



Andriy Gostik
ag@concorde.com.ua
+380 44 207 5037

Eugene Cherviachenko
ec@concorde.com.ua
+380 44 207 5037

Metals & Mining

Enjoying A Global Rebound

Industries Covered

- Steel
- Ferroalloys
- Pipes
- Iron Ore
- Coke
- Coal

CONTENT

Summary	2
Upside Panel	3
STEEL	6
Steel Production & Prices Growing	7
Valuation	9
Financials	13
Quarterly Charts	14
FERROALLOYS	20
Steel Growth Sparks Ferroalloy Demand	21
Valuation	22
Financials	24
Quarterly Charts	25
PIPES	27
Oil & Gas Boom Boosts Demand For Pipes	28
Valuation	29
Financials	31
Quarterly Charts	32
IRON ORE	34
Domestic Prices Down But Demand Growing	35
Valuation	37
Financials	39
Quarterly Charts	40
COKE	42
Coke Industry: Recovery Underway	43
Valuation	45
Financials	47
Quarterly Charts	48
COAL	51
Coal Stocks: The Buzz On The Market	52
Valuation	53
Financials	55
Quarterly Charts	56

Summary

Ukrainian metal & mining companies experienced a boost in production and sales in 2Q06 thanks to a revived global demand for steel and the steel price rally on world markets that followed (CIS export prices have grown 20%-75% year to date). After a weak 1Q06 and a consequent drop in prices for most metal & mining stocks in spring – early summer, the sector looks undervalued based on the disclosed positive operating and financial results from 2Q06.

Steel

The industry is re-gaining the interest of investors. Our top picks are Mittal Steel Kryvyi Rig, Azovstal, Mariupol Iilicha Steel and DniproSpetsStal.

The two corporate actions in the steel industry that stirred the market in 1H06 highlighted the contrast in the level of corporate governance standards of different business groups. Zaporizhstal's dilutive share issue (a 3x charter fund increase) undermined investor confidence in the Ukrainian market, as minority shareholders were prevented from subscription and were offered a ridiculously low buy-back price. While a very similar dilutive share issue by Azovstal (a 54% charter fund increase, treasury stocks inclusive) gave more reassuring signals to the market. The company offered more satisfactory albeit not fully equitable buy-back terms. Azovstal offered the ask price that prevailed in the market after the issue's approval, below the pre-issue price.

Ferroalloys

World demand for ferroalloys increased on the back of growing steel production and the resulting higher ferroalloy prices (up 8-28%) bode well for export-oriented Ukrainian producers. Yet the most encouraging sign for investors was the improvement in transparency by alloy producers as reflected in the dynamics of their reported financials. In this segment, we rate two stocks, Zaporizhzhya Ferroalloy and Stakhanov Ferroalloy, as BUY.

Coke

The Ukrainian coke industry started a slow recovery in April 2006 posting 4.6% yoy growth in Apr-Jul despite a 12.1% yoy decline in 1Q06. We believe 2006 coke production will be close to its 2005 level making up for a weak 1Q06 in subsequent months. The integration of coke companies into the steel mills they are linked to is becoming a general industry tendency: Azovstal absorbed Markokhim coke at the end of 2005. Mariupol Iilicha received Yasynivsky Coke's capacities as part of a long-term lease in early 2006. ZaporizhCoke and Alchevsk Coke are increasing their output thanks primarily to the demand from their adjacent steel mills Zaporizhstal and Alchevsk Iron & Steel and are likely to become more closely linked to the two respective mills in the future. Given the mixed prospects for Ukrainian coke makers dependant on a particular company, we only like two stocks out of the six traded companies, Avdiyivka Coke and ZaporizhCoke.

Iron Ore

On the iron ore market, domestic miners saw their prices stay relatively flat despite an agreement on a 19% contract price between world mineral majors and global steel makers. Domestic prices have always been a result of negotiations between local steel makers and iron ore producers - Poltava Iron Ore is the only company pegged to export markets. However, we believe that the iron ore segment is still overlooked and despite existing transfer pricing problems we see two iron ore stocks as worthwhile investments - Pivdenny Iron Ore and Sukha Balka. We also downgrade Poltava Iron Ore to HOLD. This company, which would have been undervalued were it not for transfer pricing, has not lived up to our expectations. So far it has made no progress in eliminating unfavorable related party transactions, looks to have postponed going public and is expensive based on the multiples it reported (as opposed to true financials).

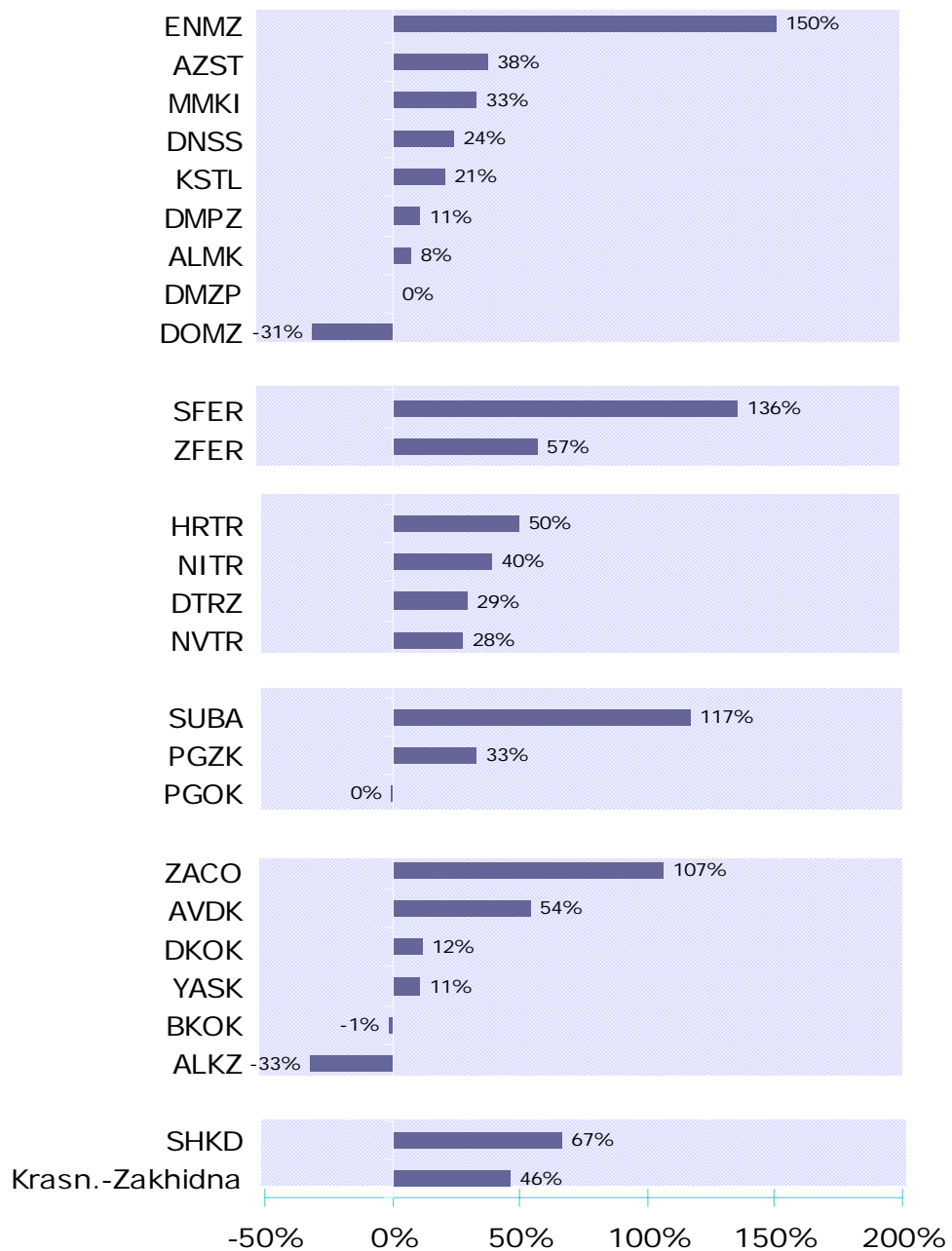
Pipes

Pipe production has been growing in 1H06 thanks mainly to strong demand from the oil & gas industry, as most of the pipes Ukraine exports are specifically designed for oil & gas companies. Investments in infrastructure both in Ukraine and abroad also drove sales for Ukraine's largest producer of general purpose pipes, Dnipropetrovsk Pipe. We reiterate our BUY recommendation for the three pipe stocks, Nyzhnyodniprovsky Pipe, Novomoskovsk Pipe and Dnipropetrovsk Pipe, and upgrade Khartsyzk Tube to Speculative BUY. The latter showed significant progress in corporate governance by beginning to post real financials and eliminating tolling schemes. However, Khartsyzk Tube's over-dependence on the Russian market in light of increasing Russian competition remains a major concern for the company and kept us from rating the stock more favorably.

Coal

Coal stocks are a promising new story and have drawn immediate interest from investors. Coal is increasingly viewed as an alternative to oil & gas in a number of industries. In 1Q06 the two mining companies we cover increased extraction (Komsomolets Donbassa by ~25% yoy and Krasnoarmiyska-Zakhidna by ~13% yoy), posted further top line growth and improved profitability. Our recommendation for both is BUY.

Upside Panel





Metals & Mining Universe

Companies by Industry	Ticker	Sales			EBITDA			NI		Net Debt			
		2005	2006E Old	2006E New	2005	2006E Old	2006E New	2005	2006E Old	2006E New	2005	2006E Old	2006E New
Steel													
Mittal Steel Kryvyi Rig	KSTL	2,156.3	1,935.0	2,620.0	484.2	484.0	690.0	313.2	289.0	410.0	(258.5)	(375.0)	(50.0)
Mariupol Ilichha	MMKI	2,796.3	2,665.0	2,642.0	441.9	464.6	320.0	248.4	267.0	150.0	(164.1)	(199.0)	(150.0)
Azovstal	AZST	2,417.4	2,236.0	2,220.5	378.2	316.0	355.0	226.6	185.0	183.0	(61.6)	108.0	85.0
Zaporizhstal	ZPST	1,556.1	1,411.0	1,510.0	251.4	201.6	220.0	149.1	94.0	110.0	(21.3)	(82.0)	(50.0)
Alchevsk Metal	ALMK	992.6	1,071.0	1,161.5	136.5	150.0	127.8	78.4	86.0	46.5	177.0	117.0	200.0
Enakievo Iron & Steel	ENMZ	604.4		635.0	(16.3)		29.0	(12.0)		10.0	35.8		5.0
DniproSpetsStal	DNSS	441.3	492.3	430.0	27.8	49.2	35.0	6.4	25.8	16.0	64.3	52.3	51.0
DMK Petrovskogo	DMZP	389.0		410.0	3.0		6.0	(6.9)		1.0	15.0		31.0
Donetsk Metal Plant	DOMZ	271.9	330.0	190.0	4.6	7.5	5.0	1.5	4.0	1.0	5.9	1.1	5.0
Donetsk Metal Rolling	DMPZ	61.3	62.0	63.0	5.8	6.0	5.7	4.7	4.0	3.9	(0.5)	(1.0)	0.0
Ferroalloys													
Nikopol Ferroalloy	NFER	481.4	550.0	495.0	6.8	38.5	10.0	(3.7)	16.5	2.0	6.6	4.0	4.0
Zaporizhza Ferroalloy	ZFER	316.4	332.6	332.6	5.4	50.0	50.0	(2.2)	28.0	28.0	11.5	49.0	49.0
Stakhanov Ferroalloy	SFER	93.9	127.7	127.7	(1.1)	10.3	10.3	(5.9)	1.1	1.1	23.4	41.2	41.2
Pipes													
Nyzhnyodniprovsky Pipe	NITR	622.8	735.5	735.5	124.8	144.0	193.0	103.3	94.0	127.0	(51.1)	39.9	(92.0)
Khartsyzk Tube	HRTR	297.9	267.1	474.0	51.1	52.8	115.0	26.6	30.1	90.0	19.9	7.0	0.0
Novomoskovsk Pipe	NVTR	122.0	157.0	157.0	4.6	17.6	9.0	1.4	10.3	5.0	1.1	2.5	3.0
Dnipropetrovsk Pipe	DTRZ	144.0	149.9	154.4	25.0	29.8	15.0	21.7	12.9	8.0	6.0	10.9	10.0
Iron Ore Producers													
Poltava Iron Ore*	PGOK	434.6	557.0	460.0	104.9	166.9	132.0	56.5	87.6	60.0	198.5	101.0	240.0
Pivdenny Iron Ore	PGZK	266.3	320.0	330.0	37.4	65.0	35.0	5.0	15.0	10.0	47.2	40.0	21.0
Sukha Balka	SUBA	58.4		80.0	11.9		16.0	6.7		10.0	10.0		7.0
Cokes													
Avdiyivka Coke	AVDK	1,128.4	1,220.9	498.9	190.3	198.0	65.4	73.6	119.0	14.6	261.6	10.0	246.7
ZaporizhCoke	ZACO	335.6	353.8	328.4	27.6	32.0	26.4	18.4	20.0	16.9	(1.1)	(10.0)	15.7
Alchevsk Coke	ALKZ	170.8	139.4	229.0	20.8	21.0	27.5	7.5	7.5	10.8	27.9	25.8	92.3
Yasynivsky Coke	YASK	213.5	240.0	170.5	16.6	21.0	15.3	8.2	12.0	7.5	(0.5)	0.0	11.9
Bagliy Coke	BKOK	140.0	140.0	101.8	8.0	9.0	7.7	3.8	7.4	4.5	(0.1)	0.0	5.1
Donetsk Coke	DKOK	56.6	62.1	45.3	11.1	12.0	1.4	4.7	6.5	(0.7)	(0.1)	(0.6)	15.7
Coal													
Krasnoarmiyska-Zakhidna	n/a		276.9	302.1		117.7	120.8		63.6	60.4		0.0	(0.2)
Komsomolets Donbassa	SHKD		83.8	103.6		14.3	17.7		0.7	5.2		(0.6)	(0.6)

*PGOK's financials do not include those of its Swiss trader Ferrexpo A.G.

