



Ukraine / Specialty steel

Dniprospetsstal

Makeover Works Wonders

BUY

April 25, 2007
12M Target: USD 421.1

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Market Information

Bloomberg	DNSS UZ
No of Shares, mln	1.08
Market price, USD	374.3
52Wk H/L, USD	405.9/151.8
MCap, USD mln	402.3
Free float	5.8%
FF MCap, USD mln	23.3

Stock Ownership

Interpipe Group	60.0%
Privat Group	34.0%
Other	6.0%

Ratios, 2006

EBITDA Margin	13.2%
EBIT Margin	11.5%
Net Margin	7.7%
Net Debt/Equity	0.32

Since Interpipe took over control in 1H06, Dniprospetsstal has made visible progress in financial disclosure and operating performance. Interpipe's experienced management gives Dniprospetsstal shareholders the opportunity to capitalize on booming specialty steel markets in 2007-2008. We upgrade our target price to USD 421.1 per share, which implies an upside of 12.5%. We reiterate our BUY recommendation.

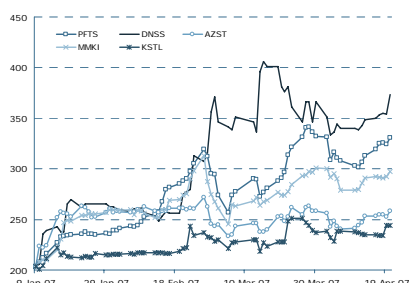
Reporting standards improved. In 2006 Dniprospetsstal improved disclosure, even to a greater extent than we forecasted: its EBITDA margin jumped to 13.2% from 6.3% in 2005; its net margin skyrocketed to 7.7% from 1.5% in 2005; and revenues grew 14% yoy to USD 503.5 mln in 2006.

McKinsey on board. In early 2006 Interpipe officially announced the hiring of a team from McKinsey & Company to enhance Dniprospetsstal's efficiency and competitiveness (cut costs, improve its product mix and expand markets). More efficient management enabled the company to increase sales by 4% yoy in 2006, thanks to 7% yoy growth in exports and boost its share of value-added steel in its product mix to 65% in 2006 from 61% in 2005.

Market bodes well. Demand for specialty steel is now on the rise and expected to grow, driven by the machine building and construction sectors. In 1Q07, the company's sales grew to their peak in the last eight quarters to 87.4 ths mt (up 15% yoy). Dniprospetsstal also experiences a positive impact from strong stainless steel prices, which jumped ~70% yoy in 1Q07, translating into ~39% yoy growth for its average product price for the period.

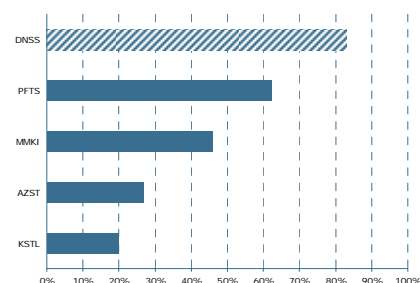
Strong market momentum. Dniprospetsstal is the largest gainer among liquid Ukrainian steel stocks in 2007. The stock's mid-market price has skyrocketed 83% since the beginning of the year (the PFTS index grew 62%). Over the last trading week, it gained 6.2% while the PFTS index was 0.3% down. In 2006 Dniprospetsstal accounted for nearly 19% of total trading in steel stocks on the PFTS.

DNSS relative performance

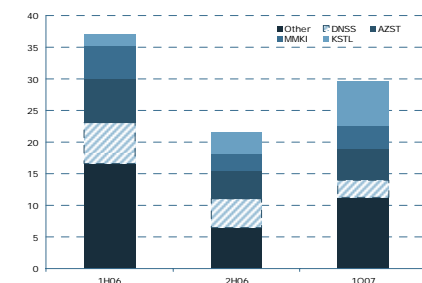


Source: PFTS, Bloomberg
Note: PFTS mid-market prices

Performance, YTD



Trading volume, USD mln



Key Financials & Ratios

(in USD mln)	Sales	EBITDA Margin	Net Margin
2006	503.5	13.2%	7.7%
2007E	600.5	15.0%	8.6%
2008E	572.7	15.0%	8.4%

Spot exchange rate: 5.05

EV/S	EV/EBITDA	P/E
0.90	6.78	10.37
0.79	5.25	7.84
0.82	5.48	8.40

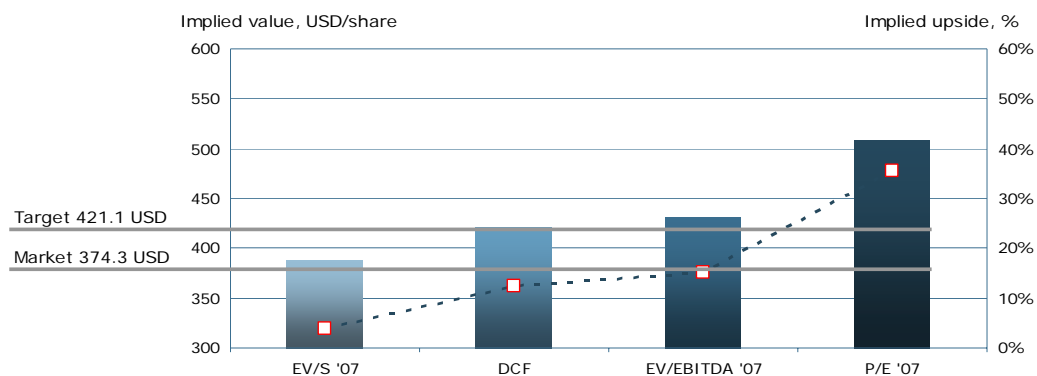
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Valuation summary

The stock looks undervalued to its international peers based on forward-looking multiples and trades at a 3% discount on EV/S '07 and a 26% discount on P/E '07. Dniprospetsstal's value derived from our DCF model is USD 421.1 per share, which lies compactly between the values implied by EV/S '07 and EV/EBITDA '07 ratios.

We upgrade Dniprospetsstal's target price from USD 210.0 per share to USD 421.1 per share. Our new target price warrants an upside of 12.5%.



