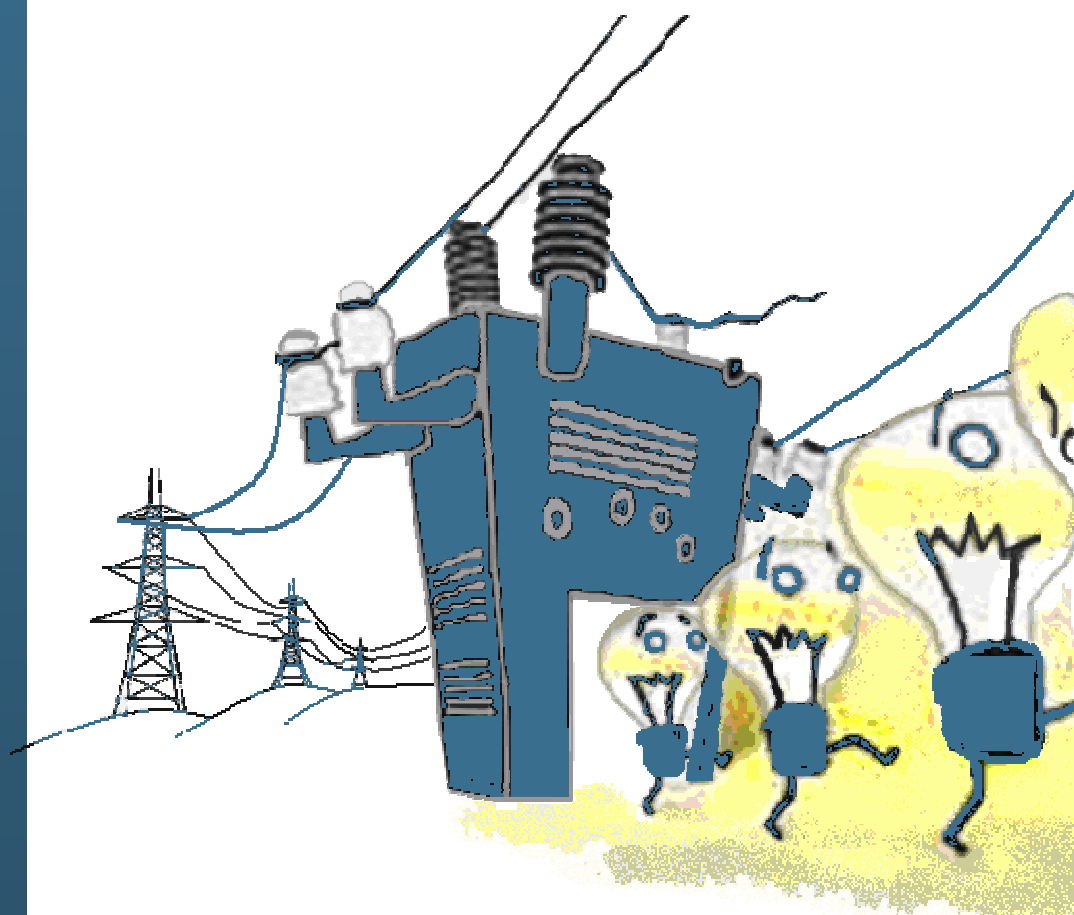


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Oblenergos

RAB Me!



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CONTENTS

INVESTMENT CASE	3
STOCK MARKET	
1.7x yoy increase in trading volumes	4
Spreads for most stocks decreased	5
Performance: Private companies are outsiders	5
PRIVATIZATION	
Postponed to 2008	6
Insiders most likely to privatize	6
Methods of privatization	7
CORPORATE ISSUES	
Dividend policy: State tightens its purse strings	9
Corporate conflicts: Court battles persist	9
DEBT ISSUES	
Debt offsetting: No progress	10
Net debt adjustments	11
Debt differences: Breakthroughs at Energorynok	12
PROFITABILITY STUDIES	
Key profit drivers	13
Profitability convergence of Oblenergos	15
NEW TARIFF POLICY	
Still in the works	16
A new vision of the RAB	16
VALUATION	
Rule of thumb for valuation: Beware of applying EV/S directly	20
We advise to value by capacity	21
Russian peers: Sum-of-the-parts	22
Developed market peers	24
RAB as a benchmark	26
Valuation summary	27
APPENDICES	29

Investment Case

Over the last two years cutting excess electricity losses has been a major driver of Oblenergos profits: the aggregate profit of the sector grew to USD 52 mln in 2006 from -112 mln in 2003, and most of the addition was due to the USD 113 mln saved by minimizing electricity losses. Most Oblenergos now keep losses at or even below technically feasible levels, meaning this price driver is exhausted.

The timing of the next jump in profit growth depends mainly on the implementation of a RAB-based tariff policy for Oblenergos, which we expect in 2009 (a one-year delay compared to our previous report)

The NERC's publication of their replacement cost methodology a month ago provided us better understanding of what RAB could be. With this in mind, we estimate that implementation of the new tariff policy could lead to a fivefold increase in profits for Oblenergos.

We see no chance of privatization happening in 2007. We expect it in 2008, with the sale of the state's remaining 25%-27% stakes in six Oblenergos.

It looks like the state will use strategic investors to solve sector debt problems - we have seen little substantial progress in debt offsetting. Now we are more skeptical in our approach to accounting net debt as we believe part of outstanding payables should be accounted in its calculation.

We recommend using transformer capacity as a measuring stick to value Oblenergos, as it strongly correlates both with current profitability and RAB which will determine future profits.

We recommend cautiousness with the two largest companies, as their asset bases do not justify their current MCap. An investor has to weigh their relatively high liquidity against lower profitability. On the other hand, we have changed direction and are now bullish on fully private Oblenergos: all rated BUY, viewed from a RAB angle.

		Price USD	MCap USD mln	Free Float %	Free Float MCap	Target USD	Upside	Rec.	Action
Chernivtsioblenergo	CHEN	1.2	68	8.0%	5.5	n/m	n/m	N/R	Downgrade
Chernihivoblenergo	CHEON	2.0	239	9.9%	23.6	1.6	-18%	SELL	Downgrade
Dniprooblenergo	DNON	200.0	1198	9.1%	109.2	166.2	-17%	SELL	Downgrade
Donetskoblenergo	DOON	3.1	203	10.0%	20.3	n/m	n/m	N/R	Maintain
Kharkivoblenergo	HAON	1.9	487	6.2%	30.1	1.9	0%	HOLD	Downgrade
Khmelnitskoblenergo	HMON	1.6	209	11.3%	23.5	1.5	-2%	HOLD	Maintain
Kresonoblenergo	HOEN	0.8	143	3.5%	5.0	1.1	43%	BUY	Upgrade
Kirovogradoblenergo	KION	1.0	119	6.0%	7.2	2.6	161%	BUY	Upgrade
Krymenergo	KREN	2.0	346	14.0%	48.4	1.9	-4%	HOLD	Upgrade
Lvivoblenergo	LVON	2.2	427	12.1%	51.6	1.9	-14%	HOLD	Maintain
Poltavaoblenergo	POON	2.0	442	9.3%	41.1	1.6	-18%	SELL	Downgrade
Prykarpatooblenergo	PREN	1.5	150	7.0%	10.5	2.0	39%	BUY	Maintain
Sevastopolenergo	SMEN	2.2	59	4.8%	2.9	2.6	20%	BUY	Upgrade
Ternopiloblenergo	TOEN	1.7	104	8.9%	9.3	2.2	28%	BUY	Maintain
Vinnitsaoblenergo	VIEN	45.0	139	4.7%	6.6	63.5	41%	BUY	Upgrade
Volynoblenergo	VOEN	0.2	115	6.9%	7.9	0.3	26%	BUY	Upgrade
Zaporizhiaoblenergo	ZAON	3.7	664	10.9%	72.6	2.8	-23%	SELL	Maintain
Zhytomiroblenergo	ZHEN	1.3	159	8.4%	13.4	1.9	44%	BUY	Upgrade
Zakarpatooblenergo	ZOEN	1.0	125	14.5%	18.0	1.2	18%	BUY	Maintain

Source: company data, PFTS, Concorde Capital research

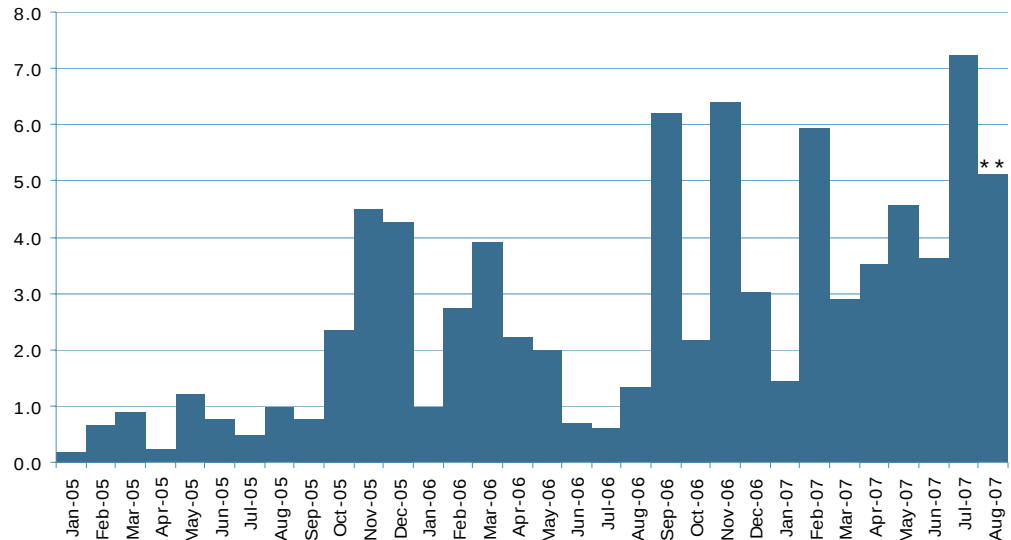
Note: implied prices for de-listed Oblenergos are presented in appendix 1

STOCK MARKET

1.7x yoy increase in trading volumes

Fueled by news of their probable privatization, the trading volumes of Oblenergo shares increased 2.2x yoy in 7M07.

Monthly trading volumes*, USD mln



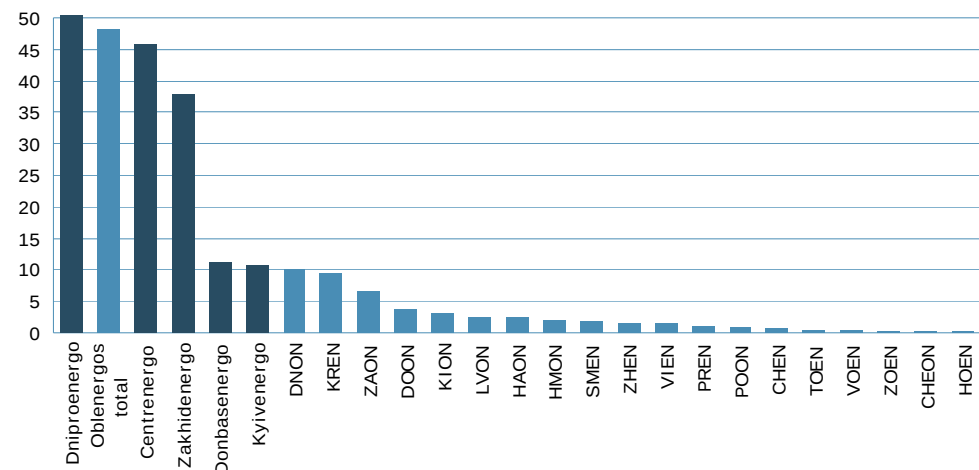
* total volume of Oblenergo deals reported on the PFTS

** first half of August 2007

Source: PFTS, Concorde Capital calculations

Despite growth in trading volumes, Oblenergos remain relatively illiquid - the aggregate trading volume of all Oblenergo shares is comparable with the volume of any of the most liquid power generation companies. We believe that changes in the state policy on tariffs and a new wave of privatizations expected in 2008-2009 will trigger Oblenergos' liquidity.

Trading volumes, Aug. 06-July 07, USD mln



Note: Dark blue bars represent power generation stocks; light blue bars represent Oblenergos

Source: PFTS

Spreads for most stocks decreased

Bid / Ask spread *

	July 2006	July 2007	Change pp
CHEN	72%	69%	-3
CHEON	58%	69%	+11
DNON	5%	6%	+0
DOON	37%	69%	+32
HAON	25%	7%	-18
HMON	66%	20%	-47
HOEN	67%	43%	-24
KION	49%	45%	-3
KREN	34%	7%	-27
LVON	52%	10%	-42
POON	79%	9%	-70
PREN	73%	32%	-41
SMEN	19%	26%	+6
TOEN	52%	53%	+1
VIEN	86%	33%	-52
VOEN	59%	30%	-29
ZAON	30%	24%	-6
ZOEN	58%	46%	-12
ZHEN	27%	12%	-15

* Monthly average

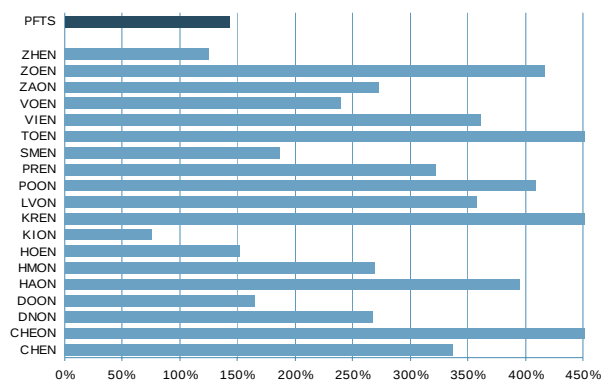
Source: PFTS, Concorde Capital calculations

Performance: Private companies are outsiders

Oblenergos outperformed the PFTS over the last 52 weeks. As we expected, the stocks of those privatized in 2001 (which enjoy preferential tariff policy) underperformed the index. We have not recommended investing in these stocks as their profit growth potential has been exhausted for the mid-term. The stocks of those Oblenergos with non-preferential tariffs appreciated fast, driven by positive news of profitability growth.

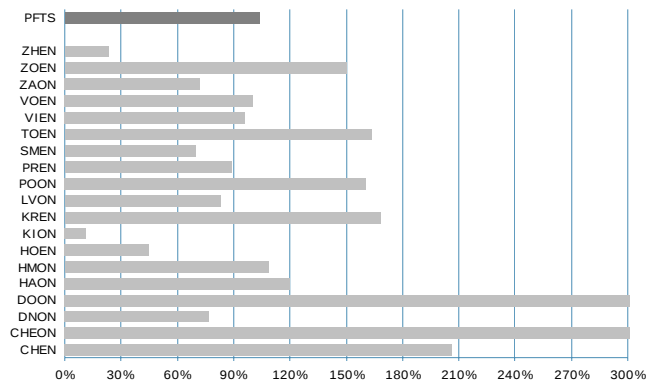
Year-to-date, however, the PFTS has bested half of the Oblenergo stocks in terms of performance. Mainly state-controlled Oblenergos (riding on positive new flows) outperformed. Again, private companies posted the least impressive growth.

Performance (mid-market), 52 weeks



Source: PFTS, Concorde Capital calculations

Year-to-date



PRIVATIZATION

Postponed to 2008

There are no Oblenergos included in the State Property Fund's recently corrected 2007 privatization schedule. Earlier this year, the SPF planned to fully privatize Oblenergos with 25-27% stakes still in state hands, but its plans failed to materialize due to political instability and a conflict with Ministry of Fuel and Energy.

