

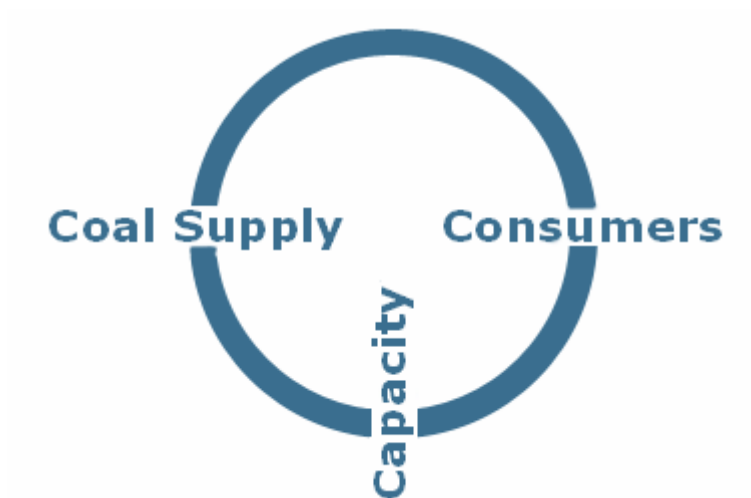
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Ukrainian Coke

3C Focus:



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Summary

Company	Bloomberg
Avdiyivka Coke	AVDK UZ
Alchevsk Coke	ALKZ UZ
ZaporizhCoke	ZACO UZ
Yasynivsky Coke	YASK UZ
Donetsk Coke	DKOK UZ
Bagliy Coke	BKOK UZ

	Price USD	12M TP USD	Upside	Rec.
AVDK	3.91	6.20	59%	BUY
ALKZ	0.23	0.23	0%	HOLD
YASK	1.38	1.60	16%	HOLD
ZACO	2.17	1.78	-18%	SELL
BKOK	0.11	N/R		
DKOK	0.12	N/R		

	# of sh., mln	MCap, USD mln	Free Float %	Free Float USD mln
AVDK	193.6	757.0	3.2%	24.2
ALKZ	3,012.0	677.7	2.0%	13.6
YASK	283.6	391.4	9.0%	35.2
ZACO	119.0	258.2	7.2%	18.6
BKOK	686.2	72.1	6.0%	4.3
DKOK	249.1	30.8	7.7%	2.4

Ukrainian coke makers ramped up output 6.9% yoy in 10M07 on soaring global demand for steel. The market rewarded coke stocks with 173% YTD growth. While we see demand for coke rising at 7-8% annually in 2008-2009, only manufacturers with secured coal supply and free capacity will be able to expand production. We recommend investing in Avdiyivka Coke, the company best fitting this profile. With limited upsides, we assign HOLD to Alchevsk and Yasynivsky. ZaporizhCoke, at the short end of the input and capacity stick, is rated SELL.

Global steel boom & Chinese coke export restrictions load capacities

Demand for coke continued to increase from domestic steel producers who utilize soaring demand for steel on the global markets. Export deliveries also unexpectedly recovered (up 38% yoy in 9M07) after the Chinese government raised its export duty from 5 to 15% in June, making Ukrainian products more price competitive. All in all, Ukrainian coke output climbed 6.9% yoy in 10M07. Most of the growth is coming from producers linked to growing steel smelters. The stronger the consumer, the greater the potential for further expansion. In terms of demand, we order the sector: Avdiyivka, Alchevsk, Yasynivsky, ZaporizhCoke, Bagliy, Donetsk Coke.

Access to coal becoming the second & crucial competitive advantage

The sharply widening coal deficit in Ukraine in 2H07 (after accidents at large Russian mines earlier this year) resulted in a more than 50% jump in the spot coal and coke prices, giving local producers with ensured input supplies, such as Yasynivsky and Avdiyivka, market power.

Free capacity – competitive factor #3

After double-digit boosts in output in 10M07 at Alchevsk and Yasynivsky Coke, their high capacity utilization (88% and 96% respectively) will limit further growth. Both companies are in need of investment (and a year to launch each new coke battery) before they can step up output. Despite relatively low utilization at ZaporizhCoke (67%), two of its four batteries have already overshot their service lives and will fully exhaust useful exploitation in 2008, restricting production in 2008-2009. Avdiyivka Coke, with 53% utilization, remains the only producer capable of lifting output, and it is well supplied with coal to do so.

Stock recommendations mixed

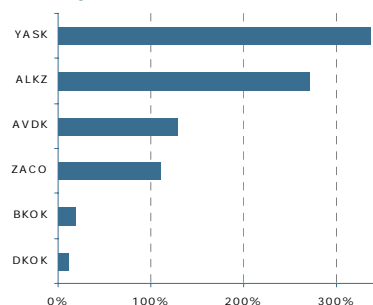
Strong market momentum carried Ukrainian coke makers to the top of the Metals & Mining rally; the coke index surged 37% mom, and 173% YTD, despite last week's correction. Liquidity in the sector improved dramatically over the last year, with spreads shrinking from 10-50% to 1-10%, and volumes augmenting from a modest aggregate USD 0.3 mln in Oct. 2006 to almost USD 17 mln in Oct. 2007. We still see upside in Avdiyivka Coke (+59%), while recommend selling ZaporizhCoke (downside -18%). We discontinue coverage of Bagliy and Donetsk Coke due to the mounting sustainability risk of their operations.

Ukrainian Coke index**, PFTS



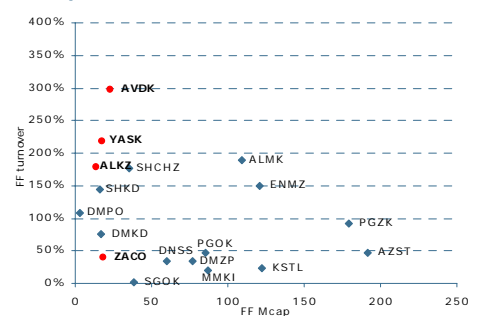
* PFTS mid prices. Prices as of Nov. 14

Stock performance*, YTD



** Includes AVDK, ALKZ, ZACO, YASK

MCap (\$ mln) vs 6M free float turnover



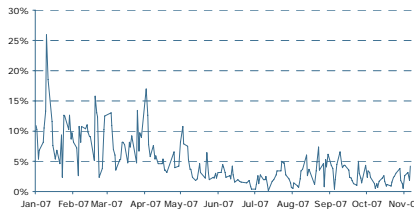
Stock market monitor

Avdiiyvka Coke

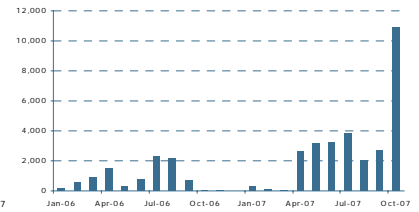
Price, USD



Spread, %



Trading volumes, ths mln

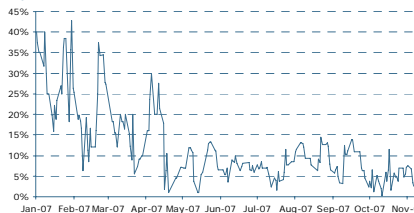


Alchevsk Coke

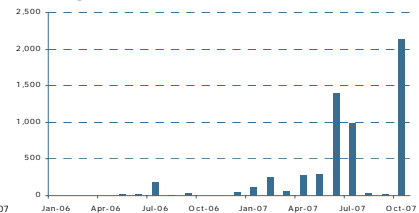
Price, USD



Spread, %



Trading volumes, ths mln

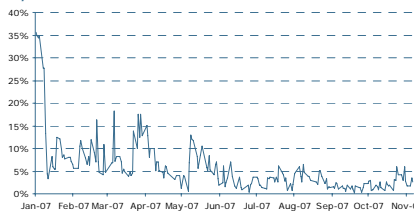


Yasynivsky Coke

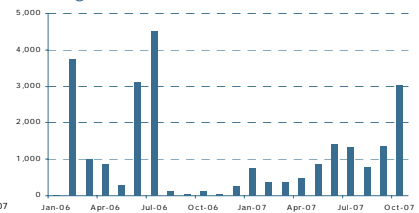
Price, USD



Spread, %



Trading volumes, ths mln

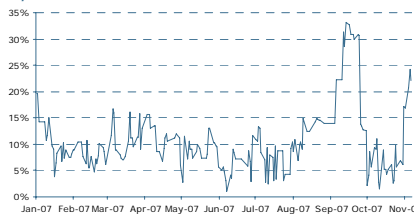


ZaporizhCoke

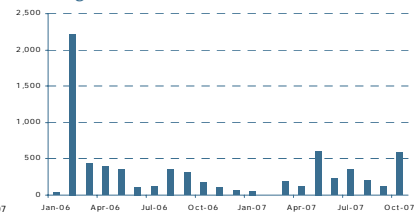
Price, USD



Spread, %

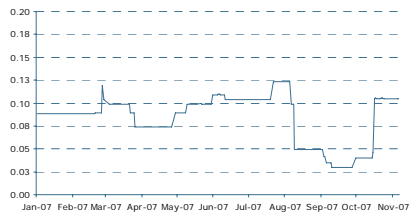


Trading volumes, ths mln

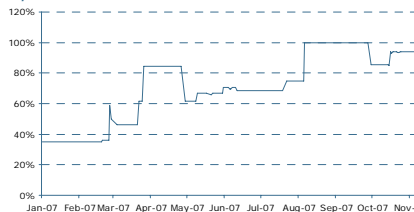


Bagliy Coke

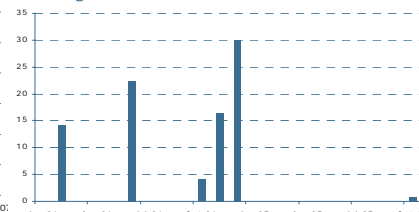
Price, USD



Spread, %

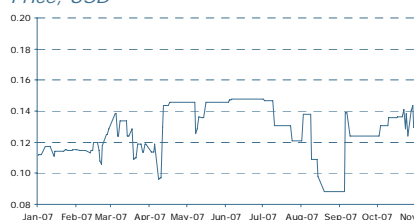


Trading volumes, ths mln

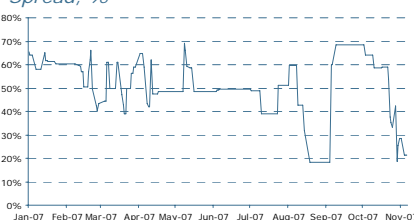


Donetsk Coke

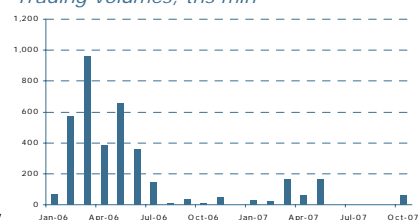
Price, USD



Spread, %



Trading volumes, ths mln



Investment Opportunities

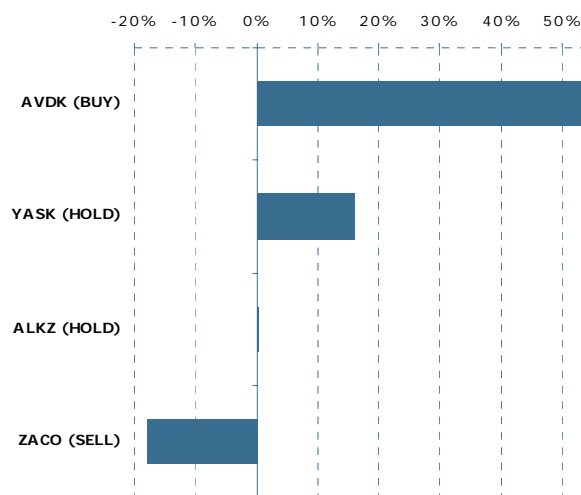
Avdiiivka Coke remains our clear favorite in the sector on a compelling blend of strong fundamentals and value. Our reiterated target price, USD 6.2 per share, offers by far the highest upside (59%). BUY.

