



CONCORDE CAPITAL

Ukraine / Steel

Azovstal

Notes from AGM

October 27, 2008

Current price: USD 0.15
12M Target: U/R

BUY

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At their AGM last Saturday, Azovstal shareholders approved a USD 263.3 mln dividend payout, 36% of 2007 net income and 50% of 2006 net income. Dividends will be paid from December 15, 2008 to October 24, 2011. Ex-dividend date is December 15, 2008. This dividend payment implies a 39% dividend yield to today's mid-market price (UAH 0.31 dividend per share). Our notes from the meeting:

Tickers

Bloomberg AZST UZ

Market information

Market price, USD	0.15
MCap, USD mln	631.6
52Wk Hi/Lo, USD	1.23/0.15
No of shares, mln	4,204.0
Free float	2.3%
Free float, USD mln	14.5

- Azovstal CEO Dmytro Livshyts said that despite current industry trends, the company is not changing its strategic development plan (targeting 8 mln mt of steel annually by 2018, from 6.3 mln mt in 2007). Only short-term plans will be revised: the company now will focus on manufacturing more value-added products (rolled flat and long steel) and optimize costs
- According to Livshyts, Azovstal recently signed an agreement with Austrian Voestalpine to construct two additional blast furnaces, #7 and #8, in 2009-2010, which will have a total capacity of 2.8 mln mt of annual pig iron production (equal to 51% of the company's 2007 production)

Corporate Governance

Concorde Rating* AA

* 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.

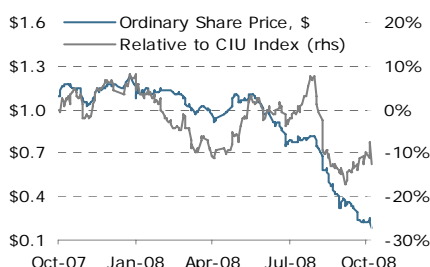
Shareholders

Metinvest	97.7%
Other	2.3%

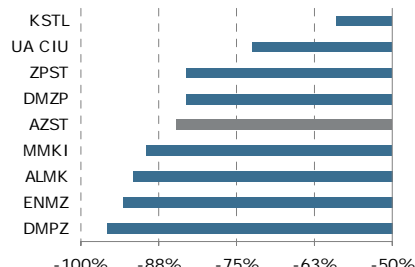
Ratios 2008E

EBITDA margin	20.5%
Net margin	12.0%

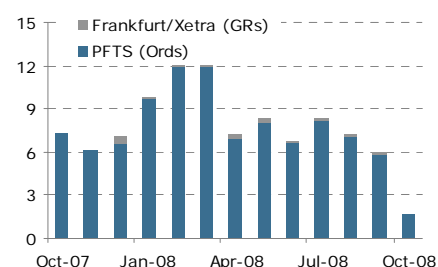
Stock performance, 12M



Sector performance, YTD



Trading volumes, USD mln



Note: The Concorde Investable Universe Index (UA CIU) is free float weighted and includes the 57 most liquid Ukrainian stocks listed on the PFTS, London, Warsaw and Frankfurt stock exchanges. Source: PFTS, FSE, Bloomberg, Concorde Capital

Key financials & ratios, USD mln

	Revenue	EBITDA	Net income	EV/S	EV/EBITDA	P/E
2007	3,243	595	420	0.2	1.3	1.5
2008E	4,724	969	567	0.2	0.8	1.1
2009E	5,209	1,042	599	0.2	0.8	1.1

NBU official exchange rate: 5.22 UAH/USD as of October 27

FLASH NOTE

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Appendix - Disclosures

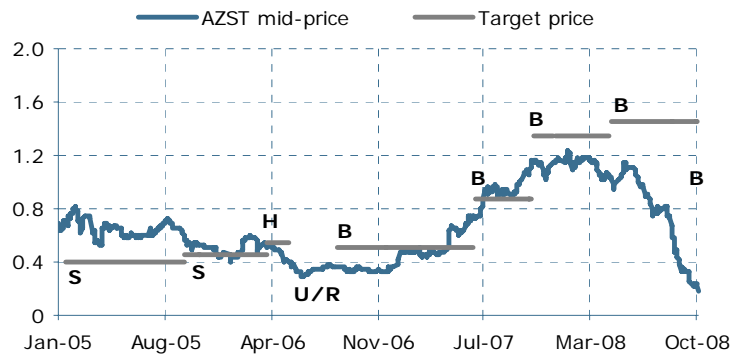
Analyst certification

We, Andriy Gerus and Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

AZST ratings history

Date	12M target price, USD	Market price, USD	Rating	Action
04-Jan-05	0.40	0.55	SELL	Initiating
23-Sep-05	0.45	0.65	SELL	Maintain
22-Mar-06	0.55	0.59	HOLD	Upgrade
05-May-06	U/R	0.47	U/R	Suspend
18-Aug-06	0.51	0.47	BUY	Upgrade
14-Jun-07	0.87	0.72	BUY	Maintain
19-Oct-07	1.35	1.09	BUY	Maintain
05-Dec-07	1.35	1.07	BUY	Maintain
04-Apr-07	1.45	0.97	BUY	Maintain
13-Oct-08	U/R	0.22	BUY	Maintain
27-Oct-08	U/R	0.15	BUY	Maintain

AZST target price 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 Capital ratings distribution

Buy	90	74%
Hold	18	15%
Sell	7	6%
Under Review	7	6%
Total	122	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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