The Ministry has developed a Conception on Decreasing the State's Presence in the Energy Sector (for more information, refer to our note of May 29), which is now being considered by the government. According to the draft Conception, the state budget can receive no more than 50% of privatization proceeds (the rest will go into a special energy development fund or back into the privatized companies). This contradicts both the SPF's vision and the Law on the State Budget for 2007, according to which 100% of privatization proceeds go directly to the state budget. It is unlikely that the 2007 budget will be amended. If the government supports the Conception and parliament adopts the state budget for 2008 in line with it, the privatization door will be open next year.

Insiders most likely to privatize

We believe that large international companies have little chance of winning the privatization tenders for Oblenergos since they are unlikely to propose a high enough price due to a lot of country and sector specific risks. The most likely candidates are those that already own stakes in Ukrainian Oblenergos:

- AES Corporation (USA), which acquired Kyivoblenergo and Rivneoblenergo in 2001, might consider other companies in the sector, but we do not believe their chances are high.
- VS Energy (Russian owners), which already has 90%-95% stakes in four Oblenergos, is likely to increase its stakes in Odesaoblenergo (ODEN) from 55% and five more companies from its current 10%-24% shares.
- Privat group (Ukrainian owners), which invested in eight Oblenergos in 2004 and now has operating control over six of them, has a big chance to increase its stakes.
- Energy Standard group (Ukrainian owners) has investments in 12 Oblenergos and a controlling stake in the Luhansk Energy Union (electricity distribution monopoly of Luhansk Region). Currently the group *de facto* controls operations at Cherkasyoblenergo (CHON), and is the most likely candidate for its privatization. As the groups' assets are concentrated in Zaporizhya region, we believe it has a good chance to privatize the state's stake in Zaporizhyaoblenergo (ZAON).
- DTEK (Ukraine) has big plans to increase its presence in the Ukrainian energy sector. It holds 25% of shares in Donetskoblenergo (DOON) and is the only candidate to privatize it. In addition, the group is likely to actively participate in privatization tenders for the largest Oblenergos: Dniprooblenergo (DNON), Zaporizhiaoblenergo (ZAON), Kharkivoblenergo (HAON) and Krymenergo (KREN). Since DTEK has good relations with the National Energy Company and sector regulators, it is the most likely candidate to privatize Oblenergos via additional share issues, if they occur (see next page).

Methods of privatization

The draft of the Conception lists several ways to privatize Oblenergos:

- **Open placement of the remaining 25-27 % state stakes:** Applicable for all of the "Conflict" Oblenergos.

Company	State's stake	Most likely investors
LVON	26.98%	Privat or Energy Standard
PREN	25.02%	Privat or Energy Standard
ODEN	25.01%	VS Energy
SOEN	25% + 1	Privat or Energy Standard
CHEON	25% + 1	Privat or Energy Standard
POON	25% + 1	Privat or Energy Standard

We see the most likely timeframe for the privatization of these companies in the first half of 2008.

- **Open tender with investment obligations:** Applicable to Oblenergos where the state owns more than 40% of shares. The primary candidates are:

Company	State's stake	Most likely investors
HMON	70.01%	VS Energy
KREN	70.00%	VS Energy or DTEK
MYON	70.00%	VS Energy
CHEN	70.00%	VS Energy
DOON	65.06%	DTEK
HAON	65.00%	Energy Standard or DTEK
ZAON	60.25%	DTEK or Energy Standard or Privat
TOEN	50.00%	Privat or Energy Standard
CHON	46.00%	Energy Standard

We see the privatization of these companies in 2008 or 2009.

- **Privatization via additional share issue:** This scenario is possible for companies where the main shareholder(s) can approve an additional share issue with at least 75% of the votes.

Company	State's stake	DTEK's stake	Most likely investors
ZOEN	75.0%		VS Energy or DTEK
DNON	75.0%		DTEK or Energy Standard or Privat
VLEN	75.0%		Energy Standard or DTEK
VOEN	75.0%		Energy Standard or DTEK
DOON	65.0%	25.0%	DTEK

This scenario is the most potentially harmful for minority shareholders, as their rights could easily be violated. A presidential decree on August 2 cautioned the Cabinet against approving this form of privatization, which leads us to believe that it might be excluded from the final version of the Conception. This group of Oblenergos is likely to be privatized at open tenders.

The President's concern is based on the negative experience of generation company Dniproenergo (DNEN), where minority shareholders are not allowed to subscribe for additional shares. Apart from minority concerns, privatization through additional share issues might become the most beneficial scenario for Oblenergos. The case of Russian TSK-5's privatization is the best example (see next page).

Case Study:
Parameters of privatization via additional share issues: TGK-5 vs. DNEN

	DNEN	TGK-5
Pre-announcement market price <i>USD</i>	450	0.00138
MCap <i>USD mln</i>	1,766	1,171
MCap to capacity <i>USD/kW</i>	307	475
Announced buyout price <i>USD mln</i>	207	0.00137
Discount to market	-54%	-1%
Subscription MCap to capacity <i>USD/kW</i>	68	184
Subscription rights for minorities	no	yes
Dilution effect for minorities	19%	0%
Current price <i>USD</i>	380	0.00131
Performance since announcement	-16%	-5%
Current MCap <i>USD mln</i>	2,268*	1,587
MCap to capacity <i>USD/kW</i>	394*	643
MCap increase since announcement	28%	36%

* MCap assuming the new number of shares

Source: Company data, PFTS, RTS, Concorde Capital estimates

CORPORATE ISSUES

Dividend policy: State tightens its purse strings

After following a consistent policy of 40% dividend payouts for several years, this year the National Energy Company reduced its dividend payout level to 15% of last year's net income. Private Oblenergos continued to adhere to a policy of paying out almost 100% of net income in dividends.

It has become usual that five out of the six Oblenergos where Privat and Energy Standard have large stakes fail to hold shareholder meetings due to the absence of quorum.

Dividend payment summary, USD mln

	2006 Net income	Dividends	Payout ratio
Controlled by the state			
HMON	1.5	0.22	15%
CHEN	0.1	0.02	15%
KREN	1.4	0.22	15%
VOEN	0.5	0.08	15%
ZOEN	0.6	0.08	15%
HAON	2.7	n/a*	0%
VIEN	0.8	0.0**	0%
DNON	4.0	0.0**	0%
CHON	3.2	0.00	0%
ZAON	-2.0	0.0**	0%
MYON	-4.4	0.0**	0%
DOON	-122.5	0.0**	0%
"Conflict" Oblenergos			
CHEON	-0.4	n/a*	0%
LVON	6.2	n/a*	0%
POON	0.9	n/a*	0%
SOEN	0.1	n/a*	0%
TOEN	0.9	n/a*	0%
PREN	0.7	0.20	30%
Private Oblenergos			
ZHEN	4.08	3.86	95%
ODEN	0.83	0.79	95%
KION	3.13	2.97	95%
SMEN	4.02	4.02	100%
HOEN	-3.0	0.0**	0%

* No AGM held in 2007

** No dividends due to high retained losses or negative net income

Source: Company data, Concorde capital calculations

Corporate conflicts: Court battles persist

Court decisions were issued last month that concerned major corporate conflicts in Oblenergos, though they did little to resolve the conflicts.

Odesaoblenergo: VS Energy's majority shareholder status might be questioned. In July the Supreme Court issued two rulings: the first recognized as valid the sales-purchase agreement (SPA) between FS Trading (Finance and Credit group) and the State Property Fund on the privatization of 35% of Odesaoblenergo in 1998. Two weeks later, a second Supreme Court ruling suspended the first act and recalled the documents on the case from lower courts for further examination. We believe the Supreme Court will examine the case further and issue a final decision by the end of the year. The SPA was declared invalid in 2001, and then the 35% stake was purchased by Russian-related VS Energy, which would have to be supplanted for FS Trading to gain control.

Other "Conflict" Oblenergos: Small victory for Energy Standard. Igor Kolomoiskiy (Privat group) lost his case in the London Arbitration Court against Konstantin Grigorishyn (Energy Standard group): the court failed to recognize any of Kolomoiskiy's losses from the joint ownership of stakes in six Oblenergos (Chernihiv-, Lviv-, Poltava-, Prykarpatt-, Sumy- and Ternopil-). Now Kolomoiskiy is appealing to Cyprian courts to get Grigorishyn to sell his blocks in SPVs that own stakes in the Oblenergos or to split the SPVs equally between two partners. It is hard to predict when and how this conflict will be resolved.

DEBT ISSUES

Debt offsetting: No progress

It looks like the law on debt offsetting was not an efficient mechanism of solving Oblenergos' debt problems. Only Odesaoblenergo (ODEN) used the opportunity to significantly decrease its payables by restructuring its USD 180 mln debt over 40 years.

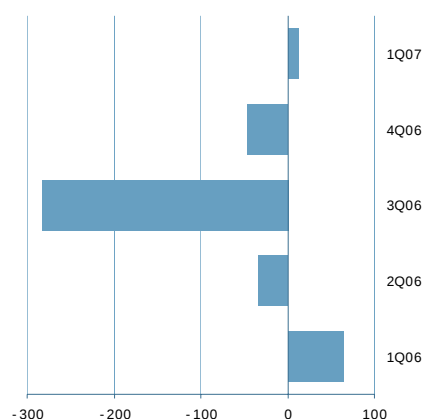
The law, which was valid for all of 2006, brought about a visible decrease in Oblenergos' payables only in the third quarter of the year.

Accounts payable for Oblenergos with the highest debt, USD mln*

	A/P change		A/P As of 1 Apr. 2007	
	Jan06-Sep06	Oct06-Mar07	USD mln	% of sales 2006
DOON	+10.7	+17.4	865.3	221 %
KREN	-8.4	-0.9	211.8	125 %
MYON	+1.8	-7.4	97.4	118 %
CHEN	-2.0	-4.4	47.1	112 %
VIEN	-4.8	-0.6	77.0	96 %
ZOEN	-1.3	-6.0	56.3	89 %
HAON	-33.8	-8.7	87.8	39 %
DNON	-27.4	-16.4	432.6	37 %
ZAON	-14.9	+7.5	141.4	31 %
HMON	-4.6	-1.6	22.2	30 %
CHON	-6.6	-3.1	24.7	29 %
ODEN	-156.6	-1.6	48.5	23 %
VOEN	-0.5	-0.4	9.7	20 %
Total	-251.1	-34.5	2,127.4	

* Those whose payables collection exceeds 2 months
Source: Company data

Aggregate change in payables*



Source: Company data, Concorde Capital calculations

Even though the law was prolonged until the end of 2007, it looks like none of the other companies will take advantage of this period to restructure or reconcile their debt.

How will outstanding debt be repaid?

We believe the law will expire on January 1, 2008 and not be prolonged; the state will have to find other ways to reduce the Oblenergos' large amounts of outstanding debt. We see three such possibilities:

- **Bankrupt** the companies with huge debt: liquidate the company and sell its equipment. The most likely and, we believe, the only candidate for this scenario is Donetskoblenergo (DOON). This is the only company whose financials are deteriorating: payables are growing and now exceed two-year sales; EBITDA is negative. Due to a high bankruptcy risk, we do not recommend investing in Donetskoblenergo.
- **Pass costs of debt repayment on to electricity consumers** by permitting special surcharges on Oblenergo tariffs that allow them to accumulate funds to repay their debt. There has been cases like this happening, such as in 2005 when the NERC allowed power generation companies to apply special surcharges in order to accumulate money to repay their debt to the state budget (refer to our GenCos report of September 15, 2005). Special surcharges are also provided by the Law on Debt Offsetting, but this mechanism can be applied only to a limited amount of restructured debt. Since it would lead to increasing the final price of electricity on the market, it will be hard for any populist-minded Ukrainian government to pass.
- **Repayment by new investors**: the most probable scenario. As part of the privatization process, bidders might be required to sign a debt restructuring agreement, as was the case with the 2001 privatizations. Alternatively, money raised from privatization could be directed to repay an Oblenergo's debt. This scenario is currently playing out at power generation company Dniproenergo, where an investor intends to buy out an additional share issue to finance repayment of the company's debt.

Net debt adjustments

With few Ukrainian electricity companies taking advantage of the debt restructuring process and an increasing risk of privatization at a discount for Oblenergos that have large debts, we revise our attitude toward the companies' net debt. For those companies that have large payables, we increase their net debt by half of the difference between payables (including restructured payables) and receivables.

Net debt adjustment arithmetic, USD mln (as of Mar 31, 2007)

	ND reported	Net payables	ND Adjusted
Calculations:	Bank loans - - Cash	Payables+ + Restructured Debt - - Receivables	ND reported + + 0.5 * Net payables
CHEN	-0.1	11.0	5.5
CHEON	5.2	0.0	5.2
CHON	-0.5	17.6	8.3
DNON	-45.9	180.1	44.1
DOON	-1.1	430.5	214.2
HAON	-6.4	57.7	22.4
HMON	0.0	9.9	4.9
HOEN	-0.7	25.9	12.2
KIEN	158.6	0.0	158.6
KION	3.1	0.0	3.1
KOEN	2.7	0.0	2.7
KREN	2.0	80.0	42.0
LVON	4.0	0.0	4.0
MYON	0.5	77.4	39.2
ODEN	15.5	167.1	99.1
POON	4.7	0.0	4.7
PREN	1.4	0.0	1.4
ROEN	-3.7	0.0	-3.7
SMEN	2.5	0.0	2.5
SOEN	2.6	0.0	2.6
TOEN	1.5	2.1	2.6
VIEN	0.2	54.5	27.4
VOEN	-0.1	0.0	-0.1
ZAON	-0.4	74.4	36.8
ZHEN	5.7	0.0	5.7
ZOEN	1.1	7.8	5.0

Source: Company data, Concorde Capital calculations

Debt differences: Breakthroughs at Energorynok

As we wrote in our December 2006 report, wholesale market operator (WEMO) Energorynok failed to recognize the absence of debt at "Conflict" Oblenergos. This distinguished them from fully private Oblenergos, which were the only group of companies allowed to apply a 100% NERC algorithm.

What is the NERC algorithm?

For those Oblenergos that have outstanding debt to the wholesale electricity market operator, the regulator (NERC) does not allow to collect all of the funds from their customers. Only payments for electricity transmission and supply services go directly into their business accounts. The rest (value of electricity purchased by Oblenergos) goes directly to WEMO, bypassing the Oblenergos' business accounts. Oblenergos that have no debt to WEMO and pay for electricity without delays can collect 100% of money from their customers. This distribution of cash flows is called the NERC algorithm (for more information, refer to our February 2005 report).

Since our last report, progress has been observed in recognizing the debt write-offs of Oblenergos controlled by Ukrenenergoconsulting. In late 2006-early 2007 several Oblenergos proved a lack of debt to WEMO in court, and became eligible for a 100% NERC algorithm. Now, all Oblenergos that are not controlled by the state (except Khersonoblenergo and Odesaoblenergo, which had large debts to WEMO) can use the full amount of cash they obtain from consumers.

Note that companies affiliated with AES Corporation are not always eligible for a 100% algorithm. This is a clear sign of conflict between AES and the NERC. In our view, the NERC has consistently been finding reasons to snub AES-related companies.

Oblenergos that are allowed to obtain 100 % of cash flow by NERC algorithm *

	State ownership	Affiliation	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
KION	0%	VS Energy	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
ZHEN	0%	VS Energy	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
SMEN	0%	VS Energy	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Servis-Invest	0%	DTEK	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
KOEN	0%	AES		yes	yes			yes			yes			yes
ROEN	0%	AES			yes			yes		yes				yes
PREN	25%	UEC**					yes	yes	yes	yes	yes	yes	yes	yes
POON	25%	UEC								yes	yes	yes	yes	yes
LVON	27%	UEC										yes	yes	yes
SOEN	25%	UEC										yes	yes	yes
CHEON	25%	UEC											yes	yes
TOEN	50%	UEC											yes	yes

* All the other Oblenergos obtain only 10%-35% of money from their customers to their business accounts

** UEC stands for Ukr-Energo-Consulting, a company that controls the operations of those Oblenergos which classify as "conflict"

Source: NERC

A change in the NERC's policy with respect to six conflict Oblenergos allows the companies to significantly increase their financial flexibility.

