

Initiating coverage

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Dniprometiz

Put Me In, Coach!

Ticker DMPO

Market data

Market price, USD 70.0

Shares, mln 0.34

MCap, USD mln 24.1

Free float 7.0%

FF MCap, USD mln 1.7

12M target

Price, USD 154.0

Upside 120%

Ownership

Severstal-Metiz 60.0%

TEKO-Dniprometiz 33.0%

Other 7.0%

CONTENT

Investment summary	3
Largest Ukrainian producer of metal hardware	4
Major product - Steel wire	4
New owner to boost revenues	5
Acquired by Severstal-Metiz	5
Counting Dniprometiz's benefits from the acquisition	6
Production growth backed by deeper penetration into capacious European market	7
Top line is free of transfer pricing and poised to grow	9
Wire rod – major cost determinant	10
Selling price growth driven by cost inflation, but there is just one snag	11
Valuation	12
Appendices	15
Appendix 1: Prices of Dniprometiz's products	15
Appendix 2: Projected financials	16
Appendix 3: Dniprometiz quarterly analysis	17
Appendix 4: Severstal-Metiz	18
Appendix 5: Peer descriptions	19

Investment summary

We initiate coverage of Dniprometiz, Ukraine's largest producer of metal hardware that was recently acquired by Severstal-Metiz. Our target price of USD 154 per share is set within a narrow range between the price implied by EV/EBITDA and our DCF valuation. With an upside of 120%, the stock represents an appealing opportunity that has been unjustifiably neglected by the market since its listing on the PFTS in December 2006. **BUY.**

Curtain lifted following recent acquisition

Dniprometiz instituted order in its financials after it was acquired by Severstal-Metiz in February 2006. The turnaround was stimulated by the high quality corporate governance standards of its new owner, the metal hardware arm of steel major Severstal group, which positions itself as a western-style corporation.

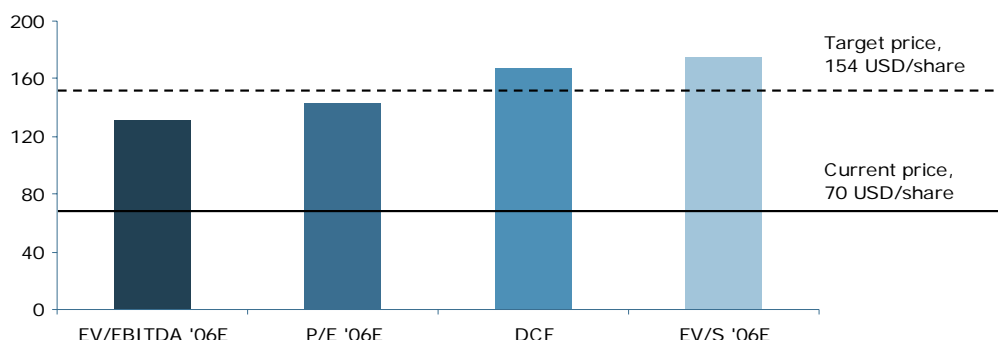
The company has eliminated the suspect schemes of its previous owners, including transfer pricing (trading houses TAS and TEKO-Dniprometiz were cut from sales operations) and a shady agreement for use of its production equipment by TEKO Ltd. As a result the company's top line surged 63% yoy in 9M06 to USD 50 mln.

Further value drivers in numerous synergies

Dniprometiz will reap the fruit of synergies with Severstal-Metiz such as centralized business coordination, production capacities transferring to Dniprometiz from other group assets and more efficient marketing. In concrete terms, we expect the progress will materialize in the company's revenues doubling by 2009.

In February 2007, Dniprometiz announced ambitious plans: (1) by 2010, the company's production capacity will be repaired and replenished by 30% to 200 ths mt/year, allowing output to grow from 106 ths mt in 2006 to 190 ths mt in 2009; and (2) the company will use new sales channels from the group's dealer network, which has 8 authorized dealers in Europe, to boost shipments to the capacious European market.

Valuation summary



Key Financials & Ratios

	Sales, USD mln	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2005	42.4	10%	4%	0.76	7.69	15.19
2006E	67.3	9%	4%	0.48	5.29	7.97
2007E	91.4	10%	5%	0.35	3.73	4.85
2008E	110.3	10%	5%	0.29	3.49	4.09

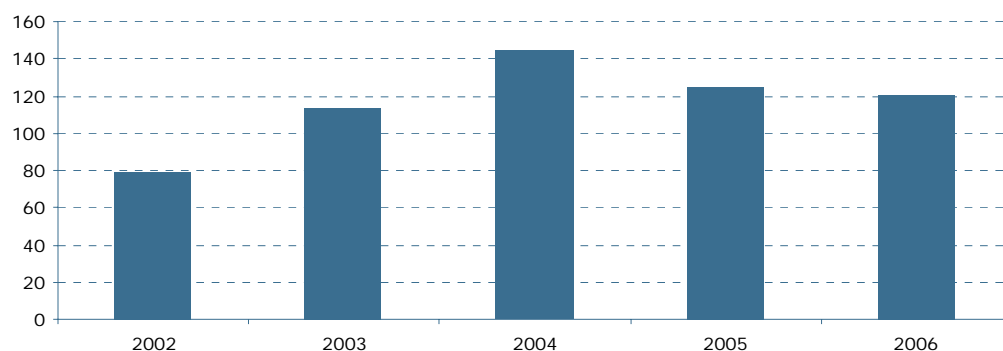
Spot exchange rate is 5.05

Largest Ukrainian producer of metal hardware

Major product - Steel wire

Dniprometiz is the largest domestic producer of semi-finished metal hardware products, with a 20% share of Ukrainian metal hardware production in 2006. Dniprometiz's installed production capacity is 150 ths mt per year, while its effective production capacity was 120-125 ths mt in 2005-2006.

