



CONCORDE CAPITAL

Ukraine / Electricity

Oblenergos

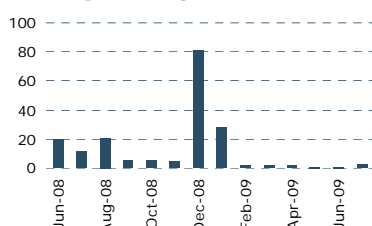
Privatization prospects

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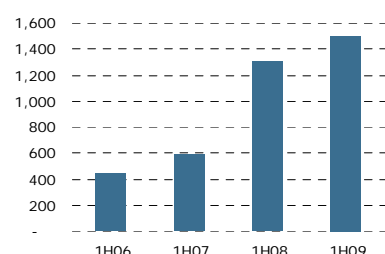
Ukraine's State Property Fund was ordered to prepare for a new wave of Oblenergo privatizations in July. In our view, at least six stakes have a good chance of being sold this year (CHON, DNON, DOON, HAON, VIEN, VOEN) – those that are likely to draw interest from local players with sufficient cash. Based on peer valuation, we update our target prices and recommendations on the Oblenergos, rating the bulk HOLD, with only one BUY and two SELL.

Oblenergo trading volume, UAH mln



Source: PFTS, Concorde Capital calculations

Oblenergo aggregate EBITDA, UAH mln



Source: Company data, Concorde Capital calculations

### Cabinet of Ministers prepares to sell control stakes in Oblenergos

The Cabinet of Ministers ordered the transfer of controlling stakes in 14 Oblenergos to the State Property Fund for privatization at the end of July. While the exact timing of potential auctions is unclear, we believe there is reasonable probability that at least six stakes will be privatized before presidential elections in January. In our view, the government's need to fill its UAH 60 bln budget deficit will trump any political moves to block privatization in an attempt to curry favor with voters at the poll.

### First to be privatized will be of local interest

In order to fulfill the budget this year, we believe the SPF has the best chances of first putting up for sale stakes in Oblenergos of interest to local players with cash in-pocket - Energy Standard, Privat and DTEK. In our view, privatization of any of these stakes to Energy Standard and/or Privat carries negative implications for minority shareholders, as these business groups have no incentive to take minority rights into consideration.

### Foreign investor will likely enter Ukraine, but no earlier than 2010

We see Oblenergos where cash-enriched locals do not own stakes, as likely candidates to be sold to strategic foreign investors. However, the likelihood that any of these will be privatized this year is low as foreign investors require greater lead time and might demand tariff privileges (as they did in 2001) and RAB reform.

### 1H09 financials: Stable growth in top and bottom line

In 1H09, Oblenergos, in aggregate, increased revenues by 6.5% yoy and EBITDA by 15% yoy. Moreover, sector profitability improved thanks to higher tariffs and progress in curbing electricity transmission losses. Contrary to our previous expectations, the National Electricity Regulatory Commission decided not to cut Oblenergos' investment programs in 2009 – and we no longer expect it to, as with the preparations for privatization going in, it would send a negative message to potential buyers.