Yasynivsky and **Alchevsk Coke**, producers with strong demand and supply chains are fairly priced. Target prices are upgraded to USD 1.6 per share and USD 0.23 per share, respectively, but recommendations downgraded to HOLD as only limited upsides (16% and 0.5%) are implied.

We rate **ZaporizhCoke** SELL, downgrading the target price to USD 1.78 per share. The company, in our opinion, suffers from the rivalry of its key shareholders, Metinvest and Zaporizhstal.

We suspend our coverage of two illiquid stocks, **Donetsk Coke** and **Bagliiv Coke**. We see a high risk that Donetsk Coke is idled as part of Metinvest's current restructuring; we estimate asset stripping risk as high for Bagliiv Coke, as a result of its recently launched bankruptcy procedure by major shareholder, Privat.

Upside, %



Source: Concorde Capital

We rely on DCF modeling to derive fair value, as a relative valuation is not relevant as most foreign coke producers are integrated with coal mines or steel smelters, making a direct comparison by multiples inappropriate.

Winners & Losers: Revision

Recent changes in the sector:

- Explosions at Russian coal mines revealed the scope of the sector's dependence on Russian deliveries (~30% of consumed coal imports in 2004-2006), having the highest impact on local coke makers that do not have ensured input sources.
- Ukrainian exports have strengthened their positions compared to Chinese products on the global market after the imposition of higher export duties in China in June 2007. The Chinese government is currently considering tightening its export restrictions more, which would further impede competitiveness. In November, export spot prices for Ukrainian coke rose to USD 275 per mt of coke vs. China's USD 300.
- Coke makers that benefited from intra-group upstream demand, increased output in 10M by 5-20% more than our expectations. Ukrainian pig iron output grew by 9.0% yoy during the first ten months of 2007. ZaporizhCoke decreased production 6.7% yoy, suffering from its main consumer, Zaporizhstal, redirecting orders to rented Gorlivka Coke.

Compared to our February report where we sorted producers by coal supply and shipment stability, we add one more factor into our analysis of the industry – capacity/efficiency.

We update our list of Winners & Losers based on these categories: Avdiyivka Coke, with the most advantageous mix, is the sector's strongest player fundamentally.

Concorde's rating of company fundamentals

	Coal supply		Consumers		Capacity / Efficiency		Overall	
	current	outlook	current	outlook	current	outlook	current	outlook
AVDK	+/-	+	+	+	+	+	+	+
YASK	+	+	+	+/-	+/-	+/-	+	+/-
ALKZ	+/-	+/-	+	+	+	+/-	+	+/-
ZACO	-/+	-/+	+/-	-	-/+	-	+/-	-/+
BKOK	-	-	-/+	-	-/+	-	-/+	-
DKOK	-/+	-	+/-	-	-	-	-/+	-

Source: Concorde Capital

*Rating "-" indicates negative prospects, "-/+" more negative than positive, "+/-" more positive than negative and "+" positive.

Coal supply

Yasynivsky Coke

Secured (outlook: growing)

Guaranteed supply of the most valuable type of coking coal (K grade) from related mine Chervonoarmiyska Zakhidna*. The mine, according to our forecasts, will boost annual coal extraction by 76% to 12 mln mt of coke by 2011 (35-40% of 2011E domestic coking coal extraction)

Avdiyivka Coke

Secured (outlook: growing)

Avdiyivka subsidiary and second largest Ukrainian coking coal mine, Krasnodon Coal plans to increase extraction by 18% yoy in 2008. We think Avdiyivka Coke will import high quality coking coal from Australia, Canada and USA through related Black Sea Port Avlita beginning in 2010 to diversify supplies from Russia (currently ~20% of its need for coking mix)

Alchevsk Coke

Secured (outlook: stable)

Although IUD (the company's parent) has no related mines, it receives imported coal from the USA, Canada, Australia and Poland via Romanian seaport Konstanca. The group has already contracted 1.5 mln mt of coking coal from the USA in 2008

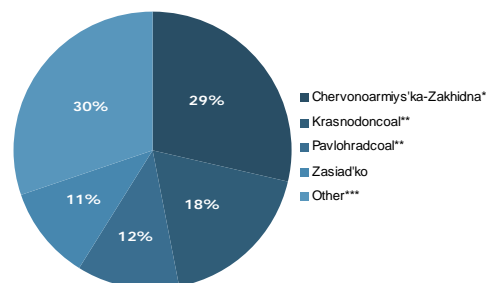
ZaporizhCoke

Unsecured (outlook: declining)

Suffers from coal shortage with neither of its two major strategic shareholders taking the lead in ensuring supplies. Deliveries from Russian Bystrianskaya coal mine bought by Zaporizhstal (holder of a 42% stake in ZaporizhCoke) in 2009 will likely be directed to Goriivka Coke (fully controlled by Zaporizhstal)

* See our Chervonoarmiyska-Zakhidna Update of October 24, 2007.

Ukrainian coking coal output 9M07, %



Source: Metal-Expert, Concorde Capital estimates

* Closely tied to Yasynivsky Coke

** Closely tied to Avdiyivka Coke

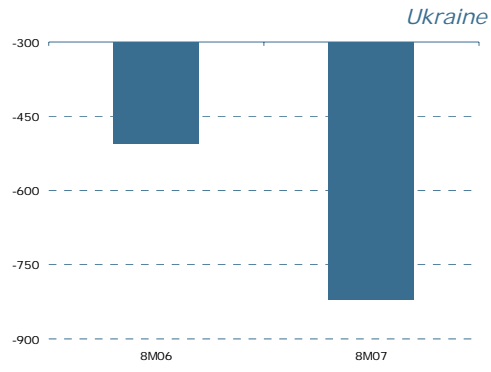
*** Mainly state mines

Aggravating coal shortage

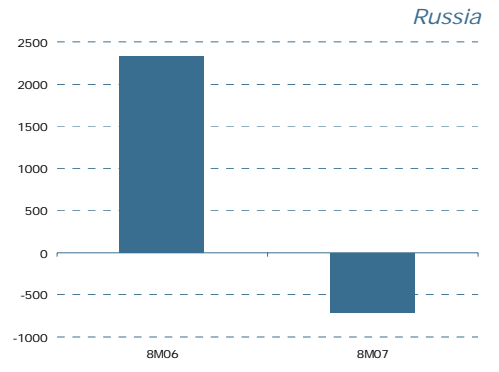
Large explosions at Russian Ulianivska, Uibileina and Komsomolska coal mines in 1H07 resulted in a deficit of coal in Russia, which is the largest exporter of coking coal to Ukraine.

While in 2005-2006, Russian imports nearly covered the Ukrainian deficit in coking coal, we forecast that Russia will not be able to cover the shortfall in domestic supplies in at least the next two-three years. According to the agency Metal Expert, Russia will increase production of fat grade coal and restore balance on the domestic market by yearend 2008. However, the Russian market will continue to experience a shortage of coking (K) grade coal until 2012, leaving Ukraine without Russian imports of this key component in coke processing.

Coking coal balance, *ths mt*



Source: Metal Expert



Consumers

Avdiyivka Coke Secured (outlook: growing)

domestic	Extra demand from Makiyivka Steel due to the Metinvest and Smart group merger, the group's organic growth and intra-group transfer of orders to Avdiyivka. As we forecasted (see Avdiyivka Coke Update of October 18, 2007), another Metinvest coke asset, Markokhim (Azovstal), started to decrease output: in October by 5.4% mom (down 2.1% yoy in 10M07), while Avdiyivka boosted 13.4% (+9.1% yoy in 10M)
export	Highest export potential among its peers thanks to underutilized capacities, stable coal supplies and quality of produced coke. We forecast the company will boost exports to more than 200 ths mt by 2012 (up 14 times)
PCI	Well positioned to enter the high quality coke segment when steel mills bring on-stream pulverized coal injection (PCI) technologies in the mid-term: has relatively new equipment and its managing company, Metinvest, plans to supply high grade coking coal from overseas

Alchevsk Coke Secured (outlook: growing)

domestic	Demand from related Alchevsk Steel will increase as the steelmaker plans to boost pig iron production by 39% in 2008
export	Although its quality coke could be exported, capacities are limited
PCI	Coke, produced from mix of coal including high quality imports, is suited for PCI-equipped steel mills

Yasynivsky Coke Secured (outlook: stable)

domestic	Local shipments secured due to a three-year agreement with MMK Ilicha, which consumed ~80% of the company's production in 2006. Though, MMK Ilicha is going to implement PCI technology and decrease coke consumption by 20% in the mid-term. Makiyivka Steel, which is related to Smart and currently consumes up to 10% of the company's output, could redirect its orders from Yasynivsky, as a result of the Metinvest and Smart Group merger
export	Export prospects look optimistic, in our view, due to high quality of produced coke
PCI	Coke producer of premium coke presently used in PCI workshops in Ukraine

ZaporizhCoke Secured (outlook: declining)

domestic	Zaporizhstal, consumer of ~100% of the company's coke in 2006, started in January 2007 to rent Gorlivka Coke, which has an annual capacity of 438 ths mt of coke. On the back of Zaporizhstal's demand, Gorlivka Coke increased production in 10M07 by 31% yoy to ~335 ths mt of coke, while ZaporizhCoke decreased 6.7%. Furthermore, Gorlivka Coke announced plans to build one more coke battery and double capacity by 2009. We expect Zaporizhstal will continue renting Gorlivka Coke and decrease deliveries from ZaporizhCoke
export	Low possibility of exports in mid-term due to poor quality coke
PCI	Shortage of supply of high quality coal and outdated coke batteries will confine production of high quality coke needed for PCI

Capacity and efficiency

Avdiyivka Coke

Utilization rate '07: 53%; Efficiency: High

Operates the newest coke batteries in Ukraine and has the lowest capacity utilization rate in the sector. The company is upgrading one of its battery from 390 ths mt to 690 ths mt of coke per year and intends to launch it in 2009, increasing its annual capacity to 6.9 mln mt of coke

Yasynivsky Coke

Utilization rate '07: 96%; Efficiency: High

High capacity utilization will restrict further output growth in the short-run. Recently management announced plans to rebuild coke battery #4 (2008) and #5 (2009), we estimate overall cost at approximately USD 80 mln. With this modernization, the company's effective capacity should increase by 67% to 3.0 mln mt by 2010.

