.7	7.3	7.3	69.3
Trade Receivables	109.6	94.8	69.0	68.0	35.9	31.8	31.8	44.4
Inventories	2.4	7.4	10.0	5.0	4.5	3.9	5.5	7.6
Other	14.9	8.4	5.6	5.0	5.5	7.3	27.5	38.4
<b>Fixed Assets</b>	<b>186.1</b>	<b>165.6</b>	<b>167.3</b>	<b>167.2</b>	<b>171.6</b>	<b>376.3</b>	<b>374.8</b>	<b>588.3</b>
PP&E, net	182.6	153.8	152.1	157.2	161.1	366.9	365.4	526.3
Other	3.4	11.9	15.2	10.0	10.5	9.4	9.4	62.0
<b>Total Assets</b>	<b>313.8</b>	<b>277.5</b>	<b>255.5</b>	<b>247.2</b>	<b>224.2</b>	<b>426.6</b>	<b>446.8</b>	<b>748.0</b>
<b>Shareholders' Equity</b>	<b>163.0</b>	<b>116.3</b>	<b>73.8</b>	<b>81.2</b>	<b>83.5</b>	<b>241.1</b>	<b>261.3</b>	<b>509.8</b>
Share Capital	12.0	12.0	12.1	12.7	12.7	12.7	12.7	12.7
Retained Earnings and Other	150.9	104.2	61.7	68.5	70.8	228.4	248.6	497.1
<b>Current Liabilities</b>	<b>150.8</b>	<b>161.2</b>	<b>163.6</b>	<b>147.0</b>	<b>115.7</b>	<b>112.7</b>	<b>112.7</b>	<b>52.0</b>
ST Interest Bearing Debt	0.6	-	0.7	-	-	-	-	-
Trade Payables	137.0	144.6	144.0	130.3	90.2	83.9	83.9	23.3
Other	13.2	16.7	19.0	16.7	25.6	28.7	28.7	28.7
<b>LT Liabilities</b>	<b>0.1</b>	<b>-</b>	<b>18.1</b>	<b>19.0</b>	<b>25.0</b>	<b>72.9</b>	<b>72.9</b>	<b>186.1</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-	52.6
Other	0.1	-	18.1	19.0	25.0	72.9	72.9	133.5
<b>Total Liabilities &amp; Equity</b>	<b>313.8</b>	<b>277.5</b>	<b>255.5</b>	<b>247.2</b>	<b>224.2</b>	<b>426.6</b>	<b>446.8</b>	<b>748.0</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>60.1</b>	<b>47.5</b>	<b>48.0</b>	<b>68.8</b>	<b>71.4</b>	<b>60.8</b>	<b>63.3</b>	<b>87.0</b>	<b>94.6</b>
<b>EBITDA</b>	<b>4.0</b>	<b>9.0</b>	<b>4.3</b>	<b>3.5</b>	<b>6.9</b>	<b>2.8</b>	<b>8.0</b>	<b>7.4</b>	<b>14.7</b>
<i>margin</i>	<i>6.7%</i>	<i>19.0%</i>	<i>8.9%</i>	<i>5.1%</i>	<i>9.7%</i>	<i>4.5%</i>	<i>12.6%</i>	<i>8.5%</i>	<i>15.6%</i>
<b>EBIT</b>	<b>1.7</b>	<b>6.8</b>	<b>2.0</b>	<b>1.3</b>	<b>4.6</b>	<b>0.4</b>	<b>5.5</b>	<b>(1.2)</b>	<b>9.5</b>
<i>margin</i>	<i>2.8%</i>	<i>14.2%</i>	<i>4.2%</i>	<i>1.9%</i>	<i>6.4%</i>	<i>0.7%</i>	<i>8.7%</i>	<i>-1.3%</i>	<i>10.0%</i>
<b>Net Income</b>	<b>0.8</b>	<b>0.1</b>	<b>1.2</b>	<b>0.6</b>	<b>2.6</b>	<b>0.1</b>	<b>3.7</b>	<b>(3.2)</b>	<b>6.4</b>
<i>Net Margin</i>	<i>1.3%</i>	<i>0.3%</i>	<i>2.5%</i>	<i>0.9%</i>	<i>3.7%</i>	<i>0.2%</i>	<i>5.8%</i>	<i>-3.7%</i>	<i>6.8%</i>

# Khersonoblenergo (HOEN UZ)

## BUY

www.energy.kherson.ua

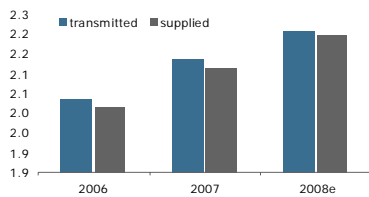
12M target (USD)  
Upside\*

1.8  
40%

### INVESTMENT CASE

- 7.7x yoy increase in net income in 1Q08 to USD 2.5 mln
- One of the largest indebtedness in the sector: debt/EBITDA is above 10x; bankruptcy risk is low
- 79% yoy increase in planned investments to USD 8.9 mln for 2008 will yield one of the highest increases in bottom line in the sector this year
- Relatively illiquid stock

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to southern Kherson region (area 28,500 km<sup>2</sup>; population 1.16 mln). Owns a 3,300 km transmission grid (capacity: 4.5 GVA). 60% of consumers are households and agricultural enterprises. Privatized in 2001 by VS Energy (~96% shares). In 2005, Khersonoblenergo increased its charter fund by 88% following an additional share issue. Large debt to the energy market and the conflict between VS Energy and Energorynok did not allow the company to enjoy a preferential tariff policy.

Supplied 2.11 TWh of electricity in 2007. In 2007, net revenue grew to USD 121.2 mln (27.5% yoy), while net losses of USD 3.1 mln in 2006 turned to zero net income in 2007.

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.3
Price impact**	3
52 Wk H/L USD*	2.87/0.64
Chg 3m/6m/52w*	-24%/-45%/72%
Chg vs PFTS 3m/6m/52w*	3%/-2%/106%
Chg YTD*	-45%
Avg M Tr Vol 6M, USD ths	286.7

<b>MCap</b> , USD mln	232.6
Free float	5.5%
FF Mcap, USD mln	12.8

<b>No of shares</b> , mln	178.9
Par Value, UAH	0.25

### STOCK OWNERSHIP

VS Energy	94.5%
Other	5.5%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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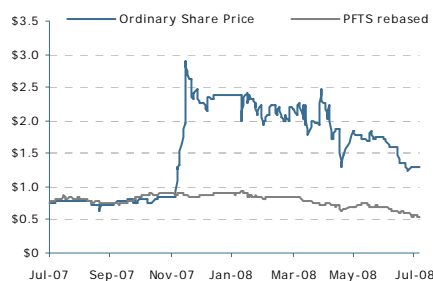
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.6	1.1
EV/EBITDA	23.6	3.6
P/E	46.5	8.5
P/B	5.8	0.7

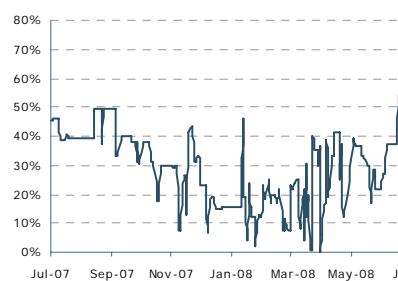
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	5.1%	6.7%	30.5%
Net Margin	0.0%	3.1%	11.9%
ROE	0.1%	13%	15%
Net Debt/Equity	2.11	1.84	0.28

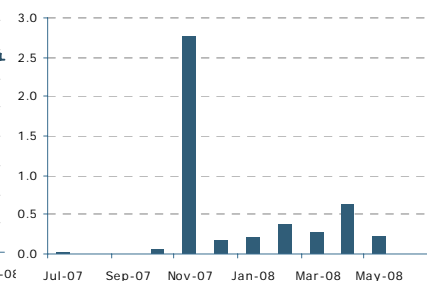
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>55.1</b>	<b>71.7</b>	<b>72.3</b>	<b>77.3</b>	<b>95.1</b>	<b>121.2</b>	<b>160.9</b>	<b>231.5</b>
<i>Change yoy</i>	<i>n/a</i>	<i>30.0%</i>	<i>0.9%</i>	<i>6.8%</i>	<i>23.1%</i>	<i>27.5%</i>	<i>32.7%</i>	<i>43.9%</i>
Gross Profit	7.1	16.1	11.4	11.6	12.4	12.6	17.1	77.0
<b>EBITDA</b>	<b>(2.2)</b>	<b>3.6</b>	<b>6.6</b>	<b>9.1</b>	<b>4.1</b>	<b>6.2</b>	<b>10.8</b>	<b>70.6</b>
<i>Margin</i>	<i>-4.0%</i>	<i>5.1%</i>	<i>9.2%</i>	<i>11.8%</i>	<i>4.4%</i>	<i>5.1%</i>	<i>6.7%</i>	<i>30.5%</i>
Depreciation	(4.2)	(5.2)	(5.8)	(5.2)	(4.8)	(4.9)	(4.0)	(30.8)
<b>EBIT</b>	<b>(6.4)</b>	<b>(1.6)</b>	<b>0.9</b>	<b>3.9</b>	<b>(0.7)</b>	<b>1.3</b>	<b>6.8</b>	<b>39.9</b>
<i>margin</i>	<i>-11.6%</i>	<i>-2.2%</i>	<i>1.2%</i>	<i>5.0%</i>	<i>-0.7%</i>	<i>1.1%</i>	<i>4.2%</i>	<i>17.2%</i>
Financial Expense, net	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(3.2)
Other income/(expense)	0.1	0.2	(2.4)	(0.5)	(0.2)	(0.4)	-	-
<b>PBT</b>	<b>(6.5)</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>3.2</b>	<b>(1.0)</b>	<b>0.8</b>	<b>6.7</b>	<b>36.7</b>
Tax	-	-	(0.1)	(2.1)	(0.5)	(2.0)	(1.7)	(9.2)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>-7.0%</i>	<i>65.7%</i>	<i>-47.7%</i>	<i>252.1%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(6.5)</b>	<b>(1.5)</b>	<b>(1.8)</b>	<b>1.1</b>	<b>(3.1)</b>	<b>0.0</b>	<b>5.0</b>	<b>27.5</b>
<i>Net Margin</i>	<i>-11.8%</i>	<i>-2.1%</i>	<i>-2.5%</i>	<i>1.4%</i>	<i>-3.2%</i>	<i>0.0%</i>	<i>3.1%</i>	<i>11.9%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>86.3</b>	<b>80.3</b>	<b>84.0</b>	<b>83.8</b>	<b>77.6</b>	<b>75.2</b>	<b>77.1</b>	<b>108.6</b>
Cash & Equivalents	0.8	0.9	1.2	3.1	0.4	0.4	0.4	42.8
Trade Receivables	63.0	64.6	68.9	70.7	64.3	60.4	60.4	42.3
Inventories	8.1	3.5	4.6	4.3	9.3	8.7	11.5	16.6
Other	14.3	11.2	9.3	5.7	3.6	5.7	4.8	6.8
<b>Fixed Assets</b>	<b>60.3</b>	<b>60.1</b>	<b>54.5</b>	<b>56.0</b>	<b>54.8</b>	<b>60.9</b>	<b>64.0</b>	<b>346.2</b>
PP&E, net	55.8	55.6	51.1	53.1	52.4	53.2	56.3	307.8
Other	4.5	4.5	3.4	2.9	2.4	7.7	7.7	38.4
<b>Total Assets</b>	<b>146.6</b>	<b>140.4</b>	<b>138.6</b>	<b>139.8</b>	<b>132.4</b>	<b>136.1</b>	<b>141.1</b>	<b>454.8</b>
<b>Shareholders' Equity</b>	<b>36.5</b>	<b>34.8</b>	<b>32.4</b>	<b>35.8</b>	<b>36.2</b>	<b>35.2</b>	<b>40.2</b>	<b>323.1</b>
Share Capital	4.5	4.5	4.5	6.0	8.9	8.9	8.9	8.9
Retained Earnings and Other	32.0	30.4	27.9	29.8	27.4	26.3	31.3	314.3
<b>Current Liabilities</b>	<b>45.4</b>	<b>66.0</b>	<b>66.3</b>	<b>88.9</b>	<b>13.9</b>	<b>26.5</b>	<b>26.5</b>	<b>28.5</b>
ST Interest Bearing Debt	19.4	50.6	47.6	75.3	0.3	6.1	6.1	6.1
Trade Payables	18.5	9.7	13.0	7.4	7.8	7.7	7.7	9.6
Other	7.5	5.8	5.8	6.2	5.7	12.7	12.7	12.7
<b>LT Liabilities</b>	<b>64.7</b>	<b>39.6</b>	<b>39.8</b>	<b>15.1</b>	<b>82.3</b>	<b>74.4</b>	<b>74.4</b>	<b>103.2</b>
LT Interest Bearing Debt	0.6	0.7	0.7	0.8	-	-	-	30.8
Other	64.1	38.8	39.1	14.3	82.3	74.4	74.4	72.4
<b>Total Liabilities &amp; Equity</b>	<b>146.6</b>	<b>140.4</b>	<b>138.6</b>	<b>139.8</b>	<b>132.4</b>	<b>136.1</b>	<b>141.1</b>	<b>454.8</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>23.4</b>	<b>19.1</b>	<b>24.8</b>	<b>27.9</b>	<b>28.1</b>	<b>29.5</b>	<b>34.5</b>	<b>29.1</b>	<b>36.7</b>
<b>EBITDA</b>	<b>3.2</b>	<b>3.0</b>	<b>2.0</b>	<b>(4.0)</b>	<b>2.0</b>	<b>0.8</b>	<b>2.8</b>	<b>0.6</b>	<b>5.0</b>
<i>margin</i>	<i>13.5%</i>	<i>15.7%</i>	<i>7.9%</i>	<i>-14.3%</i>	<i>7.2%</i>	<i>2.9%</i>	<i>8.2%</i>	<i>1.9%</i>	<i>13.6%</i>
<b>EBIT</b>	<b>1.9</b>	<b>1.8</b>	<b>0.7</b>	<b>(5.1)</b>	<b>0.9</b>	<b>(0.3)</b>	<b>1.5</b>	<b>(0.8)</b>	<b>3.8</b>
<i>margin</i>	<i>8.3%</i>	<i>9.5%</i>	<i>2.7%</i>	<i>-18.4%</i>	<i>3.1%</i>	<i>-1.0%</i>	<i>4.4%</i>	<i>-2.6%</i>	<i>10.3%</i>
<b>Net Income</b>	<b>1.5</b>	<b>1.2</b>	<b>0.1</b>	<b>(5.9)</b>	<b>0.3</b>	<b>(0.3)</b>	<b>0.6</b>	<b>(0.6)</b>	<b>2.5</b>
<i>Net Margin</i>	<i>6.5%</i>	<i>6.2%</i>	<i>0.4%</i>	<i>-21.1%</i>	<i>1.2%</i>	<i>-1.1%</i>	<i>1.8%</i>	<i>-2.0%</i>	<i>6.9%</i>

# Khmelnitskoblenergo (HMON UZ)

## BUY

www.hoe.com.ua

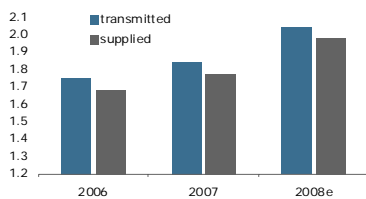
12M target (USD)  
Upside\*

2.5  
150%

### INVESTMENT CASE

- Only Oblenergo with existing DR program
- EBITDA margin (19.3%, up 6.4 pp yoy) and net margin (10.8%, up 5.1 pp yoy) were the largest among state-controlled Oblenergos in 1Q08
- Sales growth of 37.5% yoy in 1Q08 was one of the highest in the sector
- Likely to benefit most from new tariff policy introduction (expected in mid-2009)

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the Khmelnytsky region located in the west of Ukraine (area 20,600 km<sup>2</sup>; population 1.41 mln). Owns a 36,100 km transmission grid (transformer capacity: 3.0 GVA). Stable market position in the future (absence of large industrial consumers in the region). One of the best performing state-controlled Oblenergos in recent years. Supplied 1.77 TWh of electricity in 2007. Planned investments for 2008 are USD 7.9 mln (up 37% yoy).

In 2007, sales grew by 25.5% yoy to USD 91.8 mln while net income remained almost unchanged, USD 1.6 mln.

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.0
Price impact**	3
52 Wk H/L USD*	2.87/0.94
Chg 3m/6m/52w*	-53%/-57%/-11%
Chg vs PFTS 3m/6m/52w*	-25%/-14%/23%
Chg YTD*	-57%
Avg M Tr Vol 6M, USD ths	137.2

<b>MCap</b> , USD mln	134.6
Free float	11.2%
FF Mcap, USD mln	15.1

<b>No of shares</b> , mln	134.6
Par Value, UAH	0.25

<b>XETRA</b>	KF3A
DR Ratio	1:40
Avg M Tr Vol 6M, USD ths	n/a

### STOCK OWNERSHIP

NC ECU	70.0%
VS Energy	18.8%
Other	11.2%

### CORPORATE GOVERNANCE

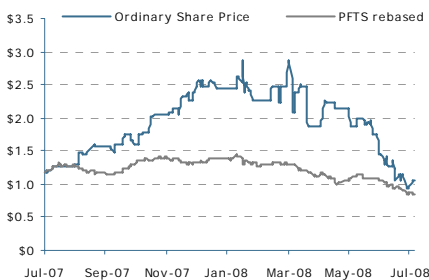
Concorde Rating***	AA
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MARKET MULTIPLES	2008E	2009E
EV/Sales	1.1	0.7
EV/EBITDA	11.9	1.9
P/E	33.7	4.7
P/B	2.5	0.4

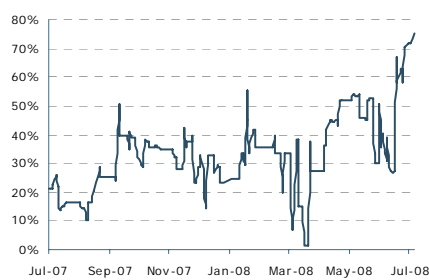
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	9.0%	9.0%	35.0%
Net Margin	1.8%	3.1%	13.7%
ROE	3%	8%	14%
Net Debt/Equity	0.20	0.18	0.15

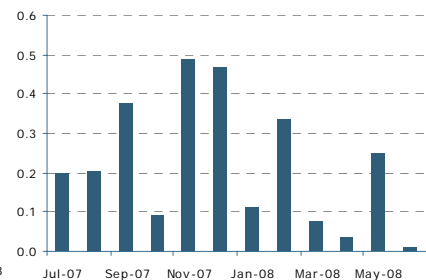
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>46.7</b>	<b>51.4</b>	<b>59.7</b>	<b>73.1</b>	<b>91.8</b>	<b>130.1</b>	<b>207.3</b>
<i>Change yoy</i>	<i>n/a</i>	<i>9.9%</i>	<i>16.3%</i>	<i>22.5%</i>	<i>25.5%</i>	<i>41.7%</i>	<i>59.4%</i>
Gross Profit	6.7	7.2	9.6	11.6	14.7	18.1	79.0
<b>EBITDA</b>	<b>3.4</b>	<b>3.4</b>	<b>5.2</b>	<b>8.0</b>	<b>8.3</b>	<b>11.7</b>	<b>72.6</b>
<i>Margin</i>	<i>7.3%</i>	<i>6.6%</i>	<i>8.7%</i>	<i>10.9%</i>	<i>9.0%</i>	<i>9.0%</i>	<i>35.0%</i>
Depreciation	(2.9)	(3.1)	(2.5)	(5.3)	(5.4)	(6.2)	(31.4)
<b>EBIT</b>	<b>0.5</b>	<b>0.3</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>5.5</b>	<b>41.2</b>
<i>margin</i>	<i>1.1%</i>	<i>0.5%</i>	<i>4.6%</i>	<i>3.7%</i>	<i>3.1%</i>	<i>4.2%</i>	<i>19.9%</i>
Financial Expense, net	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(3.3)
Other income/(expense)	0.1	0.2	(0.1)	0.2	(0.4)	-	-
<b>PBT</b>	<b>0.4</b>	<b>0.3</b>	<b>2.5</b>	<b>2.8</b>	<b>2.3</b>	<b>5.3</b>	<b>37.9</b>
Tax	(0.2)	(0.1)	(0.9)	(0.1)	(1.4)	(1.3)	(9.5)
<i>Effective tax rate</i>	<i>37.9%</i>	<i>52.8%</i>	<i>37.9%</i>	<i>1.9%</i>	<i>62.5%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>0.1</b>	<b>0.1</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>4.0</b>	<b>28.4</b>
<i>Net Margin</i>	<i>0.2%</i>	<i>0.2%</i>	<i>2.4%</i>	<i>2.0%</i>	<i>1.8%</i>	<i>3.1%</i>	<i>13.7%</i>

