



CONCORDE CAPITAL

Ukraine / Metal Fabricate & Hardware

Dniprometiz

256% Equity Increase Approved

January 10, 2008

Current price: **USD 128.7**
 12M Target undiluted: **USD 154.0**
diluted: **USD 52.9**

BUY

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EGM approves 256% charter fund increase

Today Dniprometiz shareholders approved a 256% charter fund increase via an additional share issue to finance its CapEx program. By 2010, Dniprometiz plans to almost double its annual production capacity to 200 ths mt.

Ticker

Bloomberg DMPO UZ

Market information

Market price*, USD	128.7
MCap, USD mln	44.29
Chg 12M	172%
52 Wk Hi/Lo YTD, USD	183.2/4.95
No of shares, mln	0.34
No of shares new, mln	1.23
Avg Mon Tr Vol 2007, USD mln	0.17
Free float	7.0%
Free float, USD mln	3.1
* PFTS bid-price	

Corporate Governance

Concorde Rating** BA

** 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

Severstal-Metiz	60.0%
TEKO-Dniprometiz	33.0%
Other	7.0%

	# of shares	Charter fund, USD mln
Current	0.34	4.64
Additional issue	+0.88	+11.89
After issue	1.23	16.53

Ex-rights date is March 31

Subscription will be held in two stages: during the first stage, investors will be able to subscribe on a pro-rata basis from March 31 to April 08, and the second stage will take place from April 9 to April 11. The subscription price is set at par, USD 13.5 per share.

Severstal might acquire TAS's stake

At the EGM, shareholders excluded TEKO-Dniprometiz, related to the Ukraine-based TAS group, from the company's supervisory board. We believe this is a hint that Severstal-Metiz could buy out TEKO-Dniprometiz's 33% stake in Dniprometiz (see our March 2007 report) and increase its stake to 93%.

9M07 results as expected, projections maintained

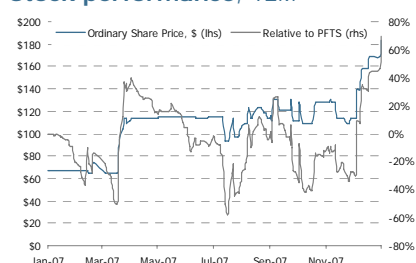
	9M06	9M07	chg	2006	2007E	chg	2008E
Sales, USD mln	50.0	66.7	33.3%	68.4	91.4	33.5%	91.4
EBITDA, USD mln	3.6	5.1	41.7%	4.3	9.1	111.8%	11.03
EBITDA mgn	7.1%	7.6%	0.4 p.p.	6.3%	10.0%	3.7 p.p.	10.0%
NI, USD mln	2.3	3.4	43.0	2.2	4.6	104.4%	5.5
Net mgn	4.7%	5.0%	0.3 p.p.	3.3%	5.0%	1.7 p.p.	5.0%

Source: Company data, Concorde Capital estimates
 Note: For details on our forecasts, see our March 2007 report

16% upside remains

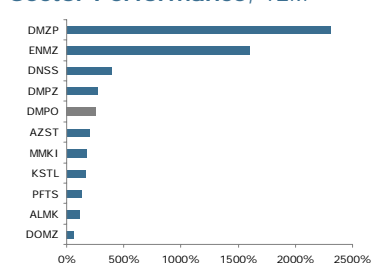
Our target price adjusted for dilution is USD 52.9 per share, which implies a 16% upside to the fully diluted market price (USD 45.8 per share). We reiterate BUY.

Stock performance, 12M

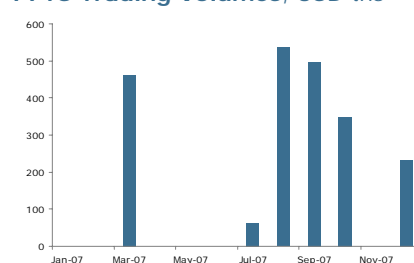


Source: PFTS. Note: PFTS-bid price

Sector Performance, 12M



PFTS Trading Volumes, USD ths



Key financials & ratios, USD mln

	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006	68.4	6%	3%	1.0	13.3	28.3
2007E	91.4	10%	5%	0.8	8.0	12.5
2008E	110.3	10%	5%	0.7	7.1	10.7

Spot exchange rate: 5.05 UAH/USD

FLASH NOTE

FLASH NOTE

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Financial Statements, UAS

Income Statement Summary, USD mln

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Net Revenues	9.8	10.6	10.3	11.7	11.7	17.8	20.6	18.4	18.3	24.9	23.4
Cost Of Sales	(8.0)	(8.6)	(8.5)	(9.5)	(9.7)	(15.4)	(18.1)	(16.5)	(16.5)	(21.5)	(21.5)
Gross Profit	1.9	2.0	1.8	2.2	2.0	2.4	2.5	1.9	1.9	3.4	2.0
Other Operating Income/Costs, net	0.1	(0.0)	0.2	0.1	0.1	0.8	0.8	0.8	0.9	0.8	1.5
SG&A	(1.1)	(0.9)	(0.9)	(1.1)	(1.2)	(1.7)	(1.6)	(1.6)	(1.6)	(1.7)	(1.6)
EBITDA	0.9	1.1	1.1	1.2	0.9	1.4	1.7	1.1	1.1	2.5	1.9
<i>EBITDA margin, %</i>	9%	10%	11%	10%	7%	8%	8%	6%	6%	10%	8%
Depreciation	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.2)	(0.4)	(0.2)	(0.2)	(0.2)
EBIT	0.7	0.9	0.9	1.0	0.6	1.4	1.5	0.7	1.0	2.3	1.8
<i>EBIT margin, %</i>	7%	9%	9%	9%	5%	8%	7%	4%	5%	9%	7%
Interest Expense	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)
Financial income/(expense)	-	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	0.0	0.1	0.0	(0.1)	0.1	(0.1)	(0.0)	(0.4)	(0.1)	0.0	0.1
PBT	0.4	0.6	0.7	0.6	0.4	1.1	1.4	0.2	0.8	2.2	1.6
Tax	-	-	(0.4)	(0.3)	-	(0.1)	(0.4)	(0.3)	(0.2)	(0.4)	(0.5)
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Extraordinary Income/(loss)	-	-	-	-	-	-	-	-	-	-	-
Net Income	0.4	0.6	0.3	0.3	0.4	1.0	1.0	(0.1)	0.6	1.7	1.1
<i>Net Margin, %</i>	4%	6%	3%	2%	3%	6%	5%	-1%	3%	7%	5%

