



CONCORDE CAPITAL

Ukraine / Steel

Donetsk Metal Rolling

Integrated Tastes Better

Eugene Cherviachenko
ec@concorde.com.ua
+380 44 207 5030

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BUY

12M Target: 0.035

Market information

Bloomberg	DMPZ UZ
No of Shares, mln	971.8
Market price*, USD	0.012
52Wk H/L, USD	0.020/0.002
MCap, USD mln	11.66
Free float	7.2%
FF MCap, USD mln	0.84

Stock ownership

Vtorsyrovyna	79.0%
Bumprom LTD	9.4%
Board members	4.4%
Other	7.2%

Ratios, 2006

EBITDA margin	7.0%
Net margin	5.0%
Net Debt/Equity	-0.14

* PFTS bid price

Construction of an electric mini-mill in late 2008 by Donetsk Metal Rolling's owners will complete the company's value chain. An up-to-date small producer with its own scarp provider, steel smelter and rolling mill is an obvious candidate for takeover. Two quarters of improving financials in a row are an additional catalyst. We see the stock a pre-merger play with a 195% upside to our 12M target of USD 0.035 per share.

Integration turns Donetsk Metal Rolling into an M&A target

Many things hint that Donetsk Metal Rolling's owners, two local businessmen, might be mulling the sale of their steel assets, egged on by growing competition from large integrated steel groups (primarily Arcelor Mittal and Metinvest). We consider construction of an upstream link for Donetsk Metal Rolling as dressing for a sale. Frenzied appetite for steel assets in Ukraine backed by growing local consumption (est. to double by 2012) and strong steel prices contributes to our view.

Owners have another business to invest in

Proceeds from the sale of Donetsk Metal Rolling most probably will be directed to development of its owner's assets in the fast growing domestic frozen food market (est. 15-20% market's growth annually by 2010). The owners hold a market share of roughly 15-20% through their related companies. By comparison, Donetsk Metal Rolling holds 6-7% of the consolidated local market for long steel products.

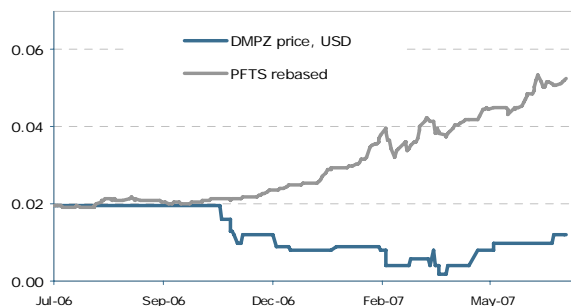
Two consecutive up-quarters generate momentum

The company's sales grew 10% yoy in 4Q06 and 47% yoy in 1Q07 thanks to 40-45% yoy growth in selling prices. In addition, Donetsk Metal Rolling's EBITDA margin rose to around 10% in 4Q06-1Q07 from 7% in 1Q06; net margin grew to nearly 9% in 1Q07 from 6% in 1Q06.

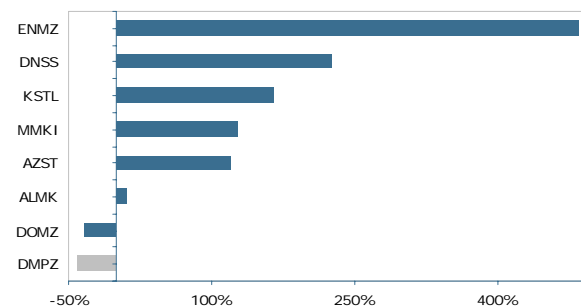
Upside a striking 195%

The stock trades with a 70-90% discount to its peers on EV/S, EV/EBITDA and P/E ratios. Given the company's small-size and low liquidity, we conservatively apply a 50% discount to our calculations for a 12-month target price, which still offers an upside of 195%.

Stock performance vs. PFTS



Sector performance, 12M trailing



Key financials & ratios

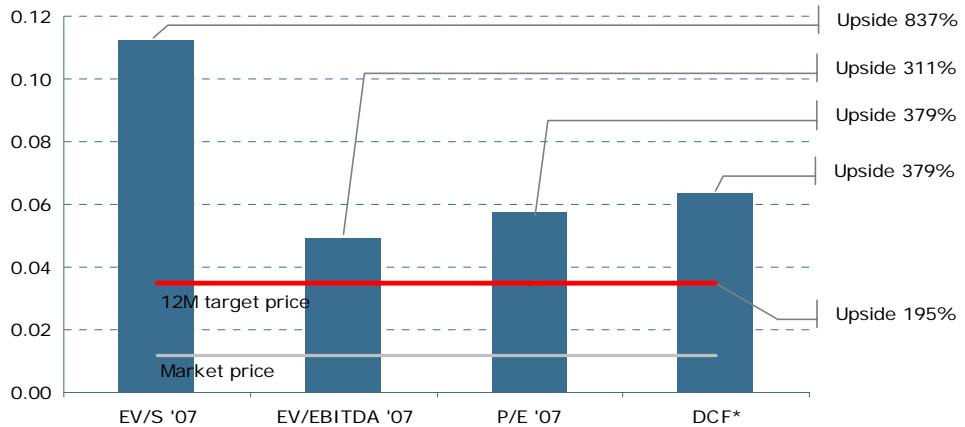
(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006	62.3	7.0%	5.0%	0.19	2.68	3.76
2007E	76.7	9.1%	5.8%	0.15	1.51	2.60
2008E	75.0	9.0%	5.7%	0.16	1.33	2.72

Spot exchange rate: 5.05

Note: PFTS bid is used for calculations

Unjustly neglected by the market

Valuation summary, USD per share



* Probability weighted

Peer comparison

A relative valuation immediately reveals a gap between Donetsk Metal Rolling and its peers. Based on EV/S ratio, the average discount to comparable Ukrainian, Russian and international companies is 85-90%, while profitability-based multiples provide a somewhat lower but compact range of discounts from 71% on EV/EBITDA to Russian peers to 82% on P/E to Ukrainian peers.