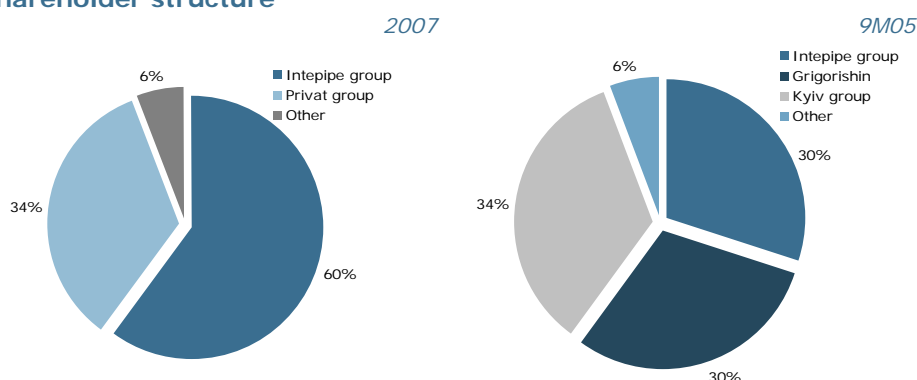
Interpipe in the saddle

Reins handed over in 1H06

In 1H06 Interpipe group, owned by Ukrainian businessman Viktor Pinchuk, bought a 30% stake in Dniprospetsstal from Russian businessman Konstantin Grigorishin and accumulated a 60% stake in the company. In mid-June 2006 Daniel Valk, who was previously responsible for pipe exports in the Interpipe group, was appointed CEO of Dniprospetsstal.

Even though in February 2006 we forecasted the opposite to happen, with Grigorishin obtaining control over Dniprospetsstal; to us, Interpipe is an even more preferable controlling shareholder for the steel smelter.

Shareholder structure



Source: Ukrainian State Securities and Exchange Commission, Fenix, Concorde Capital estimates

We believe Interpipe is improving the company's corporate governance and transparency, as well as providing Dniprospetsstal with stable CapEx financing, putting it on a long-term growth track, similar to what Interpipe is doing with its pipe & wheel business at Nyzhnyodniprovsky Pipe and Novomoskovsk Pipe.

McKinsey & Company team hired

In December 2006, the company officially announced the hiring of McKinsey consultants to improve the efficiency of its investment programs. The consultants have already developed a new marketing strategy, which is based on micro and macro analysis of key markets (CIS, the Americas and Asia).

Generous dividend payout

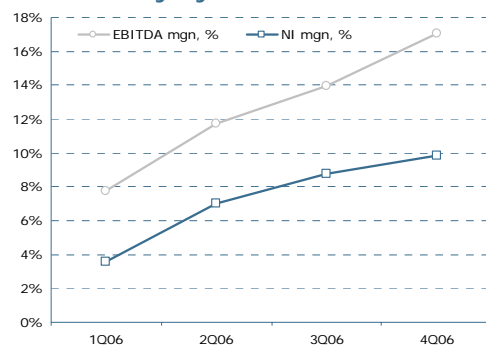
At their AGM March 14, 2007, the company's shareholders voted to pay roughly 99% of the company's 2006 net income (USD 38.4 mln) in dividends – about USD 35.7 per share. In addition, the company voted to pay dividends from its 2004 net income bringing the total DPS to about USD 56, a dividend yield of 14%. We believe the heavy dividends put an end to the corporate conflict story over Dniprospetsstal.

Financial reporting standards get a boost

Cost overestimation reduced in 2006

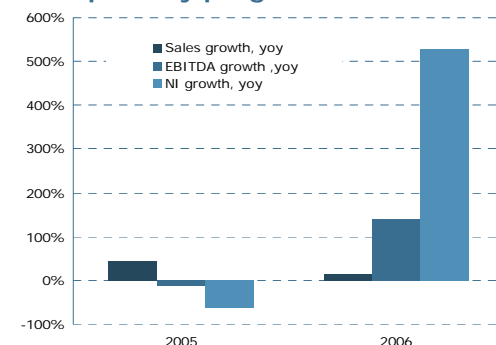
Since 1Q06, the company has been continuously improving its reported profitability margins, which we attribute primarily to Interpipe's management cleaning up its financials. In 2006 sales grew 14% yoy, while EBITDA and net income were ramped up by 140% yoy and 528% yoy, respectively.

Profitability dynamics



Source: Company data

Transparency progress



Reported financials beat our forecasts

Although reported revenue in 2006 matched our forecast, Dnipropetsstal's reported margins are way above what we expected. We believe the company's appealing margins reported in 4Q06 better reflect the true economy of Dnipropetsstal than the margins for FY06.

Key Dnipropetsstal financials

	Reported		Forecasted	
	2005	2006	4Q06	'06
Sales, USD mln	441.5	503.5	153.5	492.3
EBITDA margin, %	6.3%	13.2%	17.1%	10.0%
Net margin, %	1.4%	7.7%	9.8%	5.2%

Source: Company data, Concorde Capital estimates

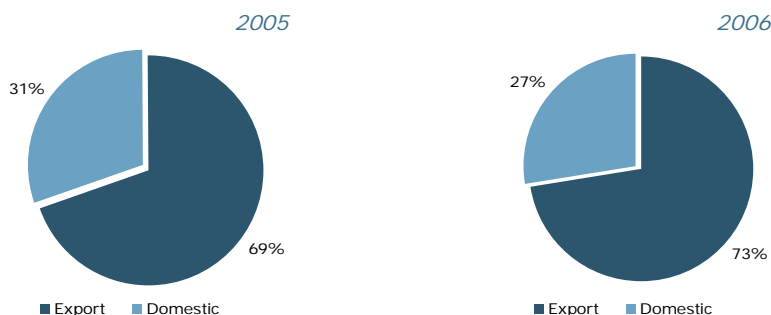
Stronger 2006 operating results

Dnipropetsstal's improved management style already resulted in better operational performance last year.

Shipments grew by 4% yoy

Dnipropetsstal increased its annual sales volume 4% yoy to 328 ths mt in 2006, thanks to expanding its markets. Last year export deliveries grew 7% yoy to 238 ths mt primarily due to more sales to CIS and EU countries (shipments grew an estimated 33% yoy and 6% yoy, respectively).

Sales structure, ths mt

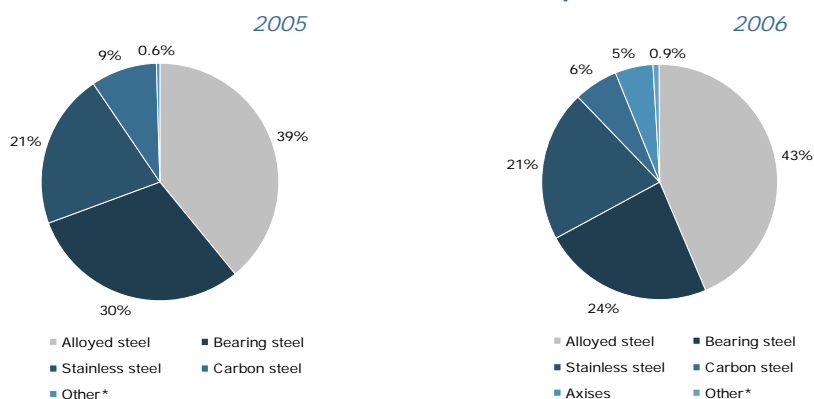


Source: Company data

Product mix shifted toward more value added products

Additionally, Dnipropetsstal increased the share of value-added steel (stainless, alloyed, heat-resisting and high-speed) to 65% of total production in 2006 compared to 61% in 2005.

