



CONCORDE CAPITAL

Ukraine / Electricity

Odesaoblenergo

Risk of dilution is higher now

January 17, 2008

Current price: USD 1.65 (USD 0.61 diluted)
12M target (on a fully diluted basis): 0.68

SELL

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Tickers

Bloomberg ODN UZ

Market information

Market price, USD 1.7
MCap, USD mln 354.5

No of shares, mln:
Current 208.5
If add. issue is approved 608.5

Free float (current) 9.0%
Free float, USD mln 31.9

Corporate Governance

Concorde Rating* P

* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Shareholders

NC ECU (State) 25.0%
VS Energy (Babakov) 54.8%
Zhevago Group 10.4%
Other 9.8%

Key financials and ratios

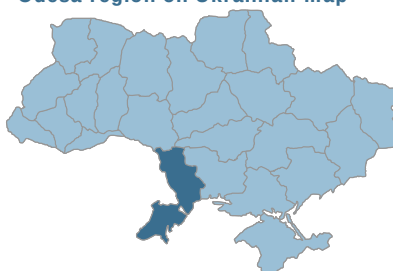
	Sales, USD mln	EBITDA margin	Net margin
2006	215.6	5.4%	0.4%
2007E	298.8	7.9%	0.4%
2008E	354.3	9.1%	0.6%

	EV/S	EV/EBITDA	P/E
2006	2.2	39.9	411
2007E	1.6	19.7	297
2008E	1.3	14.4	167

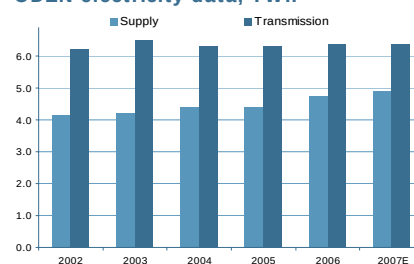
INVESTMENT CASE

- High dilution risk: a 2.9 times charter fund increase was conducted in January 2007, but approval of the issue has been being blocked by the state. The company's privatization (VS Energy is the most likely buyer) could allow VS Energy to approve the issue, diluting the stakes of those who had not subscribed
- No bankruptcy risk: USD 160 mln in payables restructured as early as 2006
- The stock was relisted on the PFTS in December 2007

Odesa region on Ukrainian map



ODEN electricity data, TWh

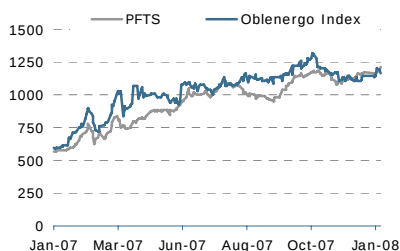


Source: Energobiznes, Concorde Capital estimates

KEY FACTS ABOUT ODESAOBLENERGO

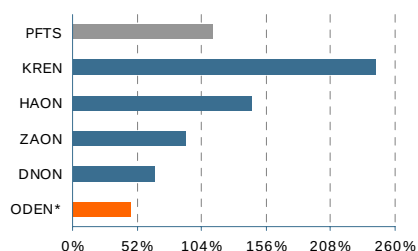
- Transmits and supplies electricity to Odesa region, Ukraine's largest by area
- Total length of gridlines: 43.5 ths km
- Total transformer capacity: 5.6 GVA

Performance, 12M

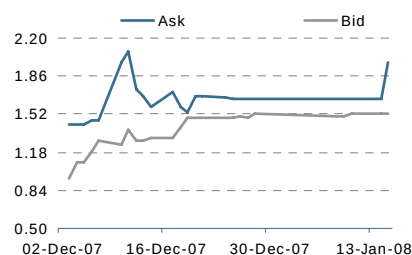


Source: PFTS * ODEN 12M performance was calculated from Dec. 3, 2007. Note: Oblenergo Index is MCap-weighted, includes Dniprooblenergo (DNON), Kharkivoblenergo (HAON), Krymenergo (KREN) and Zaporizhoblenergo (ZAON).

Sector Performance, 12M



ODEN market, USD



Valuation summary

Implied MCap of Odesaoblenergo, as derived in our December 6, 2007 report, is USD 400 mln, or USD 1.92 per share at the current number of shares. The implied share price on a fully diluted basis, after the approval of the share issue, is USD 0.68. Dilution effect is not factored into the market price yet – thus we expect a correction.

We believe dilution is realistic now that Odesaoblenergo is on the privatization list for 2008. There is high probability that VS Energy wins a privatization tender, accumulates a 88% stake, and approve results of the additional share issue at EGM. We thus set our 12M target on a fully diluted basis: USD 0.68 per share (59% downside), and recommend SELL.

Disclosures

Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

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Buy	37	30%
Hold	29	24%
Sell	12	10%
Under Review	19	15%
Suspended / Not Rated	26	21%
Total	123	100%

Investment banking clients*

Buy	7	78%
Hold	1	11%
Sell	0	0%
Under Review	1	11%
Suspended / Not Rated	0	0%
Total	9	100%

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

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