The market has overlooked news that a company related to Donetsk Metal Rolling, Electrostal, received the first consignment of equipment in 1Q07 needed for construction of an electric mini-mill, which thus is expected to come on-stream in late 2008.

DCF Valuation

In terms of a DCF valuation, we consider two scenarios, both of which assume that the company's owners will finish construction of the electric mini steel mill by 2008, which will increase the company's profitability to the industry average. The worst case scenario (#1) assumes profitability will remain at its 2006-1Q07 level due to tax optimization schemes used by management, while higher competition from large integrated steel mills will squeeze opportunities for production growth.

Best case scenario (#2) foresees that present owners sell off Donetsk Metal Rolling and their others steel assets shortly after the EAF plant is constructed. The scenario foresees the company's financials improving primarily due to integration with a related semi-finished product maker (major raw material); and that the company will be able to withstand competition to efficiently utilize its capacities.

We assign probabilities of 30% to Scenario #1 and 70% to Scenario #2. The probability weighted 12-month fair price based on DCF is USD 0.064 per share.

Target price calculation

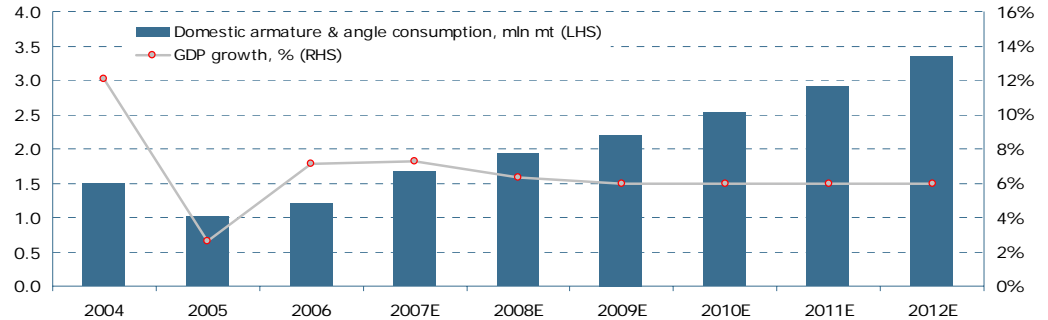
To be on the conservative side, we apply a 50% small-size/low liquidity discount to what algebra implies and set a 12-month target price at USD 0.035 per share, with an implied upside of 195%.

Triggers for an acquisition

Strong market spurs sector consolidation & integration

Donetsk Metal Rolling, located in Ukraine's industrial east, sells 65-80% of its key products (armature and angles) domestically, and is exposed to rapidly increasing steel consumption driven by the country's growing economy.

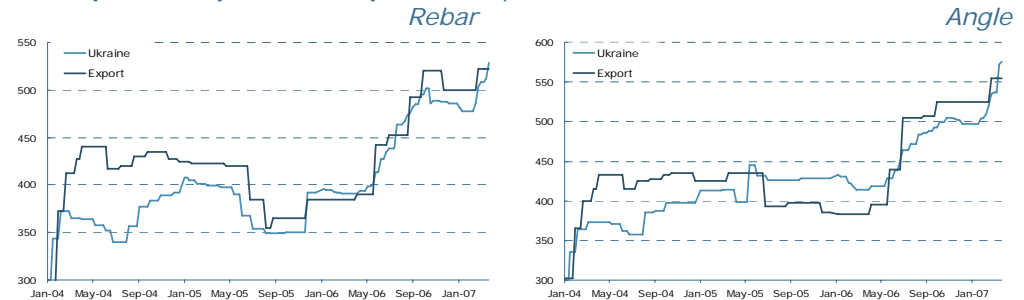
Local market is expected to double by 2012



Source: Metal-Courier, Concorde Capital estimates

We forecast domestic steel prices to remain robust and close to export prices in the mid-term (nearly 460-470 USD/mt in 2008-2010), underpinned by inflating prices for raw materials.

Local prices at par with export, USD per mt



Source: Metal-Courier, Concorde Capital estimates

At the moment, all domestic steel heavyweights are seeking to expand their production and improve integration through local and cross-border mergers & acquisitions, and this process is expected to go on in the long-run.

Integration & consolidation in the sector

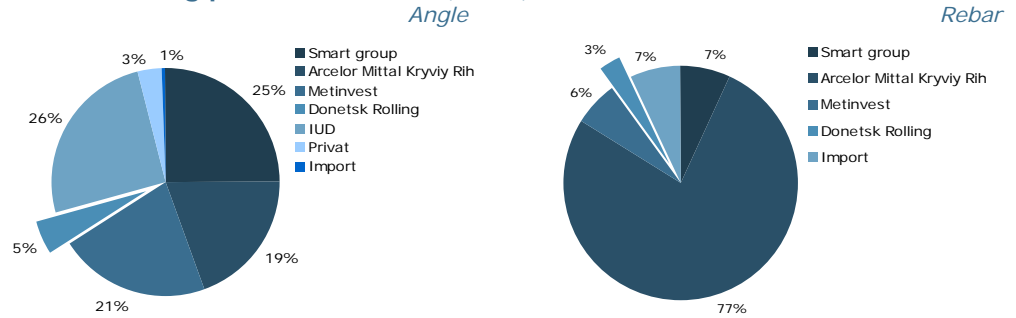
Counterparties	Deal	Announced	Status
Mittal (IND) / Kryvoryzhstal	Privatization	November, 2005	Completed
MMK Ilicha / Donetskstal	Cooperation	January, 2006	Completed
Metalinvest (RUS) / Smart group	Cooperation	August, 2006	Unknown
Zaporizhstal / Gorlivksy Coke	Cooperation	January, 2007	Completed
Severstal-Metiz (RUS) / Dniprometiz	Acquisition	February, 2007	Completed
Interpipe / TMK (RUS)	Merger	February, 2007	Unknown
IUD / Gazmetal (RUS)	Merger	February, 2007	Pending
Metinvest / Smart group	Merger	June, 2007	Unknown
IUD / Jos Steel Rolling (NGR)	Acquisition	June, 2007	Unknown
Metinvest / Stelco (CAN)	Acquisition	July, 2007	Unknown