Metal hardware production, ths mt

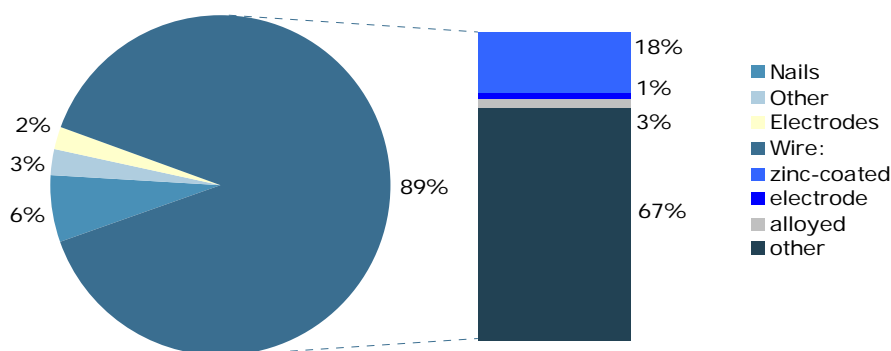


Source: Metal-Courier

* Production is the combined output of Dniprometiz and TEKO Ltd (the company, which apparently utilized 30% of Dniprometiz's effective capacities). TEKO Ltd. is controlled by Dniprometiz's former major shareholder, trading house TEKO-Dniprometiz. After Dniprometiz's acquisition, TEKO Ltd returned the capacities to Dniprometiz (for details see p. 9)

The company produces more than 75 types of wire of various diameters and processing levels. Dniprometiz's product profile ranges from low value-added wire for common purposes (w/o coating) and armature manufacturing to high value-added alloyed, zinc-coated wire, and wire for electrodes manufacturing. Other products include nails, steel net, electrodes and fasteners.

Product breakdown, 2006



Source: Metal-Courier, Concorde Capital estimates

Around 80% of its metal hardware products are used in construction and machine-building. The rest is consumed by agriculture (vineyards).

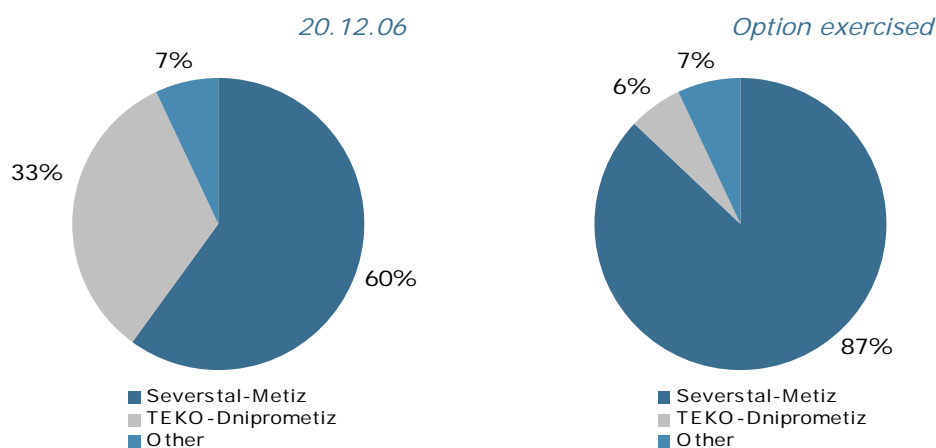
New owner to boost revenues

Acquired by Severstal-Metiz

In February 2006, a 60% stake in Dniprometiz was acquired by Russian Severstal-Metiz through a satellite-company Porten Ltd from its former owner, Ukrainian TAS group. Severstal-Metiz is an offshoot of the Russian business group Severstal, which has primary interests in steel, mining, metal hardware and automotive. In 2005, Severstal-Metiz controlled around 6-7% of the European & CIS metal hardware market.

According to media reports, Severstal-Metiz had an option to buy an additional 27% stake in Dniprometiz by the end 2006. In February 2007, Dniprometiz's management confirmed to us that the option existed, however, it did not disclose to the public whether the option was picked up or not.

Shareholder structure



Source: Ukrainian State Securities and Exchange Commission

Counting Dniprometiz's benefits from the acquisition

Investment program aimed at growth and quality

In February 2007, Severstal-Metiz outlined a three-year development plan for Dniprometiz. Overall, the company will increase production capacity 30% to 200 thousand tons per year. According to Severstal-Metiz, planned CapEx is USD 10 mln.

The parent company is planning to transfer some capacity from Russian and European plants to Ukraine by 2010. In addition, Dniprometiz will fix its outdated capacities. The company already launched modernized unit #6 on January 15, 2007, which allows Dniprometiz to produce zinc-coated wire with wider range diameters and has increased monthly production by 10% to 1100 mt/month.

In December 2006, Severstal-Metiz spun off its steel net producing company, Unifeks, to improve the segment's coordination. The new entity will control the development of its existing steel net manufacturing and the introduction of value-added welded fabric to Dniprometiz's product line.

Links to a wide distribution network

Severstal-Metiz possesses a wide distribution network, which presently consists of 8 authorized dealers in the EU and 7 dealers throughout Russia, including branches in Moscow and Saint Petersburg.

Severstal-Metiz's plants and dealers



Source: Severstal-Metiz

Note: Grey zones are countries where Severstal-Metiz has authorized dealers. In Russia, the group has seven authorized dealers in major regions.

Hedge against input shortage

Dniprometiz got an opportunity to receive inputs from related-company Severstal, which is the 13th largest steel producer in the world according to the International Iron and Steel Institute. We think shipments from Severstal are a strategic advantage, which Dniprometiz can use in case of exigency – problems with domestic supplies.

Production growth backed by deeper penetration into capacious European market

Dniprometiz will develop operations in Europe, which will allow it to fully use its capacities and increase shipments by ~60% in 2006-2009.

In 2006, we estimate, Dniprometiz sold 42% of its products domestically, while it exported the rest to Europe (49% of total production) and Russia (9% of total production).

According to the company's management, the small-size and competitive Ukrainian market and the consolidated Russian market offer lower growth opportunities than capacious and unconsolidated Europe considering the competitive advantages of Ukrainian exporters.