Product mix shifted toward more value-added products



Source: Company data

* Other includes heat-resisting and high-speed steel

Business optimization programs

Total operational performance (TOP) optimization program

In August 2006, Dniprospectstal announced it would launch a new TOP program. Such programs are widely used by large steel companies in Ukraine (Nyzhnyodniprovsky Pipe) and Russia (Severstal group, Vyskunsky steel plant). TOP programs at the aforementioned companies resulted in their production costs decreasing by ~10% and productivity growth by around 20%.

Qualifications from global giants continue

Dniprospectstal is improving the quality of its products to ensure/increase its presence on the global market, which is evidenced by its numerous quality certificates.

In August 2006, the company prolonged its quality certificate granted by Germanischer Lloyd through 2009, which allows it to strengthen and increase Dniprospectstal's presence on the shipbuilding market. In addition, the company received a quality certificate from global industrial heavyweight General Electric Energy in February 2006, which is required to deliver steel to companies related to GE Energy worldwide.

Dump utilization to start in 2007

In December 2006 Dniprospectstal announced plans to launch a utilization complex to recycle its dump at Balka Serednya in Zaporizhya region in August 2007. According to the company, the complex's full capacity is 10 ths mt of scrap annually. If the complex works at full capacity load, the company could save around USD 30-40 mln (7.5%-10.0% of COGS '06) annually, considering the current sky-high prices on stainless steel scrap.

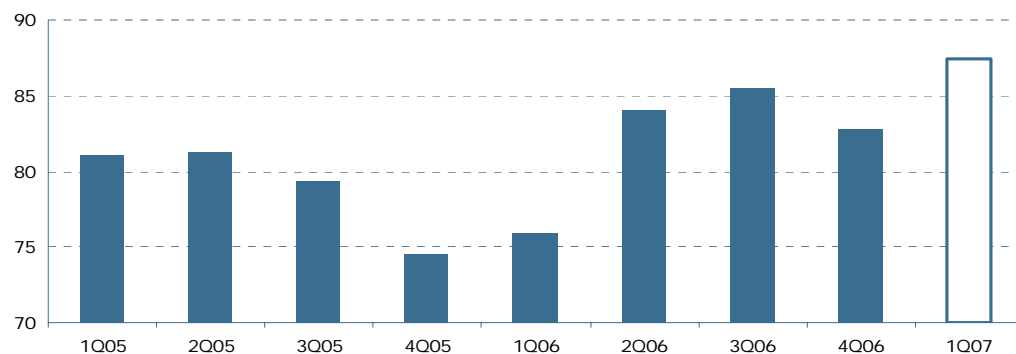
However, we stick to our previous opinion (see our report from February 2006) that the effect of the utilization complex will be small for the first two-three years. According to the plans, the complex will produce 10 ths mt of scrap from only 2013. Also, over a period of several years, small companies affiliated with Dniprospectstal, Zaporizhstal and Zaporizhya Ferroalloy already quarried and sold most the materials with the highest market value and the lowest extraction cost. All in all, we think that the extraction operations at its dumps will reduce Dniprospectstal's production costs by 2-5% in the coming years.

Solid demand feeds growth

Vigorous start to 2007

In 1Q07 Dniprospetsstal's shipments of steel products catapulted up to 87.4 ths mt (+15% yoy), which is its best result over the last eight quarters.

Dniprospetsstal's quarterly shipments, ths mt



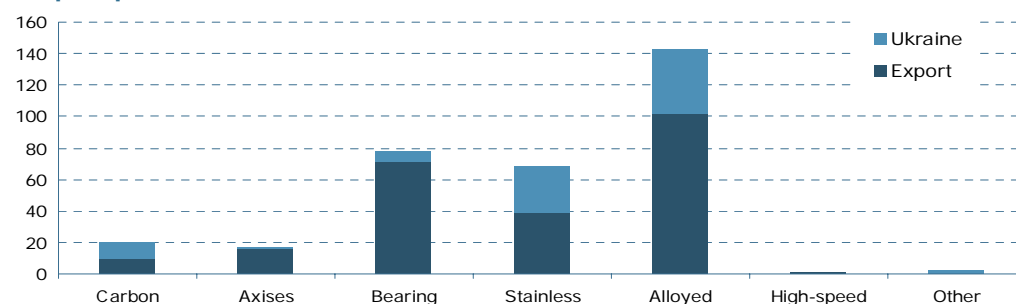
Source: Company data, Concorde Capital estimates

Market outlook is positive in the mid-term

We attribute solid 1Q07 results to robust performance by the machine building and construction sectors' both domestically and abroad.

In 2006 the lion share (more than 95% est.) of the company's products was consumed by machine building (axes, bearings, stainless, alloyed and high-speed steel), construction (carbon, stainless and alloyed steel) and the pipe-making (stainless steel) industry. More than 70% of steel was exported in 2006, mainly to the EU (est. 45% of total shipments) and the CIS (est. 17% of total shipments).

Dniprospetsstal's sales breakdown in 2006, ths mt



Source: Company data

We think that the awakening in 2006 and early 2007 of the Ukrainian railroad, automotive, jet engine, heavy equipment machinery – in addition to the booming construction sector – will continue to feed the company additional domestic orders over the next two-three years. According to official Ukrainian statistics, in 1Q07 the machine building industry surged 24% yoy, stainless pipes production grew 13% yoy, while construction works grew 15% yoy in 2M07.

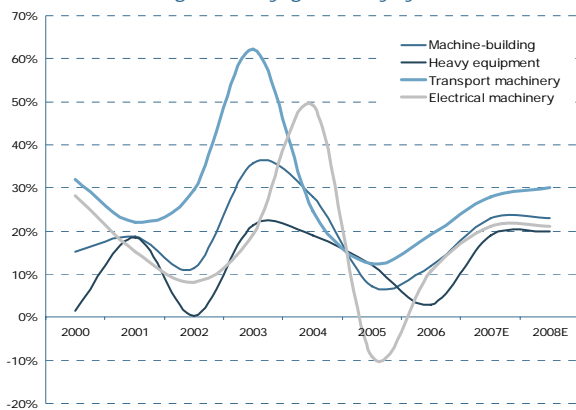
Also, Dniprospetsstal will enjoy stable demand for specialty steel from export markets, while demand for stainless steel will increase thanks to growing construction in the CIS.

Key demand indicators by market

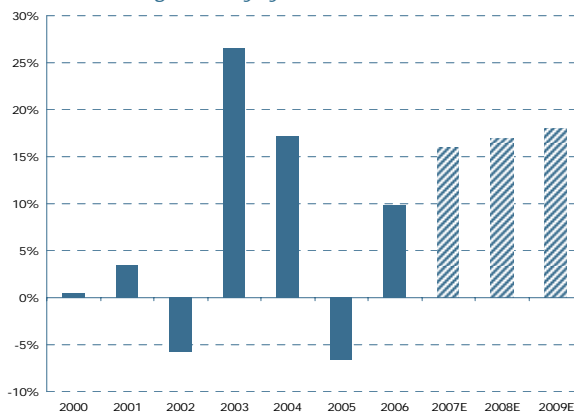
Production dynamic forecasts for the machine building and construction (including stainless pipe-making) industries, which are primary consumers of specialty and stainless steel, give us ground to expect robust demand in the future.