Source: Company data, Concorde Capital

Competition on the local steel market is growing

In our view, even though Donetsk Metal Rolling sells 70-80% of its products domestically, deeper penetration into the domestic market for long steel products is complicated. Despite an expected doubling in the local market by 2012, the company will not be able to withstand competition from integrated Ukrainian steel heavyweights, primarily Arcelor Mittal Kryvyi Rih and Metinvest/Smart group without a larger player in the picture.

Ukrainian long products market (2006)*



Source: Metal-Courier, Concorde Capital estimates

* Metinvest and Smart group are expected to make a strategic alliance or merge (see our note of June 22)

EAF and scrap suppliers add to acquisition appeal

In 1Q07 Electrostal, which shares the same owners with Donetsk Metal Rolling, received the first consignment of equipment for a mini-mill from Italian STB (total cost project of USD 30 mln). The new mill will have a capacity of 300 ths mt of square billet a year, and is planned to come on-stream in 2008 (after a one year delay). It will employ an electric-arc furnace (EAF), a ladle furnace and a con-caster.

The owners of Donetsk Metal Rolling also control nearly a half dozen scrap providers. Thus, the addition of an upstream unit should positively reflect on the rolling mill's profitability, increasing its attractiveness as an M&A target. Specifically, we estimate the company's true EBITDA margin will stabilize at 14.0-14.7%, closer to its Ukrainian peers.

Donetsk Metal Rolling's production chain since 2008



Source: Company data, Concorde Capital estimates

Note: EAF smelter is planned to come on-stream in late 2008

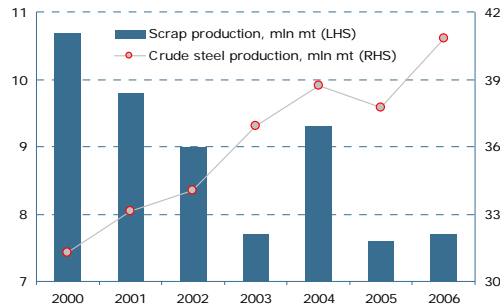
EAF SMELTING

The integrated steel business of Donetsk Metal Rolling's owners (scrap -> electric mini-mill -> rolling mill) must be of interest to Metinvest. The latter is planning to introduce direct reduce iron (DRI) technology at its related iron ore producers. According to technical publications, DRI pellets provide maximal efficiency when used in the electric-arc smelting process. Presently, Metinvest owns only blast oxygen and open hearth furnaces.

METAL SCRAP

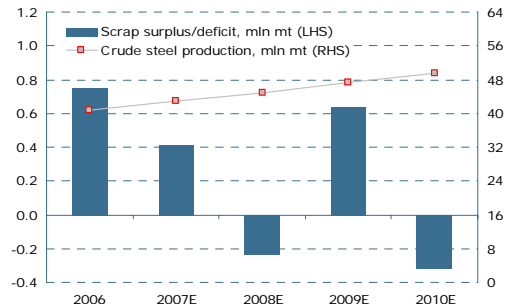
Integration with scrap suppliers reinforces our view of Donetsk Metal Rolling’s M&A attractiveness as we forecast metal scrap to become scarcer due to growing local demand and lower export duties for scrap after Ukraine’s accession to the WTO. We doubt the company’s owners prefer to sell the rolling mill separately rather than as an integrated complex.

Scrap vs Crude steel in Ukraine



Source: MMZ Istil, Concorde Capital estimates

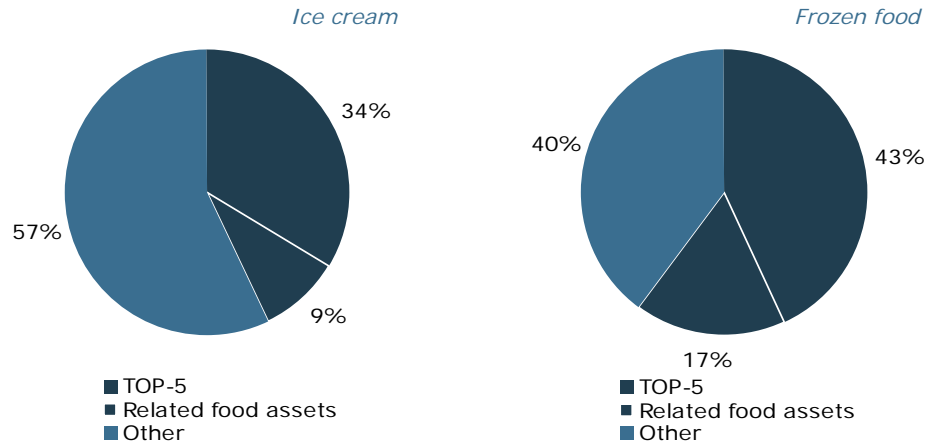
Scrap balance in Ukraine



Owners have another business to invest in

The owners of Donetsk Metal Rolling also control assets in the Ukrainian ice-cream and frozen food market. The consolidated proceeds of Donetsk Metal Rolling’s owners from the FMCG business in 2006 were USD 55-65 mln – on par with revenues from their steel business (USD 62 mln). According to our estimates, the Ukrainian frozen food market will grow at a 5Y CAGR of 15-20%, which should spur the owners to focus on development of their food wing rather than assets in the competitive steel industry.