Ranking of players on the European metal hardware market:

	China	Ukraine	Russia	Europe
Raw materials	4	4	3	1
Electricity	2	3	4	1
Salary	4	4	3	1
Assets deterioration	4	2	3	3
Quality	3	2	3	4
State support	4	3	0	2
Transportation cost	2	4	3	4
Total score	23	22	19	16

Source: Severstal-Metiz, Concorde Capital

Note: This table ranks players in terms of how competitive they are against one another. Scores range from 0 to 4, higher scores are assigned to more competitive players.

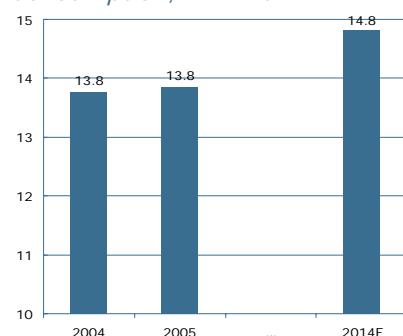
Europe: Big pie

The European metal hardware market for semi-finished products is seven times larger than the Russian one and thirty five times bigger than in Ukraine. A liberal estimate of the market size for semi-finished metal hardware products is about USD 8.4 bln a year. Although the market has a higher capacity, growth in European semi-finished product consumption is slow. Severstal-Metiz forecasts an annual growth rate of 1-2% over the next eight years.

Specifically, Europe is a highly fragmented market with only a few majors that have market shares ranging from 3% to 9%.

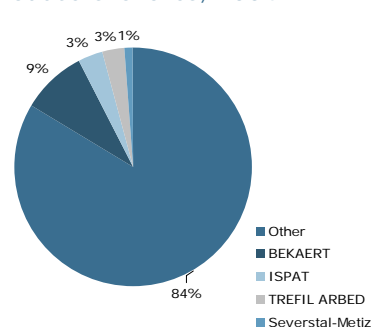
European market

Consumption, mln mt*



Source: Severstal-Metiz
* Semi-finished products

Producers' shares, 2004



Ukraine: Small-size

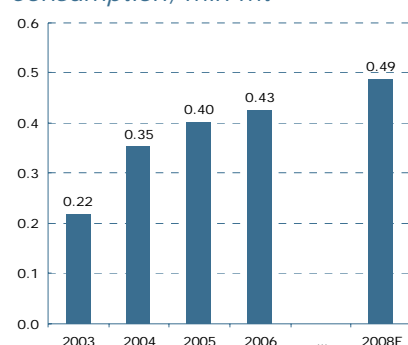
Dniprometiz's maneuvers to grow production are limited due to the small size of Ukraine's metal hardware market, compared to Europe. We estimate the market's size at USD 300 mln per annum. Even though market growth slowed down in 2006, we forecast local consumption to rise at an annual rate of 6-7% in 2007-2008, largely from growth in the construction and machine building sectors.

In 2006 Ukraine exported ~40% of its metal hardware products, primarily to Europe (50% of total exports in 2006) and CIS countries (46%). Imports accounted for 19% of local consumption last year.

Three local players, Dniprometiz, Zaporizhmetiz and IMU, control 56% of the market, while the rest is widely distributed among the other producers. We estimate 15-20% of the market belongs to hundreds of minor players.

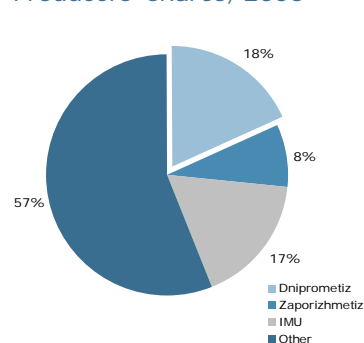
Ukrainian market

Consumption, mln mt



Source: Derzhzovnishinform, Metal-Courier, Concorde Capital estimates

Producers' shares, 2006



Russia: Autonomous

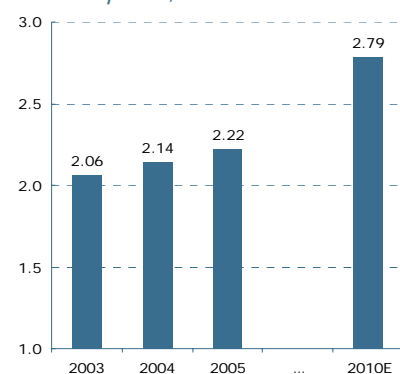
The Russian market consumed around 2.2 mln mt (est. USD 1.4 bln) of metal hardware products in 2005. Based on Severtsal-Metiz forecasts, Russian consumption will increase 26% by 2010, driven by booming construction and machine building sectors.

Most manufactured metal hardware products are consumed domestically, while exports account for 19-20% of total production. Russia imports only 4-5% of metal wire products and 74% of it comes from Ukraine.

Russia is a highly concentrated market with eight large players controlling over 77% of the domestic market.

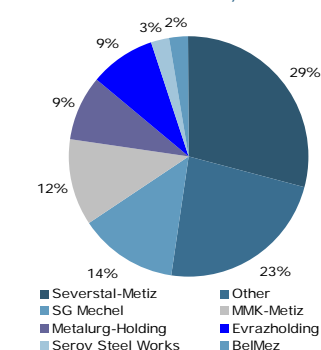
Russian market

Consumption, mln mt



Source: Severstal-Metiz

Producers' Shares, 2004



Top line cleaned up and poised to grow

New owner established order – sales surged in 9M06

In 9M06 Dniprometiz's top line catapulted up 63% yoy to USD 50 mln, as a result of Severstal-Metiz's assuming control over Dniprometiz.

