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	Price USD	12M target USD	12M Upside	Rec.
CEEN	1.35	1.4	4%	HOLD
DNEN	125.9	134.4	7%	HOLD
DOEN	8.67	11.26	30%	BUY
ZAEN	52.80	41.15	-22%	SELL

Forecasts Summary

	Production TWh		Sales USD mln	
	06E	07E	06E	07E
CEEN	14.0	15.3	563	612
DNEN	14.4	15.6	585	665
ZAEN	16.1	17.2	668	730
DOEN	7.5	8.0	255	290

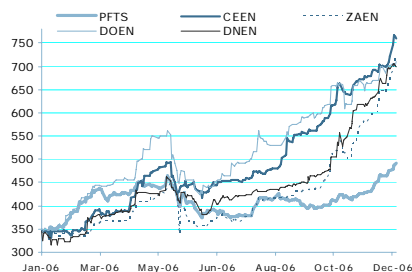
	EBITDA USD mln		Net income USD mln	
	06E	07E	06E	07E
CEEN	46.8	57.5	9.7	12.6
DNEN	61.5	70.1	17.2	20.1
ZAEN	36.7	55.8	11.6	23.6
DOEN	15.9	25.5	(2.6)	2.8

Risen prices, supported by high strong demand for energy stocks, force us to revise our recommendations for the GenCos. We believe ZAEN is over-priced, due to buyer's pressure generated by the accumulation of stakes by large shareholders and downgrade the stock to SELL. DNEN's upside potential is exhausted leading us to downgrade our recommendation to HOLD. We re-iterate our BUY recommendation for DOEN, the only under-priced stock and our HOLD recommendation for CEEN.

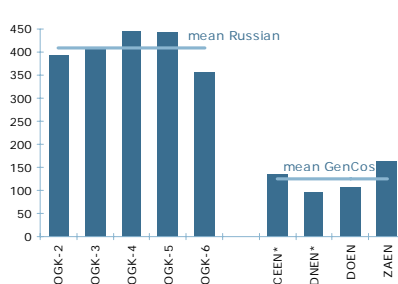
Four forces are collectively responsible for the spectacular growth in Ukrainian energy stocks:

- **The Chubais Factor:** The movement in prices for Ukrainian GenCos' continues to correlate strongly with prices for Russian OGKs. After successful advertising by Russian generators, Ukrainian peers have become a reasonable substitute to the scarcity of OGK stocks.
- **New Government:** The newly appointed Fuel and Energy Minister and other new market regulators started to declare their intentions to positively change the sector, including CapEx financing support and privatization. This, together with the Chubais factor, has created positive expectations in regard to GenCos' appreciation and switched on two other factors.
- **Benchmarking Russia:** Investors believe GenCos' stock prices will converge with those of OGKs, which are now traded at EV/Capacity of 400 USD/kW on average (the GenCos ratio is 100-160 USD/kW), which has led to a significant increase in demand and a shrinking supply of shares. However, OGKs trade with large premiums to GenCos because energy reforms in Russia will lead to a significant increase in OGK's profitability in the mid-term, which is not the case for Ukraine.
- **Accumulation of stocks:** The expected privatization of GenCos engaged potential strategic investors, which started accumulating blocks. This also caused significant supply/demand distortion, especially for ZAEN and CEEN, pulling up prices.

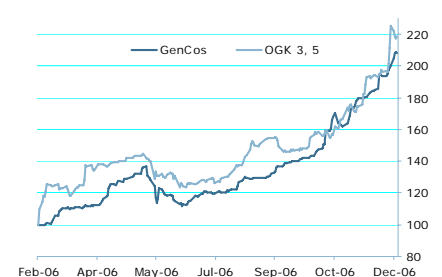
Market



Current EV/Capacity



GenCos four vs OGKs two (MCap-Weighted)



Source: PFTS, RTS, company data, Concorde Capital calculations
 * Coal-fueled capacity only

Price Ratios

	MCap	EV/S		EV/EBITDA		P/E		EV/Capacity	Fair EV/Capacity
	USD mln	2006E	2007E	2006E	2007E	2006E	2007E	2007E, USD/kW	2007, USD/kW
CEEN	496.9	1.12	1.03	13.5	11.0	51.4	39.6	169.0*	173.4*
DNEN	493.9	0.98	0.86	8.2	8.4	28.7	24.5	101.2*	107.1*
DOEN	205.1	0.87	0.79	12.0	9.6	143.7	49.3	119.2	141.8
ZAEN	675.3	1.14	1.04	20.7	13.6	58.5	28.6	179.4	147.0

* Coal-fueled capacity only

	Current	12M Target
Stock Price, USD	1.35	1.40
MCap, USD mln	496.9	517.2
Upside		4%
Shares Outstanding, mln		369.41
Nominal Price, USD		0.26
Local : DR		10 : 1
BLOOMBERG		CEEN UZ
XETRA		DBG
Ownership:		
NC ECU		78.3%
Other		21.7%
Free Float:		
% of Shares Outstanding		21.7%
MCap, USD mln		107.8

CEEN: HOLD

The largest power generation company in terms of total installed capacity and third-largest in terms of coal capacity; operates three power plants located in northern and eastern Ukraine, close to Russia and Belarus.