Ukrainian ice-cream and frozen food market*



Source: Foods & Drinks Journal, Concorde Capital estimates

* Food assets related to Donetsk Metal Rolling’s owners are among the Top-5 producers

Valuation

Peer comparison

	MCap, USD mln	EV/S		EV/EBITDA		P/E		EV/Output, USD/mt
		2007E	2008E	2007E	2008E	2007E	2008E	
Donetsk Metal Rolling	11.7	0.15	0.15	1.66	1.72	2.60	2.72	80.14
International peers								
INI Steel	4 763.9	0.96	1.03	7.34	7.81	9.01	8.97	1 143.21
Bluescope Steel	6 420.5	0.99	0.95	6.57	6.72	11.23	12.54	803.11
Maanshan	5 869.4	1.31	1.01	8.18	5.70	13.62	9.96	421.84
IPSCO	7 473.6	1.83	1.63	7.78	6.87	14.26	11.06	n/a
Arcelor Brazil	18 034.9	2.36	2.09	7.39	6.33	12.69	10.32	1 677.83
SSAB	9 680.5	1.90	1.78	7.38	7.21	12.34	12.84	627.09
Average	4 763.9	1.56	1.42	7.44	6.77	12.19	10.95	934.62
Russian peers								
Severstal	13 755.1	2.88	2.96	12.01	14.95	18.76	24.21	1 917.38
NLMK	18 129.5	1.46	1.37	5.59	5.44	11.72	11.78	2 575.14
NTMK	2 751.0	0.16	0.02	0.36	0.04	1.46	1.52	267.04
MMK	12 548.3	1.82	1.54	5.39	4.82	8.53	8.07	1 112.68
Evrast Group	14 659.8	1.76	1.61	6.03	5.81	9.29	9.98	1 267.06
Average	13 755.1	1.61	1.50	5.88	6.21	9.95	11.11	1586.52
Ukrainian peers								
MMK Illicha	3 590.6	1.06	1.04	7.56	7.41	22.03	21.60	494.23
Azovstal	3 108.8	1.08	0.95	5.83	4.53	9.25	7.63	548.89
Arcelor Mittal Kriviy Rih	7 069.4	2.19	2.04	8.09	7.56	11.79	11.02	908.82
Average		1.44	1.34	7.16	6.50	14.36	13.42	650.6
<i>International</i>								
Implied price by Avg, USD		0.123	0.109	0.054	0.047	0.056	0.048	0.139
Upside/Downside		926%	811%	347%	292%	369%	302%	1062%
<i>Russian</i>								
Implied price by Avg, USD		0.127	0.116	0.042	0.043	0.046	0.049	0.237
Upside/Downside		962%	865%	253%	260%	283%	308%	1873%
<i>Ukrainian</i>								
Implied price by Avg, USD		0.114	0.104	0.052	0.045	0.066	0.059	0.097
Upside/Downside		847%	765%	330%	277%	452%	393%	709%

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

DCF

Basic assumptions

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Worst case scenario											
Rolled steel, ths mt	138.1	147.8	152.2	155.2	157.6	159.9	162.3	164.8	167.2	169.8	172.3
change, yoy	-	7.0%	3.0%	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Est. avg. price, USD/mt	432.4	518.9	492.9	468.3	444.9	444.9	444.9	444.9	444.9	444.9	444.9
change, yoy	-	20.0%	-5.0%	-5.0%	-5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net revenue, UAH mln	314.6	389.1	382.6	370.8	357.5	362.9	368.3	373.8	379.4	385.1	390.9
change, yoy	-	23.7%	-1.7%	-3.1%	-3.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
EBIT margin, %	5.9%	8.2%	8.0%	7.7%	7.6%	7.4%	7.5%	7.0%	7.0%	7.0%	7.0%
Best case scenario											
Rolled steel, ths mt	138.1	147.8	152.2	175.0	192.5	202.2	212.3	218.6	225.2	232.0	238.9
change, yoy	-	7.0%	3.0%	15.0%	10.0%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%
Est. avg. price, USD/mt	432.4	518.9	492.9	468.3	444.9	444.9	444.9	444.9	444.9	444.9	444.9
change, yoy	-	20.0%	-5.0%	-5.0%	-5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net revenue, UAH mln	314.6	389.1	382.6	418.0	436.8	458.7	481.6	496.1	510.9	526.3	542.1
change, yoy	-	23.7%	-1.7%	9.2%	4.5%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%
EBIT margin, %	5.9%	8.2%	8.0%	13.8%	13.8%	13.7%	13.7%	13.2%	13.3%	13.3%	13.3%

Best case

As of July 09, 2007

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

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	35	34	61	64	67	70	69	72	74	76
EBIT	32	31	58	60	63	66	66	68	70	72
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	24	23	43	45.3	47.0	49.5	49.2	50.8	52.4	54.1
Plus D&A	4	4	4	4	4	4	4	4	4	4
Less CapEx	(8)	(8)	(6)	(5)	(4)	(4)	(4)	(4)	(4)	(4)
Less Change in OWC	(13)	(10)	(9)	(7)	(8)	(8)	(5)	(5)	(5)	(6)
FCFF	7	9	32	37	39	41	44	45	47	48
WACC	15.0%	16.6%	15.8%	14.5%	13.0%	12.0%	12.0%	12.0%	12.0%	12.0%
WACC to Perpetuity										11.5%
Perpetuity Growth Rate										2.0%
Impl. Exit EBITDA Multiple										x6.8
Terminal Value										516
Disc. Terminal Value	157	181								
Firm Value	321	365								
Portion Due To TV	48.7%	49.7%								
Less Net Debt	3	10								
Equity Value, UAH mln	324	375								
Implied Share Price, USD	0.066	0.076								

