



Poltavaoblenergo

Privatization tender postponed

April 22, 2009

Alexander Paraschiy
ap@concorde.com.ua
+38 044 391 5577

Yesterday the State Property Fund postponed the privatization tender for a 25%+1 stake of Poltavaoblenergo from April 22 to April 29. The SPF cited an absence of bids – indicating that neither of the company's current private shareholders (Privat and Energy Standard) wished to participate in the tender.

A time to look for new investors?

With the low chance of current block holders participating in the tender, the only way for the State Property Fund to sell its stake in POON (as well as other Privat-controlled companies: PREN, CHEON, LVON and SOEN) is to attract outside investors. We estimate the SPF's chances of doing this as very low. Taking into account that the proposed stakes would not give access to operating control over the companies, among the only candidates with potential interest in the stakes are portfolio investors.

Applying the SPF's methodology to calculate starting prices, we conclude that the starting prices for LVON and CHEON privatizations would be among the most attractive for portfolio investment (refer to the table below).

Starting prices for the Poltavaoblenergo and Prykarpatooblenergo tenders were set three days before the tenders as the 6-month average price of trades on the PFTS:

- o for POON – 5.57 per share, or UAH 307.69 mln per stake (24% premium to PFTS offer price)
- o for PREN – UAH 8.9 per share, or UAH 230.70 mln per stake (78% premium to PFTS offer price)

Odesaoblenergo: still high chance of being sold

Unlike the Privat-controlled Oblenergos listed above, the privatization of Odesaoblenergo has a high chance of going forward: the main candidate to purchase the state's stake, VS Energy, seems highly interested. The state, with its blocking stake, has been hampering approval of the results of an additional shares issue completed by VS Energy back in early 2007. We expect VS Energy to make an active attempt to trade ODEN shares on the PFTS at low prices – in order to decrease the starting price for the tender (planned to take place on May 19).

Tenders' summary

Company	Ticker	Stake for sale	Date of tender	Probability of tender success	Starting price			Price for stake, UAH mln	Implied EV/S ⁰⁸ @ starting price
					Per share, UAH	Premium to PFTS ask	Premium to our fair value		
Prykarpatooblenergo	PREN	25.02%	24-Apr-09	5%	8.9	24%	-8%	230.7	1.67
Poltavaoblenergo	POON	25% + 1	29-Apr-09	5%	5.6	78%	-17%	307.7	1.02
Lvivoblenergo	LVON	26.98%	29-Apr-09	15%	3.4*	-3%*	-57%*	178.0*	0.62
Chernihivoblenergo	CHEON	25% + 1	14-May-09	15%	4.0*	-11%*	-55%*	119.0*	0.86
Odesaoblenergo	ODEN	25.01%	19-May-09	80%	3.9*	59%*	-15%*	200.0*	0.90
Sumyoblenergo	SOEN	25% + 1	22-May-09	10%	2.9*	n/a	-53%*	128.4*	0.90

Source: SPF, PFTS, Concorde Capital estimates (*)

Concorde Capital, Head office

2 Mechnikova Street, 16th Floor
Parus Business Centre
Kyiv 01601, Ukraine
Tel.: +380 44 391 5577
Fax: +380 44 391 5571

www.concorde.ua

Concorde Capital

4 Fourth Lesnoy Pereulok, 5th Floor
Capital Plaza
Moscow 125047, Russia
Tel.: +7 495 642 87 15
Fax: +7 495 225 85 00

office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH

Head of Sales & Trading

Alexander Shnir

ash@concorde.com.ua

Strategy

Konstantin Fisun
Oleksandr Klymchuk

kf@concorde.com.ua
ok@concorde.com.ua

International Sales & Trading

Anastasiya Nazarenko an@concorde.com.ua
Marina Martirosyan mm@concorde.com.ua
Andriy Supranonok sap@concorde.com.ua
Marina Cherednichenko cmg@concorde.com.ua

Metals & Mining

Eugene Cherviachenko
Andriy Gerus

ec@concorde.com.ua
ga@concorde.com.ua

Domestic Sales & Trading

Yuriy Pilipenko up@concorde.com.ua
Alisa Tikhomirova at@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Oil & Gas