## Market summary

		Price, UAH	Price, USD	MCap, USD	EV/S 09E	EV/EBIT DA 09E	12M fair value, USD	Modified upside effective	Hold upside	Rec.
Chernivtsioblenergo	CHEN	4.25	0.53	30.2	0.8	4.4	0.94	-47%	755%	HOLD
Chernihivoblenergo	CHEON	5.91	0.74	88.1	0.9	10.0	0.91	-58%	1292%	HOLD
Cherkasyoblenergo	CHON	3.57	0.45	66.2	0.4	6.5	0.83	-5%	403%	HOLD
Dniprooblenergo	DNON	275.00	34.38	206.0	0.2	9.7	42.37	-7%	62%	HOLD
Donetskoblenergo	DOON	10.00	1.25	81.9	0.7	252.2	1.99	-13%	160%	HOLD
Kharkivoblenergo	HAON	3.18	0.40	101.8	0.3	5.3	0.78	17%	334%	HOLD
Khmelnitskoblenergo	HMON	4.75	0.59	79.9	0.9	8.7	0.81	-40%	807%	HOLD
Khersonoblenergo	HOEN	1.33	0.17	29.6	0.4	8.5	0.48	91%	192%	HOLD
Kirovohradoblenergo	KION	0.88	0.11	13.1	0.5	6.1	0.66	1%	506%	HOLD
Krymenergo	KREN	1.97	0.25	42.5	0.4	6.3	0.74	170%	194%	BUY
Lvivoblenergo	LVON	3.25	0.41	78.8	0.4	4.9	0.83	8%	259%	HOLD
Odesaoblenergo	ODEN	1.16	0.14	30.1	0.4	6.8	0.14	-54%	198%	HOLD
Poltavaoblenergo	POON	4.85	0.61	133.9	0.7	9.4	0.63	-58%	99%	HOLD
Prykarpatooblenergo	PREN	4.48	0.56	58.0	0.9	4.8	1.16	-68%	152%	HOLD
Sevastopolenergo	SMEN	15.76	1.97	53.0	1.1	11.2	0.46	-94%	-72%	SELL
Ternopiloblenergo	TOEN	2.80	0.35	21.4	0.4	4.8	1.22	27%	962%	HOLD
Vinnitsaoblenergo	VIEN	147.50	18.44	57.1	0.7	6.8	40.42	-6%	1664%	HOLD
Volynoblenergo	VOEN	0.56	0.07	33.4	0.5	5.4	0.17	4%	768%	HOLD
Zaporizhiaoblenergo	ZAON	6.20	0.78	139.0	0.3	53.8	0.70	-49%	102%	HOLD
Zhytomiroblenergo	ZHEN	1.85	0.23	28.3	0.5	7.2	0.72	48%	846%	HOLD
Zakarpatooblenergo	ZOEN	5.13	0.64	79.8	1.1	9.5	0.63	-64%	1348%	HOLD
PES-Energougol	ENUG	21.50	2.69	14.7	0.2	6.0	2.87	-43%	7%	SELL

Note: An exchange rate of UAH/USD 8 is used  
Source: PFTS, Concorde Capital, Company data

## Next Oblenergo privatization wave

### Cabinet takes initial step to privatize remaining Oblenergos

The Cabinet of Ministers of Ukraine ordered the transfer of controlling stakes in 14 Oblenergos to the State Property Fund for privatization at the end of July. While the exact timing of any privatization auctions is unclear, we believe there is reasonable probability that at least six stakes will be privatized before presidential elections in January.

### Politics to determine sequence and timing of auctions

With an estimated UAH 60 bln budget deficit to fill, the Cabinet of Ministers has a clear need to privatize at least some Oblenergos in 2009 in order to bridge part of that gap. However, in order to make their auction dates, privatization requires the consent of the Cabinet of Ministers, State Property Fund, and the president. The former two have already green-lighted the process. President Viktor Yushchenko's position remains somewhat unclear, though given his assent to selling off blocking stakes in several Oblenergos in early 2009 and recent statements by officials from his secretariat, we believe there is a high chance of his approval. It is also important to remember that with the presidential election looming in January, the whole process could be thrown off if Tymoshenko or Yushchenko believe it would curry favor with voters.

Acting SPF head Dmitry Parfenenko has said that not all Oblenergos would be put up for sale at once, meaning that we could see a staggered schedule similar to that used to spread out the privatization of the blocking stakes earlier this year. Parfenenko said that the first auction could already be held in September, though, the tender must be announced a month in advance.