Ukraine: Growth in all segments

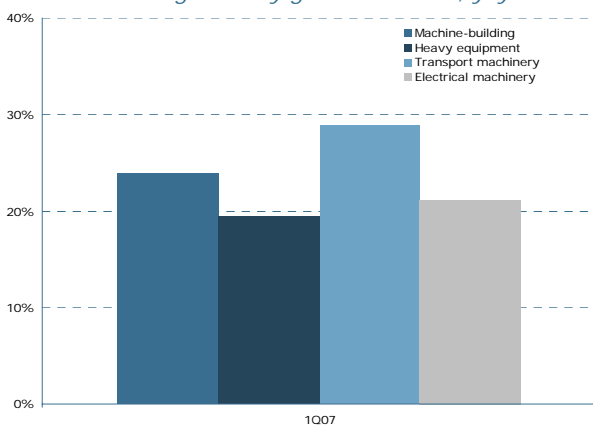
Machine building industry growth, yoy



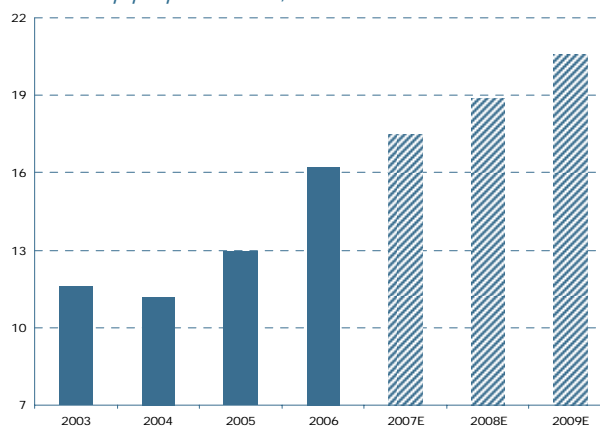
Construction growth, yoy



Machine building industry growth in 1Q07, yoy



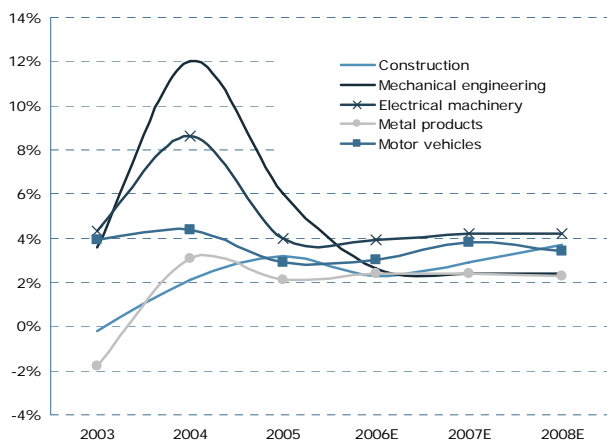
Stainless pipe production, ths mt



Source: Ukrainian State Statistics Committee, Metal-Courier, Concorde Capital estimates

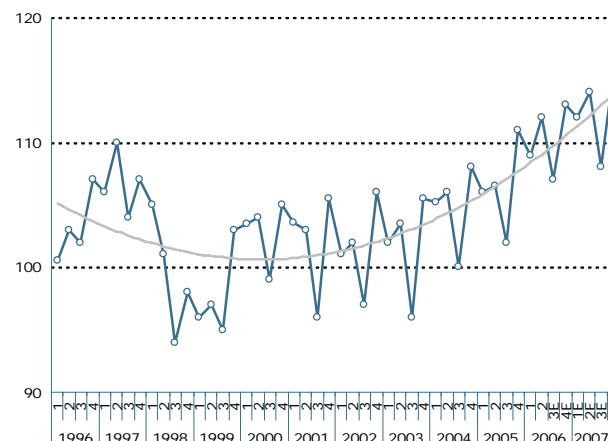
Global: Specialty – stable; Stainless – growing

Industry growth forecasts, yoy



Source: OEF

Global stainless steel demand index, Long products



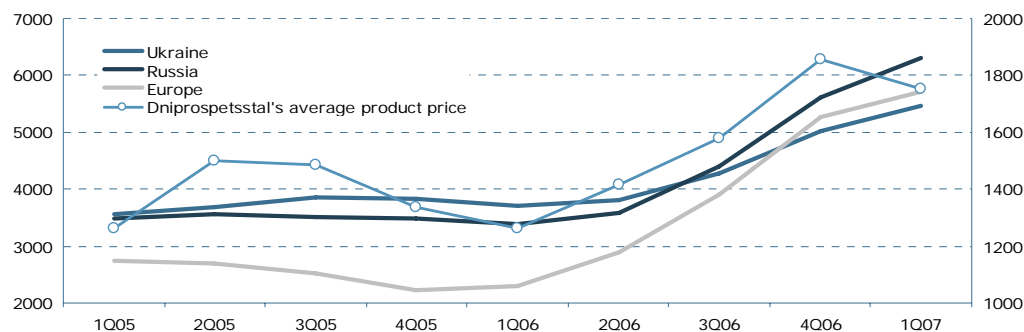
Source: ISSF

Specialty steel prices

Stainless steel drives up Dnipropetsstal's selling price

Over the last five quarters, the company was positively affected by rising stainless steel prices (stainless steel accounts for 23-25% in Dnipropetsstal's product mix). Its average product price jumped up 39% yoy to USD 1751/mt. As shown in the chart below, its average product grew almost synchronously with external trends in stainless steel prices in 2005-1Q07.

Stainless steel vs Dnipropetsstal's average product price, USD/mt



Source: Company data, Metal-Courier

Note: The key markets for Dnipropetsstal's stainless steel are CIS and Europe

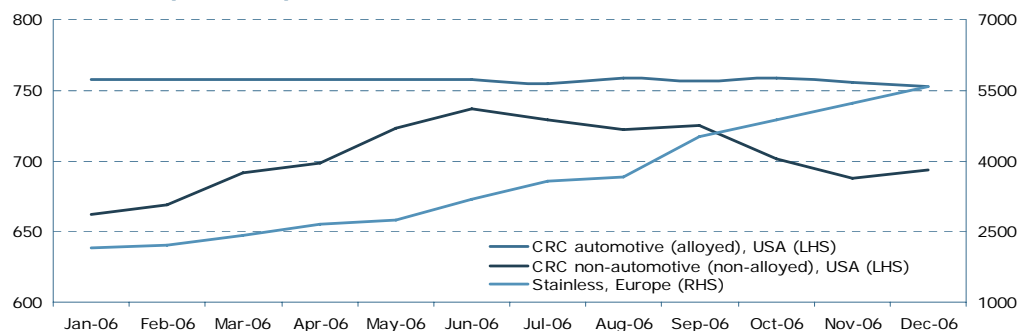
In April 2007, Ukraine and Russia's average stainless steel prices continued climbing to USD 6000/mt and USD 7000/mt, respectively.