Valuation

Ticker	MCap, USD mn	Market Price, USD	Target Price, USD*	Upside	Recommendation
Steel					
KSTL	2933.2	0.76	0.91	20.5%	BUY
MMKI	1642.3	0.49	0.65	32.7%	BUY
AZST*	1553.0	0.37	0.51	37.8%	BUY
ZPST		Trading suspended			Susp
ALMK	754.3	0.07	0.07	7.7%	HOLD
DNSS	182.2	169.5	210.0	23.9%	BUY
ENMZ	58.0	5.59	14.0	150.3%	Spec BUY
DOMZ	54.3	0.15	0.10	-31.0%	SELL
DMZP	42.5	0.05	0.05	0.0%	HOLD
DMPZ	25.7	0.045	0.05	11.1%	HOLD
Ferroalloys					
NFER	452.3	1.49	n/a		Susp
ZFER	228.0	0.10	0.16	56.9%	BUY
SFER	43.1	0.003	0.007	135.7%	BUY
Pipes					
NITR	695.1	12.90	18.00	39.5%	BUY
HRTR	509.8	0.20	0.30	50.0%	Spec BUY
NVTR	79.6	6.63	8.50	28.1%	BUY
DTRZ	76.1	72.08	93.30	29.4%	BUY
Iron Ore					
PGOK	1199.6	10.40	10.38	-0.2%	HOLD
PGZK**	546.6	0.09	0.12	33.3%	BUY
SUBA	49.7	0.06	0.13	116.7%	BUY
Coke					
AVDK	601.9	3.11	4.79	54.0%	BUY
ALKZ	223.7	0.07	0.05	-32.7%	SELL
ZACO	142.6	1.20	2.47	106.7%	BUY
BKOK	81.5	0.12	0.12	-1.0%	SELL
YASK	73.4	0.27	0.30	11.1%	HOLD
DKOK	42.2	0.17	0.19	12.2%	HOLD
Coal					
Zakhidna	347.9	0.41	0.60	46.3%	BUY
SHKD	60.3	0.18	0.30	66.7%	BUY

*AZST's MCap is based on the number of shares which includes the additionally issued shares to be swapped for the shares of its trading house but does not include treasury stock, which we believe will be cancelled within less than a year (see our notebook from May 5, 2006)

**PGZK's MCap is based on the number of shares which includes the additionally issued shares, subscription for which PGZK is going to approve at its forthcoming EGM in September

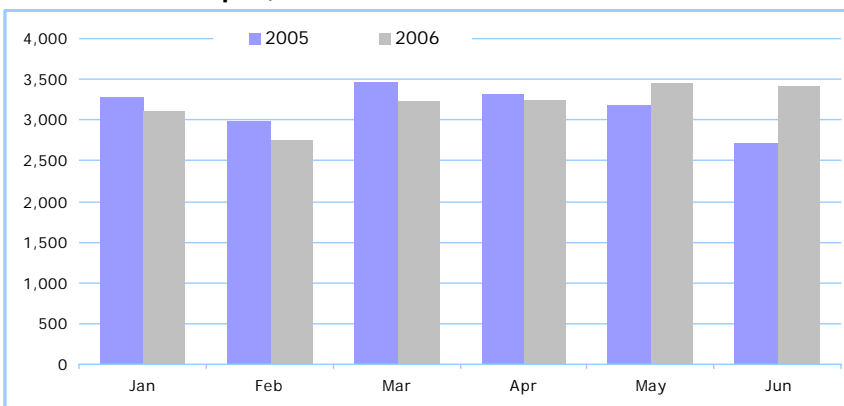
STEEL

Steel Prices & Production Growing

Ticker	Upside, %	Rec'
KSTL	20.5%	BUY
MMKI	32.7%	BUY
AZST	37.8%	BUY
ZPST		Susp'
ALMK	7.7%	HOLD
DNSS	22.5%	BUY
DMZP	0.0%	HOLD
DOMZ	-31.0%	SELL
ENMZ	66.7%	Spec BUY
DMPZ	11.1%	HOLD

The market is favorable for steel makers worldwide. Export steel prices for CIS producers grew by 20%-75% depending on steel type in 7M06 and we expect this trend to continue through September-October before stabilizing. After a weak 1Q06 due to the natural gas shortage, most Ukrainian steel makers increased their production in 2Q06 both on a yoy and qoq basis, with total output growing 3.6% yoy in 1H06.

Crude Steel Output, ths mt



Source: Ukrainian News agency

Rolled Steel Output, ths mt

	1H06	Chg, yoy	2Q06	Chg, yoy	1Q06	Chg, yoy
Mittal Steel Kryvy Rig	3,400.0	15.7%	1,831.0	32.8%	1,569.0	0.6%
Mariupol Illicha	2,927.7	2.3%	1,529.5	7.3%	1,398.2	-2.7%
Azovstal	2,436.2	-32.1%	1,250.2	-30.5%	1,186.0	-33.7%
Zaporizhstal	1,836.0	4.3%	931.9	9.2%	904.1	-0.3%
Alchevsk Iron & Steel	1,644.0	14.6%	888.0	25.3%	756.0	4.1%
DMK Petrovskogo	595.2	-6.3%	295.7	-14.2%	299.5	3.1%
Donetsk Metal	344.3	-0.8%	188.0	8.5%	156.3	-10.1%
Dnipsospetsstal	160.6	-6.9%	85.0	-3.4%	75.6	-10.5%
Enakievo Iron & Steel	184.2	29.5%	96.4	153.1%	87.8	-15.7%
Donetsk Metal Rolling	69.4	-5.3%	34.3	2.4%	35.1	-11.8%
Ukraine Total	17,019.2	3.6%	8,880.1	11.7%	8,139.1	-4.0%

Source: Ukrainian News agency

The summer correction that drove down prices for steel blue chips is now over, mainly due to the appointment of a new government and the end of political uncertainty. The stock market has entered a revival phase and we expect to see an increased interest in the steel segment.

Our tops picks in steel sector are KSTL, AZST, MMKI and DNSS. The first three, Ukraine's steel majors, are reviving from a winter slow-down, while DNSS has a specialty steel niche and faces virtually no competition in the CIS, while maintaining exposure to high end European and North American markets.

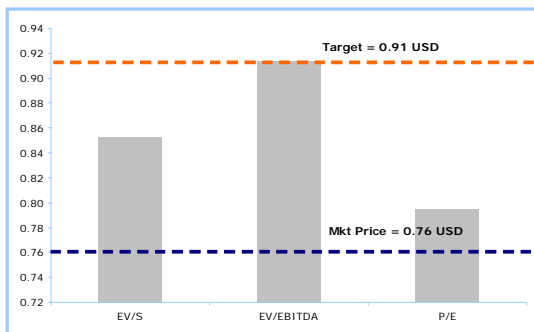
A new stock in our coverage universe, Enakievo Iron & Steel (ENMZ), has received a Speculative BUY recommendation. The company is part of Metinvest Holding, which comprises metal & mining assets belonging to System Capital Management (SCM). In 1Q06, ENMZ posted positive EBITDA after five consecutive loss-making quarters. In our view, this is a signal of improving transparency at the company which is connected to Metinvest's plans to go public in the next two-three years.

Peer valuation suggests a three digit upside on forward looking multiples assuming the company does not slip back into the shadows in the subsequent quarters. However, ENMZ does come with a risk of share dilution, as it is likely to merge with Metalen (a closely held company producing steel from pig iron

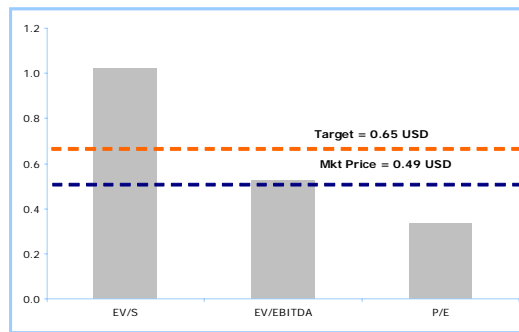
made by ENMZ and controlled by SCM), via a share swap after an additional share issue. Should this take place, ENMZ's margins would see considerable improvement, but the fair share price would fall due to an expected almost two-fold increase in ENMZ's number of shares (please refer to our ANB from July 13, 2006). Even if this happens we still believe the stock would offer a sufficient enough upside to deserve a favorable recommendation.

Steel Valuation Summary

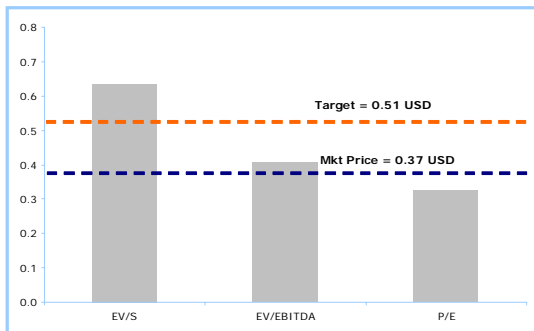
KSTL



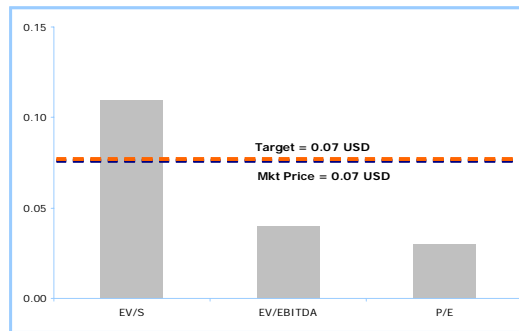
MMKI



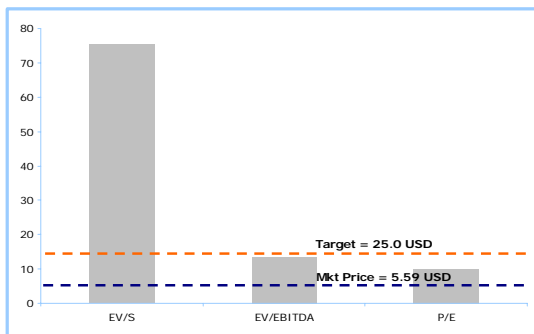
AZST



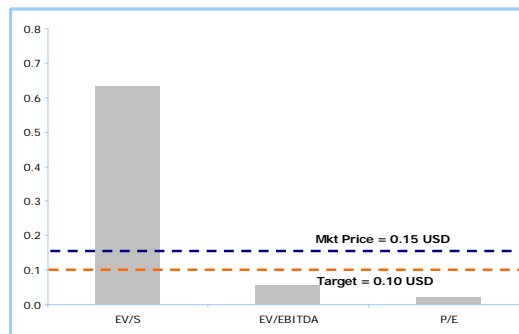
ALMK



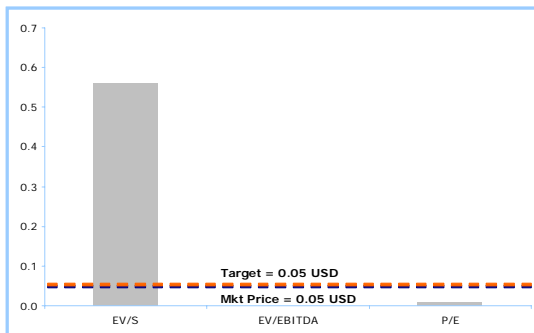
ENMZ



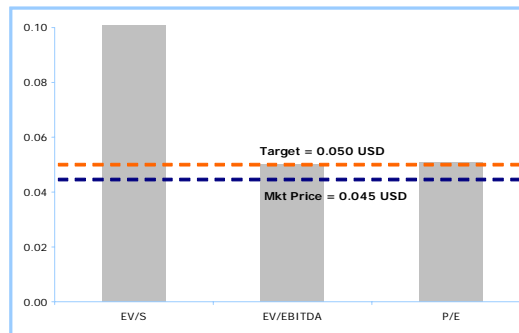
DOMZ



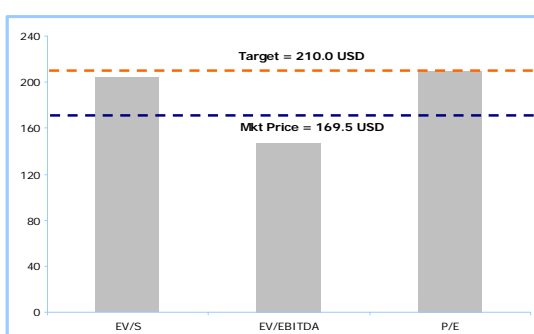
DMZP



DMPZ



DNSS



Ukraine

Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
KSTL	0.76	2933.2	1.2	1.1	5.5	4.2	9.4	7.2
MMKI	0.49	1642.3	0.5	0.6	3.3	4.7	6.6	10.9
AZST	0.37	2080.1	0.8	1.0	5.3	6.1	9.2	11.4
AZST*	0.37	1553.0	0.6	0.7	3.9	4.6	6.9	8.5
ZPST			Trading is suspended					
ALMK	0.07	754.3	0.9	0.8	6.8	7.5	9.6	16.2
DMZP	0.05	42.5	0.1	0.2	19.2	12.2	-6.2	42.5
ENMZ	5.59	58.0	0.2	0.1	-5.8	2.2	-4.8	4.1
DOMZ	0.15	54.3	0.2	0.3	13.0	11.9	36.5	54.3
DMPZ	0.045	25.7	0.4	0.4	4.3	4.5	5.5	6.6
Average w/o DMPZ			0.6	0.6	8.2	6.7	13.0	21.6
Median w/o DMPZ			0.6	0.7	5.4	5.4	8.0	11.2

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
INI Steel	2900.6	0.82	0.81	2.7	5.8	2.8	5.7
Bluescope Steel	4204.4	0.79	0.86	3.7	5.0	5.5	7.5
Tangshan	1113.9	0.56	0.56	4.6	4.6	7.9	7.9
Maanshan	2156.8	0.78	0.78	4.3	4.3	6.0	5.9
IPSCO	4412.1	1.12	1.37	4.0	4.4	6.2	7.6
CSN	8173.7	2.40	2.35	4.9	5.0	9.5	8.9
Arcelor Brazil	10245.9	2.36	1.76	6.6	4.6	11.0	6.7
SSAB	5447.9	1.59	1.4	6.7	5.9	10.8	9.8
Average		1.3	1.2	4.7	5.0	7.5	7.5
Median		1.0	1.1	4.4	4.8	7.1	7.5

KSTL	Premium/ (Discount) by Average	-5%	-11%	18%	-17%	25%	-4%
	Premium/ (Discount) by Median	28%	-1%	25%	-13%	32%	-5%
	Implied Price by Average, USD	0.79	0.85	0.65	0.91	0.61	0.79
	Implied Price by Median, USD	0.61	0.77	0.62	0.88	0.57	0.80
	Upside (Downside) by Average	5%	12%	-14%	20%	-20%	5%
	Upside (Downside) by Median	-20%	1%	-18%	15%	-24%	5%

MMKI	Premium/ (Discount) by Average	-59%	-54%	-28%	-7%	-11%	46%
	Premium/ (Discount) by Median	-45%	-49%	-24%	-3%	-7%	45%
	Implied Price by Average, USD	1.13	1.02	0.67	0.53	0.55	0.33
	Implied Price by Median, USD	0.86	0.92	0.63	0.51	0.52	0.34
	Upside (Downside) by Average	132%	108%	36%	7%	13%	-32%
	Upside (Downside) by Median	75%	88%	29%	3%	7%	-31%

AZST*	Premium/ (Discount) by Average	-36%	-21%	14%	21%	23%	52%
	Premium/ (Discount) by Median	-14%	-12%	20%	26%	30%	51%
	Implied Price by Average, USD	0.57	0.47	0.33	0.30	0.30	0.24
	Implied Price by Median, USD	0.43	0.42	0.31	0.29	0.29	0.25
	Upside (Downside) by Average	54%	28%	-12%	-18%	-19%	-34%
	Upside (Downside) by Median	16%	15%	-16%	-22%	-23%	-34%

AZST**	Premium/ (Discount) by Average	39%	66%	-71%	-74%	-83%	-87%
	Premium/ (Discount) by Median	87%	84%	-70%	-73%	-82%	-87%
	Implied Price by Average, USD	0.76	0.63	0.44	0.41	0.40	0.33
	Implied Price by Median, USD	0.57	0.57	0.41	0.39	0.38	0.33
	Upside (Downside) by Average	107%	71%	18%	10%	9%	-12%
	Upside (Downside) by Median	55%	53%	12%	5%	3%	-11%

ALMK	Premium/ (Discount) by Average	-28%	-34%	46%	48%	29%	117%
	Premium/ (Discount) by Median	-3%	-26%	54%	55%	36%	115%
	Implied Price by Average, USD	0.10	0.11	0.04	0.04	0.05	0.03
	Implied Price by Median, USD	0.07	0.10	0.04	0.04	0.05	0.03
	Upside (Downside) by Average	48%	64%	-39%	-41%	-22%	-54%
	Upside (Downside) by Median	4%	45%	-43%	-45%	-26%	-54%