Andriy Gerus

ga@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

**Real Estate/Construction,
Consumer-related**

Andriy Gostik, CFA

ag@concorde.com.ua

Machinery

Alexander Paraschiy
Eugene Cherviachenko

ap@concorde.com.ua
ec@concorde.com.ua

Economics, Financial services

Andrii Parkhomenko

pav@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

Disclaimer

THIS REPORT HAS BEEN PREPARED BY CONCORDE CAPITAL INVESTMENT BANK INDEPENDENTLY OF THE RESPECTIVE COMPANIES MENTIONED HEREIN FOR INFORMATIONAL PURPOSES ONLY. CONCORDE CAPITAL DOES AND SEEKS TO DO BUSINESS WITH COMPANIES COVERED IN ITS RESEARCH REPORTS. AS A RESULT, INVESTORS SHOULD BE AWARE THAT CONCORDE CAPITAL MIGHT HAVE A CONFLICT OF INTEREST THAT COULD AFFECT THE OBJECTIVITY OF THIS REPORT.

THE INFORMATION GIVEN AND OPINIONS EXPRESSED IN THIS DOCUMENT ARE SOLELY THOSE OF CONCORDE CAPITAL AS PART OF ITS INTERNAL RESEARCH COVERAGE. THIS DOCUMENT DOES NOT CONSTITUTE OR CONTAIN AN OFFER OF OR AN INVITATION TO SUBSCRIBE FOR OR ACQUIRE ANY SECURITIES. THIS DOCUMENT IS CONFIDENTIAL TO CLIENTS OF CONCORDE CAPITAL AND IS NOT TO BE REPRODUCED OR DISTRIBUTED OR GIVEN TO ANY OTHER PERSON.

CONCORDE CAPITAL, ITS DIRECTORS AND EMPLOYEES OR CLIENTS MIGHT HAVE OR HAVE HAD INTERESTS OR LONG/SHORT POSITIONS IN THE SECURITIES REFERRED TO HEREIN, AND MIGHT AT ANY TIME MAKE PURCHASES AND/OR SALES IN THEM AS A PRINCIPAL OR AN AGENT. CONCORDE CAPITAL MIGHT ACT OR HAS ACTED AS A MARKET-MAKER IN THE SECURITIES DISCUSSED IN THIS REPORT. THE RESEARCH ANALYSTS AND/OR CORPORATE BANKING ASSOCIATES PRINCIPALLY RESPONSIBLE FOR THE PREPARATION OF THIS REPORT RECEIVE COMPENSATION BASED UPON VARIOUS FACTORS, INCLUDING QUALITY OF RESEARCH, INVESTOR/CLIENT FEEDBACK, STOCK PICKING, COMPETITIVE FACTORS, FIRM REVENUES AND INVESTMENT BANKING REVENUES.

PRICES OF LISTED SECURITIES REFERRED TO IN THIS REPORT ARE DENOTED IN THE CURRENCY OF THE RESPECTIVE EXCHANGES. INVESTORS IN FINANCIAL INSTRUMENTS SUCH AS DEPOSITORY RECEIPTS, THE VALUES OR PRICES OF WHICH ARE INFLUENCED BY CURRENCY VOLATILITY, EFFECTIVELY ASSUME CURRENCY RISK.

DUE TO THE TIMELY NATURE OF THIS REPORT, THE INFORMATION CONTAINED MIGHT NOT HAVE BEEN VERIFIED AND IS BASED ON THE OPINION OF THE ANALYST. WE DO NOT PURPORT THIS DOCUMENT TO BE ENTIRELY ACCURATE AND DO NOT GUARANTEE IT TO BE A COMPLETE STATEMENT OR SUMMARY OF AVAILABLE DATA. ANY OPINIONS EXPRESSED HEREIN ARE STATEMENTS OF OUR JUDGMENTS AS OF THE DATE OF PUBLICATION AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART WITHOUT PRIOR PERMISSION IS PROHIBITED.

NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES OR DISTRIBUTED IN THE UNITED STATES OR TO ANY U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), OTHER THAN TO A LIMITED NUMBER OF "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) SELECTED BY CONCORDE CAPITAL.

THIS DOCUMENT MAY ONLY BE DELIVERED WITHIN THE UNITED KINGDOM TO PERSONS WHO ARE AUTHORIZED OR EXEMPT WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") OR TO PERSONS WHO ARE OTHERWISE ENTITLED TO RECEIVE THIS DOCUMENT UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR ANY OTHER ORDER MADE UNDER THE FSMA.