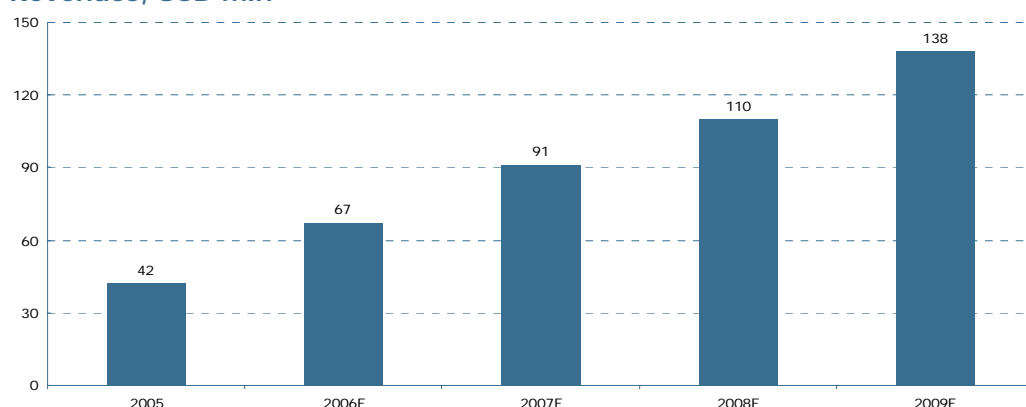
First, in 2H06 production capacities (est. at 30% of total) were returned to the company from TEKO Ltd (the legal entity owned by Dniprometiz's former owner), which led to 23% yoy production growth in 9M06. TEKO Ltd had apparently been utilizing production capacities under obscure terms for a long time prior to the acquisition. Secondly, in 9M06 Dniprometiz's average selling price increased by 32% to 630 USD/mt after the company cut trading houses TAS and TEKO-Dniprometiz out of its sales operations, while at the same time market prices for metal hardware grew 6-9% over the period.

In addition, we think the company charged TEKO Ltd with lease payments during 1H06 for the use of its production equipment. These payments amounted to USD 2 mln (non-operating income in 9M06).

Revenue growth to go on

We forecast Dniprometiz to increase production 78% by 2009, driven by a CapEx program and deeper penetration into the European market, which coupled with an expected 15-20% selling price increase over the period, will translate into top line growth to USD 138 mln in 2009 from expected USD 67 mln in 2006.

Revenues, USD mln



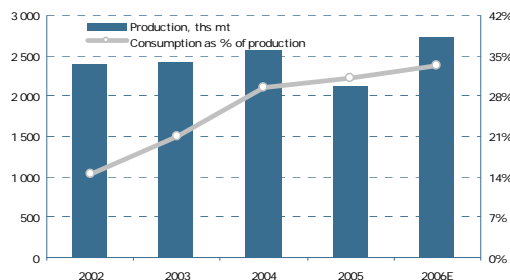
Source: Company data, Concorde Capital estimates

Wire rod – major cost determinant

No problems with wire rod availability at home

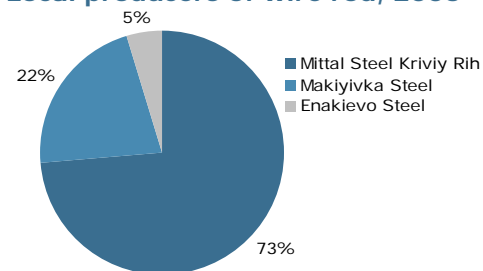
Dniprometiz's major input for metal hardware manufacturing is steel wire rod, which roughly accounts for 65-70% of its production costs. The company is currently receiving nearly 95% of wire rod from Mittal Steel Kriviy Rih, which is located 200 km from the plant. Dniprometiz theoretically can get inputs from other Ukrainian steel mills, Makiyivka Steel and Enakievo Steel.

Ukrainian wire rod market



Source: Derzhzovnishinform, Company data, Concorde Capital estimates

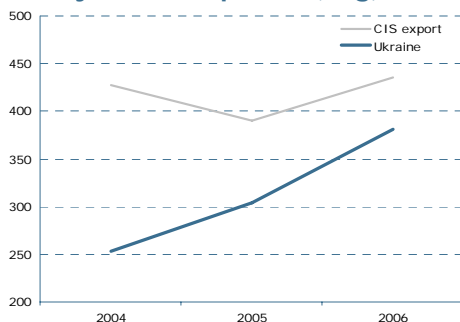
Local producers of wire rod, 2006



Local wire rod price rally calmed down

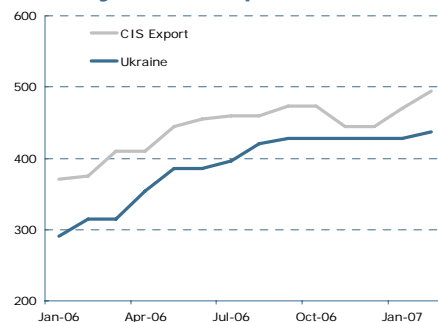
Although Ukraine is self-sufficient in wire rod, local prices have been constantly increasing over the last two years, driven by selling price inflation by Mittal Steel Kriviy Rih. The local price grew to CIS export levels before stabilizing recently.

Yearly wire rod prices (avg), USD/mt



Source: Bloomberg, Metal-Courier

Monthly wire rod prices, USD/mt



We do not expect significant price hikes for local wire rod like those in 2005-2006 to occur in the coming years since the gap between local and export prices vanished last year. The local price, in our view, will follow the global price trend and grow at a 10-11% CAGR '07-08. Thus, production costs for metal hardware makers, like Dniprometiz, are not likely to grow sharply over that period.

Dniprometiz negotiating special terms for deliveries

Dniprometiz's new management is trying to find a common ground with its major supplier. In mid-2006, the company approached Mittal Steel Kriviy Rih, the largest domestic producer of wire rod, with an offer to create a strategic partnership. It proposed to switch to mid-term contracts from spot pricing deliveries. In February 2007, Dniprometiz's top management confirmed that negotiations are taking place.

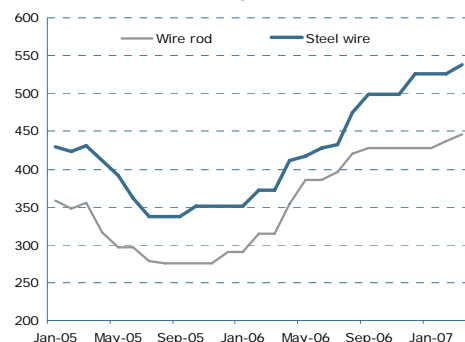
New supplier will assure stable local prices

The Ukrainian wire rod market might expand by one more local producer by 2009-2010. In February 2007, the Ukrainian company Kyivvortormet announced that it is going to start construction on an electric-arc steel smelter in 2H07. Domestic wire rod production might increase by 30% after the new steel mill comes on-stream. The steel plant will sell 80-90% of produced wire rod locally, which should keep domestic prices in check.

