



CONCORDE CAPITAL

Ukraine / Electricity

Ukrainian Utilities

Bankruptcy shield restored

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- The President and Verkhovna Rada were unexpectedly efficient in restoring bankruptcy protection for energy companies in 2008
- The amendments, including those to bankruptcy protecting Law #2711 and a hundred others cancelled by the Constitutional Court on May 22, were passed again by parliament and signed into law by the President on June 3
- Electricity utilities now have the remainder of the year to restructure their debt and eliminate bankruptcy risks
- Though it is shielded this year, we keep Donetskoblenergo N/R, as bankruptcy risks in 2009-2010 remain

Parliament reinstates law #2711

The Verkhovna Rada was unexpectedly quick in passing amendments to Law #2711 (which effectively gave energy companies a bankruptcy shield), despite tension between parliamentary factions supporting the clashing prime minister and president. In total, the Rada managed to restore amendments to about 100 laws that were thrown out by the Constitutional Court on May 22. President Viktor Yushchenko signed the package of bills into force on June 3.

Door back open to debt restructuring

Once again under the shield of bankruptcy protection, energy companies have until the end of 2008 to restructure their overdue payables.

Donetskoblenergo's case remain opaque: the company's overdue debt exceeds its annual sales, and there is a low probability that the National Electricity Regulatory Commission will allow the company to raise its tariffs to repay its debt, which at USD 883 mln (as of Mar 2008), stands as the highest in the industry. Even without the risk of being bankrupted in 2008, we see a high risk in 2009-2010: we continue to view the stock as an unattractive investment opportunity and keep it Not Rated.

Electricity companies with the largest payables, as of Mar. 31, 2008

		Rec	Payables, USD mln	Payables/ Sales 2007	Payables/ EBITDA 2007
Donetskoblenergo	DOON	N/R	883	1.9	n/m*
Dniprooblenergo	DNON	HOLD	422	0.3	23.5
Krymenergo	KREN	HOLD	213	1.0	11.2
Centrenergo	CEEN	BUY	206	0.3	3.1
Kharkivoblenergo	HAON	HOLD	82	0.3	3.3
Vinnytsyaoblenergo	VIEN	U/R	77	0.8	13.7
Zakarpoblenergo	ZOEN	SELL	57	0.7	14.2
Chernivtsioblenergo	CHEN	U/R	46	0.8	13.5

*Note: DOON's EBITDA was negative in 2007. Source: Company data

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