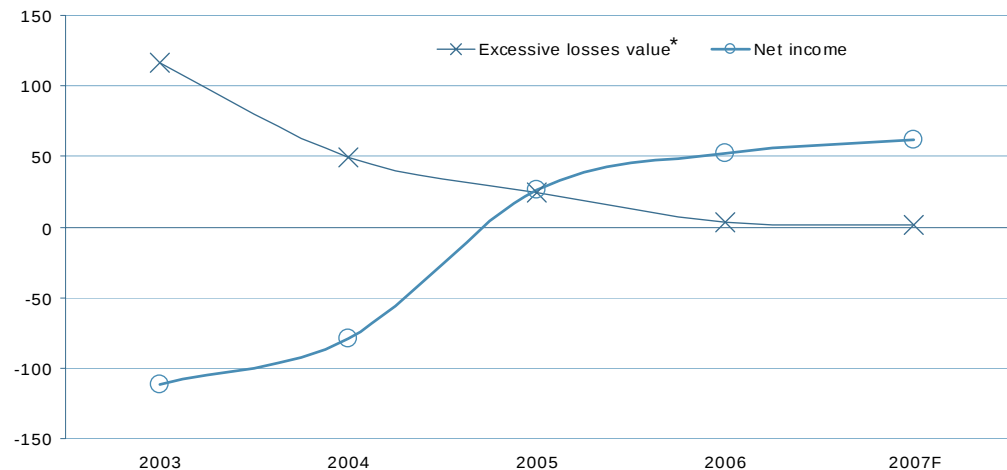
PROFITABILITY STUDIES

Key profit drivers

Reduction in excessive electricity losses: Driver of past performance

Historically, the main item that has distressed Oblenergo profits has been excessive electricity losses (those in excess of the level of losses eligible for compensation in transmission tariffs). We see a clear relationship between excessive electricity losses and Oblenergo earnings.

Sector's excessive electricity losses and earnings, USD mln



Note: Donetskoblenergo was excluded from the survey

* Excessive losses in kWh multiplied by the purchase electricity price per kWh

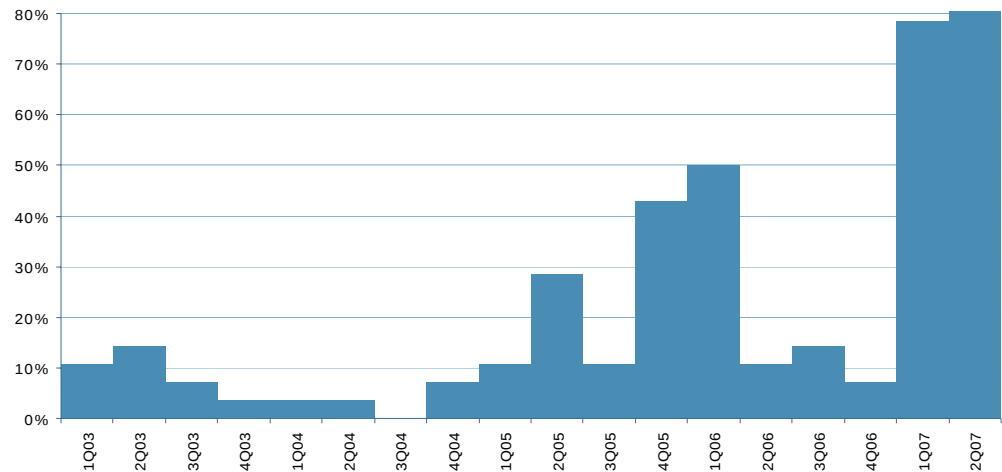
Source: Company data, Energobiznes, Concorde Capital estimates

A decrease in excessive losses of 1 GWh saved each company USD 0.35 mln. Now most Oblenergos have a negative value for excessive electricity losses (which is technically possible) and have reached their minimum feasible level of losses. This means any untapped reserves for increasing profitability by fighting losses has been exhausted (i.e. no more sharp increase in bottom lines, at least under the current tariff policy).

Tariff revision: Income driver for the mid-term

Previously, an upward revision in Oblenergos' transmission or supply tariffs was an extraordinary event. This year was the first when all Oblenergos (except Mykolaivoblenergo) raised their tariffs. In fact, the majority of them (except the group privatized in 2001) revised their tariffs twice in 1H07.

Portion of Oblenergos that raised their tariffs



Source: NERC, Concorde Capital calculation

Key factors that helped Oblenergos revise their tariffs more frequently:

- increase in payment discipline - a 100% payment level in the last three months is a necessary condition for tariff revisions
- exhausting other "profitability reserves" that used to exist such as excess electricity losses, other business activities and non-optimized operating costs.

Case study: Where the NERC saw profitability reserves

In November 2004, the NERC rejected Oblenergos' requests to account for wage increases in their tariffs, and recommended finding internal "profitability reserves:"

- Increase the volume of electricity supplies
- Cost optimization
- Reduction in electricity losses
- Income from non-core activities allowed by the regulator

We expect timely tariff revisions to become a regular occurrence, and that most companies will be able to raise their transmission and supply tariffs as soon as operating costs grow. We believe that from now on Oblenergos will not have to overestimate their costs to provide for (unreported) cash reserves to fill their cash needs during lags between cost increases and tariff revisions (refer to our Dec. 15, 2005 report).

Network connection: A new profitable business direction?

On June 20, the Government gave the NERC six months to work out methodology that will allow Oblenergos to charge connection fees for new customers. The Commission has already prepared a draft for regulating network connections. According to the NERC, the new rules will cumulatively bring Oblenergos USD 400 mln/year in income.

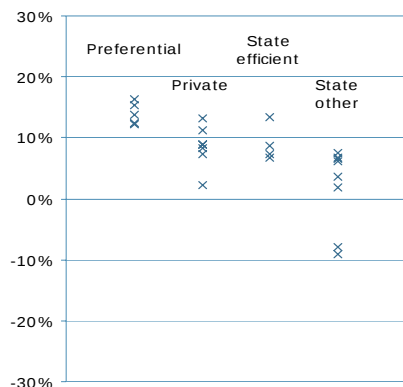
We expect a network connection fees for new customers to be introduced in 1Q08, and benefit Oblenergos in the short-term. Though, since the NERC is still propagating a policy of keeping the final electricity price as low as possible, we believe that additional profit from connection fees will be offset by a decrease in profit from Oblenergos' core businesses in the mid-term. In other words, the NERC might treat new connection fees as another source of Oblenergos' "profitability reserve."

Profitability convergence of Oblenergos

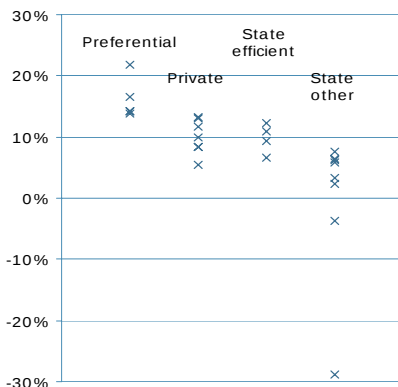
While in previous years, a clear difference in margins existed between those Oblenergos that have preferential tariffs (which were privatized in 2001) and the rest, the gap is now decreasing. The profits of Oblenergos with a preferential tariff policy remain stable, but profits of all the other companies are growing steadily. Decreasing margins for Oblenergos with preferential tariffs (i.e. stable bottom lines on the back of increasing top-lines) is the main reason why their stock performance is worse than for all other Oblenergo stocks.

EBITDA margins of different groups of Oblenergos

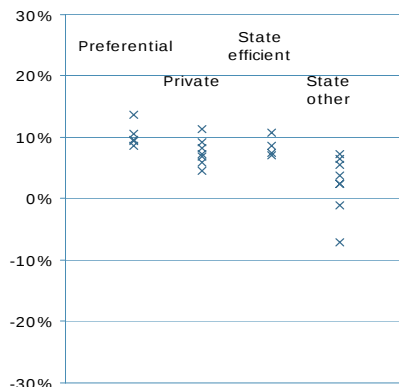
2005



2006



2007E



Note: Preferential tariff group: KION, KOEN, ROEN, SMEN, ZHEN

Privately controlled group (common tariff policy): CHEON, HOEN, LVON, ODEN, POON, PREN, SOEN, TOEN

State-controlled group with efficient management: CHON, HAON, HMON, VOEN

Other state-controlled: CHEN, DNON, DOON, KREN, MYON, VIEN, ZAON, ZOEN

Source: Company data, Concorde Capital estimates

In 2008 we expect a further decrease in private Oblenergos' margins, as their rate of return allowed by the NERC could decrease by up to 45%. If this happens, it will be only temporal as we expect the tariff policy for Oblenergos to be changed radically in 2009.

NEW TARIFF POLICY

Still in the works

According to the updated schedule for the new tariff policy for Oblenergos, international advisors KEMA and ECA are working on development of new rules. They are scheduled to propose an approach by mid-2008 and it will take at least half a year to work out the legal basis for its implementation. Thus, if no radical (political) changes occur within the NERC, we expect implementation of a new tariff policy in 2009, which is one year later than we previously expected.

A new vision of the RAB

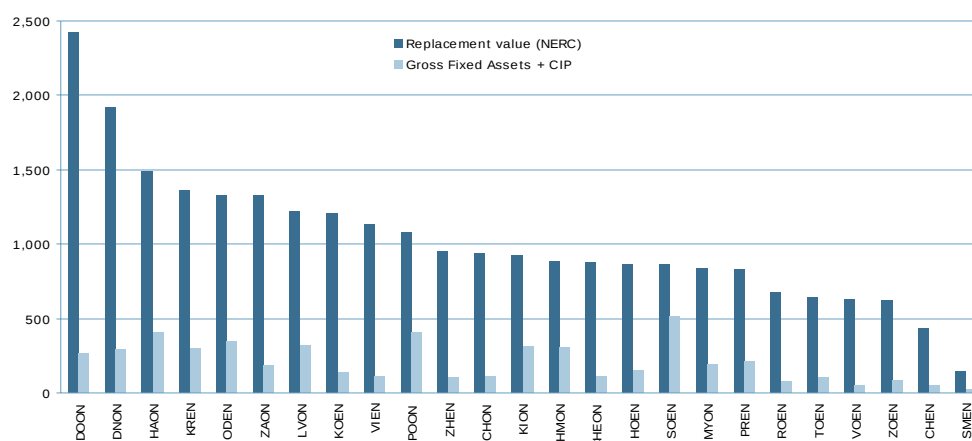
As we wrote in our previous report, the NERC is going to introduce a tariff methodology that will relate a company's profits to a regulatory asset base (RAB). The main component of RAB is the net value of Oblenergos' assets, thus a precise estimate of net assets is necessary to guess what the RAB will be. Since Oblenergos have different approaches toward accounting their assets, balance sheets are not directly comparable.

While in the previous report we calculated asset base using Oblenergos' reported net assets values, now **we obtained more information on real assets value of Oblenergos and we believe the companies' RAB will be calculated using this information.**

In the draft document on network connection fees, the NERC provides a pro forma valuation of replacement values for the assets of each Oblenergo. The valuation methodology took into account the most important equipment parameters: number and length of high, mid, and low voltage lines; type and quantity of transmission towers; type and quantity of transformers and substations; and geographic relief of the area. NERC used 2006 prices for equipment and services to calculate the replacement value.

We believe this pro forma valuation is the best available estimate of Oblenergos' replacement value, and thus can be used to calculate the companies' RAB.

Fixed assets of Oblenergos, USD mln



Source: Company data, NERC research

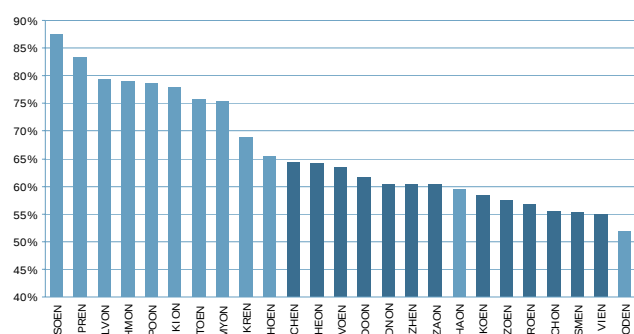
We see that the reported gross value of fixed assets for most Oblenergos significantly lags their replacement value (RV). We claim that RAB should be calculated based on depreciated **replacement** value of fixed assets – this is because Oblenergos need to have enough profit to replace their assets in the long-term.

Calculating the net (depreciated) value of assets is another challenge, since Oblenergos also use different approaches in their accounting: the wide range of the companies' accumulated depreciation (52% to 87%, reported as of March 31 2007) does not reflect reality. Below we apply two approaches in estimating net assets value.

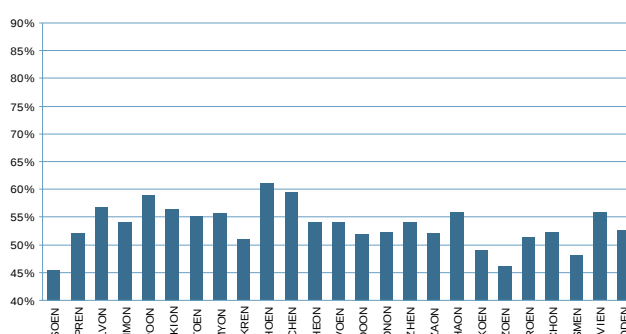
An aggressive approach to estimating net asset value

The data from 2000 regarding accumulated depreciation is more uniform (45% to 61%) than current reported data. The increased variance is the result of a majority of Oblenergos' re-valuing their fixed assets from 2000 to 2005, which led to those Oblenergos reporting higher accumulated depreciation.

Accumulated depreciation in Oblenergos' balance sheets:
March 31, 2007



Dec. 31, 2000



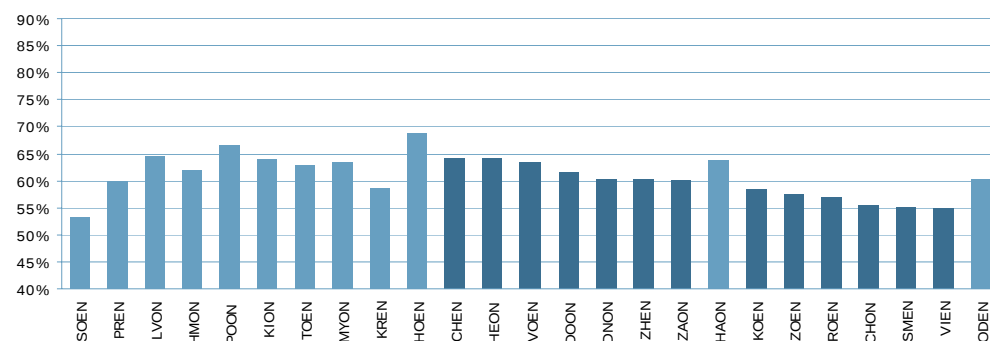
Note: Light bars represent Oblenergos that revised the value of their fixed assets during 2000-2005
Source: Company data

To arrive back at a uniform accounting approach for accumulated depreciation, we assume that:

- All Oblenergos correctly accounted for accumulated depreciation as of 2000.
- Those Oblenergos that did not re-value their assets during 2001-2007 correctly account for accumulated depreciation.
- All Oblenergos' assets depreciated uniformly over 2001-2007.