Worst case

As of July 09, 2007

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

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	35	34	32	31	31	31	30	30	31	31
EBIT	32	31	28	27	27	27	26	27	27	27
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	24	23	21	20.5	20.3	20.6	19.6	19.9	20.2	20.6
Plus D&A	4	4	4	4	4	4	4	4	4	4
Less CapEx	(8)	(8)	(6)	(5)	(4)	(4)	(4)	(4)	(4)	(4)
Less Change in OWC	(13)	(10)	4	5	(2)	(2)	(2)	(2)	(2)	(2)
FCFF	7	9	24	24	18	18	17	17	18	18
WACC	15.0%	16.6%	15.8%	14.5%	13.0%	12.0%	12.0%	12.0%	12.0%	12.0%
WACC to Perpetuity										11.5%
Perpetuity Growth Rate										2.0%
Impl. Exit EBITDA Multiple										x6.2
Terminal Value										194
Disc. Terminal Value	59	68								
Firm Value	147	163								
Portion Due To TV	40.1%	41.9%								
Less Net Debt	3	10								
Equity Value, UAH mln	150	173								
Implied Share Price, USD	0.031	0.035								

We assign probabilities of 30% to Scenario #1 and 70% to Scenario #2. The probability weighted 12-month fair price based on DCF is USD 0.064 per share.

Appendix 1: Key peer financials

in USD mln, unless otherwise stated

	Sales		EBITDA mgn, %		Net mgn, %	
	2007E	2008E	2007E	2008E	2007E	2008E
Donetsk Metal Rolling	76.5	75.0	9.1%	9.0%	5.8%	6.7%
International Peers	<i>2007E</i>	<i>2008E</i>	<i>2007E</i>	<i>2008E</i>	<i>2007E</i>	<i>2008E</i>
INI Steel	6 610.5	7 394.0	16.5%	13.1%	7.7%	7.2%
Bluescope Steel	5 953.0	7 853.2	8.5%	15.1%	4.2%	7.3%
Maanshan	4 397.1	5 986.1	15.7%	16.0%	7.0%	7.2%
IPSCO	4 267.9	4 340.8	25.1%	23.5%	17.0%	12.1%
Arcelor Brazil	6 584.9	7 806.4	32.8%	32.0%	16.1%	18.2%
SSAB	4 538.1	4 863.5	22.1%	25.7%	13.7%	16.1%
Russian Peers	<i>2007E</i>	<i>2008E</i>	<i>2007E</i>	<i>2008E</i>	<i>2007E</i>	<i>2008E</i>
Severstal	4 369.5	4 796.1	22.4%	24.0%	13.9%	15.3%
NLMK	12 760.5	11 849.2	23.8%	26.0%	9.5%	13.1%
NTMK	6 045.6	6 522.1	43.0%	45.3%	31.2%	28.8%
Mechel	2 849.6	2 879.0	28.9%	37.3%	16.3%	20.9%
MMK	6 424.0	6 123.8	31.2%	33.7%	22.2%	24.0%
Evrast Group	8 292.0	10 166.8	31.4%	29.2%	16.7%	15.5%
Ukrainian peers	<i>2007E</i>	<i>2008E</i>	<i>2007E</i>	<i>2008E</i>	<i>2007E</i>	<i>2008E</i>
MMK Illich	3 260	3 325	14.0%	14.0%	5.0%	5.0%
Azovstal	3 055	3 422	18.5%	21.0%	11.0%	11.9%
Arcelor Mittal Kriviy Rih	3 157	3 378	27.0%	27.0%	19.0%	19.0%

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

Appendix 2: Donetsk Metal Rolling financials (net), UAS

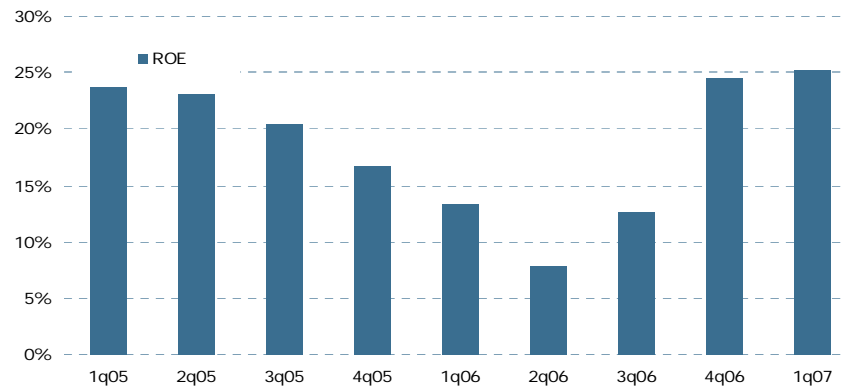
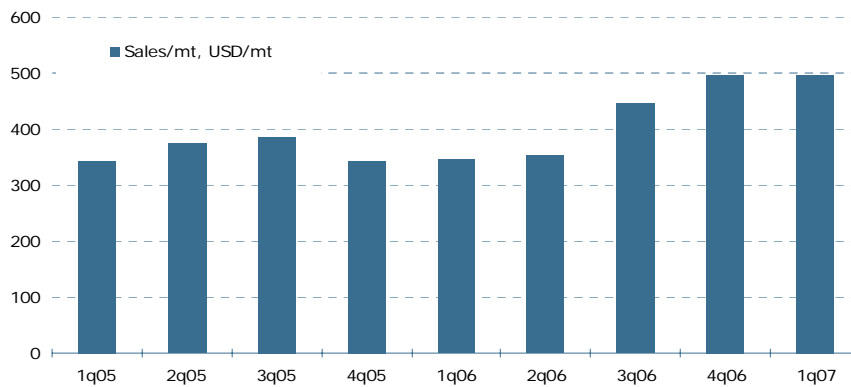
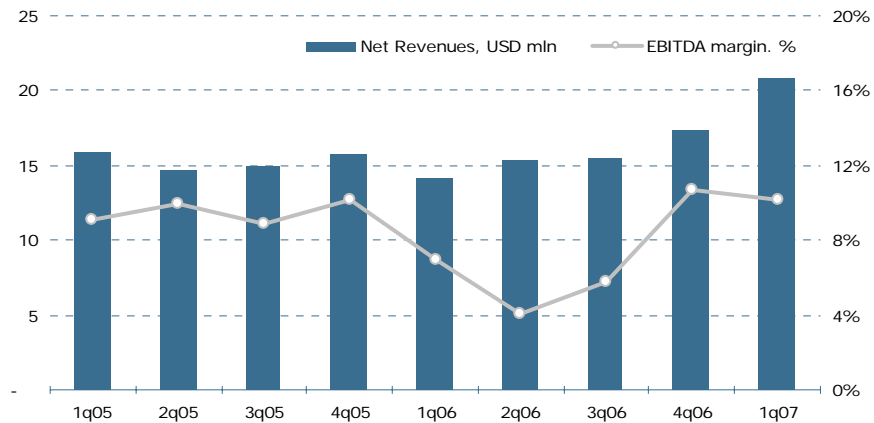
Income statement summary, USD mln

