



HOLD

Target price:
Ords - \$0.00168
Prefs - \$0.001177

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Stock data

Ticker	TGKD	M.Cap, \$ mn	1,443.5
Shares Ords '000	1,321,201,965	Free Float, %	22.5
Shares Pref '000	1,000,000	Free Float, \$ mn	324.8
Bid Ords, \$	0.00106	Offer Ords, \$	0.00111
Bid Prefs, \$	0.0005	Offer Prefs, \$	0.0007

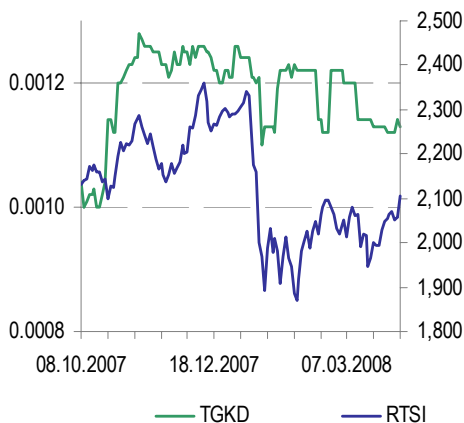
Market performance

		1 month	6 months
Absolute	Ords	-5.83%	8.65%
Relative to RTSI	Ords	0.00%	9.89%
Price range, \$			
High	Ords	0.00113	0.00125
Low	Ords	0.00106	0.00100

Financials, 2007E

Revenu, \$ mn	834	P/S	1.9
EBITDA, \$ mn	128	EV/EBITDA	14.1
Net income, \$ mn	38	P/E	38

TGK-4 – Relative performance



Source: RTS

TGK-4 placement results:
will they benefit minority shareholders?

- The ONEXIM Group, controlled by Mikhail Prokhorov, has become a strategic investor in JSC TGK-4. Yesterday, ONEXIM was announced as the purchaser of UES' stake in TGK-4. Furthermore, the Group will also receive additional shares in the company. In total, ONEXIM will obtain a 40-54% stake in TGK-4, depending on whether minority shareholders in TGK-4 (recorded in the register as of July 16, 2007) exercise their preemptive rights. In this case, ONEXIM will have to make an offer to buy out the stakes of the remaining TGK-4 shareholders at the same price at which it acquired UES' stake in TGK-4, namely 0.027 rubles per share (\$0.00114).

- As ONEXIM purchased UES' stake in TGK-4 with only a 1.2% premium to the RTS' offer price, the arbitrage advantage that minority shareholders would gain by exercising their preemptive rights is fairly marginal. In this case, in our opinion, it would be better for minority shareholders to hold their stakes in TGK-4 in the hope of benefitting from the steps that ONEXIM will take with respect to TGK-4.

- After the announcement of ONEXIM's purchase in TGK-4, the General Director of the Group, Dmitry Razumov, stated that ONEXIM will "use the company as a basis to integrate traditional and alternative power generation" methods. Alexander Chikunov, a UES board member, stated that TGK-4 will serve as the foundation of a new energy holding, which will be formed by Mikhail Prokhorov. It is not clear from ONEXIM's statement, whether any other traditional power generation assets will be included in the holding. However, ONEXIM's new acquisition reminds us of last year's acquisition by GMK Norilsky Nickel (in which Mikhail Prokhorov holds a stake of about 30%) of a controlling stake in WGC-3. Both WGC-3 and TGK-4 own assets located in the Tula region, and we do not rule out the possibility that ONEXIM could purchase a stake in WGC-3, or in some of the energy assets belonging to WGC-3.

- In any case, we expect that ONEXIM, as a strategic investor, will try to boost TGK-4's performance, expand its investment programs and try to obtain synergy benefits from its other assets. Hence, until a detailed report on ONEXIM's future strategy for TGK-4 is published, we reiterate our year-end target price of \$0.00168 for the company's ordinary shares and \$0.001177 for its preferred shares. However, over the next few months, as growth in TGK-4's share price will be held back by ONEXIM's anticipated offer price, we downgrade our BUY recommendation on TGK-4 to **HOLD**.



STOCK RATING POLICY

STRONG BUY:	Upside over 25%; confidence level – high / upside over 100%; confidence level - low
BUY:	Upside between 15 and 25%; confidence level – high / upside between 25% and 100%; confidence level – low
HOLD:	Upside of less than 15%; confidence level – high / upside of less than 25%; confidence level – low
SELL:	Target price at or below current price levels

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