For Oblenergos that re-valued their assets, we calculate accumulated depreciation for 2007 as a sum of their accumulated depreciation for 2000 plus the average accumulated depreciation over 2001-2007. This average rate is calculated using data from those Oblenergos that did not alter their fixed asset accounting over the period: 7.7%.

Adjusted accumulated depreciation



Note: Light bars represent Oblenergos that revised the value of their fixed assets during 2000-2005
Source: Company data, Concorde Capital estimates

We add working capital needs to Oblenergos' net asset values (following the methodology described in our December 2006 report) to calculate Oblenergos' RAB.

Our estimates of RAB and assumption on the expected rate of return on RAB (11%) implies about an eightfold increase in the companies' profits under the new tariff methodology.

Our calculations suggest that under the parameters for RAB pricing policy described above, Oblenergos will earn about USD 0.9 bln more annually than now:

<u>Aggregated et income difference*, current and new policy</u>		
	USD mln	USD/MWh
2007E	130	1.5
Implied from new policy	1,045	12.1
Difference	915	10.6

Source: Company data, NERC, Concorde Capital estimates

* Donetskoblenergo is not included into survey

Implied cumulative earnings per MWh (USD 12.1) in this case are close to Oblenergos' developed peer average (USD 11.9), and RAB per transformer capacity (0.10 USD/VA on average) is still lower than the developed peer EV/Capacity multiple (0.15 USD/VA, refer to page 24).

However, a more detailed analysis suggests this level of return might be too optimistic, at least in the mid-term:

- Implied net income per MWh of several companies significantly exceeds the levels of international peers:

<u>Selected Oblenergos' implied net income vs. peers' (USD per MWh)</u>			
CHEON	22.1	EMASZ	10.9
CHON	25.1	ELMU	9.3
HMON	21.8	Prazska Energetika	11.7
KION	25.2	Horizon Energy	9.2
SOEN	28.9	Cegedel	18.3
TOEN	27.0		
VIEN	30.4		
VOEN	23.0		
ZHEN	22.4		

Source: Company data, NERC, Concorde Capital estimates

- To allow for such an increase of profits, the NERC has to increase Oblenergos' transmission and supply tariffs by USD 10.6/MWh, or by more than 100% (from the current average tariff level of USD 9.9/MWh). We do not believe the NERC will allow for such an increase in the short or mid-term.

The conclusion is that the RAB value presented above can be used only as a long-term target.

More realistic approach to estimating net asset value

To decrease allowed profits (tariffs) from those in our optimistic estimates to a more realistic level, the NERC might use:

- A lower rate of return, which is unlikely, since this rate should be close to the companies' WACC
- Smaller replacement value for assets, which is also not very realistic
- More conservative accumulated depreciation: the most probable scenario. Below we provide a RAB calculation based on the assumption of uniform 75% accumulated depreciation.

Aggregated net income difference*, current and new policy

	USD mln	USD/MWh
2007E	130	1.5
Implied from new policy	686	7.9
Difference	556	6.4

Source: Company data, NERC, Concorde Capital estimates

* Donetskoblenergo is not included into survey

An increase in tariff of USD 6.4/MWh (or 65%) still looks very optimistic. Though, Oblenergos' network connection fees can serve as an additional source of profit under the new tariff policy (+USD 400 mln, according to the NERC). With this new income source, Oblenergos' tariffs should rise only by USD 1.8/MWh (+18%), which we believe is acceptable for the NERC.

The implied income of Oblenergos per MWh under this scenario is within the range of international peers:

Oblenergos' possible allowed profit vs. developed market peers, USD / MWh

CHEN	12.5	ODEN	8.0	Oblenergo mean	11.6
CHEON	15.6	POON	9.3	Developed peers' mean	11.9
CHON	14.3	PREN	11.9		
DNON	2.4	ROEN	9.6		
HAON	8.7	SMEN	4.9		
HMON	14.5	SOEN	15.8		
HOEN	11.8	TOEN	18.4	Developed peers:	
KION	17.7	VIEN	17.1	EMASZ	10.9
KOEN	9.2	VOEN	15.8	ELMU	9.3
KREN	9.8	ZAON	4.0	Prazska Energetika	11.7
LVON	9.8	ZHEN	14.3	Horizon Energy	9.2
MYON	11.9	ZOEN	11.4	Cegedel	18.3

Source: Company data, Bloomberg, NERC, Energobiznes, Concorde Capital

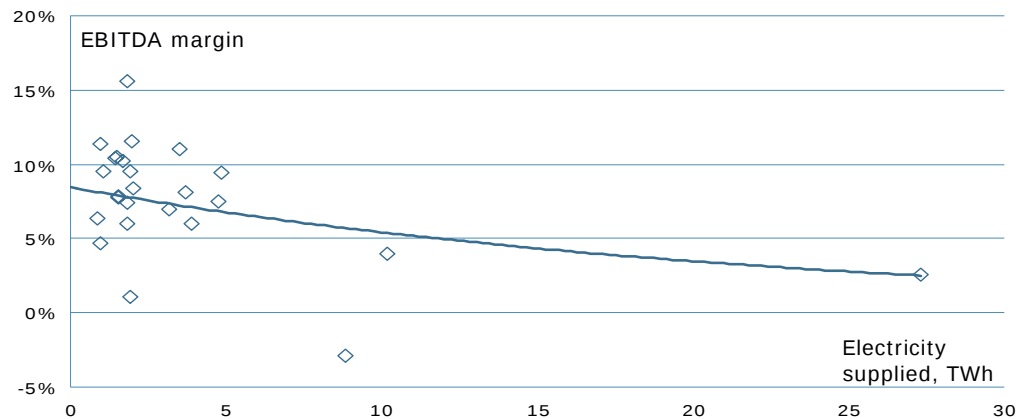
Thus, we believe it is reasonable that the regulator will implement an RAB calculation based on accumulated depreciation close to 75%.

VALUATION

Rule of thumb for valuation: Beware of applying EV/Sales and EV/Electricity directly...

A persistent negative scale effect observed in Oblenergos implies a larger discount to EV/Sales or EV/Electricity for the companies with higher sales (electricity supply). This is especially important for the largest Oblenergos, Dniprooblenergo (DNON) and Zaporizhyaoblenergo (ZAON).

Negative scale effect in Oblenergos, 2006 data



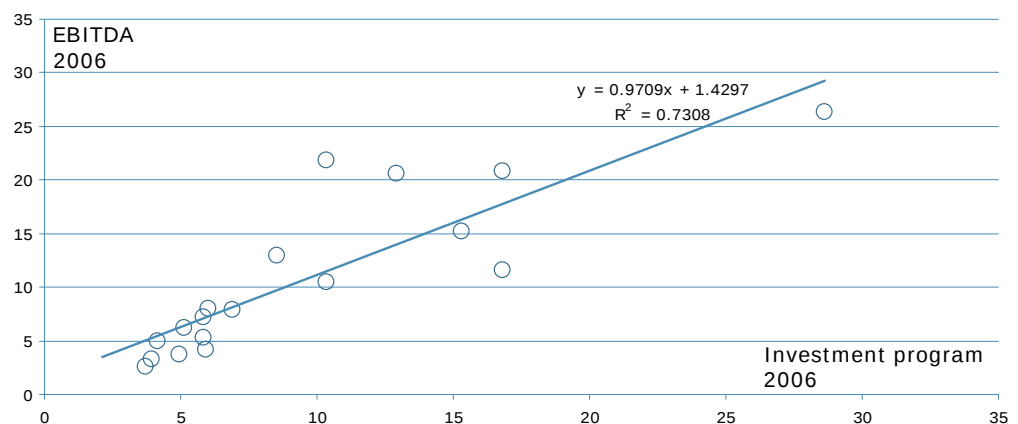
Source: Company data, Energobiznes

Our analysis of Oblenergos' assets and tariff policy implies that negative scale effect is sustainable because of a direct relationship between Oblenergos' allowed profits and their assets' value, not sales.

Investment program: Determining current margins

The key implication of the current tariff policy is that Oblenergos' tariffs allow for profit in the amount necessary to fulfill **only their investment needs**.

Investment program vs. EBITDA, USD mln



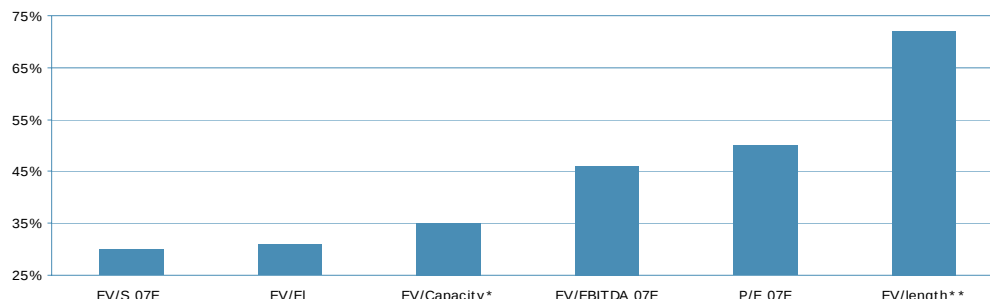
Source: Company data, NERC, Concorde Capital calculations

Investment programs mostly depend on the asset value of Oblenergos. Companies with the same size of assets tend to have similar investment programs (i.e. similar profits), despite different electricity supply volumes or sales.

We advise to value by capacity

It looks like the market considers business size as the most reliable measuring stick in valuing Oblenergos. As EV/Electricity and EV/S multiples have lower variability compared to other metrics, the market seems to uniformly discount Oblenergos' size.

Oblenergo multiples' variation coefficients



* EV to total transformer capacity

** EV to total power grid length

Source: Company data, PFTS, Concorde Capital calculations

In contrast, we believe it is more appropriate to look at Oblenergos' transformer capacity, which also approximates an Oblenergo's size, but better fits its asset base and current profit (investment program) data.

Correlation matrix: Key EBITDA determinants, 2006 data*

	Fixed Assets	El. suppl.	Sales	Capacity**	Invest. prog.	EBITDA05
EBITDA 06	0.67	0.68	0.69	0.79	0.85	0.87
Fixed Assets		0.40	0.41	0.65	0.71	0.51
El. supply			1.00	0.85	0.88	0.52
Sales				0.86	0.89	0.54
Capacity**					0.91	0.67
Invest. program						0.64

* Only Oblenergos with a non-preferential tariff policy were taken into account; Donetskoblenergo and Mykolaivoblenergo excluded from the survey as outliers due to extremely low (negative) EBITDA

** Total transformers' capacity

Source: Company data, NERC, Concorde Capital calculations

We believe that in the future, the correlation between Capacity and EBITDA will remain stronger than between sales and EBITDA. This is because the new tariff policy will be linked to a company's asset base. Transformer capacity is the best illustrative index of the replacement value (assets base) of Oblenergos:

Correlation with replacement value*

Sales 2006	Grid length	Transformer capacity
0.66	0.87	0.94

Source: Company data, NERC research, Concorde Capital calculations

* Replacement values are based on NERC research described on page 16

Therefore, we believe that transformer capacity is the best indicator of Oblenergos' future profits.

Note also that in pricing Ukrainian power **generation** companies, the market appears to mostly be looking into the future by applying EV/Capacity multiples (refer to our GenCos report of March 21, 2007). For Oblenergos, we also suggest using Capacity as a good measure of mid to long-term profit potential.

Russian peers: Sum-of-the-parts

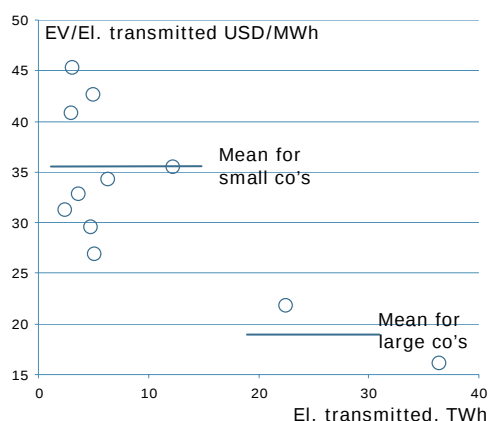
Currently, the Russian electricity sector is in the middle of reform, vertically integrated utilities were split by separate business directions (generation, transmission, distribution and supply), and now the process of integration into horizontal holdings is beginning.

Oblenergos can be benchmarked to Russian companies as sum-of-the-parts of Russian power distribution companies and power supply companies. We choose the volume of electricity transported and supplied as a measuring stick (refer to appendix 2).

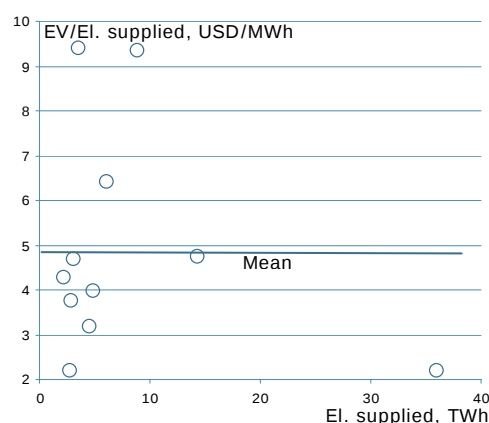
Additionally, as Poltavaoblenergo has a significant share of generation in its sales, we benchmark its generation subsidiary, Kremenchug CHPP, to Russian TGKs (companies operating heat and power plants).

We observe a negative scale effect in the valuation of Russian power distribution companies. Distributors with an electricity supply volume exceeding 15 TWh p.a. have lower multiples. For supply companies, the negative effect is not so visible.

Valuation of Russian energy companies: Distribution companies



Supply companies



Source: Company data, RTS, Bloomberg, Concorde Capital estimates

We see the closest Russian peers for Dniproenergo's distribution segment are the large companies Cheliabenergo and Sverdlovennergo, while the other Oblenergos are comparable to other peers from our survey.

Distribution business multiples:

Distribution company		El. transmitted, TWh	EV/El., USD/MWh
Peers for small distribution companies			
Dagenergo	DGEN	3.1	45.3
Kurskenergo	KUEN	5.2	26.9
Kostromaenergo	KOSG	2.5	31.3
Riazanenergo	RZEN	4.8	29.5
Rostovenergo	RTSE	12.2	35.5
Stavropolenergo	STRG	5.0	42.6
Penzaenergo	PNZE	3.7	32.8
Tambovennergo	TAEN	3.0	40.7
Tulaenergo	TLEN	6.3	34.3
Mean			35.4

Peers for DNON

Cheliabenergo	CHNG	22.5	21.8
Sverdlovennergo	SVER	36.4	16.1
Mean			18.9

Source: Company data, RTS, Bloomberg, Concorde Capital estimates

Our sum-of-the-parts (SOTP) valuation implies that Oblenergos trade at a premium to Russian electricity companies. We believe the premium is explained by their longer market history and synergies from vertical integration of their distribution and supply businesses.