DMZP	Premium/ (Discount) by Average	-89%	-86%	n/a	n/a	n/a	468%
	Premium/ (Discount) by Median	-85%	-84%	n/a	n/a	n/a	463%
	Implied Price by Average, USD	0.58	0.56	n/a	n/a	n/a	0.01
	Implied Price by Median, USD	0.43	0.50	n/a	n/a	n/a	0.01
	Upside (Downside) by Average	1057%	1021%	n/a	n/a	n/a	-82%
	Upside (Downside) by Median	753%	900%	n/a	n/a	n/a	-82%

ENMZ	Premium/ (Discount) by Average	-88%	-92%	n/a	-57%	n/a	-45%
	Premium/ (Discount) by Median	-84%	-91%	n/a	-55%	n/a	-45%
	Implied Price by Average, USD	72.36	75.27	n/a	13.61	n/a	10.09
	Implied Price by Median, USD	53.03	67.55	n/a	13.00	n/a	10.18
	Upside (Downside) by Average	1193%	1246%	n/a	143%	n/a	80%
	Upside (Downside) by Median	848%	1108%	n/a	132%	n/a	82%

DOMZ	Premium/ (Discount) by Average	-87%	-75%	120%	135%	242%	627%
	Premium/ (Discount) by Median	-82%	-72%	132%	146%	260%	620%
	Implied Price by Average, USD	1.16	0.64	0.07	0.06	0.04	0.02
	Implied Price by Median, USD	0.86	0.57	0.06	0.05	0.04	0.02
	Upside (Downside) by Average	671%	323%	-56%	-63%	-71%	-86%
	Upside (Downside) by Median	474%	279%	-58%	-65%	-72%	-86%

DMPZ	Premium/ (Discount) by Average	-68%	-67%	-8%	-10%	-26%	-12%
	Premium/ (Discount) by Median	-58%	-63%	-3%	-6%	-22%	-13%
	Implied Price by Average, USD	0.14	0.14	0.05	0.05	0.06	0.05
	Implied Price by Median, USD	0.10	0.19	0.05	0.05	0.06	0.05
	Upside (Downside) by Average	212%	203%	8%	12%	36%	13%
	Upside (Downside) by Median	133%	329%	3%	7%	29%	14%

**based on a number of shares to be effective after the share issue is registered to total to 5,621.8 mln shares*

***based on a number of shares including the additionally issued shares but excluding treasury stock that will likely be cancelled to total to 4,197.4 mln shares*



Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
DNSS	169.5	182.2	0.6	0.5	8.9	5.7	16.2	28.4

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
BNG STEEL	74.4	0.3	0.4	8.5	5.7	9.1	6.0
NIPPON YAKIN KOGYO	371.6	0.8	0.7	n/a	5.5	2.5	2.2
NIPPON METAL INDUSTRY CO LTD	386.3	0.5	0.4	4.1	3.7	31.4	28.5
BAE MYUNG METAL	16.0	0.3	0.3	8.4	7.6	7.4	6.7
CHINA SPECIAL STEEL	124.9	1.5	0.9	6.9	4.2	7.4	4.6
ACESITA SA-PREF	1 306.1	1.1	1.0	3.1	2.9	4.0	3.6
AICHI STEEL CORP	1 316.2	1.0	0.9	11.0	10.0	32.6	29.6
NIPPON KINZOKU CO LTD	131.4	0.6	0.5	6.1	5.6	35.8	32.6
THAINOX STAINLESS PCL	209.2	0.3	0.3	1.8	1.6	3.8	3.5
DAYE SPECIAL STEEL	308.9	0.9	0.8	14.5	13.2	25.9	23.5
Average		0.7	0.6	7.2	6.0	16.0	14.1
Median		0.7	0.7	6.9	5.5	8.3	6.4

DNSS	Premium/ (Discount) by Average	-23%	-14%	24%	-5%	1%	101%
	Premium/ (Discount) by Median	-18%	-17%	29%	3%	95%	344%
	Implied Price by Average, USD	238.64	204.46	125.15	181.06	167.73	84.22
	Implied Price by Median, USD	220.21	215.50	118.39	162.99	86.90	38.16
	Upside (Downside) by Average	41%	21%	-26%	7%	-1%	-50%
	Upside (Downside) by Median	30%	27%	-30%	-4%	-49%	-77%

Steel Reported Financials, According to UAS

Income Statement Summary, USD mln

	ZPST			ALMK			MMKI			KSTL			AZST		
	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06
Net Revenues	1 327.4	1 556.1	332.0	802.6	992.6	188.1	2 630.2	2 796.3	550.0	1 898.5	2 156.3	558.8	1 744.2	2 417.4	481.7
Cost Of Sales	(1 021.8)	(1 197.0)	(259.3)	(753.7)	(811.3)	(161.4)	(1 831.5)	(2 067.9)	(466.5)	(1 255.9)	(1 528.2)	(381.8)	(1 396.3)	(1 823.1)	(396.6)
Gross Profit	305.6	359.1	72.7	49.0	181.3	26.7	798.7	728.4	83.5	642.6	628.0	177.0	347.9	594.3	85.0
Other Operating Income/Costs, net	4.1	(9.9)	0.8	14.6	(9.4)	0.5	(99.0)	(124.5)	(28.4)	(14.5)	(39.2)	(2.4)	(4.1)	(96.7)	(8.0)
SG&A	(74.1)	(97.8)	(26.5)	(22.8)	(35.3)	(14.8)	(116.3)	(162.0)	(40.8)	(76.5)	(104.7)	(33.6)	(73.4)	(119.4)	(30.3)
EBITDA	235.6	251.4	47.0	40.7	136.5	12.5	583.3	441.9	14.3	551.7	484.2	141.0	270.4	378.2	46.7
EBITDA margin, %	17.7%	16.2%	14.2%	5.1%	13.8%	6.6%	22.2%	15.8%	2.6%	29.1%	22.5%	25.2%	15.5%	15.6%	9.7%
Depreciation	(30.0)	(43.3)	(11.3)	(17.5)	(20.5)	(7.6)	(40.2)	(59.2)	(17.7)	(46.8)	(60.3)	(13.5)	(31.6)	(37.2)	(11.9)
EBIT	205.6	208.1	35.7	23.3	116.0	4.9	543.1	382.8	(3.5)	504.9	423.8	127.6	238.8	341.0	34.8
EBIT margin, %	15.5%	13.4%	10.8%	2.9%	11.7%	2.6%	20.6%	13.7%	-0.6%	26.6%	19.7%	22.8%	13.7%	14.1%	7.2%
Interest Expense	(1.4)	(4.4)	(0.6)	(1.0)	(5.7)	(4.0)	(1.1)	(0.0)	(0.0)	(0.1)	-	(0.8)	(11.4)	(17.5)	(6.5)
Financial income/(expense)	14.5	13.0	1.0	0.0	0.4	0.0	2.3	6.1	1.4	-	17.2	-	10.3	2.7	1.8
Other income/(expense)	(11.3)	(9.8)	(4.5)	(0.8)	(1.4)	(0.1)	(1.1)	(20.0)	1.1	(6.0)	(29.9)	(2.0)	0.4	(15.8)	(1.1)
PBT	207.5	206.9	31.6	21.4	109.3	0.8	543.2	368.8	(1.0)	498.8	411.2	124.8	238.1	310.5	29.1
Tax	(55.2)	(57.8)	(10.1)	(12.9)	(30.9)	(1.8)	(165.4)	(120.4)	(11.2)	(120.5)	(98.0)	(36.8)	(57.6)	(83.9)	(18.6)
Extraordinary Income/(loss)	-	(0.0)	-	-	-	-	(0.7)	(0.1)	(0.1)	-	-	-	-	-	-
Net Income	152.2	149.1	21.4	8.5	78.4	(1.0)	377.8	248.4	(12.2)	378.3	313.2	87.9	180.5	226.6	10.5
Net Margin, %	11.5%	9.6%	6.5%	1.1%	7.9%	-0.5%	14.4%	8.9%	-2.2%	19.9%	14.5%	15.7%	10.3%	9.4%	2.2%

Balance Sheet Summary, USD mln

	ZPST			ALMK			MMKI			KSTL			AZST		
	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06
Current Assets	275	300	298	102	292	431	657	766	771	593	647	762	698	962	893
Cash & Equivalents	72	54	81	4	3	4	135	168	151	208	258	156	58	246	229
Trade Receivables	19	30	23	23	42	58	83	103	86	25	68	316	238	237	186
Inventories	118	130	120	42	88	151	241	293	291	228	230	203	193	275	276
Other current assets	65	86	75	34	159	218	198	202	243	133	91	87	209	204	202
Fixed Assets	572	721	742	142	263	302	734	988	1 015	637	744	742	756	804	825
PP&E, net	322	367	382	109	177	175	458	574	583	497	486	479	320	396	397
Other Fixed Assets	250	354	360	33	86	127	277	414	432	141	258	262	436	408	427
Total Assets	846	1 022	1 039	244	555	733	1 391	1 754	1 786	1 231	1 391	1 503	1 454	1 767	1 718
Shareholders' Equity	696	888	909	74	158	240	1 206	1 515	1 504	1 108	1 271	1 359	820	1 187	1 192
Share Capital	40	42	42	23	25	25	158	166	166	728	764	764	150	181	181
Reserves and Other	349	382	383	96	99	191	669	1 099	1 099	28	49	49	206	252	251
Retained Earnings	307	464	485	(45)	34	24	379	251	238	352	458	545	464	754	760
Current Liabilities	120	99	97	170	223	294	181	236	279	121	120	145	454	403	233
ST Interest Bearing Debt	9	-	-	5	5	5	1	4	3	-	-	-	-	-	46
Trade Payables	89	69	64	132	195	231	59	116	129	29	45	34	255	74	64
Accrued Wages	2	2	2	2	3	3	7	12	11	11	14	14	4	7	7
Accrued Taxes	7	9	7	1	2	1	16	5	11	8	27	39	1	2	2
Other Current Liabilities	13	20	24	31	18	54	98	99	125	72	35	57	193	275	160
LT Liabilities	31	34	33	-	175	200	5	3	3	2	-	-	180	177	292
LT Interest Bearing Debt	4	33	32	-	175	199	0	0	0	-	-	-	173	139	286
Other LT	27	2	2	-	-	1	5	3	3	2	-	-	7	38	6
Total Liabilities & Equity	846	1 022	1 039	244	555	733	1 391	1 754	1 786	1 231	1 391	1 503	1 454	1 767	1 718

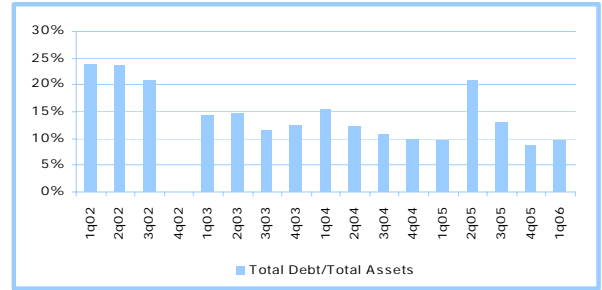
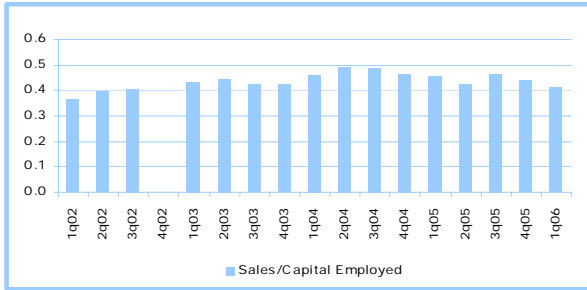
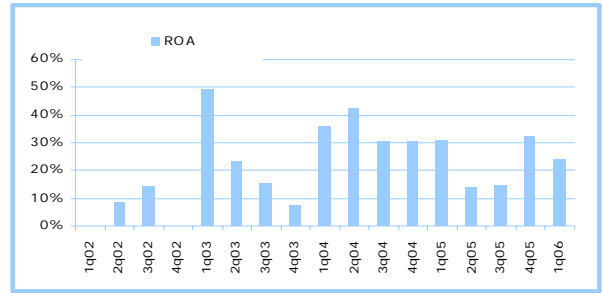
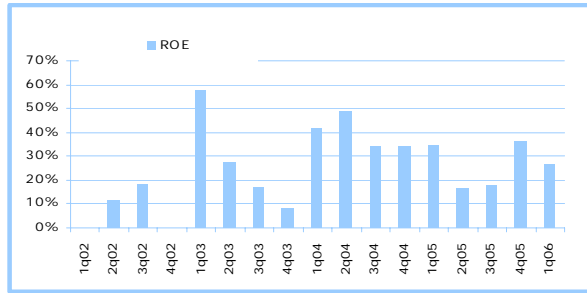
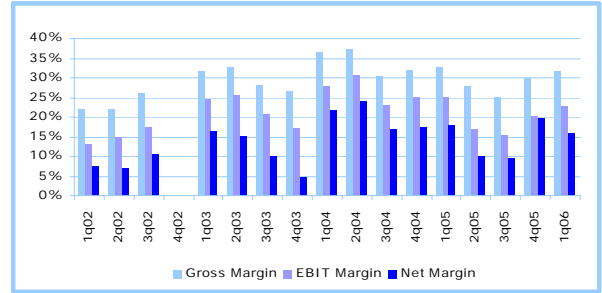
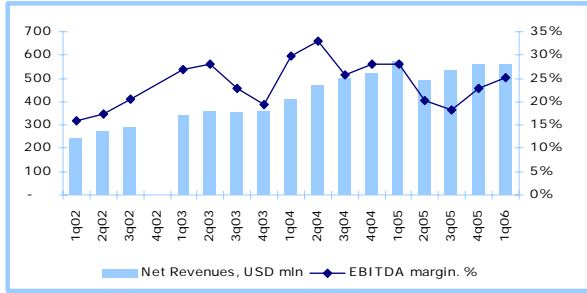
Income Statement Summary, USD mln

	DMZP			ENMZ			DOMZ			DMPZ			DNSS		
	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06
Net Revenues	283.0	389.0	94.7	592.4	604.4	150.1	356.0	271.9	28.2	60.4	61.3	14.2	305.0	441.3	96.0
Cost Of Sales	(307.0)	(365.0)	(102.1)	(577.1)	(576.5)	(139.0)	(311.1)	(249.1)	(24.2)	(49.1)	(52.3)	(12.4)	(239.6)	(371.1)	(80.4)
Gross Profit	(24.0)	23.9	(7.4)	15.3	27.9	11.1	45.0	22.8	4.1	11.3	9.0	1.8	65.4	70.2	15.7
Other Operating Income/Costs, net	0.2	2.8	1.0	1.1	(16.4)	1.4	(5.5)	(7.2)	(1.2)	0.5	0.4	0.1	(21.5)	(10.7)	(1.9)
SG&A	(14.1)	(23.8)	(6.9)	(24.3)	(27.8)	(6.4)	(13.7)	(11.0)	(2.2)	(2.5)	(3.6)	(0.9)	(12.1)	(31.7)	(6.3)
EBITDA	(37.9)	3.0	(13.3)	(7.9)	(16.3)	6.1	25.8	4.6	0.7	9.3	5.8	1.0	31.7	27.8	7.5
EBITDA margin, %	-13.4%	0.8%	-14.0%	-1.3%	-2.7%	4.1%	7.2%	1.7%	2.4%	15.4%	9.5%	6.9%	10.4%	6.3%	7.8%
Depreciation	(5.4)	(6.2)	(1.6)	(3.9)	(6.0)	(3.5)	(4.6)	(2.2)	(0.5)	(0.4)	(0.6)	(0.1)	(8.1)	(8.7)	(2.1)
EBIT	(43.3)	(3.2)	(14.9)	(11.8)	(22.3)	2.6	21.2	2.4	0.2	8.9	5.3	0.9	23.7	19.1	5.4
EBIT margin, %	-15.3%	-0.8%	-15.7%	-2.0%	-3.7%	1.7%	6.0%	0.9%	0.6%	14.7%	8.6%	6.2%	7.8%	4.3%	5.6%
Interest Expense	(1.9)	(5.0)	(0.5)	(0.2)	(0.4)	(0.1)	(1.0)	(0.5)	(0.2)	-	-	-	(5.5)	(6.3)	(1.7)
Financial income/(expense)	0.0	0.0	0.0	5.4	12.5	0.1	0.6	0.5	0.1	0.1	0.1	0.0	0.0	(0.4)	0.1
Other income/(expense)	4.0	1.3	0.6	(0.3)	(1.8)	(0.0)	3.8	3.1	0.1	(0.1)	0.0	0.0	1.0	2.6	(0.3)
PBT	(41.2)	(6.9)	(14.8)	(6.9)	(12.0)	2.5	24.5	5.5	0.1	8.9	5.4	0.9	19.2	15.1	3.4
Tax	-	-	-	-	-	(0.5)	(8.2)	(4.0)	(0.7)	(0.1)	(0.7)	(0.1)	(2.3)	(8.6)	-
Extraordinary Income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.0)	-
Net Income	(41.2)	(6.9)	(14.8)	(6.9)	(12.0)	2.0	16.3	1.5	(0.6)	8.7	4.7	0.8	16.9	6.4	3.4
Net Margin, %	-14.6%	-1.8%	-15.7%	-1.2%	-2.0%	1.4%	4.6%	0.5%	-2.3%	14.5%	7.6%	5.7%	5.5%	1.5%	3.6%

