



CONCORDE CAPITAL

Ukraine / Electricity

Cherkasyoblenergo

Assignment of investment rating

December 03, 2007

Current price: USD 2.0
12M Target: USD 1.9

HOLD

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Tickers

Bloomberg CHON UZ

Market information

Market price, USD	2.0
MCap, USD mln	269.8
No of shares, mln	148.39
Free float	2.3%
Free float, USD mln	6.8

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)	46.0%
UkrEsCo (State)	25.0%
Grigorishyn	26.6%
Other	2.4%

Key financials and ratios

	Sales, USD mln	EBITDA margin	Net margin
2006	85.0	12.4%	3.6%
2007E	94.4	13.5%	6.6%
2008E	119.1	12.8%	6.3%

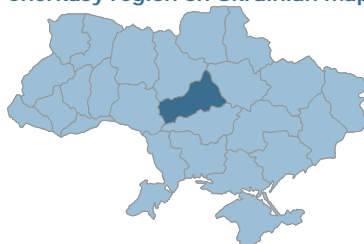
	EV/S	EV/EBITDA	P/E
2006	3.6	29.2	95.7
2007E	3.2	24.1	47.9
2008E	2.6	20.1	39.6

- We assign an investment rating to Cherkasyoblenergo. The stock was readmitted to the PFTS on November 20, four years after it was delisted
- We set a 12M target of USD 1.9 per share, derived in our Oblenergo report of Nov. 2007. Our target yields 6% downside

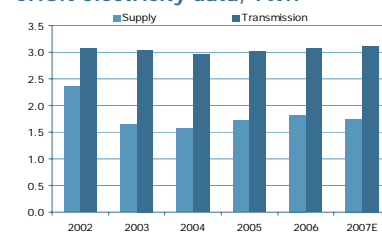
INVESTMENT CASE

- Highest EBITDA and net margins in the sector in 9M07
- No large debts to the wholesale market operator, unlike most other state-controlled Oblenergos
- Privatization, expected in 2008-2009, will be a catalyst
- Free float is one of the lowest among Oblenergos

Cherkasy region on Ukrainian map



CHON electricity data, TWh

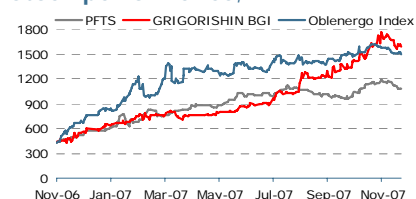


Source: Energobiznes, Concorde Capital estimates

KEY FACTS ABOUT CHERKASYOBLENERGO

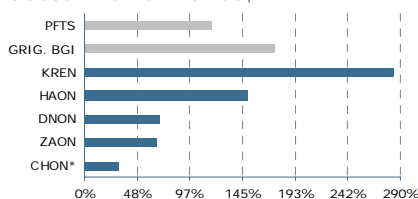
- Transmits and supplies electricity in Cherkasy region, Central Ukraine
- Total length of gridlines: 38.5 ths km
- Total transformer capacity: 3.8 GVA
- Customer base does not include Pobuzk Ferronickel Plant, which accounts for 30% of the Cherkasy region's electricity consumption. Pobuzk Ferronickel Plant has a license for electricity supply at non-regulated tariffs
- One of few state Oblenergos where a private shareholder (Grigorishyn) is represented on the supervisory board. Grigorishyn highly likely has operating control

Stock performance, 12M

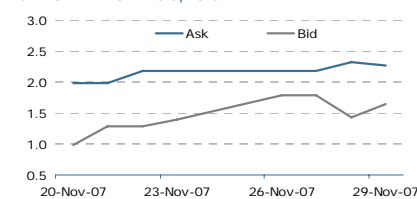


Source: PFTS, Bloomberg. * CHON YTD performance was calculated from Nov 21, 2007. Note: Oblenergo Index is MCap-weighted, includes Dniiprooblenergo (DNON), Kharkivoblenergo (HAON), Krymenergo (KREN) and Zaporizhiaoblenergo (ZAON).

Sector Performance, YTD



CHON market, USD



Appendix

Valuation summary

	EV/Electr. supply	EV/ EBITDA	EV/ Capacity	RAB				
Peer multiples	192.3 USD/MWh	13.9	0.162 USD/VA					
Discount to peers	0%	0%	50%					
Weight applied	25%	20%	30%	25%				
Implied EV, USD mln	346.7	179.8	307.9	295.5	Implied EV 288.9	Implied MCap 279.6	12M target, USD 1.9	Upside -6%

Source: Bloomberg, Company data, Concorde Capital estimates. * For more details, refer to our Oblenergo report of November 8, 2007.

Disclosures

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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	41%	Buy	8	73%
Hold	29	32%	Hold	3	27%
Sell	12	13%	Sell	0	0%
Under Review	12	13%	Under Review	0	0%
Total	90	100%	Total	11	100%

* Concorde Capital provided investment banking services to the company within the past 12 months.

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