### Current ownership of Oblenergos

		NC ECU (State)	SPF	VS Energy	Energy Standard (Grigorishyn)	ES/Privat	Privat	DTEK (Zhevago)	Finance & Credit	Online Capital*	TEKT Trade*	Other
Chernivtsioblenergo	CHEN	10.0%	60% + 1	22.0%								8.0%
Chernihivoblenergo	CHEON					40.0%	25.1%			25.0%		9.9%
Cherkasyoblenergo	CHON		71.0%**		25.3%							3.7%
Dniprooblenergo	DNON	15.0%	60% + 1			15.9%						9.1%
Donetskoblenergo	DOON	5.1%	60% + 1					28.8%				6.1%
Kharkivoblenergo	HAON	5.0%	60% + 1		28.8%							6.2%
Khmelnitskoblenergo	HMON	10.0%	60% + 1	18.8%								11.2%
Khersonoblenergo	HOEN			94.5%								5.5%
Kirovohradoblenergo	KION			94.0%								6.0%
Krymenergo	KREN	10.0%	60% + 1	10.0%								20.0%
Kyivenergo	KIEN		50% + 1					10.2%				39.8%
Lvivoblenergo	LVON					38.7%	13.3%				27.0%	21.1%
Mykolaivoblenergo	MYON	10.0%	60% + 1	22.1%								7.9%
Odesaoblenergo	ODEN	25.0%		55.2%					10.4%			9.4%
Poltavaoblenergo	POON		25.0%			40.0%	25.6%					9.3%
Prykarpatooblenergo	PREN		25.0%			33.8%	27.6%					13.6%
Sevastopolenergo	SMEN			95.2%								4.8%
Sumyoblenergo	SOEN		25.0%			40.0%	25.7%					9.4%
Ternopiloblenergo	TOEN		51.0%			40.1%						8.9%
Vinnitsaoblenergo	VIEN	15.0%	60% + 1		17.0%							8.0%
Volynoblenergo	VOEN	15.0%	60% + 1		20.3%							4.7%
Zaporizhiaoblenergo	ZAON		60.3%			18.7%	10.2%					10.9%
Zhytomioblenergo	ZHEN			91.6%								8.4%
Zakarpatooblenergo	ZOEN	15.0%	60% + 1	10.5%								14.5%

\* Online Capital and TEKT trade were only competing bidders on auctions for CHEON and LVON. We believe one of them represented interests of Energy Standard group, other – of Privat group.

\*\* 25% of the company remains in the hands of UkrEsko, a state company, but we believe it will be transferred to the SPF with the 46% stake that was held by the NC ECU in short order

Note: Gray cells represent companies already offered for privatization in the spring 2009. Blue cells mark those stakes we believe would be offered among first for privatization. NC ECU – National Energy Company of Ukraine. SPF – State Property Fund.

Source: Concorde Capital

## First to be privatized will be of local interest

To fulfill the budget quickly this year, we believe the SPF has the best chances of first putting up for sale stakes in Oblenergos where there are interested local players with cash in-pocket. The attraction of foreign strategic players in such a short time looks improbable: in 2001, when the government privatized controlling stakes in six Oblenergos, with even the then-Prime Minister participating in road shows, it took six months to find buyers.

We believe three local business groups have sufficient cash in hand and interests in the sector to participate in privatization this year: Energy Standard, Privat and DTEK.