Alchevsk Coke

Utilization rate '07: 88%; Efficiency: High

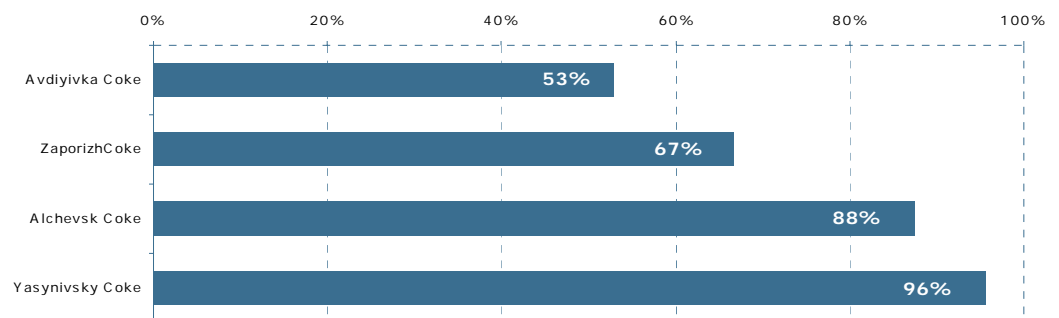
Forecasted to fully utilize capacity in 2008 (3.5 mln mt of coke) to meet needs of related Alchevsk Coke, which intends to increase pig iron production by 46% yoy. After construction of a new up-to-date battery in August 2006 (1 mln mt of coke per year), Alchevsk Coke did not announce plans to increase its capacity further. Existing facilities will limit annual output to 3.3-3.5 mln mt of coke after 2008

ZaporizhCoke

Utilization rate '07: 67%; Efficiency: Low

Capacity is now approximately 67% utilized. Service life of two batteries with overall capacity of 1.2 mln mt of coke (44% of total) will be exhausted in 2008. This year, the company once again postponed upgrading its coking batteries due to lack of funds

Capacity utilization rate in 2007, %



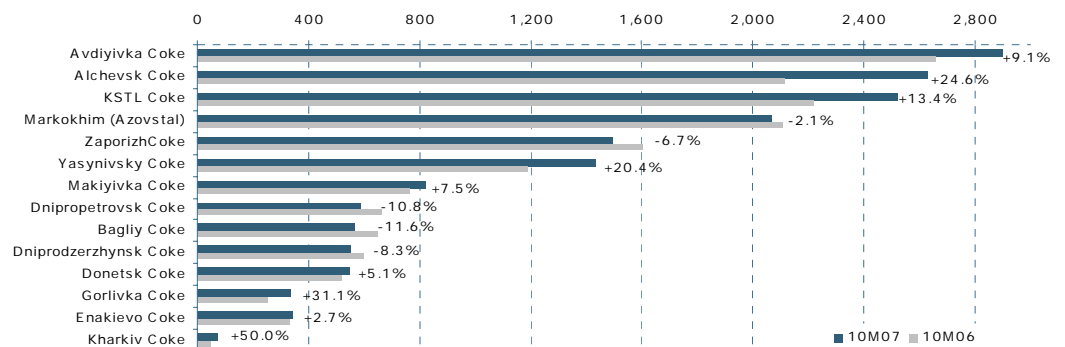
Source: Company data, Metal-Courier, Concorde Capital estimates

Ukrainian coke market in 10M07

Steel manufacturing powers need for coke

During 10M07 Ukrainian coke makers increased output by 6.9% yoy. The growth was driven by rising demand: domestic pig iron production rose 9% yoy over the period.

Ukrainian coke production, ths mt



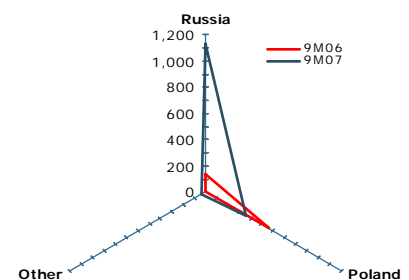
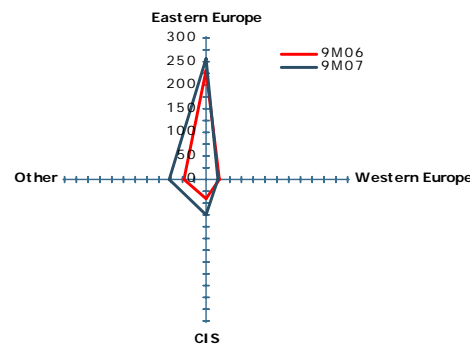
Source: Ukrainian News, Concorde Capital estimates

Due to the deficit of coking coal and shortage of in-house coke making facilities, Arcelor Mittal Kriviy Rih increased coke imports, mainly from Poland and China, while MMK Ilicha continued to import from Russian Altai Coke. These steel makers were the key drivers the 143% yoy growth in imports to 1.6 mln mt in 9M07.

Ukrainian coke in 10M07, ths mt

Export, up 38% yoy

Import, up 143% yoy

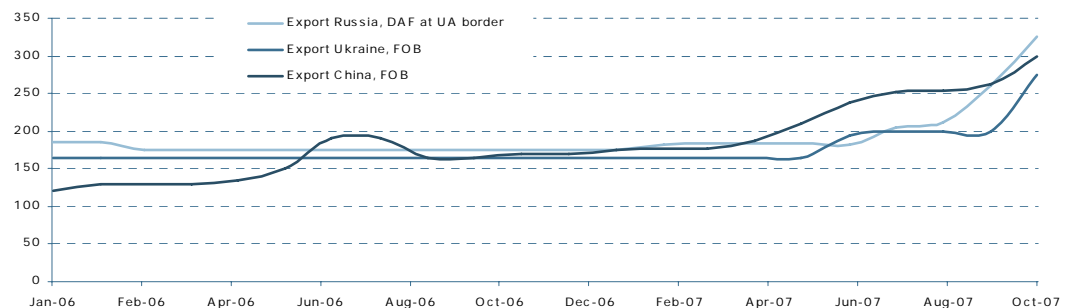


Source: Metal-Expert, Concorde Capital estimates

Strengthening global competitiveness

During the period, Ukrainian coke producers boosted exports by 38% yoy to 480 ths mt on improved price competitiveness to their Chinese peers.

Export coke prices, USD/mt



Source: Metal-Expert, Concorde Capital estimates

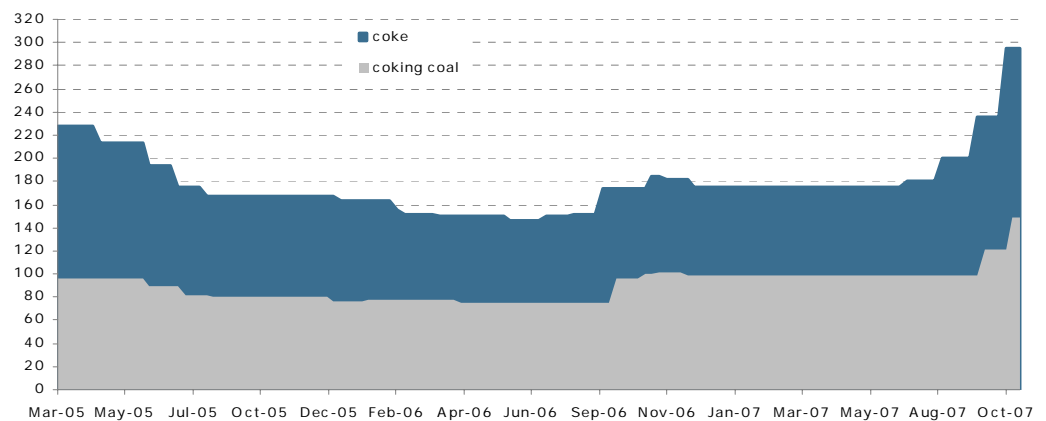
We expect coke makers will move to regain their export markets of 2004 (see our reports of February 28, 2007). With higher export duties in China in June 2007 (from 5% to 15%), China's attractiveness on price began to be challenged. The Chinese government is considering further boosting duties to 30% or tightening export quotas from 13.3 mln mt currently to 2-6 mln mt of coke as a part of national policy to shut down small coke producers in order to improve environmental standards on the eve of the 2008 Olympic Games.

Coke prices will remain strong

We forecast average Ukrainian coke prices to grow 25% yoy in 2007 and 10% yoy in 2008. We base our assumptions on two factors that will allow coke manufacturers to pass on rises to their product's price tag:

- Expected "cost-push" environment: annual increases in coal prices by 20-25% in 2007. After this year, we forecast coal prices to remain stable thanks to the restoration of Russian imports and growth in domestic production
- Escalating demand from steelmakers: according to the International Iron and Steel Institute, global steel production will increase by 6.8% in 2007 and 2008

Ukrainian coke and coking coal prices, USD/mt



Source: Metal-Courier

Forecast revision

Interim results

	Sales, USD mln			EBITDA margin, %			Net margin, %			Output, ths mt		
	1H06	1H07	YoY	1H06	1H07	chg, p.p.	1H06	1H07	chg, p.p.	10M06	10M07	YoY
AVDK	286.8	378.2	31.9%	11.00%	5.60%	-5.40%	1.20%	-5.20%	-6.40%	2656.0	2897.5	9.1%
ALKZ	186.9	276.5	47.9%	7.80%	14.00%	6.20%	3.40%	8.00%	4.60%	2111.6	2631.4	24.6%
YASK	120.1	156.2	30.1%	8.10%	11.10%	3.00%	3.70%	6.10%	2.40%	1190.4	1433	20.4%
ZACO	156.7	173.7	10.8%	6.70%	3.40%	-3.30%	4.00%	1.60%	-2.40%	1604.2	1496.3	-6.7%
Average			31.2%	8.40%	8.53%		3.08%	2.63%				11.8%

Financial revision

		Sales, USD mln			EBITDA margin, %			Net margin, %		
		old	new	chg, %	old	new	chg, p.p.	old	new	chg, p.p.
AVDK*	2007F	830.0	-	-	8.5%	-	-	1.1%	-	-
	2008E	928.3	-	-	13.6%	-	-	6.0%	-	-
ALKZ	2007F	528.2	765.7	45.0%	10.0%	13.5%	3.5%	5.5%	8.5%	3.0%
	2008E	559.9	909.6	62.5%	10.0%	13.0%	3.0%	5.4%	8.4%	3.0%
YASK	2007F	295.6	366.4	24.0%	11.0%	11.5%	0.5%	6.9%	6.8%	-0.1%
	2008E	301.5	384.7	27.6%	12.0%	12.5%	0.5%	7.4%	7.4%	0.0%
ZACO	2007F	362.6	392.9	8.4%	8.3%	7.0%	-1.3%	5.5%	4.2%	-1.3%
	2008E	369.8	362.6	-1.9%	10.0%	7.0%	-3.0%	6.6%	3.9%	-2.7%

Note: See our Avdiyivka Coke note of Oct. 18 for forecast revisions.