## BALANCE SHEET SUMMARY, USD mln

	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>23.0</b>	<b>21.5</b>	<b>20.2</b>	<b>17.2</b>	<b>17.9</b>	<b>21.8</b>	<b>68.6</b>
Cash & Equivalents	0.4	0.4	0.2	0.2	0.5	0.5	34.6
Trade Receivables	17.6	16.1	15.2	12.4	10.4	10.4	16.6
Inventories	1.7	1.8	1.9	2.2	4.8	6.8	10.9
Other	3.3	3.3	2.9	2.4	2.3	4.1	6.6
<b>Fixed Assets</b>	<b>37.4</b>	<b>66.2</b>	<b>68.6</b>	<b>69.0</b>	<b>72.1</b>	<b>72.3</b>	<b>350.9</b>
PP&E, net	34.9	63.3	64.5	63.9	66.8	67.0	314.2
Other	2.5	2.9	4.1	5.1	5.3	5.3	36.7
<b>Total Assets</b>	<b>60.3</b>	<b>87.7</b>	<b>88.8</b>	<b>86.2</b>	<b>90.1</b>	<b>94.1</b>	<b>419.6</b>
<b>Shareholders' Equity</b>	<b>26.8</b>	<b>54.8</b>	<b>55.4</b>	<b>56.2</b>	<b>49.0</b>	<b>53.0</b>	<b>347.1</b>
Share Capital	6.3	6.3	6.7	6.7	6.7	6.7	6.7
Retained Earnings and Other	20.5	48.5	48.7	49.6	42.4	46.4	340.5
<b>Current Liabilities</b>	<b>33.5</b>	<b>32.9</b>	<b>33.5</b>	<b>30.0</b>	<b>30.8</b>	<b>30.8</b>	<b>16.6</b>
ST Interest Bearing Debt	0.8	0.6	1.2	1.1	1.1	1.1	1.1
Trade Payables	29.5	28.8	28.4	23.2	22.8	22.8	8.6
Other	3.2	3.5	3.9	5.6	6.9	6.9	6.9
<b>LT Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10.2</b>	<b>10.2</b>	<b>55.8</b>
LT Interest Bearing Debt	-	-	-	-	-	-	31.4
Other	-	-	-	-	10.2	10.2	24.4
<b>Total Liabilities &amp; Equity</b>	<b>60.3</b>	<b>87.7</b>	<b>88.8</b>	<b>86.2</b>	<b>90.1</b>	<b>94.1</b>	<b>419.6</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>18.8</b>	<b>15.3</b>	<b>16.6</b>	<b>22.4</b>	<b>22.4</b>	<b>20.0</b>	<b>21.2</b>	<b>28.2</b>	<b>30.8</b>
<b>EBITDA</b>	<b>2.0</b>	<b>2.1</b>	<b>1.6</b>	<b>2.2</b>	<b>3.4</b>	<b>1.3</b>	<b>1.5</b>	<b>2.1</b>	<b>5.9</b>
<i>margin</i>	<i>10.4%</i>	<i>13.9%</i>	<i>9.9%</i>	<i>10.0%</i>	<i>15.0%</i>	<i>6.5%</i>	<i>7.0%</i>	<i>7.5%</i>	<i>19.3%</i>
<b>EBIT</b>	<b>0.5</b>	<b>0.9</b>	<b>0.3</b>	<b>1.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.6</b>	<b>4.4</b>
<i>margin</i>	<i>2.9%</i>	<i>5.6%</i>	<i>2.1%</i>	<i>4.4%</i>	<i>9.0%</i>	<i>0.1%</i>	<i>0.8%</i>	<i>2.1%</i>	<i>14.2%</i>
<b>Net Income</b>	<b>0.5</b>	<b>0.8</b>	<b>0.1</b>	<b>0.1</b>	<b>1.3</b>	<b>(0.0)</b>	<b>0.1</b>	<b>0.3</b>	<b>3.3</b>
<i>Net Margin</i>	<i>2.7%</i>	<i>5.1%</i>	<i>0.7%</i>	<i>0.4%</i>	<i>5.7%</i>	<i>-0.2%</i>	<i>0.6%</i>	<i>0.9%</i>	<i>10.8%</i>

# Kirovohradoblenergo (KION UZ)

## BUY

12M target (USD) 2.8  
Upside\* 87%

### INVESTMENT CASE

- Most profitable company in the sector in 1Q08 (EBITDA margin 26.6%, up 4.1pp yoy, net margin 16.0%, up 6.3pp yoy) due to preferential tariff policy
- A 7-year period of preferential tariff policy is coming to an end in 2009, which implies a risk of profits falling over the short-term in 1H09

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to Kirovohrad region, located in the center of Ukraine (area 24,600 km<sup>2</sup>; population 1.12 mln). Fully controlled by VS Energy group. Owns a 34,000 km transmission grid (transformer capacity: 3.4 GVA). Region is not industrialized and households are the main consumers of electricity. Pobuzk Ferronickel Plant, the largest regions' energy consumer, makes revenue volatile. Works under a preferable tariff policy (will terminate in 2009). Privatized in 2001. Supplied 1.5 TWh of electricity in 2007. In 2007, the company posted sales of USD 78.6 mln (up 17.6% yoy) and net income of USD 3.9 mln (up 23% yoy).

### MARKET INFORMATION

**Market Price\***, USD 1.5  
Price impact\*\* 3  
52 Wk H/L USD\* 8.91/0.82  
Chg 3m/6m/52w\* -15%/-35%/79%  
Chg vs PFTS 3m/6m/52w\* 13%/8%/113%  
Chg YTD\* -36%  
Avg M Tr Vol 6M, USD ths 401.5

**MCap**, USD mln 179.1  
Free float 6.0%  
FF Mcap, USD mln 10.7

**No of shares**, mln 119.4  
Par Value, UAH 0.25

### STOCK OWNERSHIP

VS Energy 94.0%  
Other 6.0%

### CORPORATE GOVERNANCE

Concorde Rating\*\*\* BA

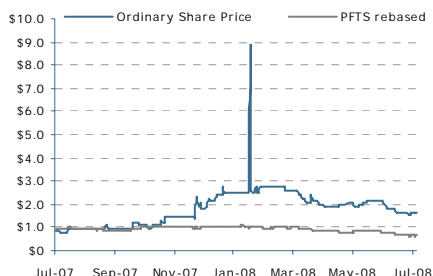
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	2.0	1.2
EV/EBITDA	13.0	2.8
P/E	25.2	6.0
P/B	2.2	0.5

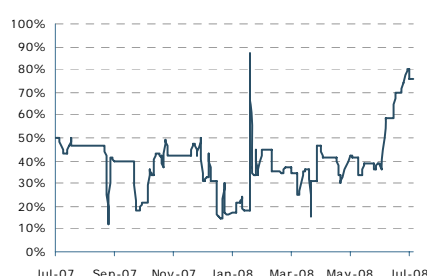
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	16.9%	15.3%	43.2%
Net Margin	4.9%	6.5%	16.9%
ROE	5%	9%	13%
Net Debt/Equity	0.07	0.07	0.07

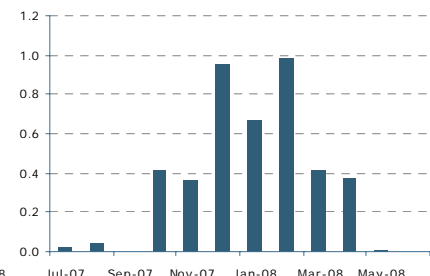
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.



## INCOME STATEMENT SUMMARY, USD

	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>58.9</b>	<b>57.1</b>	<b>57.5</b>	<b>66.9</b>	<b>78.6</b>	<b>108.6</b>	<b>176.7</b>
<i>Change yoy</i>	<i>n/a</i>	<i>-3.0%</i>	<i>0.6%</i>	<i>16.3%</i>	<i>17.6%</i>	<i>38.1%</i>	<i>62.7%</i>
Gross Profit	9.2	8.8	12.9	13.5	10.4	13.8	73.4
<b>EBITDA</b>	<b>9.3</b>	<b>8.1</b>	<b>9.3</b>	<b>14.6</b>	<b>13.3</b>	<b>16.6</b>	<b>76.3</b>
<i>Margin</i>	<i>15.7%</i>	<i>14.3%</i>	<i>16.2%</i>	<i>21.8%</i>	<i>16.9%</i>	<i>15.3%</i>	<i>43.2%</i>
Depreciation	(10.5)	(9.8)	(7.3)	(6.5)	(6.5)	(6.7)	(32.8)
<b>EBIT</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>2.1</b>	<b>8.1</b>	<b>6.8</b>	<b>9.9</b>	<b>43.5</b>
<i>margin</i>	<i>-2.2%</i>	<i>-2.9%</i>	<i>3.6%</i>	<i>12.1%</i>	<i>8.7%</i>	<i>9.1%</i>	<i>24.6%</i>
Financial Expense, net	(0.0)	(0.0)	(0.1)	(2.3)	(0.5)	(0.5)	(3.6)
Other income/(expense)	(0.2)	0.2	0.3	0.0	(8.6)	-	-
<b>PBT</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>2.3</b>	<b>5.8</b>	<b>(2.2)</b>	<b>9.5</b>	<b>39.8</b>
Tax	-	-	(1.8)	(0.7)	(3.7)	(2.4)	(10.0)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>77.1%</i>	<i>11.9%</i>	<i>-166.5%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>0.5</b>	<b>3.1</b>	<b>3.9</b>	<b>7.1</b>	<b>29.9</b>
<i>Net Margin</i>	<i>-2.6%</i>	<i>-2.6%</i>	<i>0.9%</i>	<i>4.7%</i>	<i>4.9%</i>	<i>6.5%</i>	<i>16.9%</i>

## BALANCE SHEET SUMMARY, USD mln

	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>20.6</b>	<b>18.7</b>	<b>14.2</b>	<b>12.9</b>	<b>14.8</b>	<b>23.8</b>	<b>71.3</b>
Cash & Equivalents	2.1	0.4	1.4	2.1	1.5	1.5	39.2
Trade Receivables	11.1	11.9	8.5	5.6	6.4	6.4	6.3
Inventories	1.8	3.2	2.4	4.2	4.3	5.9	9.7
Other	5.5	3.2	1.8	1.0	2.6	9.9	16.2
<b>Fixed Assets</b>	<b>82.9</b>	<b>80.8</b>	<b>76.8</b>	<b>78.8</b>	<b>78.5</b>	<b>78.4</b>	<b>370.7</b>
PP&E, net	75.6	70.7	71.6	69.2	68.6	68.5	328.0
Other	7.3	10.2	5.2	9.6	9.8	9.8	42.6
<b>Total Assets</b>	<b>103.5</b>	<b>99.5</b>	<b>91.0</b>	<b>91.6</b>	<b>93.3</b>	<b>102.2</b>	<b>442.0</b>
<b>Shareholders' Equity</b>	<b>79.9</b>	<b>78.7</b>	<b>75.0</b>	<b>77.6</b>	<b>75.3</b>	<b>82.4</b>	<b>390.4</b>
Share Capital	5.6	5.6	5.9	5.9	5.9	5.9	5.9
Retained Earnings and Other	74.3	73.1	69.1	71.7	69.4	76.5	384.5
<b>Current Liabilities</b>	<b>8.6</b>	<b>16.4</b>	<b>14.1</b>	<b>8.1</b>	<b>11.8</b>	<b>13.6</b>	<b>16.5</b>
ST Interest Bearing Debt	4.4	4.5	8.2	-	2.2	2.2	2.2
Trade Payables	1.7	9.2	2.4	2.3	2.7	4.5	7.4
Other	2.4	2.8	3.5	5.8	6.9	6.9	6.9
<b>LT Liabilities</b>	<b>15.1</b>	<b>4.4</b>	<b>1.8</b>	<b>6.0</b>	<b>6.2</b>	<b>6.2</b>	<b>35.1</b>
LT Interest Bearing Debt	-	-	0.0	4.2	1.0	1.0	32.8
Other	15.1	4.4	1.8	1.8	5.1	5.1	2.3
<b>Total Liabilities &amp; Equity</b>	<b>103.5</b>	<b>99.5</b>	<b>91.0</b>	<b>91.6</b>	<b>93.3</b>	<b>102.2</b>	<b>442.0</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>19.5</b>	<b>15.3</b>	<b>15.2</b>	<b>16.9</b>	<b>20.1</b>	<b>17.5</b>	<b>17.4</b>	<b>23.6</b>	<b>26.3</b>
<b>EBITDA</b>	<b>4.4</b>	<b>2.5</b>	<b>4.0</b>	<b>3.6</b>	<b>4.5</b>	<b>2.6</b>	<b>2.6</b>	<b>3.6</b>	<b>7.0</b>
<i>margin</i>	<i>22.6%</i>	<i>16.6%</i>	<i>26.3%</i>	<i>21.5%</i>	<i>22.5%</i>	<i>14.7%</i>	<i>14.9%</i>	<i>15.3%</i>	<i>26.6%</i>
<b>EBIT</b>	<b>2.9</b>	<b>0.9</b>	<b>2.3</b>	<b>1.9</b>	<b>3.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.8</b>	<b>5.3</b>
<i>margin</i>	<i>14.9%</i>	<i>6.2%</i>	<i>15.4%</i>	<i>11.2%</i>	<i>14.9%</i>	<i>5.8%</i>	<i>5.5%</i>	<i>7.8%</i>	<i>20.2%</i>
<b>Net Income</b>	<b>2.1</b>	<b>0.4</b>	<b>0.0</b>	<b>0.5</b>	<b>1.9</b>	<b>0.3</b>	<b>0.3</b>	<b>1.3</b>	<b>4.2</b>
<i>Net Margin</i>	<i>11.0%</i>	<i>2.7%</i>	<i>0.2%</i>	<i>3.2%</i>	<i>9.7%</i>	<i>1.4%</i>	<i>1.9%</i>	<i>5.6%</i>	<i>16.0%</i>

# Krymenergo (KREN UZ)

## BUY

 12M target (USD)  
Upside\*

 3.0  
200%

### INVESTMENT CASE

- Most actively traded Oblenergo stock over 1H08
- Sales growth of 34.8% yoy in 1Q08 was one of the highest in the sector
- Likely to benefit most from introduction of a new tariff policy (expected in mid-2009)

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to southern Ukraine – the Crimea Republic (area 26,100 km<sup>2</sup>; population 2.13 mln). Owns a 35,800 km transmission grid (transformer capacity: 5.9 GVA). Residential consumers (~34.2%), industrial consumers (26.9%) and agricultural companies (14.9%). Largest customers: Krymvodokanal, Brom, Krymsoda and Titan. Will benefit from the Ministry of Fuel and Energy's plan to invest in upgrading the Crimean power grid and the construction of new power plants. In 2007, supplied 3.86 TWh of electricity. In 2008 investments are planned at USD 19.1 mln (up 53% yoy). Last year, sales grew by 24.9% yoy to USD 211.9 mln, while net income increased by 14.8% yoy to USD 1.6 mln.

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.0
Price impact**	3
52 Wk H/L USD*	2.77/1.02
Chg 3m/6m/52w*	-46%/-59%/-31%
Chg vs PFTS 3m/6m/52w*	-18%/-16%/3%
Chg YTD*	-59%
Avg M Tr Vol 6M, USD ths	2899.2

<b>MCap</b> , USD mln	173.7
Free float	20.0%
FF Mcap, USD mln	34.6

<b>No of shares</b> , mln	173.0
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU	70.0%
VS Energy	10.0%
Other	20.0%

### CORPORATE GOVERNANCE

Concorde Rating***	A
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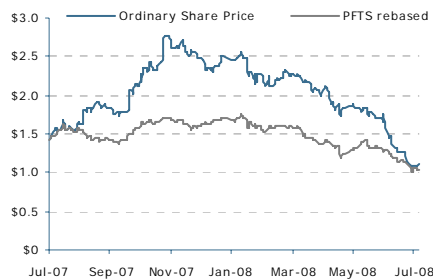
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.8	0.6
EV/EBITDA	8.7	2.2
P/E	13.5	3.8
P/B	7.5	0.4

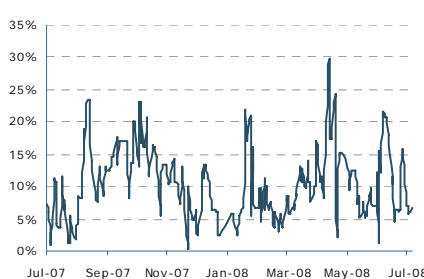
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	9.0%	9.5%	26.0%
Net Margin	0.8%	4.3%	10.4%
ROE	11%	77%	21%
Net Debt/Equity	1.79	0.80	0.59

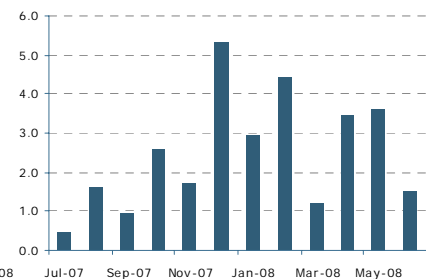
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>91.5</b>	<b>102.6</b>	<b>119.4</b>	<b>135.6</b>	<b>169.6</b>	<b>211.9</b>	<b>302.2</b>	<b>438.9</b>
<i>Change yoy</i>	<i>n/a</i>	<i>12.1%</i>	<i>16.4%</i>	<i>13.6%</i>	<i>25.1%</i>	<i>24.9%</i>	<i>42.6%</i>	<i>45.3%</i>
Gross Profit	(9.1)	2.0	20.8	14.1	29.3	33.5	43.2	128.7
<b>EBITDA</b>	<b>(12.9)</b>	<b>(2.6)</b>	<b>5.1</b>	<b>9.1</b>	<b>12.9</b>	<b>19.1</b>	<b>28.7</b>	<b>114.2</b>
<i>Margin</i>	<i>-14.1%</i>	<i>-2.6%</i>	<i>4.3%</i>	<i>6.7%</i>	<i>7.6%</i>	<i>9.0%</i>	<i>9.5%</i>	<i>26.0%</i>
Depreciation	(4.4)	(4.4)	(5.1)	(8.9)	(7.1)	(10.5)	(11.2)	(48.2)
<b>EBIT</b>	<b>(17.3)</b>	<b>(7.1)</b>	<b>(0.1)</b>	<b>0.3</b>	<b>5.8</b>	<b>8.6</b>	<b>17.5</b>	<b>66.0</b>
<i>margin</i>	<i>-19.0%</i>	<i>-6.9%</i>	<i>-0.1%</i>	<i>0.2%</i>	<i>3.4%</i>	<i>4.1%</i>	<i>5.8%</i>	<i>15.0%</i>
Financial Expense, net	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(5.0)
Other income/(expense)	0.1	0.0	(7.0)	1.2	0.3	0.1	-	-
<b>PBT</b>	<b>(17.3)</b>	<b>(7.1)</b>	<b>(7.2)</b>	<b>1.4</b>	<b>6.0</b>	<b>8.3</b>	<b>17.1</b>	<b>61.0</b>
Tax	-	(1.8)	-	(0.1)	(0.6)	(7.2)	(4.3)	(15.3)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>-25.9%</i>	<i>0.0%</i>	<i>7.4%</i>	<i>10.4%</i>	<i>86.2%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(17.3)</b>	<b>(8.9)</b>	<b>(7.2)</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>	<b>12.9</b>	<b>45.8</b>
<i>Net Margin</i>	<i>-19.0%</i>	<i>-8.7%</i>	<i>-6.1%</i>	<i>0.9%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>4.3%</i>	<i>10.4%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>120.7</b>	<b>125.8</b>	<b>135.6</b>	<b>147.7</b>	<b>146.5</b>	<b>150.0</b>	<b>158.8</b>	<b>158.2</b>
Cash & Equivalents	0.5	0.4	0.3	0.3	0.8	0.5	0.5	64.4
Trade Receivables	99.1	104.3	112.3	128.0	129.9	133.4	133.4	57.7
Inventories	4.6	5.5	8.7	4.9	5.0	5.8	8.2	12.0
Other	16.4	15.6	14.3	14.6	10.8	10.3	16.6	24.1
<b>Fixed Assets</b>	<b>60.7</b>	<b>61.6</b>	<b>99.9</b>	<b>102.4</b>	<b>104.7</b>	<b>110.1</b>	<b>114.2</b>	<b>549.1</b>
PP&E, net	52.3	51.9	90.7	90.9	92.7	91.1	95.1	481.9
Other	8.4	9.7	9.2	11.5	11.9	19.1	19.1	67.3
<b>Total Assets</b>	<b>181.4</b>	<b>187.4</b>	<b>235.5</b>	<b>250.1</b>	<b>251.1</b>	<b>260.2</b>	<b>273.0</b>	<b>707.3</b>
<b>Shareholders' Equity</b>	<b>(6.4)</b>	<b>(15.1)</b>	<b>17.7</b>	<b>19.2</b>	<b>20.6</b>	<b>10.3</b>	<b>23.2</b>	<b>410.9</b>
Share Capital	8.1	8.1	8.2	8.6	8.6	8.6	8.6	8.6
Retained Earnings and Other	(14.5)	(23.2)	9.5	10.6	12.0	1.7	14.6	402.4
<b>Current Liabilities</b>	<b>187.8</b>	<b>200.7</b>	<b>216.2</b>	<b>229.9</b>	<b>227.1</b>	<b>232.6</b>	<b>232.6</b>	<b>39.3</b>
ST Interest Bearing Debt	0.3	0.0	0.9	0.6	1.2	1.7	1.7	1.7
Trade Payables	181.2	194.5	208.3	221.2	212.9	211.6	211.6	18.3
Other	6.2	6.2	7.1	8.2	13.1	19.3	19.3	19.3
<b>LT Liabilities</b>	<b>0.0</b>	<b>1.8</b>	<b>1.6</b>	<b>0.9</b>	<b>3.5</b>	<b>17.3</b>	<b>17.3</b>	<b>257.1</b>
LT Interest Bearing Debt	0.0	-	-	-	1.5	1.7	1.7	48.2
Other	0.0	1.8	1.6	0.9	2.0	15.6	15.6	208.9
<b>Total Liabilities &amp; Equity</b>	<b>181.4</b>	<b>187.4</b>	<b>235.5</b>	<b>250.1</b>	<b>251.1</b>	<b>260.2</b>	<b>273.0</b>	<b>707.3</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>42.6</b>	<b>36.4</b>	<b>42.2</b>	<b>48.3</b>	<b>52.1</b>	<b>47.7</b>	<b>55.7</b>	<b>56.5</b>	<b>70.2</b>
<b>EBITDA</b>	<b>4.7</b>	<b>0.0</b>	<b>3.9</b>	<b>4.2</b>	<b>4.9</b>	<b>3.6</b>	<b>4.5</b>	<b>6.0</b>	<b>6.7</b>
<i>margin</i>	<i>11.1%</i>	<i>0.1%</i>	<i>9.2%</i>	<i>8.8%</i>	<i>9.5%</i>	<i>7.6%</i>	<i>8.0%</i>	<i>10.7%</i>	<i>9.6%</i>
<b>EBIT</b>	<b>1.8</b>	<b>(0.5)</b>	<b>2.1</b>	<b>2.4</b>	<b>2.0</b>	<b>0.9</b>	<b>2.0</b>	<b>3.6</b>	<b>3.9</b>
<i>margin</i>	<i>4.3%</i>	<i>-1.4%</i>	<i>5.0%</i>	<i>4.9%</i>	<i>3.9%</i>	<i>2.0%</i>	<i>3.7%</i>	<i>6.4%</i>	<i>5.6%</i>
<b>Net Income</b>	<b>1.3</b>	<b>(0.6)</b>	<b>0.4</b>	<b>0.4</b>	<b>1.5</b>	<b>(0.7)</b>	<b>0.7</b>	<b>0.2</b>	<b>2.1</b>
<i>Net Margin</i>	<i>3.0%</i>	<i>-1.7%</i>	<i>1.0%</i>	<i>0.8%</i>	<i>2.9%</i>	<i>-1.5%</i>	<i>1.2%</i>	<i>0.3%</i>	<i>3.0%</i>