Selling price growth driven by cost inflation, but there is just one snag

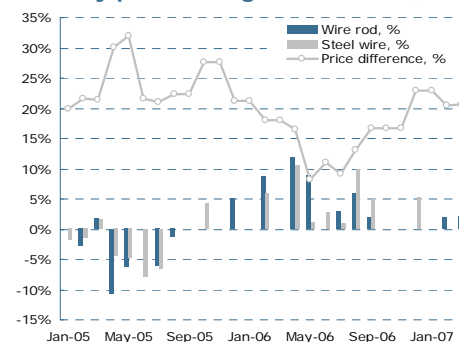
In general metal hardware prices follow changes in major input prices (wire rod). However, last year, Ukraine's wire rod producer oligopoly played a mean joke on the fragmented local producers of metal hardware. In December 2005 – June 2006 the latter failed to reach consensus on raising local prices to factor in the input price escalation. As a result, growth in wire rod prices was way above steel wire prices (33% vs. 22%) for the period. Metal hardware prices recovered only in 2H06 when cost inflation cooled off (steel wire prices grew 23% against 11% for wire rod price).

Prices in Ukraine, USD/mt



Source: Metal-Courier, Concorde Capital calculations

Monthly price changes in Ukraine, %



We believe that the current difference in selling and input prices will be preserved in the mid-term. First, volatility in input prices will diminish after prices of local wire rod increased in 2005-2006 to the CIS export level. Secondly, Ukrainian metal hardware producers, having already been bit once due to lack of responsiveness in 1H06, will be more attentive to corrections in input prices.

Consequently, based on the average difference in prices for its major input (wire rod) and core product (steel wire), which totalled nearly 20% in 2005-2006, we conservatively forecast Dniprometiz's profitability margins to be stable in the mid-term (17-18% gross margin).

Valuation

DCF valuation

Basic assumptions for DCF model:

	2006E	2007E	2008E	2009E	2010E	2011E
Production, ths mt						
Steel wire	94 544	112 734	129 644	175 020	183 771	183 771
<i>Growth, yoy</i>		19%	15%	35%	5%	0%
Nails	6 627	7 613	7 613	7 613	7 613	7 613
<i>Growth, yoy</i>		15%	0%	0%	0%	0%
Electrodes	2 664	2 930	3 516	3 868	4 255	4 255
<i>Growth, yoy</i>		10%	20%	10%	10%	0%
Fasteners	1 489	1 683	1 683	1 683	1 683	1 683
<i>Growth, yoy</i>		13%	0%	0%	0%	0%
Steel net	764	764	840	924	1 017	1 017
<i>Growth, yoy</i>		0%	10%	10%	10%	0%
Total	106 088	125 725	143 297	189 109	198 339	198 339
Prices, USD/mt						
Steel wire	625.0	718.8	761.9	723.8	687.6	653.2
<i>Growth, yoy</i>		15%	6%	-5%	-5%	-5%
Nails	630.0	724.5	768.0	729.6	693.1	658.4
<i>Growth, yoy</i>		15%	6%	-5%	-5%	-5%
Electrodes	755.5	846.1	896.9	852.0	809.4	769.0
<i>Growth, yoy</i>		12%	6%	-5%	-5%	-5%
Fasteners	1035.0	1086.4	1097.3	1097.3	1097.3	1097.3
<i>Growth, yoy</i>		5%	1%	0%	0%	0%
Steel net	650	728.0	771.7	733.1	696.4	661.6
<i>Growth, yoy</i>		12%	6%	-5%	-5%	-5%
Sales, USD mln	67.3	91.4	110.3	138.1	137.6	130.8
<i>Growth, yoy</i>		35.8%	20.6%	25.2%	-0.3%	-4.9%
COGS, USD mln	57.1	74.7	90.2	113.1	112.7	107.1
<i>Growth, yoy</i>		30.8%	20.8%	25.4%	-0.4%	-5.0%

Source: Company data, Concorde Capital estimates

Note: Production data for 2006 does not include production of TEKO Ltd (see p. 9)

Discounted cash flow model

As of Mar. 27, 2007

For the purpose of forecasting, local currency is used (UAH mln) unless otherwise noted

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EBITDA	45	55	67	67	65	65	65	65	65
EBIT	41	50	61	61	58	58	58	58	57
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	31	38	46.0	45.8	43.5	43.4	43.2	43.1	43.0
Plus D&A	4	5	6	6	7	7	7	7	7
Less CapEx	(9)	(28)	(28)	(14)	(7)	(7)	(7)	(7)	(7)
Less Change in OWC	(14)	(11)	(18)	0	3	-	-	-	-
FCFF	11	4	6	38	46	43	43	43	43
WACC	12.9%	13.4%	12.2%	11.4%	10.3%	10.4%	10.4%	10.4%	10.4%

WACC to Perpetuity									10.5%
Perpetuity Growth Rate									0.5%
Terminal Value									454
Implied Exit EBITDA Multiple									x7.0
Disc. Terminal Value	177	201							
Firm Value	287	355							
Less Net Debt	(44)	(52)							
Equity Value, UAH mln	280	303							
Implied Share Price, USD	160.4	172.8							

Sensitivity analysis: Implied share price, USD

	Perpetuity Growth Rate				
WACC to perpetuity	-0.5%	0.0%	0.5%	1.0%	1.5%
8.0%	184.2	192.7	202.4	213.5	226.2
9.0%	171.3	178.2	185.8	194.5	204.3
10.0%	160.9	166.5	172.8	179.7	187.5
11.0%	152.3	157.1	162.3	168.0	174.3
12.0%	145.1	149.2	153.6	158.4	163.6

Peer comparison

In 2005 and 2006 Dniprometiz's financials were negatively affected by transfer pricing and asset stripping from its former owner, TAS group (see p.9). Thus, we use adjusted financials in our comparison analysis to more accurately derive the company's value.

