

UKRAINE
Base Metals

Andriy Gostik
ag@con-cap.com

Eugene Cherviachenko
ec@con-cap.com

+380 44 206 8370



CONCORDE CAPITAL

Ukrainian Coke Industry

Fact Book And Valuations

September 23, 2005

Investment Summary

		Current price, USD	Target, USD	Upside	Recommendation
AVDK UZ	Avdiyivka Coke	3.56	6.74	89%	BUY
ALKZ UZ	Alchevsk Coke	0.28	0.55	98%	BUY
DKOK UZ	Donetsk Coke	0.30	0.80	166%	BUY
MCHI UZ	Markokhim	1.49	1.95	31%	SPECULATIVE BUY
YASK UZ	Yasinovsky Coke	0.36	0.73	106%	BUY
ZACO UZ	ZaporozhCoke	1.57	3.55	126%	BUY

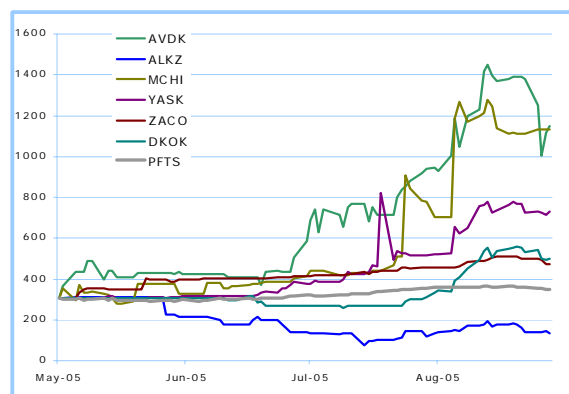
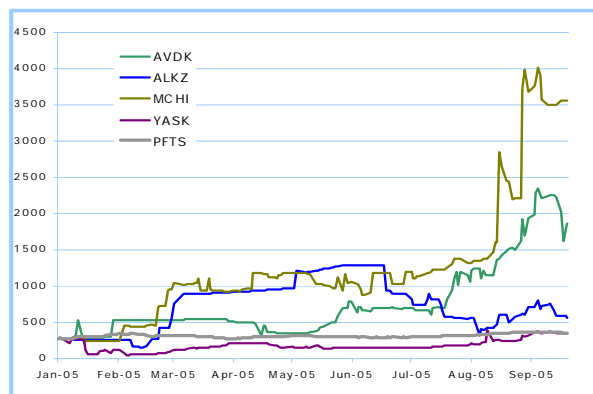
Valuations are based on peer comparison (Slide 5)

Coke Stocks Universe

Bloomberg Tickers	ALKZ UZ	AVDK UZ	MCHI UZ	DKOK UZ	ZACO UZ	YASK UZ
Current Price, USD	0.28	3.56	1.49	0.30	1.57	0.36
Current MCap, USD mln	58.7	689.2	239.4	74.7	187.8	97.4
Free Float	5.1%	15.0%	4.7%	7.6%	7.6%	9.7%

Shareholder Structure:

IUD	94.8%	SCM	59.1%	SCM	95.3%	SCM	79.4%	SCM	51.0%	Energo	55.8%
Other	5.2%	Invest. & Rozvytok	25.0%	Other	4.7%	MMKI	13.0%	ZPST	41.4%	Invest. & Rozvytok	30.8%
		Other	9.7%			Other	7.6%	Other	7.6%	Other	13.4%



Coke prices largely determine operating margins of steel smelters, especially with global steel prices falling ->

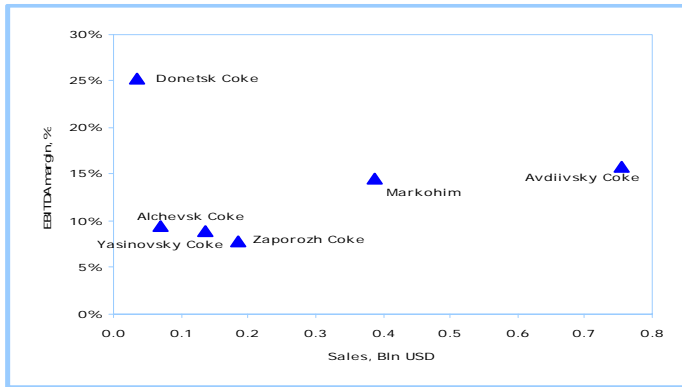
Takeover targets. MMKI already bids for Yasinovsky and Bagleycoke

Coke producers in Ukraine remain not integrated with steel mills. The first merger will be MCHI + AZST