# Lvivoblenergo (LVON UZ)

## BUY

www.loe.lviv.ua

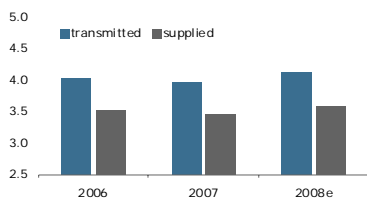
12M target (USD)  
Upside\*

2.7  
145.5%

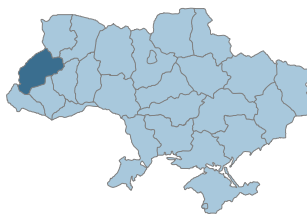
### INVESTMENT CASE

- Second largest Oblenergo by FF MCap
- Net margin of 13.0% (up 4.3 pp yoy) in 1Q08 was one of the highest in the sector
- Among the "conflict" group of Oblenergos; has not been able to hold an AGM for the last five years
- Privatization of state's remaining 27% stake (2H08-2009) will resolve the conflict between its two rival private shareholders
- Likely to benefit most from introduction of a new tariff policy

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the western Ukrainian region of Lviv (area 21,800 km<sup>2</sup>; population 2.61 mln). Owns a 39,200 km transmission grid (transformer capacity: 4.5 GVA). Industrial users account for around 38.7% of power supplies, residential users 20.8% and transportation and utility companies 24.5%. Largest customers: Lviv Bus Plant, Lorta, Sokalsky Chemical Fiber Plant, Mykolaiv Cement Plant and Halychyna Oil Refinery. Conflicts between its two main shareholders (Privat and Energy Standard) did not affect the company's operating results much. The government might privatize its remaining 27% stake in the company in 2008-2009, which might end the conflict between its shareholders.

In 2007, supplied 3.44 TWh of electricity. Investments for 2008 are planned at USD 18.4 mln (up 40% yoy). Last year sales grew by 17.5% yoy to USD 183.6 mln while net income decreased to USD 1.3 mln (USD 6.2 mln for 2006).

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.1
Price impact**	3
52 Wk H/L USD*	2.64/1.09
Chg 3m/6m/52w*	-39%/-50%/-14%
Chg vs PFTS 3m/6m/52w*	-11%/-7%/19%
Chg YTD*	-54%
Avg M Tr Vol 6M, USD ths	608.2

<b>MCap</b> , USD mln	213.4
Free float	21.1%
FF Mcap, USD mln	45.0

<b>No of shares</b> , mln	194.0
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	27.0%
EnSt/Privat	38.7%
Privat/Surkis	13.3%
Other	21.1%

### CORPORATE GOVERNANCE

Concorde Rating***	BA
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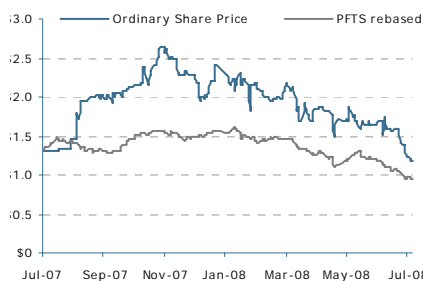
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.9	0.6
EV/EBITDA	11.1	2.3
P/E	24.3	5.4
P/B	3.3	0.4

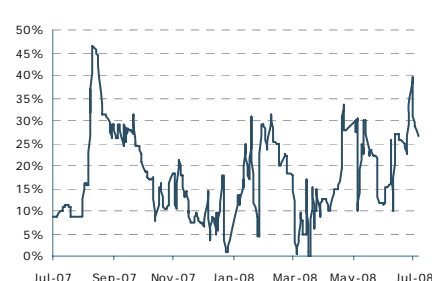
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	6.7%	8.0%	27.2%
Net Margin	0.7%	3.4%	10.6%
ROE	3%	15%	14%
Net Debt/Equity	0.47	0.41	0.07

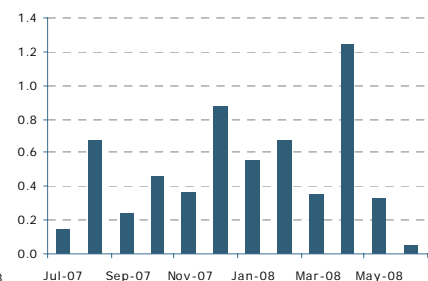
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>88.3</b>	<b>104.9</b>	<b>114.4</b>	<b>133.1</b>	<b>156.3</b>	<b>183.6</b>	<b>260.4</b>	<b>370.8</b>
<i>Change yoy</i>	<i>n/a</i>	<i>18.8%</i>	<i>9.1%</i>	<i>16.3%</i>	<i>17.5%</i>	<i>17.5%</i>	<i>41.8%</i>	<i>42.4%</i>
Gross Profit	2.7	11.3	15.8	17.2	19.5	16.6	25.3	105.0
<b>EBITDA</b>	<b>2.3</b>	<b>10.0</b>	<b>13.8</b>	<b>11.1</b>	<b>20.6</b>	<b>12.3</b>	<b>20.9</b>	<b>100.7</b>
<i>Margin</i>	<i>2.6%</i>	<i>9.5%</i>	<i>12.1%</i>	<i>8.3%</i>	<i>13.2%</i>	<i>6.7%</i>	<i>8.0%</i>	<i>27.2%</i>
Depreciation	(3.1)	(7.0)	(6.6)	(6.5)	(6.8)	(6.9)	(7.1)	(43.1)
<b>EBIT</b>	<b>(0.8)</b>	<b>2.9</b>	<b>7.2</b>	<b>4.6</b>	<b>13.8</b>	<b>5.4</b>	<b>13.8</b>	<b>57.6</b>
<i>margin</i>	<i>-0.9%</i>	<i>2.8%</i>	<i>6.3%</i>	<i>3.5%</i>	<i>8.9%</i>	<i>3.0%</i>	<i>5.3%</i>	<i>15.5%</i>
Financial Expense, net	(1.3)	(0.9)	(1.1)	(2.8)	(2.4)	(2.2)	(2.2)	(5.4)
Other income/(expense)	(0.1)	0.1	(0.4)	(0.0)	0.2	(0.3)	-	-
<b>PBT</b>	<b>(2.2)</b>	<b>2.1</b>	<b>5.8</b>	<b>1.8</b>	<b>11.6</b>	<b>2.9</b>	<b>11.7</b>	<b>52.2</b>
Tax	-	-	(0.2)	(1.9)	(0.9)	(2.0)	(2.9)	(13.1)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>3.6%</i>	<i>106.4%</i>	<i>8.1%</i>	<i>69.7%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(2.2)</b>	<b>2.1</b>	<b>5.6</b>	<b>(0.1)</b>	<b>6.2</b>	<b>1.3</b>	<b>8.8</b>	<b>39.2</b>
<i>Net Margin</i>	<i>-2.5%</i>	<i>2.0%</i>	<i>4.9%</i>	<i>-0.1%</i>	<i>3.9%</i>	<i>0.7%</i>	<i>3.4%</i>	<i>10.6%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>37.1</b>	<b>33.2</b>	<b>33.3</b>	<b>21.6</b>	<b>13.0</b>	<b>16.8</b>	<b>23.3</b>	<b>84.4</b>
Cash & Equivalents	0.6	0.6	0.4	0.5	0.5	0.3	0.3	51.7
Trade Receivables	29.5	23.8	20.0	13.7	6.9	4.8	10.9	15.4
Inventories	3.5	4.7	7.1	2.9	2.3	4.4	6.2	8.9
Other	3.5	4.1	5.9	4.6	3.3	7.2	5.9	8.4
<b>Fixed Assets</b>	<b>68.5</b>	<b>66.8</b>	<b>67.7</b>	<b>74.2</b>	<b>77.1</b>	<b>79.9</b>	<b>87.5</b>	<b>485.8</b>
PP&E, net	61.0	58.6	58.1	63.1	66.6	67.9	75.5	430.7
Other	7.5	8.1	9.5	11.1	10.5	12.0	12.0	55.1
<b>Total Assets</b>	<b>105.7</b>	<b>100.0</b>	<b>101.0</b>	<b>95.8</b>	<b>90.1</b>	<b>96.7</b>	<b>110.8</b>	<b>570.2</b>
<b>Shareholders' Equity</b>	<b>41.5</b>	<b>39.6</b>	<b>46.5</b>	<b>47.3</b>	<b>54.4</b>	<b>55.2</b>	<b>64.0</b>	<b>491.2</b>
Share Capital	9.1	9.1	9.1	9.6	9.6	9.6	9.6	9.6
Retained Earnings and Other	32.4	30.5	37.4	37.7	44.8	45.6	54.4	481.6
<b>Current Liabilities</b>	<b>49.6</b>	<b>55.8</b>	<b>38.6</b>	<b>32.8</b>	<b>19.0</b>	<b>25.9</b>	<b>31.3</b>	<b>35.9</b>
ST Interest Bearing Debt	2.4	19.5	4.4	5.2	5.2	10.4	10.4	10.4
Trade Payables	44.3	32.2	29.0	22.2	5.2	5.4	10.9	15.4
Other	2.9	4.1	5.2	5.4	8.6	10.1	10.1	10.1
<b>LT Liabilities</b>	<b>14.5</b>	<b>4.6</b>	<b>15.8</b>	<b>15.7</b>	<b>16.6</b>	<b>15.6</b>	<b>15.6</b>	<b>43.1</b>
LT Interest Bearing Debt	14.5	-	11.9	11.7	12.7	10.9	10.9	43.1
Other	-	4.6	4.0	4.0	4.0	4.7	4.7	0.1
<b>Total Liabilities &amp; Equity</b>	<b>105.7</b>	<b>100.0</b>	<b>101.0</b>	<b>95.8</b>	<b>90.1</b>	<b>96.7</b>	<b>110.8</b>	<b>570.2</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>44.7</b>	<b>34.7</b>	<b>32.3</b>	<b>44.6</b>	<b>48.5</b>	<b>42.4</b>	<b>40.4</b>	<b>52.4</b>	<b>62.0</b>
<b>EBITDA</b>	<b>2.5</b>	<b>4.2</b>	<b>12.9</b>	<b>1.0</b>	<b>7.3</b>	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>	<b>12.4</b>
<i>margin</i>	<i>5.6%</i>	<i>12.2%</i>	<i>39.9%</i>	<i>2.3%</i>	<i>15.1%</i>	<i>4.1%</i>	<i>3.8%</i>	<i>3.3%</i>	<i>20.0%</i>
<b>EBIT</b>	<b>1.9</b>	<b>1.6</b>	<b>11.2</b>	<b>(0.7)</b>	<b>5.6</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>10.6</b>
<i>margin</i>	<i>4.2%</i>	<i>4.5%</i>	<i>34.6%</i>	<i>-1.7%</i>	<i>11.5%</i>	<i>0.2%</i>	<i>-0.4%</i>	<i>-0.1%</i>	<i>17.2%</i>
<b>Net Income</b>	<b>0.4</b>	<b>0.2</b>	<b>7.8</b>	<b>(2.2)</b>	<b>4.2</b>	<b>(0.7)</b>	<b>(1.3)</b>	<b>(0.8)</b>	<b>8.1</b>
<i>Net Margin</i>	<i>0.8%</i>	<i>0.6%</i>	<i>24.1%</i>	<i>-4.9%</i>	<i>8.8%</i>	<i>-1.8%</i>	<i>-3.3%</i>	<i>-1.6%</i>	<i>13.0%</i>

# Odesaoblenergo (ODEN UZ )

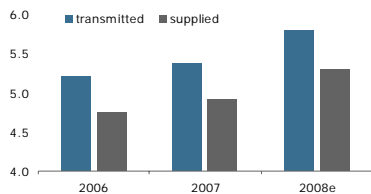
## BUY

12M target (USD) 1.0  
 Upside\* 82%

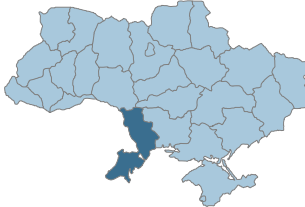
### INVESTMENT CASE

- Sales growth of 38.9% yoy in 1Q08 was the highest in the sector
- EBITDA margin of 7.1% and net margin of 0.2% in 1Q08 were low due to seasonal factors. We expect annual figures to be in line with the market average
- Dilution risk is fully accounted for in our target price: VS Energy carried out an additional share issue to raise the company's charter fund by 2.9x, and it looks like only a matter of time to approve the issue's results

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the largest Ukrainian region by area, Odesa, in the southern Ukraine (area 33,300 km<sup>2</sup>; population 2.45 mln). Owns a 44,000 km transmission grid (transformer capacity: 5.5 GVA). In 2007, supplied 4.91 TWh of electricity. Investment program for 2008 amounts to USD 35.4 mln (up 10% yoy). Main shareholder, VS Energy, announced plans in 2008 to construct a new 250 MW power plant in Odesa region: Odesaoblenergo's role in the project is still unclear. In 2007, sales increased by 30.9% yoy to USD 282.2 mln, while net income amounted to USD 1.0 mln (USD 0.8 mln in 2006). The stock was re-listed at PFTS in November 2007.

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.55
Price impact**	3
52 Wk H/L USD*	1.75/0.59
Chg 3m/6m*	-28%/-66%
Chg vs PFTS 3m/6m*	-4%/-41%
Chg YTD	-62%
Avg M Tr Vol 6M, USD ths	1060.5
<b>MCap*</b> , USD mln	114.7
Free float	9.4%
FF Mcap, USD mln	10.8

<b>No of shares</b> , mln	208.5
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	25.0%
VS Energy	55.2%
Finance&Credit	10.4%
Other	9.4%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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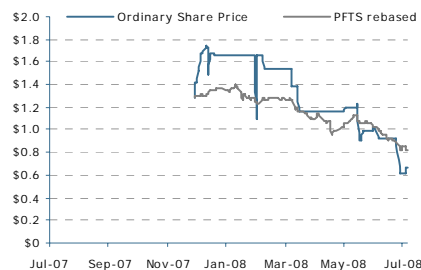
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.5	0.4
EV/EBITDA	5.4	1.9
P/E	6.2	2.6
P/B	2.4	0.3

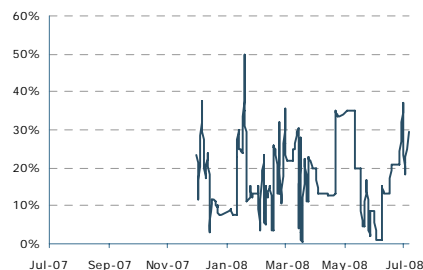
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	11.2%	10.0%	21.6%
Net Margin	0.4%	4.7%	8.5%
ROE	5%	47%	19%
Net Debt/Equity	5.16	3.21	0.50