Dniprometiz's true sales calculation

	Production, tht mt	Avg. sell price, USD/mt	Sales by entity, USD mln	Adj. sales, USD mln
2005				
Dniprometiz	88.3		50.3	
TEKO	36.6	569	20.8	71.7
2006				
Dniprometiz	106.6		67.1	
TEKO	14.1	630	8.9	76.0

Source: Metal-Courier, Concorde Capital estimates

Valuation

Company	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
Dniprometiz*	24.1	0.45	0.43	3.78	4.69	6.78	7.08
International peers							
Amatei Inc	14.7	0.36	0.67	11.04	14.73	neg	18.20
Tree Island Wire Income Fund	126.7	0.44	0.54	3.54	4.65	7.63	9.28
Tokyo Rope Manufacturing	315.9	0.59	0.82	5.75	8.40	14.82	18.21
Nippon Seisen Company	160.7	0.74	0.73	5.16	6.81	12.43	13.85
Insteel Industries Inc	311.3	0.92	0.90	6.74	5.04	12.84	10.54
Nichia Steel Works Limited	228.0	1.19	1.38	7.77	8.51	13.49	17.88
Average		0.70	0.84	6.67	8.02	12.24	14.66
Implied Price by Average, USD		121.93	175.26	141.58	131.16	126.48	144.93
Upside (Downside) by Average		74%	150%	102%	87%	81%	107%

Source: Thompson Financial, Concorde Capital estimates

* Valuation is based on true financials

Key financials

Company	Country	Sales		EBITDA margin		NI margin	
		2005	2006E	2005	2006E	2005	2006E
Dniprometiz*	UKRAINE	71.1	75.6	12.0%	8.5%	5.0%	4.4%
International peers							
Amatei Inc	JAPAN	65	58	3%	5%	0%	1%
Tree Island Wire Income Fund	CANADA	288	232	12%	12%	6%	6%
Tokyo Rope Manufacturing	JAPAN	646	580	10%	10%	3%	3%
Nippon Seisen Company Limited	JAPAN	210	215	14%	11%	6%	5%
Insteel Industries Inc	USA	346	333	14%	18%	7%	9%
Nichia Steel Works Limited	JAPAN	226	202	15%	16%	7%	6%
Average				12%	12%	5%	5%

Source: Thompson Financials, Concorde Capital estimates

* Est. true financials

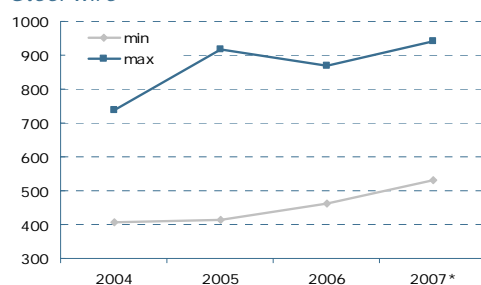
Appendices

Appendix 1: Prices of Dniprometiz's products

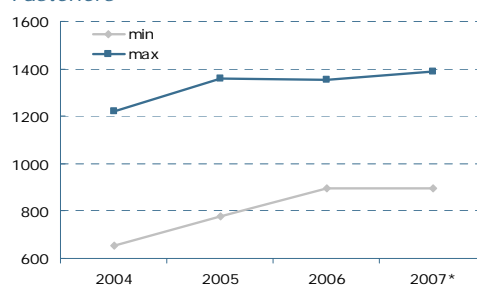
Metal hardware prices differ sharply depending on the product type and quality. Those products with coatings and higher processing levels cost almost two times more than non-processed ones. Dniprometiz's product portfolio consists primarily of low value-added products (est. 70% in total production).