Parliament approved extending the law on debt offsetting until the end of 2007 (it was set to expire at the end of 2006). If supported by the President, the initiative will prolong CEEN's protection from bankruptcy for one more year. The company is the most likely to solve its debt problems in 2007 and minimize any bankruptcy risks for the future.

Earlier this week, we heard reassuring rhetoric from Minsk about increasing Ukrainian electricity imports in 2007 by 40% yoy. Most of this incremental demand will be covered by CEEN's two power stations, which will result in an estimated additional increase in CEEN's total output for 2007 of 5%.

Our updated DCF valuation implies a 12M target price of USD 1.4 per share, with only a 4% upside. We maintain our HOLD recommendation.

	Current	12M Target
Stock Price, USD	125.87	134.40
MCap, USD mln	493.9	527.4
Upside		7%
Shares Outstanding, mln		3.92
Nominal Price, USD		4.95
Local : DR		1 : 4
BLOOMBERG		DNEN UZ
XETRA		DPG
Ownership:		
NC ECU		76.0%
Other		24.0%
Free Float:		
% of Shares Outstanding		24.0%
MCap, USD mln		118.5

DNEN: HOLD

The largest power generation company in terms of coal-fueled capacity, operates three power plants located in south-eastern industrial regions of Ukraine.

The company is likely to finish its financial recovery process in 2007, as most of its debts payable have been restructured or reconciled in the third and fourth quarters.

However, the recent price rally leaves less upside potential: our upgraded DCF model implies a 12M target of USD 134.4 and a 7% upside. We downgrade our recommendation to HOLD.

	Current	12M Target
Stock Price, USD	8.67	11.26
MCap, USD mln	205.1	266.2
Upside		30%
Shares Outstanding, mln		23.64
Nominal Price, USD		1.98
Local : DR		-
BLOOMBERG		DOEN UZ
XETRA		-
Ownership:		
NC ECU		85.8%
Other		14.2%
Free Float:		
% of Shares Outstanding		14.2%
MCap, USD mln		29.1

DOEN: BUY

Thermal power generator which has recovered after losing three power plants in 2002, operates two power plants located in Donetsk region, which has the highest demand for power and is close to Russia.

Management supported expectations in our recent report that a new power unit will begin operations in late 2007 and improve the company's load and cost efficiency.

The amended "Rules of the Energy Market" approved by the National Electricity Regulatory Commission on December 6 guarantees a higher load at the Slaviansk power plant in winter, which will positively affect its output in 2007.

Our upgraded DCF implies a 12M target of USD 11.3 per share, yielding a 30% upside. We reiterate our BUY recommendation.

	Current	12M Target
Stock Price, USD	52.80	41.15
MCap, USD mln	675.3	526.3
Upside		-22%
Shares Outstanding, mln		12.79
Nominal Price, USD		1.98
Local : DR		1 : 4
BLOOMBERG		ZAEN UZ
XETRA		WT7
Ownership:		
NC ECU		70.1%
Other		29.9%
Free Float:		
% of Shares Outstanding		29.9%
MCap, USD mln		201.9

ZAEN: SELL

The largest GenCo by output; operates three power plants in western Ukraine close to the EU border. Enjoys an export monopoly to Europe.

According to the Ministry of Fuel and Energy, the state's budget directs USD 600 mln in 2007 to modernize power generator's capacities, the top priority of which is ZAEN. This supports our expectations about the company's intensive CapEx.

Profitability is most likely to remain the lowest of all GenCos in 2007 and we see no boosters for the bottom line in the mid-term.

High interest from strategic investors led to a sharp increase in demand for the stock in anticipation of privatization in 2007. We expect a downward correction in the price when blocks are accumulated. Based on our updated DCF (which already accounts for all positives), we downgrade the stock to SELL, with a 12M target of USD 41.15 (implying a 22% downside).