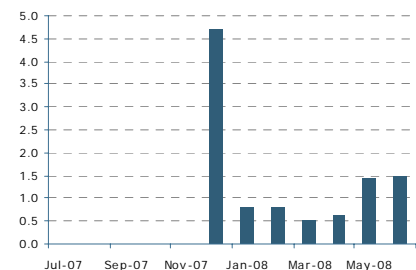
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
 3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>120.1</b>	<b>131.8</b>	<b>146.8</b>	<b>162.6</b>	<b>215.6</b>	<b>282.2</b>	<b>387.0</b>	<b>514.5</b>
<i>Change yoy</i>	<i>n/a</i>	<i>9.7%</i>	<i>11.4%</i>	<i>10.8%</i>	<i>32.6%</i>	<i>30.9%</i>	<i>37.1%</i>	<i>32.9%</i>
Gross Profit	(3.3)	(0.5)	5.6	10.7	12.7	43.8	51.0	123.6
<b>EBITDA</b>	<b>(10.6)</b>	<b>(51.0)</b>	<b>(1.5)</b>	<b>3.7</b>	<b>11.6</b>	<b>31.5</b>	<b>38.8</b>	<b>111.3</b>
<i>Margin</i>	<i>-8.9%</i>	<i>-38.7%</i>	<i>-1.0%</i>	<i>2.3%</i>	<i>5.4%</i>	<i>11.2%</i>	<i>10.0%</i>	<i>21.6%</i>
Depreciation	(5.2)	(5.6)	(8.6)	(9.1)	(11.1)	(13.4)	(12.9)	(47.0)
<b>EBIT</b>	<b>(15.8)</b>	<b>(56.6)</b>	<b>(10.1)</b>	<b>(5.2)</b>	<b>0.5</b>	<b>18.1</b>	<b>25.9</b>	<b>64.3</b>
<i>margin</i>	<i>-13.2%</i>	<i>-42.9%</i>	<i>-6.9%</i>	<i>-3.2%</i>	<i>0.2%</i>	<i>6.4%</i>	<i>6.7%</i>	<i>12.5%</i>
Financial Expense, net	-	(0.5)	(0.4)	(0.6)	(0.8)	(1.4)	(1.4)	(6.1)
Other income/(expense)	(0.1)	0.1	(9.8)	2.5	1.2	(5.9)	-	-
<b>PBT</b>	<b>(15.9)</b>	<b>(57.0)</b>	<b>(20.4)</b>	<b>(3.4)</b>	<b>0.9</b>	<b>10.8</b>	<b>24.5</b>	<b>58.2</b>
Tax	-	-	(7.3)	-	-	(10.6)	(6.1)	(14.5)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>-36.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>98.1%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(15.9)</b>	<b>(57.0)</b>	<b>(27.8)</b>	<b>(3.3)</b>	<b>0.8</b>	<b>1.0</b>	<b>18.4</b>	<b>43.6</b>
<i>Net Margin</i>	<i>-13.3%</i>	<i>-43.2%</i>	<i>-18.9%</i>	<i>-2.1%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>4.7%</i>	<i>8.5%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>108.6</b>	<b>41.6</b>	<b>50.7</b>	<b>65.1</b>	<b>68.7</b>	<b>71.0</b>	<b>73.9</b>	<b>149.9</b>
Cash & Equivalents	3.8	3.1	4.4	4.8	0.6	2.3	2.3	54.8
Trade Receivables	85.8	22.8	24.7	26.0	31.6	30.8	30.8	40.9
Inventories	5.9	5.8	6.0	7.2	8.4	15.0	20.6	27.4
Other	13.1	9.9	15.5	27.1	28.2	22.8	20.1	26.8
<b>Fixed Assets</b>	<b>74.1</b>	<b>87.8</b>	<b>170.2</b>	<b>178.6</b>	<b>186.7</b>	<b>230.6</b>	<b>246.1</b>	<b>570.4</b>
PP&E, net	70.6	69.5	152.9	159.3	164.6	177.8	193.3	470.5
Other	3.5	18.3	17.3	19.3	22.1	52.9	52.9	99.9
<b>Total Assets</b>	<b>182.7</b>	<b>129.4</b>	<b>220.9</b>	<b>243.7</b>	<b>255.5</b>	<b>301.7</b>	<b>320.0</b>	<b>720.3</b>
<b>Shareholders' Equity</b>	<b>(16.9)</b>	<b>(61.2)</b>	<b>3.5</b>	<b>10.0</b>	<b>13.5</b>	<b>30.3</b>	<b>48.7</b>	<b>401.9</b>
Share Capital	9.8	9.8	9.8	10.3	10.3	10.3	10.3	10.3
Retained Earnings and Other	(26.7)	(70.9)	(6.3)	(0.4)	3.2	20.0	38.3	391.6
<b>Current Liabilities</b>	<b>188.5</b>	<b>176.9</b>	<b>170.6</b>	<b>220.2</b>	<b>95.0</b>	<b>112.9</b>	<b>112.9</b>	<b>111.4</b>
ST Interest Bearing Debt	-	0.0	-	-	16.4	27.1	27.1	27.1
Trade Payables	183.2	171.0	160.5	207.8	50.6	22.9	22.9	21.4
Other	5.3	6.0	10.1	12.4	28.0	62.9	62.9	62.9
<b>LT Liabilities</b>	<b>11.1</b>	<b>13.6</b>	<b>46.8</b>	<b>13.6</b>	<b>147.0</b>	<b>158.5</b>	<b>158.5</b>	<b>207.0</b>
LT Interest Bearing Debt	8.3	-	36.6	-	-	-	-	47.0
Other	2.8	13.6	10.2	13.6	147.0	158.5	158.5	160.0
<b>Total Liabilities &amp; Equity</b>	<b>182.7</b>	<b>129.4</b>	<b>220.9</b>	<b>243.7</b>	<b>255.5</b>	<b>301.7</b>	<b>320.0</b>	<b>720.3</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>54.7</b>	<b>45.1</b>	<b>47.5</b>	<b>68.2</b>	<b>70.6</b>	<b>65.7</b>	<b>65.9</b>	<b>80.0</b>	<b>98.1</b>
<b>EBITDA</b>	<b>0.5</b>	<b>3.8</b>	<b>3.5</b>	<b>3.8</b>	<b>4.2</b>	<b>3.7</b>	<b>5.8</b>	<b>17.8</b>	<b>6.9</b>
<i>margin</i>	<i>0.9%</i>	<i>8.4%</i>	<i>7.4%</i>	<i>5.6%</i>	<i>6.0%</i>	<i>5.6%</i>	<i>8.7%</i>	<i>22.3%</i>	<i>7.1%</i>
<b>EBIT</b>	<b>(2.0)</b>	<b>1.2</b>	<b>0.6</b>	<b>0.8</b>	<b>1.3</b>	<b>0.1</b>	<b>2.5</b>	<b>14.1</b>	<b>3.7</b>
<i>margin</i>	<i>-3.7%</i>	<i>2.6%</i>	<i>1.2%</i>	<i>1.1%</i>	<i>1.9%</i>	<i>0.2%</i>	<i>3.8%</i>	<i>17.6%</i>	<i>3.8%</i>
<b>Net Income</b>	<b>(1.2)</b>	<b>1.2</b>	<b>0.0</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.2</b>
<i>Net Margin</i>	<i>-2.2%</i>	<i>2.7%</i>	<i>0.0%</i>	<i>1.2%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>1.2%</i>	<i>0.2%</i>

# Poltavaoblenergo (POON UZ)

## BUY

12M target (USD) 2.5  
 Upside\* 127%

### INVESTMENT CASE

- One of the most actively traded Oblenergo stocks
- Only Oblenergo that generates 1/3 of electricity supplied by itself
- Sales growth of 37.8% yoy in 1Q08 was among the highest in the sector
- Among the "conflict" group of Oblenergos; has been unable to hold an AGM for the last five years
- Privatization of the state's remaining 25% stake (expected in 2008-2009) will resolve the conflict between its two rival private shareholders

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the eastern Ukrainian region of Poltava (area 28,800 km<sup>2</sup>; population 1.61 mln). Owns 48,900 km transmission grid (transformer capacity: 3.96 GVA). Operates Kremenchug CHPP (produces about 35% of the electricity it supplies) - this makes the company relatively independent of external electricity supplies. Industrial consumers (largest of them: UkrTatNafta and PoltavaGazVydobuvannia) account for ~54% of Poltavaoblenergo's supplies. In 2007, produced 1.25 TWh and supplied 2.96 TWh of electricity. Investments for 2008 are planned at USD 14.0 mln (up 70% yoy). Net revenues increased by 21.3% to USD 201 mln in 2007 while the company's net income improved to USD 3.2 mln from USD 0.9 mln in 2006.

### MARKET INFORMATION

**Market Price\***, USD 1.1  
 Price impact\*\* 3  
 52 Wk H/L USD\* 2.38/0.82  
 Chg 3m/6m/52w\* -48%/-64%/-36%  
 Chg vs PFTS 3m/6m/52w\* -20%/-21%/-2%  
 Chg YTD\* -64%  
 Avg M Tr Vol 6M, USD ths 1176.4

**MCap**, USD mln 243.1  
 Free float 9.3%  
 FF Mcap, USD mln 22.6

**No of shares**, mln 221.0  
 Par Value, UAH 0.25

### STOCK OWNERSHIP

NC ECU (State) 25.0%  
 EnSt/Privat 40.0%  
 Privat/Surkis 25.6%  
 Other 9.4%

### CORPORATE GOVERNANCE

Concorde Rating\*\*\* BA

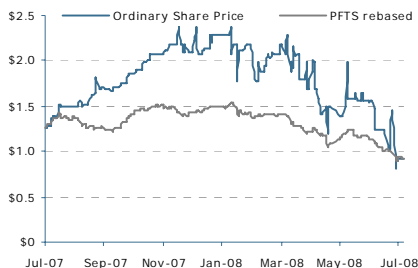
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.9	0.7
EV/EBITDA	8.0	2.3
P/E	14.5	5.3
P/B	2.2	0.5

### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	10.9%	11.8%	30.1%
Net Margin	1.6%	6.3%	12.2%
ROE	4%	17%	16%
Net Debt/Equity	0.23	0.19	0.18

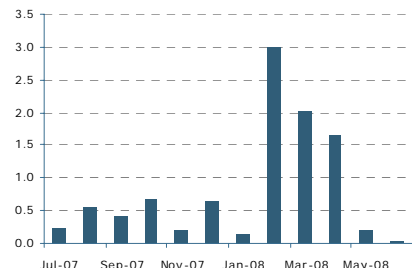
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
 3: All other stocks (quoted)

\*\*\* 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.



INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>132.2</b>	<b>125.2</b>	<b>150.8</b>	<b>146.6</b>	<b>165.7</b>	<b>201.0</b>	<b>268.9</b>	<b>374.2</b>
<i>Change yoy</i>	<i>n/a</i>	<i>-5.3%</i>	<i>20.4%</i>	<i>-2.8%</i>	<i>13.0%</i>	<i>21.3%</i>	<i>33.7%</i>	<i>39.2%</i>
Gross Profit	14.7	17.3	21.1	25.2	28.5	30.4	40.1	121.2
<b>EBITDA</b>	<b>9.1</b>	<b>1.9</b>	<b>9.9</b>	<b>19.3</b>	<b>21.8</b>	<b>21.9</b>	<b>31.6</b>	<b>112.7</b>
<i>Margin</i>	<i>6.8%</i>	<i>1.5%</i>	<i>6.6%</i>	<i>13.2%</i>	<i>13.1%</i>	<i>10.9%</i>	<i>11.8%</i>	<i>30.1%</i>
Depreciation	(16.8)	(14.1)	(12.9)	(13.2)	(15.4)	(11.4)	(7.2)	(47.2)
<b>EBIT</b>	<b>(7.8)</b>	<b>(12.3)</b>	<b>(3.1)</b>	<b>6.1</b>	<b>6.4</b>	<b>10.5</b>	<b>24.5</b>	<b>65.6</b>
<i>margin</i>	<i>-5.9%</i>	<i>-9.8%</i>	<i>-2.0%</i>	<i>4.2%</i>	<i>3.9%</i>	<i>5.2%</i>	<i>9.1%</i>	<i>17.5%</i>
Financial Expense, net	(0.9)	(1.0)	(1.7)	(1.3)	(1.8)	(2.0)	(2.0)	(4.9)
Other income/(expense)	(3.2)	0.2	(0.5)	(2.8)	(0.5)	(2.9)	-	-
<b>PBT</b>	<b>(11.9)</b>	<b>(13.0)</b>	<b>(5.2)</b>	<b>2.1</b>	<b>4.1</b>	<b>5.6</b>	<b>22.4</b>	<b>60.7</b>
Tax	-	(1.6)	-	(1.0)	(1.7)	(4.6)	(5.6)	(15.2)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>-12.3%</i>	<i>0.0%</i>	<i>48.1%</i>	<i>41.5%</i>	<i>81.9%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(11.9)</b>	<b>(14.6)</b>	<b>(5.2)</b>	<b>1.1</b>	<b>0.9</b>	<b>3.2</b>	<b>16.8</b>	<b>45.5</b>
<i>Net Margin</i>	<i>-9.0%</i>	<i>-11.7%</i>	<i>-3.5%</i>	<i>0.7%</i>	<i>0.5%</i>	<i>1.6%</i>	<i>6.3%</i>	<i>12.2%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>38.0</b>	<b>26.8</b>	<b>27.0</b>	<b>18.3</b>	<b>32.8</b>	<b>41.8</b>	<b>59.5</b>	<b>61.1</b>
Cash & Equivalents	1.4	1.6	3.5	2.5	6.7	17.0	17.0	11.5
Trade Receivables	20.8	5.7	4.5	3.8	6.8	5.4	11.2	15.6
Inventories	7.1	4.5	12.2	4.2	6.8	5.2	7.0	9.7
Other	8.7	15.0	6.8	7.9	12.6	14.2	24.3	24.3
<b>Fixed Assets</b>	<b>103.6</b>	<b>103.2</b>	<b>98.8</b>	<b>103.3</b>	<b>101.1</b>	<b>109.1</b>	<b>113.1</b>	<b>504.9</b>
PP&E, net	90.2	86.6	84.5	89.2	88.0	91.5	95.6	471.7
Other	13.4	16.5	14.3	14.1	13.1	17.5	17.5	33.3
<b>Total Assets</b>	<b>141.7</b>	<b>129.9</b>	<b>125.7</b>	<b>121.7</b>	<b>133.9</b>	<b>150.9</b>	<b>172.6</b>	<b>566.0</b>
<b>Shareholders' Equity</b>	<b>103.8</b>	<b>86.0</b>	<b>82.2</b>	<b>87.8</b>	<b>89.1</b>	<b>91.6</b>	<b>108.4</b>	<b>469.0</b>
Share Capital	10.4	10.4	10.4	10.9	10.9	10.9	10.9	10.9
Retained Earnings and Other	93.4	75.6	71.8	76.9	78.1	80.7	97.5	458.1
<b>Current Liabilities</b>	<b>24.8</b>	<b>31.6</b>	<b>35.2</b>	<b>26.3</b>	<b>25.7</b>	<b>40.2</b>	<b>45.1</b>	<b>49.5</b>
ST Interest Bearing Debt	2.3	10.3	7.8	12.1	2.0	5.6	5.6	5.6
Trade Payables	13.6	10.3	14.4	0.9	2.9	6.3	11.2	15.6
Other	8.8	11.0	13.0	13.3	20.8	28.3	28.3	28.3
<b>LT Liabilities</b>	<b>13.1</b>	<b>12.3</b>	<b>8.3</b>	<b>7.5</b>	<b>19.1</b>	<b>19.0</b>	<b>19.0</b>	<b>47.5</b>
LT Interest Bearing Debt	9.0	8.2	8.0	7.2	18.8	18.7	18.7	47.2
Other	4.1	4.1	0.3	0.3	0.3	0.3	0.3	0.3
<b>Total Liabilities &amp; Equity</b>	<b>141.7</b>	<b>129.9</b>	<b>125.7</b>	<b>121.7</b>	<b>133.9</b>	<b>150.9</b>	<b>172.6</b>	<b>566.0</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>46.0</b>	<b>36.1</b>	<b>36.2</b>	<b>47.4</b>	<b>52.5</b>	<b>44.9</b>	<b>45.4</b>	<b>58.3</b>	<b>72.3</b>
<b>EBITDA</b>	<b>7.4</b>	<b>4.5</b>	<b>4.7</b>	<b>5.2</b>	<b>10.4</b>	<b>5.5</b>	<b>3.6</b>	<b>2.4</b>	<b>12.3</b>
<i>margin</i>	<i>16.0%</i>	<i>12.4%</i>	<i>13.0%</i>	<i>11.0%</i>	<i>19.9%</i>	<i>12.2%</i>	<i>7.8%</i>	<i>4.1%</i>	<i>16.9%</i>
<b>EBIT</b>	<b>4.5</b>	<b>1.6</b>	<b>(1.6)</b>	<b>1.9</b>	<b>7.7</b>	<b>2.7</b>	<b>0.7</b>	<b>(0.5)</b>	<b>9.7</b>
<i>margin</i>	<i>9.7%</i>	<i>4.4%</i>	<i>-4.5%</i>	<i>4.1%</i>	<i>14.7%</i>	<i>5.9%</i>	<i>1.6%</i>	<i>-0.9%</i>	<i>13.3%</i>
<b>Net Income</b>	<b>2.5</b>	<b>1.1</b>	<b>(2.4)</b>	<b>(0.2)</b>	<b>5.9</b>	<b>1.9</b>	<b>(0.5)</b>	<b>(4.2)</b>	<b>6.6</b>
<i>Net Margin</i>	<i>5.4%</i>	<i>3.0%</i>	<i>-6.6%</i>	<i>-0.5%</i>	<i>11.3%</i>	<i>4.3%</i>	<i>-1.1%</i>	<i>-7.2%</i>	<i>9.1%</i>

# Prykarpatoblenergo (PREN UZ)

## BUY

www.oe.if.ua

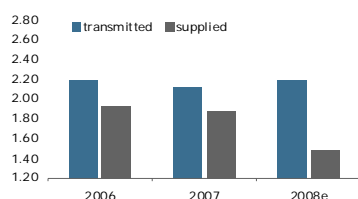
12M target (USD)  
Upside\*

3.1  
160%

### INVESTMENT CASE

- Sales growth of 8.8% yoy in 1Q08 was the lowest in the sector due to the loss of its main customer, LukOR
- EBITDA margin of 19.2% was among largest in the sector in 1Q08
- Despite belonging to the group of "conflict" Oblenergos, it holds AGMs

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the western Ukrainian Ivano-Frankivsk Region (area 13,900 km<sup>2</sup>; population 1.4 mln). Owns a 25,300 km transmission grid (transformer capacity: 2.8 GVA). Half of its consumers are industrial companies (the largest of which are now Ivano-Frankivsk Cement and Naftokhimik Prykarpattya oil refinery). The largest region's consumer, LukOr, stopped buying electricity from Prykarpatoblenergo in 2Q08.

In 2007, supplied 1.87 TWh of electricity. Last year sales grew by 16.5% yoy to USD 107.7 mln; net income reached USD 1.0 mln (USD 0.7 mln in 2006). Investment program for 2008 amounts to USD 9.8 mln (up 77% yoy).

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.2
Price impact**	3
52 Wk H/L USD*	3.85/1.16
Chg 3m/6m/52w*	-62%/-45%/20%
Chg vs PFTS 3m/6m/52w*	-35%/-2%/54%
Chg YTD*	-45%
Avg M Tr Vol 6M, USD ths	908.6

<b>MCap</b> , USD mln	124.4
Free float	13.6%
FF Mcap, USD mln	16.9

<b>No of shares</b> , mln	103.6
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	25.0%
EnSt/Privat	33.8%
Privat/Surkis	27.6%
Other	13.6%

### CORPORATE GOVERNANCE

Concorde Rating***	A
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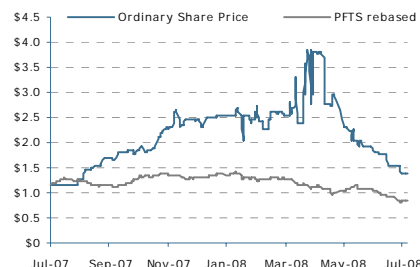
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.0	0.8
EV/EBITDA	9.1	1.9
P/E	18.6	4.9
P/B	2.7	0.4

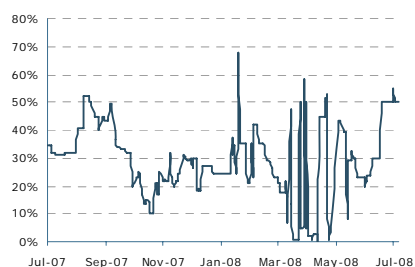
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	8.5%	11.4%	40.2%
Net Margin	0.9%	5.3%	15.2%
ROE	3%	16%	13%
Net Debt/Equity	0.20	0.17	0.06