Balance Sheet Summary, USD mln

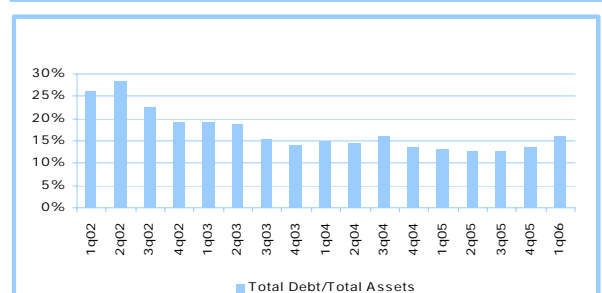
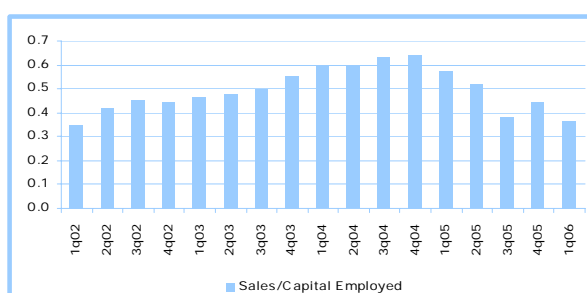
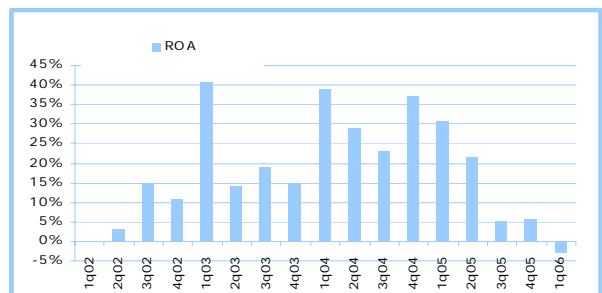
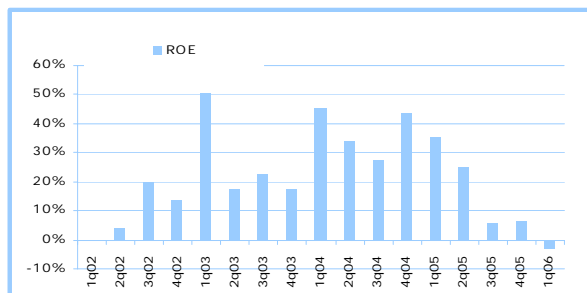
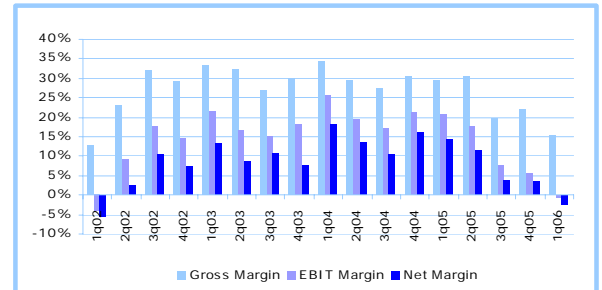
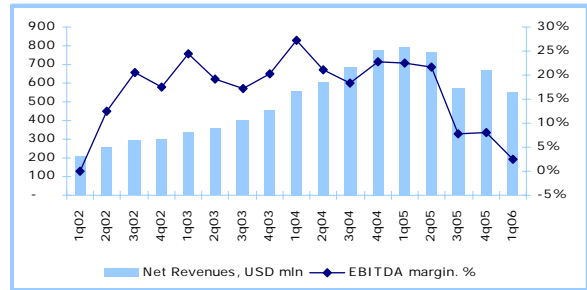
	DMZP			ENMZ			DOMZ			DMPZ			DNSS		
	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06
Current Assets	182	250	392	162	261	294	116	83	69	19	24	25	111	115	103
Cash & Equivalents	1	3	6	0	0	2	3	0	0	1	1	0	1	2	1
Trade Receivables	35	66	50	113	189	202	85	68	60	7	8	12	21	24	19
Inventories	28	36	43	28	40	35	18	8	6	8	12	11	46	56	54
Other current assets	119	145	292	20	32	55	10	7	3	2	3	2	42	34	29

KSTL – Quarterly

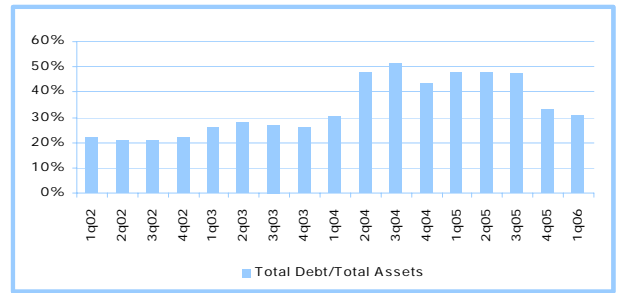
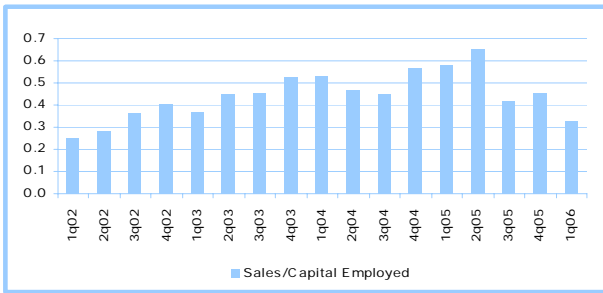
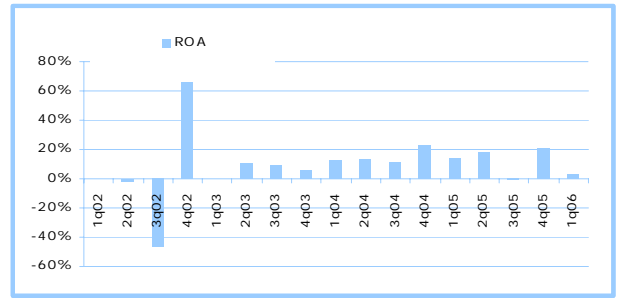
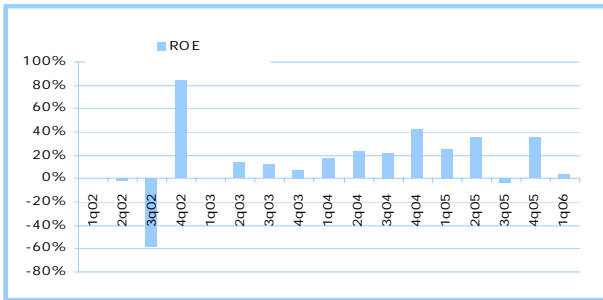
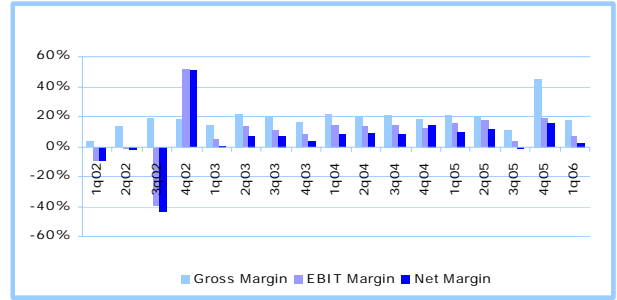
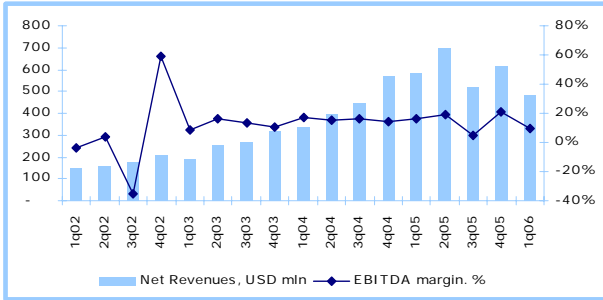


*Data for 2Q02 is unavailable

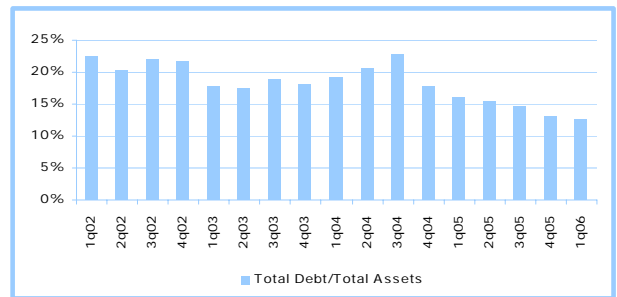
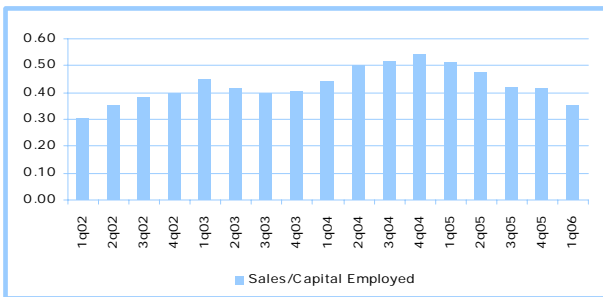
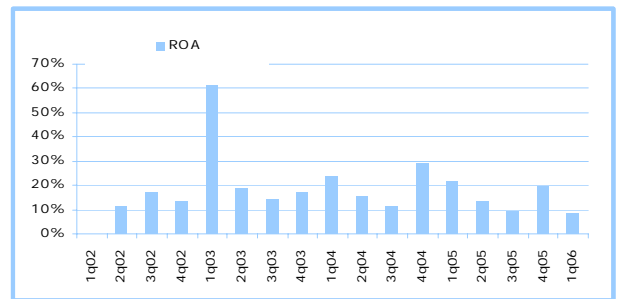
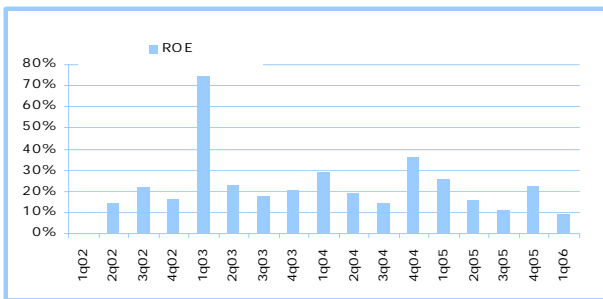
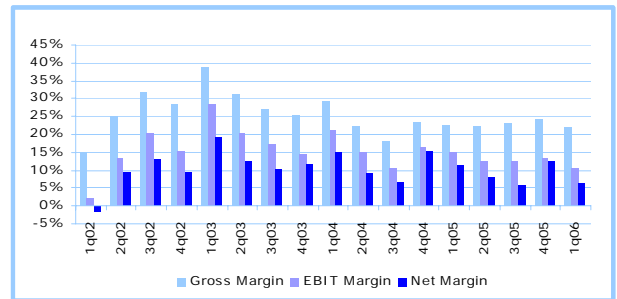
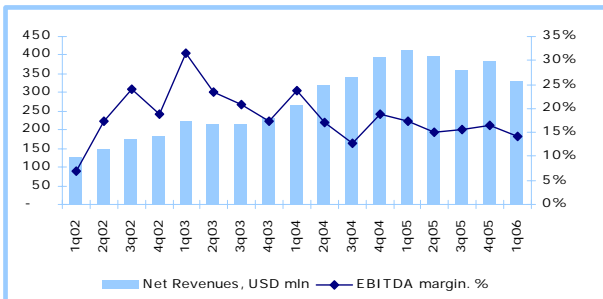
MMKI – Quarterly



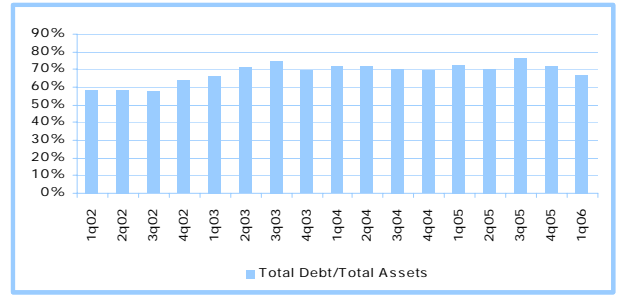
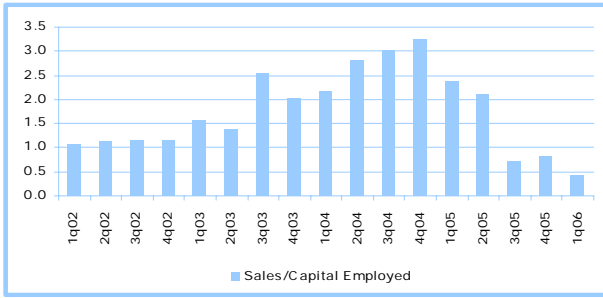
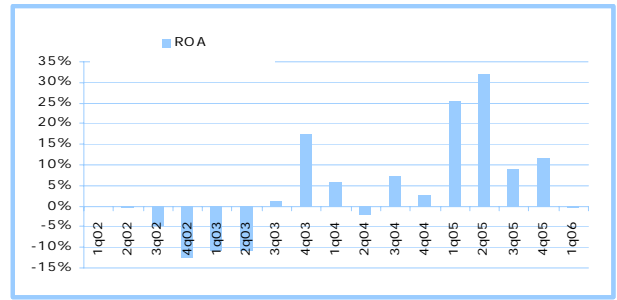
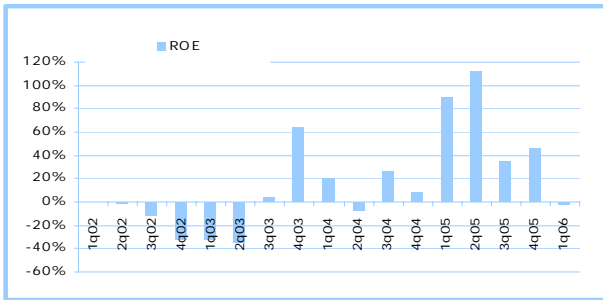
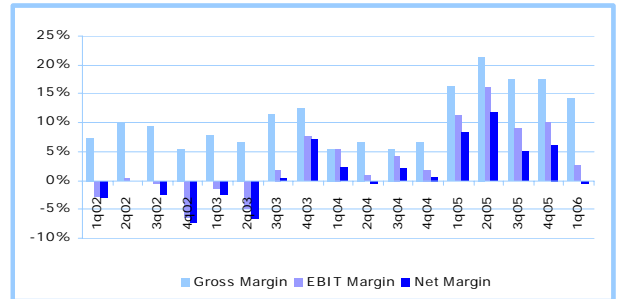
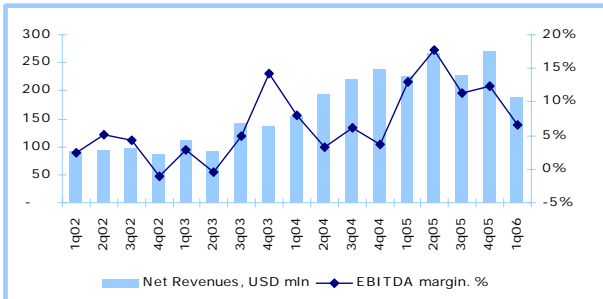
AZST – Quarterly