Valuation

Comparative valuation

Relative valuation has limited applicability as most foreign coke producers are integrated with coal mines or steel smelters, making a direct comparison by multiples inappropriate. We rely on DCF modeling to derive fair value of Ukrainian coke stocks.

	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2007E	2008E	2007E	2008E	2007E	2008E
Ukraine							
AVDK	757.0	0.90	0.79	10.55	5.82	84.33	13.62
ALKZ	692.8	0.91	0.74	6.72	5.78	10.66	9.21
YASK	377.6	1.00	0.83	8.66	6.61	15.09	11.77
ZACO*	258.9	0.62	0.71	8.87	10.13	15.82	18.20
Average		0.85	0.76	8.70	7.08	31.48	13.20
International Peers							
		2007E	2008E	2007E	2008E	2007E	2008E
Altai Coke	508.90	1.47	1.30	38.77	22.99	121.17	43.13
Gujarat NRE Coke Limited	689.10	2.94	2.02	9.50	6.01	13.45	8.72
Shanxi Antai Group Company	1,015.98	2.26	1.81	n/a	n/a	29.53	19.21
Shanxi Coking	680.86	1.84	1.43	n/a	n/a	40.29	27.68
Shanxi Lu'an Environmental Energy Develo	6,670.77	5.78	4.44	21.45	16.91	55.92	41.18
China Steel Chemical	618.41	4.02	3.80	10.79	9.48	15.05	13.92
Average		2.60	1.92	16.12	13.20	34.91	23.45
AVDK price							
Implied by Ukrainian peers avg, USD/share		2.97	3.07	2.47	3.98	1.46	3.79
Implied by International peers avg, USD/share		10.47	8.59	5.18	7.94	1.62	6.73
Upside/Downside to Ukrainian avg		-24.1%	-21.5%	-36.8%	1.9%	-62.7%	-3.1%
Upside/Downside to International avg		167.8%	119.8%	32.4%	103.1%	-58.6%	72.2%
ALKZ price							
Implied by Ukrainian peers avg, USD/share		0.22	0.24	0.30	0.28	0.68	0.33
Implied by International peers avg, USD/share		0.66	0.59	0.55	0.52	0.75	0.59
Upside/Downside to Ukrainian avg		-5.8%	3.3%	29.5%	21.9%	195.3%	43.3%
Upside/Downside to International avg		187.7%	154.7%	140.3%	124.7%	227.5%	154.6%
YASK price							
Implied by Ukrainian peers avg, USD/share		1.19	1.29	1.39	1.47	2.88	1.55
Implied by International peers avg, USD/share		3.54	3.07	2.53	2.65	3.19	2.75
Upside/Downside to Ukrainian avg		-13.6%	-6.8%	0.5%	6.7%	108.6%	12.1%
Upside/Downside to International avg		156.2%	122.3%	83.3%	92.3%	131.3%	99.2%
ZACO price							
Implied by Ukrainian peers avg, USD/share		2.94	2.34	2.13	1.52	4.32	1.57
Implied by International peers avg, USD/share		8.70	5.84	3.84	2.82	4.79	2.80
Upside/Downside to Ukrainian avg		35.6%	7.8%	-1.8%	-29.9%	98.9%	-27.5%
Upside/Downside to International avg		301.1%	169.2%	77.0%	30.0%	120.6%	28.9%

DCF model. Alchevsk Coke

Valuation as of November

UAH mln

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	522	582	572	528	552	519	546	518	546	535
EBIT	464	524	513	468	491	456	483	454	482	470
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	348	393	385	351	368	342	362	341	361	352
Plus D&A	58	59	59	60	61	62	63	64	65	65
Less CapEx	(62)	(68)	(68)	(84)	(66)	(83)	(70)	(83)	(70)	(66)
Less change in OWC	(108)	(87)	47	30	(18)	7	(17)	17	(17)	7
FCFF	-	296	423	358	345	329	338	339	339	358
WACC	14.1%	14.0%	13.5%	12.7%	12.4%	11.5%	11.5%	11.5%	11.5%	11.5%
Sum of discounted CFs		1,993					WACC To Perpetuity			11.0%
PV of Terminal Value		1,347					Terminal Value			3,429
Firm Value		3,340					Perpetuity Growth Rate			0.5%
Portion due to TV		40.3%					Implied Exit EBITDA Multiple			6.4x
Less Net Debt		77								
Equity Value		3,417								
Implied share price		0.23								

10-Year Discount Rates	Perpetuity Growth Rate				
	-0.5%	0.0%	0.5%	1.0%	1.5%
WACC-1.0%	2 199	2 252	2 311	2 377	2 449
WACC-0.5%	2 141	2 192	2 249	2 312	2 382
WACC+0.0%	2 084	2 134	2 189	2 249	2 317
WACC+0.5%	2 030	2 078	2 131	2 189	2 254
WACC+1.0%	1 978	2 024	2 075	2 131	2 194

WACC to perpetuity	Perpetuity Growth Rate				
	-0.5%	0.0%	0.5%	1.0%	1.5%
10.0%	2 164	2 224	2 290	2 364	2 447
10.5%	2 122	2 176	2 237	2 303	2 378
11.0%	2 084	2 134	2 189	2 249	2 317
11.5%	2 050	2 096	2 146	2 201	2 262
12.0%	2 019	2 061	2 107	2 158	2 214

DCF model. Yasynivsky Coke

Valuation as of November

UAH mln

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	213	264	304	324	363	381	400	400	400	392
EBIT	172	220	257	276	315	333	353	353	353	345
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	129	165	193	207	237	250	264	265	265	259
Plus D&A	41	44	47	48	48	48	48	47	47	47
Less CapEx	(93)	(127)	(127)	(85)	(53)	(52)	(52)	(49)	(48)	(47)
Less change in OWC	(11)	(2)	(14)	3	3	2	3	-	-	(1)
FCFF	-	80	100	172	235	248	263	263	264	258
WACC	13.9%	13.5%	12.9%	12.2%	12.2%	11.4%	11.4%	11.4%	11.4%	11.4%
Sum of discounted CFs		1,106					WACC To Perpetuity			11.0%
PV of Terminal Value		986					Terminal Value			2,466
Firm Value		2,092					Perpetuity Growth Rate			0.5%
Portion due to TV		47.1%					Implied Exit EBITDA Multiple			6.3x
Less Net Debt		124								
Equity Value		2,216								
Implied share price		1.60								

10-Year Discount Rates	Perpetuity Growth Rate				
	-0.5%	0.0%	0.5%	1.0%	1.5%
WACC-1.0%	2,234	2,283	2,336	2,395	2,459
WACC-0.5%	2,177	2,224	2,275	2,331	2,394
WACC+0.0%	2,121	2,167	2,216	2,271	2,331
WACC+0.5%	2,068	2,112	2,159	2,212	2,270
WACC+1.0%	2,017	2,059	2,105	2,155	2,211

WACC to perpetuity	Perpetuity Growth Rate				
	-0.5%	0.0%	0.5%	1.0%	1.5%
10.0%	2,192	2,245	2,305	2,370	2,444
10.5%	2,155	2,204	2,258	2,318	2,384
11.0%	2,121	2,167	2,216	2,271	2,331
11.5%	2,091	2,133	2,178	2,228	2,283
12.0%	2,064	2,102	2,144	2,190	2,241

DCF model. ZaporizhCoke

Valuation as of November

UAH mln

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	139	127	110	129	159	183	211	211	211	207
EBIT	113	100	82	101	131	156	184	185	185	181
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	85	75	62	76	98	117	138	138	139	136
Plus D&A	26	27	28	28	28	27	27	26	26	26
Less CapEx	(26)	(54)	(61)	(47)	(29)	(29)	(28)	(28)	(26)	(26)
Less change in OWC	(32)	(11)	23	12	(11)	(5)	(6)	-	0	3
FCFF	-	36	52	69	86	111	131	137	138	138
WACC	15.6%	14.7%	13.4%	12.4%	11.7%	11.0%	11.0%	11.2%	11.3%	11.4%
Sum of discounted CFs		516					WACC To Perpetuity			11.0%
PV of Terminal Value		532					Terminal Value			1,324
Firm Value		1,048					Perpetuity Growth Rate			0.5%
<i>Portion due to TV</i>		50.8%					Implied Exit EBITDA Multiple			6.4x
Less Net Debt		23								
Equity Value		1,071								
Implied share price		1.78								

10-Year Discount Rates	Perpetuity Growth Rate				
	-0.5%	0.0%	0.5%	1.0%	1.5%
WACC-1.0%	1,078	1,105	1,133	1,165	1,200
WACC-0.5%	1,049	1,074	1,102	1,132	1,166
WACC+0.0%	1,020	1,044	1,071	1,100	1,133
WACC+0.5%	992	1,016	1,042	1,070	1,101
WACC+1.0%	966	988	1,013	1,040	1,071

WACC to perpetuity	Perpetuity Growth Rate				
	-0.5%	0.0%	0.5%	1.0%	1.5%
10.0%	1,059	1,087	1,119	1,155	1,195
10.5%	1,038	1,065	1,094	1,126	1,162
11.0%	1,020	1,044	1,071	1,100	1,133
11.5%	1,003	1,026	1,050	1,077	1,107
12.0%	988	1,009	1,032	1,056	1,084

Company profiles

Avdiiivka Coke (AVDK UZ)

Chemicals/Coke

<http://www.akhz.com.ua>

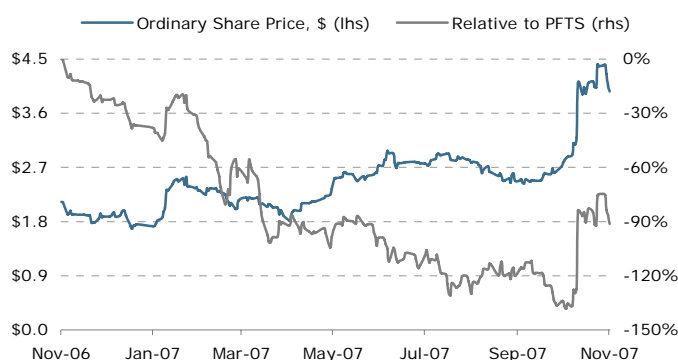
 12M target (USD) 6.2
 Upside* 59%

BUY

INVESTMENT CASE

- Additional demand resulting from the recent Metinvest/Smart Group merger will boost coke output 48% by 2012
- 99%-Avdiiivka-owned KrasnodonCoal is expected to increase output by 18% in 2007-2008
- Sea-port acquired by Metinvest early in 2007 will provide a convenient channel for coking coal imports
- Expected to improve financial disclosure due to parent Metinvest's IPO preparations and report an EBITDA margin of 13.5-14% in 2008E-2012E (vs. 5.6% in 1H07)
- PFTS' liquidity leader over the last 6 months

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Europe's largest coke maker. Capacity: 6.87 mln mt p.a., 9 coke batteries. Processing structure: 80% domestically mined coal (SCM-related mines and the Donetskstal group), 20% coal imported from Russia.