Financial Summary

CEEN

Income Statement Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	307	381	570	639	698	775	848	903	951	1,000	1,020	1,040
Gross Profit	52	62	75	86	96	126	144	153	159	165	168	172
EBITDA	39	38	47	58	67	100	115	120	116	120	122	125
<i>EBITDA margin, %</i>	13%	10%	8%	9%	10%	13%	14%	13%	12%	12%	12%	12%
Depreciation	(24)	(24)	(24)	(27)	(34)	(39)	(41)	(42)	(42)	(43)	(43)	(44)
<i>Change y-o-y</i>	<i>N/M</i>	1%	-2%	13%	24%	17%	4%	1%	2%	1%	1%	1%
<i>% of Net Revenues</i>	<i>8%</i>	<i>6.4%</i>	<i>6.4%</i>	<i>4.1%</i>	<i>4.1%</i>	<i>4.6%</i>	<i>4.4%</i>	<i>4.2%</i>	<i>4.0%</i>	<i>4.3%</i>	<i>4.3%</i>	<i>4.3%</i>
EBIT	15	14	23	31	34	61	74	79	74	77	79	81
<i>EBIT margin, %</i>	5%	4%	4%	5%	5%	8%	9%	9%	8%	8%	8%	8%
Net Income	(6)	12	10	13	17	33	44	48	47	48	49	51
<i>Net Margin, %</i>	-2%	3%	2%	2%	2%	4%	5%	5%	5%	5%	5%	5%

Balance Sheet Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	378	374	395	391	400	434	457	466	463	472	479	487
Cash & Equivalents	8	2	6	7	7	9	10	10	10	10	10	10
Trade Receivables	324	319	317	304	304	324	337	339	333	337	342	349
Inventories and other	46	53	72	81	89	101	111	117	120	125	128	128
Other current assets	16	15	20	23	26	31	34	36	34	35	36	36
Fixed Assets	512	512	521	684	890	931	934	936	938	939	940	939
PP&E, net	439	499	485	567	746	894	930	931	937	939	939	939
Total Assets	890	886	915	1,075	1,290	1,365	1,391	1,402	1,400	1,411	1,419	1,426
Shareholders' Equity	391	416	424	448	476	592	728	856	893	907	922	937
Share Capital	90	90	90	90	90	90	90	90	90	90	90	90
Reserves and Other	301	321	322	329	345	362	377	384	398	413	427	443
Inv obligations			6	22	35	134	255	376	398	398	398	398
Current Liabilities	189	236	247	236	243	274	291	294	287	296	301	307
ST Interest Bearing Debt	28	36	32	27	28	29	27	24	23	24	24	24
Trade Payables	74	117	127	121	126	136	144	144	145	150	153	156
Other	88	83	89	87	90	109	120	125	119	122	124	127
LT Liabilities	310	234	244	391	570	499	372	252	221	208	196	182
LT Interest Bearing Debt	89	73	96	251	440	369	242	122	111	128	116	112
Other LT	220	161	148	140	130	130	130	130	110	80	80	70
Total Liabilities & Equity	890	886	915	1,075	1,290	1,365	1,391	1,402	1,400	1,411	1,419	1,426

DNEN

Income Statement Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	327	408	585	674	736	782	863	973	998	1,009	961	980
Gross Profit	62	68	82	94	110	125	156	229	227	215	149	152
EBITDA	49	66	61	71	85	98	127	198	195	182	115	118
<i>EBITDA margin, %</i>	15%	16%	11%	11%	12%	13%	15%	20%	19%	18%	12%	12%
EBIT	14	28	30	39	51	61	86	157	154	142	75	77
<i>EBIT margin, %</i>	4%	7%	5%	6%	7%	8%	10%	16%	15%	14%	8%	8%
Net Income	(5)	5	17	23	29	33	42	50	52	52	50	52
<i>Net Margin, %</i>	-2%	1%	3%	3%	4%	4%	5%	5%	5%	5%	5%	5%