Sum-of the parts valuation

	El. Supplied, TWh	El. Transm., TWh	El. Gener., TWh	Implied MCap, USD mln	Current MCap, USD mln	Premium to SOTP
Multiple						
USD / MWh	4.9	35.4 *	139.0			
CHEN	1.0	1.0	-	34	68	98%
CHEON	1.5	1.6	-	60	239	300%
CHON	1.8	2.1	-	75	n/a	n/m
DNON	27.3	31.7	-	650	1198	84%
DOON	8.8	11.1	-	227	203	-10%
HAON	4.9	5.1	-	184	487	165%
HMON	1.7	1.8	-	66	209	215%
HOEN	2.0	2.1	-	73	143	95%
KION	1.4	1.8	-	70	119	71%
KOEN	3.7	3.9	-	154	n/a	n/m
KREN	3.9	4.3	-	130	346	166%
LVON	3.5	3.6	-	142	427	201%
MYON	1.9	2.0	-	43	n/a	n/m
ODEN	4.8	5.0	-	103	n/a	n/m
POON	3.2	3.2	1.4	313	442	41%
PREN	1.9	2.0	-	81	150	86%
ROEN	2.0	2.4	-	99	n/a	n/m
SMEN	0.8	0.9	-	33	59	80%
SOEN	1.5	1.7	-	65	n/a	n/m
TOEN	1.0	1.0	-	40	104	162%
VIEN	1.8	2.0	-	53	139	164%
VOEN	1.1	1.1	-	46	115	151%
ZAON	10.2	12.2	-	449	664	48%
ZHEN	1.8	2.1	-	79	159	103%
ZOEN	1.5	1.6	0.0	60	125	107%

* For DNEN, the multiple is 18.9 (USD/MWh)

Source: Company data, RTS, PFTS, Bloomberg, Energobiznes, Concorde Capital estimates

Developed market peers

All Oblenergos trade at a premium to peers by EV/EBITDA and at discounts by EV/Electricity and EV/transformer capacity. EV/Sales is a mixed bag.

Peer multiples

	EV/S		EV/EBITDA		P/E		EV/EI suppl USD/MWh	EV/Capacity USD/VA
	2007	2008	2007	2008	2007	2008		
EMASZ	1.0	0.94	9.6	9.1	14.0	13.6	175	0.14
ELMU	1.1	1.06			16.9	16.3	170	0.15
Prazska Energetika	1.3	1.25	8.5	8.1	14.1	13.8	156	0.14
Horizon Energy	3.0*	3.4*	7.3	7.2	12.9	12.4	147	0.47*
Cegedel	2.0	1.73	6.7	6.2	12.4	12.2	204	0.16
Mean	1.4	1.2	8.0	7.6	14.0	13.6	170.3	0.15

* outliers

Source: Company data, Bloomberg, Concorde Capital estimates

Oblenergos: 2007 multiples and premiums/discounts to peers

	EV/S	Premium	EV/EBITDA	Premium	P/E	Premium	EV/EI	Premium	EV/Capacity	Premium
CHEN	1.30	-4%	33	318%	136	n/m	76	-55%	0.05	-66%
CHEON	2.39	77%	40	404%	114	n/m	158	-7%	0.08	-46%
DNON	0.81	-40%	32	299%	73	n/m	46	-73%	0.11	-23%
DOON	0.80	-41%	60	652%	neg	n/m	47	-72%	0.04	-76%
HAON	1.75	29%	24	195%	52	n/m	105	-38%	0.07	-55%
HMON	2.29	69%	32	301%	83	n/m	127	-25%	0.07	-54%
HOEN	1.27	-6%	18	121%	48	n/m	77	-55%	0.04	-72%
KION	1.40	3%	10	27%	29	105%	86	-49%	0.03	-77%
KREN	1.75	29%	27	239%	64	n/m	100	-42%	0.06	-57%
LVON	2.28	69%	20	150%	39	175%	123	-28%	0.09	-39%
POON	2.06	52%	16	99%	28	97%	141	-17%	0.11	-24%
PREN	1.26	-6%	19	131%	53	n/m	78	-54%	0.06	-63%
SMEN	1.13	-16%	13	64%	16	17%	73	-57%	0.07	-54%
TOEN	2.00	48%	25	216%	69	n/m	112	-34%	0.05	-66%
VLEN	1.58	17%	28	254%	72	n/m	93	-46%	0.04	-70%
VOEN	1.78	31%	21	156%	64	n/m	107	-37%	0.05	-65%
ZAON	1.08	-20%	44	453%	107	n/m	69	-60%	0.07	-49%
ZHEN	1.47	9%	14	75%	32	128%	90	-47%	0.05	-67%
ZOEN	1.56	15%	29	259%	96	n/m	84	-50%	0.05	-64%
Mean	1.58	17%	26.6	232%	65	340%	94	-45%	0.06	-57%

Source: Company data, Bloomberg, NERC, Energobiznes, Concorde Capital estimates

Applying discounts

We continue using our approach of ranking Oblenergos' operating and financial performance, and the regulatory environment in order to apply discounts that more accurately value them by international peers' EV/S and EV/Electricity. We updated our rating based on the scoring methodology described in our December 13, 2006 report.

Oblenergos' scoring

	Excess losses, 1H07		EBITDA 1H07		Payments, 1H07		100% NERC algorithm		Mean score	Previous score	Applied discount
CHEN	4%	0	7%	3	100%	4	no	4	2.8	3.0	n/m
CHEON	-2%	5	10%	4	100%	5	yes	5	4.8	4.5	0%
CHON	-2%	5	15%	5	103%	5	no	4	4.8	4.5	0%
DNON	0%	4	2%	2	100%	5	no	4	3.8	3.8	50%
DOON	4%	0	-3%	0	89%	2	no	4	1.5	2.3	n/m
HAON	-2%	5	7%	4	103%	5	no	4	4.5	4.5	0%
HMON	-1%	5	11%	4	104%	5	no	4	4.5	4.5	0%
HOEN	-2%	5	5%	3	98%	4	no	4	4.0	4.8	25%
KION	-4%	5	16%	5	100%	4	yes	5	4.8	4.8	0%
KOEN	-1%	5	17%	5	100%	5	yes	5	5.0	4.3	0%
KREN	0%	4	9%	4	99%	4	no	4	4.0	4.3	25%
LVON	-4%	5	10%	4	104%	5	yes	5	4.8	4.5	0%
MYON	3%	1	2%	2	100%	5	no	4	3.0	2.0	50%
ODEN	0%	3	6%	3	98%	4	no	4	3.5	3.3	50%
POON	-3%	5	16%	5	102%	4	yes	5	4.8	4.8	0%
PREN	-3%	5	12%	5	95%	4	yes	5	4.8	4.5	0%
ROEN	0%	4	15%	5	101%	5	yes	5	4.8	4.5	0%
SMEN	-2%	5	16%	5	100%	4	yes	5	4.8	5.0	0%
SOEN	-4%	5	14%	5	101%	5	yes	5	5.0	4.8	0%
TOEN	-1%	5	8%	4	102%	5	yes	5	4.8	4.5	0%
VLEN	-1%	5	5%	3	100%	5	no	4	4.3	3.8	25%
VOEN	-2%	5	8%	4	101%	5	no	4	4.5	4.3	0%
ZAON	0%	4	1%	2	101%	5	no	4	3.8	4.0	50%
ZHEN	-1%	5	10%	4	100%	5	yes	5	4.8	5.0	0%
ZOEN	-1%	5	4%	3	99%	4	no	4	4.0	3.5	25%

Source: Company data, Energobiznes, Concorde Capital research

We apply a 25% discount to EV/S and EV/Electricity for the companies scored between 4.0 and 4.5, a 50% discount to those scored between 3.0 and 4.0, and we disregard Oblenergos below 3.0 in our valuation.

We apply a 50% discount to all Oblenergos in valuations by EV/Capacity. We do not apply premiums/discounts to EV/EBITDA valuations.

Peer valuation summary

Implied upsides by international peers

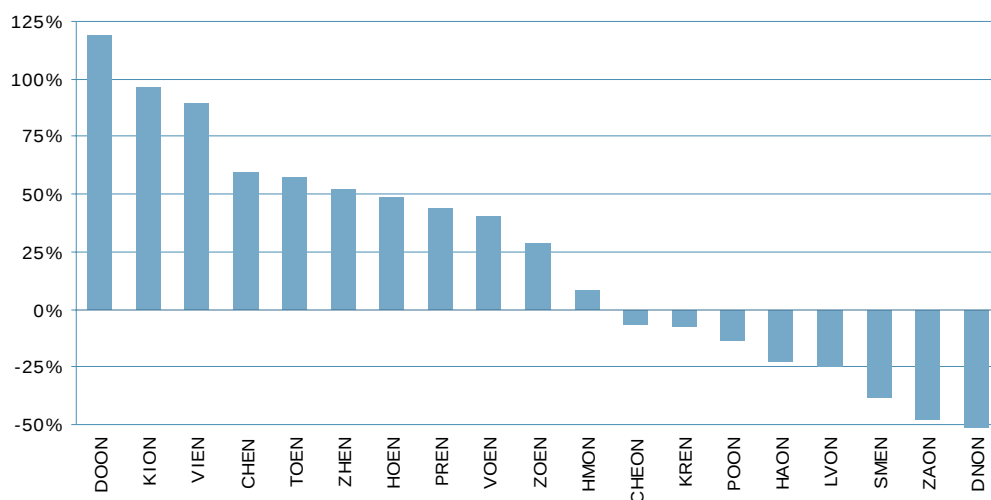
	EV/Sales	EV/Electricity	EV/Capacity	EV/EBITDA
CHEN	n/m	n/m	n/m	n/m
CHEON	-44%	8%	-7%	-82%
DNON	-17%	90%	-36%	-78%
DOON	n/m	n/m	n/m	n/m
HAON	-24%	65%	11%	-69%
HMON	-42%	35%	8%	-77%
HOEN	-22%	71%	84%	-59%
KION	-3%	424%	118%	-22%
KREN	-47%	32%	18%	-79%
LVON	-41%	39%	-18%	-61%
POON	-35%	21%	-34%	-50%
PREN	7%	118%	34%	-57%
SMEN	20%	140%	9%	-41%
TOEN	-33%	54%	47%	-70%
VLEN	-43%	45%	82%	-86%
VOEN	-24%	60%	45%	-61%
ZAON	-39%	25%	-1%	-86%
ZHEN	-9%	92%	55%	-44%
ZOEN	-36%	53%	42%	-75%

Source: Bloomberg, PFTS, Company data, Concorde Capital research

RAB as a benchmark

As we wrote in our report from December 13, 2006, RAB is a good instrument for approximating Oblenergo enterprise value.

RAB-based valuation: Implied upsides



Source: PFTS, NERC, Concorde Capital research

The implied MCaps from our RAB-based valuation show that the largest Oblenergos are over-priced by their asset base. Donetskoblenergo (DOON) has the highest implied upside, but we do not recommend investing in this stock due to high bankruptcy risks.

Valuation summary

In our refined approach to value Oblenergos, we analyze the parameters determining the companies' current and future profitability and liquidity.

EV/S and EV/Electricity discounted based on scoring: Both metrics determine the companies' size and approximate their market liquidity. Both approximate their current profits, but as our analysis shows, they are not the key profitability determinants. We believe both approximate Oblenergos' future profitability, but Electricity volume has a higher explanatory power than sales, which does not very well catch the expected convergence of electricity tariffs to the level in developed markets. Since the two metrics almost perfectly correlate with each other, we use only the Electricity volume to value Oblenergos by their developed peers.

Peers' EV/EBITDA as a measure of Oblenergos' current profitability and mid-term profits, but it does not provide the best approximation of long-term profits.

EV/Transformers' capacity: Fits well as an approximation of Oblenergos' size and current profitability. It is also the best parameter to gauge the future profitability of the companies, as it correlates well with the companies' asset base. Additionally, it describes the asset base better than the reported value of fixed assets due to the non-uniform approach of fixed asset accounting by Oblenergos.

RAB is the best measure of Oblenergos' mid to long-term profitability.

A guide to Oblenergo valuation

We rate each of the four selected determinants by their explanatory power of Oblenergos' market liquidity, short and mid-term earnings potential and mid to long-term earnings potential. We give a score of 2 for the parameter if it explains an Oblenergo's features well, 1 if it explains fairly and 0 if poorly. We aggregate the scores and apply to the selected valuation tool a weight proportional to an Oblenergo's scoring as an explanatory factor.

Explanatory power of multiples

	Size/liquidity	Short-term profit	Long-term profit	Score	% of total
Electricity 2007	High	High	Medium	5	25%
EBITDA 2007	Medium	High	Medium	4	20%
Capacity 2007	High	High	High	6	30%
RAB	Medium	High	High	5	25%

Source: Concorde Capital research

Valuation summary: Implied upsides

	EV/S*	EV/Electricity	EV/Capacity	EV/EBITDA	RAB	Upside	Rec.
Weight	0	26 %	32 %	21 %	21 %		
CHEON	-44%	8%	-7%	-82%	-7%	-18%	SELL
DNON	-17%	90%	-36%	-78%	-52%	-17%	SELL
HAON	-24%	65%	11%	-69%	-23%	0%	HOLD
HMON	-42%	35%	8%	-77%	8%	-2%	HOLD
HOEN	-22%	71%	84%	-59%	49%	43%	BUY
KION	-3%	424%	118%	-22%	96%	161%	BUY
KREN	-47%	32%	18%	-79%	-7%	-4%	HOLD
LVON	-41%	39%	-18%	-61%	-25%	-14%	HOLD
POON	-35%	21%	-34%	-50%	-13%	-18%	SELL
PREN	7%	118%	34%	-57%	44%	39%	BUY
SMEN	20%	140%	9%	-41%	-38%	20%	BUY
TOEN	-33%	54%	47%	-70%	57%	28%	BUY
VIEN	-43%	45%	82%	-86%	89%	41%	BUY
VOEN	-24%	60%	45%	-61%	40%	26%	BUY
ZAON	-39%	25%	-1%	-86%	-48%	-23%	SELL
ZHEN	-9%	92%	55%	-44%	52%	44%	BUY
ZOEN	-36%	53%	42%	-75%	28%	18%	BUY

* EV/S is not used to value Oblenergos

Source: Bloomberg, PFTS, Energobiznes, Concorde Capital research

In appendix 1 we provide valuation summary for de-listed Oblenergos.

Recommendations summary

Our new approach led to upgrades for seven stocks. We issued SELL recommendations for only a couple of the largest (most liquid) companies and two “conflict” Oblenergos. All Oblenergos with a preferential tariff policy received upgrades from SELL to BUY.