We forecast stainless steel prices to start declining visibly after 2008, driven by decreasing nickel prices (nickel accounts for 75-95% of stainless steel prices) and an improving supply/demand ratio on the stainless steel market. These factors should bring Dnipropetsstal's average products price from USD 1700-1730/mt in 2007 to USD 1500-1550/mt by 2010.

Other niche steel product prices are less volatile

Unlike stainless and carbon steel products, niche steel materials (medium, high alloyed, heat-resisting and high-speed steels, which account for 60%-70% of the company's product mix) are characterized by low volatility in prices. Machine building companies (the company's major consumers) prefer deliveries with recognized steel characteristics rather than lower prices, while specialty steel smelters value stable consumers.

Niche-steel product prices, USD/mt



Source: Severstal group, Metal-Courier

We conclude that Dnipropetsstal's average product price will depend primarily on the volatility of stainless steel in the mid-term.

Valuation

DCF model

Basic assumptions

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Rolled steel, ths mt	361.9	383.6	391.2	399.1	403.1	407.1	411.2	413.2	415.3	415.3	415.3
change, yoy		6.0%	2.0%	2.0%	1.0%	1.0%	1.0%	0.5%	0.5%	0.0%	0.0%
Steel shipments, ths mt	328.4	348.1	355.0	362.1	365.7	369.4	373.1	375.0	376.8	376.8	376.8
change, yoy		6.0%	2.0%	2.0%	1.0%	1.0%	1.0%	0.5%	0.5%	0.0%	0.0%
Est. avg. price, USD/mt	1 533.5	1725.2	1613.1	1532.4	1532.4	1532.4	1532.4	1532.4	1532.4	1532.4	1532.4
change, yoy		12.5%	-6.5%	-5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net revenue, UAH mln	2542.9	3047.4	2920.7	2830.1	2858.4	2887.0	2915.9	2930.5	2945.1	2945.1	2945.1
change, yoy		19.8%	-4.2%	-3.1%	1.0%	1.0%	1.0%	0.5%	0.5%	0.0%	0.0%

Discounted cash flow model

As of Apr. 22, 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	457	438	439	437	433	432	425	415	401	398
EBIT	408	387	386	384	379	377	369	359	344	340
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	306	290	289	287.7	284.1	282.5	277.0	269.3	257.7	254.9
Plus D&A	49	51	53	54	54	55	56	56	57	58
Less CapEx	(91)	(88)	(71)	(57)	(54)	(55)	(56)	(56)	(57)	(58)
Less Change in OWC	(59)	6	(4)	(2)	(8)	0	(4)	(0)	1	(0)
FCFF	204	260	267	282	276	283	273	269	259	255
WACC	13.3%	13.2%	13.4%	12.5%	11.6%	10.8%	10.7%	10.7%	10.7%	10.7%

WACC to Perpetuity										10.5%
Perpetuity Growth Rate										2.0%
Terminal Value										3055
Impl. Exit EBITDA Multiple										x7.7
Disc. Terminal Value	1046	1185								
Firm Value	2541	2667								
Portion Due To TV	41.1%	44.4%								
Less Net Debt	(280)	(358)								
Equity Value, UAH mln	2261	2309								
Implied Share Price, USD	416.4	421.1								

Sensitivity analysis: Implied share price, USD

	Perpetuity Growth Rate				
WACC to perpetuity	1.0%	1.5%	2.0%	2.5%	3.0%
9.5%	417.7	432.1	448.5	467.2	488.9
10.0%	406.5	419.4	433.9	450.4	469.3
10.5%	396.5	408.1	421.1	435.7	452.3
11.0%	387.5	398.1	409.8	422.8	437.6
11.5%	379.4	389.0	399.6	411.4	424.6

Peer comparison

Valuation

Company	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2006	2007E	2006	2007E	2006	2007E
Dnipropetsstal	402.3	0.90	0.79	6.8	5.3	10.4	7.8
International peers							
BNG Steel	196.1	0.51	n/a	4.8	4.3	4.8	9.8
Nippon Yakin Kogyo	1 199.6	1.35	0.65	12.9	n/a	23.7	9.7
Nippon Metal Industry	769.5	0.81	0.54	7.0	n/a	56.8	9.7
Bae Myung Metal	29.5	0.49	n/a	16.2	n/a	73.8	n/a
China Spacial Steel	168.1	1.71	0.84	5.3	3.5	6.2	6.1
Acesita	2 746.9	1.85	1.60	7.5	5.9	9.3	9.1
Aichi Steel	1 141.3	0.60	0.53	5.8	5.2	16.5	19.1
Nippon Kinzoku	265.0	0.83	0.58	11.7	n/a	24.5	n/a
Thainox Stainless	317.7	0.58	0.75	3.3	6.2	5.6	8.8
Daye Special Steel	812.6	1.76	n/a	16.2	n/a	20.0	n/a
Seah Besteel	636.1	0.62	0.58	4.2	4.0	9.8	8.4
Daido Steel	2 450.0	0.91	0.80	7.8	n/a	13.6	12.5
Dongkuk Industries	109.74	0.86	0.76	19.2	14.2	13.9	16.0
Mitsubishi Steel Manufacturing	730.0	0.71	n/a	4.3	n/a	12.2	n/a
Grupo Industrial	417.7	0.43	0.40	3.3	3.7	20.6	n/m
Gloria material	439.58	2.53	2.23	9.4	7.6	15.7	11.6
Atlas Group	63.7	0.47	0.32	9.2	4.9	neg	6.0
Peer average		1.00	0.81	8.7	5.9	20.4	10.6
Implied Price by Average, USD		422.0	388.4	491.8	431.2	737.6	507.3
Upside (Downside) by Average		13%	4%	31%	15%	97%	36%

