



CONCORDE CAPITAL

Ukraine / Steel

# Enakievo Steel

Notes from AGM

August 01, 2008

Current price: USD 45.3  
12M Target: USD 140.0

**BUY**

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### Tickers

Bloomberg ENMZ UZ

### Market information

Market price, USD	45.3
MCap, USD mln	469.5
Chg YTD	-49.9%
52Wk Hi/Lo, USD	105.5/43.1
No of shares, mln	10.37
Free float	13.8%
Free float, USD mln	64.7

### Corporate Governance

Concorde Rating\* A

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

### Shareholders

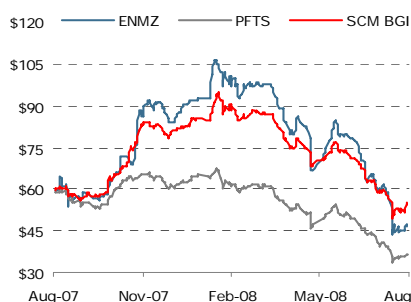
Metinvest	86.3%
Other	13.7%

### Notes from today's AGM of Enakievo Steel:

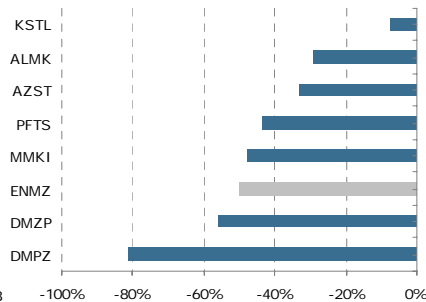
- Management announced their 2008 production target is 3 mln mt of crude steel (+7% yoy) – in line with our forecasts
- As part of its roughly USD 2 bln investment program by 2013, the company started construction of blast furnace #3 in April (CapEx of USD 260 mln). Also in the near term, the company plans to construct new rolling mill "250" (long steel products) and two new continuous casting machines (will lift concasting capacity to 4 mln mt p.a.). Following program completion, Enakievo will be able to produce 4 mln mt of crude steel p.a. (+30%)
- Management, without mentioning any details, confirmed plans to merge Enakievo Steel and Metalen. The companies both have capacities at the same site, but have been separate legal entities since 2000. Metalen, where Enakievo Steel has a 38% stake, owns a steel smelting unit
- Management has arranged a meeting with analysts for the next Wednesday with the Deputy Director on Economic of the company. We expect to get more details on the company there

**Following the deep market correction, the stock now offers an appealing upside of 209% to our target price of USD 140 per share. We confirm our BUY recommendation.**

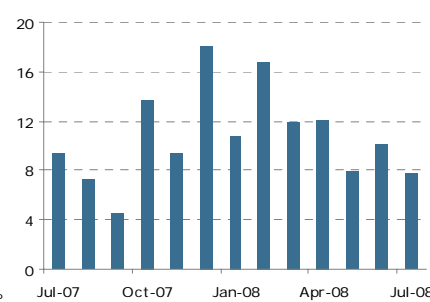
### Stock performance, 12M\*



### Sector performance, YTD



### PFTS trading volumes, USD mln



Source: PFTS, Bloomberg, Concorde Capital. \* PFTS, SCM BGI rebased to ENMZ's price

### Key financials & ratios, USD mln

	Revenue	EBITDA	Net Income	EBITDA Mgn	Net Mgn	EV/S	EV/EBITDA	P/E
2007	1,015.0	55.7	29.9	5.5%	2.9%	0.5	9.0	15.7
2008E	1,171.0	192.1	108.9	16.4%	9.3%	0.4	2.6	4.3
2009E	1,721.7	266.9	189.4	15.5%	11.0%	0.3	1.9	2.5

Source: Company data, Concorde Capital estimates

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## Appendix - Disclosures

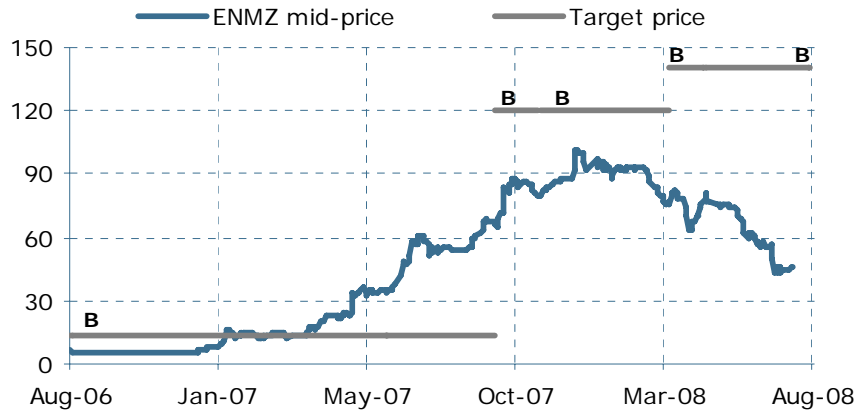
### Analyst Certification

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.

#### Enakievo Steel

Date	Target price, USD	Market price, USD	Rec	Action
18-Aug-06	14.00	5.59	Spec BUY	Initiating
19-Oct-07	120.00	67.70	BUY	Maintain
26-Oct-07	120.00	72.00	BUY	Maintain
04-Dec-07	120.00	79.60	BUY	Maintain
05-Dec-07	120.00	80.41	BUY	Maintain
04-Apr-08	140.00	77.13	BUY	Maintain
01-Aug-08	140.00	45.27	BUY	Maintain

#### ENMZ Recommendation history, USD per share



## Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

### Concorde Capital ratings distribution

Buy	80	70%
Hold	19	17%
Sell	7	6%
Under Review	8	7%
Total	114	100%

### Investment banking clients\*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

\* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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