Main consumers: MMK Illicha, Azovstal, Enakievo Steel, DMK Dzerzhinskogo (met coke and coke breeze), Makiyivka Steel and Nikopol Ferroalloy (coke nut).

In 1H07, sales increased by 31.9% to USD 378.2 mln and net income decreased to negative USD 19.7 mln from USD 3.6 mln in 1H06 (due to increased depreciation; at the end of 2006 the company revalued its assets).

MARKET INFORMATION

Market Price* , USD	3.91
Price impact**	2
52 Wk H/L USD	4.41/1.68
Chg 3m/6m/52w	45%/56%/105%
Chg vs PFTS 3m/6m/52w	34%/25%/-70%
Chg YTD	125%
Avg M Tr Vol 6M, USD ths	4521.2

MCap , USD mln	757.0
Free float	3.2%
FF Mcap, USD mln	24.2

No of shares , mln	193.6
Par Value, UAH	1.76

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Metinvest	95%
Mariupol Illicha	5.9%
Other	3.2%

CORPORATE GOVERNANCE

Concorde Rating***	P
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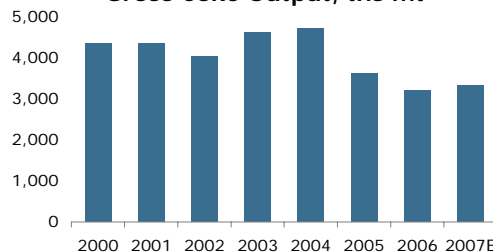
MARKET MULTIPLES

	2007E	2008E
EV/Sales	1.1	1.0
EV/EBITDA	12.8	7.1
P/E	85.5	13.8
P/B	1.0	0.9
P/CF	30.7	10.8

KEY RATIO

	2006	2007E	2008E
EBITDA margin	12%	8%	14%
Net Margin	2%	1%	6%
ROE	1%	1%	7%
Net Debt/Equity	0.20	0.20	0.10

Gross Coke Output, ths mt



*Market information as of Nov 09, 2007, based on PFTS Mid prices

** Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

*** 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.

INCOME STATEMENT SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Net Revenues	245.8	376.5	1,403.4	1,119.8	647.7	830.0	928.3
<i>Change yoy</i>	<i>N/M</i>	<i>53.2%</i>	<i>272.7%</i>	<i>-20.2%</i>	<i>-42.2%</i>	<i>28.1%</i>	<i>11.8%</i>
Gross Profit	34.8	47.0	303.3	182.2	107.2	95.4	157.8
EBITDA	26.7	33.4	211.1	189.0	79.7	70.5	125.3
<i>margin</i>	<i>10.9%</i>	<i>8.9%</i>	<i>15.0%</i>	<i>16.9%</i>	<i>12.3%</i>	<i>8.5%</i>	<i>13.5%</i>
Depreciation	(5.2)	(17.1)	(16.1)	(16.9)	(17.1)	(35)	(35)
EBIT	21.4	16.3	195.0	172.0	62.6	36	91
<i>margin</i>	<i>8.7%</i>	<i>4.3%</i>	<i>13.9%</i>	<i>15.4%</i>	<i>9.7%</i>	<i>4.3%</i>	<i>9.8%</i>
Financial Expense, net	(1.1)	(0.2)	(15.5)	(49.4)	(21.7)	(23.7)	(16.5)
Other income/(expense)	0.1	(4.8)	59.7	(6.8)	(16.9)	-	-
PBT	20.4	11.3	239.2	115.8	24.0	12.0	74.1
Tax	(8.8)	(10.0)	(50.1)	(43.5)	(2.0)	(3)	(19)
<i>Effective tax rate</i>	<i>43.0%</i>	<i>88.9%</i>	<i>20.9%</i>	<i>37.6%</i>	<i>8.2%</i>	<i>25.0%</i>	<i>25.0%</i>
Net Income	11.6	1.3	189.3	72.5	10.4	9.0	55.6
<i>Net Margin</i>	<i>4.7%</i>	<i>0.3%</i>	<i>13.5%</i>	<i>6.5%</i>	<i>1.6%</i>	<i>1.1%</i>	<i>6.0%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Current Assets	143.1	211.1	302.9	200.3	162.7	173.6	192.6
Cash & Equivalents	0.3	3.7	13.1	36.1	3.7	5.0	5.6
Trade Receivables	69.4	92.4	100.6	46.3	31.0	74.3	83.5
Inventories	8.5	19.4	32.7	35.1	44.2	36.5	38.5
Other	64.9	95.6	156.5	82.7	83.8	57.8	65.0
Fixed Assets	97.1	168.7	955.8	844.1	1,177.7	900.1	899.3
PP&E, net	71.4	140.3	131.3	134.6	434.6	467.7	466.9
Other	25.7	28.5	824.5	709.5	743.1	432.4	432.4
Total Assets	240.1	379.8	1,258.7	1,044.3	1,340.4	1,073.8	1,091.9
Shareholders' Equity	191.2	271.8	470.7	578.8	846.5	784.6	820.7
Share Capital	63.9	63.9	64.2	67.5	67.5	66.8	66.8
Retained Earnings	119.1	119.0	299.8	389.0	437.1	9.1	45.5
Other	8.2	88.8	106.6	122.3	341.9	708.7	708.4
Current Liabilities	47.3	96.9	282.4	144.3	252.2	118.7	126.3
ST Interest Bearing Debt	4.0	-	-	-	-	12.4	13.9
Trade Payables	34.2	80.1	168.4	94.3	140.4	80.4	83.2
Other	9.1	16.8	114.0	50.0	111.8	24.8	27.8
LT Liabilities	1.7	11.2	505.6	321.2	241.7	127.5	107.8
LT Interest Bearing Debt	-	-	479.0	297.7	150.0	127.5	107.8
Other	1.7	11.2	26.6	23.6	91.7	-	-
Total Liabilities & Equity	240.1	379.8	1,258.7	1,044.3	1,340.4	1,073.8	1,091.9

QUARTERLY ANALYSIS, USD mln

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07
Net Revenues	458.4	272.3	178.5	210.6	116.6	170.1	170.3	190.7	163.8	214.4
<i>Change yoy</i>	<i>147.2%</i>	<i>-15.1%</i>	<i>-173.2%</i>	<i>-81.5%</i>	<i>-74.6%</i>	<i>-37.5%</i>	<i>-4.6%</i>	<i>-9.5%</i>	<i>40.5%</i>	<i>26.1%</i>
EBITDA	75.1	39.8	41.8	32.3	16.0	15.6	29.8	18.3	10.3	11.1
<i>margin</i>	<i>16.4%</i>	<i>14.6%</i>	<i>23.4%</i>	<i>15.3%</i>	<i>13.7%</i>	<i>9.2%</i>	<i>17.5%</i>	<i>9.6%</i>	<i>6.3%</i>	<i>5.2%</i>
EBIT	70.9	35.6	37.5	27.9	11.9	11.5	25.6	13.7	(3.6)	(3.6)
<i>margin</i>	<i>15.5%</i>	<i>13.1%</i>	<i>21.0%</i>	<i>13.3%</i>	<i>10.2%</i>	<i>6.7%</i>	<i>15.0%</i>	<i>7.2%</i>	<i>-2.2%</i>	<i>-1.7%</i>
Net Income	46.6	32.5	21.3	(28.0)	1.1	2.4	13.2	(6.4)	(11.0)	(8.7)
<i>Net Margin</i>	<i>10.2%</i>	<i>11.9%</i>	<i>11.9%</i>	<i>-13.3%</i>	<i>1.0%</i>	<i>1.4%</i>	<i>7.8%</i>	<i>-3.4%</i>	<i>-6.7%</i>	<i>-4.0%</i>

Alchevsk Coke (ALKZ UZ)

Chemicals/Coke

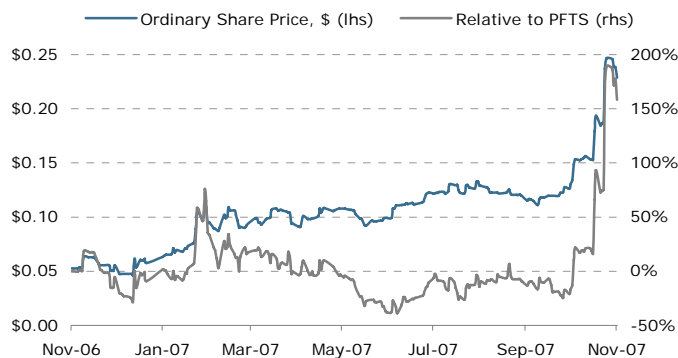
 12M target (USD) 0.23
 Upside* 0.4%

HOLD

INVESTMENT CASE

- Reported the highest profitability in the sector: EBITDA margin in 1H07 of 14% (vs 7.8% in 1H06)
- Sector leader in production growth: raised output 18% yoy in 9M07
- Due to the local shortage of coking coal, parent IUD-group began supplying the company with imported coking coal
- Output growth limited in mid-term - ~88% capacity utilization in Nov 2007

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Ranked third in terms of coke production in 1H07, with 15.6% of production in the country (1,554 ths mt of coke). Capacity: 3.6 mln mt (6 batteries, newest launched in 2006). Stable domestic demand for coke within its holding corporation, IUD. Main consumers: Alchevsk Iron & Steel, DMK Dzerzhinskogo and Kramatorsk Iron & Steel. In 1H07 posted 48% yoy sales growth to USD 276.5 mln; EBITDA increased 67.2% to USD 38.8 mln (margin 14.0%) and net income went up 245% yoy to USD 22.2 mln (margin 8.0%).