- Cherkasyoblenergo (CHON), Kharkivoblenergo (HAON), Vinnytsyaoblenergo (VIEN) and Volynoblenergo (VOEN), which jointly account for 9% of electricity transmitted in Ukraine in 2008, are likely to fetch interest from Energy Standard, which is widely believed to have minority stakes in each. Energy Standard is known to dilute minority shareholders, and we do not expect share buyouts from them, thus we do not recommend taking long positions in these stocks and advise looking for adequate prices to exit hold positions if liquidity improves.
- Donetskoblenergo (DOON), second largest Oblenergo by electricity transmitted, is only of interest to DTEK, which already controls two other electricity distributors in the region: Servis-Invest and Energougol. The company's high debt makes it unlikely for the state to earn a lot on this deal, and there is still a moderate risk that company will go bankrupt (though no earlier than 2011, when the bankruptcy protection law expires). If DTEK, which currently has operating control over the company, does privatize Donetskoblenergo, it could be a trigger for the stock price, currently depressed by the risk of bankruptcy and low operating efficiency.
- Dniprooblenergo (DNON), the largest Oblenergo with a 19% share in electricity transmission, might attract bids from DTEK and Privat. DTEK already controls Dniπροenergo (DNEN), a power generation company in the same region. DTEK once controlled DNON's management, but now Privat, which has a strong presence in Dnipropetrovsk region, is believed to have control over the company. For minority shareholders: acquisition by DTEK could be a trigger, while the impact of acquisition by Privat is uncertain: the group has proved it cares little for minority rights.
- Zaporizhyaoblenergo (ZAON), third largest Oblenergo by electricity transmitted, in our view, is also of interest to local players: currently offshore entities jointly controlled by ES/Privat hold stakes in it. In this case, we do not view these entities as competition in the tender, but with this asset further down on their list, we see them interested in delaying privatization until they have more cash available.
- Ternopiloblenergo (TOEN) – a small Oblenergo in Western Ukraine that provides 1% of electricity transmitted in Ukraine - is 40.1% controlled by offshore entities related to ES/Privat, making it unattractive to foreign investors. Thus, without competition at a privatization, we believe that ES/Privat will also not be in a hurry to submit bids.

### Probability of privatization and potential buyers

		Stake to be privatized	Probability of privatization		Potential local buyer	How strong is a potential interest for foreign strategic investors?
			Before presidential elections	By 2011		
Chernivtsioblenergo	CHEN	60% + 1	10%	60%	VS Energy	Strong
Cherkasyoblenergo	CHON	71.0%	50%	75%	Energy Standard	Medium
Dniprooblenergo	DNON	60% + 1	75%	95%	DTEK, Privat	Medium
Donetskoblenergo	DOON	60% + 1	25%	50%	DTEK	No
Kharkivoblenergo	HAON	60% + 1	50%	75%	Energy Standard	Medium
Khmelnitskoblenergo	HMON	60% + 1	10%	60%	VS Energy	Strong
Krymenergo	KREN	60% + 1	10%	60%	VS Energy	Strong
Kyivenergo	KIEN	50% + 1	0%	5%	DTEK	Medium
Mykolaivoblenergo	MYON	60% + 1	10%	60%	VS Energy	Strong
Odesaoblenergo	ODEN	25.0%**	25%	75%	VS Energy	No
Poltavaoblenergo	POON	25.0%	75%	95%	ES/Privat*, Privat	No
Prykarpatooblenergo	PREN	25.0%	75%	95%	ES/Privat*, Privat	No
Sumyoblenergo	SOEN	25.0%	75%	95%	ES/Privat*, Privat	No
Ternopiloblenergo	TOEN	51.0%	10%	35%	ES/Privat*	No
Vinnytsyaoblenergo	VIEN	60% + 1	50%	75%	Energy Standard	Medium
Volynoblenergo	VOEN	60% + 1	50%	75%	Energy Standard	Medium
Zaporizhyaoblenergo	ZAON	60.3%	25%	70%	ES/Privat*, Privat	Strong
Zakarpatooblenergo	ZOEN	60% + 1	10%	60%	VS Energy	Strong

\* Denotes offshore entities held equally by Energy Standard and Privat, according to press reports

\*\* The transfer of this stake to the SPF has been delayed technically by the NC ECU

Note: Gray cells represent stakes already offered for privatization in spring 2009. Blue marks stakes we believe could be offered first for privatization.

Source: Cabinet of Ministers, Concorde Capital estimation

## New foreign energy players coming to Ukraine?

We see Chernivtsioblenergo (CHEN), Khmel'nitskoblenergo (HMON), Krymenergo (KREN), Mykolaivoblenergo (MYON), Zaporizhyaoblenergo (ZAON), Zakarpatoblenergo (ZOEN), where cash-enriched locals do not own stakes, as likely candidates to be sold to strategic foreign investors.