Source: Thompson Financial, Concorde Capital estimates

Key financials

Company	Country	Sales, USD mln		EBITDA margin		Net margin	
		2006	2007E	2006	2007E	2006	2007E
Dnipropetsstal	UKRAINE	504.0	600.0	13.2%	15.0%	7.7%	8.6%
International peers							
BNG Steel	KOREA (SOUTH)	704.4	n/a	10.6%	n/a	6%	n/a
Nippon Yakin Kogyo	JAPAN	1 262.7	1 857.8	10.5%	n/a	4%	7%
Nippon Metal Industry	JAPAN	1 013.7	1 426.3	11.7%	n/a	1%	6%
Bae Myung Metal	KOREA (SOUTH)	100.5	n/a	3.0%	n/a	0%	n/a
China Spacial Steel	HONG KONG	120.6	178.3	32.3%	24.2%	22%	16%
Acesita	BRAZIL	1 677.7	1 689.1	24.7%	27.4%	18%	18%
Aichi Steel	JAPAN	1 906.5	2 090.0	10.4%	10.2%	4%	3%
Nippon Kinzoku	JAPAN	439.8	453.1	7.1%	n/a	2%	0%
Thainox Stainless	THAILAND	413.2	423.8	17.4%	12.0%	14%	9%
Daye Special Steel	CHINA	582.2	n/a	10.8%	n/a	7%	n/a
Seah Besteel	KOREA (SOUTH)	1 040.2	1 203.6	14.7%	14.4%	6%	6%
Daido Steel	JAPAN	4 074.1	4 488.1	11.7%	n/a	4%	4%
Dongkuk Industries	KOREA (SOUTH)	286.3	336.9	n/a	n/a	n/a	2%
Mitsubishi Steel Manufacturing	JAPAN	1 022.4	n/a	16.4%		6%	n/a
Grupo Industrial	MEXICO	965.5	1 042.4	13.0%	10.7%	2%	1%
Gloria material	TAIWAN	210.1	242.4	n/a	n/a	n/a	16%
Atlas Group	AUSTRALIA	291.5	374.6	5.1%	6.6%	neg	3%
Peer average				13.3%	15.1%	6.9%	6.9%

Source: Thompson Financial, Concorde Capital estimates

Case study: Stainless steel – Further growth or dramatic downturn ahead?

Is this the peak of nickel prices?!...

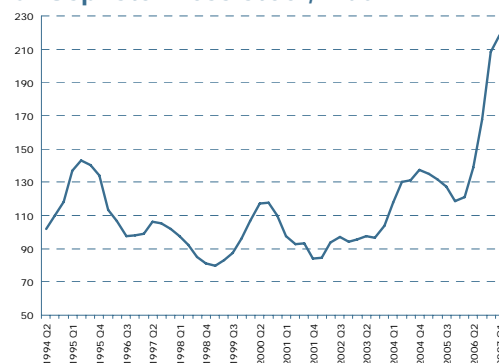
Nickel is the key alloying component in stainless steel manufacturing and accounts for, on average, 75-95% of stainless steel prices. Since 1987, nickel prices on the London Metal Exchange (LME) have grown 1230% to more than USD 47000/mt in March 2007. Over the last two years, nickel prices have led the charts of non-ferrous metals, yielding 70% growth per annum. Sharp growth in nickel prices spurred the price for stainless steel up to its historical peak as well.

Nickel price on the LME, USD/mt



Source: Bloomberg

CRUsapi stainless steel, index



Source: CRUsapi

Experts say: "Presently nickel is a lunatic market"

During last couple of months, nickel traders have been worrying about low trading volumes on the LME. They assert that current prices for nickel are artificial and trading is speculative. Most of them expect a price downturn in the near-term, arguing that the market is overheated. LME traders' sentiments about nickel price are in line with the consensus estimates of global banks, which expect the price to decline already in 2Q07.

Top banks' nickel price forecasts, USD/mt

Company	2Q07E	3Q07E	4Q07E	2007E	2008E
National Australia Bank Ltd	35000	34000	33000	35057	27625
Calyon London	35000	32000	30000	34580	35000
Deutsche Bank	40785	37479	36376	3867	34034
Commerzbank AG	42900	36150	29400	37463	25163
Standard Chart	38250	30000	24450	32300	19500
Merrill Lynch	22046	23149	24251	23700	20944
Westpac Banking	37000	32000	25000	33000	19250
Natexis Commodities	18000	17000	16000	27000	20500
JPMorgan Chase	23000	19000	17000	22000	13000
Wachovia Corp.	36000	30000	28000	-	25000
Societe General	27000	23000	19000	25000	17000
Goldman Sachs	25000	23000	21000	24000	23500
Median	35000	30000	24725	27000	22222
Mean	31665	28064	25289	26913	23376
Lowest	18000	17000	16000	3867	13000
Highest	42900	37479	36376	37463	35000

Source: Bloomberg

Note: Data as of April 18, 2007; LME (3MO) price was USD 48400/mt, LME (cash) price was USD 50131/mt

However, over the last year, not one major league player has predicted nickel prices with a high degree of accuracy (forecasts were too conservative).

Difference between forecasted and factual average Ni price on LME in 2006

Company	Forecast's accuracy
National Australia Bank Ltd	-39%
Macquarie	-36%
Goldman Sachs	-36%
Merrill Lynch	-41%
Citigroup	-46%
Access Economics	-57%

Source: Metaltorg

Analysts divided over long-term outlook of the nickel market

A group of industry commentators and traders say the nickel market is unsteady, and there is a high probability of a price turnaround toward the bottoms of 2004-2005. Their major arguments are growing a supply of substitution materials in coming years; capacity expansion by major nickel producers (BHP Billiton, CVRD, Sumitomo and European Nickel); and the speculative nature of current prices on the LME.

Another group predicts that nickel prices will remain strong in the long-run thanks to never-ending demand from growing Asian economies and a lack of nickel supplies. CVRD is of the same opinion; it is going to close depleted mines and substitute them by launching new mines, which will not increase nickel production much.

We believe that the speculative nickel price bubble will erupt in 2008, after which prices will remain higher than their average in 2006; volatility in nickel prices, and consequently in stainless steel is the key risk to our forecasts.

Appendix 1: Projected Dnipropetsstal financials

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	441	504	600	573	555	560	566	572	575	577	577	577
Change y-o-y	N/M	14.1%	19.3%	-4.6%	-3.1%	1.0%	1.0%	1.0%	0.5%	0.5%	0.0%	0.0%
Cost Of Sales	(371)	(403)	(474)	(454)	(441)	(447)	(453)	(459)	(463)	(467)	(470)	(471)
Gross Profit	70	101	126	119	114	114	113	113	112	110	107	107
Other Operating Income/Costs, net	(11)	(8)	(5)	(3)	-	-	-	-	-	-	-	-
SG&A	(32)	(26)	(31)	(30)	(28)	(28)	(28)	(29)	(29)	(29)	(29)	(29)
EBITDA	28	67	90	86	86	86	85	85	83	81	79	78
EBITDA margin, %	6.3%	13.2%	15.0%	15.0%	15.5%	15.3%	15.0%	14.8%	14.5%	14.1%	13.6%	13.5%
Depreciation	(9)	(9)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
EBIT	19	58	80	76	76	75	74	74	72	70	67	67
EBIT margin, %	4.3%	11.5%	13.4%	13.2%	13.6%	13.4%	13.1%	12.9%	12.6%	12.2%	11.7%	11.5%
Interest Expense	(6)	(6)	(12)	(12)	(12)	(11)	(10)	(9)	(8)	(7)	(8)	(7)
Financial income	(0)	0	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	3	1	-	-	-	-	-	-	-	-	-	-
PBT	15	53	68	64	64	64	64	65	65	63	60	59
Tax	(9)	(14)	(17)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)
Net Income	6	39	51	48	48	48	48	49	48	47	45	44
Net Margin, %	1.5%	7.7%	8.6%	8.4%	8.7%	8.6%	8.5%	8.5%	8.4%	8.2%	7.8%	7.7%
Dividend Declared	6	38	1	39	41	46	45	44	44	45	44	44