Recommendation changes

Re-iterations		Upgrades	Old	New	Downgrades	Old	New
DOON	N/R	HOEN	HOLD	BUY	HAON	BUY	HOLD
HMON	HOLD	VIEN	HOLD	BUY	POON	BUY	SELL
LVON	HOLD	KION	SELL	BUY	CHEON	BUY	SELL
PREN	BUY	VOEN	SELL	BUY	DNON	HOLD	SELL
TOEN	BUY	ZHEN	SELL	BUY	CHEN	HOLD	N/R
ZAON	SELL	SMEN	SELL	BUY			
ZOEN	BUY	KREN	SELL	HOLD			

Recommendations distribution changes

	NEW		OLD	
BUY	9	47%	6	32%
HOLD	4	21%	6	32%
SELL	4	21%	6	32%
N/R	2	11%	1	5%
Total	19		19	

Appendix 1:

Valuation summary for de-listed Oblenergos

Implied prices, USD

		EV / Electricity	EV / Capacity	EV / EBITDA	RAB	Implied price
Cherkasyoblenergo	CHON	2.0	1.8	0.6	1.6	1.6
Kyivoblenergo	KOEN	0.2	0.3	0.1	0.3	0.2
Mykolaivoblenergo	MYON	0.8	1.3	0.2	1.1	0.9
Odesaoblenergo	ODEN	1.5	1.5	1.1	1.3	1.3
Rivneoblenergo	ROEN	4.0	2.1	1.0	2.1	2.4
Sumyoblenergo	SOEN	1.4	1.4	0.4	1.3	1.2

Source: Bloomberg, Energobiznes, Concorde Capital research

Appendix 2: Peer summaries

Russian distribution and supply companies

Region	Distribution company	El. transm., TWh	EV/El., USD/MWh
Dagestan	DGEN	2.9	49.5
Cheliabinsk	CHNG	22.5	21.8
Kursk	KUEN	5.2	26.9
Kostroma	KOSG	2.5	31.3
Riazan	RZEN	3.8	37.3
Rostov	RTSE	12.2	35.5
Stavropol	STRG	5.0	42.6
Penza	PNZE	3.7	32.8
Sverdlovsk	SVER	36.4	16.1
Tambov	TAEN	3.0	40.7
Tula	TLEN	6.3	34.3
Mean			33.5

Source: Company data, RTS, Bloomberg, Concorde Capital estimates

Supply company	El. supplied, TWh	EV/El., USD/MWh
DASB	2.9	3.8
CLSB	14.3	4.7
KUSB	3.5	9.4
KTSB	2.2	4.3
RZSB	4.6	3.2
RTSB	8.9	9.3
STSB	4.9	4.0
PZSB	3.1	4.7
SVSB	36.0	2.2
TASB	2.8	2.2
TLSB	6.1	6.4
Mean		4.9

Russian CHPPs

	El. prod., TWh	MCap, USD mln	EV/El., USD/MWh
TGK2	6.5	1,118	187
TGK4	14.0	1,453	114
TGK5	10.7	1,599	151
TGK6	13.4	1,457	116
TGK8	11.3	1,568	138
TGK9	12.8	1,538	131
Mean			139
POON generation:	1.35		
Implied EV, USD mln		188	

Source: Company data, RTS, Bloomberg, Concorde Capital estimates

Developed market peers, USD mln

	MCap	Sales		EBITDA			Net income			El. supply	Capacity
		2007	2008	2007	Margin	2008	2007	Margin	2008	TWh	MVA
EMASZ	461	535	560	55	10%	58	32.9	6%	34	3.03	3,650
ELMU	1,187	1,155	1,208	n/a	n/a	n/a	70.1	6%	73	7.52	8,450
Prazska En.	922	673	700	103	15%	108	65.5	10%	67	5.62	6,300
Horizon Energy	70.7	29	29.6	14	47%	14	5.5	19%	5.7	0.6	188
Cegedel	1,051	472	483	132	28%	135	85	18%	86	4.65	6,080
Mean					25 %			12 %			

Source: Company data, Bloomberg, Concorde Capital estimates

Appendix 3:

Key operating data and forecasts

	Grid length km	Transformer capacity MVA	Sales, USD mln		EBITDA, USD mln		EBITDA margin		Net income, USD mln		Net margin	
			2007E	2008E	2007E	2008E	2007E	2008E	2007E	2008E	2007E	2008E
CHEN	16,876	1,463	57	65	2.2	3.2	4%	5%	0.5	1.1	1%	2%
CHEON	37,468	3,063	102	119	6.0	7.1	6%	6%	2.1	2.5	2%	2%
CHON	38,371	3,790	110	120	11.8	12.3	11%	10%	5.6	5.6	5%	5%
DNON	58,922	10,964	1540	1709	38.9	48.3	3%	3%	16.4	22.3	1%	1%
DOON	71,555	11,619	521	587	neg	neg	neg	neg	neg	neg	neg	neg
HAON	48,402	7,634	291	323	21.5	23.3	7%	7%	9.3	9.8	3%	3%
HMON	35,123	3,127	93	101	6.7	7.5	7%	7%	2.5	2.9	3%	3%
HOEN	29,446	3,731	122	132	8.8	9.3	7%	7%	3.0	3.0	2%	2%
KION	32,956	3,563	88	97	12.0	11.2	14%	12%	4.1	2.9	5%	3%
KOEN	45,814	5,296	234	261	22.3	19.1	10%	7%	12.4	9.2	5%	4%
KREN	36,246	6,071	222	246	14.3	16.8	6%	7%	5.4	6.8	2%	3%
LVON	39,763	4,801	189	193	21.5	21.6	11%	11%	11.0	11.0	6%	6%
MYON	29,344	3,361	104	110	3.1	4.4	3%	4%	0.4	1.3	0%	1%
ODEN	43,417	5,508	303	360	27.9	32.5	9%	9%	12.6	14.4	4%	4%
POON	44,444	3,994	217	241	28.0	30.6	13%	13%	16.0	17.4	7%	7%
PREN	25,987	2,747	120	133	8.2	9.5	7%	7%	2.8	3.5	2%	3%
ROEN	26,721	2,378	117	128	11.0	10.1	9%	8%	5.5	4.5	5%	4%
SMEN	2,159	904	54	60	4.7	4.5	9%	7%	3.6	3.4	7%	6%
SOEN	33,459	3,352	95	106	7.8	9.0	8%	9%	1.5	1.9	2%	2%
TOEN	23,937	2,099	53	57	4.2	4.5	8%	8%	1.5	1.6	3%	3%
VION	46,366	3,800	106	118	5.9	6.9	6%	6%	1.9	2.4	2%	2%
VOEN	25,051	2,243	64	72	5.6	6.1	9%	8%	1.8	1.9	3%	3%
ZAON	40,954	9,360	649	772	15.8	20.3	2%	3%	6.2	8.6	1%	1%
ZHEN	37,176	3,420	112	121	11.8	10.8	11%	9%	5.0	3.8	4%	3%
ZOEN	17,743	2,454	83	92	4.5	5.6	5%	6%	1.3	2.0	2%	2%

Source: company data, NERC, Concorde Capital forecasts

Appendix 4: Financial summary

Chernivtsioblenergo (CHEN: N/R)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	5.8	5.8	6.3	23.4	15.3	17.4	20.5	21.5	25.6
Gross profit	4.2	3.8	4.3	(2.3)	(1.9)	0.4	1.4	1.8	2.4
Margin	73%	66%	68%	-10%	-12%	2%	7%	8%	9%
EBITDA	3.2	(2.2)	0.5	(1.9)	(0.8)	2.9	1.1	1.6	1.7
Margin	55%	-38%	8%	-8%	-5%	17%	5%	7%	7%
Net income	2.7	(2.7)	0.1	(2.6)	(1.8)	2.0	0.1	0.0	0.2
Margin	47%	-46%	2%	-11%	-12%	11%	0%	0%	1%
Current assets	41.7	41.2	43.3	42.7	47.0	49.0	49.3	42.4	42.3
Receivables	37.0	36.3	38.0	38.6	41.7	44.2	43.8	37.7	37.6
Cash	0.9	2.3	2.5	0.5	0.9	0.2	0.7	1.0	0.7
Fixed assets	15.2	15.2	15.2	14.6	16.0	16.5	13.9	17.5	17.9
Total assets	56.9	56.3	58.5	57.3	63.0	65.5	63.2	59.9	60.2
Shareholder equity	12.6	10.1	10.2	7.2	6.2	7.7	5.4	5.7	6.4
Current liabilities	44.3	46.2	48.3	50.1	56.8	57.8	57.8	51.6	51.1
Payables	42.2	43.4	45.1	47.2	53.2	53.5	53.4	47.3	47.1
Long-term liabilities	-	-	-	-	-	-	0.3	2.6	2.6
Total Liabilities & Equity	56.9	56.3	58.5	57.3	63.0	65.5	63.2	59.9	60.2

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Chernihivoblenergo (CHEON: SELL)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	26.0	37.0	28.7	28.4	26.9	29.5	35.3	38.6	41.2
Gross profit	3.9	3.8	4.9	3.2	4.1	2.7	4.7	3.7	5.3
Margin	15%	10%	17%	11%	15%	9%	13%	10%	13%
EBITDA	3.5	2.3	2.9	2.7	3.3	1.6	3.5	2.7	3.9
Margin	13%	6%	10%	9%	12%	6%	10%	7%	9%
Net income	1.5	(1.5)	(0.2)	(0.7)	(0.1)	(1.9)	0.1	(0.5)	1.0
Margin	6%	-4%	-1%	-2%	0%	-6%	0%	-1%	3%
Current assets	15.7	8.2	8.1	8.0	5.7	4.6	4.9	5.6	5.5
Receivables	5.1	3.3	1.7	2.1	1.6	1.5	1.5	2.0	1.8
Cash	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Fixed assets	39.9	41.7	41.5	40.6	42.6	42.5	42.4	42.1	42.8
Total assets	55.6	49.9	49.6	48.6	48.3	47.1	47.3	47.7	48.2
Shareholder equity	33.9	32.5	32.3	31.7	33.2	31.4	31.4	31.0	31.7
Current liabilities	13.2	8.9	9.8	11.1	10.2	11.4	11.6	12.3	12.4
Payables	7.1	2.9	4.3	3.3	1.2	1.8	1.6	1.6	1.1
Long-term liabilities	8.5	7.9	8.5	5.3	4.5	4.3	4.3	4.2	4.1
Total Liabilities & Equity	55.6	49.9	49.6	48.6	48.3	47.1	47.3	47.7	48.2

Cherkasyoblenergo (CHON: N/R)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	11.0	11.5	11.7	46.1	29.7	39.0	43.7	41.3	46.9
Gross profit	6.0	5.2	5.9	6.5	5.9	5.7	9.4	7.3	8.6
Margin	55%	45%	50%	14%	20%	15%	21%	18%	18%
EBITDA	3.3	(1.1)	(1.8)	0.3	5.1	4.1	4.3	6.2	7.2
Margin	30%	-9%	-15%	1%	17%	11%	10%	15%	15%
Net income	0.1	(2.8)	(4.6)	(2.1)	2.4	1.2	0.4	2.7	4.0
Margin	1%	-25%	-39%	-5%	8%	3%	1%	7%	8%
Current assets	22.6	21.1	20.5	14.6	15.4	13.6	14.0	10.7	12.5
Receivables	15.3	14.1	13.6	9.4	9.6	8.4	8.0	6.2	6.7
Cash	1.1	1.3	1.1	1.0	1.2	1.5	1.2	1.0	0.8
Fixed assets	37.6	39.2	40.2	41.3	50.1	50.8	51.2	52.6	53.7
Total assets	60.2	60.3	60.7	55.9	65.4	64.4	65.2	63.2	66.2
Shareholder equity	16.9	14.2	9.7	7.6	16.5	17.0	16.9	19.4	23.7
Current liabilities	43.1	46.0	50.9	48.2	48.8	47.1	47.9	43.7	42.0
Payables	41.5	40.8	39.2	36.8	36.6	34.5	30.2	26.4	25.1
Long-term liabilities	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.1	0.5
Total Liabilities & Equity	60.2	60.3	60.7	55.9	65.4	64.4	65.2	63.2	66.2

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Dnipooblenergo (DNON: SELL)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	34.2	38.7	38.6	681.3	387.7	452.4	550.7	624.5	702.9
Gross profit	27.7	30.8	24.3	10.2	14.8	9.0	22.7	25.1	44.7
Margin	81%	80%	63%	1%	4%	2%	4%	4%	6%
EBITDA	2.8	6.2	3.0	3.9	11.3	3.8	14.0	12.3	13.0
Margin	8%	16%	8%	1%	3%	1%	3%	2%	2%
Net income	(2.3)	(9.0)	(2.2)	(14.0)	3.4	(5.2)	2.4	1.5	2.5
Margin	-7%	-23%	-6%	-2%	1%	-1%	0%	0%	0%
Current assets	337.2	348.4	336.7	329.3	356.1	351.8	355.7	311.9	324.1
Receivables	282.7	283.2	272.0	263.3	283.4	278.0	287.5	254.5	239.1
Cash	3.5	3.2	3.5	1.2	6.2	1.4	6.8	7.5	47.3
Fixed assets	105.3	105.6	114.7	114.8	119.5	125.6	128.3	131.6	136.1
Total assets	442.5	453.9	451.4	444.1	475.6	477.5	484.1	443.5	460.2
Shareholder equity	(6.5)	(15.3)	(17.5)	(31.4)	(30.2)	(37.8)	(35.7)	(36.8)	(34.4)
Current liabilities	449.0	460.5	462.3	469.7	499.7	509.5	514.1	476.2	489.7
Payables	430.7	439.0	440.0	442.9	474.0	476.3	475.9	427.3	428.0
Long-term liabilities	-	-	-	5.8	6.1	5.7	5.7	4.1	4.9
Total Liabilities & Equity	442.5	453.9	451.4	444.1	475.6	477.5	484.1	443.5	460.2

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Donetskoblenergo (DOON: N/R)

	1H03	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	155.8	(108.8)	26.2	242.7	147.4	161.6	189.5	202.5	235.3
Gross profit	(11.0)	28.6	11.4	(36.4)	(9.1)	(1.4)	(17.9)	(5.5)	21.7
Margin	-7%	-26%	43%	-15%	-6%	-1%	-9%	-3%	9%
EBITDA	(11.4)	(24.5)	(57.0)	(13.6)	(15.8)	(8.2)	(24.0)	(89.1)	(6.3)
Margin	-7%	23%	-218%	-6%	-11%	-5%	-13%	-44%	-3%
Net income	(15.3)	(28.1)	(61.5)	(19.0)	(20.0)	(13.2)	(28.7)	(93.8)	(11.6)
Margin	-10%	26%	-235%	-8%	-14%	-8%	-15%	-46%	-5%
Current assets	531.3	562.8	546.0	555.7	599.7	598.5	619.0	486.0	495.2
Receivables	480.3	507.6	489.2	504.3	543.7	544.4	564.5	433.7	430.9
Cash	1.3	0.7	0.8	1.0	2.6	2.5	2.1	0.8	11.3
Fixed assets	105.5	105.8	104.8	103.6	106.7	107.3	109.4	110.5	111.5
Total assets	636.8	668.6	650.8	659.3	706.4	705.8	728.4	596.5	606.8
Shareholder equity	(17.2)	(44.6)	(105.6)	(124.7)	(151.9)	(165.4)	(191.6)	(285.4)	(295.8)
Current liabilities	649.9	709.4	752.8	772.7	847.3	860.7	910.2	871.3	891.7
Payables	629.4	684.3	728.0	756.5	826.7	837.6	885.5	848.8	868.1
Long-term liabilities	3.9	3.7	4.0	10.9	10.6	10.2	9.5	10.3	10.9
Total Liabilities & Equity	636.8	668.6	650.8	659.3	706.4	705.8	728.4	596.5	606.8

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Kharkivoblenergo (HAON: HOLD)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	22.4	22.5	21.5	159.0	96.1	97.9	107.6	116.8	132.2
Gross profit	14.2	10.5	9.1	10.0	9.4	9.7	14.7	10.3	18.9
Margin	63%	47%	42%	6%	10%	10%	14%	9%	14%
EBITDA	1.2	(20.6)	1.5	(13.0)	6.1	8.1	13.0	7.8	9.7
Margin	5%	-92%	7%	-8%	6%	8%	12%	7%	7%
Net income	(15.9)	(20.9)	(4.1)	(16.0)	1.7	0.9	0.9	1.8	2.7
Margin	-71%	-93%	-19%	-10%	2%	1%	1%	2%	2%
Current assets	131.2	111.8	113.5	88.1	91.5	80.0	83.0	52.6	48.6
Receivables	114.1	94.8	90.2	69.0	75.5	68.0	67.7	35.9	30.6
Cash	1.9	1.3	2.3	3.5	2.6	2.0	5.2	6.7	6.6
Fixed assets	171.5	165.6	165.1	167.3	168.6	167.2	169.5	171.6	174.8
Total assets	302.7	277.4	278.6	255.5	260.1	247.2	252.5	224.2	223.4
Shareholder equity	146.8	116.2	113.9	73.8	78.8	81.2	81.5	83.5	87.2
Current liabilities	155.9	161.2	164.7	163.6	162.3	147.0	146.2	115.7	109.7
Payables	143.4	144.5	149.4	144.0	142.9	130.3	126.1	90.2	88.3
Long-term liabilities	0.0	-	0.0	18.2	19.0	19.0	24.6	25.6	26.5
Total Liabilities & Equity	302.7	277.4	278.6	255.5	260.1	247.2	252.5	224.2	223.4