However, the likelihood that any of these will be privatized this year is low as foreign investors require greater lead time and might demand preferential conditions (as they did in 2001), which would substantially draw out the government's preparation process.

We believe possible bidders include MRSK, EDF, E.ON, Union Fenosa Acex, Enel, Kansai Electric Power, Vattenfall Europe. In our view, privatization to any of these players would be beneficial for minority shareholders.

### Potential foreign strategic investors in Ukrainian electricity distribution

	Headquarters	Presence in similar markets	Attempts to enter Ukrainian market
MRSK	Russia	<ul style="list-style-type: none"> <li>Controls 11 regional electricity distributors in Russia, which operate in similar business environment to Oblenergos</li> </ul>	<ul style="list-style-type: none"> <li>RAO EES, predecessor of MRSK, attempted but was excluded on technical conditions from participating in 2001 Oblenergo privatizations</li> <li>In 2003 tried to buy 1/3 of Energy Standard/Privat Oblenergo stakes</li> </ul>
Enel	Italy	<ul style="list-style-type: none"> <li>Holds 55.86% of OGK-5, a company that owns four thermal power plants in different regions of Russia, with total installed power of 8,183 MW</li> <li>Holds ~160 bln cm meters of gas reserves in Russia</li> <li>Holds 49.5% of energy trading company RusEnergSbyt (Russia), controller of ~4% of the Russian market</li> </ul>	-
E.ON	Germany	<ul style="list-style-type: none"> <li>Controls thermal generation company OGK-4 in Russia</li> <li>Stated plans to develop the distribution sector in Russia</li> </ul>	-
Union Fenosa Acex	Spain	<ul style="list-style-type: none"> <li>Controls three electricity distributors in Moldova</li> <li>Has a broad experience in investing in electricity distribution in emerging markets, primarily in Latin America</li> </ul>	<ul style="list-style-type: none"> <li>Stated an interest in participating in 2001 Oblenergo privatizations</li> </ul>
EDF	France	<ul style="list-style-type: none"> <li>Operates in the Hungarian and Slovakian electricity distribution sectors</li> </ul>	<ul style="list-style-type: none"> <li>Participated in 2001 privatization auctions</li> <li>Has a permanent office in Ukraine</li> </ul>
Kansai Electric Power	Japan	-	<ul style="list-style-type: none"> <li>Stated an interest in participating in 2001 Oblenergo privatizations</li> </ul>
Vattenfall Europe	Sweden	<ul style="list-style-type: none"> <li>Controls close to 3% of the electricity distribution market in Poland</li> </ul>	<ul style="list-style-type: none"> <li>Stated an interest in participating in 2001 Oblenergo privatizations</li> </ul>

Source: Company data, Interfax

## Kyivenergo: mistakenly put on the list

Along with the Oblenergo stakes, the Cabinet of Ministers also ordered the transfer of the state's 50%+1 stake in Kyivenergo (KIEN) to the State Property Fund. We believe that Kyivenergo will not be privatized along with the other Oblenergos because of its other generation and heating businesses. There has been no talk recently about privatizing generation assets and there is even more opposition from politicians to selling off heating producers.

## Oblenergos: harbor for stable growth in Ukraine

Electricity distribution was one of the few sectors of the Ukrainian economy to post increases in both revenue and profitability in 1H09. Oblenergo's revenue increased by 6.5% yoy in 1H09, even though output declined 9.9% yoy. Moreover, the sector's profitability improved thanks to higher tariffs and progress in curbing electricity transmission losses. Oblenergos cumulatively increased their EBITDA in 1H09 by 15% yoy to UAH 1,503 mln (9.7% margin), and their bottom lines by 16% yoy to UAH 639 mln (4.1% margin).