Balance Sheet Summary, USD mln

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Current Assets	115	157	151	148	148	148	149	150	149	152	153	151
Cash & Equivalents	2	23	3	3	3	3	3	4	3	5	6	4
Trade Receivables	24	32	36	34	33	34	34	34	34	35	35	35
Inventories	56	66	73	70	73	73	73	73	73	73	73	73
Other current assets	34	37	39	40	39	39	39	39	39	39	39	39
Fixed Assets	101	108	106	113	116	117	117	117	117	117	117	117
PP&E, net	76	83	99	106	110	110	110	110	110	110	110	110
Other Fixed Assets	25	25	7	7	7	7	7	7	7	7	7	7
Total Assets	216	265	257	261	265	265	266	268	266	269	270	268
Shareholders' Equity	112	151	137	146	153	155	158	163	168	170	171	171
Share Capital	10	10	10	10	10	10	10	10	10	10	10	10
Reserves and Other	102	141	127	136	143	145	148	153	158	160	161	161
Current Liabilities	90	101	105	100	98	96	96	97	96	97	97	97
ST Interest Bearing Debt	51	58	59	56	55	53	54	54	55	55	55	55
Trade Payables	19	22	25	25	24	24	24	25	25	25	25	25
Accrued Wages	2	2	2	2	2	2	2	2	2	2	2	2
Accrued Taxes	3	4	3	3	3	3	3	3	3	3	3	3
Other Current Liabilities	15	15	15	14	14	14	13	13	11	12	12	12
LT Liabilities	15	13	15	15	14	14	12	8	2	2	2	-
LT Interest Bearing Debt	15	13	15	15	14	14	12	8	2	2	2	-
Other LT	0	0	-	-	-	-	-	-	-	-	-	-
Total Liabilities & Equity	216	265	257	261	265	265	266	268	266	269	270	268

Appendix 2: Dnipropetsstal quarterly financials, UAS

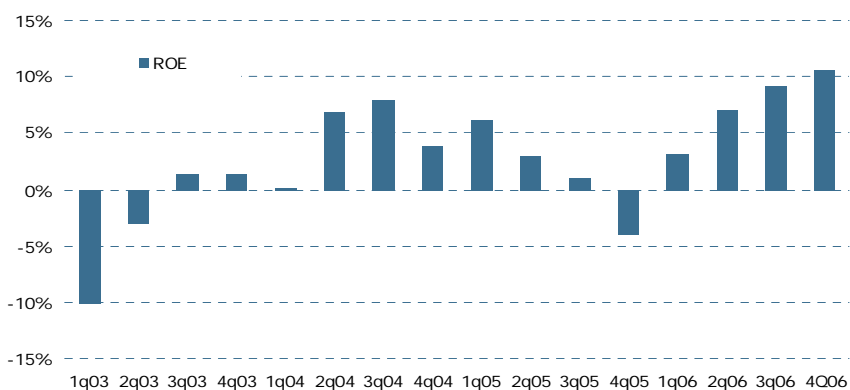
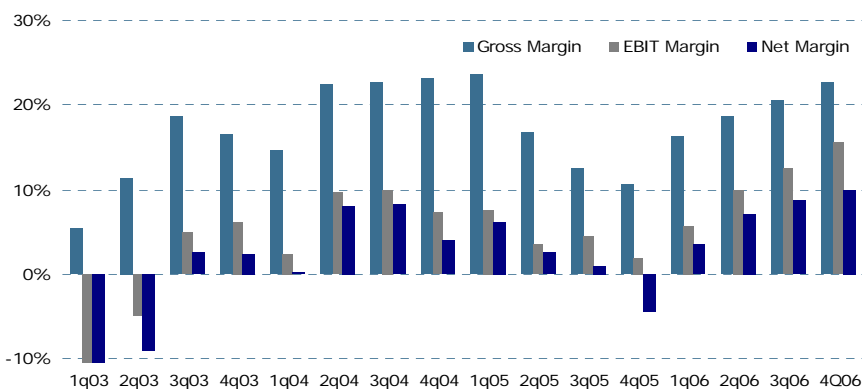
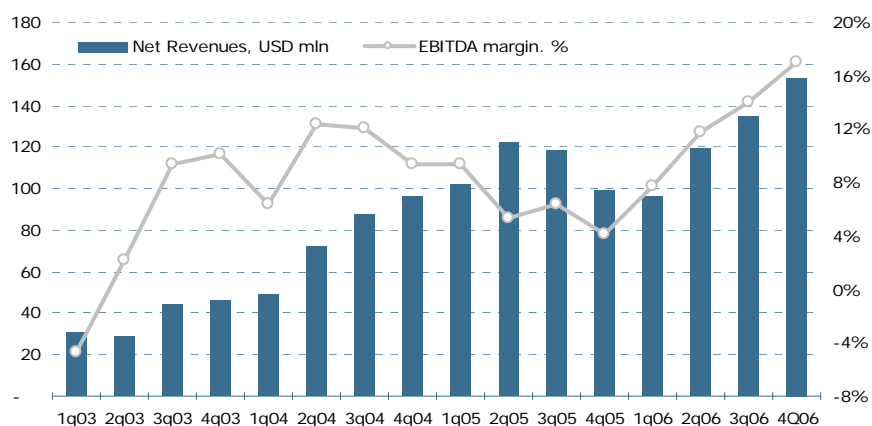
Income Statement Summary, USD mln