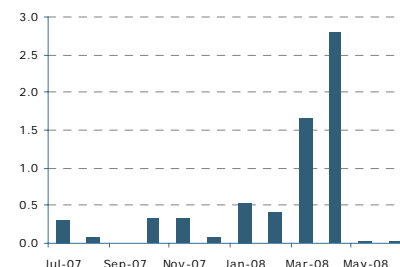
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>45.3</b>	<b>56.8</b>	<b>74.9</b>	<b>80.5</b>	<b>92.4</b>	<b>107.7</b>	<b>124.8</b>	<b>166.6</b>
<i>Change yoy</i>	<i>n/a</i>	<i>25.5%</i>	<i>31.8%</i>	<i>7.5%</i>	<i>14.8%</i>	<i>16.5%</i>	<i>15.9%</i>	<i>33.5%</i>
Gross Profit	3.3	7.1	7.7	9.0	12.5	15.8	21.0	73.7
<b>EBITDA</b>	<b>1.3</b>	<b>3.6</b>	<b>11.7</b>	<b>5.8</b>	<b>7.8</b>	<b>9.1</b>	<b>14.3</b>	<b>67.0</b>
<i>Margin</i>	<i>2.9%</i>	<i>6.3%</i>	<i>15.6%</i>	<i>7.2%</i>	<i>8.5%</i>	<i>8.5%</i>	<i>11.4%</i>	<i>40.2%</i>
Depreciation	(2.7)	(3.7)	(4.0)	(4.2)	(4.4)	(4.3)	(4.3)	(29.5)
<b>EBIT</b>	<b>(1.4)</b>	<b>(0.1)</b>	<b>7.6</b>	<b>1.6</b>	<b>3.4</b>	<b>4.8</b>	<b>10.0</b>	<b>37.5</b>
<i>margin</i>	<i>-3.2%</i>	<i>-0.2%</i>	<i>10.2%</i>	<i>2.0%</i>	<i>3.7%</i>	<i>4.4%</i>	<i>8.0%</i>	<i>22.5%</i>
Financial Expense, net	(0.1)	(0.0)	(1.0)	(2.1)	(2.1)	(1.1)	(1.1)	(3.7)
Other income/(expense)	0.1	0.1	0.0	0.7	(0.2)	(0.4)	-	-
<b>PBT</b>	<b>(1.5)</b>	<b>(0.1)</b>	<b>6.7</b>	<b>0.2</b>	<b>1.1</b>	<b>3.3</b>	<b>8.9</b>	<b>33.8</b>
Tax	-	(0.2)	(3.3)	(0.2)	(0.2)	(2.6)	(2.2)	(8.5)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>-286.4%</i>	<i>48.9%</i>	<i>99.8%</i>	<i>19.0%</i>	<i>78.9%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>3.4</b>	<b>0.0</b>	<b>0.7</b>	<b>1.0</b>	<b>6.7</b>	<b>25.4</b>
<i>Net Margin</i>	<i>-3.3%</i>	<i>-0.6%</i>	<i>4.5%</i>	<i>0.0%</i>	<i>0.7%</i>	<i>0.9%</i>	<i>5.3%</i>	<i>15.2%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>24.4</b>	<b>26.5</b>	<b>18.5</b>	<b>14.0</b>	<b>15.2</b>	<b>13.5</b>	<b>20.8</b>	<b>64.5</b>
Cash & Equivalents	0.5	0.8	0.6	0.5	0.7	0.6	0.6	37.4
Trade Receivables	11.6	10.8	6.8	7.0	6.3	5.5	5.5	7.4
Inventories	2.2	3.3	4.8	1.8	2.0	2.2	2.6	3.4
Other	10.2	11.7	6.3	4.8	6.2	5.2	12.2	16.3
<b>Fixed Assets</b>	<b>42.8</b>	<b>41.4</b>	<b>39.1</b>	<b>41.9</b>	<b>42.8</b>	<b>45.4</b>	<b>48.9</b>	<b>331.8</b>
PP&E, net	32.7	31.7	32.0	34.3	35.1	37.8	41.4	294.8
Other	10.1	9.7	7.1	7.6	7.7	7.6	7.6	37.0
<b>Total Assets</b>	<b>67.3</b>	<b>68.0</b>	<b>57.6</b>	<b>56.0</b>	<b>58.0</b>	<b>58.9</b>	<b>69.8</b>	<b>396.3</b>
<b>Shareholders' Equity</b>	<b>31.0</b>	<b>30.8</b>	<b>34.7</b>	<b>36.5</b>	<b>37.5</b>	<b>38.6</b>	<b>45.3</b>	<b>345.5</b>
Share Capital	4.9	4.9	4.9	5.1	5.1	5.1	5.1	5.1
Retained Earnings and Other	26.2	26.0	29.8	31.4	32.3	33.5	40.1	340.4
<b>Current Liabilities</b>	<b>21.6</b>	<b>22.4</b>	<b>13.2</b>	<b>11.1</b>	<b>11.8</b>	<b>15.3</b>	<b>19.6</b>	<b>21.3</b>
ST Interest Bearing Debt	-	-	4.2	5.5	4.0	6.3	6.3	6.3
Trade Payables	18.5	19.7	5.5	0.4	0.5	1.0	5.2	6.9
Other	3.1	2.8	3.5	5.2	7.3	8.1	8.1	8.1
<b>LT Liabilities</b>	<b>14.7</b>	<b>14.7</b>	<b>9.7</b>	<b>8.3</b>	<b>8.8</b>	<b>4.9</b>	<b>4.9</b>	<b>29.5</b>
LT Interest Bearing Debt	14.7	-	8.1	6.7	7.2	3.3	3.3	29.5
Other	-	14.7	1.6	1.6	1.6	1.6	1.6	-
<b>Total Liabilities &amp; Equity</b>	<b>67.3</b>	<b>68.0</b>	<b>57.6</b>	<b>56.0</b>	<b>58.0</b>	<b>58.9</b>	<b>69.8</b>	<b>396.3</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>25.1</b>	<b>21.8</b>	<b>20.9</b>	<b>24.7</b>	<b>26.8</b>	<b>23.9</b>	<b>26.1</b>	<b>30.9</b>	<b>29.2</b>
<b>EBITDA</b>	<b>2.8</b>	<b>1.5</b>	<b>0.8</b>	<b>2.7</b>	<b>4.1</b>	<b>2.1</b>	<b>2.3</b>	<b>0.6</b>	<b>5.6</b>
<i>margin</i>	<i>11.3%</i>	<i>6.8%</i>	<i>4.0%</i>	<i>10.8%</i>	<i>15.2%</i>	<i>8.9%</i>	<i>8.8%</i>	<i>2.0%</i>	<i>19.2%</i>
<b>EBIT</b>	<b>1.8</b>	<b>0.4</b>	<b>(0.3)</b>	<b>1.5</b>	<b>3.0</b>	<b>1.1</b>	<b>1.2</b>	<b>(0.5)</b>	<b>4.5</b>
<i>margin</i>	<i>7.1%</i>	<i>1.8%</i>	<i>-1.3%</i>	<i>6.3%</i>	<i>11.1%</i>	<i>4.4%</i>	<i>4.6%</i>	<i>-1.5%</i>	<i>15.4%</i>
<b>Net Income</b>	<b>1.1</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>0.9</b>	<b>1.8</b>	<b>0.3</b>	<b>0.5</b>	<b>(1.6)</b>	<b>2.8</b>
<i>Net Margin</i>	<i>4.4%</i>	<i>-1.7%</i>	<i>-4.4%</i>	<i>3.5%</i>	<i>6.6%</i>	<i>1.4%</i>	<i>1.9%</i>	<i>-5.3%</i>	<i>9.4%</i>

# Sevastopolenergo (SMEN UZ)

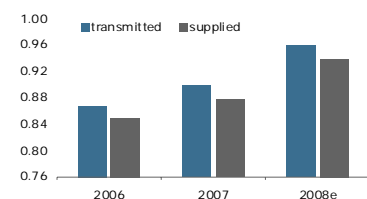
## SELL

12M target (USD) 1.8  
Upside\* -40%

### INVESTMENT CASE

- One of the smallest Oblenergos; lowest FF MCap in the sector
- Enjoys a preferential tariff policy, which may be terminated in 2009, negatively affecting the company's bottom line in 1H09
- The company is unlikely to benefit from new tariff policy introduction (expected in mid-2009)

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the smallest territorial entity in Ukraine: the city of Sevastopol and its suburbs (area 900 km<sup>2</sup>; population 0.38 mln). Owns a 1,200 km transmission grid (transformer capacity: 0.9 GVA). Pays the highest dividends in the sector. Supplied 0.88 TWh of electricity in 2007. Investment program for 2008 amounts to USD 2.6 mln (up 25% yoy). Last year it increased net revenues by 27.7% yoy to USD 53.5 mln; net income decreased by 22.8% yoy to USD 3.1 mln.

### MARKET INFORMATION

**Market Price\***, USD 3.0  
Price impact\*\* n/a  
52 Wk H/L USD\* 7.33/1.78  
Chg 3m/6m/52w\* -40%/-34%/103%  
Chg vs PFTS 3m/6m/52w\* -12%/9%/136%  
Chg YTD\* -18%  
Avg M Tr Vol 6M, USD ths 320.0

**MCap**, USD mln 80.7  
Free float 4.8%  
FF Mcap, USD mln 3.9

**No of shares**, mln 26.9  
Par Value, UAH 0.25

### STOCK OWNERSHIP

VS Energy 95.2%  
Other 4.8%

### CORPORATE GOVERNANCE

Concorde Rating\*\*\* BA

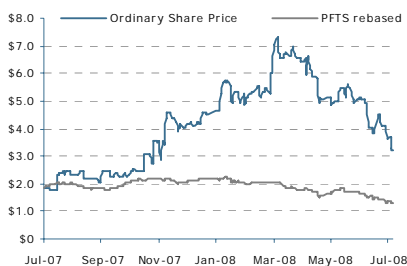
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.4	1.1
EV/EBITDA	19.1	8.2
P/E	32.5	16.2
P/B	5.6	1.3

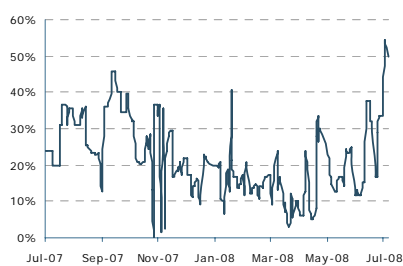
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	12.3%	7.1%	13.0%
Net Margin	5.8%	3.3%	5.3%
ROE	26%	19%	13%
Net Debt/Equity	0.89	0.74	0.12

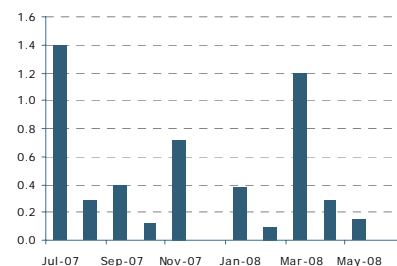
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size

2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size

3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>19.1</b>	<b>26.3</b>	<b>30.3</b>	<b>33.8</b>	<b>41.9</b>	<b>53.5</b>	<b>74.1</b>	<b>93.7</b>
<i>Change yoy</i>	<i>n/a</i>	<i>37.8%</i>	<i>15.2%</i>	<i>11.6%</i>	<i>23.9%</i>	<i>27.7%</i>	<i>38.4%</i>	<i>26.5%</i>
Gross Profit	4.1	4.6	5.1	5.7	7.1	6.8	5.4	12.3
<b>EBITDA</b>	<b>0.8</b>	<b>4.6</b>	<b>4.6</b>	<b>5.2</b>	<b>6.9</b>	<b>6.6</b>	<b>5.2</b>	<b>12.2</b>
<i>Margin</i>	<i>4.4%</i>	<i>17.6%</i>	<i>15.3%</i>	<i>15.2%</i>	<i>16.5%</i>	<i>12.3%</i>	<i>7.1%</i>	<i>13.0%</i>
Depreciation	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)	(1.4)	(5.0)
<b>EBIT</b>	<b>0.5</b>	<b>4.2</b>	<b>4.0</b>	<b>4.5</b>	<b>6.1</b>	<b>5.8</b>	<b>3.9</b>	<b>7.2</b>
<i>margin</i>	<i>2.5%</i>	<i>15.8%</i>	<i>13.3%</i>	<i>13.2%</i>	<i>14.6%</i>	<i>10.8%</i>	<i>5.2%</i>	<i>7.7%</i>
Financial Expense, net	(0.1)	(0.1)	(0.1)	(0.2)	(0.6)	(0.6)	(0.6)	(0.5)
Other income/(expense)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	0.3	-	-
<b>PBT</b>	<b>0.4</b>	<b>4.1</b>	<b>3.8</b>	<b>4.3</b>	<b>5.5</b>	<b>5.5</b>	<b>3.3</b>	<b>6.7</b>
Tax	(0.1)	(1.2)	(0.9)	(1.3)	-	(1.6)	(0.8)	(1.7)
<i>Effective tax rate</i>	<i>29.6%</i>	<i>30.0%</i>	<i>23.7%</i>	<i>30.1%</i>	<i>0.0%</i>	<i>28.7%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>0.3</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>	<b>4.0</b>	<b>3.1</b>	<b>2.5</b>	<b>5.0</b>
<i>Net Margin</i>	<i>1.5%</i>	<i>10.8%</i>	<i>9.5%</i>	<i>8.8%</i>	<i>9.6%</i>	<i>5.8%</i>	<i>3.3%</i>	<i>5.3%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>11.7</b>	<b>12.0</b>	<b>12.9</b>	<b>11.9</b>	<b>12.0</b>	<b>11.0</b>	<b>15.6</b>	<b>19.3</b>
Cash & Equivalents	0.4	1.4	1.2	0.5	0.7	0.2	0.2	2.7
Trade Receivables	7.8	8.1	9.1	9.3	4.2	2.4	3.1	3.9
Inventories	0.7	0.9	0.7	1.0	0.9	0.9	1.3	1.6
Other	2.9	1.6	1.9	1.1	6.3	7.5	11.1	11.1
<b>Fixed Assets</b>	<b>6.3</b>	<b>6.6</b>	<b>6.5</b>	<b>7.8</b>	<b>11.8</b>	<b>9.8</b>	<b>10.4</b>	<b>55.6</b>
PP&E, net	5.9	6.0	6.1	6.5	8.1	9.2	9.9	50.0
Other	0.4	0.6	0.4	1.3	3.8	0.5	0.5	5.6
<b>Total Assets</b>	<b>18.1</b>	<b>18.6</b>	<b>19.4</b>	<b>19.7</b>	<b>23.9</b>	<b>20.7</b>	<b>26.1</b>	<b>74.9</b>
<b>Shareholders' Equity</b>	<b>3.7</b>	<b>6.0</b>	<b>8.7</b>	<b>11.6</b>	<b>12.7</b>	<b>11.8</b>	<b>14.3</b>	<b>62.7</b>
Share Capital	1.3	1.3	1.3	2.8	1.3	1.3	1.3	1.3
Retained Earnings and Other	2.4	4.7	7.4	8.8	11.3	10.5	13.0	61.4
<b>Current Liabilities</b>	<b>1.6</b>	<b>11.9</b>	<b>10.0</b>	<b>6.6</b>	<b>6.6</b>	<b>3.5</b>	<b>6.4</b>	<b>7.2</b>
ST Interest Bearing Debt	-	-	-	1.5	-	0.0	0.0	0.0
Trade Payables	0.1	9.9	6.9	2.4	0.5	0.2	3.1	3.9
Other	1.5	2.0	3.1	2.6	6.1	3.3	3.3	3.3
<b>LT Liabilities</b>	<b>12.7</b>	<b>0.7</b>	<b>0.7</b>	<b>1.5</b>	<b>4.6</b>	<b>5.4</b>	<b>5.4</b>	<b>5.0</b>
LT Interest Bearing Debt	0.7	-	0.7	1.3	4.6	5.4	5.4	5.0
Other	12.0	0.7	-	0.2	0.0	-	-	-
<b>Total Liabilities &amp; Equity</b>	<b>18.1</b>	<b>18.6</b>	<b>19.4</b>	<b>19.7</b>	<b>23.9</b>	<b>20.7</b>	<b>26.1</b>	<b>74.9</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>11.6</b>	<b>9.2</b>	<b>9.2</b>	<b>12.0</b>	<b>14.6</b>	<b>12.2</b>	<b>12.3</b>	<b>14.4</b>	<b>17.7</b>
<b>EBITDA</b>	<b>2.1</b>	<b>2.2</b>	<b>1.6</b>	<b>1.0</b>	<b>2.2</b>	<b>2.1</b>	<b>1.3</b>	<b>0.9</b>	<b>2.8</b>
<i>margin</i>	<i>18.0%</i>	<i>24.2%</i>	<i>17.2%</i>	<i>8.7%</i>	<i>15.3%</i>	<i>17.5%</i>	<i>10.3%</i>	<i>6.5%</i>	<i>16.0%</i>
<b>EBIT</b>	<b>1.9</b>	<b>2.0</b>	<b>1.4</b>	<b>0.8</b>	<b>2.0</b>	<b>2.0</b>	<b>1.1</b>	<b>0.7</b>	<b>2.5</b>
<i>margin</i>	<i>16.3%</i>	<i>22.0%</i>	<i>14.9%</i>	<i>7.0%</i>	<i>13.7%</i>	<i>16.4%</i>	<i>8.7%</i>	<i>4.9%</i>	<i>14.0%</i>
<b>Net Income</b>	<b>1.7</b>	<b>1.0</b>	<b>0.6</b>	<b>0.7</b>	<b>1.4</b>	<b>0.8</b>	<b>0.5</b>	<b>0.4</b>	<b>1.8</b>
<i>Net Margin</i>	<i>14.7%</i>	<i>10.8%</i>	<i>6.9%</i>	<i>5.7%</i>	<i>9.8%</i>	<i>6.3%</i>	<i>3.9%</i>	<i>2.9%</i>	<i>10.1%</i>

# Ternopiloblenergo (TOEN UZ)

## BUY

www.toe.te.ua

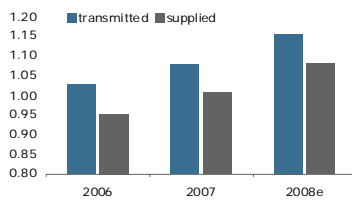
12M target (USD)  
Upside\*

4.0  
233%

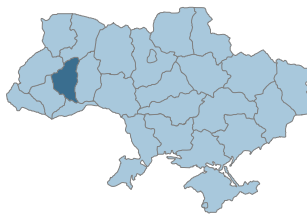
### INVESTMENT CASE

- 6.6x increase in net income (to USD 2.5 mln) in 1Q08 – one of the highest in the sector
- 1.8x yoy increase of investment program for 2008 promises one of the largest FY08 bottom line increases
- One of the smallest and least liquid Oblenergos

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the western Ukrainian region of Ternopil (area 13,800 km<sup>2</sup>; population 1.13 mln). Owns a 24,600 km transmission grid (transformer capacity: 2.1 GVA). No large industrial enterprises in the region: major consumers the textile union Texterno, plant Vatra and the Ternopil Agriculture Machine Building Plant. The large percentage of households it supplies guarantees a stable market position in the future. Supplied 0.99 TWh of electricity in 2007.

Last year sales increased by 25.8% yoy to USD 53.3 mln, EBITDA fell by 10.7% yoy to USD 4.4 mln, and net loss amounted to almost zero (vs. net profit USD 0.9 mln in 2006).

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.2
Price impact**	3
52 Wk H/L USD*	3.76/1.25
Chg 3m/6m/52w*	-30%/-50%/16%
Chg vs PFTS 3m/6m/52w*	-2%/-7%/50%
Chg YTD*	-39%
Avg M Tr Vol 6M, USD ths	42.6

<b>MCap</b> , USD mln	73.3
Free float	8.9%
FF Mcap, USD mln	6.5

<b>No of shares</b> , mln	61.1
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	51.0%
EnSt/Privat	40.1%
Other	8.9%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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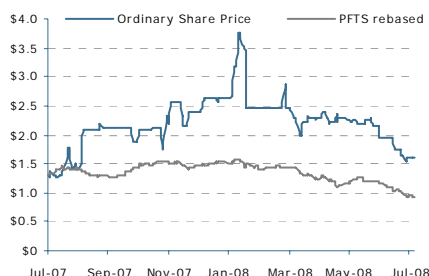
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.0	0.6
EV/EBITDA	9.1	1.5
P/E	20.8	3.7
P/B	3.5	0.3

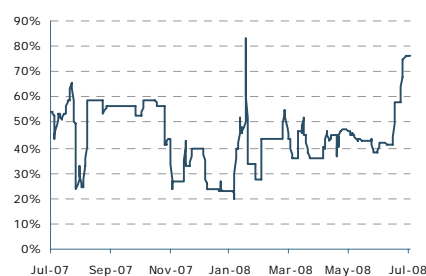
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	8.3%	11.2%	42.4%
Net Margin	-0.1%	4.8%	16.2%
ROE	n/m	18%	14%
Net Debt/Equity	0.02	0.02	0.08