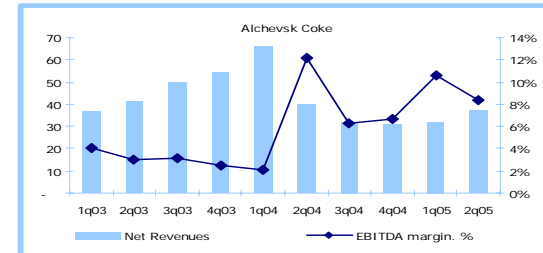
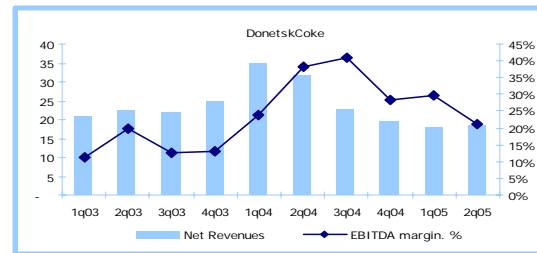
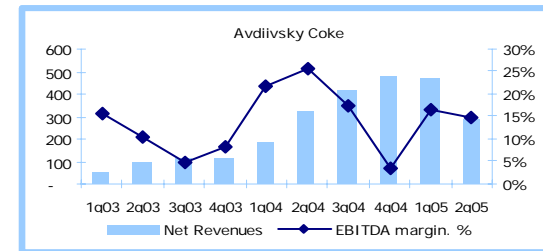
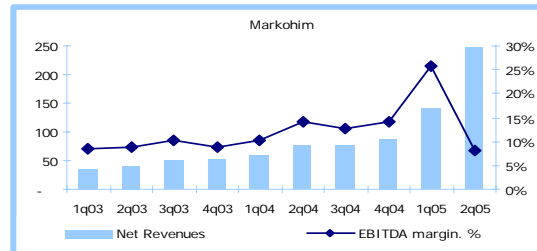
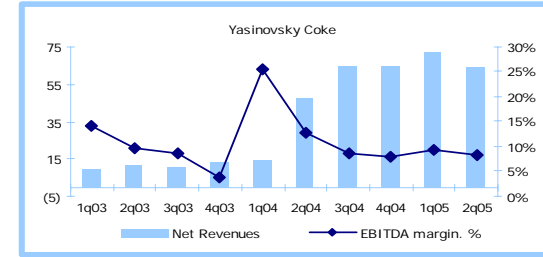
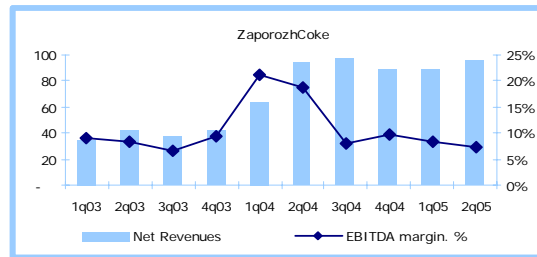
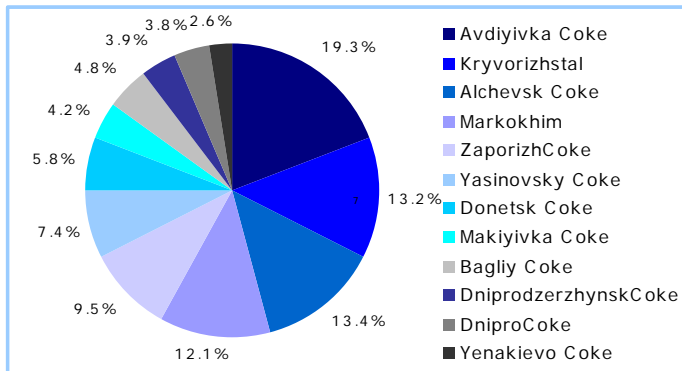
Free float available. Skupka process provides opportunity of high returns due to early entrance to the market

Transfer pricing not as widespread as with steel mills and most GOKs

Cokes: Mapping the industry



Ukraine's Coke Output



Income Statement, USD mn

	Alchevsk Coke			Avdiivka Coke			Markokhim			Donetsk Coke			ZaporizhCoke			Yasinivsk Coke		
	2003	2004	1H05	2003	2004	1H05	2003	2004	1H05	2003	2004	1H05	2003	2004	1H05	2003	2004	1H05
Net Revenues	182	168	69	376	1 399	756	178	302	387	90	109	36	155	344	185	45	192	136
Cost Of Sales	(165)	(141)	(58)	(329)	(1 098)	(624)	(155)	(257)	(326)	(74)	(68)	(25)	(133)	(284)	(166)	(33)	(164)	(119)
Gross Profit	16	27	11	47	301	132	23	45	61	16	41	12	22	60	18	12	28	16
EBITDA	6	10	7	33	210	119	16	39	56	13	35	9	13	48	15	4	20	12
EBITDA margin, %	3%	6%	9%	9%	15%	16%	9%	13%	14%	14%	32%	25%	8%	14%	8%	9%	11%	9%
EBIT	2	7	5	16	194	110	12	35	54	11	34	8	10	45	13	0	17	10
EBIT margin, %	1%	4%	7%	4%	14%	15%	7%	12%	14%	12%	31%	23%	7%	13%	7%	1%	9%	7%
PBT	2	6	3	11	239	110	13	35	52	11	34	8	9	45	13	(0)	16	10
Net Income	1	4	2	1	189	82	9	26	39	8	24	5	6	33	9	(1)	12	7
Net Margin, %	0%	2%	3%	0%	13%	11%	5%	9%	10%	9%	22%	15%	4%	10%	5%	-3%	6%	5%