DMPO's average selling prices by segment, USD/mt

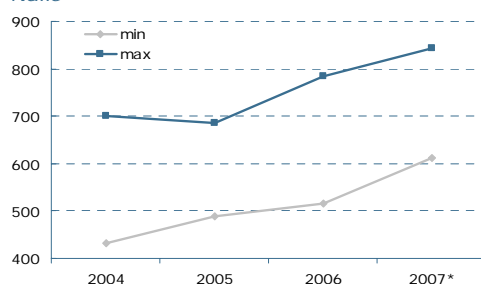
Steel wire



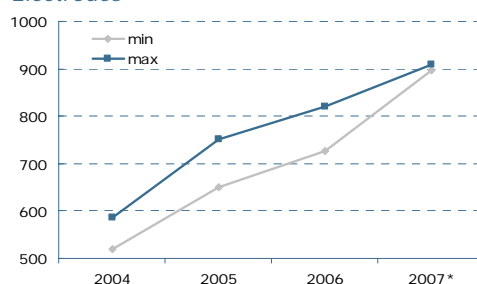
Fasteners



Nails



Electrodes



Source: Metal-courier

* Data for 2007 is January-February

Appendix 2: Projected financials

All financial statements according to Ukrainian Accounting Standards

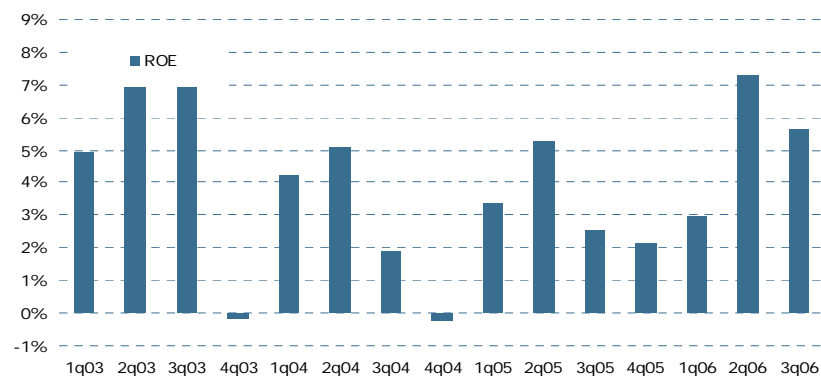
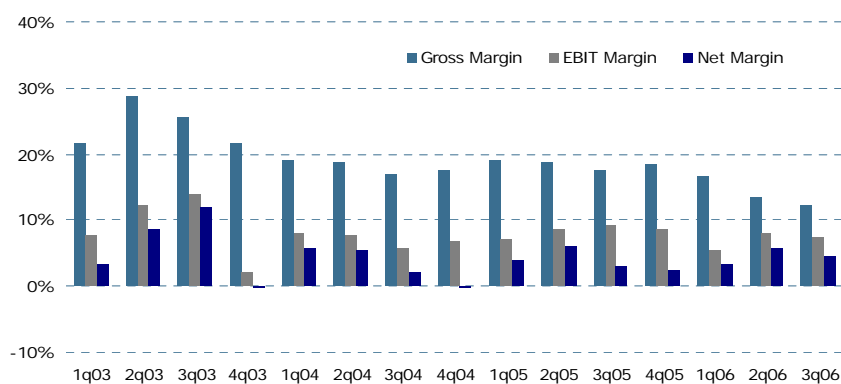
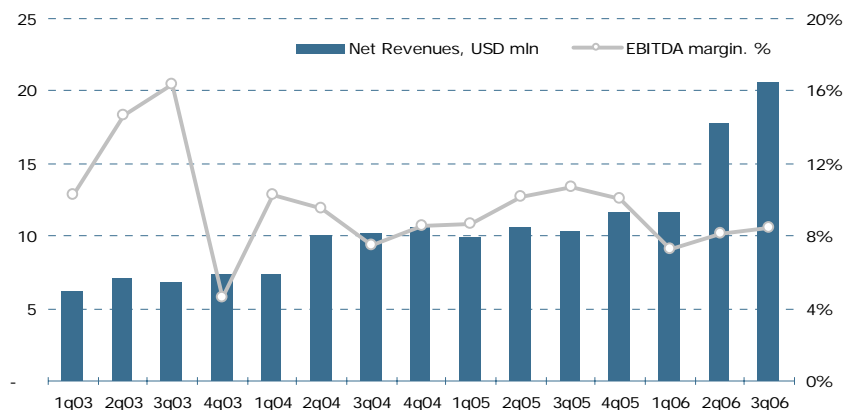
Income Statement Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	38	42	67	91	110	138	138	131	131	131	131	131
<i>Change y-o-y</i>	<i>N/M</i>	<i>11.3%</i>	<i>58.9%</i>	<i>35.8%</i>	<i>20.6%</i>	<i>25.2%</i>	<i>-0.3%</i>	<i>-4.9%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Cost Of Sales	(31)	(35)	(57)	(75)	(90)	(113)	(113)	(107)	(107)	(107)	(107)	(107)
Gross Profit	7	8	10	17	20	25	25	24	24	24	24	24
Other Operating Income/Costs, net	0	0	2	-	-	-	-	-	-	-	-	-
SG&A	(4)	(4)	(6)	(8)	(9)	(12)	(12)	(11)	(11)	(11)	(11)	(11)
EBITDA	3	4	6	9	11	13	13	13	13	13	13	13
<i>EBITDA margin, %</i>	<i>9%</i>	<i>10%</i>	<i>9%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	3	4	5	8	10	12	12	11	11	11	11	11
<i>EBIT margin, %</i>	<i>7%</i>	<i>8%</i>	<i>8%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>
Interest Expense	(1)	(1)	(1)	(2)	(2)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
PBT	2	2	4	7	8	9	9	9	9	9	9	9
Tax	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Net Income	1	2	3	5	6	7	7	7	7	7	7	7
<i>Net Margin, %</i>	<i>3%</i>	<i>4%</i>	<i>4%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>

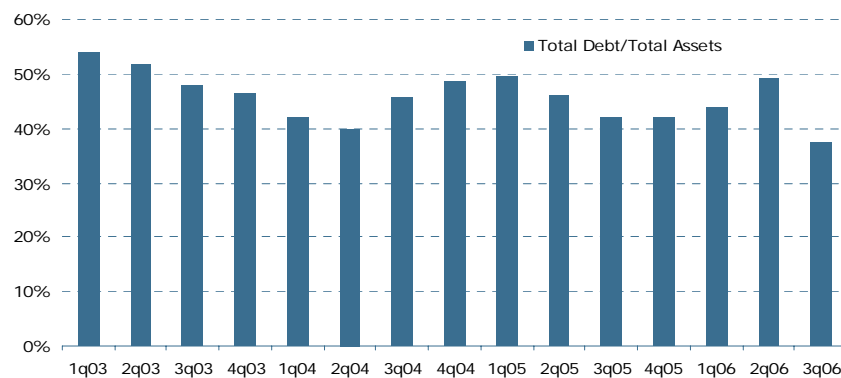
Balance Sheet Summary, USD mln

	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	9	14	17	21	24	28	28	27	27	27	27	27
Cash & Equivalents	1	0	0	0	1	1	1	1	1	1	1	1
Trade Receivables	2	3	3	5	7	9	9	9	9	9	9	9
Inventories	4	3	6	7	9	11	11	11	11	11	11	11
Other current assets	3	7	7	7	7	7	7	7	7	7	7	7
Fixed Assets	12	9	11	12	16	21	22	22	22	22	22	22
PP&E, net	8	8	11	12	16	20	22	22	22	22	22	22
Other Fixed Assets	3	0	0	0	0	0	0	0	0	0	0	0
Total Assets	21	22	28	33	40	49	50	49	50	50	50	50
Shareholders' Equity	11	13	17	20	22	25	28	29	29	29	29	29
Share Capital	1	1	5	5	5	5	5	5	5	5	5	5
Reserves and Other	9	11	12	15	18	21	23	24	25	25	25	25
Current Liabilities	8	6	11	12	17	23	22	20	20	20	20	20
ST Interest Bearing Debt	5	5	9	9	14	19	18	16	15	16	16	16
Trade Payables	1	0	1	1	1	2	2	1	1	1	1	1
Other Current Liabilities	1	1	1	2	2	3	3	3	3	3	3	3
LT Liabilities	3	3	1	1	1	1	1	1	1	0	0	0
LT Interest Bearing Debt	3	3	0	0	0	0	0	0	0	-	-	-
Other LT	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities & Equity	21	22	28	33	40	49	50	49	50	50	50	50