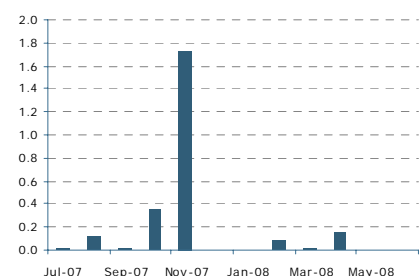
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>27.8</b>	<b>11.9</b>	<b>31.3</b>	<b>34.9</b>	<b>42.4</b>	<b>53.3</b>	<b>73.4</b>	<b>121.7</b>
<i>Change yoy</i>	<i>n/a</i>	<i>-57.1%</i>	<i>163.1%</i>	<i>11.4%</i>	<i>21.4%</i>	<i>25.8%</i>	<i>37.8%</i>	<i>65.8%</i>
Gross Profit	1.7	5.8	5.9	6.7	5.9	8.4	12.2	55.7
<b>EBITDA</b>	<b>(0.0)</b>	<b>8.9</b>	<b>0.9</b>	<b>3.2</b>	<b>4.9</b>	<b>4.4</b>	<b>8.2</b>	<b>51.7</b>
<i>Margin</i>	<i>-0.2%</i>	<i>75.1%</i>	<i>2.8%</i>	<i>9.1%</i>	<i>11.6%</i>	<i>8.3%</i>	<i>11.2%</i>	<i>42.4%</i>
Depreciation	(4.9)	(3.0)	(3.0)	(2.8)	(3.2)	(3.6)	(3.2)	(22.7)
<b>EBIT</b>	<b>(5.0)</b>	<b>5.9</b>	<b>(2.1)</b>	<b>0.4</b>	<b>1.7</b>	<b>0.8</b>	<b>5.0</b>	<b>28.9</b>
<i>margin</i>	<i>-18.0%</i>	<i>49.6%</i>	<i>-6.8%</i>	<i>1.1%</i>	<i>4.0%</i>	<i>1.6%</i>	<i>6.9%</i>	<i>23.8%</i>
Financial Expense, net	(0.1)	(0.7)	(8.3)	(0.4)	(0.4)	(0.4)	(0.4)	(2.6)
Other income/(expense)	0.1	0.8	8.5	0.4	0.4	0.0	-	-
<b>PBT</b>	<b>(4.9)</b>	<b>6.0</b>	<b>(2.0)</b>	<b>0.3</b>	<b>1.7</b>	<b>0.5</b>	<b>4.7</b>	<b>26.3</b>
Tax	-	(2.8)	-	(0.7)	(0.1)	(0.8)	(1.2)	(6.6)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>46.2%</i>	<i>0.0%</i>	<i>209.4%</i>	<i>5.7%</i>	<i>151.4%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(4.9)</b>	<b>3.2</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.9</b>	<b>(0.0)</b>	<b>3.5</b>	<b>19.7</b>
<i>Net Margin</i>	<i>-17.8%</i>	<i>27.1%</i>	<i>-6.3%</i>	<i>-1.1%</i>	<i>2.1%</i>	<i>-0.1%</i>	<i>4.8%</i>	<i>16.2%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>17.4</b>	<b>23.3</b>	<b>12.6</b>	<b>8.9</b>	<b>7.0</b>	<b>5.8</b>	<b>7.5</b>	<b>42.9</b>
Cash & Equivalents	0.2	0.5	0.3	0.4	0.5	0.2	0.2	30.7
Trade Receivables	14.1	12.1	7.6	6.9	4.8	4.1	4.1	6.8
Inventories	1.0	1.1	3.7	1.4	1.0	0.9	1.3	2.1
Other	2.1	9.7	1.0	0.2	0.7	0.6	2.0	3.3
<b>Fixed Assets</b>	<b>29.2</b>	<b>25.1</b>	<b>24.8</b>	<b>26.1</b>	<b>26.7</b>	<b>28.5</b>	<b>30.3</b>	<b>251.8</b>
PP&E, net	28.3	23.4	22.9	23.9	23.9	26.7	28.5	227.3
Other	0.9	1.6	1.8	2.2	2.8	1.8	1.8	24.5
<b>Total Assets</b>	<b>46.7</b>	<b>48.4</b>	<b>37.3</b>	<b>35.0</b>	<b>33.8</b>	<b>34.3</b>	<b>37.8</b>	<b>294.7</b>
<b>Shareholders' Equity</b>	<b>16.2</b>	<b>14.5</b>	<b>14.3</b>	<b>14.7</b>	<b>15.9</b>	<b>17.5</b>	<b>21.1</b>	<b>255.2</b>
Share Capital	2.9	2.9	2.9	3.0	3.0	3.0	3.0	3.0
Retained Earnings and Other	13.3	11.6	11.5	11.7	12.9	14.5	18.0	252.2
<b>Current Liabilities</b>	<b>28.7</b>	<b>29.4</b>	<b>22.4</b>	<b>19.6</b>	<b>17.2</b>	<b>16.2</b>	<b>16.2</b>	<b>9.9</b>
ST Interest Bearing Debt	0.0	8.2	0.8	1.7	2.5	2.0	2.0	2.0
Trade Payables	27.8	18.6	19.9	16.3	5.8	11.4	11.4	5.1
Other	0.8	2.7	1.7	1.5	8.9	2.8	2.8	2.8
<b>LT Liabilities</b>	<b>1.8</b>	<b>4.5</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>29.6</b>
LT Interest Bearing Debt	1.2	1.2	-	-	-	-	-	22.7
Other	0.6	3.3	0.6	0.7	0.7	0.6	0.6	6.9
<b>Total Liabilities &amp; Equity</b>	<b>46.7</b>	<b>48.4</b>	<b>37.3</b>	<b>35.0</b>	<b>33.8</b>	<b>34.3</b>	<b>37.8</b>	<b>294.7</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>11.6</b>	<b>8.8</b>	<b>9.1</b>	<b>12.9</b>	<b>13.3</b>	<b>11.2</b>	<b>12.1</b>	<b>16.7</b>	<b>17.7</b>
<b>EBITDA</b>	<b>1.0</b>	<b>1.0</b>	<b>1.8</b>	<b>1.1</b>	<b>1.8</b>	<b>0.5</b>	<b>1.0</b>	<b>1.0</b>	<b>3.5</b>
<i>margin</i>	<i>8.6%</i>	<i>11.9%</i>	<i>20.0%</i>	<i>8.2%</i>	<i>13.9%</i>	<i>4.6%</i>	<i>8.5%</i>	<i>6.1%</i>	<i>19.6%</i>
<b>EBIT</b>	<b>0.3</b>	<b>0.4</b>	<b>1.2</b>	<b>(0.2)</b>	<b>0.8</b>	<b>(0.5)</b>	<b>0.3</b>	<b>0.3</b>	<b>2.7</b>
<i>margin</i>	<i>2.4%</i>	<i>4.8%</i>	<i>13.1%</i>	<i>-1.7%</i>	<i>5.8%</i>	<i>-4.4%</i>	<i>2.3%</i>	<i>1.7%</i>	<i>15.2%</i>
<b>Net Income</b>	<b>0.1</b>	<b>0.2</b>	<b>0.8</b>	<b>(0.2)</b>	<b>0.4</b>	<b>(0.6)</b>	<b>0.1</b>	<b>0.1</b>	<b>2.5</b>
<i>Net Margin</i>	<i>1.2%</i>	<i>2.2%</i>	<i>8.7%</i>	<i>-1.9%</i>	<i>2.9%</i>	<i>-5.5%</i>	<i>1.2%</i>	<i>0.4%</i>	<i>14.4%</i>

# Vinnitsyaoblenergo (VIEN UZ)

## BUY

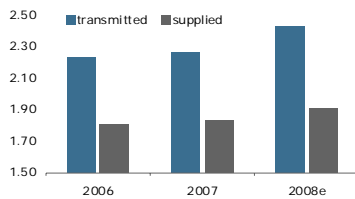
www.voe.com.ua

12M target (USD) 140.0  
Upside\* 115%

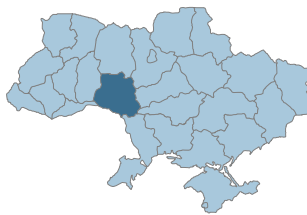
### INVESTMENT CASE

- 1Q08 net margin of 7.1% (up 3.6 pp yoy) was among the highest for state-controlled Oblenergos
- Set to benefit most from introduction of new tariff policy (expected in 2H09)

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to central Vinnitsya Region (area 26,500 km<sup>2</sup>; population 1.75 mln). Owns a 48,400 km transmission grid (3.7 GVA transformer capacity). Region is mostly agricultural, without large industrial power consumers. Supplied 1.78 TWh of electricity in 2007. Investments in 2008 are planned at USD 8.9 mln (up 66% yoy). Last year, sales grew by 21.2% yoy to USD 97.7 mln, net income increased by 22.8% yoy to USD 0.9 mln.

### MARKET INFORMATION

**Market Price\***, USD 65.0  
Price impact\*\* 3  
52 Wk H/L USD\* 137.13/38.12  
Chg 3m/6m/52w\* -37%/-42%/87%  
Chg vs PFTS 3m/6m/52w\* -9%/1%/121%  
Chg YTD\* -36%  
Avg M Tr Vol 6M, USD ths 274.6

**MCap**, USD mln 201.3  
Free float 8.0%  
FF Mcap, USD mln 16.1

**No of shares**, mln 3.1  
Par Value, UAH 10

### STOCK OWNERSHIP

NC ECU (State) 75.0%  
VS Energy 17.0%  
Other 8.0%

### CORPORATE GOVERNANCE

Concorde Rating\*\*\* A

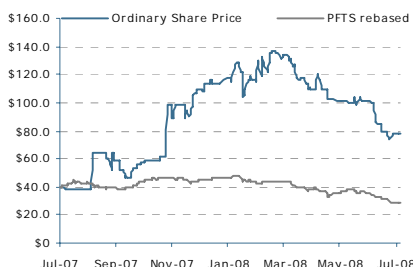
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.7	1.0
EV/EBITDA	19.7	2.4
P/E	39.6	5.5
P/B	30.8	0.5

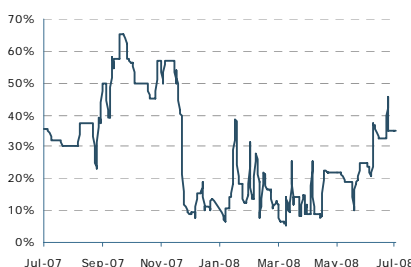
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	5.7%	8.5%	41.2%
Net Margin	0.9%	3.8%	16.3%
ROE	n/m	127%	17%
Net Debt/Equity	-0.47	-0.10	0.25

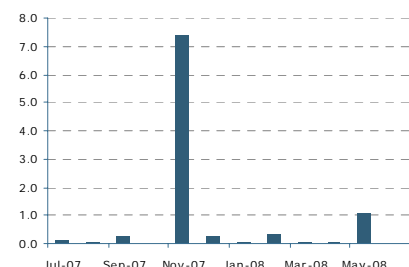
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.



INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>23.1</b>	<b>23.6</b>	<b>63.3</b>	<b>64.2</b>	<b>80.6</b>	<b>97.7</b>	<b>135.3</b>	<b>226.3</b>
<i>Change yoy</i>	<i>n/a</i>	<i>2.1%</i>	<i>168.2%</i>	<i>1.5%</i>	<i>25.5%</i>	<i>21.2%</i>	<i>38.4%</i>	<i>67.3%</i>
Gross Profit	13.0	13.6	5.6	5.6	9.7	12.9	18.8	100.6
<b>EBITDA</b>	<b>(2.3)</b>	<b>(1.6)</b>	<b>3.7</b>	<b>4.8</b>	<b>5.3</b>	<b>5.6</b>	<b>11.5</b>	<b>93.3</b>
<i>Margin</i>	<i>-9.8%</i>	<i>-6.9%</i>	<i>5.8%</i>	<i>7.5%</i>	<i>6.5%</i>	<i>5.7%</i>	<i>8.5%</i>	<i>41.2%</i>
Depreciation	(2.9)	(3.0)	(3.0)	(3.4)	(3.3)	(4.2)	(4.5)	(40.1)
<b>EBIT</b>	<b>(5.2)</b>	<b>(4.6)</b>	<b>0.7</b>	<b>1.4</b>	<b>2.0</b>	<b>1.5</b>	<b>6.9</b>	<b>53.2</b>
<i>margin</i>	<i>-22.5%</i>	<i>-19.4%</i>	<i>1.1%</i>	<i>2.2%</i>	<i>2.4%</i>	<i>1.5%</i>	<i>5.1%</i>	<i>23.5%</i>
Financial Expense, net	(0.2)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(4.2)
Other income/(expense)	0.0	(0.6)	0.1	0.1	0.0	(0.9)	-	-
<b>PBT</b>	<b>(5.3)</b>	<b>(5.5)</b>	<b>0.4</b>	<b>1.2</b>	<b>1.8</b>	<b>0.4</b>	<b>6.8</b>	<b>49.1</b>
Tax	(0.4)	(2.1)	(0.4)	(0.5)	(0.3)	(1.4)	(1.7)	(12.3)
<i>Effective tax rate</i>	<i>-7.0%</i>	<i>-37.5%</i>	<i>98.6%</i>	<i>39.5%</i>	<i>14.9%</i>	<i>344.7%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(5.9)</b>	<b>(7.5)</b>	<b>0.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.9</b>	<b>5.1</b>	<b>36.8</b>
<i>Net Margin</i>	<i>-25.4%</i>	<i>-32.0%</i>	<i>0.0%</i>	<i>1.2%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>3.8%</i>	<i>16.3%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>33.8</b>	<b>33.6</b>	<b>33.8</b>	<b>36.4</b>	<b>31.0</b>	<b>30.8</b>	<b>33.3</b>	<b>97.7</b>
Cash & Equivalents	0.2	0.4	0.3	0.8	0.5	0.7	0.7	43.2
Trade Receivables	26.9	26.7	26.7	27.8	22.5	21.4	21.4	35.8
Inventories	2.5	3.0	3.2	2.8	2.6	2.8	3.9	6.5
Other	4.1	3.5	3.6	4.9	5.4	5.9	7.3	12.3
<b>Fixed Assets</b>	<b>44.9</b>	<b>43.2</b>	<b>41.8</b>	<b>44.8</b>	<b>51.2</b>	<b>52.7</b>	<b>55.3</b>	<b>442.8</b>
PP&E, net	42.2	41.1	39.5	42.3	48.9	50.9	53.5	400.9
Other	2.6	2.1	2.3	2.6	2.3	1.8	1.8	41.9
<b>Total Assets</b>	<b>78.6</b>	<b>76.8</b>	<b>75.6</b>	<b>81.2</b>	<b>82.2</b>	<b>83.5</b>	<b>88.6</b>	<b>540.4</b>
<b>Shareholders' Equity</b>	<b>2.5</b>	<b>(5.8)</b>	<b>(6.2)</b>	<b>(4.1)</b>	<b>0.5</b>	<b>1.5</b>	<b>6.5</b>	<b>418.3</b>
Share Capital	5.8	5.8	5.8	6.1	6.1	6.1	6.1	6.1
Retained Earnings and Other	(3.3)	(11.6)	(12.1)	(10.3)	(5.7)	(4.7)	0.4	412.2
<b>Current Liabilities</b>	<b>76.1</b>	<b>82.4</b>	<b>81.8</b>	<b>85.3</b>	<b>81.7</b>	<b>82.0</b>	<b>82.0</b>	<b>14.0</b>
ST Interest Bearing Debt	1.5	1.2	1.2	1.0	1.2	0.6	0.6	0.6
Trade Payables	73.0	79.1	78.9	82.5	77.8	77.5	77.5	9.4
Other	1.6	2.0	1.6	1.8	2.8	3.9	3.9	3.9
<b>LT Liabilities</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	-	-	<b>108.2</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-	40.1
Other	0.0	0.2	0.0	0.0	0.0	-	-	68.1
<b>Total Liabilities &amp; Equity</b>	<b>78.6</b>	<b>76.8</b>	<b>75.6</b>	<b>81.2</b>	<b>82.2</b>	<b>83.5</b>	<b>88.6</b>	<b>540.4</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>21.9</b>	<b>17.2</b>	<b>17.5</b>	<b>24.1</b>	<b>24.7</b>	<b>20.8</b>	<b>22.1</b>	<b>30.2</b>	<b>32.7</b>
<b>EBITDA</b>	<b>1.3</b>	<b>1.0</b>	<b>1.1</b>	<b>1.8</b>	<b>2.6</b>	<b>(0.2)</b>	<b>1.5</b>	<b>1.7</b>	<b>5.2</b>
<i>margin</i>	<i>6.0%</i>	<i>6.0%</i>	<i>6.4%</i>	<i>7.4%</i>	<i>10.5%</i>	<i>-0.8%</i>	<i>6.8%</i>	<i>5.7%</i>	<i>15.8%</i>
<b>EBIT</b>	<b>0.5</b>	<b>0.2</b>	<b>0.2</b>	<b>1.0</b>	<b>1.6</b>	<b>(1.1)</b>	<b>0.5</b>	<b>0.5</b>	<b>4.0</b>
<i>margin</i>	<i>2.3%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>4.0%</i>	<i>6.4%</i>	<i>-5.5%</i>	<i>2.3%</i>	<i>1.7%</i>	<i>12.4%</i>
<b>Net Income</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.9</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>2.3</b>
<i>Net Margin</i>	<i>1.0%</i>	<i>0.2%</i>	<i>1.0%</i>	<i>1.3%</i>	<i>3.6%</i>	<i>0.0%</i>	<i>-0.0%</i>	<i>0.1%</i>	<i>7.1%</i>

# Volynoblenergo (VOEN UZ)

## BUY

 12M target (USD)  
Upside\*

 0.5  
67%

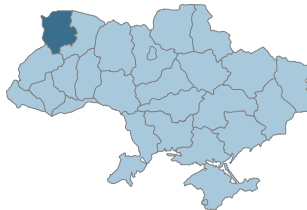
### INVESTMENT CASE

- EBITDA margin in 1Q08 improved 5.4 pp yoy to 15.4%, above the sector's median
- One of the least liquid Oblenergo stocks

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the Western Ukrainian Volyn region (area 20,200 km<sup>2</sup>; population 1.05 mln). Owns a 25,600 km transmission grid (transformer capacity: 2.1 GVA). One of the best performing state-controlled Oblenergos. Supplied 1.1 TWh of electricity in 2007. Investment program for 2008 amounts to USD 7.1 mln (up 76% yoy). In 2007, sales grew by 25.5% yoy to USD 61.2 mln while net income remained the same, USD 0.5 mln.

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.3
Price impact**	3
52 Wk H/L USD*	0.51/0.16
Chg 3m/6m/52w*	-29%/-50%/54%
Chg vs PFTS 3m/6m/52w*	-1%/-7%/88%
Chg YTD*	-52%
Avg M Tr Vol 6M, USD ths	72.5

<b>MCap</b> , USD mln	143.2
Free float	4.7%
FF Mcap, USD mln	6.7

<b>No of shares</b> , mln	477.3
Par Value, UAH	0.05

### STOCK OWNERSHIP

NC ECU (State)	75.0%
Energy Standard	20.3%
Other	4.7%

### CORPORATE GOVERNANCE

Concorde Rating***	A
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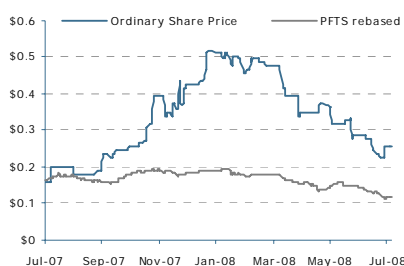
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.7	1.1
EV/EBITDA	15.2	2.8
P/E	75.7	7.0
P/B	1.8	0.6

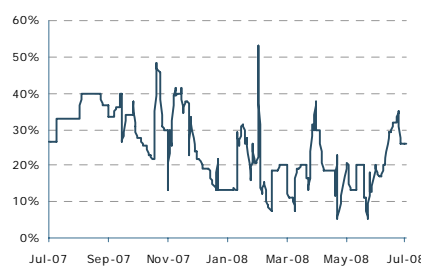
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	7.0%	11.4%	39.3%
Net Margin	0.9%	2.3%	15.5%
ROE	1%	2%	13%
Net Debt/Equity	0.26	0.25	0.18

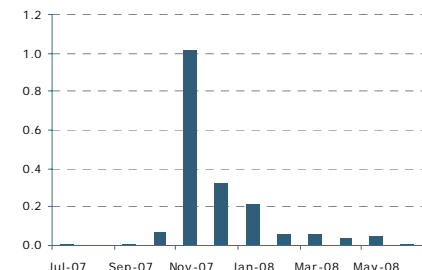
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* 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.

INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>11.1</b>	<b>9.1</b>	<b>33.7</b>	<b>38.6</b>	<b>48.8</b>	<b>61.2</b>	<b>83.5</b>	<b>132.1</b>
<i>Change yoy</i>	<i>n/a</i>	<i>-18.4%</i>	<i>271.4%</i>	<i>14.7%</i>	<i>26.3%</i>	<i>25.5%</i>	<i>36.6%</i>	<i>58.1%</i>
Gross Profit	0.1	5.2	4.3	3.8	6.9	7.9	13.1	55.5
<b>EBITDA</b>	<b>(1.5)</b>	<b>0.8</b>	<b>2.7</b>	<b>2.6</b>	<b>3.3</b>	<b>4.3</b>	<b>9.5</b>	<b>52.0</b>
<i>Margin</i>	<i>-13.1%</i>	<i>8.6%</i>	<i>8.1%</i>	<i>6.8%</i>	<i>6.7%</i>	<i>7.0%</i>	<i>11.4%</i>	<i>39.3%</i>
Depreciation	(1.2)	(1.2)	(1.5)	(1.8)	(1.9)	(2.5)	(6.7)	(22.1)
<b>EBIT</b>	<b>(2.6)</b>	<b>(0.4)</b>	<b>1.2</b>	<b>0.9</b>	<b>1.3</b>	<b>1.8</b>	<b>2.8</b>	<b>29.8</b>
<i>margin</i>	<i>-23.5%</i>	<i>-4.9%</i>	<i>3.7%</i>	<i>2.2%</i>	<i>2.7%</i>	<i>2.9%</i>	<i>3.3%</i>	<i>22.6%</i>
Financial Expense, net	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.3)	(0.3)	(2.5)
Other income/(expense)	(0.1)	(0.1)	(0.0)	0.1	0.1	(0.0)	-	-
<b>PBT</b>	<b>(2.8)</b>	<b>(0.5)</b>	<b>1.2</b>	<b>0.9</b>	<b>1.3</b>	<b>1.5</b>	<b>2.5</b>	<b>27.3</b>
Tax	-	-	(0.6)	(0.5)	(0.4)	(1.0)	(0.6)	(6.8)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>52.3%</i>	<i>51.1%</i>	<i>30.5%</i>	<i>71.8%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(2.8)</b>	<b>(0.5)</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>1.9</b>	<b>20.5</b>
<i>Net Margin</i>	<i>-25.0%</i>	<i>-5.7%</i>	<i>1.7%</i>	<i>1.2%</i>	<i>1.1%</i>	<i>0.9%</i>	<i>2.3%</i>	<i>15.5%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>10.1</b>	<b>9.7</b>	<b>9.1</b>	<b>9.2</b>	<b>9.4</b>	<b>7.7</b>	<b>10.6</b>	<b>42.3</b>
Cash & Equivalents	1.1	1.0	1.1	0.7	1.5	0.4	0.4	26.1
Trade Receivables	7.2	7.0	6.3	6.7	5.7	4.9	4.9	7.7
Inventories	0.6	0.7	0.8	1.2	1.4	1.3	1.7	2.7
Other	1.1	1.1	0.9	0.7	0.9	1.2	3.6	5.7
<b>Fixed Assets</b>	<b>16.3</b>	<b>16.5</b>	<b>16.1</b>	<b>17.3</b>	<b>19.4</b>	<b>104.6</b>	<b>103.6</b>	<b>244.0</b>
PP&E, net	15.9	15.3	15.1	16.2	18.1	104.1	103.1	221.4
Other	0.3	1.2	1.0	1.1	1.3	0.4	0.4	22.6
<b>Total Assets</b>	<b>26.4</b>	<b>26.2</b>	<b>25.2</b>	<b>26.5</b>	<b>28.8</b>	<b>112.2</b>	<b>114.1</b>	<b>286.3</b>
<b>Shareholders' Equity</b>	<b>12.6</b>	<b>12.4</b>	<b>13.0</b>	<b>13.7</b>	<b>13.4</b>	<b>77.1</b>	<b>79.0</b>	<b>229.0</b>
Share Capital	4.5	4.5	4.5	4.7	4.7	4.7	4.7	4.7
Retained Earnings and Other	8.1	7.9	8.5	8.9	8.7	72.3	74.2	224.2
<b>Current Liabilities</b>	<b>13.8</b>	<b>13.8</b>	<b>12.2</b>	<b>12.9</b>	<b>15.4</b>	<b>15.0</b>	<b>15.0</b>	<b>11.4</b>
ST Interest Bearing Debt	0.4	0.6	-	0.6	2.0	1.4	1.4	1.4
Trade Payables	12.9	13.0	11.3	10.6	9.8	9.1	9.1	5.5
Other	0.4	0.3	0.9	1.6	3.6	4.5	4.5	4.5
<b>LT Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.2</b>	<b>20.2</b>	<b>45.9</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-	22.1
Other	-	-	-	-	-	20.2	20.2	23.8
<b>Total Liabilities &amp; Equity</b>	<b>26.4</b>	<b>26.2</b>	<b>25.2</b>	<b>26.5</b>	<b>28.8</b>	<b>112.2</b>	<b>114.1</b>	<b>286.3</b>

QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>13.1</b>	<b>10.3</b>	<b>10.5</b>	<b>14.9</b>	<b>15.9</b>	<b>13.3</b>	<b>13.9</b>	<b>18.0</b>	<b>20.1</b>
<b>EBITDA</b>	<b>1.3</b>	<b>0.5</b>	<b>0.9</b>	<b>0.6</b>	<b>1.6</b>	<b>0.7</b>	<b>0.7</b>	<b>1.3</b>	<b>3.1</b>
<i>margin</i>	<i>9.9%</i>	<i>4.4%</i>	<i>8.4%</i>	<i>4.2%</i>	<i>10.0%</i>	<i>5.1%</i>	<i>5.2%</i>	<i>7.2%</i>	<i>15.4%</i>
<b>EBIT</b>	<b>0.9</b>	<b>(0.0)</b>	<b>0.4</b>	<b>0.1</b>	<b>1.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>1.4</b>
<i>margin</i>	<i>6.5%</i>	<i>-0.3%</i>	<i>3.7%</i>	<i>0.7%</i>	<i>6.5%</i>	<i>1.0%</i>	<i>1.3%</i>	<i>2.2%</i>	<i>7.0%</i>
<b>Net Income</b>	<b>0.5</b>	<b>(0.1)</b>	<b>0.2</b>	<b>(0.0)</b>	<b>0.7</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.9</b>
<i>Net Margin</i>	<i>3.6%</i>	<i>-0.8%</i>	<i>1.8%</i>	<i>-0.3%</i>	<i>4.5%</i>	<i>0.9%</i>	<i>-1.1%</i>	<i>-0.7%</i>	<i>4.5%</i>

# Zakarpatooblenergo (ZOEN UZ)

## BUY

www.energo.uz.ua

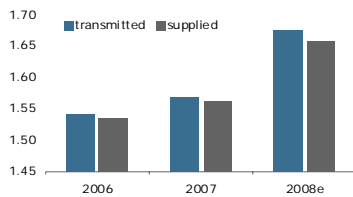
12M target (USD)  
Upside\*

1.9  
110%

### INVESTMENT CASE

- One of smallest Oblenergos, but has among largest FF MCap's
- Increased EBITDA more than three times yoy in 1Q08; EBITDA margin of 12.2% is close to sector's median

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to the Western Ukrainian Zakarpattia region (area 12,800 km<sup>2</sup>; population 1.25 mln). Owns a 17,400 km transmission grid (2.3 GVA transformer capacity). One of the smallest Oblenergos in terms of electricity volume sold and the fourth smallest in terms of the length of its network. Has one of the largest levels of excessive electricity losses among all Oblenergos, which is related to theft and severe weather.

Supplied 1.56 TWh of electricity in 2007. Investments for 2008 are planned at USD 8.4 mln (up 69% yoy). In 2007, net revenue grew 23.1% yoy to USD 78.2 mln, EBITDA margin was 5.1%, net margin was 0.9%.

### MARKET INFORMATION

<b>Market Price*</b> , USD	0.9
Price impact**	3
52 Wk H/L USD*	2.01/1.06
Chg 3m/6m/52w*	-28%/-42%/-13%
Chg vs PFTS 3m/6m/52w*	-0%/1%/21%
Chg YTD*	-41%
Avg M Tr Vol 6M, USD ths	320.6

<b>MCap</b> , USD mln	112.1
Free float	14.5%
FF Mcap, USD mln	16.3

<b>No of shares</b> , mln	124.6
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	75.0%
VS Energy	10.5%
Other	14.5%

### CORPORATE GOVERNANCE

Concorde Rating***	A
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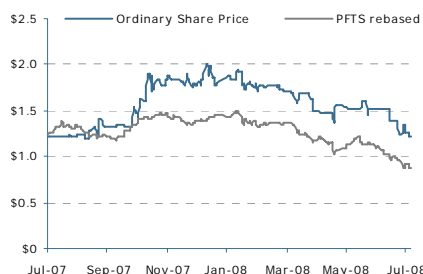
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.2	0.8
EV/EBITDA	13.8	2.5
P/E	33.9	5.6
P/B	3.3	0.5

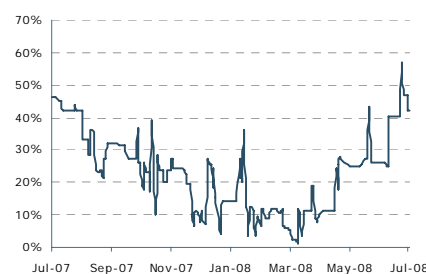
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	5.1%	8.5%	30.4%
Net Margin	0.9%	3.0%	11.9%
ROE	2%	10%	15%
Net Debt/Equity	-0.005	-0.004	0.26

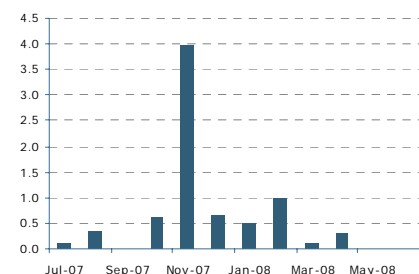
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>36.0</b>	<b>40.3</b>	<b>45.3</b>	<b>53.7</b>	<b>63.6</b>	<b>78.2</b>	<b>110.6</b>	<b>167.8</b>
<i>Change yoy</i>	<i>n/a</i>	<i>11.8%</i>	<i>12.6%</i>	<i>18.4%</i>	<i>18.4%</i>	<i>23.1%</i>	<i>41.4%</i>	<i>51.8%</i>
Gross Profit	3.3	3.9	3.1	5.1	6.7	8.0	13.4	55.1
<b>EBITDA</b>	<b>2.3</b>	<b>2.6</b>	<b>2.1</b>	<b>3.6</b>	<b>3.7</b>	<b>4.0</b>	<b>9.4</b>	<b>51.1</b>
<i>Margin</i>	<i>6.5%</i>	<i>6.6%</i>	<i>4.7%</i>	<i>6.7%</i>	<i>5.9%</i>	<i>5.1%</i>	<i>8.5%</i>	<i>30.4%</i>
Depreciation	(2.1)	(2.1)	(2.4)	(2.6)	(2.8)	(2.9)	(4.7)	(22.1)
<b>EBIT</b>	<b>0.2</b>	<b>0.6</b>	<b>(0.3)</b>	<b>1.0</b>	<b>0.9</b>	<b>1.1</b>	<b>4.6</b>	<b>29.0</b>
<i>margin</i>	<i>0.6%</i>	<i>1.5%</i>	<i>-0.7%</i>	<i>1.9%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>4.2%</i>	<i>17.3%</i>
Financial Expense, net	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(2.4)
Other income/(expense)	0.1	0.0	0.1	0.2	0.2	0.0	-	-
<b>PBT</b>	<b>0.2</b>	<b>0.3</b>	<b>(0.5)</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>4.4</b>	<b>26.6</b>
Tax	-	-	-	(0.4)	(0.2)	(0.7)	(1.1)	(6.6)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>42.3%</i>	<i>19.8%</i>	<i>70.1%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>0.2</b>	<b>0.3</b>	<b>(0.5)</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>3.3</b>	<b>19.9</b>
<i>Net Margin</i>	<i>0.5%</i>	<i>0.9%</i>	<i>-1.1%</i>	<i>1.0%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>3.0%</i>	<i>11.9%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>36.0</b>	<b>43.5</b>	<b>51.9</b>	<b>58.6</b>	<b>52.7</b>	<b>51.9</b>	<b>53.3</b>	<b>67.0</b>
Cash & Equivalents	0.1	0.0	0.1	0.1	0.1	0.1	0.1	34.0
Trade Receivables	32.5	40.7	48.8	55.6	49.8	48.6	48.6	26.0
Inventories	0.9	1.0	1.3	1.3	1.0	1.6	2.3	3.5
Other	2.4	1.8	1.7	1.6	1.8	1.6	2.2	3.4
<b>Fixed Assets</b>	<b>36.2</b>	<b>35.4</b>	<b>35.3</b>	<b>38.6</b>	<b>38.6</b>	<b>40.7</b>	<b>42.7</b>	<b>249.2</b>
PP&E, net	32.3	31.3	31.3	34.5	34.2	34.1	36.0	220.5
Other	3.9	4.1	4.0	4.1	4.4	6.6	6.6	28.7
<b>Total Assets</b>	<b>72.2</b>	<b>78.9</b>	<b>87.2</b>	<b>97.2</b>	<b>91.3</b>	<b>92.6</b>	<b>95.9</b>	<b>316.2</b>
<b>Shareholders' Equity</b>	<b>28.0</b>	<b>28.3</b>	<b>28.2</b>	<b>29.9</b>	<b>30.2</b>	<b>30.7</b>	<b>34.0</b>	<b>232.1</b>
Share Capital	5.8	5.8	5.9	6.2	6.2	6.2	6.2	6.2
Retained Earnings and Other	22.1	22.5	22.3	23.7	24.0	24.5	27.8	226.0
<b>Current Liabilities</b>	<b>44.2</b>	<b>50.6</b>	<b>59.0</b>	<b>67.3</b>	<b>61.1</b>	<b>62.0</b>	<b>62.0</b>	<b>11.5</b>
ST Interest Bearing Debt	1.2	1.0	2.1	2.1	1.8	1.6	1.6	1.6
Trade Payables	41.0	47.0	56.0	63.6	56.8	57.4	57.4	7.0
Other	2.0	2.6	1.0	1.6	2.6	3.0	3.0	3.0
<b>LT Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72.5</b>
LT Interest Bearing Debt	-	-	-	-	-	-	-	22.1
Other	-	-	-	-	-	-	-	50.4
<b>Total Liabilities &amp; Equity</b>	<b>72.2</b>	<b>78.9</b>	<b>87.2</b>	<b>97.2</b>	<b>91.3</b>	<b>92.6</b>	<b>95.9</b>	<b>316.2</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>17.9</b>	<b>13.9</b>	<b>13.0</b>	<b>18.8</b>	<b>20.4</b>	<b>17.1</b>	<b>17.5</b>	<b>23.1</b>	<b>26.3</b>
<b>EBITDA</b>	<b>1.7</b>	<b>0.3</b>	<b>0.6</b>	<b>1.1</b>	<b>1.0</b>	<b>0.5</b>	<b>1.2</b>	<b>1.2</b>	<b>3.2</b>
<i>margin</i>	<i>9.4%</i>	<i>2.5%</i>	<i>4.9%</i>	<i>5.7%</i>	<i>5.1%</i>	<i>3.1%</i>	<i>7.1%</i>	<i>5.2%</i>	<i>12.2%</i>
<b>EBIT</b>	<b>1.0</b>	<b>(0.3)</b>	<b>(0.0)</b>	<b>0.3</b>	<b>0.3</b>	<b>(0.1)</b>	<b>0.6</b>	<b>0.3</b>	<b>0.7</b>
<i>margin</i>	<i>5.3%</i>	<i>-2.5%</i>	<i>-0.1%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>-0.7%</i>	<i>3.2%</i>	<i>1.5%</i>	<i>2.5%</i>
<b>Net Income</b>	<b>0.8</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.3</b>	<b>(0.1)</b>	<b>0.3</b>	<b>0.2</b>	<b>0.6</b>
<i>Net Margin</i>	<i>4.3%</i>	<i>-2.3%</i>	<i>-0.6%</i>	<i>1.0%</i>	<i>1.4%</i>	<i>-0.4%</i>	<i>1.7%</i>	<i>0.8%</i>	<i>2.3%</i>

# Zaporizhyaoblenergo (ZAON UZ)

## HOLD

12M target (USD) 3.0  
Upside\* 20%

### INVESTMENT CASE

- Largest Oblenergo by FF MCap, the sector's most liquid stocks
- EBITDA margin of 2.2% and net margin of 0.3% in 1Q08 were at the bottom of the sector
- Possible acquisition target of DTEK

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Ukraine's third largest electricity supplier. Provides services to the eastern region of Zaporizhya (area 27,200 km<sup>2</sup>; population 1.91 mln). Owns a 41,000 km transmission grid (transformer capacity: 9.3 GVA). Main consumer is Zaporizhya Aluminum (about 30% of sales). Supplied 10.47 TWh of electricity in 2007. In 2008 investments are planned at USD 22.9 mln (up 49% yoy). In 2007, net revenue increased by 23.2% to USD 569 mln, EBITDA declined to USD 8.4 mln from USD 15.2 mln in 2006, and its net income increased to USD 3.1 mln (net margin of 0.5%).

### MARKET INFORMATION

<b>Market Price*</b> , USD	2.5
Price impact**	3
52 Wk H/L USD*	4.36/2.69
Chg 3m/6m/52w*	-36%/-38%/-21%
Chg vs PFTS 3m/6m/52w*	-8%/5%/12%
Chg YTD*	-31%
Avg M Tr Vol 6M, USD ths	425.9

<b>MCap</b> , USD mln	448.4
Free float	10.9%
FF Mcap, USD mln	48.9

<b>No of shares</b> , mln	179.4
Par Value, UAH	0.25

### STOCK OWNERSHIP

NC ECU (State)	60.3%
EnSt/Privat	18.7%
Privat	10.1%
Other	10.9%

### CORPORATE GOVERNANCE

Concorde Rating***	P
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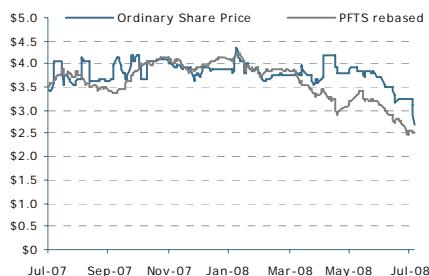
### MARKET MULTIPLES

	2008E	2009E
EV/Sales	0.6	0.4
EV/EBITDA	26.0	4.4
P/E	63.6	9.7
P/B	14.6	0.9

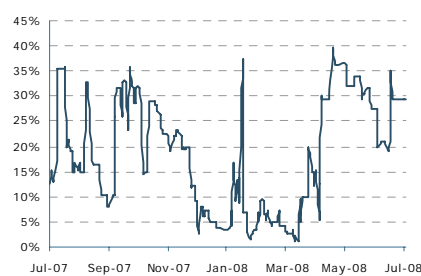
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	1.5%	2.3%	10.3%
Net Margin	0.5%	0.9%	4.2%
ROE	13%	26%	18%
Net Debt/Equity	6.00	4.63	0.36

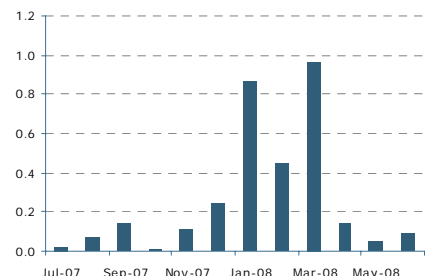
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* **Price"impact"** is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

- 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
- 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
- 3: All other stocks (quoted)

\*\*\* 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.

## INCOME STATEMENT SUMMARY, USD

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>245.6</b>	<b>263.8</b>	<b>275.5</b>	<b>348.8</b>	<b>462.0</b>	<b>569.0</b>	<b>823.1</b>	<b>1099.2</b>
<i>Change yoy</i>	<i>n/a</i>	<i>7.4%</i>	<i>4.4%</i>	<i>26.6%</i>	<i>32.5%</i>	<i>23.2%</i>	<i>44.7%</i>	<i>33.5%</i>
Gross Profit	5.2	9.8	14.4	14.2	15.9	19.6	30.1	124.3
<b>EBITDA</b>	<b>3.9</b>	<b>1.0</b>	<b>5.2</b>	<b>12.8</b>	<b>15.2</b>	<b>8.4</b>	<b>18.9</b>	<b>113.1</b>
<i>Margin</i>	<i>1.6%</i>	<i>0.4%</i>	<i>1.9%</i>	<i>3.7%</i>	<i>3.3%</i>	<i>1.5%</i>	<i>2.3%</i>	<i>10.3%</i>
Depreciation	(7.7)	(5.8)	(5.4)	(6.4)	(7.6)	(7.4)	(9.1)	(47.0)
<b>EBIT</b>	<b>(3.9)</b>	<b>(4.7)</b>	<b>(0.3)</b>	<b>6.4</b>	<b>7.7</b>	<b>1.0</b>	<b>9.8</b>	<b>66.1</b>
<i>margin</i>	<i>-1.6%</i>	<i>-1.8%</i>	<i>-0.1%</i>	<i>1.8%</i>	<i>1.7%</i>	<i>0.2%</i>	<i>1.2%</i>	<i>6.0%</i>
Financial Expense, net	(0.2)	(0.0)	(0.0)	(0.0)	(0.2)	(0.4)	(0.4)	(4.5)
Other income/(expense)	1.2	1.7	0.6	(1.7)	(3.8)	(0.6)	-	-
<b>PBT</b>	<b>(2.8)</b>	<b>(3.1)</b>	<b>0.3</b>	<b>4.6</b>	<b>3.6</b>	<b>0.0</b>	<b>9.4</b>	<b>61.6</b>
Tax	-	-	-	(1.1)	(0.0)	-	(2.3)	(15.4)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>22.7%</i>	<i>0.8%</i>	<i>0.0%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>(2.8)</b>	<b>(3.0)</b>	<b>0.3</b>	<b>3.6</b>	<b>(1.2)</b>	<b>3.1</b>	<b>7.0</b>	<b>46.2</b>
<i>Net Margin</i>	<i>-1.1%</i>	<i>-1.2%</i>	<i>0.1%</i>	<i>1.0%</i>	<i>-0.3%</i>	<i>0.5%</i>	<i>0.9%</i>	<i>4.2%</i>

## BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>143.2</b>	<b>137.2</b>	<b>127.9</b>	<b>102.7</b>	<b>96.2</b>	<b>97.3</b>	<b>127.7</b>	<b>203.3</b>
Cash & Equivalents	8.7	3.7	2.0	1.4	0.6	0.3	0.3	33.2
Trade Receivables	90.5	93.1	91.5	73.2	72.5	69.2	69.2	92.4
Inventories	19.4	16.0	15.1	13.2	13.1	13.7	19.8	26.5
Other	24.5	24.4	19.3	14.8	10.0	14.1	38.4	51.3
<b>Fixed Assets</b>	<b>70.9</b>	<b>74.5</b>	<b>67.2</b>	<b>74.6</b>	<b>77.3</b>	<b>91.1</b>	<b>100.2</b>	<b>530.2</b>
PP&E, net	63.0	62.6	59.9	62.9	70.1	77.5	86.7	469.7
Other	8.0	11.8	7.2	11.7	7.2	13.5	13.5	60.5
<b>Total Assets</b>	<b>214.1</b>	<b>211.6</b>	<b>195.0</b>	<b>177.3</b>	<b>173.5</b>	<b>188.3</b>	<b>227.9</b>	<b>733.6</b>
<b>Shareholders' Equity</b>	<b>32.1</b>	<b>30.0</b>	<b>16.5</b>	<b>21.7</b>	<b>19.4</b>	<b>23.7</b>	<b>30.8</b>	<b>495.9</b>
Share Capital	8.4	8.4	8.5	8.9	8.9	8.9	8.9	8.9
Retained Earnings and Other	23.7	21.6	8.1	12.8	10.5	14.9	21.9	487.1
<b>Current Liabilities</b>	<b>182.0</b>	<b>181.6</b>	<b>178.5</b>	<b>155.6</b>	<b>150.6</b>	<b>28.2</b>	<b>60.7</b>	<b>72.2</b>
ST Interest Bearing Debt	0.0	-	-	1.2	-	3.8	3.8	3.8
Trade Payables	168.2	177.0	172.6	148.8	142.4	1.8	34.3	45.8
Other	13.7	4.6	5.9	5.6	8.1	22.6	22.6	22.6
<b>LT Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>3.6</b>	<b>136.4</b>	<b>136.4</b>	<b>165.4</b>
LT Interest Bearing Debt	-	-	-	-	3.6	6.4	6.4	47.0
Other	0.0	0.0	-	-	-	130.0	130.0	118.5
<b>Total Liabilities &amp; Equity</b>	<b>214.1</b>	<b>211.6</b>	<b>195.0</b>	<b>177.3</b>	<b>173.5</b>	<b>188.3</b>	<b>227.9</b>	<b>733.6</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>112.0</b>	<b>107.4</b>	<b>111.5</b>	<b>131.1</b>	<b>135.3</b>	<b>133.1</b>	<b>140.0</b>	<b>160.5</b>	<b>176.7</b>
<b>EBITDA</b>	<b>4.5</b>	<b>6.4</b>	<b>2.5</b>	<b>1.8</b>	<b>2.7</b>	<b>(0.0)</b>	<b>4.2</b>	<b>1.5</b>	<b>3.8</b>
<i>margin</i>	<i>4.0%</i>	<i>6.0%</i>	<i>2.3%</i>	<i>1.4%</i>	<i>2.0%</i>	<i>-0.0%</i>	<i>3.0%</i>	<i>0.9%</i>	<i>2.2%</i>
<b>EBIT</b>	<b>2.8</b>	<b>4.8</b>	<b>0.3</b>	<b>(0.2)</b>	<b>1.0</b>	<b>(1.7)</b>	<b>2.4</b>	<b>(0.6)</b>	<b>1.4</b>
<i>margin</i>	<i>2.5%</i>	<i>4.5%</i>	<i>0.3%</i>	<i>-0.2%</i>	<i>0.7%</i>	<i>-1.3%</i>	<i>1.7%</i>	<i>-0.4%</i>	<i>0.8%</i>
<b>Net Income</b>	<b>0.1</b>	<b>2.6</b>	<b>0.2</b>	<b>(4.1)</b>	<b>0.7</b>	<b>0.8</b>	<b>1.7</b>	<b>(0.2)</b>	<b>0.6</b>
<i>Net Margin</i>	<i>0.1%</i>	<i>2.5%</i>	<i>0.1%</i>	<i>-3.1%</i>	<i>0.5%</i>	<i>0.6%</i>	<i>1.2%</i>	<i>-0.1%</i>	<i>0.3%</i>

# Zhytomyroblenergo (ZHEN UZ)

## BUY

www.ztoe.com.ua

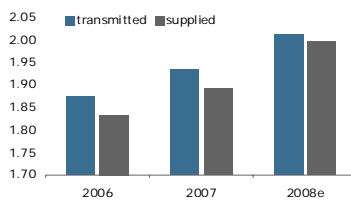
12M target (USD)  
Upside\*

2.7  
170%

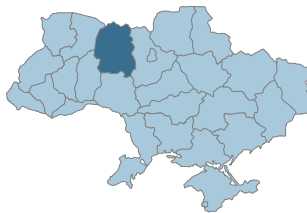
### INVESTMENT CASE

- Enjoys preferential tariff policy, which may be terminated in 2009, negatively affecting the company's bottom line in 1H09
- Likely to benefit most from the introduction of a new tariff policy (expected in mid-2009)
- EBITDA margin grew to 16.0% (up 4.4 pp yoy) in 1Q08 – above the sector median

### Electricity data, TWh



### Area of operation



### BUSINESS OVERVIEW

Provides services to northern Zhytomyr Region (area 29,900 km<sup>2</sup>; population 1.37 mln). Owns a 37,900 km transmission grid (transformer capacity: 3.3 GVA). Privatized in 2001, enjoying the last year of its preferential tariff policy. Fully controlled by VS Energy group, which is related to Russian businessman Alexander Babakov.

Supplied 1.89 TWh of electricity in 2007. Investments for 2008 are planned at USD 7.3 mln (up 51% yoy). In 2007, sales grew by 20.6% yoy to USD 105.4 mln and EBITDA dropped by USD 0.5 mln yoy to USD 12.0 mln.

### MARKET INFORMATION

<b>Market Price*</b> , USD	1.0
Price impact**	3
52 Wk H/L USD*	2.57/1.04
Chg 3m/6m/52w*	-43%/-59%/-17%
Chg vs PFTS 3m/6m/52w*	-15%/-16%/17%
Chg YTD*	-58%
Avg M Tr Vol 6M, USD ths	610.5

<b>MCap</b> , USD mln	122.4
Free float	8.4%
FF Mcap, USD mln	10.3

<b>No of shares</b> , mln	122.4
Par Value, UAH	0.25

### STOCK OWNERSHIP

VS Energy	91.6%
Other	8.4%

### CORPORATE GOVERNANCE

Concorde Rating***	A
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### MARKET MULTIPLES

	2008E	2009E
EV/Sales	1.0	0.6
EV/EBITDA	8.0	1.8
P/E	24.0	4.4
P/B	0.7	0.3

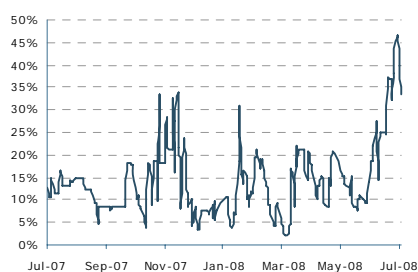
### KEY RATIOS

	2007	2008E	2009E
EBITDA margin	11.4%	12.0%	35.4%
Net Margin	0.0%	3.6%	13.2%
ROE	0.04%	3%	10%
Net Debt/Equity	0.01	0.01	0.07

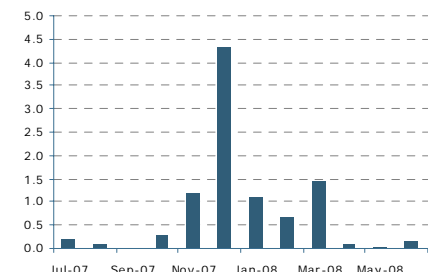
### Stock performance



### Spread, %



### Monthly trading volumes, USD mln



\* Market prices are indicative. Stock performance is calculated based on mid-market prices

\*\* Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size  
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size  
3: All other stocks (quoted)

\*\*\* 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.



## INCOME STATEMENT SUMMARY, USD

	2003	2004	2005	2006	2007	2008E	2009E
<b>Net Revenues</b>	<b>56.4</b>	<b>60.2</b>	<b>71.1</b>	<b>87.4</b>	<b>105.4</b>	<b>142.4</b>	<b>211.8</b>
<i>Change yoy</i>	<i>n/a</i>	<i>6.8%</i>	<i>18.1%</i>	<i>22.9%</i>	<i>20.6%</i>	<i>35.1%</i>	<i>48.7%</i>
Gross Profit	11.7	10.9	12.3	13.7	13.5	18.5	76.5
<b>EBITDA</b>	<b>10.2</b>	<b>9.7</b>	<b>8.6</b>	<b>12.5</b>	<b>12.0</b>	<b>17.0</b>	<b>75.1</b>
<i>Margin</i>	<i>18.1%</i>	<i>16.2%</i>	<i>12.1%</i>	<i>14.3%</i>	<i>11.4%</i>	<i>12.0%</i>	<i>35.4%</i>
Depreciation	(3.1)	(4.1)	(4.2)	(5.1)	(11.1)	(9.5)	(33.7)
<b>EBIT</b>	<b>7.1</b>	<b>5.6</b>	<b>4.4</b>	<b>7.4</b>	<b>0.9</b>	<b>7.5</b>	<b>41.3</b>
<i>margin</i>	<i>12.6%</i>	<i>9.4%</i>	<i>6.2%</i>	<i>8.4%</i>	<i>0.8%</i>	<i>5.3%</i>	<i>19.5%</i>
Financial Expense, net	(0.0)	(0.1)	(0.1)	(0.5)	(0.7)	(0.7)	(4.0)
Other income/(expense)	(0.1)	0.1	0.1	0.4	(0.3)	-	-
<b>PBT</b>	<b>7.0</b>	<b>5.6</b>	<b>4.4</b>	<b>7.3</b>	<b>(0.1)</b>	<b>6.8</b>	<b>37.4</b>
Tax	(2.7)	(1.8)	(2.1)	(1.1)	(0.4)	(1.7)	(9.3)
<i>Effective tax rate</i>	<i>38.5%</i>	<i>32.0%</i>	<i>46.8%</i>	<i>14.5%</i>	<i>-256.9%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>Net Income</b>	<b>4.3</b>	<b>3.8</b>	<b>2.3</b>	<b>4.1</b>	<b>0.0</b>	<b>5.1</b>	<b>28.0</b>
<i>Net Margin</i>	<i>7.7%</i>	<i>6.4%</i>	<i>3.3%</i>	<i>4.7%</i>	<i>0.0%</i>	<i>3.6%</i>	<i>13.2%</i>

## BALANCE SHEET SUMMARY, USD mln

	2003	2004	2005	2006	2007	2008E	2009E
<b>Current Assets</b>	<b>14.8</b>	<b>21.7</b>	<b>10.4</b>	<b>10.7</b>	<b>9.0</b>	<b>23.5</b>	<b>74.2</b>
Cash & Equivalents	1.9	4.0	0.8	0.9	0.4	0.4	39.8
Trade Receivables	8.1	8.6	6.4	2.1	4.5	5.9	8.8
Inventories	2.6	2.6	1.1	5.4	1.3	1.8	2.6
Other	2.2	6.4	2.0	2.3	2.9	15.5	23.0
<b>Fixed Assets</b>	<b>39.6</b>	<b>40.7</b>	<b>46.2</b>	<b>55.4</b>	<b>175.8</b>	<b>172.1</b>	<b>390.6</b>
PP&E, net	34.5	35.8	39.4	38.9	156.0	152.3	337.1
Other	5.1	5.0	6.7	16.5	19.7	19.7	53.4
<b>Total Assets</b>	<b>54.4</b>	<b>62.4</b>	<b>56.6</b>	<b>66.1</b>	<b>184.8</b>	<b>195.6</b>	<b>464.8</b>
<b>Shareholders' Equity</b>	<b>40.9</b>	<b>44.4</b>	<b>48.4</b>	<b>50.3</b>	<b>170.5</b>	<b>175.6</b>	<b>409.3</b>
Share Capital	5.7	5.8	6.1	6.1	6.1	6.1	6.1
Retained Earnings and Other	35.1	38.6	42.4	44.2	164.4	169.5	403.2
<b>Current Liabilities</b>	<b>13.5</b>	<b>15.2</b>	<b>4.6</b>	<b>7.7</b>	<b>13.2</b>	<b>18.9</b>	<b>21.8</b>
ST Interest Bearing Debt	-	-	-	-	8.3	8.3	8.3
Trade Payables	9.3	7.6	0.4	-	0.2	5.9	8.8
Other	4.2	7.6	4.2	7.7	4.7	4.7	4.7
<b>LT Liabilities</b>	<b>-</b>	<b>2.8</b>	<b>3.5</b>	<b>8.1</b>	<b>1.1</b>	<b>1.1</b>	<b>33.7</b>
LT Interest Bearing Debt	-	2.8	3.5	8.1	1.1	1.1	33.7
Other	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Equity</b>	<b>54.4</b>	<b>62.4</b>	<b>56.6</b>	<b>66.1</b>	<b>184.8</b>	<b>195.6</b>	<b>464.8</b>

## QUARTERLY ANALYSIS, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
<b>Net Revenues</b>	<b>23.9</b>	<b>19.5</b>	<b>19.1</b>	<b>25.0</b>	<b>27.4</b>	<b>23.7</b>	<b>23.4</b>	<b>31.1</b>	<b>35.2</b>
<b>EBITDA</b>	<b>4.0</b>	<b>3.1</b>	<b>2.1</b>	<b>3.3</b>	<b>3.2</b>	<b>1.8</b>	<b>1.0</b>	<b>6.0</b>	<b>5.6</b>
<i>margin</i>	<i>16.7%</i>	<i>15.9%</i>	<i>10.8%</i>	<i>13.3%</i>	<i>11.6%</i>	<i>7.6%</i>	<i>4.2%</i>	<i>19.5%</i>	<i>16.0%</i>
<b>EBIT</b>	<b>3.0</b>	<b>2.2</b>	<b>1.1</b>	<b>1.1</b>	<b>2.2</b>	<b>0.8</b>	<b>(5.7)</b>	<b>3.6</b>	<b>3.2</b>
<i>margin</i>	<i>12.5%</i>	<i>11.1%</i>	<i>5.7%</i>	<i>4.4%</i>	<i>7.9%</i>	<i>3.3%</i>	<i>-24.3%</i>	<i>11.5%</i>	<i>9.2%</i>
<b>Net Income</b>	<b>1.8</b>	<b>1.6</b>	<b>0.1</b>	<b>0.5</b>	<b>1.3</b>	<b>0.4</b>	<b>(5.9)</b>	<b>4.3</b>	<b>1.4</b>
<i>Net Margin</i>	<i>7.6%</i>	<i>8.1%</i>	<i>0.7%</i>	<i>2.2%</i>	<i>4.8%</i>	<i>1.6%</i>	<i>-25.3%</i>	<i>13.7%</i>	<i>3.9%</i>

## Analyst certification

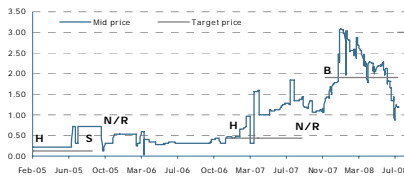
I, Alexander Paraschiy, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or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

### Sector report history

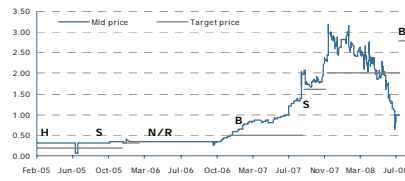
Date	Name	Type	Pages
Jul. 16, 2008	Oblenergos: DTEK opens bottom-fishing season	Update	86
May 08, 2008	Oblenergos: Privatization starts next week... or not?	Note	2
Mar. 12, 2008	ENUG: One more Oblenergo on the PFTS	Update	10
Jan. 17, 2008	DOON: Initiating investment recommendation	Initiating coverage	4
Jan. 17, 2008	ODEN: Risk of dilution is higher now	Note	4
Dec. 07, 2007	ODEN: Re-admitted to listing	Initiating coverage	6
Dec. 03, 2007	CHON: Assignment of investment rating	Note	4
Nov. 27, 2007	PREN: Clients come & go, profits stay the same	Note	2
Nov. 08, 2007	Oblenergos: Look to the corners	Update	18
Aug. 21, 2007	Oblenergos: RAB me!	Update	41
May 29, 2007	Electricity sector: Privatization plans look promising	Note	6
Dec. 26, 2006	Energy Companies' EGMs: Baker's dozen for the NC ECU	Note	3
Dec. 13, 2006	Oblenergos: A Whole New World	Update	55
Oct. 19, 2006	Energy Sector: Questions Raised by Recent Events	Note	3
Sep. 20, 2006	Energougol: An Oblenergo with Donetsk muscle	Initiating coverage	20
Feb. 10, 2006	Cold Weather Brings Interest in Oblenergos to a Boil	Note	2
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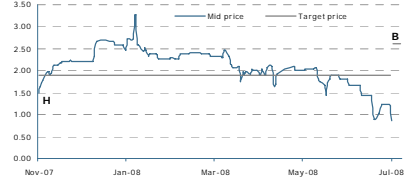
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### CHEON



### CHON



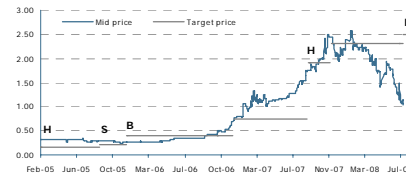
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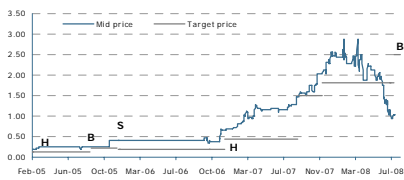
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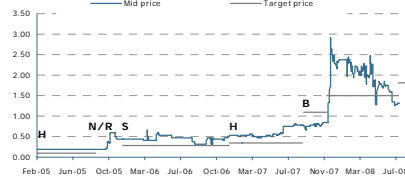
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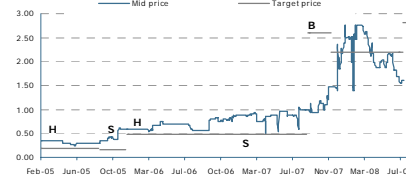
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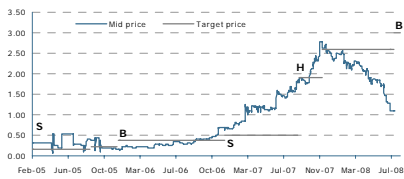
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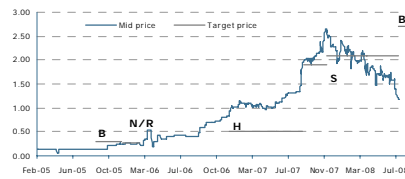
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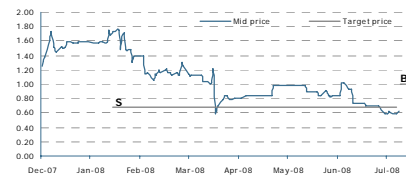
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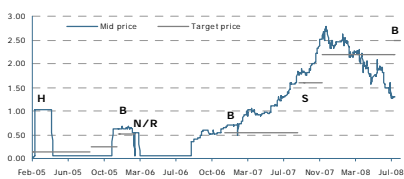
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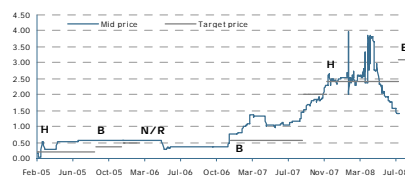
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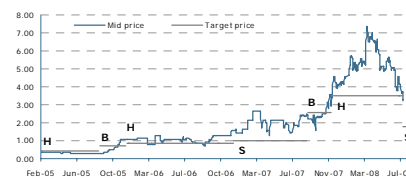
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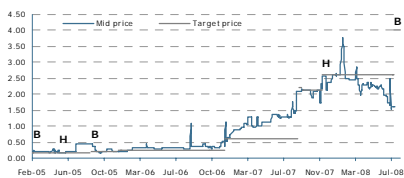
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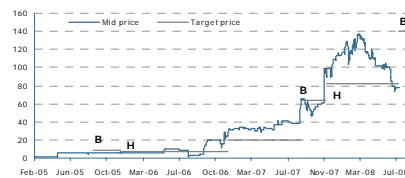
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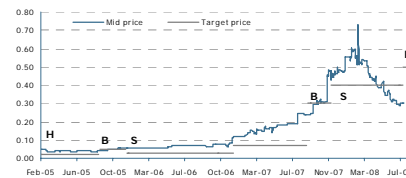
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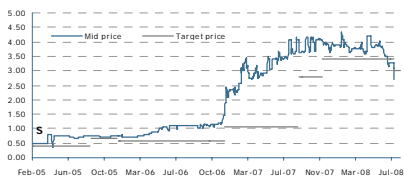
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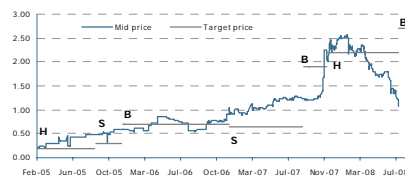
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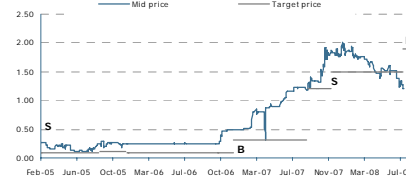
### ZAON



### ZHEN



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Hold	19	17%
Sell	6	5%
Under Review	32	28%
<b>Total</b>	<b>115</b>	<b>100%</b>

### Investment banking clients\*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
<b>Total</b>	<b>7</b>	<b>100%</b>

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