MARKET INFORMATION

Market Price* , USD	0.23
Price impact**	3
52 Wk H/L USD	0.25/0.05
Chg 3m/6m/52w	79%/114%/328%
Chg vs PFTS 3m/6m/52w	69%/83%/153%
Chg YTD	296%
Avg M Tr Vol 6M, USD ths	1349.7

MCap , USD mln	677.7
Free float	2%
FF Mcap, USD mln	13.6

No of shares , mln	3012.0
Par Value, UAH	0.25

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

IUD	98%
Other	2%

CORPORATE GOVERNANCE

Concorde Rating***	P
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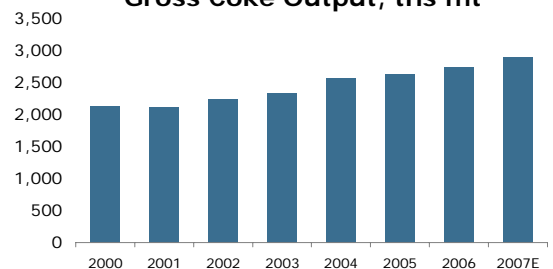
MARKET MULTIPLES

	2007E	2008E
EV/Sales	0.9	0.7
EV/EBITDA	6.7	5.7
P/E	10.6	9.2
P/B	2.3	2.0
P/CF	12.9	10.8

KEY RATIO

	2006	2007E	2008E
EBITDA margin	11%	14%	13%
Net Margin	6%	8%	8%
ROE	17%	24%	23%
Net Debt/Equity	0.20	0.01	-0.10

Gross Coke Output, ths mt



*Market information as of Nov 09, 2007, based on PFTS Mid prices

** Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

*** 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.

INCOME STATEMENT SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Net Revenues	103.8	181.5	168.3	171.4	423.0	765.7	909.6
<i>Change yoy</i>	<i>N/M</i>	<i>74.9%</i>	<i>-7.3%</i>	<i>1.8%</i>	<i>146.8%</i>	<i>81.0%</i>	<i>18.8%</i>
Gross Profit	5.5	16.1	26.8	30.1	60.7	126.3	145.5
EBITDA	2.2	5.7	10.3	20.9	48.6	103.4	116.4
<i>margin</i>	<i>2.1%</i>	<i>3.1%</i>	<i>6.1%</i>	<i>12.2%</i>	<i>11.5%</i>	<i>13.5%</i>	<i>12.8%</i>
Depreciation	(3.0)	(3.2)	(3.7)	(4.1)	(4.5)	(11)	(12)
EBIT	(0.8)	2.5	6.5	16.9	44.1	92	105
<i>margin</i>	<i>-0.8%</i>	<i>1.4%</i>	<i>3.9%</i>	<i>9.8%</i>	<i>10.4%</i>	<i>12.0%</i>	<i>11.5%</i>
Financial Expense, net	(0.0)	(0.0)	(0.3)	(3.9)	(5.6)	(5.2)	(4.4)
Other income/(expense)	(0.1)	(0.4)	(0.4)	(0.5)	(1.1)	-	-
PBT	(0.9)	2.0	5.8	12.4	37.4	86.7	100.3
Tax	(0.2)	(1.2)	(2.2)	(4.8)	(1.7)	(22)	(25)
<i>Effective tax rate</i>	<i>-24.9%</i>	<i>60.0%</i>	<i>37.6%</i>	<i>38.4%</i>	<i>4.5%</i>	<i>25.0%</i>	<i>25.0%</i>
Net Income	(1.2)	0.8	3.6	7.6	25.8	65.0	75.2
<i>Net Margin</i>	<i>-1.1%</i>	<i>0.4%</i>	<i>2.1%</i>	<i>4.4%</i>	<i>6.1%</i>	<i>8.5%</i>	<i>8.3%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Current Assets	24.1	91.0	69.2	155.2	185.0	266.1	305.9
Cash & Equivalents	0.8	1.2	5.2	8.2	5.2	33.6	49.5
Trade Receivables	12.3	34.4	38.6	58.9	68.4	99.5	113.7
Inventories	9.5	30.1	19.5	72.8	81.9	102.3	110.8
Other	1.4	25.2	6.0	15.3	29.5	30.6	31.8
Fixed Assets	43.0	47.4	83.3	132.1	222.2	222.1	226.3
PP&E, net	38.8	40.7	42.1	44.4	49.9	179.6	183.4
Other	4.2	6.6	41.2	87.6	172.3	42.5	42.9
Total Assets	67.1	138.3	152.5	287.3	407.2	488.2	532.1
Shareholders' Equity	60.0	60.4	63.6	74.7	237.4	302.3	350.5
Share Capital	9.9	9.9	10.0	10.5	147.3	150.9	152.4
Retained Earnings	(1.1)	0.4	3.9	11.6	36.3	65.0	109.7
Other	51.2	50.0	49.7	52.6	53.8	86.5	88.4
Current Liabilities	7.1	78.0	50.7	136.0	118.6	150.3	156.6
ST Interest Bearing Debt	-	1.9	0.8	1.9	3.3	3.8	4.5
Trade Payables	6.7	73.1	45.5	93.6	105.7	134.3	137.5
Other	0.4	3.0	4.4	40.5	9.5	7.7	9.1
LT Liabilities	0.0	0.0	38.3	76.6	51.2	35.5	25.0
LT Interest Bearing Debt	-	-	3.8	34.2	40.0	31.7	25.0
Other	0.0	0.0	34.5	42.3	11.2	3.8	-
Total Liabilities & Equity	67.1	138.3	152.5	287.3	407.2	488.2	532.1

QUARTERLY ANALYSIS, USD mln

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07
Net Revenues	31.2	36.1	36.4	67.8	92.7	94.2	103.1	133.0	138.2	138.3
<i>Change yoy</i>	<i>-52.9%</i>	<i>-8.9%</i>	<i>70.2%</i>	<i>64.8%</i>	<i>197.3%</i>	<i>160.9%</i>	<i>183.4%</i>	<i>96.3%</i>	<i>49.2%</i>	<i>46.8%</i>
EBITDA	3.3	3.0	7.1	7.5	8.3	6.2	13.1	21.0	20.8	18.0
<i>margin</i>	<i>10.7%</i>	<i>8.3%</i>	<i>19.5%</i>	<i>11.1%</i>	<i>9.0%</i>	<i>6.6%</i>	<i>12.7%</i>	<i>15.8%</i>	<i>15.1%</i>	<i>13.0%</i>
EBIT	2.3	2.0	6.0	6.5	7.3	5.1	11.9	19.8	19.6	13.4
<i>margin</i>	<i>7.5%</i>	<i>5.6%</i>	<i>16.5%</i>	<i>9.6%</i>	<i>7.9%</i>	<i>5.4%</i>	<i>11.6%</i>	<i>14.9%</i>	<i>14.2%</i>	<i>9.7%</i>
Net Income	0.9	0.8	2.8	3.1	4.1	2.3	6.1	13.3	13.3	8.9
<i>Net Margin</i>	<i>3.0%</i>	<i>2.3%</i>	<i>7.6%</i>	<i>4.5%</i>	<i>4.4%</i>	<i>2.5%</i>	<i>5.9%</i>	<i>10.0%</i>	<i>9.6%</i>	<i>6.5%</i>

Yasnivsky Coke (YASK UZ)

Chemicals/Coke

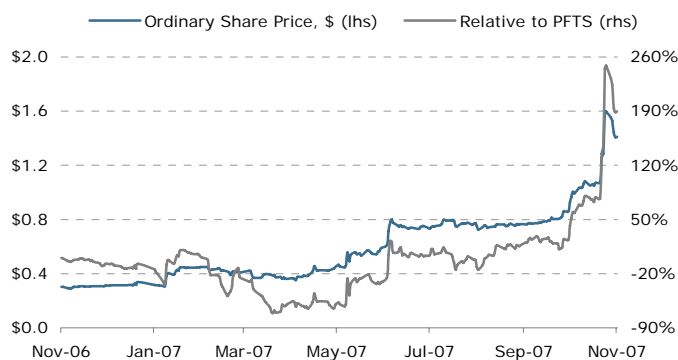
 12M target (USD) 1.60
 Upside* 16%

HOLD

INVESTMENT CASE

- Immunity from coal shortage due to related Chervonoarmiyska-Zakhidna, the largest domestic coking coal mine
- Stable demand in the mid-term: ~80% of coke sales ensured thanks to arrangement with MMK Illicha established in 2006; ~10% by parent Donetskstal-group
- Output growth limited in short-term, 96% utilization of effective capacity in Nov 2007; planned CapEx of USD 80 mln into two new coke batteries should increase capacity by 67% to 3.0 mln by 2010

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

The sixth largest coke producer on the domestic market, producer of premium coke with output of 865.2 ths mt, in 1H07. Operates 6 coke batteries (designed capacity: 3.2 mln mt p.a., effective capacity: 1.8 mln mt p.a.). 2 batteries idled. Major supplier Chervonoarmiyska Zakhidna (controlled by the Donetskstal Group).

In 1H07, net revenues increased by 30% yoy to USD 156.2 mln, EBITDA margin improved to 11.1% from 8.1% in 1H06 and net margin improved to 6.1% versus 3.7% in 1H06.

