![CONCORDE CAPITAL]

CONCORDE CAPITAL

Ukraine / Steel pipes

Khartsyzk Pipe

Charter Fund Increase Planned

January 10, 2008

Current price:	**USD 0.66**	**SELL**
12M Target undiluted:	**USD 0.45**	
diluted:	***USD 0.44***	

Eugene Cherviachenko
ec@concorde.com.ua
+380 44 391 5577

Tickers

Bloomberg	HRTR UZ
GDR (Frankfurt/Xetra)	LBY GR

Market information

Market price, USD	0.66
MCap, USD mln	1,673.1
Chg YTD	120%
52 Wk Hi/Lo YTD, USD	0.76/0.30
DRs per common share	1:50
No of shares, mln	2,548.8
No of shares new, mln	2,598.5
Avg Mon Tr Vol 2007, USD mln	0.71
Free float	2.0%
Free float, USD mln	33.4

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	98.0%
Other	2.0%

AGM will consider a charter fund increase

Today Ukrainian News announced that the agenda for Kharstyzk Pipe's March 14 AGM includes a 2% charter fund increase to finance working capital.

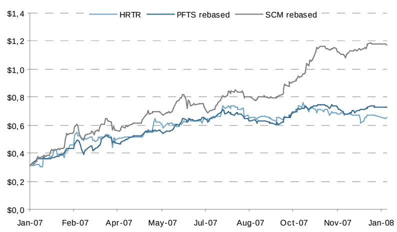
	# of shares	Charter fund, USD mln
Current	2,548,8	25.24
Additional issue	+49.7	+0.49
After issue	2,598.5	25.73

Subscription is scheduled for April 28 to May 14. The subscription price is set at par, USD 0.01 per share. Based on previous issues, we believe that the ex-rights date will coincide with the first date of subscription.

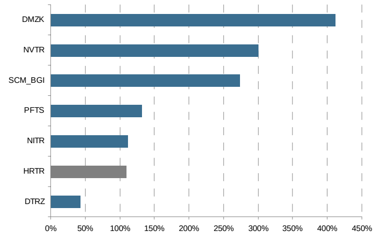
31% downside remains

Our target price adjusted for dilution is USD 0.44 per share, which implies a 31% downside to the fully diluted market price (USD 0.64 per share). We reiterate SELL.

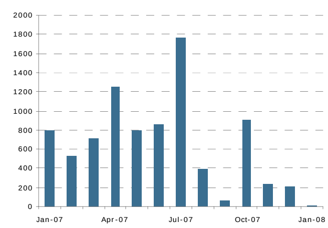
Stock performance, 12M



Sector Performance, 12M



PFTS Trading Volumes, USD ths



Source: PFTS Note: PFTS-mid price

Key financials & ratios, USD mln

	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006	624	21.9%	2.9%	2.7	12.2	21.5
2007E	692	20.5%	6.0%	2.4	11.6	19.5
2008E	749	21.6%	7.9%	2.2	10.0	19.5

Spot exchange rate: 5.05 UAH/USD

FLASH NOTE
FLASH NOTE

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	38	39%
Hold	29	30%
Sell	12	12%
Under Review	18	19%
Total	97	100%

Investment banking clients*

Buy	8	89%
Hold	1	11%
Sell	0	0%
Under Review	0	0%
Total	9	100%

**Within the last twelve month period, Concorde Capital has obtained compensation from these companies.*

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa	im@concorde.com.ua

Equity Trading

Jathan Tucker	jt@concorde.com.ua

Equity Sales

Anastasiya Nazarenko	an@concorde.com.ua
Zack Watson	zw@concorde.com.ua
Duff Kovacs, CFA	dk@concorde.com.ua
Marina Martirosyan	mm@concorde.com.ua

Director of Research

Konstantin Fisun, CFA	kf@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Strategy

Konstantin Fisun	kf@concorde.com.ua
Oleksandr Klymchuk	ok@concorde.com.ua

Metals & Mining

Eugene Cherviachenko	ec@concorde.com.ua
Andriy Gerus	ga@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy	ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko	vn@concorde.com.ua

Consumer/Real Estate Group

Andriy Gostik, CFA	ag@concorde.com.ua
Olha Pankiv	op@concorde.com.ua
Alexander Romanov	ar@concorde.com.ua
Anna Dudchenko	ad@concorde.com.ua

Machinery

Eugene Cherviachenko	ec@concorde.com.ua
Inna Perepelytsya	pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov	av@concorde.com.ua

Macroeconomics

Polina Khomenko	pk@concorde.com.ua

Fixed Income

Oleksandr Klymchuk	ok@concorde.com.ua

Corporate Governance

Nick Piazza	np@concorde.com.ua

News/Production

Nick Piazza	np@concorde.com.ua
Polina Khomenko	pk@concorde.com.ua

Editor

Brad Wells	bw@concorde.com.ua

Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital might have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients might have or have had interests or long /short positions in the securities referred to herein, and might at any time make purchases and/or sales in them as a principal or an agent. Concorde Capital might act or has acted as a market-maker in the securities discussed in this report. The research analysts and/or corporate banking associates principally responsible for the preparation of this report receive compensation based upon various factors, including quality of research, investor/client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

Prices of listed securities referred to in this report are denoted in the currency of the respective exchanges. Investors in financial instruments such as depository receipts, the values or prices of which are influenced by currency volatility, effectively assume currency risk.

Due to the timely nature of this report, the information contained might not have been verified and is based on the opinion of the analyst. We do not purport this document to be entirely accurate and do not guarantee it to be a complete statement or summary of available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2008 Concorde Capital