Balance Sheet Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	182	194	204	229	244	254	273	293	298	296	292	298
Cash & Equivalents	9	9	12	14	15	16	17	19	20	20	19	20
Trade Receivables	119	118	106	118	124	127	134	142	143	138	135	137
Inventories and other	54	67	86	97	105	111	122	132	136	139	138	141
Fixed Assets	333	355	349	382	442	526	602	604	604	604	603	603
PP&E, net	311	308	296	321	364	476	572	571	574	574	573	573
Other Fixed Assets	21	47	53	61	79	50	29	34	31	31	29	30
Total Assets	514	549	553	610	686	780	875	898	903	901	895	901
Shareholders' Equity	59	69	87	112	147	193	241	316	388	450	475	501
Share Capital	19	19	19	19	19	19	19	19	19	19	19	19
Reserves and Other	40	49	67	90	119	152	174	166	158	154	179	205
Inv obligations			-	2	9	22	46	131	210	276	276	276
Current Liabilities	263	300	294	323	335	342	365	368	365	357	349	353
ST Interest Bearing Debt	35	52	41	48	47	48	56	44	39	35	32	33
Trade Payables	97	114	115	128	131	131	134	131	133	132	135	127
Other	132	135	138	147	157	163	175	193	193	190	182	192
LT Liabilities	192	180	173	175	204	245	269	213	150	94	72	48
LT Interest Bearing Debt	17	15	29	55	84	125	199	143	90	50	36	38
Other LT	176	165	144	120	120	120	70	70	60	44	36	10
Total Liabilities & Equity	514	549	553	610	686	780	875	898	903	901	895	901

DOEN

Income Statement Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	170	224	307	343	398	433	485	517	547	576	593	611
Gross Profit	40	53	34	42	56	68	82	86	91	95	98	101
EBITDA	25	41	22	28	41	52	63	67	70	75	77	79
<i>EBITDA margin, %</i>	15%	18%	7%	8%	10%	12%	13%	13%	13%	13%	13%	13%
Depreciation	(17)	(16)	(16)	(18)	(26)	(29)	(30)	(30)	(31)	(32)	(33)	(33)
<i>% of Net Revenues</i>	10%	7%	6%	5%	5%	6%	6%	6%	5%	5%	5%	5%
EBIT	8	25	6	11	16	23	33	36	39	43	44	46
<i>EBIT margin, %</i>	5%	11%	2%	3%	4%	5%	7%	7%	7%	7%	7%	8%
Net Income	0	11	(3)	4	(2)	0	9	14	20	25	26	28
<i>Net Margin, %</i>	0%	5%	-1%	1%	-1%	0%	2%	3%	4%	4%	4%	5%

Balance Sheet Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	144	135	153	157	168	178	193	205	205	191	187	193
Cash & Equivalents	18	12	10	11	11	11	11	11	12	12	12	12
Trade Receivables	85	70	78	81	82	85	89	94	89	72	74	76
Inventories and other	42	53	65	65	75	82	94	99	104	107	101	104
Fixed Assets	380	388	386	438	503	540	550	553	555	556	557	557
PP&E, net	204	205	206	232	427	490	509	509	515	516	517	517
Other Fixed Assets	176	183	180	206	76	50	41	43	40	40	40	40
Total Assets	524	523	539	595	670	718	743	757	759	747	744	750
Shareholders' Equity	150	172	186	210	231	264	320	375	417	436	447	458
Share Capital	45	45	47	47	47	47	47	47	47	47	47	47
Reserves and Other	105	125	127	129	133	140	151	164	175	185	196	207
Investment obligations			12	34	50	76	121	165	195	204	204	204
Current Liabilities	176	182	186	193	205	214	234	243	234	218	212	218
ST Interest Bearing Debt	30	38	31	36	42	40	48	47	40	39	38	39
Trade Payables	44	41	43	45	52	54	58	62	66	69	71	73
Other	102	103	111	112	112	119	128	134	128	110	103	106
LT Liabilities	198	169	167	193	234	241	189	139	108	93	84	73
LT Interest Bearing Debt	67	50	67	93	144	171	129	89	68	63	54	53
Other LT	131	119	100	100	90	70	60	50	40	30	30	20
Total Liabilities & Equity	524	523	539	595	670	718	743	757	759	747	744	750

ZAEN

Income Statement Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	368	482	668	738	808	873	958	1,001	1,036	1,057	1,078	1,099
Gross Profit	52	44	67	85	105	124	148	152	156	158	162	165
EBITDA	21	23	37	56	76	88	112	116	120	122	124	126
<i>EBITDA margin, %</i>	6%	5%	6%	8%	9%	10%	12%	12%	12%	12%	12%	12%
EBIT	9	11	23	38	51	58	79	81	84	85	86	88
<i>EBIT margin, %</i>	3%	2%	3%	5%	6%	7%	8%	8%	8%	8%	8%	8%
Net Income	11	4	12	24	33	37	52	54	56	56	58	58
<i>Net Margin, %</i>	3%	1%	2%	3%	4%	4%	5%	5%	5%	5%	5%	5%