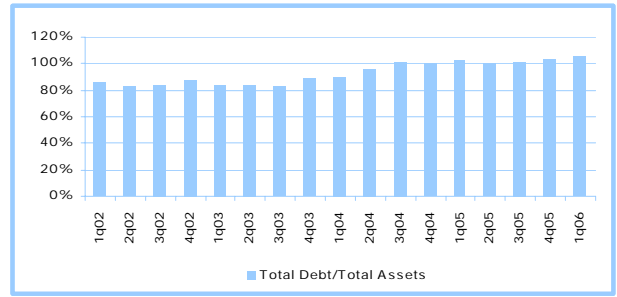
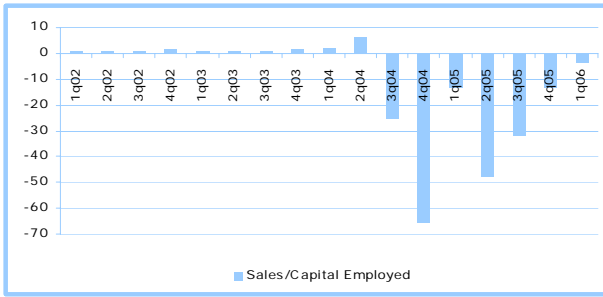
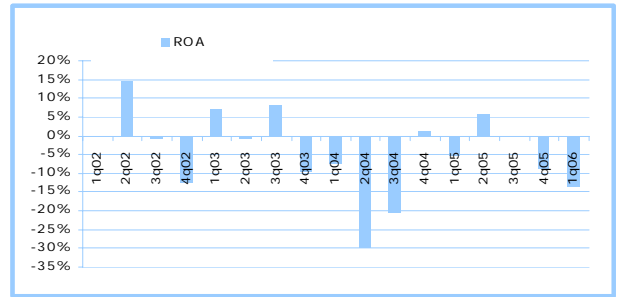
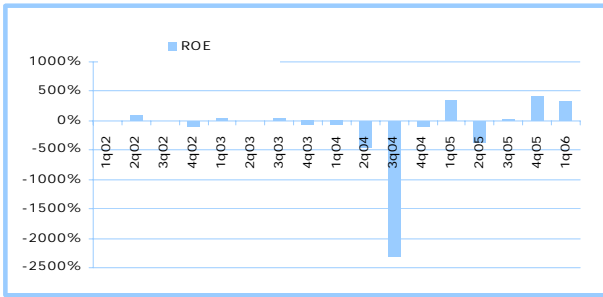
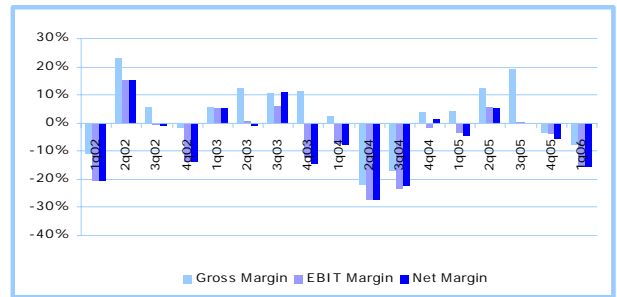
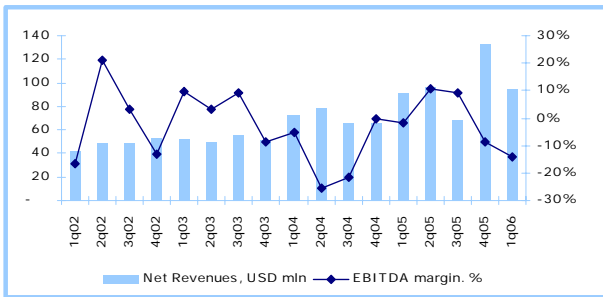
ZPST – Quarterly



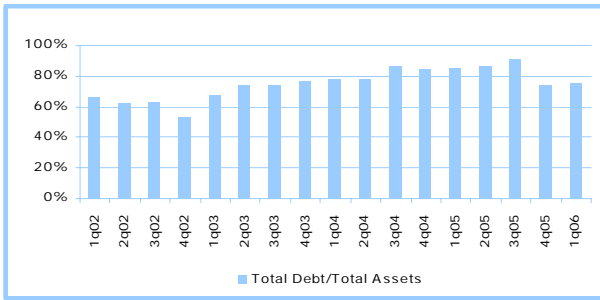
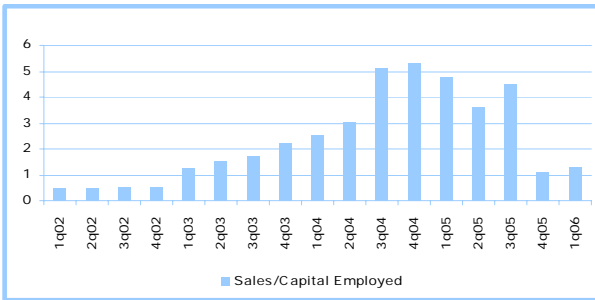
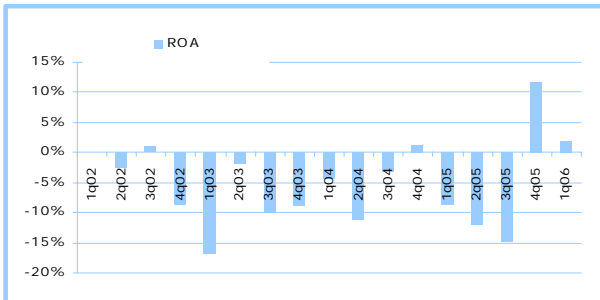
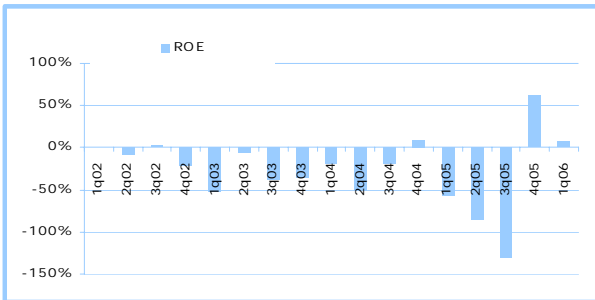
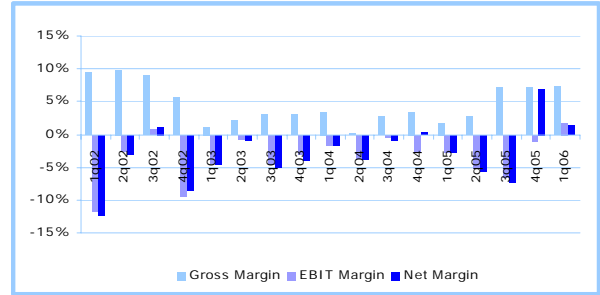
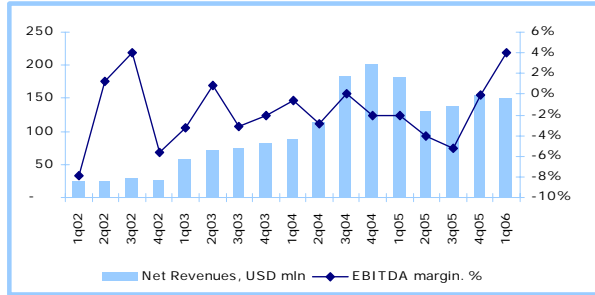
ALMK – Quarterly



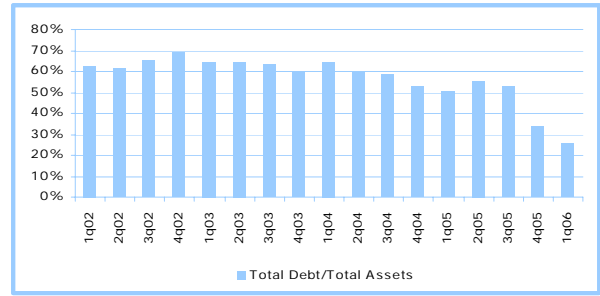
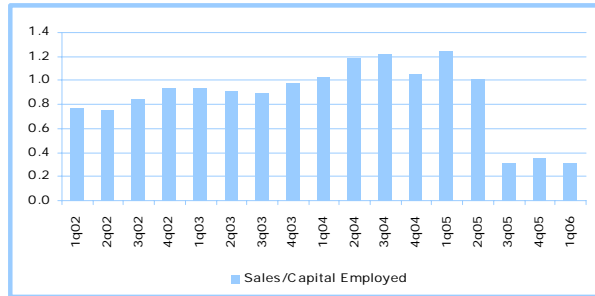
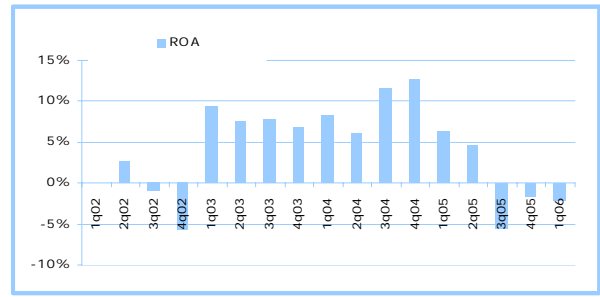
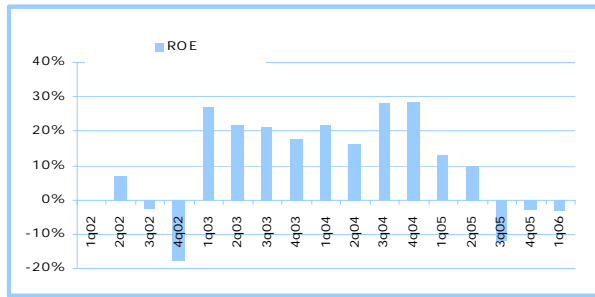
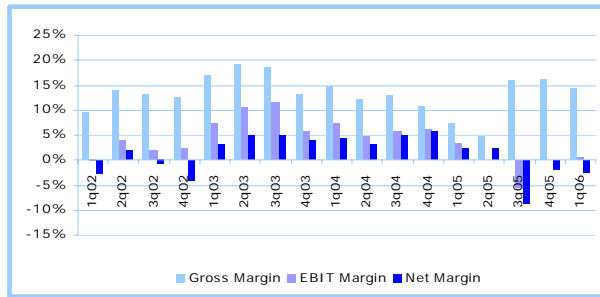
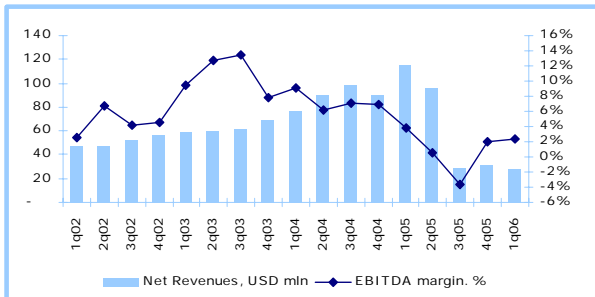
DMZP – Quarterly



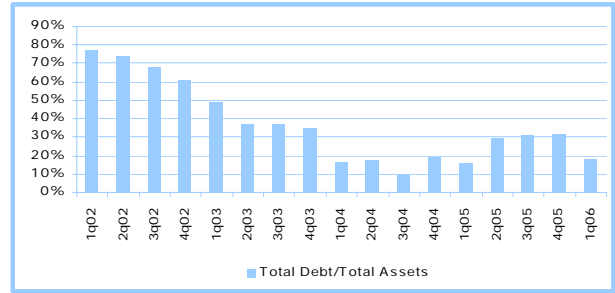
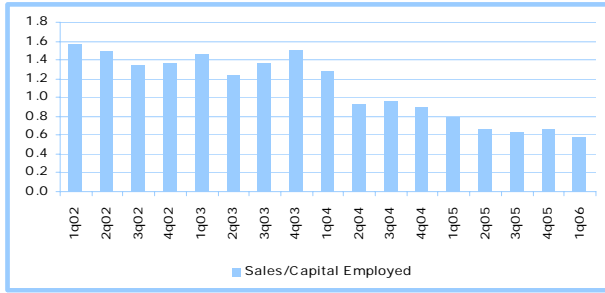
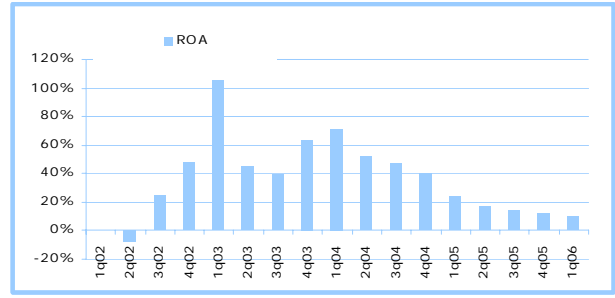
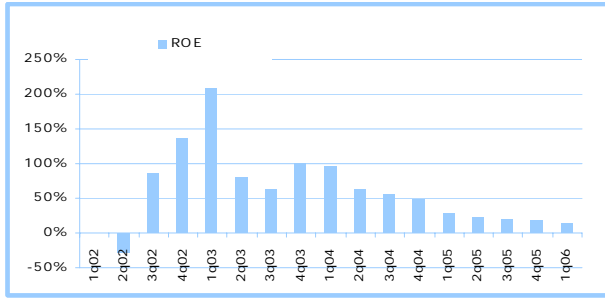
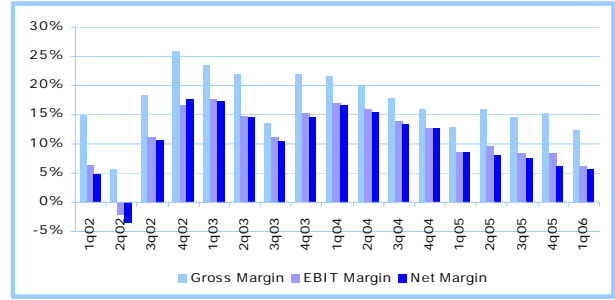
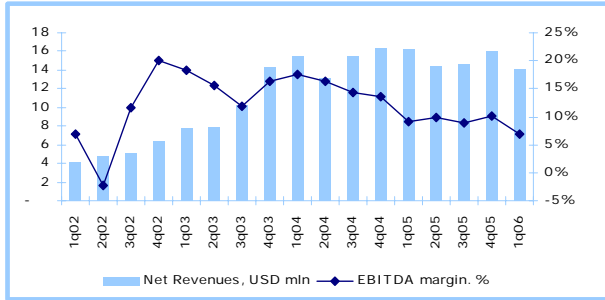
ENMZ – Quarterly