	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
Net Revenues	15.4	13.1	(2.6)	34.5	15.9	14.7	15.0	15.8	14.2	15.3	15.5	17.3	20.8
Cost Of Sales	(12.1)	(10.5)	1.6	(28.2)	(13.8)	(12.3)	(12.8)	(13.3)	(12.4)	(14.0)	(13.9)	(14.3)	(17.9)
Gross Profit	3.4	2.6	(1.0)	6.4	2.1	2.3	2.2	2.4	1.8	1.4	1.6	3.1	2.9
<i>Gross margin</i>	21.7%	19.9%	38.8%	18.5%	12.9%	16.0%	14.5%	15.4%	12.4%	9.0%	10.4%	17.6%	14.1%
Other Operating Income/Costs, net	0.1	0.0	(0.1)	0.5	0.1	0.1	0.0	0.2	0.1	0.2	0.1	(0.3)	0.3
SG&A	(0.7)	(0.5)	0.1	(1.5)	(0.8)	(0.9)	(0.9)	(1.0)	(0.9)	(0.9)	(0.9)	(0.9)	(1.1)
EBITDA	2.7	2.1	(1.0)	5.4	1.4	1.5	1.3	1.6	1.0	0.6	0.9	1.9	2.1
<i>EBITDA margin</i>	17.5%	16.3%	36.7%	15.7%	9.1%	10.0%	8.9%	10.2%	6.9%	4.0%	5.7%	10.7%	10.1%
Depreciation	(0.1)	(0.1)	(0.0)	(0.2)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)
EBIT	2.6	2.1	(1.0)	5.2	1.4	1.4	1.3	1.3	0.9	0.5	0.8	1.5	2.0
<i>EBIT margin</i>	17.0%	15.9%	38.3%	15.1%	8.6%	9.4%	8.4%	8.2%	6.2%	3.4%	5.1%	8.8%	9.5%
Interest Expense	-	-	(0.0)	0.0	(0.0)	-	-	0.0	-	-	-	(0.0)	(0.0)
Financial income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	(1.0)	0.0
Other income/(expense)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.1	0.0	(1.0)	0.0	1.0	(0.0)
PBT	2.6	2.1	(1.0)	5.2	1.4	1.4	1.3	1.4	0.9	0.5	0.8	1.5	1.9
Tax	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.4)	(0.1)	(0.1)	(0.0)	0.1	(0.0)
Net Income	2.6	2.0	(1.0)	5.2	1.3	1.2	1.1	1.0	0.8	0.5	0.8	1.7	1.9
<i>Net Margin</i>	16.7%	15.5%	40.1%	15.0%	8.5%	8.2%	7.6%	6.2%	5.7%	3.2%	5.2%	9.7%	9.2%