	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Net Revenues	49	72	88	96	102	122	118	99	96	119	135	154
Cost Of Sales	(42)	(56)	(68)	(74)	(78)	(101)	(103)	(89)	(80)	(97)	(107)	(119)
Gross Profit	7	16	20	22	24	20	15	10	16	22	28	35
<i>Gross margin</i>	<i>15%</i>	<i>23%</i>	<i>23%</i>	<i>23%</i>	<i>24%</i>	<i>17%</i>	<i>13%</i>	<i>11%</i>	<i>16%</i>	<i>19%</i>	<i>21%</i>	<i>23%</i>
Other Operating Income/Costs, net	(2)	(5)	(6)	(9)	(11)	(5)	3	2	(2)	(2)	(2)	(2)
SG&A	(2)	(3)	(3)	(4)	(4)	(9)	(10)	(9)	(6)	(6)	(7)	(7)
EBITDA	3	9	11	9	10	6	8	4	7	14	19	26
<i>EBITDA margin</i>	<i>6%</i>	<i>12%</i>	<i>12%</i>	<i>9%</i>	<i>9%</i>	<i>5%</i>	<i>6%</i>	<i>4%</i>	<i>8%</i>	<i>12%</i>	<i>14%</i>	<i>17%</i>
Depreciation	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
EBIT	1	7	9	7	8	4	5	2	5	12	17	24
<i>EBIT margin</i>	<i>2%</i>	<i>10%</i>	<i>10%</i>	<i>7%</i>	<i>7%</i>	<i>3%</i>	<i>5%</i>	<i>2%</i>	<i>6%</i>	<i>10%</i>	<i>12%</i>	<i>16%</i>
Interest Expense	(1)	(1)	(1)	(2)	(2)	(1)	(2)	(2)	(2)	(2)	(1)	(2)
Financial income/(expense)	0	(0)	-	0	0	0	0	(1)	0	0	0	0
Other income/(expense)	0	0	0	0	0	2	0	(0)	(0)	0	0	0
PBT	0	6	7	6	7	5	4	(1)	3	11	16	23
Tax	-	(0)	(0)	(2)	(0)	(2)	(3)	(4)	-	(2)	(4)	(8)
Net Income	0	6	7	4	6	3	1	(4)	3	8	12	15
<i>Net Margin</i>	<i>0%</i>	<i>8%</i>	<i>8%</i>	<i>4%</i>	<i>6%</i>	<i>3%</i>	<i>1%</i>	<i>-4%</i>	<i>4%</i>	<i>7%</i>	<i>9%</i>	<i>10%</i>

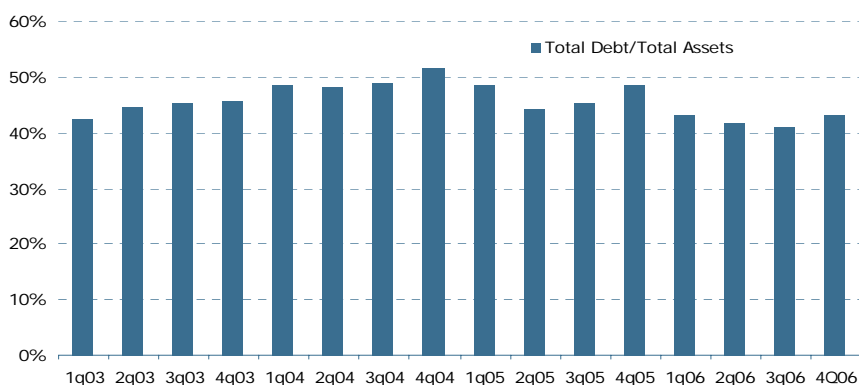
Balance Sheet Summary, USD mln

	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Current Assets	60	69	90	110	112	106	113	115	103	108	124	157
Cash & Equivalents	1	0	1	1	0	2	1	2	1	2	5	23
Trade Receivables	10	6	8	21	22	18	19	24	19	20	27	32
Inventories	29	36	40	46	47	49	53	56	54	55	62	66
Other current assets	20	27	41	42	43	38	40	34	29	30	31	37
Fixed Assets	101	102	98	95	94	98	98	101	100	104	105	108
PP&E, net	78	76	76	75	75	78	77	76	75	75	74	83
Other Fixed Assets	24	25	22	19	19	20	21	25	25	29	30	25
Total Assets	161	171	188	205	206	204	211	216	203	211	229	265
Shareholders' Equity	83	89	96	99	106	114	115	112	115	123	135	151
Share Capital	9	9	9	9	9	10	10	10	10	10	10	9
Reserves and Other	99	99	100	99	100	104	104	104	104	104	104	141
Retained Earnings	(26)	(20)	(13)	(9)	(3)	0	1	(3)	1	10	21	-
Current Liabilities	77	81	90	104	99	79	72	90	83	84	90	101
ST Interest Bearing Debt	35	41	41	46	47	37	38	51	48	45	53	58
Trade Payables	12	14	16	20	19	20	19	19	18	19	20	22
Accrued Wages	1	1	1	1	2	2	2	2	2	2	2	2
Accrued Taxes	0	0	0	0	0	0	1	3	1	1	1	4
Other Current Liabilities	29	25	31	37	31	20	12	15	14	17	14	15
LT Liabilities	1	1	2	2	1	11	23	15	5	4	4	13
LT Interest Bearing Debt	1	1	2	2	1	10	23	15	4	4	4	13
Other LT	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities & Equity	161	171	188	205	206	204	211	216	203	211	229	265

Appendix 3: Dnipropetsstal quarterly analysis



Note: ROE is annualized



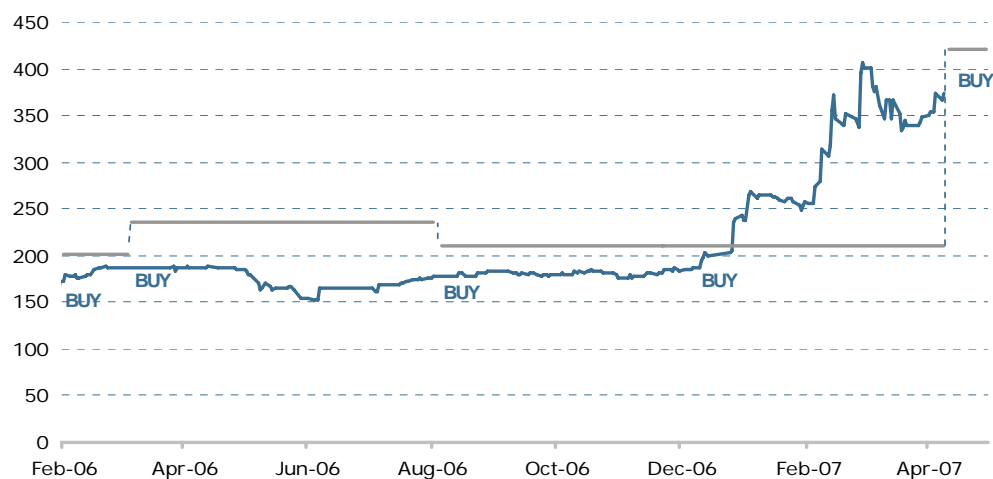
Analyst certification

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.

Date	12M target price, USD	Market price, USD	Recommendation	Action
26-Apr-07	421.1	374.3	BUY	Maintain
29-Dec-06	210.0	200.0	BUY	Maintain
18-Aug-06	210.0	177.6	BUY	Maintain
22-Mar-06	236.7	186.8	BUY	Maintain
16-Feb-06	201.6	172.9	BUY	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.

Recommendation History, USD



Concorde Rating Universe

Buy	35	50%
Hold	14	20%
Sell	6	9%
Under review/Suspended	15	21%
Total	70	100%

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