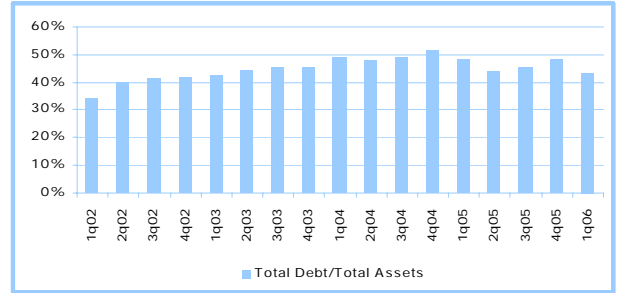
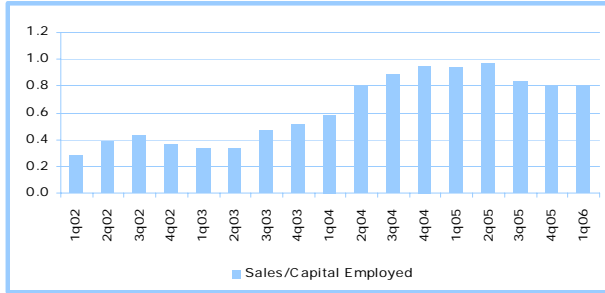
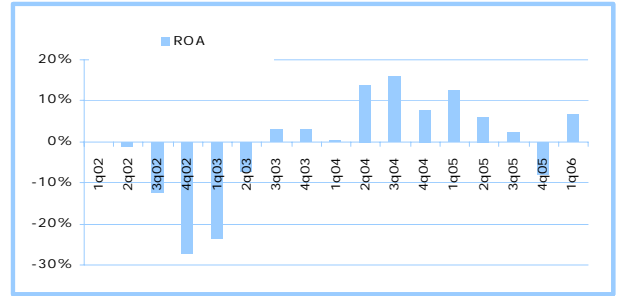
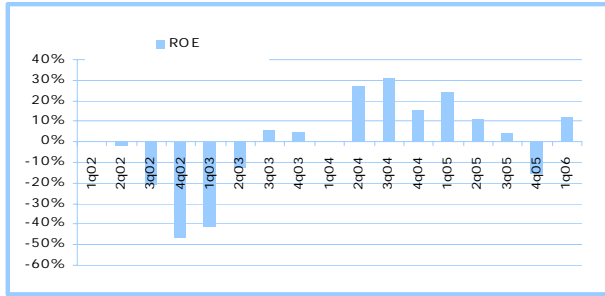
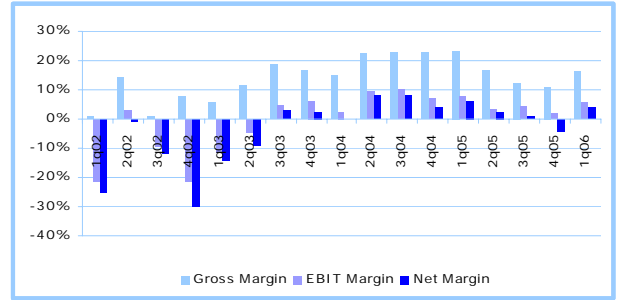
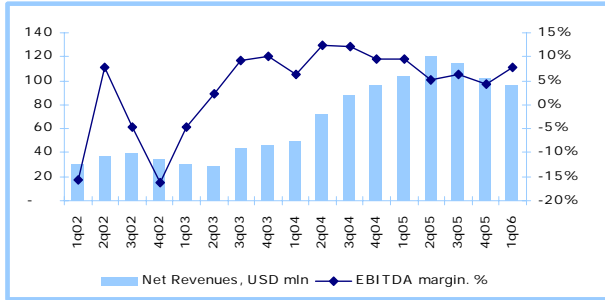
DOMZ – Quarterly



DMPZ – Quarterly



DNSS – Quarterly



FERROALLOYS

Steel Growth Sparks Ferroalloy Demand

Ticker	Upside, %	Rec'
ZFER	56.9%	BUY
SFER	135.7%	BUY
NFER		Susp'

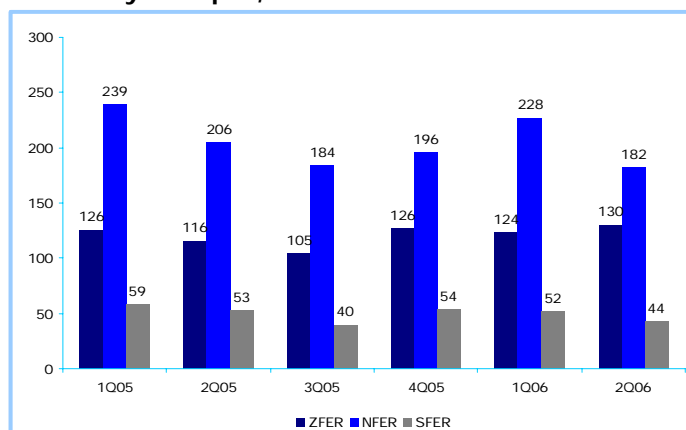
Worldwide steel industry growth caused a spike in demand for ferroalloys which producers initially struggled to meet. Thus, prices for ferroalloys climbed by 8-28% (depending on the type of ferroalloy) in April-June 2006. We believe that export-oriented Ukrainian ferroalloy producers (60%-70% of sales) will benefit from this price growth.

Despite the revival in global demand, in 1H06 domestic ferroalloy production dropped by ~5% yoy. We believe the drop was due to weaker demand from Ukrainian smelters (domestic crude steel output also decreased by ~5% yoy during this period), on the one hand, and ownership conflicts, on the other.

We believe Privat group which owns two ferroalloy makers Stakhanov Ferroalloy and Zaporizhzya Ferroalloy (SFER and ZFER), redirected more export orders to ZFER (a bigger producer with a broader product profile), while SFER (a smaller producer) was more focused on the domestic market. ZFER was the only Ukrainian producer to increase alloy production in 1H06 (up 5% yoy), while Nikopol Ferroalloy (NFER) and SFER reduced production by 8% yoy and 15% yoy, respectively. NFER suffered from the ownership conflict between two domestic business groups Privat and Interpipe (the current owner) that no doubt affected the management of the plant.

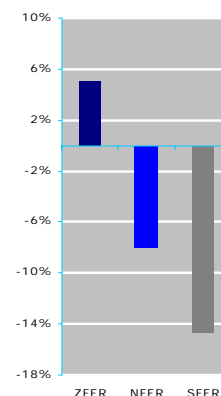
We expect 2006 output to be close to the 2005 level due to awaking domestic steel production.

Ferroalloys Output, ths mt



Source: Ukrainian News agency

Growth 1H06 yoy



On a positive note, in 1Q06 both Privat-controlled companies (ZFER and SFER) continued to improve transparency and posted more reliable financials.

Our DCF-based targets (refer to our latest reports from Feb, 2, 2006 and Apr, 19, 2006):

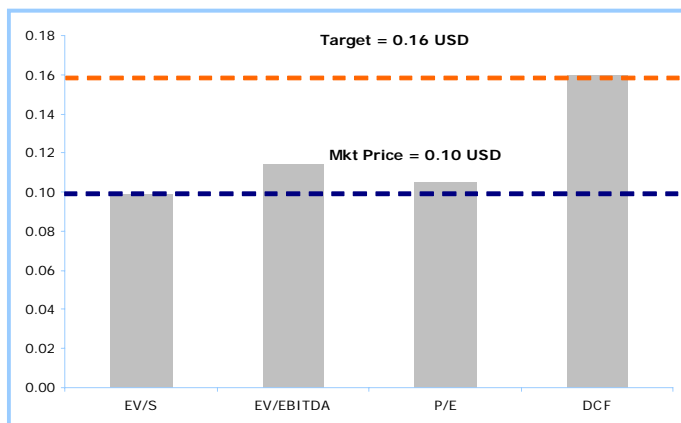
ZFER: **BUY**, Target price **USD 0.16**, **Upside 56.9%**

SFER: **BUY**, Target price **USD 0.007**, **Upside 135.7%**

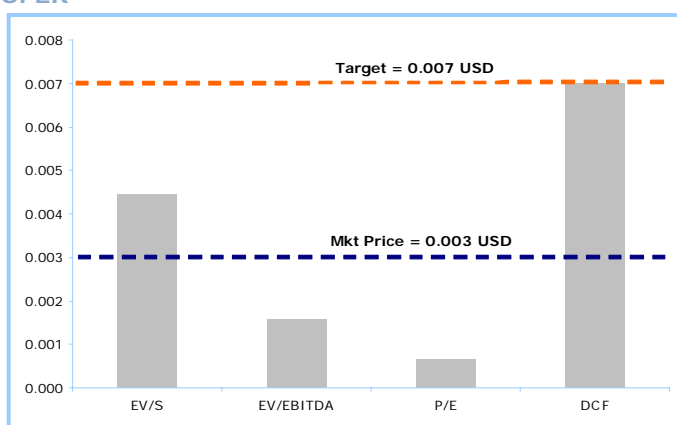
As the ownership battle for NFER remains unresolved we have kept our recommendation for the stock **Suspended**.

Ferroalloys Valuation Summary

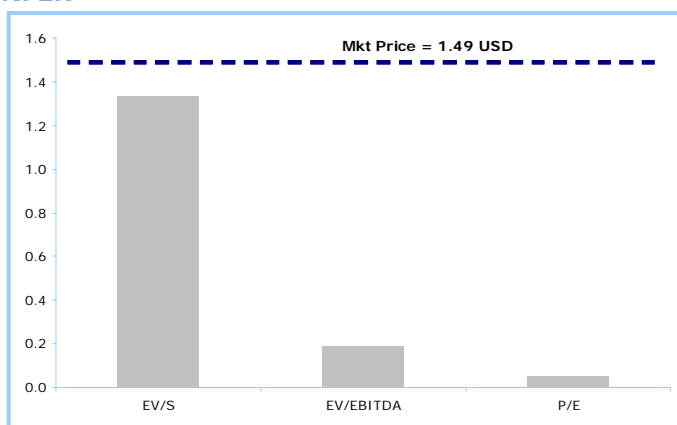
ZFER



SFER



NFER



Ukraine

Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
ZFER	0.10	228.0	0.8	0.8	44.7	5.5	neg	8.1
SFER	0.003	43.1	0.7	0.7	neg	8.1	neg	39.6
NFER	1.49	452.3	1.0	0.9	67.9	45.6	n/m	226.1
Average			0.8	0.8	56.3	19.8	n/a	23.9
Median			0.8	0.8	56.3	8.1	n/a	39.6

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
Eramet	4052.8	1.1	1.0	4.1	4.0	9.1	8.4
Compania Minera Autlan SA De	62.3	0.4	0.3	2.4	1.4	3.3	3.5
Highveld Steel & Vanadium	907.3	0.8	0.9	1.8	2.2	3.0	3.4
Fesil ASA	35.2	0.4	0.2	7.6	2.2	26.7	1.4
Nippon Denko Company Limited	314.0	0.7	0.7	6.1	10.2	9.9	9.6
Sichuan Chuantou Energy	201.7	6.0	1.7	13.0	17.1	28.0	25.0
Average		1.6	0.8	5.8	6.2	13.3	8.6
Median		0.8	0.8	5.1	3.1	9.5	5.9

ZFER	Premium/ (Discount) by Average	-52%	1%	668%	-11%	n/a	-5%
	Premium/ (Discount) by Median	-2%	2%	778%	76%	n/a	37%
	Implied Price by Average, USD	0.22	0.10	0.01	0.11	n/a	0.11
	Implied Price by Median, USD	0.10	0.10	0.01	0.05	n/a	0.07
	Upside (Downside) by Average	115%	-1%	-91%	14%	n/a	5%
	Upside (Downside) by Median	2%	-2%	-93%	-53%	n/a	-27%

SFER	Premium/ (Discount) by Average	-55%	-20%	n/a	32%	n/a	363%
	Premium/ (Discount) by Median	-8%	-19%	n/a	159%	n/a	567%
	Implied Price by Average, USD	0.009	0.004	neg	0.002	neg	0.001
	Implied Price by Median, USD	0.003	0.004	neg	n/a	neg	0.0005
	Upside (Downside) by Average	191%	49%	n/a	-47%	n/a	-78%
	Upside (Downside) by Median	13%	47%	n/a	n/a	n/a	-85%

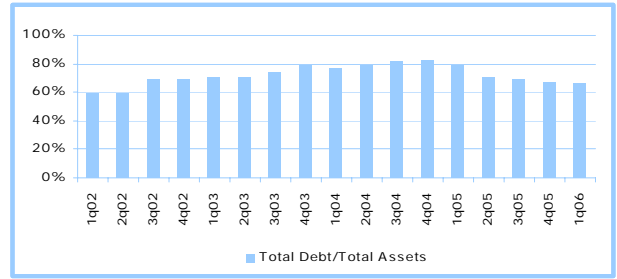
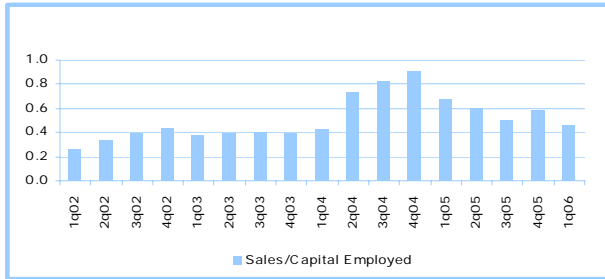
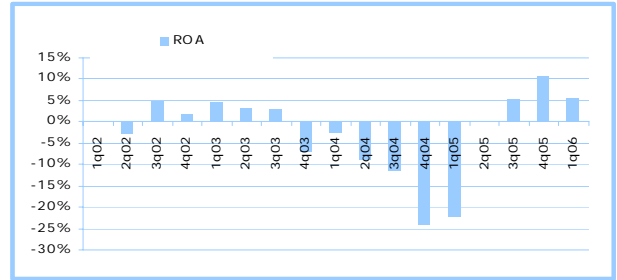
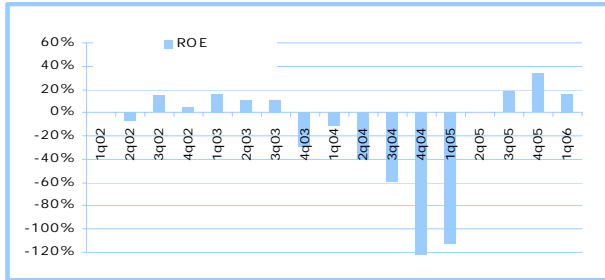
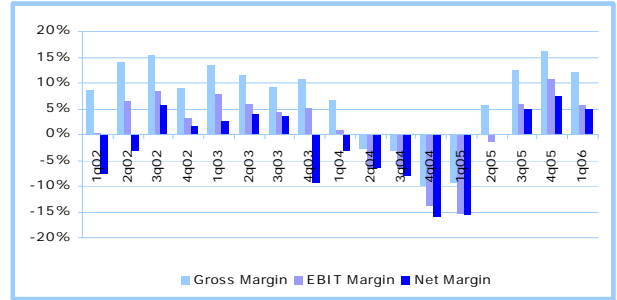
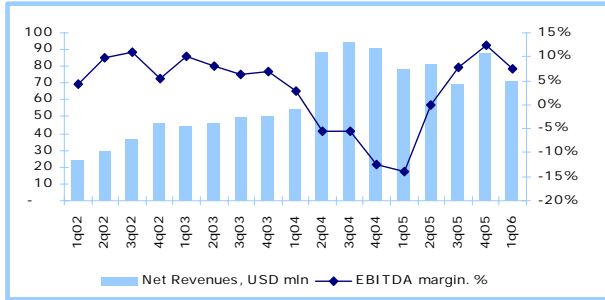
NFER	Premium/ (Discount) by Average	-40%	12%	1066%	636%	n/a	2545%
	Premium/ (Discount) by Median	24%	12%	1234%	1352%	n/a	3708%
	Implied Price by Average, USD	2.49	1.33	0.11	0.19	n/a	0.06
	Implied Price by Median, USD	1.20	1.32	0.09	0.10	n/a	0.04
	Upside (Downside) by Average	67%	-11%	-93%	-87%	n/a	-96%
	Upside (Downside) by Median	-20%	-11%	-94%	-93%	n/a	-97%