MARKET INFORMATION

Market Price*, USD 1.38
 Price impact** 2
 52 Wk H/L USD 1.60/0.29
 Chg 3m/6m/52w 86%/208%/383%
 Chg vs PFTS 3m/6m/52w 76%/177%/207%
 Chg YTD 315%
 Avg M Tr Vol 6M, USD ths 1922.7

MCap, USD mln 391.4
 Free float 9%
 FF Mcap, USD mln 35.2

No of shares, mln 273.6
 Par Value, UAH 0.25

XETRA n/a
 DR Ratio n/a
 Avg M Tr Vol 6M, USD ths n/a

STOCK OWNERSHIP

Donetskstal group 91%
 Other 9%

CORPORATE GOVERNANCE

Concorde Rating*** P

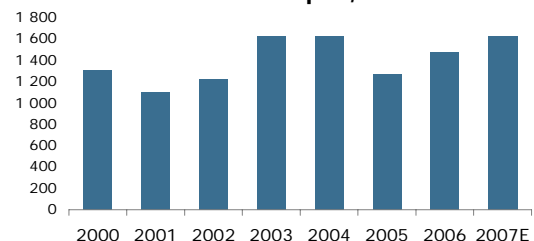
MARKET MULTIPLES

	2007E	2008E
EV/Sales	1.0	0.8
EV/EBITDA	8.9	6.8
P/E	15.4	12.0
P/B	3.7	2.8
P/CF	22.9	16.6

KEY RATIO

	2006	2007E	2008E
EBITDA margin	11%	12%	13%
Net Margin	6%	7%	8%
ROE	22%	28%	27%
Net Debt/Equity	n/a	-0.10	-0.20

Gross Coke Output, ths mt



*Market information as of Nov 09, 2007, based on PFTS Mid prices

** Price "impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

*** 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.

INCOME STATEMENT SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Net Revenues	64.3	44.5	192.2	212.6	268.1	366.4	423.2
<i>Change yoy</i>	<i>N/M</i>	<i>-30.8%</i>	<i>331.8%</i>	<i>10.6%</i>	<i>26.1%</i>	<i>36.7%</i>	<i>15.5%</i>
Gross Profit	5.7	11.7	28.0	25.8	40.9	55.0	67.7
EBITDA	2.6	3.8	20.5	16.4	30.2	42.1	52.9
<i>margin</i>	<i>4.0%</i>	<i>8.6%</i>	<i>10.7%</i>	<i>7.7%</i>	<i>11.3%</i>	<i>11.5%</i>	<i>12.5%</i>
Depreciation	(1.9)	(3.4)	(3.4)	(4.1)	(4.7)	(8.1)	(8.8)
EBIT	0.7	0.4	17.1	12.3	25.4	34.0	44.1
<i>margin</i>	<i>1.1%</i>	<i>1.0%</i>	<i>8.9%</i>	<i>5.8%</i>	<i>9.5%</i>	<i>9.3%</i>	<i>10.4%</i>
Financial Expense, net	(0.3)	(0.8)	(0.6)	(0.2)	(0.1)	(0.6)	(1.3)
Other income/(expense)	0.0	0.0	0.0	(0.1)	(0.9)	-	-
PBT	0.4	(0.3)	16.5	12.0	24.4	33.4	42.8
Tax	(0.6)	(1.0)	(4.8)	(4.0)	(1.2)	(8.3)	(10.7)
<i>Effective tax rate</i>	<i>184.2%</i>	<i>-309.4%</i>	<i>29.4%</i>	<i>33.4%</i>	<i>4.9%</i>	<i>25.0%</i>	<i>25.0%</i>
Net Income	(0.3)	(1.3)	11.6	8.1	15.9	25.0	32.1
<i>Net Margin</i>	<i>-0.5%</i>	<i>-3.0%</i>	<i>6.1%</i>	<i>3.8%</i>	<i>5.9%</i>	<i>6.8%</i>	<i>7.6%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Current Assets	17.1	17.5	46.5	39.4	23.2	53.4	79.1
Cash & Equivalents	0.0	0.1	0.3	0.5	0.7	20.6	40.3
Trade Receivables	9.1	10.6	19.2	1.4	4.0	7.3	9.7
Inventories	5.6	5.1	23.5	30.3	16.1	21.8	24.9
Other	2.5	1.7	3.5	7.1	2.4	3.7	4.2
Fixed Assets	39.1	42.9	57.5	76.7	87.3	97.7	115.3
PP&E, net	35.1	37.5	39.5	49.7	52.8	94.3	111.9
Other	4.0	5.5	18.1	27.0	34.5	3.4	3.4
Total Assets	56.3	60.4	104.0	116.1	110.5	151.1	194.4
Shareholders' Equity	39.0	40.3	51.9	64.9	78.2	103.2	136.3
Share Capital	14.5	12.8	12.9	14.4	16.5	16.5	16.7
Retained Earnings	5.9	4.1	15.8	24.3	42.0	86.7	119.6
Other	18.6	23.3	23.2	26.2	19.7	26.9	26.9
Current Liabilities	17.2	20.2	52.2	51.2	32.3	42.0	50.1
ST Interest Bearing Debt	1.3	8.2	0.9	-	0.4	1.8	4.2
Trade Payables	14.7	10.8	48.6	48.4	29.3	37.4	42.7
Other	1.2	1.1	2.7	2.8	2.6	1.8	2.1
LT Liabilities	-	-	-	-	0.0	5.9	8.0
LT Interest Bearing Debt	-	-	-	-	-	5.9	8.0
Other	-	-	-	-	0.0	-	-
Total Liabilities & Equity	56.3	60.4	104.0	116.1	110.5	151.1	194.4

QUARTERLY ANALYSIS, USD mln

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07
Net Revenues	70.0	61.6	39.8	41.2	62.6	57.5	72.6	75.3	78.8	77.4
<i>Change yoy</i>	<i>380.7%</i>	<i>30.7%</i>	<i>-38.7%</i>	<i>-37.1%</i>	<i>-10.6%</i>	<i>-6.5%</i>	<i>82.5%</i>	<i>82.6%</i>	<i>25.9%</i>	<i>34.5%</i>
EBITDA	6.6	5.1	2.2	2.5	3.8	5.9	10.5	10.0	9.1	8.2
<i>margin</i>	<i>9.5%</i>	<i>8.2%</i>	<i>5.5%</i>	<i>6.2%</i>	<i>6.0%</i>	<i>10.2%</i>	<i>14.5%</i>	<i>13.2%</i>	<i>11.6%</i>	<i>10.6%</i>
EBIT	5.7	4.0	1.1	1.4	2.7	4.9	9.2	8.7	7.8	6.3
<i>margin</i>	<i>8.2%</i>	<i>6.6%</i>	<i>2.8%</i>	<i>3.4%</i>	<i>4.3%</i>	<i>8.5%</i>	<i>12.7%</i>	<i>11.5%</i>	<i>9.9%</i>	<i>8.2%</i>
Net Income	4.0	2.7	0.7	0.7	1.5	2.9	5.6	5.8	5.3	4.2
<i>Net Margin</i>	<i>5.7%</i>	<i>4.4%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>2.4%</i>	<i>5.1%</i>	<i>7.8%</i>	<i>7.7%</i>	<i>6.7%</i>	<i>5.5%</i>

ZaporizhCoke (ZACO UZ)

Chemicals/Coke

<http://www.coke.zp.ua>

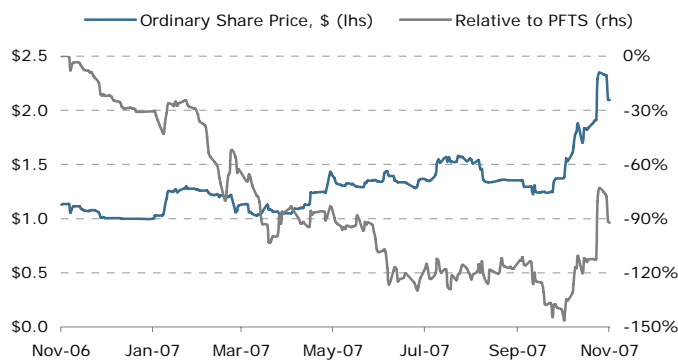
 12M target (USD) 1.78
 Upside* -18%

SELL

INVESTMENT CASE

- Suffers from lack of a single strategic investor (Metinvest owns 51%, Zaporizhstal - 41.8%). Modernization postponed due to shortage of funds
- Outdated capacity: two of four coke batteries will exhaust their service life in 2008
- Low profitability, in 1H07 reported an EBITDA margin of 3.4% and net margin of 1.6% (6.7% and 4.0% in 1H06 respectively)
- Demand decreasing: main consumer Zaporizhstal is redirecting orders to rented Gorlivka Coke that operates a new coke battery (438 ths mt of coke) and will double capacity in 2008-2009

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Ukraine's fifth largest coke producer, with coke output of 936 ths mt (down 5.1%) and a 8.7% share of total domestic production in 1H07. Core products: met coke, nut coke, and nitrogen fertilizers. Main consumers: Zaporizhstal, MMK Illicha, DMK Dzerzhinskogo, Alchevsk Iron & Steel and Dniprospeysstal. Exports - less than 10% of its total output.

Two shareholder groups (Zaporizhstal and Metinvest) have large stakes in ZaporizhCoke, but none of them have full control over the company's operations.

In 1H07, net revenues increased by 10.8% yoy to USD 173.7 mln, EBITDA margin declined to 3.4% from 6.7% in 1H06, and net margin lowered to 1.6% from 4% in 1H06.

MARKET INFORMATION

Market Price* , USD	2.17
Price impact**	3
52 Wk H/L USD	2.35/1.00
Chg 3m/6m/52w	36%/61%/85%
Chg vs PFTS 3m/6m/52w	26%/29%/-90%
Chg YTD	110%
Avg M Tr Vol 6M, USD ths	388.9

MCap , USD mln	258.2
Free float	7.2%
FF Mcap, USD mln	18.6

No of shares , mln	119.3
Par Value, UAH	0.01

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

SCM	51.0%
Zaporizhstal	41.8%
Other	7.2%

CORPORATE GOVERNANCE

Concorde Rating***	P
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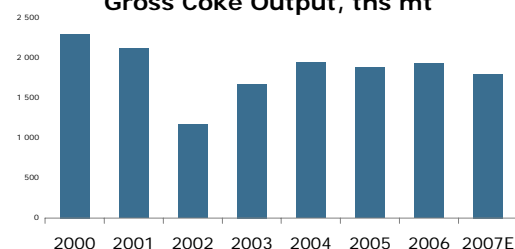
MARKET MULTIPLES

	2007E	2008E
EV/Sales	0.6	0.7
EV/EBITDA	8.5	9.8
P/E	15.3	17.6
P/B	2.8	2.4
P/CF	22.3	28.1

KEY RATIO

	2006	2007E	2008E
EBITDA margin	6%	7%	7%
Net Margin	3%	4%	4%
ROE	13%	20%	15%
Net Debt/Equity	-0.01	-0.20	-0.02

Gross Coke Output, ths mt



*Market information as of Nov 09, 2007, based on PFTS Mid prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

*** 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.

INCOME STATEMENT SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Net Revenues	83.0	155.2	344.8	335.4	321.4	392.9	362.6
<i>Change yoy</i>	<i>N/M</i>	<i>87.0%</i>	<i>122.2%</i>	<i>-2.7%</i>	<i>-4.2%</i>	<i>22.2%</i>	<i>-7.7%</i>
Gross Profit	5.3	21.9	60.3	35.7	31.0	41.3	38.1
EBITDA	(2.1)	12.9	47.9	27.6	18.6	27.5	25.4
<i>margin</i>	<i>-2.5%</i>	<i>8.3%</i>	<i>13.9%</i>	<i>8.2%</i>	<i>5.8%</i>	<i>7.0%</i>	<i>7.0%</i>
Depreciation	(2.4)	(2.7)	(2.6)	(3.2)	(3.7)	(5.1)	(5.3)
EBIT	(4.5)	10.2	45.3	24.4	14.9	22.4	20.1
<i>margin</i>	<i>-5.4%</i>	<i>6.6%</i>	<i>13.1%</i>	<i>7.3%</i>	<i>4.6%</i>	<i>5.7%</i>	<i>5.5%</i>
Financial Expense, net	(2.3)	(1.6)	(0.4)	(0.1)	-	(0.5)	(1.1)
Other income/(expense)	(1.1)	0.2	(0.0)	0.7	0.3	-	-
PBT	(7.9)	8.8	44.9	25.0	15.2	21.8	19.0
Tax	-	(3.2)	(11.3)	(6.6)	(1.2)	(5.5)	(4.7)
<i>Effective tax rate</i>	<i>0.0%</i>	<i>36.9%</i>	<i>25.3%</i>	<i>26.4%</i>	<i>7.7%</i>	<i>25.0%</i>	<i>25.0%</i>
Net Income	(7.9)	5.5	33.5	18.4	10.4	16.4	14.2
<i>Net Margin</i>	<i>-9.6%</i>	<i>3.6%</i>	<i>9.7%</i>	<i>5.5%</i>	<i>3.2%</i>	<i>4.2%</i>	<i>3.9%</i>

