



Donbasenergo Recommendation Alert

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Recommendation Downgrade: HOLD

Upside: 3%

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Market Price: USD 7.2

12m Target: USD 7.4

We believe the Donbasenergo's (**DOEN**) mid-term prospects are adequately discounted in its current market price, and see no short-term triggers that would cause the stock to surpass our target. We downgrade our recommendation to **HOLD** but leave our target in place.

The company's interim performance was weaker than we forecasted, mainly due to unbeneficial tariffs in May and June. With the arrival of tariff growth in August 2006, we expect the company's full-year results to be close to our forecasts.

1H06 Fact, USD mln

Sales	127.0
<i>growth yoy</i>	<i>38%</i>
EBITDA	11.8
<i>growth yoy</i>	<i>-13%</i>
Net Income	(2.3)

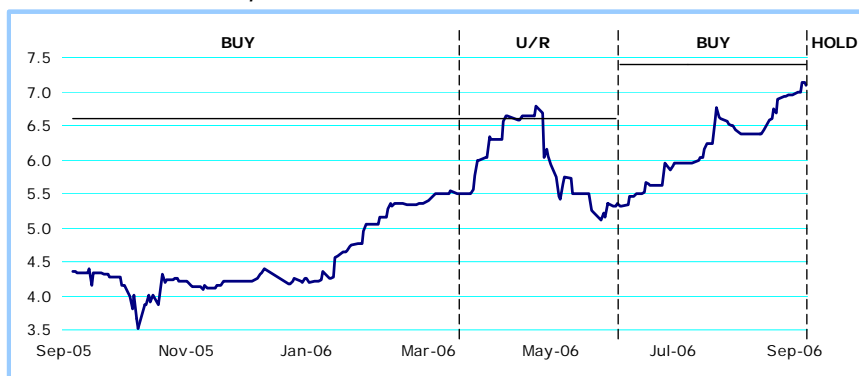
FY06 Forecast, USD mln

Sales	307.1
<i>growth yoy</i>	<i>37%</i>
EBITDA	46.8
<i>growth yoy</i>	<i>14%</i>
Net Income	12.9

Analyst Certification

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DOEN Mid-Market, USD



Date	Closing	Target
13-May-05	4.16	6.8
4-Jul-05	4.35	6.0
26-Sep-05	4.2	6.6
26-Jun-06	5.2	7.4
25-Sep	7.2	7.4

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