Ferroalloys Reported Financials, According to UAS

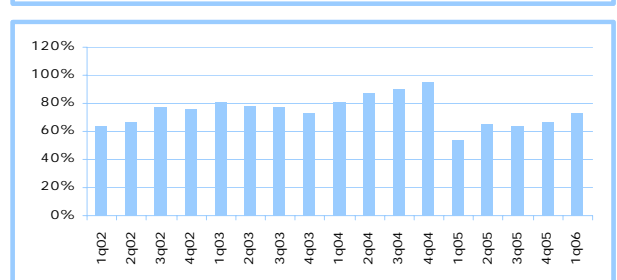
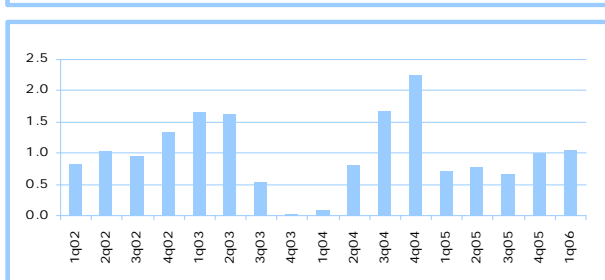
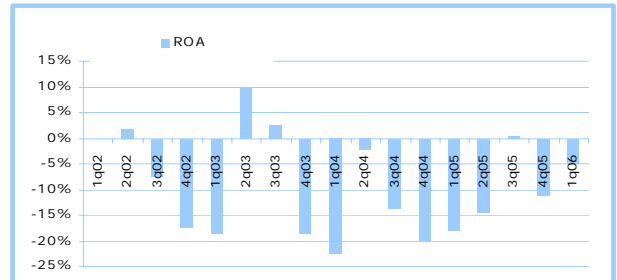
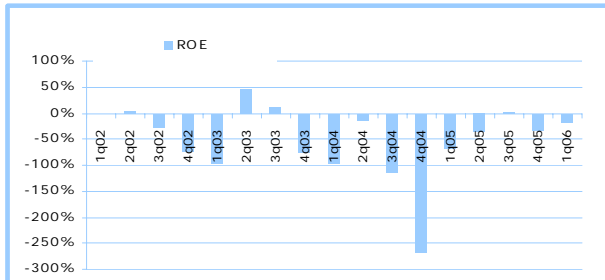
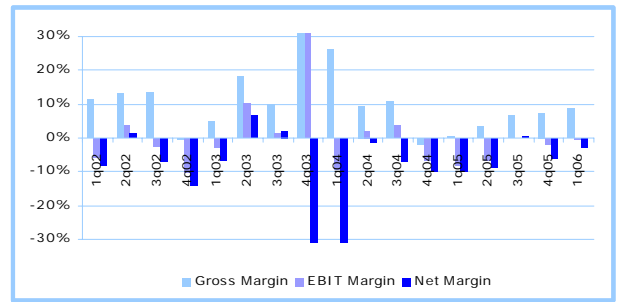
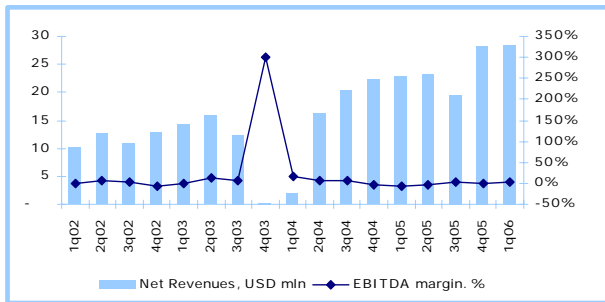
Income Statement Summary, USD mln	SFER					ZFER					NFER				
	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06
Net Revenues	46.5	43.1	60.9	93.9	28.6	135.8	191.0	328.1	316.4	71.1	272.4	288.2	414.7	481.4	133.4
Cost Of Sales	(42.3)	(37.5)	(57.2)	(89.7)	(26.0)	(119.9)	(169.6)	(339.0)	(296.3)	(62.5)	(216.0)	(238.5)	(364.1)	(439.8)	(124.8)
Gross Profit	4.2	5.6	3.8	4.2	2.5	16.0	21.4	(10.8)	20.0	8.6	56.4	49.7	50.6	41.6	8.7
Other Operating Income/Costs, net	(0.5)	0.6	1.0	0.3	0.0	0.4	1.1	(0.5)	(3.6)	(0.4)	(27.9)	(20.2)	(9.4)	(12.6)	(2.5)
SG&A	(3.5)	(2.5)	(3.2)	(5.6)	(1.8)	(5.9)	(7.5)	(8.8)	(11.1)	(3.0)	(14.2)	(14.9)	(15.1)	(22.3)	(8.3)
EBITDA	0.2	3.7	1.6	(1.1)	0.7	10.5	15.0	(20.1)	5.4	5.3	14.3	14.6	26.1	6.8	(2.0)
EBITDA margin, %	0.5%	8.5%	2.6%	-1.2%	2.5%	7.7%	7.8%	-6.1%	1.7%	7.4%	5.3%	5.1%	6.3%	1.4%	-1.5%
Depreciation	(2.0)	(2.0)	(2.2)	(2.8)	(0.8)	(4.0)	(4.0)	(4.3)	(4.9)	(1.3)	(4.8)	(5.1)	(5.1)	(6.4)	(1.5)
EBIT	(1.7)	1.6	(0.6)	(3.9)	(0.1)	6.5	11.0	(24.4)	0.5	4.0	9.6	9.6	20.9	0.4	(3.6)
EBIT margin, %	-3.7%	3.8%	-1.0%	-4.2%	-0.3%	4.8%	5.7%	-7.4%	0.2%	5.6%	3.5%	3.3%	5.0%	0.1%	-2.7%
Interest Expense	(1.6)	(2.4)	(2.5)	(2.1)	(0.8)	(4.5)	(2.8)	(4.4)	(3.6)	(0.7)	(2.7)	(0.7)	(0.9)	(1.1)	(0.2)
Financial income/(expense)	0.0	0.0	0.0	0.0	0.0	0.1	-	-	-	-	0.0	0.1	0.1	0.1	0.0
Other income/(expense)	0	(1)	(2)	0	0	(2)	(2)	(1)	3	0	(0)	(0)	0	0	(0)
PBT	(3.3)	(1.3)	(5.6)	(5.9)	(0.8)	0.3	6.4	(29.6)	0.0	3.5	6.7	8.5	20.1	(0.5)	(3.9)
Tax	-	-	-	-	-	(0)	(6)	-	(2)	-	(3)	(5)	(7)	(3)	-
Net Income	(3.3)	(1.3)	(5.6)	(5.9)	(0.8)	0.1	0.1	(29.6)	(2.2)	3.5	3.5	3.9	13.3	(3.7)	(3.9)
Net Margin, %	-7.1%	-3.1%	-9.1%	-6.3%	-2.8%	0.1%	0.1%	-9.0%	-0.7%	4.9%	1.3%	1.4%	3.2%	-0.8%	-2.9%

Balance Sheet Summary, USD mln	SFER					ZFER					NFER				
	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06
Current Assets	21	13	26	30	38	127	210	137	143	142	74	74	92	91	72
Cash & Equivalents	0	0	0	1	0	2	3	3	4	3	0	0	2	0	0
Trade Receivables	6	2	5	8	14	15	23	8	27	32	19	25	49	44	23
Inventories	5	4	15	15	13	13	17	32	36	21	34	23	23	29	26
Other current assets	10	8	6	6	11	97	167	94	76	86	22	25	17	18	23
Fixed Assets	16	16	20	30	34	73	81	80	109	113	82	79	84	96	95
PP&E, net	12	11	16	21	26	49	58	58	81	80	75	77	77	85	87
Other Fixed Assets	4	4	5	9	7	24	22	23	29	33	7	2	7	11	8
Total Assets	37	29	47	60	72	200	291	217	253	255	156	153	176	187	167
Shareholders' Equity	9	8	2	20	19	63	62	37	83	87	99	103	117	119	115
Share Capital	4	4	4	28	28	20	20	20	45	45	14	14	14	15	15
Reserves and Other	7	7	7	7	7	14	14	14	37	37	74	74	76	80	80
Retained Earnings	(2)	(3)	(9)	(16)	(16)	29	29	3	1	5	11	15	27	24	20
Current Liabilities	27	9	37	32	44	93	163	117	105	99	51	41	50	58	42
ST Interest Bearing Debt	13	5	10	16	28	24	35	10	15	29	26	6	15	7	7
Trade Payables	6	2	1	2	3	28	23	28	1	25	15	25	29	18	16
Accrued Wages	0	0	0	0	0	0	0	0	0	0	1	0	1	1	1
Accrued Taxes	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
Other Current Liabilities	9	2	26	14	14	41	105	79	89	44	9	10	5	31	17
LT Liabilities	1	12	8	8	8	44	66	63	64	69	5	9	8	9	9
LT Interest Bearing Debt	-	12	8	8	8	-	-	-	-	5	-	-	-	-	-
Other LT	1	-	-	-	-	44	66	63	64	64	5	9	8	9	9
Total Liabilities & Equity	37	29	47	60	72	200	291	217	253	255	156	153	176	187	167

ZFER – Quarterly

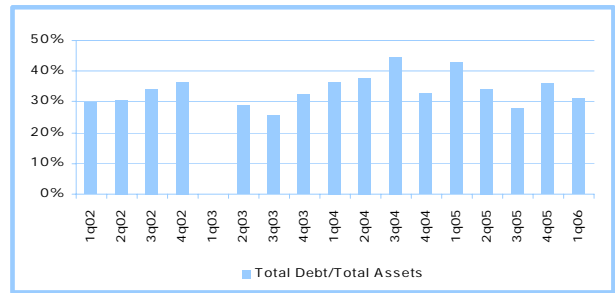
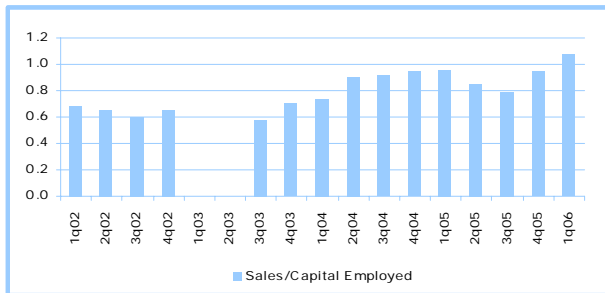
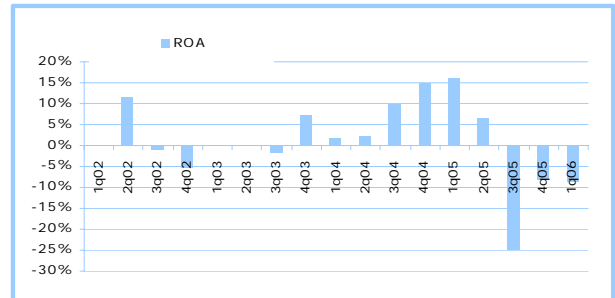
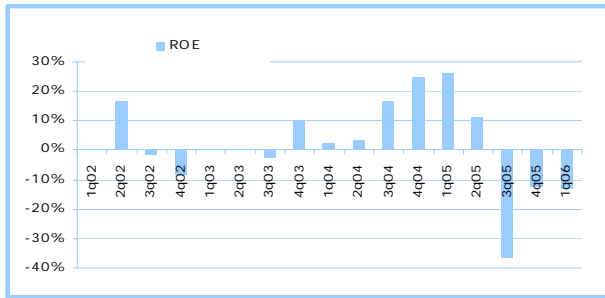
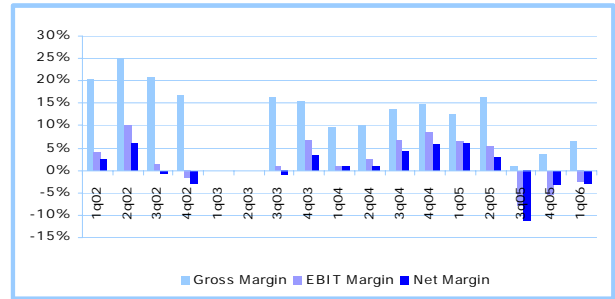
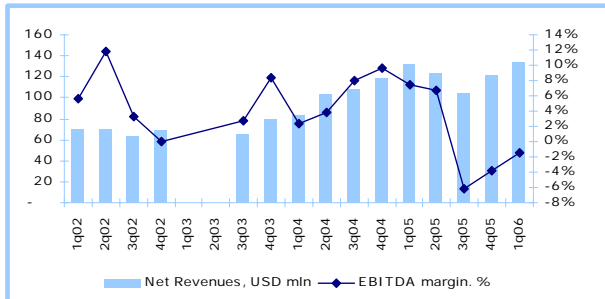


SFER – Quarterly*



* In 4Q03-1Q04 SFER was temporally stopped

NFER – Quarterly*



* For 1Q03-2Q03 financials are not available

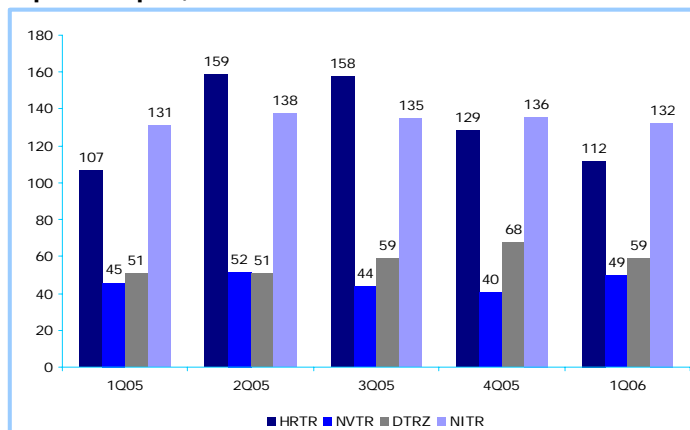
PIPES

Oil & Gas Boom Boosts Demand For Pipes

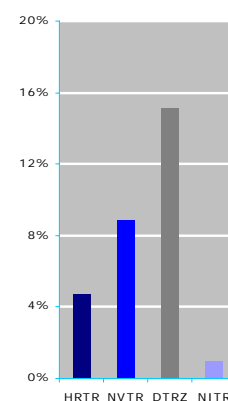
Ticker	Upside, %	Rec'
NITR	39.5%	BUY
HRTR	50.0%	Spec Buy
DTRZ	28.1%	BUY
NVTR	29.4%	BUY

Ukraine's pipe production has been driven by increasing global demand mainly from the oil & gas industry. Additionally, investments in infrastructural projects spurred demand for general purpose pipes. Total pipe output grew 9.3% yoy in 7M06, boosted by three of the four biggest pipe makers. Novomoskovsk Pipe and Dnipropetrovsk Pipe exhibited double-digit growth, while Nyzhnyodniprovsky Pipe increased its pipe production by 6% for the period. On the other hand, Khartsyzk Tube showed a decline in output due to the volatile nature of demand for its pipes. However, HRTR finally cut back on tolling schemes in 2006, which resulted in its 1Q06 sales and EBITDA growing more than fourfold yoy, while the company's net income for the period surged more than eight-fold yoy.