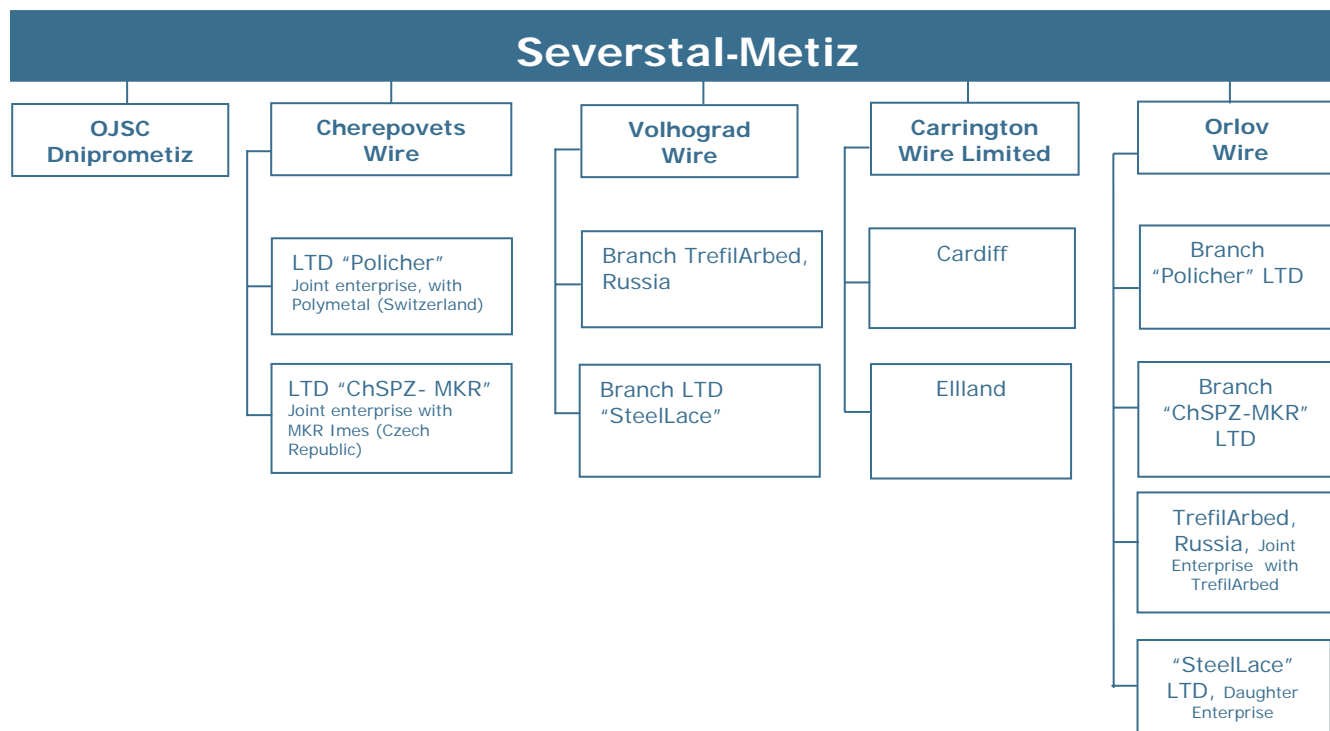
Appendix 3: Dniprometiz quarterly analysis



Note: ROE is annualized



Appendix 4: Severstal-Metiz



Development chronology

2006	Acquisition of Carrington Wire Limited (Great Britain)
2006	Acquisition of Dniprometiz (Ukraine)
2005	Joint Enterprise with Trefil Arbed RUS
2004	Creation of managing company Severstal-Metiz
2004	Acquisition of Volgograd Wire
2004	Joint project with 'Trefil Arbed' on production of zink-coated nails
2003	Joint Enterprise with Polymetal (Switzerland)
2003	Purchase of Orlov Wire
1997	Joint Enterprise with MKR (Czech Republic)
1996	Cherepovets Wire enters the Severstal group

Source: Severstal-Metiz

Appendix 5: Peer descriptions

Amatei Incorporated

Amatei Group's principal activity is to manufacture hand tools. The tools include various types of nails, screws, nailers and wires. The group also markets products purchased from other manufacturers.

Tree Island Wire Income Fund

Tree Island Wire Income Fund's principal activity is to produce wire and fabricated wire products. Its principal products include nails, bright wire, stainless steel wire, galvanized wire, stucco reinforcing, fencing and other fabricated wire products. The group has operations in the Western United States and Western Canada.

Tokyo Rope Manufacturing Company Limited

This group's principal activity is the manufacture and sale of steel wires and ropes. Its steel wires and ropes division produces wire ropes, wire, steel cord and carbon fiber composite cable. Its developed products division deals with the design and construction of floating breakwater, components for bridges and road safety facilities such as guard cables.

Nippon Seisen Company Limited

Nippon Seisen's principal activity is to manufacture and market secondary products of stainless steel wires including screws, springs and metal nets for automobiles and consumer electronics. The group's other processed products division deals in diamond tools and welding rods.

Insteel Industries Inc

Insteel Industries' principal activity is to manufacture and market steel wire reinforcing products for concrete construction. The group also manufactures and markets pre-stressed concrete strand and welded wire reinforcement products, including concrete pipe reinforcement, ESM and standard welded wire reinforcement. Its products are used for a broad range of non-residential and residential construction applications. The group discontinued its industrial wire business segment in June 2006.

Nichia Steel Works Limited

The group's principal activities are to manufacture and market steel products such as hard steel wires, ordinary wires, galvanize iron sheets, color steel sheets, crews, bolts and nuts, specially processed steel products and others.

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