



CONCORDE CAPITAL

Ukraine / Electricity Kyivenergo

Recommendation Change

November 13, 2007

Current Price: USD 8.5

12M Target: USD 7.5

HOLD

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Bloomberg KIEN UZ

Market information

No of Shares, mln	108.36
Market Price, USD	8.5
52Wk H/L, USD	9.2 / 1.4
MCap, USD mln	921.1
Free float	9%
Free float, USD mln	82.9
Corporate Governance Rating*	BA

* 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.

Ownership

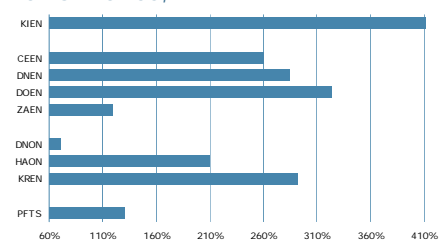
NC ECU (State)	50.00%
Kapiton Trading (Cyprus)	24.98%
Fluminea (Cyprus)	15.72%
Other	9.30%

Key financials and ratios

	Sales USD mln	EBITDA margin	Net margin
2006	650	5.9%	0.6%
2007E	1,044	6.2%	2.4%
2008E	1,552	5.2%	2.1%

	EV/S	EV/EBITDA	P/E
2006	1.60	27.4	237.7
2007E	1.05	16.8	37.3
2008E	0.70	13.6	25.1

Performance, YTD



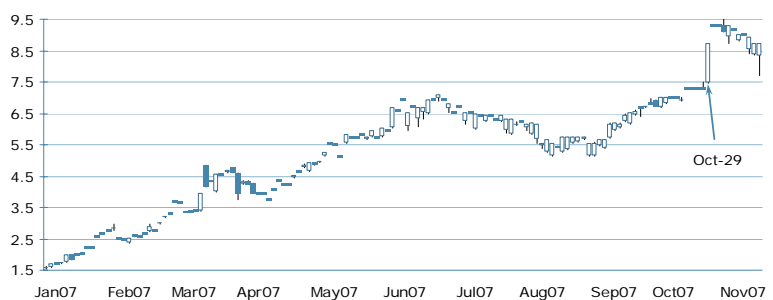
Source: PFTS

The market over-reacted on news of the high probability that Kyivenergo's heating losses for 2007 will be fully compensated from the city budget, raising the stock price by more than 25%. With no changes in our forecasts, we stick to our USD 7.5 target price and downgrade the stock to HOLD.

Market hopped on news of heat losses compensation

Kyivenergo CEO Boris Yashchenko's announcement on October 29 that the company will demand compensation of USD 36.8 mln heating losses in court, and the Kyiv City Council's November 1 approval of compensation for losses in the amount of USD 24.8 mln, had bearing on the market's view of the stock: KIEN spiked 26% over two trading days.

KIEN, USD

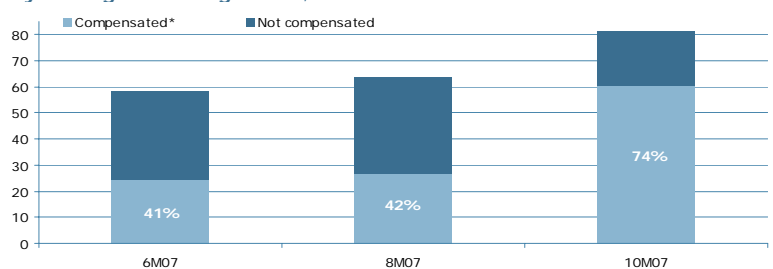


Source: Bloomberg

Compensation in line with our forecasts

The rate of heating loss compensation by the Kyiv City Council had been stable until October, a fact we relate to the start of the heating season in Kyiv.

Kyivenergo's heating losses, USD mln



Source: Company data, Concorde Capital estimates
* Compensated as of the end of period

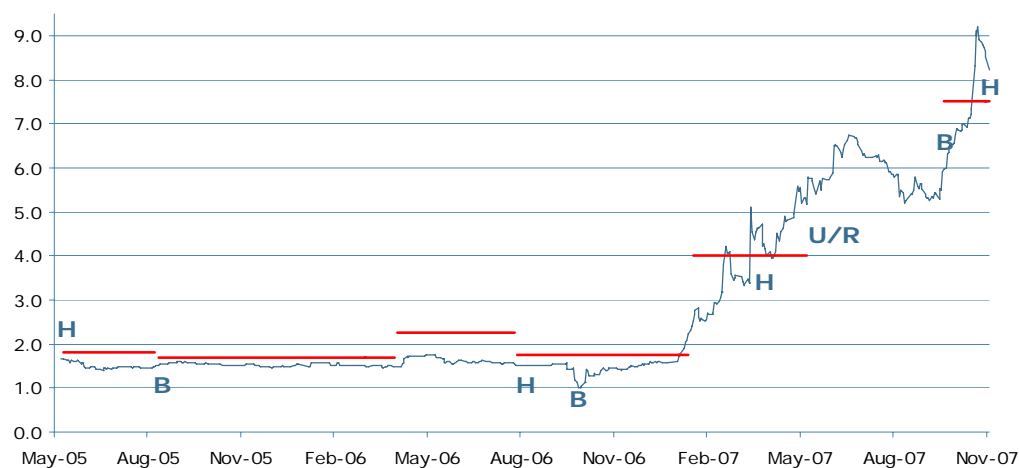
The city council stepped up its assistance in order to avoid the risk that Kyivenergo would be unable to pay for gas and therefore provide uninterrupted heating services to the city. Still, as of November 1, only 74% of Kyivenergo's heating losses for 10M07 have been compensated. We go on expecting the compensation rate for FY07 will be 75%, while timely 100% compensation will come in 2008. We keep our forecasts and 12M target for Kyivenergo unchanged. Taking into account the price jump, we downgrade our recommendation for the stock to HOLD.

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.

	Closing, USD	Target, USD	Rec.	Action
13-May-05	1.62	1.80	HOLD	Initiating
15-Aug-05	1.40	1.70	BUY	Upgrade
15-Sep-05	1.50	1.70	BUY	Maintain
7-Apr-06	1.50	2.25	BUY	Maintain
4-Aug-06	1.51	1.74	HOLD	Downgrade
6-Oct-06	1.04	1.74	BUY	Upgrade
12-Oct-06	1.41	1.74	BUY	Maintain
24-Jan-07	2.32	4.00	BUY	Maintain
29-Jan-07	2.85	4.00	BUY	Maintain
2-Apr-07	4.60	4.00	HOLD	Downgrade
13-Apr-07	3.93	4.00	HOLD	Maintain
28-Sep-07	5.92	7.50	BUY	Upgrade
13-Nov-07	8.50	7.50	HOLD	Downgrade

KIEN recommendation history, USD



Concorde Capital Rating Universe

Buy	33	37%
Hold	29	33%
Sell	12	14%
Under Review	14	16%
Total	88	100%

Investment Banking Clients

Buy	8	80%
Hold	2	20%
Sell	0	0%
Under Review	0	0%
Total	10	100%

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