



CONCORDE CAPITAL

# Ukraine / Steel Alchevsk Iron & Steel

New Facilities Come On Stream

November 27, 2007

Current Price: USD 0.08  
12M Target: USD 0.11

**BUY**

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Bloomberg ALMK UZ

**Market information**

No of Shares, mln*	25 775
Market Price, USD	0.08
52Wk H/L, USD	0.09/0.04
MCap, USD mln	2 139.4
Free float	5%
Free float, USD	107.0

\* Based on diluted number of shares; number of shares after additional share issue. Subscription took place in two stages: (1) July 16 to August 3, 2007 which was open to shareholders with pre-emptive rights (the ex-rights date was July 16), and (2) from August 4, 2007 to June 25, 2008 on a first-come first-serve basis. Shareholders approved plans for the additional share issue at their April 17 AGM.

**Corporate governance**

Concorde Rating\*\* P

\*\* 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**

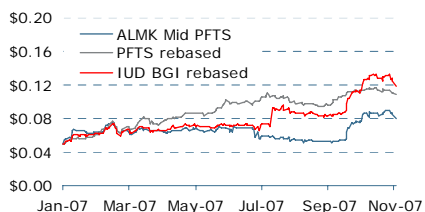
IUD	95.0%
Other	5.0%

**Ratios 2007E**

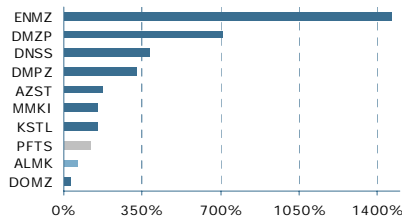
EBITDA Margin	14.5%
Net Margin	6.0%
Net Debt/ Equity	0.6

- According to Interfax, a new 3 mln mt steel converter came on stream at Alchevsk Iron & Steel today, in line with our expectations (see our note of Nov. 1);
- Along with the news, IUD confirmed its previous plans to launch another 3 mln mt steel converter in 2Q08, after which the mill's capacity will more than double to 9 mln mt, meeting our previous forecasts;
- This news reassures us of our forecasts for 2008: rolled steel production of 5.1 mln mt; sales of USD 2.4 bln; EBITDA margin of 15%; and net margin of 6%;
- We reiterate a 12M target price of USD 0.11 per share (33% upside).

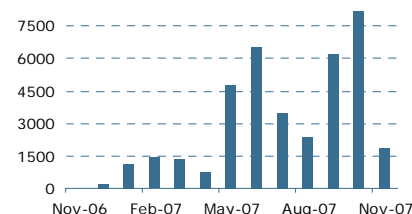
Stock performance, 12M\*



Sector performance, YTD



PFTS Trading Volumes, USD ths



Source: PFTS, Bloomberg; \* Indices rebased to ALMK's price

**Key financials, USD mln**

	Sales		EBITDA mgn		Net mgn	
	True	Reported	True	Reported	True	Reported
2006	-	1 223	-	11%	-	4%
2007E	1 695	1 540	27%	15%	13%	6%
2008E	2 760	2 412	25%	15%	13%	6%

UAH/USD Spot exchange rate is 5.05

	EV/S		EV/EBITDA		P/E	
	True	Reported	True	Reported	True	Reported
2006	-	2.0	-	18.4	-	43.7
2007E	1.6	1.8	6.0	13.2	10.1	28.9
2008E	1.0	1.1	4.0	7.8	6.2	14.8

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# Appendix: Disclosures

## Analyst Certification

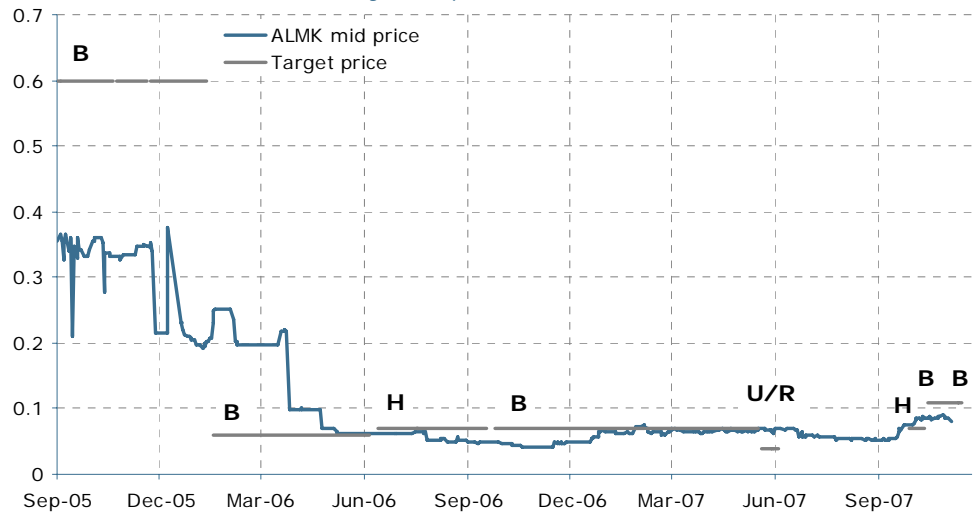
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### Alchevsk Iron & Steel

Date	12M target price, USD	Market price, USD	Recommendation	Action
23-Sep-05	0.60	0.38	BUY	Initiating
15-Nov-05	0.60	0.32	BUY	Maintain
14-Dec-05	0.60	0.35	BUY	Maintain
8-Feb-06	0.06	0.03	BUY	Maintain
30-Jun-06	0.07	0.10	HOLD	Downgrade
11-Oct-06	0.07	0.05	BUY	Upgrade
28-Feb-07	0.07	0.04	BUY	Maintain
9-Jun-07	0.04	0.04	BUY	Maintain
27-Jun-07	U/R	0.07	U/R	U/R
19-Oct-07	0.07	0.08	HOLD	Downgrade
01-Nov-07	0.11	0.08	BUY	Upgrade
27-Nov-07	0.11	0.08	BUY	Maintain

\* Until March 2007 the company was covered by Andriy Gostik, who now focuses on another sector. In April 2007, Eugene Cherviachenko took over coverage.

ALMK recommendation history, USD per share



## Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations.

Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

### Concorde Rating Universe

Buy	37	44%
Hold	29	35%
Sell	7	8%
Under Review/Suspended	11	13%
<b>Total</b>	<b>84</b>	<b>100%</b>

### Investment Banking Clients

Buy	9	82%
Hold	2	18%
Sell	0	0%
Under Review/Suspended	0	0%
<b>Total</b>	<b>11</b>	<b>100%</b>

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