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Khmel'nitskoblenergo (HMON: HOLD)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	22.4	24.3	25.0	26.3	27.6	32.2	34.1	39.0	42.4
Gross profit	3.0	3.7	3.3	3.9	4.2	5.3	6.1	5.5	7.5
Margin	13%	15%	13%	15%	15%	16%	18%	14%	18%
EBITDA	2.0	1.4	1.7	1.7	1.6	3.6	4.1	3.9	4.7
Margin	9%	6%	7%	6%	6%	11%	12%	10%	11%
Net income	0.4	(0.3)	0.1	0.0	0.9	0.6	1.3	0.2	1.2
Margin	2%	-1%	0%	0%	3%	2%	4%	1%	3%
Current assets	24.9	23.0	22.9	21.5	21.9	20.2	20.8	17.2	18.4
Receivables	19.0	17.6	17.1	16.1	16.0	15.2	15.0	12.4	11.6
Cash	0.6	0.4	0.8	0.4	0.8	0.2	1.1	0.2	0.7
Fixed assets	35.6	37.3	40.5	66.2	69.1	68.6	68.0	69.0	67.6
Total assets	60.5	60.3	63.4	87.7	91.0	88.8	88.8	86.2	86.0
Shareholder equity	27.2	26.8	29.9	54.8	57.1	55.4	55.7	56.2	57.1
Current liabilities	33.4	33.5	33.5	32.9	33.9	33.5	33.1	30.0	28.2
Payables	29.3	29.5	28.9	28.8	29.5	28.4	27.4	23.2	21.9
Long-term liabilities	0.0	-	0.0	-	-	-	-	-	0.7
Total Liabilities & Equity	60.5	60.3	63.4	87.7	91.0	88.8	88.8	86.2	86.0

Khersonoblenergo (HOEN: BUY)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	31.8	39.9	35.5	36.8	36.0	41.2	42.4	52.6	57.6
Gross profit	7.5	8.6	6.4	4.9	5.3	6.3	7.7	4.7	7.4
Margin	23%	22%	18%	13%	15%	15%	18%	9%	13%
EBITDA	(0.1)	3.7	4.2	2.5	4.0	5.1	6.2	(2.0)	2.9
Margin	0%	9%	12%	7%	11%	12%	14%	-4%	5%
Net income	(2.3)	0.8	(1.1)	(0.7)	0.7	0.4	2.7	(5.8)	0.0
Margin	-7%	2%	-3%	-2%	2%	1%	6%	-11%	0%
Current assets	79.1	80.2	82.1	84.0	87.0	83.8	89.3	77.6	76.4
Receivables	64.6	64.6	68.7	68.9	73.0	70.7	72.6	64.3	62.0
Cash	1.1	0.9	0.7	1.2	1.5	3.1	3.9	0.4	0.9
Fixed assets	59.0	60.1	56.5	54.5	56.0	56.0	54.9	54.8	53.9
Total assets	138.1	140.4	138.6	138.6	143.0	139.8	144.2	132.4	130.3
Shareholder equity	34.1	34.8	33.7	32.4	34.8	35.8	38.5	36.2	36.1
Current liabilities	51.9	66.0	77.9	66.3	93.2	88.9	95.1	13.9	13.6
Payables	7.6	9.7	11.5	13.0	9.7	7.4	5.4	7.8	6.8
Long-term liabilities	45.9	33.2	46.1	14.4	15.1	1.2	14.7	81.1	80.6
Total Liabilities & Equity	138.1	140.4	138.6	138.6	143.0	139.8	144.2	132.4	130.3

Kirovogradoblenergo (KION: BUY)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06
Sales	27.9	31.0	31.8	25.4	27.9	29.6	34.8	32.1
Gross profit	4.6	4.7	4.9	4.0	7.0	5.9	9.5	4.0
Margin	16%	15%	15%	16%	25%	20%	27%	13%
EBITDA	4.1	5.1	5.3	2.9	6.5	2.8	6.9	7.6
Margin	15%	16%	17%	11%	23%	9%	20%	24%
Net income	(2.5)	1.0	(0.6)	(0.9)	0.2	0.3	2.6	0.6
Margin	-9%	3%	-2%	-4%	1%	1%	7%	2%
Current assets	23.9	20.6	21.6	18.7	19.4	14.2	16.0	12.9
Receivables	12.1	11.1	12.1	11.9	11.0	8.5	8.1	5.6
Cash	2.7	2.1	1.6	0.4	0.3	1.4	0.3	2.1
Fixed assets	83.7	82.9	80.1	80.8	81.9	76.8	78.2	78.8
Total assets	107.6	103.5	101.8	99.5	101.3	91.0	94.2	91.6
Shareholder equity	78.9	79.9	79.4	78.7	82.7	75.0	77.6	77.6
Current liabilities	10.3	8.6	12.5	16.4	13.9	14.1	14.3	8.1
Payables	4.7	1.7	5.5	9.2	5.2	2.4	3.1	2.3
Long-term liabilities	21.2	10.2	21.3	4.5	4.7	2.2	6.0	5.0
Total Liabilities & Equity	107.6	103.5	101.8	99.5	101.3	91.0	94.2	91.6

Krymenergo (KREN: HOLD)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	50.0	52.6	60.6	58.8	64.0	71.5	79.0	90.6	99.8
Gross profit	0.5	1.5	12.6	8.2	10.8	3.2	12.5	16.8	16.1
Margin	1%	3%	21%	14%	17%	4%	16%	18%	16%
EBITDA	(1.7)	(1.0)	2.8	2.3	6.7	2.4	4.8	8.1	8.6
Margin	-3%	-2%	5%	4%	10%	3%	6%	9%	9%
Net income	(3.6)	(5.3)	0.2	(7.5)	1.3	(0.1)	0.6	0.8	0.8
Margin	-7%	-10%	0%	-13%	2%	0%	1%	1%	1%
Current assets	126.6	125.7	130.9	135.6	143.9	147.7	148.3	146.5	150.1
Receivables	105.5	104.3	109.6	112.3	125.1	128.0	131.0	129.9	133.3
Cash	1.0	0.4	0.7	0.3	0.5	0.3	1.2	0.8	1.0
Fixed assets	61.0	61.6	62.3	99.9	104.6	102.4	103.1	104.7	102.7
Total assets	187.6	187.3	193.2	235.5	248.5	250.1	251.4	251.1	252.8
Shareholder equity	(9.9)	(15.1)	(19.3)	17.7	19.6	19.2	19.5	20.6	21.4
Current liabilities	197.5	200.6	210.7	216.2	227.3	229.9	230.9	227.1	227.0
Payables	190.8	194.4	203.4	208.3	219.5	221.2	220.1	212.9	212.2
Long-term liabilities	-	1.8	-	1.6	1.7	0.9	0.9	3.5	4.5
Total Liabilities & Equity	187.6	187.3	193.2	235.5	248.5	250.1	251.4	251.1	252.8

Lvivoblenergo (LVON: HOLD)

	1H03*	2H03*	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	15.3	89.6	58.4	56.1	64.6	68.5	79.4	76.9	90.9
Gross profit	9.7	1.7	9.5	6.3	10.8	6.4	13.6	5.9	11.8
Margin	63%	2%	16%	11%	17%	9%	17%	8%	13%
EBITDA	7.2	2.8	9.2	4.7	6.0	5.1	6.7	13.9	9.1
Margin	47%	3%	16%	8%	9%	7%	8%	18%	10%
Net income	3.3	(1.2)	5.2	0.4	0.3	(0.5)	0.6	5.6	3.5
Margin	22%	-1%	9%	1%	1%	-1%	1%	7%	4%
Current assets	44.2	33.2	36.0	33.3	25.7	21.6	18.3	13.0	-
Receivables	29.6	23.8	23.7	20.0	14.8	13.7	8.3	6.9	-
Cash	0.9	0.6	1.3	0.4	1.2	0.5	1.2	0.5	-
Fixed assets	65.3	66.8	66.4	67.7	72.8	74.2	75.8	77.1	96.6
Total assets	109.5	100.0	102.4	101.0	98.6	95.8	94.1	90.1	96.6
Shareholder equity	40.7	39.6	44.9	46.5	47.7	47.3	48.2	54.4	57.4
Current liabilities	68.8	55.8	39.7	38.6	34.1	32.8	29.5	19.0	22.7
Payables	46.5	32.2	31.8	29.0	23.6	22.2	17.6	5.2	5.9
Long-term liabilities	-	4.6	-	15.5	16.3	16.1	16.5	16.7	16.6
Total Liabilities & Equity	109.5	100.0	102.4	101.0	98.6	95.8	94.1	90.1	96.6

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Mykolaivoblenergo (MYON: N/R)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	9.6	9.0	9.0	54.6	34.6	33.8	39.4	43.4	52.1
Gross profit	5.6	3.8	3.9	(9.4)	(0.9)	(3.6)	(1.7)	0.2	4.0
Margin	59%	42%	44%	-17%	-3%	-11%	-4%	0%	8%
EBITDA	(0.3)	(8.2)	(4.2)	(6.7)	(1.7)	(4.5)	(2.4)	(0.6)	1.0
Margin	-3%	-91%	-47%	-12%	-5%	-13%	-6%	-1%	2%
Net income	(1.8)	(9.3)	(10.1)	(11.8)	(5.5)	(3.8)	(3.4)	(1.0)	-0.1
Margin	-19%	-103%	-113%	-22%	-16%	-11%	-9%	-2%	0%
Current assets	51.2	38.7	40.8	38.1	41.9	41.8	42.3	39.1	39.0
Receivables	43.5	29.5	31.5	29.0	33.3	33.0	33.8	31.6	29.6
Cash	0.9	0.5	0.5	0.1	0.3	0.3	0.5	0.2	0.8
Fixed assets	33.1	32.1	53.1	48.1	46.7	48.1	47.6	48.4	49.3
Total assets	84.3	70.7	93.9	86.2	88.6	89.9	89.9	87.5	88.3
Shareholder equity	(3.6)	(22.0)	(4.0)	(16.1)	(22.7)	(26.1)	(29.3)	(30.1)	(31.1)
Current liabilities	86.0	90.0	96.5	100.1	108.6	107.8	111.0	102.6	103.5
Payables	80.6	85.8	91.1	95.4	104.7	103.0	105.4	96.0	95.7
Long-term liabilities	1.9	2.7	1.9	2.8	1.5	8.2	7.1	15.3	15.9
Total Liabilities & Equity	84.3	70.7	93.9	86.2	88.6	89.9	89.9	87.5	88.3

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Odesaoblenergo (ODEN: N/R)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	65.6	66.2	71.9	74.9	77.5	85.1	99.8	115.8	136.3
Gross profit	(0.3)	(0.2)	1.1	4.5	4.5	6.3	6.7	6.0	15.1
Margin	0%	0%	2%	6%	6%	7%	7%	5%	11%
EBITDA	(3.8)	(47.3)	0.1	(1.6)	1.0	2.7	4.3	7.3	7.9
Margin	-6%	-71%	0%	-2%	1%	3%	4%	6%	6%
Net income	(6.5)	(50.5)	(3.9)	(23.9)	(8.1)	4.7	0.0	0.8	0.0
Margin	-10%	-76%	-5%	-32%	-10%	6%	0%	1%	0%
Current assets	115.4	41.6	44.5	50.7	59.8	65.1	70.2	68.7	65.6
Receivables	89.2	22.8	27.3	24.7	27.9	26.0	29.3	31.6	26.9
Cash	2.8	3.1	0.7	4.4	3.8	4.8	4.9	0.6	3.3
Fixed assets	73.5	87.8	87.0	170.2	175.7	178.6	181.1	186.7	212.1
Total assets	189.0	129.4	131.5	220.9	235.5	243.7	251.3	255.5	277.7
Shareholder equity	(23.3)	(61.1)	(64.4)	3.5	0.1	10.0	12.3	13.5	13.3
Current liabilities	201.2	176.9	182.3	170.6	224.8	220.2	228.1	95.0	117.7
Payables	196.0	170.9	173.4	160.5	211.1	207.8	212.4	50.6	50.2
Long-term liabilities	11.0	13.6	11.0	10.2	10.7	13.2	160.3	145.8	146.7
Total Liabilities & Equity	189.0	129.4	131.5	220.9	235.5	243.7	251.3	255.5	277.7

Poltavaoblenergo (POON: SELL)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	58.2	67.0	81.3	69.5	72.8	73.8	82.1	83.6	97.3
Gross profit	12.2	5.1	15.9	5.2	15.1	10.1	15.3	13.2	18.8
Margin	21%	8%	20%	7%	21%	14%	19%	16%	19%
EBITDA	10.8	(8.9)	8.4	1.5	12.6	6.7	11.9	9.9	15.9
Margin	19%	-13%	10%	2%	17%	9%	14%	12%	16%
Net income	3.6	(18.2)	(0.1)	(5.2)	3.0	(1.9)	3.5	(2.6)	7.8
Margin	6%	-27%	0%	-7%	4%	-3%	4%	-3%	8%
Current assets	50.3	26.7	27.5	27.0	20.7	18.3	23.5	32.8	42.4
Receivables	18.9	5.7	5.6	4.5	4.7	3.8	5.1	6.8	5.7
Cash	2.8	1.6	1.9	3.5	2.4	2.5	2.2	6.7	10.0
Fixed assets	103.9	103.1	97.9	98.8	101.2	103.3	102.8	101.1	100.8
Total assets	154.2	129.9	125.4	125.7	121.9	121.7	126.3	133.9	143.2
Shareholder equity	104.7	86.0	86.3	82.2	89.6	87.8	91.5	89.1	95.7
Current liabilities	37.2	31.6	30.8	35.2	24.8	26.3	18.7	25.7	30.4
Payables	17.7	10.3	8.2	14.4	1.5	0.9	3.1	2.9	4.9
Long-term liabilities	12.3	11.2	12.4	7.2	7.5	9.1	19.1	18.5	17.1
Total Liabilities & Equity	154.2	129.9	125.4	125.7	121.9	121.7	126.3	133.9	143.2

Prykarpatoblenergo (PREN: BUY)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	28.5	28.3	36.5	38.3	39.9	40.6	46.9	45.5	50.7
Gross profit	3.7	3.5	4.9	2.8	5.5	3.4	7.1	5.4	9.4
Margin	13%	12%	13%	7%	14%	8%	15%	12%	19%
EBITDA	1.8	1.7	10.6	1.1	3.4	2.5	4.3	3.5	6.2
Margin	6%	6%	29%	3%	8%	6%	9%	8%	12%
Net income	0.0	(0.4)	8.4	(5.0)	0.4	(0.4)	0.7	(0.1)	2.1
Margin	0%	-1%	23%	-13%	1%	-1%	2%	0%	4%
Current assets	24.9	26.5	36.1	18.5	15.1	14.0	15.4	15.2	15.2
Receivables	11.1	10.8	9.9	6.8	7.2	7.0	6.4	6.3	5.5
Cash	0.5	0.8	0.9	0.6	0.8	0.5	0.4	0.7	1.8
Fixed assets	42.5	41.4	40.5	39.1	41.0	41.9	42.1	42.8	43.4
Total assets	67.4	67.9	76.7	57.6	56.1	56.0	57.5	58.0	58.6
Shareholder equity	31.1	30.8	39.4	34.7	36.6	36.5	37.4	37.5	39.6
Current liabilities	21.6	22.4	26.7	13.2	10.4	11.1	11.5	11.8	10.8
Payables	19.3	19.6	11.7	5.5	0.6	0.4	0.3	0.5	0.7
Long-term liabilities	14.7	9.2	14.8	9.3	8.8	8.5	8.7	8.2	8.2
Total Liabilities & Equity	67.4	67.9	76.7	57.6	56.1	56.0	57.5	58.0	58.6