### 1H09 financials

		Net revenue		EBITDA		Margin
		UAH mln	chg yoy	UAH mln	chg yoy	
<b>Industrial Oblenergos</b>						
Dniprooblenergo	DNON	3,623	-12%	195	7%	5%
Zaporizhyaoblenergo	ZAON	1,688	-4%	67	132%	4%
<b>Non-industrial Oblenergos:</b>						
<b>Private with preferential tariff:</b>						
Kirovohradoblenergo	KION	288	17%	48	-15%	17%
Sevastopoblenergo	SMEN	207	27%	33	-8%	16%
Zhytomyroblenergo	ZHEN	385	16%	56	26%	15%
Khersonoblenergo	HOEN	447	19%	n/a	n/a	n/a
<b>Private with non-preferential tariff:</b>						
Chernihivoblenergo	CHEON	315	19%	56	40%	18%
Lvivoblenergo	LVON	649	13%	121	14%	19%
Odesaoblenergo	ODEN	1,125	23%	103	40%	9%
Poltavaoblenergo	POON	843	34%	129	42%	15%
Prykarpatooblenergo	PREN	295	11%	87	54%	29%
Sumyoblenergo	SOEN	332	22%	70	27%	21%
<b>State-controlled:</b>						
Chernivtsioblenergo	CHEN	211	22%	39	30%	19%
Cherkasyoblenergo	CHON	430	38%	50	-9%	12%
Donetskoblenergo	DOON	1,586	8%	51	-32%	3%
Kharkivoblenergo	HAON	1,020	17%	133	7%	13%
Khmelnitskoblenergo	HMON	321	8%	51	-2%	16%
Krymenergo	KREN	738	15%	41	-20%	6%
Mykolaivoblenergo	MYON	397	16%	42	256%	11%
Vinnysyaoblenergo	VIEN	342	12%	42	-19%	12%
Ternopiloblenergo	TOEN	194	19%	22	-6%	11%
Volynoblenergo	VOEN	212	14%	31	5%	15%
Zakarpatooblenergo	ZOEN	273	15%	37	37%	13%

Note: Gray cells represent worst in class; blue - best in class; ENUG have not released 1H09 financial results so far  
Source: Company data

Contrary to our expectations, the National Electricity Regulation Commission has not decreased Oblenergos' investment programs (which is the main source of net income) for 2009. Since late 2008 retail electricity tariffs have remained stable (and we expect them to remain so until at least the presidential elections in January 2010), while GenCos' costs have increased. All the burden for losses currently lies on the generation companies, without any offset in the electricity distribution sector.

The NERC even slightly increased investment programs for several Oblenergos in recent months, but as of July they are still 11% below the aggregate level in 2008.

We no longer expect the NERC to partially offset GenCo losses by decreasing Oblenergo investment programs, since with the preparations for privatization going in, it would send a negative message to potential buyers.

## Valuation

We continue to set our 12M fair values as the average of two peer-based metrics: implied EV/RAB and 2010 EV/EBITDA multiples.

In setting recommendations for Oblenergo stocks, we account for buy-upside, hold-upside and a stock's investment rank (for methodology, please refer to our April 6, 2009 report).

We recommend to BUY stocks:

with a buy-upside of above 200% and an investment rank of 0

with a buy-upside of above 150% and an investment rank of 1 and 2

with a buy-upside of above 100% and an investment rank of 3

We recommend to SELL stocks:

with a hold-upside of below 50% and an investment rank of 3 and 2

with a hold-upside of below 100% and an investment rank of 1

with a hold-upside of below 200% and an investment rank of 0

### Valuation summary

	Mid-market, UAH	12M target, UAH	12M target, USD	Current spread	Expected spread*	Upside	Upside effective	Modified upside effective	Hold upside	Rec.
CHEN	4.25	0.53	0.94	94%	60%	77%	-89%	-47%	755%	HOLD
CHEON	5.91	0.74	0.91	97%	51%	23%	-96%	-58%	1292%	HOLD
CHON	3.57	0.45	0.83	81%	24%	86%	-65%	-5%	403%	HOLD
DNON	275.00	34.38	42.37	43%	8%	23%	-30%	-7%	62%	HOLD
DOON	10.00	1.25	1.99	67%	31%	59%	-47%	-13%	160%	HOLD
HAON	3.18	0.40	0.78	73%	12%	97%	-47%	17%	334%	HOLD
HMON	4.75	0.59	0.81	93%	29%	37%	-91%	-40%	807%	HOLD
HOEN	1.33	0.17	0.48	34%	34%	192%	91%	91%	192%	HOLD
KION	0.88	0.11	0.66	83%	83%	506%	1%	1%	506%	HOLD
KREN	1.97	0.25	0.74	<b>8%</b>	12%	201%	176%	<b>170%</b>	194%	<b>BUY</b>
LVON	3.25	0.41	0.83	70%	32%	105%	-38%	8%	259%	HOLD
ODEN	1.16	0.14	0.14	85%	34%	0%	-84%	-54%	198%	HOLD
POON	4.85	0.61	0.63	79%	49%	3%	-78%	-58%	99%	HOLD
PREN	4.48	0.56	1.16	87%	84%	107%	-74%	-68%	152%	HOLD
SMEN	15.76	1.97	0.46	79%	73%	-77%	-95%	-94%	<b>-72%</b>	<b>SELL</b>
TOEN	2.80	0.35	1.22	88%	52%	249%	-58%	27%	962%	HOLD
VIEN	147.50	18.44	40.42	95%	31%	119%	-88%	-6%	1664%	HOLD
VOEN	0.56	0.07	0.17	88%	35%	136%	-72%	4%	768%	HOLD
ZAON	6.20	0.78	0.70	75%	17%	-10%	-77%	-49%	102%	HOLD
ZHEN	1.85	0.23	0.72	84%	30%	209%	-52%	48%	846%	HOLD
ZOEN	5.13	0.64	0.63	98%	45%	-1%	-98%	-64%	1348%	HOLD
ENUG	21.50	2.69	2.87	46%	46%	7%	-43%	-43%	<b>7%</b>	<b>SELL</b>

\* For state-controlled Oblenergos, we expect a spread equal to their average in 2007, for private Oblenergos – double their 2007 average (refer to our April 06 note for details)

Source: Bloomberg, PFTS, Concorde Capital

## Peer multiples

### RAB-based peer valuation

	MCap, USD mln	EV, USD mln	RAB, USD mln	EV/RAB
Horizon Energy (NZ)	50	69	76	0.91
Elia (BE)	1,797	5,323	4,724	1.13
Terna (IT)	6,893	13,137	8,064	1.63
Transelectrica (RO)	357	712	1,460	0.49
National Grid (UK)	2,457	41,884	39,280	1.07
Lenenergo (RU)	557	943.89	4,119	0.23
Ural MRSK (RU)	406	718.25	2,257	0.32
Mean				0.82
<b>Median</b>				<b>0.87</b>

Source: Bloomberg, Company data, Open Utilities, Concorde Capital

### Valuation by peers' median EV/EBITDA '10 multiple

	MCap, USD mln	Sales, USD mln		EBITDA, USD mln		EV/EBITDA	
		2009E	2010E	2009E	2010E	2009E	2010E
Eletropaulo Metropolitana (BR)	3,237	4,915	4,384	904	999	5.4	4.9
EDENOR (AR)	284	392	645	154	156	2.5	2.5
Equatorial Energia SA (BR)	972	1,645	1,319	318	332	5.2	5.0
Luz Del Sur SA (PE)	816	858	522	153	151	5.6	5.7
EMASZ (HU)	350	403	666	106	110	3.8	3.7
Central MRSK (RU)	718	1,150	1,580	305	321	3.8	3.6
Ural MRSK (RU)	481	817	1,472	178	227	4.6	3.6
EDP Brazil (BR)	2,430	2,549	2,733	756	806	5.2	5.0
Jordan Electric Power (JO)	326	702	856	25	31	15.4	12.4
Aksu Enerji (TR)	20	1	1	1	1	14.9	15.6
Electrica Magallanes (CL)	140	45	50	18	20	9.4	8.7
Mean						6.9	6.4
<b>Median</b>						<b>5.2</b>	<b>5.0</b>