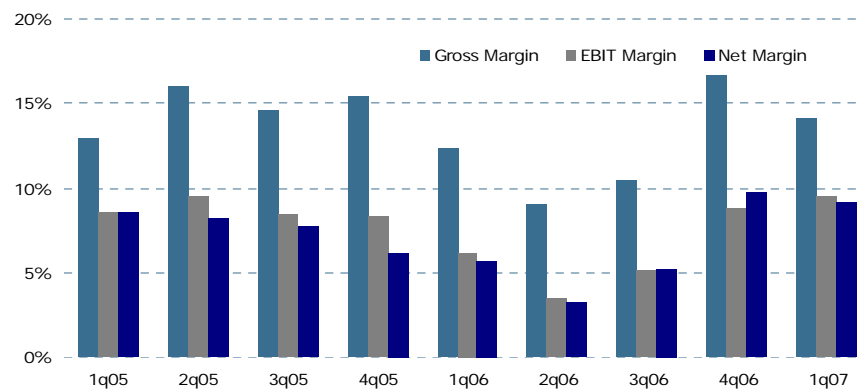
Balance sheet summary, USD mln

	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
Current Assets	11.5	13.9	9.1	18.8	19.7	19.6	22.1	23.6	25.1	25.8	26.7	27.9	33.3
Cash & Equivalents	0.3	0.1	0.7	1.3	2.2	0.4	0.7	0.6	0.3	0.9	0.1	0.1	0.4
Trade Receivables	3.9	4.4	3.0	7.2	8.5	11.6	10.9	8.5	12.1	12.6	14.6	16.0	17.8
Inventories	4.7	6.9	4.0	8.1	6.9	6.2	8.2	12.0	10.7	8.5	9.7	9.0	6.6
Other current assets	2.6	2.5	1.3	2.1	2.2	1.4	2.3	2.5	2.0	3.7	2.3	2.8	8.5
Fixed Assets	2.9	3.1	2.8	3.6	3.7	11.2	11.3	11.4	5.2	5.0	5.4	6.3	6.3
PP&E, net	2.4	2.5	2.0	2.8	2.7	3.0	2.9	3.6	3.6	3.5	3.9	5.1	5.1
Other Fixed Assets	0.5	0.6	0.7	0.9	1.0	8.2	8.4	7.8	1.6	1.6	1.4	1.2	1.2
Total Assets	14.4	17.0	11.8	22.4	23.4	30.8	33.4	35.0	30.2	30.8	32.1	34.3	39.6
Shareholders' Equity	11.9	14.0	7.4	18.2	19.7	21.8	23.0	23.9	24.7	25.2	26.0	29.2	31.1
Share Capital	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.9	1.9
Reserves and Other	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Retained Earnings	10.3	12.4	5.9	16.5	18.1	20.1	21.3	22.2	23.0	23.5	24.3	26.7	28.6
Current Liabilities	2.4	3.0	4.3	4.2	3.7	9.0	10.4	10.9	5.3	5.4	5.9	5.1	8.5
ST Interest Bearing Debt	-	-	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.1
Trade Payables	1.5	2.3	3.4	3.1	2.7	1.2	2.4	3.9	4.5	3.7	3.5	2.9	5.4
Accrued Wages	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Accrued Taxes	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.0	0.1
Other Current Liabilities	0.8	0.6	0.6	1.0	0.8	7.5	7.7	6.8	0.5	1.4	1.9	2.0	2.8
LT Liabilities	0.1	0.1	0.1	-	-	-	-	0.2	0.2	0.2	0.2	-	-
LT Interest Bearing Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Other LT	0.1	0.1	0.1	-	-	-	-	0.2	0.2	0.2	0.2	-	-
Total Liabilities & Equity	14.4	17.0	11.8	22.4	23.4	30.8	33.4	35.0	30.2	30.8	32.1	34.3	39.6

Appendix 3: Donetsk Metal Rolling quarterly analysis



Note: ROE is annualized



Appendix 4: Donetsk Metal Rolling projected financials (Best case)

All financial statements according to Ukrainian Accounting Standards

Income statement summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Net Revenues	61	62	77	75	82	86	90	94	97	100	103	106
<i>Change y-o-y</i>	-	1.6%	23.1%	-2.1%	9.2%	4.5%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%
Cost Of Sales	(52)	(55)	(66)	(65)	(66)	(69)	(72)	(76)	(78)	(80)	(83)	(85)
Gross Profit	9	8	11	11	16	17	18	19	19	20	21	21
Other Operating Income/Costs, net	0	0	0	0	0	0	-	-	-	-	-	-
SG&A	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)
EBITDA	6	4	7	7	12	13	13	14	14	14	14	15
<i>EBITDA margin, %</i>	9.5%	7.0%	9.1%	9.0%	14.7%	14.7%	14.5%	14.5%	14.0%	14.0%	14.0%	14.0%
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	5	4	6	6	11	12	12	13	13	13	14	14
<i>EBIT margin, %</i>	8.6%	5.9%	8.2%	8.0%	13.8%	13.8%	13.7%	13.7%	13.2%	13.3%	13.3%	13.3%
Interest Expense	-	(0.0)	(0.3)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Financial income	0	0	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	0	0	-	-	-	-	-	-	-	-	-	-
PBT	5	4	6	6	11	12	12	13	13	13	13	14
Tax	(1)	(1)	(1)	(1)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Net Income	5	3	5	4	8	9	9	9	9	10	10	10
<i>Net Margin, %</i>	7.6%	5.0%	5.8%	5.7%	10.1%	10.1%	10.0%	10.0%	9.7%	9.7%	9.7%	9.8%

Balance sheet summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Current Assets	24	28	32	35	39	42	46	50	53	56	59	62
Cash & Equivalents	1	0	1	3	5	7	9	11	12	14	16	18
Trade Receivables	8	16	17	17	19	20	21	22	22	23	24	24
Inventories	12	9	11	12	12	12	13	14	14	14	15	15
Other current assets	3	3	3	3	3	3	4	4	4	4	4	4
Fixed Assets	11	6	7	8	8	9	9	9	9	9	9	9
PP&E, net	4	5	6	7	8	8	8	8	8	8	8	8
Other Fixed Assets	8	1	1	1	1	1	1	1	1	1	1	1
Total Assets	35	34	39	43	47	51	54	58	61	65	68	71
Shareholders' Equity	24	29	33	38	42	45	49	53	55	58	61	65
Share Capital	1	2	2	2	2	2	2	2	2	2	2	2
Reserves and Other	23	27	31	36	40	43	47	51	54	56	59	63
Current Liabilities	11	5	6	5	5	5	6	6	6	6	6	7
ST Interest Bearing Debt	0	0	0	0	0	0	0	0	0	0	0	0
Trade Payables	4	3	4	3	3	3	3	3	4	4	4	4
Accrued Wages	0	0	-	-	-	-	-	-	-	-	-	-
Accrued Taxes	0	0	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	7	2	2	2	2	2	2	2	2	3	3	3
LT Liabilities	0	-	-	-	-	-	-	-	-	-	-	0
LT Interest Bearing Debt	-	-	-	-	-	-	-	-	-	-	-	-
Other LT	0	-	-	-	-	-	-	-	-	-	-	0
Total Liabilities & Equity	-	-	-	-	-	-	-	-	-	-	-	-

Appendix 5: Donetsk Metal Rolling projected financials (Worst case)