Peer Comparison

Peer Multiples

	MCap USD mln	EV/S		EV/EBITDA		P/E		Company	Sales, USD mln	% of steel export
		2003	2004	2003	2004	2003	2004			
Ukraine										
Avdiyivka Coke	689.2	1.8	0.8	20.6	5.5	545.1	3.7	Avdiyivka Coke	1398.6	27%
Alchevsk Coke	58.7	0.3	0.3	10.5	5.7	72.2	16.3	Markokhim	301.9	18%
Donetsk Coke	74.7	0.8	0.7	5.6	2.1	9.3	3.1	Alchevsk Coke	168.4	49%
Markokhim	239.4	1.3	0.8	14.7	6.4	26.0	9.2	Donetsk Coke	108.9	42%
Yasinovsky Coke	97.4	2.4	0.5	27.4	4.8	-72.3	8.4			
ZaporizhCoke	187.8	1.2	0.5	14.5	3.8	33.9	5.6			
Group average		1.3	0.6	15.5	4.7	137.3	7.7			
Group median		1.3	0.6	14.6	5.1	29.9	7.0			
China										
Taiyuan Coal Gasification Co	251.9	2.0	1.2	14.6	5.9	29.9	12.7			
Heilongjiang Heihua Co	132.0	2.6	1.6	11.2	11.7	29.0	42.1			
Taiyuan Chemical Inds Co Ltd	159.9	2.0	1.2	18.9	12.6	42.6	27.3			
Shanxi Coking Co Ltd	174.1	1.5	1.0	7.8	4.9	15.1	7.3			
Shanxi Antai Group Co Ltd	267.4	3.0	1.8	16.7	8.1	31.8	11.3			
Group average		2.2	1.4	13.8	8.6	29.7	20.2			
Group median		2.0	1.2	14.6	8.1	29.9	12.7			

Take into account that Ukrainian coking companies are exposed to steel market as well, selling steel products by business groups they belong to

Peer Fundamentals, USD mln

	Sales		EBITDA		Net Income		Sales growth	EBITDA mgn, %		Net mgn, %		ROE
	2003	2004	2003	2004	2003	2004	03/04	2003	2004	2003	2004	2004
Ukraine												
Avdiyivka Coke	376.5	1398.6	33.4	210.5	1.3	188.7	271%	9%	15%	0%	13%	51%
Alchevsk Coke	181.5	168.0	5.7	10.2	0.8	3.6	-7%	3%	6%	0%	2%	6%
Donetsk Coke	89.9	108.9	12.8	35.3	8.0	24.3	21%	14%	32%	9%	22%	42%
Markokhim	178.4	302.1	16.4	39.4	9.2	26.1	69%	9%	13%	5%	9%	32%
Yasinovsky Coke	44.5	191.7	3.8	20.5	-1.3	11.6	331%	9%	11%	-3%	6%	25%
ZaporizhCoke	155.1	344.0	12.9	47.9	5.5	33.5	122%	8%	14%	4%	10%	78%
Group average							163%	9%	15%	4%	10%	39%
Group median							96%	9%	13%	2%	9%	37%
China												
Taiyuan Coal Gasification Co	136.0	203.9	18.6	43.0	8.4	19.8	50%	14%	21%	6%	10%	13%
Heilongjiang Heihua Co	77.6	120.1	17.8	16.5	4.7	3.3	55%	23%	14%	6%	3%	3%
Taiyuan Chemical Inds Co Ltd	102.2	158.8	10.6	15.1	3.8	5.9	55%	10%	10%	4%	4%	5%
Shanxi Coking Co Ltd	173.4	242.9	34.1	46.9	11.5	23.8	40%	20%	19%	7%	10%	22%
Shanxi Antai Group Co Ltd	117.7	219.5	21.2	47.5	8.6	24.2	87%	18%	22%	7%	11%	25%
Group average							57%	17%	22%	6%	7%	14%
Group median							55%	18%	19%	6%	10%	13%

Concorde Capital

Concorde Capital
72 Chervonoarmiyska St.
2nd entry, 6th floor
Kiev 03150, UKRAINE

CEO
Igor Mazepa

Chief Operating Officer
John David Suggitt

Director, International Equity Sales
Peter Bobrinsky

Equity Sales
Marina Martirosyan
Lucas Romriell
Alexis Stenbock-Fermor

Director of Research
Konstantin Fisun, CFA

Utilities (Telecoms, Energy)
Alexander Paraschiy

Oil & Gas, Pipes, Metals
Andriy Gostik

Machine Building, Chemicals
Olga Pankiv

Banking & Macroeconomics
Alexander Viktorov

Assistant Analyst
Eugene Cherviachenko

Tel +380 44 206 8370
Fax: +380 44 206 8366
www.concorde.com.ua
office@con-cap.com

im@con-cap.com

js@con-cap.com

pb@con-cap.com

mm@con-cap.com
lr@con-cap.com
asf@con-cap.com

kf@con-cap.com

ap@con-cap.com

ag@con-cap.com

op@con-cap.com

av@con-cap.com

ec@con-cap.com