Source: Bloomberg, Concorde Capital

## Appendix

### Privatization track record

#### 2001 privatization timeline

Date	Event
Jan 2000	State Property Fund started to seek adviser for Oblenergos's privatization.
July 2000	President of Ukraine Leonid Kuchma signed a decree to privatize controlling stakes in seven Oblenergos: Rivneoblenergo, Kyivoblenergo, Kirovohradoblenergo, Sevastopoloblenergo, Zhytomyroblenergo, Khersonoblenergo and Mykolaivoblenergo
Oct 2000	Privatization conditions adopted
Oct 2000	Prime Minister Viktor Yushchenko participated in the road-show of Ukrainian Oblenergos in Paris and London
Nov 2000	Privatization auctions are announced for February and March
Dec 2000	Bids are accepted by the SPF. Bidders included VS Energy (Slovakia), AES Corp (USA), Kansai Electric Power Co (Japan), Union Fenosa Acex (Spain), Bewag (Germany, later merged with Vattenfall Europe AG, Sweden), Synergy Corp (USA), Enron Corp (USA), RAO EES (Russia), EDF (France)
Feb 2001	The Cabinet of Ministers postponed the auctions for two months, until April, at the request of potential buyers
Apr 2001	The Cabinet of Ministers adopted a preferential tariff system for privatized Oblenergos and debt restructuring scheme
Apr 2001	VS Energy privatizes Kirovohradoblenergo, Sevastopoloblenergo, Zhytomyroblenergo and Khersonoblenergo
Apr 2001	AES Corp privatizes Rivneoblenergo and Kyivoblenergo

#### First wave of privatization in 2009

This year Ukraine has already put ~25% blocking stakes in five Oblenergos up for privatization. To date, only two stakes (Chernihivoblenergo and Lvivoblenergo) were sold, while the auctions for Poltavaoblenergo, Prykarpatooblenergo and Sumyoblenergo have been postponed on a weekly basis due to a lack of applications from bidders. The State Property Fund's acting head, Dmitriy Parfenenko, said that potential bidders are waiting on the sidelines and hoping for the SPF to lower the starting price for the auctions.

Odesaoblenergo was also among the Oblenergos that the Cabinet of Ministers has already approved for privatization. However, the SPF has yet to even announce a tender; Parfenenko said as recently as last week that there are no immediate plans to sell the stake. Our view is that the only possible buyer interested in the Odesaoblenergo stakes, VS Energy, is attempting to delay privatization due to the lack of liquidity or to lower the starting price.

#### Privatization summary

Company	Ticker	Date of auction	Starting price per share	Final price per share	Price per stake, UAH mln	Starting EV/Sales '08	Premium to mid-market	Premium to our target
<b>Lvivoblenergo</b>	<b>LVON</b>	<b>29-Apr-09</b>	<b>3.28</b>	<b>3.78</b>	<b>197.8**</b>	<b>0.68**</b>	<b>16%**</b>	<b>-44%**</b>
Poltavaoblenergo	POON	Postponed weekly since May 6	5.57		307.7	1.02	15%	11%
Prykarpatooblenergo	PREN	Postponed weekly since May 8	8.90		230.9	1.67	99%	-3%
<b>Chernihivoblenergo</b>	<b>CHEON</b>	<b>14-May-09</b>	<b>3.99*</b>	<b>7.49</b>	<b>223.4**</b>	<b>1.25</b>	<b>27%**</b>	<b>27%**</b>
Odesaoblenergo	ODEN	Not announced	3.98*		207.5	0.93	245%	232%
Sumyoblenergo	SOEN	Postponed weekly since May 22	2.90*		128.4	0.90	n/a	n/a

\* Estimates

\*\* Based on final price

Source: SPF, PFTS, Concorde Capital



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