All financial statements according to Ukrainian Accounting Standards

Income statement summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Net Revenues	61	62	76.7	75.0	73	70	71	72	73	74	76	77
<i>Change y-o-y</i>	-	1.6%	23.1%	-2.1%	-3.1%	-3.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Cost Of Sales	(52)	(55)	(66)	(65)	(63)	(60)	(61)	(62)	(63)	(64)	(65)	(66)
Gross Profit	9	8	11	11	10	10	10	10	10	10	11	11
Other Operating Income/Costs, net	0	0	0	0	0	0	-	-	-	-	-	-
SG&A	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(5)	(5)
EBITDA	6	4	7	7	6	6	6	6	6	6	6	6
<i>EBITDA margin, %</i>	9.5%	7.0%	9.1%	9.0%	8.7%	8.7%	8.5%	8.5%	8.0%	8.0%	8.0%	8.0%
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	5	4	6	6	6	5	5	5	5	5	5	5
<i>EBIT margin, %</i>	8.6%	5.9%	8.2%	8.0%	7.7%	7.6%	7.4%	7.5%	7.0%	7.0%	7.0%	7.0%
Interest Expense	-	(0.0)	(0.3)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Financial income	0	0	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	0	0	-	-	-	-	-	-	-	-	-	-
PBT	5	4	6	6	5	5	5	5	5	5	5	5
Tax	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net Income	5	3	5	4	4	4	4	4	4	4	4	4
<i>Net Margin, %</i>	7.6%	5.0%	5.8%	5.7%	5.5%	5.4%	5.3%	5.3%	5.0%	5.0%	5.0%	5.1%

Balance sheet summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Current Assets	24	28	32	35	36	37	39	40	41	42	43	45
Cash & Equivalents	1	0	1	3	5	7	8	9	10	11	11	12
Trade Receivables	8	16	17	17	17	16	16	17	17	17	17	18
Inventories	12	9	11	12	11	11	11	11	11	12	12	12
Other current assets	3	3	3	3	3	3	3	3	3	3	3	3
Fixed Assets	11	6	7	8	8	9	9	9	9	9	9	9
PP&E, net	4	5	6	7	8	8	8	8	8	8	8	8
Other Fixed Assets	8	1	1	1	1	1	1	1	1	1	1	1
Total Assets	35	34	39	43	44	46	47	49	50	51	52	54
Shareholders' Equity	24	29	33	38	40	41	43	44	45	46	48	49
Share Capital	1	2	2	2	2	2	2	2	2	2	2	2
Reserves and Other	23	27	31	36	38	39	41	42	43	45	46	47
Current Liabilities	11	5	6	5	5	5	5	5	5	5	5	5
ST Interest Bearing Debt	0	0	0	0	0	0	0	0	0	0	0	0
Trade Payables	4	3	4	3	3	3	3	3	3	3	3	3
Accrued Wages	0	0	-	-	-	-	-	-	-	-	-	-
Accrued Taxes	0	0	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	7	2	2	2	2	2	2	2	2	2	2	2
LT Liabilities	0	-	-	-	-	-	-	-	-	-	-	0
LT Interest Bearing Debt	-	-	-	-	-	-	-	-	-	-	-	-
Other LT	0	-	-	-	-	-	-	-	-	-	-	0
Total Liabilities & Equity	-	-	-	-	-	-	-	-	-	-	-	-

Analyst Certification

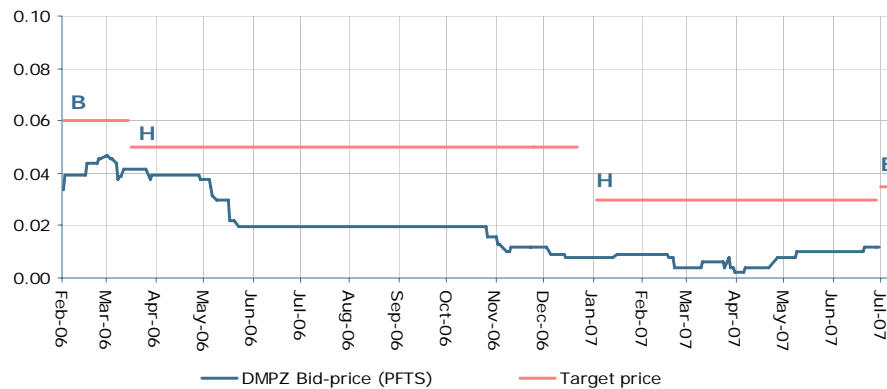
I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or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

Donetsk Metal Rolling Plant

Date	Target price, USD	Market Price, USD	Rec'	Action
23-Jan-06	0.075	0.05	BUY	Initiating
22-Mar-06	0.060	0.05	HOLD	Downgrade
18-Aug-06	0.050	0.045	HOLD	Maintain
29-Dec-06	0.030	0.030	HOLD	Maintain
10-Jul-07	0.035	0.012	BUY	Upgrade

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

Recommendation history



Concorde Capital Coverage Universe

Buy	33	39%
Hold	12	14%
Sell	5	6%
Under Review	24	29%
Not Rated	10	12%
Total	84	100%

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel: +380 44 207 5030
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

Head of Equity Sales

Lucas Romriell

lr@concorde.com.ua

Equity Sales

Marina Martirosyan
 Anastasiya Nazarenko
 Duff Kovacs, CFA

mm@concorde.com.ua
 an@concorde.com.ua
 dk@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Strategy

Konstantin Fisun
 Oleksandr Klymchuk

kf@concorde.com.ua
 ok@concorde.com.ua

Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Retail Group

Andriy Gostik, CFA
 Olha Pankiv
 Alexander Romanov
 Anna Dudchenko

ag@concorde.com.ua
 op@concorde.com.ua
 ar@concorde.com.ua
 ad@concorde.com.ua

Machinery

Olha Pankiv
 Eugene Cherviachenko
 Inna Perepelytsya

op@concorde.com.ua
 ec@concorde.com.ua
 pi@concorde.com.ua

**Financial Services,
 Macroeconomics**

Alexander Viktorov

av@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
 Polina Khomenko

np@concorde.com.ua
 pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

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