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Current Assets	16.9	24.8	60.5	53.6	50.6	75.1	72.6
Cash & Equivalents	0.0	0.4	4.5	1.1	0.8	19.0	15.4
Trade Receivables	6.5	9.7	4.6	17.2	12.8	19.6	23.6
Inventories	6.4	7.6	36.9	22.8	25.2	24.6	22.7
Other	4.0	7.1	14.4	12.5	11.8	11.8	10.9
Fixed Assets	61.2	57.7	60.7	74.2	81.2	58.5	64.6
PP&E, net	30.8	28.8	30.4	32.4	35.9	54.5	60.6
Other	30.4	28.9	30.3	41.8	45.2	4.0	4.0
Total Assets	78.1	82.5	121.2	127.8	131.8	133.6	137.2
Shareholders' Equity	19.1	24.7	60.1	81.0	74.0	90.3	105.5
Share Capital	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Retained Earnings	(20.4)	(14.9)	20.8	39.3	37.2	90.1	105.2
Other	39.2	39.3	39.0	41.5	36.5	-	-
Current Liabilities	58.3	57.7	61.1	8.5	19.8	23.6	21.8
ST Interest Bearing Debt	3.8	-	0.4	-	-	3.9	3.6
Trade Payables	19.2	22.6	19.7	5.9	14.7	17.6	16.2
Other	35.3	35.1	41.0	2.6	5.1	-	-
LT Liabilities	0.7	0.1	0.0	38.2	38.0	19.6	10.0
LT Interest Bearing Debt	-	-	-	-	-	-	10.0
Other	0.7	0.1	0.0	38.2	38.0	19.6	-
Total Liabilities & Equity	78.1	82.5	121.2	127.8	131.8	133.6	137.2

QUARTERLY ANALYSIS, USD mln

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07
Net Revenues	86.5	93.2	76.5	79.2	76.9	79.8	80.1	84.6	85.9	87.8
<i>Change yoy</i>	<i>36.1%</i>	<i>-1.8%</i>	<i>-21.6%</i>	<i>-10.8%</i>	<i>-11.1%</i>	<i>-14.4%</i>	<i>4.8%</i>	<i>6.9%</i>	<i>11.7%</i>	<i>10.0%</i>
EBITDA	7.3	6.8	8.0	5.5	5.5	5.1	7.6	0.4	2.4	3.5
<i>margin</i>	<i>8.5%</i>	<i>7.3%</i>	<i>10.5%</i>	<i>6.9%</i>	<i>7.1%</i>	<i>6.4%</i>	<i>9.5%</i>	<i>0.4%</i>	<i>2.8%</i>	<i>4.0%</i>
EBIT	6.6	5.7	7.4	4.6	4.5	4.2	6.6	(0.4)	1.3	2.5
<i>margin</i>	<i>7.6%</i>	<i>6.1%</i>	<i>9.7%</i>	<i>5.9%</i>	<i>5.9%</i>	<i>5.2%</i>	<i>8.2%</i>	<i>-0.5%</i>	<i>1.5%</i>	<i>2.9%</i>
Net Income	4.8	3.5	5.1	5.0	3.9	2.3	4.4	(0.3)	1.0	1.8
<i>Net Margin</i>	<i>5.6%</i>	<i>3.7%</i>	<i>6.7%</i>	<i>6.3%</i>	<i>5.1%</i>	<i>2.9%</i>	<i>5.6%</i>	<i>-0.4%</i>	<i>1.1%</i>	<i>2.1%</i>

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.

AVDK					ALKZ					ZACO				
Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action
23-Sep-05	6.74	3.56	BUY	Initiating	23-Sep-05	0.55	0.37	BUY	Initiating	23-Sep-05	3.55	1.45	BUY	Initiating
23-Aug-06	4.79	2.96	BUY	Maintain	23-Aug-06	0.05	0.07	SELL	Downgrade	23-Aug-06	2.47	1.2	BUY	Maintain
29-Aug-06					29-Aug-06					29-Aug-06	susp'	0.73		
6-Oct-06					6-Oct-06					6-Oct-06				
19-Oct-06					19-Oct-06					19-Oct-06	2.47	0.82	BUY	Maintain
29-Oct-06	4.79	2.00	BUY	Maintain	29-Oct-06					29-Oct-06				
28-Feb-07	5.14	2.13	BUY	Maintain	28-Feb-07	0.12	0.1	BUY	Upgrade	28-Feb-07	2.53	1.21	BUY	Maintain
17-Oct-07	6.20	3.08	BUY	Maintain	17-Oct-07					17-Oct-07				
15-Nov-07	6.20	3.94	BUY	Maintain	15-Nov-07	0.23	0.24	HOLD	Downgrade	15-Nov-07	1.78	2.10	SELL	Downgrade

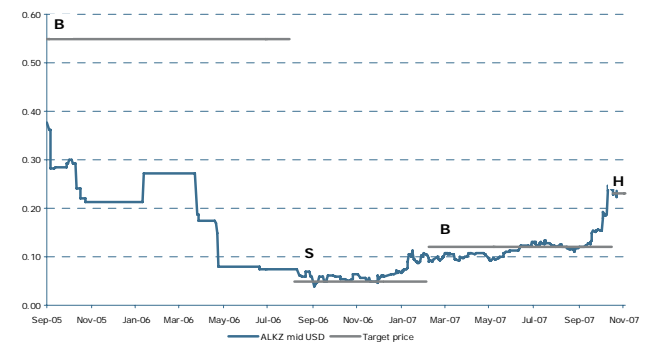
YASK					BKOK					DKOK				
Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action
23-Sep-05	0.73	0.35	BUY	Initiating	23-Sep-05					23-Sep-05	0.80	0.16	BUY	Initiating
23-Aug-06	0.30	0.29	HOLD	Downgrade	23-Aug-06	0.12	0.13	SELL	Downgrade	23-Aug-06	0.19	0.17	HOLD	Downgrade
29-Aug-06					29-Aug-06					29-Aug-06				
6-Oct-06					6-Oct-06					6-Oct-06	0.08	0.16	SELL	Downgrade
19-Oct-06					19-Oct-06					19-Oct-06				
29-Oct-06					29-Oct-06					29-Oct-06				
28-Feb-07	0.73	0.41	BUY	Upgrade	28-Feb-07	0.05	0.09	SELL	Maintain	28-Feb-07	0.02	0.11	SELL	Maintain
17-Oct-07					17-Oct-07					17-Oct-07				
15-Nov-07	1.60	1.38	HOLD	Downgrade	15-Nov-07	N/R	0.12	N/R		15-Nov-07	N/R	0.12	N/R	

Recommendation history, USD

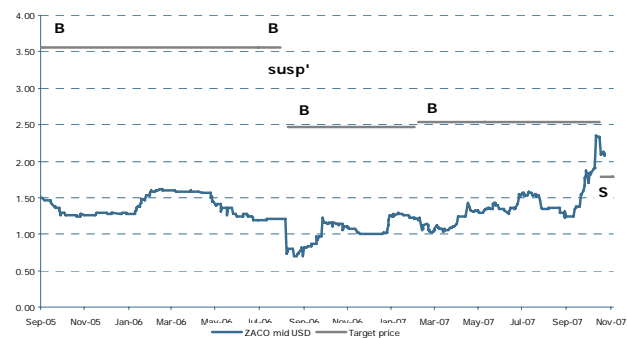
AVDK



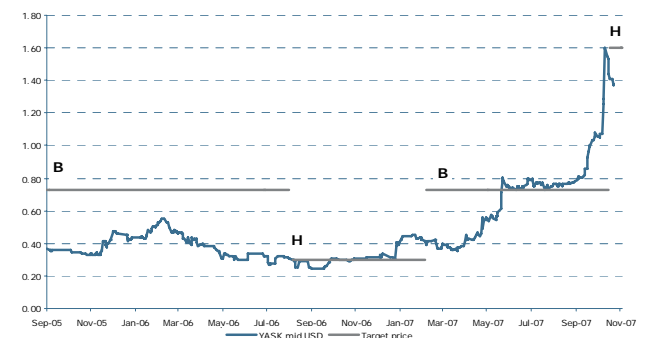
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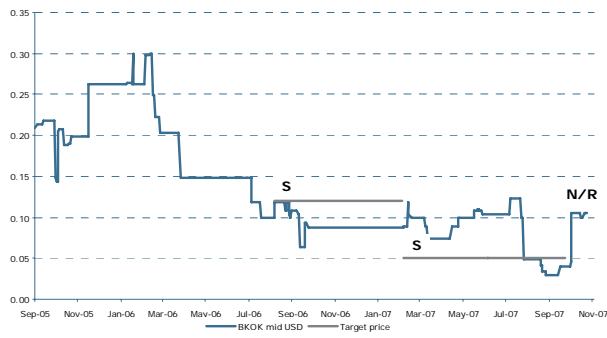
ZACO



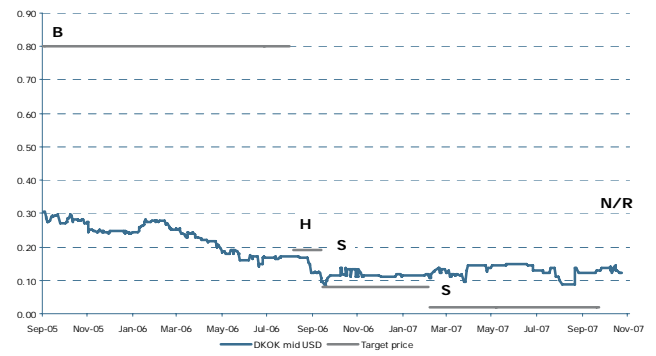
YASK



BKOK



DKOK



Concorde Capital Rating Universe

Buy	35	42%
Hold	31	37%
Sell	7	8%
Under Review	11	13%
Total	84	100%

Investment Banking Clients

Buy	8	73%
Hold	3	27%
Sell	0	0%
Under Review	0	0%
Total	11	100%

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