



CONCORDE CAPITAL

Ukraine / Specialty Steel

Dniprospetsstal

IPO Plans Emerge

October 30, 2007

Current Price: USD 867
12M Target: USD 875

HOLD

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Bloomberg DNSS UZ

Market information

No of Shares, mln	1.0
Market Price, USD	867
52Wk H/L, USD	874.2/176.5
MCap, USD mln	931.9
Free float	5.8%
Free float, USD	54.0

Corporate Governance Rating* P

* 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.

Ownership

East One	60.0%
Privat group	34.2%
Other	5.8%

Ratios 2007E

EBITDA Margin	17.0%
Net Margin	13.0%
Net Debt/ Equity	0.6

CEO discloses IPO and investment plans

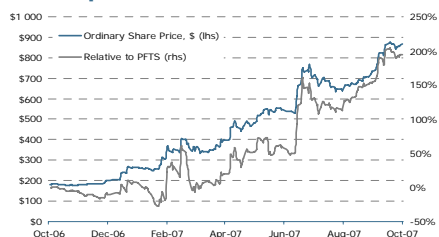
Yesterday, Dniprospetsstal's CEO Daniel Valk for the first time mentioned that the company is considering an IPO, in an interview with the daily Delo. He said that in 1H08, shareholders are planning to consider the issue in more detail. Valk also said that Dniprospetsstal is going to invest USD 50-100 mln in development projects, without providing specifics. This figure is way above what was disclosed just two weeks earlier at the company's 75th anniversary celebration (USD 20 mln in modernization in 2008).

Forecasts, target and recommendation maintained

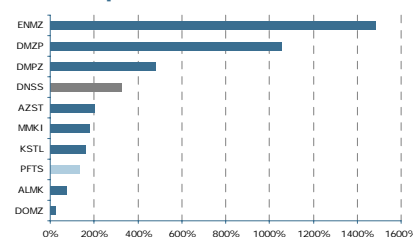
Without an actual announcement about IPO preparations and confirmation of Dniprospetsstal's investment program, we keep our forecasts unchanged. As the company has already scaled back transfer pricing this year (see our Steel Update of October 19), we think that IPO will not be an additional booster for financial disclosure.

Although the news might lead to a speculative splash in the stock's price in the short run, we stick to our HOLD recommendation and target price of USD 875 per share.

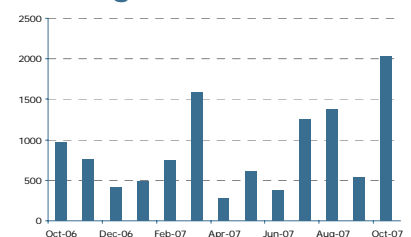
Stock performance*, 12M



Sector performance*, YTD



Trading Volumes, USD ths



Source: PFTS, Concorde Capital estimates,

Note: PFTS mid price

Key financials, USD mln

	Sales	EBITDA	Net Income	EV/S	EV/EBITDA	P/E
2006	503.5	66.5	38.8	1.9	14.7	24.0
2007E	710.0	117.2	88.8	1.5	9.1	10.5
2008E	745.5	137.9	96.9	1.4	7.7	9.6

UAH/USD Spot exchange rate is 5.05

FLASH NOTE

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Analyst Certification

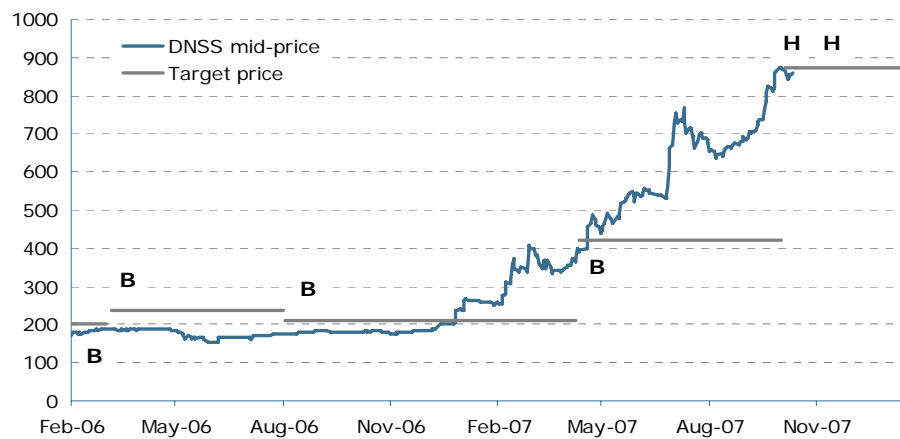
I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or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

Dnipropetsstal

Date	12M target price, USD	Market price, USD	Recommendation	Action
16-Feb-06	201.6	172.9	BUY	Initiating
22-Mar-06	236.7	186.8	BUY	Maintain
18-Aug-06	210.0	177.6	BUY	Maintain
29-Dec-06	210.0	200.0	BUY	Maintain
25-Apr-07	421.1	374.3	BUY	Maintain
19-Oct-07	875.0	874.0	HOLD	Downgrade
30-Oct-07	875.0	867.0	HOLD	Maintain

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

DNSS Recommendation history, USD per share



Concorde Capital coverage universe

Buy	37	46%
Hold	25	31%
Sell	7	9%
Under Review/Suspended	12	15%
Total	81	100%

Investment Banking clients

Buy	9	75%
Hold	3	25%
Sell	0	0%
Under Review/Suspended	0	0%
Total	12	100%

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