Balance Sheet Summary USD mln

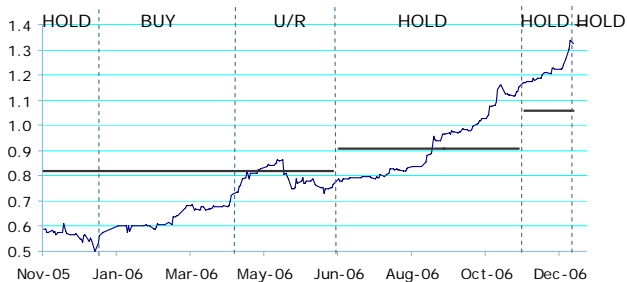
	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	182	202	225	245	264	281	296	302	308	312	316	322
Cash & Equivalents	2	1	5	6	7	8	8	8	8	8	9	9
Trade Receivables	122	129	128	136	141	147	153	156	160	161	162	165
Inventories & Other	58	72	91	103	115	126	134	138	140	143	146	148
Fixed Assets	283	308	330	479	698	819	865	869	872	874	875	875
PP&E, net	228	249	287	421	605	752	814	824	831	833	834	834
Other Fixed Assets	55	58	43	58	93	66	51	46	41	41	41	41
Total Assets	465	509	555	724	963	1,099	1,161	1,171	1,180	1,186	1,191	1,197
Shareholders' Equity	255	274	283	360	517	686	784	859	870	882	893	905
Share Capital	24	24	24	24	24	24	24	24	24	24	24	24
Reserves and Other	231	248	258	276	309	321	327	354	366	377	388	400
Inv obligations			-	58	183	339	431	479	479	479	479	479
Current Liabilities	102	149	145	164	183	194	201	204	205	209	213	220
ST Interest Bearing Debt	20	53	33	37	38	35	35	34	33	34	34	35
Trade Payables	42	45	51	56	61	66	72	76	79	80	82	84
Other	40	53	61	71	84	92	94	94	93	95	97	101
LT Liabilities	108	87	126	200	262	219	175	108	105	95	85	73
LT Interest Bearing Debt	10	9	46	120	182	149	125	68	75	65	65	73
Other LT	98	78	80	80	80	70	50	40	30	30	20	-
Total Liabilities & Equity	465	509	555	724	963	1,099	1,161	1,171	1,180	1,186	1,191	1,197

Analyst Certification

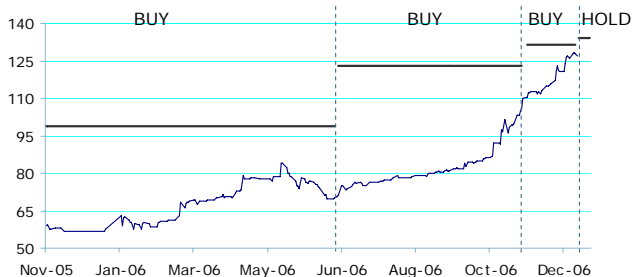
I, Alexander Paraschiy, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Date	CEEN price, USD		DNEN price, USD		DOEN price, USD		ZAEN price, USD	
	Closing	Target	Closing	Target	Closing	Target	Closing	Target
13-May-05	0.79	0.76	74.7	88.2	4.2	6.8	27.7	29.0
30-May-05							27.7	30.5
4-Jul-05					4.4	6.0		
19-Jul-05							24.0	30.5
26-Sep-05	0.80	0.82	66.5	99.0	4.2	6.6	26.0	34.0
3-Jan-06	0.54	0.82						
26-Jun-06	0.79	0.91	76.0	123.0	5.2	7.4	26.5	34.0
25-Sep-06							32.0	34.0
26-Sep-06					7.2	7.4		
15-Nov-06	1.17	1.06	109.0	131.3	7.8	9.6	40.0	35.4
28-Nov-06	1.18	1.06	109.0	131.3	8.0	9.6	41.0	35.4
22-Dec-06	1.35	1.40	125.9	134.4	8.7	11.3	52.8	41.2

Centrenerg (CEEN)



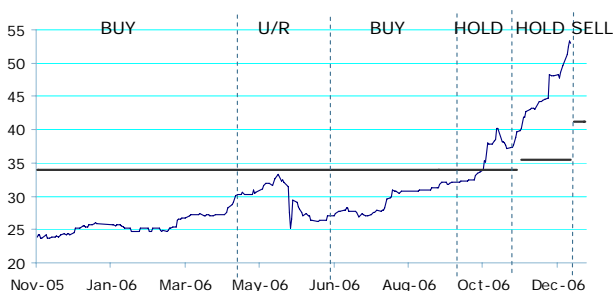
Dniπροenergo (DNEN)



Donbassenergo (DOEN)



Zakhidenergo (ZAEN)



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