Balance Sheet Summary, USD mln

	1Q05	2Q05	3Q05	2005	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Current Assets	10.6	10.9	9.7	13.7	11.8	16.4	17.5	15.4	20.3	24.3	25.1
Cash & Equivalents	0.1	0.0	0.0	0.1	0.4	0.5	0.3	0.2	1.0	0.8	0.7
Trade Receivables	3.8	4.0	3.3	3.0	2.1	4.2	3.4	2.8	3.0	3.0	2.8
Inventories	3.6	3.3	3.3	3.4	5.9	6.8	6.4	5.0	6.9	9.2	9.1
Other current assets	3.1	3.5	3.1	7.3	3.5	4.8	7.4	7.3	9.3	11.4	12.4
Fixed Assets	11.8	12.1	12.0	8.6	11.7	11.6	11.5	11.3	11.2	12.0	12.6
PP&E, net	8.3	8.4	8.3	8.3	11.3	11.3	11.2	10.9	10.9	10.9	11.0
Other Fixed Assets	3.5	3.6	3.7	0.3	0.4	0.3	0.3	0.4	0.4	1.2	1.6
Total Assets	22.4	22.9	21.7	22.4	23.6	27.9	29.1	26.6	31.5	36.3	37.7
Shareholders' Equity	11.3	12.4	12.6	12.9	13.2	14.2	18.2	18.0	18.6	20.3	21.3
Share Capital	1.5	1.5	10.9	1.5	1.5	1.5	4.6	4.6	4.6	4.6	4.6
Reserves and Other	9.3	9.5	0.1	9.6	9.5	9.5	9.4	9.3	9.2	9.1	9.0
Retained Earnings	0.5	1.4	1.6	1.8	2.2	3.2	4.1	4.1	4.7	6.5	7.7
Current Liabilities	7.5	6.6	5.6	6.0	9.0	13.4	10.5	8.3	12.9	16.0	16.3
ST Interest Bearing Debt	5.0	4.8	4.2	4.9	7.2	8.1	7.8	6.5	10.7	13.0	14.0
Trade Payables	0.8	0.8	0.8	0.1	0.5	0.7	0.7	0.2	0.2	0.3	0.2
Accrued Wages	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Accrued Taxes	0.1	0.1	0.1	0.2	0.1	0.1	0.4	0.1	0.1	0.6	0.5
Other Current Liabilities	1.4	0.8	0.3	0.6	0.9	4.1	1.3	1.2	1.5	1.7	1.2
LT Liabilities	3.7	3.9	3.5	3.4	1.3	0.4	0.4	0.3	0.1	0.1	0.1
LT Interest Bearing Debt	3.4	3.8	3.3	3.4	1.2	0.3	0.3	0.3	-	-	-
Other LT	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Liabilities & Equity	22.4	22.9	21.7	22.4	23.6	27.9	29.1	26.6	31.5	36.3	37.7

Appendix - Disclosures

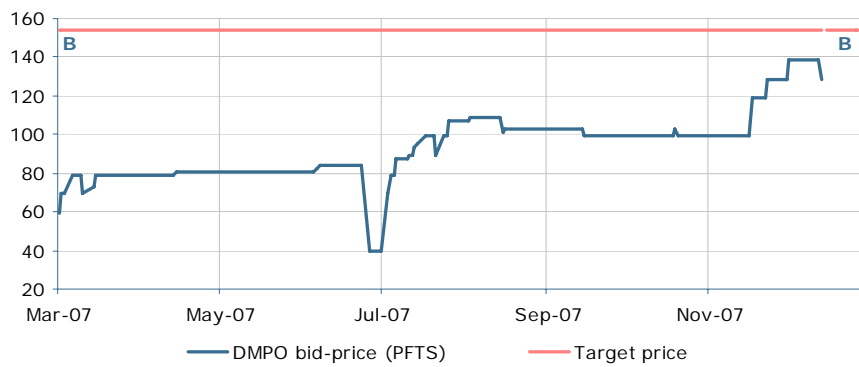
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Dniprometiz

Date	12M target price, USD	Market price, USD	Rating	Action
28-Mar-07	154.0	70.0	BUY	Initiate
10-Jan-08	154.0	128.7	BUY	Maintain

DMPO 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.

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Hold	29	24%
Sell	12	10%
Suspended / Not Rated	26	21%
Under Review	19	15%
Total	123	100%

Investment banking clients*

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Sell	0	0%
Suspended / Not Rated	0	0%
Under Review	1	0%
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