Sumyoblenergo (SOEN: N/R)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	27.2	34.1	31.2	29.9	32.1	32.2	36.0	36.7	42.8
Gross profit	5.3	2.6	5.0	3.8	5.7	3.6	6.5	3.9	7.7
Margin	20%	8%	16%	13%	18%	11%	18%	10%	18%
EBITDA	4.5	1.2	1.9	4.3	4.9	2.3	5.0	2.2	6.1
Margin	16%	4%	6%	14%	15%	7%	14%	6%	14%
Net income	1.3	(1.2)	(1.3)	1.4	(0.4)	(1.7)	1.4	(1.3)	2.1
Margin	5%	-4%	-4%	5%	-1%	-5%	4%	-4%	5%
Current assets	24.6	16.2	13.8	15.6	13.1	12.3	12.2	9.5	11.0
Receivables	6.4	4.8	2.6	4.7	4.3	4.5	3.8	3.4	3.2
Cash	1.3	0.3	0.9	0.7	1.3	0.7	0.7	0.7	1.4
Fixed assets	72.1	71.5	70.1	70.1	71.5	70.4	69.3	71.1	70.3
Total assets	96.6	87.7	83.9	85.7	84.6	82.7	81.5	80.6	81.3
Shareholder equity	66.6	65.5	64.3	66.0	68.8	67.5	68.9	67.7	69.8
Current liabilities	24.0	20.6	18.0	17.3	14.0	13.5	10.9	11.2	9.6
Payables	11.6	9.7	9.1	10.4	6.7	5.8	4.5	3.9	3.6
Long-term liabilities	-	1.5	6.1	2.0	1.6	1.7	1.7	1.7	1.9
Total Liabilities & Equity	96.6	87.7	83.9	85.7	84.6	82.7	81.5	80.6	81.3

Sevastopolenergo (SMEN: BUY)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	13.2	13.1	15.2	15.1	n/a	34.2	20.8	21.2	26.8
Gross profit	2.9	1.7	3.3	1.9	n/a	5.6	4.4	2.7	4.2
Margin	22%	13%	21%	12%	n/a	17%	21%	13%	16%
EBITDA	2.9	1.7	3.0	1.6	n/a	5.2	4.3	2.6	4.4
Margin	22%	13%	20%	11%	n/a	15%	21%	12%	16%
Net income	1.9	1.0	2.0	0.8	n/a	3.0	2.7	1.3	2.2
Margin	14%	8%	14%	5%	n/a	9%	13%	6%	8%
Current assets	13.3	12.0	14.4	12.9	n/a	11.9	15.6	12.0	n/a
Receivables	9.1	8.1	8.9	9.1	n/a	9.3	10.0	4.2	n/a
Cash	0.6	1.4	1.8	1.2	n/a	0.5	0.5	0.7	n/a
Fixed assets	6.1	6.6	6.4	6.5	n/a	7.8	8.4	11.8	n/a
Total assets	19.4	18.6	20.8	19.4	n/a	19.7	24.0	23.9	25.7
Shareholder equity	6.0	6.0	8.2	8.7	n/a	11.6	11.6	12.7	10.6
Current liabilities	3.6	11.9	11.9	10.0	n/a	6.6	9.4	6.6	11.5
Payables	1.7	9.9	9.5	6.9	n/a	2.4	3.8	0.5	0.9
Long-term liabilities	10.7	0.7	10.8	0.5	n/a	2.8	4.6	3.6	3.6
Total Liabilities & Equity	19.4	18.6	20.8	19.4	n/a	19.7	24.0	23.9	25.7

Ternopiloblenergo (TOEN: BUY)

	1H03*	2H03*	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	4.7	7.2	15.7	15.6	16.2	18.7	20.4	22.0	24.5
Gross profit	2.9	2.9	2.8	3.1	3.1	3.6	4.2	1.7	4.2
Margin	61%	40%	18%	20%	19%	19%	21%	8%	17%
EBITDA	1.4	7.5	(1.0)	1.9	0.8	2.4	2.0	2.9	2.4
Margin	30%	105%	-7%	12%	5%	13%	10%	13%	10%
Net income	0.0	3.2	(3.5)	1.5	(0.8)	0.4	0.3	0.5	-0.2
Margin	1%	45%	-22%	10%	-5%	2%	2%	2%	-1%
Current assets	18.1	23.3	19.1	12.6	9.0	8.9	7.8	7.0	6.7
Receivables	14.4	12.1	8.6	7.6	6.5	6.9	5.6	4.8	3.6
Cash	0.4	0.5	0.5	0.3	0.4	0.4	0.4	0.5	0.5
Fixed assets	24.7	25.1	25.2	24.8	25.8	26.1	26.9	26.7	27.1
Total assets	42.8	48.4	44.2	37.3	34.8	35.0	34.7	33.8	33.8
Shareholder equity	11.3	14.5	11.0	14.3	14.3	14.7	15.2	15.9	17.0
Current liabilities	29.8	29.4	29.9	22.4	19.9	19.6	18.8	17.2	16.2
Payables	28.4	18.6	27.7	19.9	17.2	16.3	15.3	5.8	5.6
Long-term liabilities	1.8	4.2	1.8	0.6	0.6	0.7	0.7	0.7	0.7
Total Liabilities & Equity	42.8	48.4	44.2	37.3	34.8	35.0	34.7	33.8	33.8

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Vinnitsaoblenergo (VIEN: BUY)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	12.0	11.6	12.4	50.9	30.3	33.9	39.0	41.6	45.7
Gross profit	7.6	6.1	6.7	(1.1)	2.3	3.3	4.6	5.2	6.6
Margin	63%	52%	54%	-2%	8%	10%	12%	12%	14%
EBITDA	(0.2)	(1.4)	0.1	3.6	1.4	3.4	2.4	2.9	2.4
Margin	-2%	-12%	1%	7%	5%	10%	6%	7%	5%
Net income	(3.2)	(4.4)	(1.9)	1.9	(0.4)	1.1	0.2	0.5	0.9
Margin	-26%	-38%	-15%	4%	-1%	3%	1%	1%	2%
Current assets	35.4	33.6	34.2	33.8	36.4	36.4	35.3	31.0	31.2
Receivables	28.8	26.7	26.7	26.7	28.0	27.8	26.2	22.5	21.6
Cash	0.4	0.4	0.9	0.3	0.6	0.8	0.9	0.5	1.0
Fixed assets	44.2	43.2	41.9	41.8	43.4	44.8	45.5	51.2	51.0
Total assets	79.6	76.8	76.1	75.6	79.9	81.2	80.8	82.2	82.3
Shareholder equity	0.0	(5.8)	(7.6)	(6.2)	(5.7)	(4.1)	(4.1)	0.5	1.2
Current liabilities	79.4	82.4	83.6	81.8	85.6	85.3	84.9	81.7	81.1
Payables	76.0	79.1	80.4	78.9	83.1	82.5	81.9	77.8	77.4
Long-term liabilities	0.2	0.1	0.2	0.0	0.0	0.0	0.0	-	-
Total Liabilities & Equity	79.6	76.8	76.1	75.6	79.9	81.2	80.8	82.2	82.3

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Volynoblenergo (VOEN: BUY)

	1H03*	2H03*	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	4.4	4.7	4.9	28.7	18.3	20.3	23.4	25.3	29.3
Gross profit	2.5	2.7	2.5	1.8	2.0	1.8	3.7	3.3	4.3
Margin	58%	57%	50%	6%	11%	9%	16%	13%	15%
EBITDA	0.1	0.7	1.4	1.3	1.2	1.4	1.8	1.5	2.3
Margin	3%	14%	29%	5%	6%	7%	7%	6%	8%
Net income	(0.9)	0.4	0.5	0.1	0.1	0.4	0.4	0.1	0.8
Margin	-20%	8%	10%	0%	0%	2%	2%	1%	3%
Current assets	10.0	9.7	10.1	9.1	9.9	9.2	10.3	9.4	8.5
Receivables	7.3	7.0	7.1	6.3	7.0	6.7	6.5	5.7	5.0
Cash	0.9	1.0	1.2	1.1	1.0	0.7	1.2	1.5	1.3
Fixed assets	16.0	16.5	16.3	16.1	16.9	17.3	17.6	19.4	20.2
Total assets	26.0	26.2	26.4	25.2	26.9	26.5	27.8	28.8	28.7
Shareholder equity	11.7	12.4	12.9	13.0	13.5	13.7	12.1	13.4	14.2
Current liabilities	14.3	13.8	13.5	12.2	13.4	12.9	15.7	15.4	14.2
Payables	13.5	13.0	12.3	11.3	11.7	10.6	10.5	9.8	9.7
Long-term liabilities	-	-	-	-	-	-	-	-	0.3
Total Liabilities & Equity	26.0	26.2	26.4	25.2	26.9	26.5	27.8	28.8	28.7

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

Zaporizhiaoblenergo (ZAON: SELL)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	126.1	137.7	131.3	144.2	162.2	186.6	219.4	242.6	268.5
Gross profit	0.9	9.1	6.5	7.9	5.1	8.8	10.2	5.8	11.4
Margin	1%	7%	5%	5%	3%	5%	5%	2%	4%
EBITDA	0.0	1.0	5.1	0.1	6.2	6.5	10.9	4.4	2.7
Margin	0%	1%	4%	0%	4%	4%	5%	2%	1%
Net income	(2.4)	(0.6)	2.2	(1.8)	1.4	2.2	2.7	(3.9)	1.5
Margin	-2%	0%	2%	-1%	1%	1%	1%	-2%	1%
Current assets	145.8	137.1	142.2	127.9	122.0	102.7	105.7	96.2	89.3
Receivables	93.3	93.1	94.1	91.5	81.2	73.2	76.6	72.5	63.4
Cash	9.0	3.7	1.8	2.0	8.4	1.4	0.5	0.6	1.1
Fixed assets	71.7	74.4	75.9	67.2	68.5	74.6	76.9	77.3	81.6
Total assets	217.6	211.6	218.1	195.0	190.6	177.3	182.7	173.5	170.9
Shareholder equity	30.9	30.0	31.8	16.5	18.3	21.7	22.9	19.4	21.1
Current liabilities	186.6	181.6	186.2	178.5	172.3	155.6	159.7	150.6	146.1
Payables	172.6	177.0	178.2	172.6	164.7	148.8	136.6	142.4	139.1
Long-term liabilities	0.0	0.0	0.0	-	-	-	-	1.7	3.7
Total Liabilities & Equity	217.6	211.6	218.1	195.0	190.6	177.3	182.7	173.5	170.9

Zhytomyroblenergo (ZHEN: BUY)

	1H03	2H03	1H04	2H04	1H05	2H05	1H06	2H06	1H07
Sales	28.0	28.3	29.8	30.4	33.2	37.9	43.4	44.1	51.0
Gross profit	7.1	4.7	5.2	5.6	6.1	6.1	8.1	5.6	7.4
Margin	25%	17%	18%	18%	18%	16%	19%	13%	14%
EBITDA	8.0	2.1	5.1	4.6	5.6	3.0	7.1	5.4	5.0
Margin	29%	8%	17%	15%	17%	8%	16%	12%	10%
Net income	4.9	(0.6)	2.6	1.2	2.7	(0.3)	3.4	0.7	1.7
Margin	18%	-2%	9%	4%	8%	-1%	8%	2%	3%
Current assets	21.8	14.8	16.3	21.7	13.3	10.4	15.8	10.7	5.8
Receivables	11.1	8.1	9.0	8.6	9.5	6.4	7.7	2.1	1.3
Cash	3.4	1.9	1.7	4.0	0.9	0.8	1.0	0.9	1.4
Fixed assets	36.1	39.6	40.0	40.7	45.0	46.2	48.0	55.4	185.9
Total assets	57.9	54.4	56.3	62.4	58.3	56.6	63.8	66.1	191.7
Shareholder equity	41.1	40.9	43.6	44.4	49.2	48.4	51.8	50.3	182.3
Current liabilities	16.9	13.5	12.7	15.2	9.1	4.6	8.7	7.7	5.9
Payables	11.6	9.3	10.0	7.6	5.5	0.4	0.0	-	1.5
Long-term liabilities	-	-	-	-	0.5	3.5	3.2	3.3	3.5
Total Liabilities & Equity	57.9	54.4	56.3	62.4	58.3	56.6	63.8	66.1	191.7

Zakarpatooblenergo (ZOEN: BUY)

	1H03	2H03	1H04*	2H04*	1H05	2H05	1H06	2H06	1H07
Sales	20.0	20.3	8.0	37.3	26.4	27.3	31.8	31.8	37.5
Gross profit	2.3	1.6	4.7	(1.6)	2.2	3.0	4.1	2.7	4.1
Margin	12%	8%	58%	-4%	8%	11%	13%	8%	11%
EBITDA	2.0	0.7	1.4	0.8	1.5	2.1	2.0	1.7	1.6
Margin	10%	3%	17%	2%	6%	8%	6%	5%	4%
Net income	0.8	(0.5)	0.0	(0.5)	0.2	0.3	0.4	0.1	0.2
Margin	4%	-2%	0%	-1%	1%	1%	1%	0%	1%
Current assets	41.0	43.5	48.7	51.9	59.8	58.6	60.6	52.7	52.6
Receivables	37.7	40.7	45.3	48.8	55.1	55.6	57.3	49.8	48.6
Cash	0.2	0.0	0.1	0.1	1.0	0.1	0.1	0.1	0.2
Fixed assets	35.6	35.4	35.3	35.3	37.5	38.6	38.4	38.6	38.4
Total assets	76.7	78.9	83.9	87.2	97.3	97.2	99.1	91.3	90.9
Shareholder equity	28.8	28.3	28.5	28.2	29.8	29.9	30.2	30.2	30.3
Current liabilities	47.9	50.6	55.4	59.0	67.4	67.3	68.8	61.1	60.6
Payables	43.9	47.0	51.5	56.0	63.4	63.6	64.5	56.8	56.8
Long-term liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities & Equity	76.7	78.9	83.9	87.2	97.3	97.2	99.1	91.3	90.9

* Due to a state experiment with revenues accounting, sales (and margins) data for this period is not relevant

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Sector report history

Date	Name	Type	Pages
Aug. 21, 2007	Oblenergos: RAB Me!	Update	41
May. 29, 2007	Electricity sector: Privatization plans look promising	Note	6
Dec. 26, 2006	Energy Companies' EGMs: Baker's dozen for the NC ECU	Note	3
Dec. 13, 2006	Oblenergos: A Whole New World	Update	55
Oct. 19, 2006	Energy Sector: Questions Raised by Recent Events	Note	3
Feb. 10, 2006	Cold Weather Brings Interest in Oblenergos to a Boil	Note	2
Jan. 25, 2006	CEZ to Enter the Ukrainian Electricity Market?	Note	2
Jan. 25, 2006	The Gas Crisis: Good for Electricity Companies?	Note	2
Dec. 15, 2005	Oblenergo Profits: Everything You Need to Know	Update	65
Sep. 15, 2005	Oblenergos: Awakening	Update	48
Feb. 28, 2005	Oblenergos: Sleeping Beauties?	Initiating coverage	63

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