Pipes Output, ths mt



1Q06 yoy

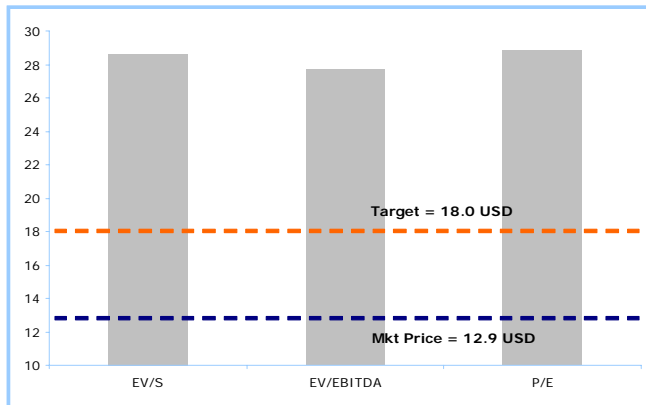


Source: Ukrainian News agency

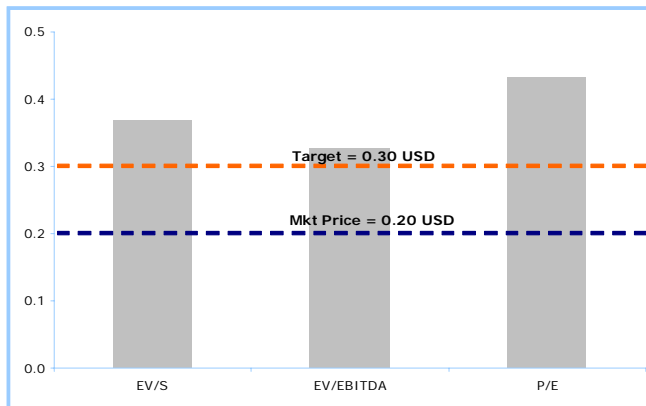
Based on peer comparison, we maintain a BUY recommendation for the three pipe stocks, NITR, DTRZ and NVTR, and upgrade HRTR from SELL to Speculative BUY. HRTR ceased selling its pipes using tolling schemes, significantly improving its reported financials in 1Q06. Yet the risk of HRTR yielding to competition in its core market, Russia, remains high, which somewhat dims the stock's prospects.

Pipes Valuation Summary

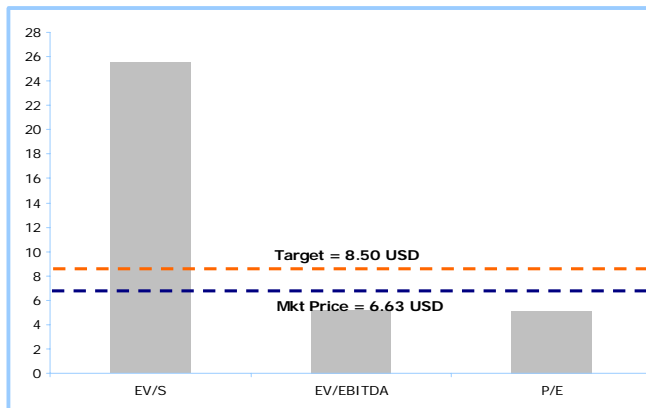
NITR



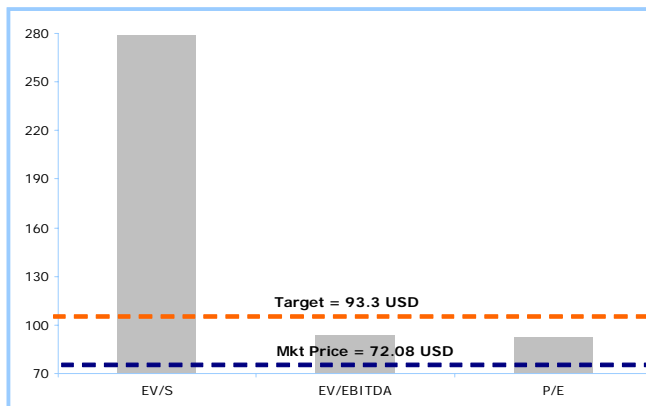
HRTR



NVTR



DTRZ



Ukraine

Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
NITR	12.90	695.1	1.0	0.8	5.2	3.1	6.7	5.5
HRTR	0.20	509.8	1.8	1.1	10.4	4.4	19.2	5.7
NVTR	6.63	79.6	0.7	0.5	17.5	9.2	57.2	15.9
DTRZ	72.08	76.1	0.6	0.6	32.2	5.7	211.3	9.5
Average			1.0	0.7	16.3	5.6	73.6	9.1
Median			0.8	0.7	14.0	5.1	38.2	7.6

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
Lone Star Technology Inc	1456.1	1.1	0.8	5.1	3.5	6.5	7.7
Maverick Tube Corp.	2356.8	1.6	1.2	9.7	5.4	14.3	8.4
Tubacex SA	754.3	1.8	1.5	12.9	10.3	25.2	17.3
Vallourec	11531.3	2.3	1.6	9.4	5.7	20.7	10.4
Tenaris SA	22942.1	3.7	2.5	11.1	6.8	18.8	11.5
Grant Prideco Inc	5958.5	4.6	3.5	20.1	10.5	31.5	15.3
NS Group Inc	1136.4	1.8	1.5	7.5	5.4	8.9	9.1
Hydriil	1802.1	4.3	3.2	13.3	10.3	24.6	18.2
Average		2.6	2.0	11.1	7.3	18.8	12.2
Median		2.1	1.5	10.4	6.3	19.8	11.0

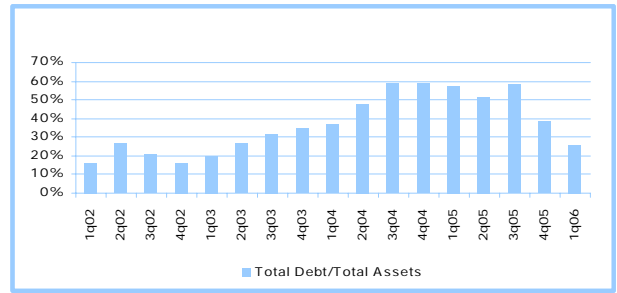
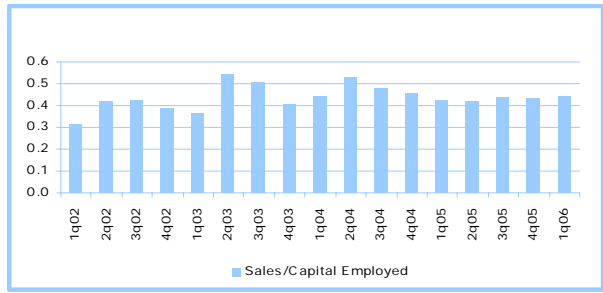
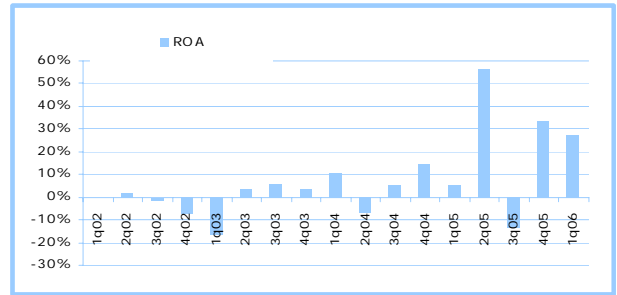
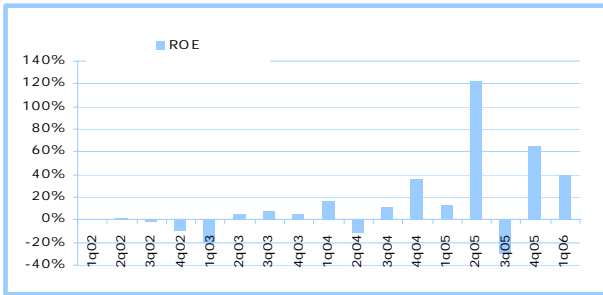
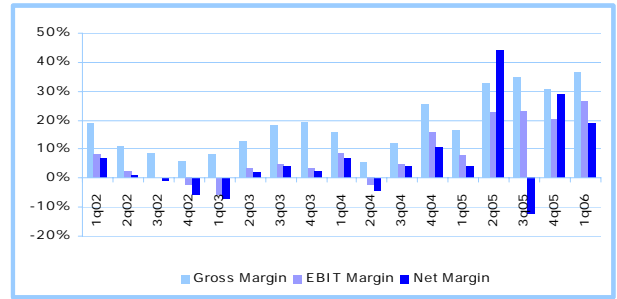
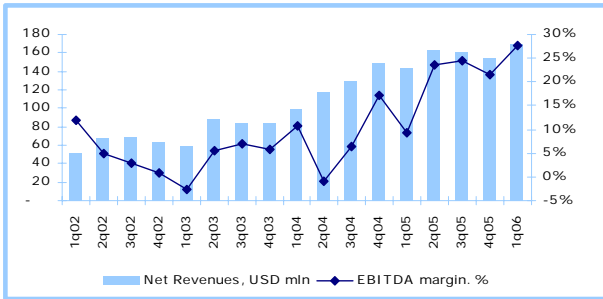
NITR	Premium/ (Discount) by Average	-61%	-58%	-54%	-57%	-64%	-55%
	Premium/ (Discount) by Median	-50%	-47%	-50%	-50%	-66%	-50%
	Implied Price by Average, USD	31.48	28.65	26.73	27.69	36.07	28.86
	Implied Price by Median, USD	25.00	22.77	25.01	24.17	37.87	25.87
	Upside (Downside) by Average	144%	122%	107%	115%	180%	124%
Upside (Downside) by Median	94%	76%	94%	87%	194%	101%	
HRTR	Premium/ (Discount) by Average	-33%	-46%	-7%	-39%	2%	-54%
	Premium/ (Discount) by Median	-15%	-30%	0%	-29%	-3%	-48%
	Implied Price by Average, USD	0.30	0.37	0.22	0.33	0.20	0.43
	Implied Price by Median, USD	0.24	0.29	0.20	0.28	0.21	0.39
	Upside (Downside) by Average	50%	84%	8%	64%	-2%	116%
Upside (Downside) by Median	18%	43%	0%	41%	3%	94%	
NVTR	Premium/ (Discount) by Average	-75%	-73%	58%	27%	204%	30%
	Premium/ (Discount) by Median	-68%	-66%	69%	46%	190%	45%
	Implied Price by Average, USD	26.77	25.58	4.18	5.19	2.18	5.10
	Implied Price by Median, USD	21.07	19.94	3.89	4.45	2.29	4.57
	Upside (Downside) by Average	304%	286%	-37%	-22%	-67%	-23%
Upside (Downside) by Median	218%	201%	-41%	-33%	-65%	-31%	
DTRZ	Premium/ (Discount) by Average	-78%	-72%	189%	-21%	1023%	-22%
	Premium/ (Discount) by Median	-73%	-64%	210%	-8%	970%	-13%
	Implied Price by Average, USD	354.55	279.21	21.18	93.60	6.42	92.78
	Implied Price by Median, USD	278.08	216.15	19.39	79.63	6.74	83.18
	Upside (Downside) by Average	392%	287%	-71%	30%	-91%	29%
Upside (Downside) by Median	286%	200%	-73%	10%	-91%	15%	

Pipe Reported Financials, According to UAS

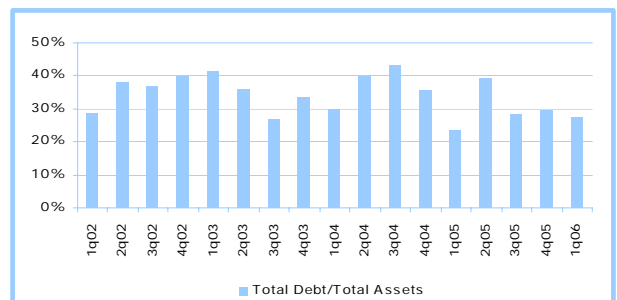
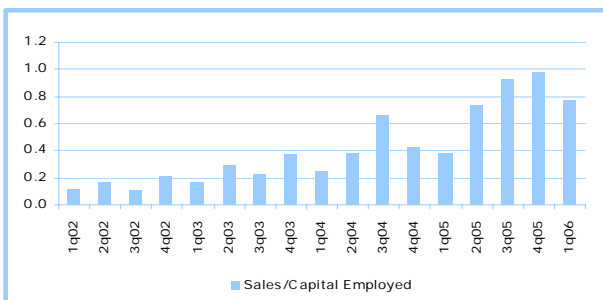
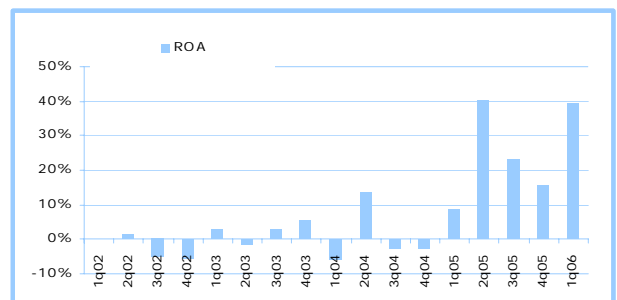
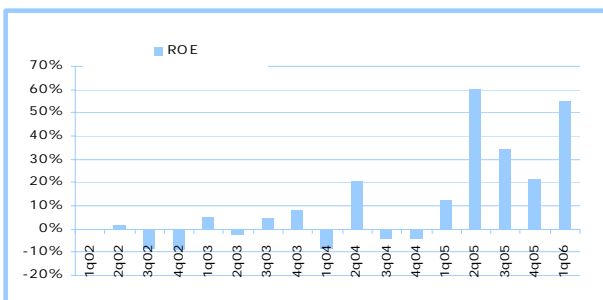
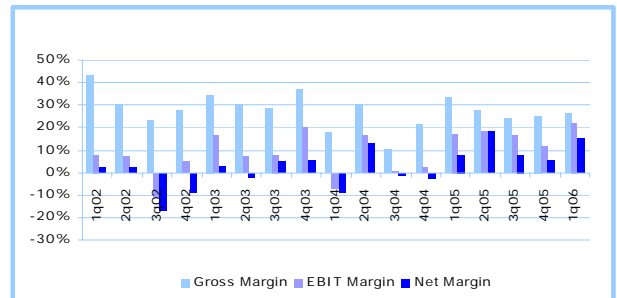
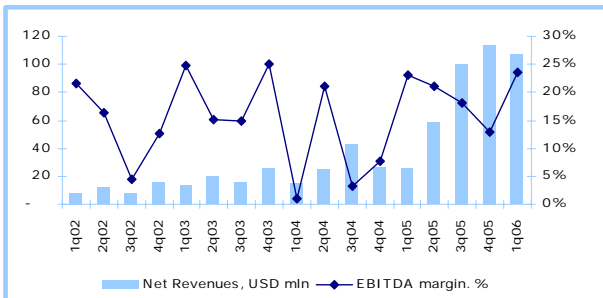
Income Statement Summary, USD mln	NVTR					NITR					HRTR					DTRZ				
	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06
Net Revenues	47.8	84.5	121.3	122.0	37.7	249.9	315.9	494.9	622.8	169.7	44.0	75.0	109.0	297.9	106.7	18.5	47.6	85.1	144.0	35.1
Cost Of Sales	(40.6)	(73.0)	(108.3)	(106.7)	(30.8)	(222.8)	(268.2)	(419.8)	(442.4)	(107.8)	(30.7)	(50.4)	(88.7)	(220.4)	(78.7)	(19.3)	(45.6)	(77.5)	(131.6)	(30.5)
Gross Profit	7.2	11.5	13.0	15.3	6.9	27.1	47.6	75.1	180.4	61.9	13.3	24.6	20.3	77.5	28.0	(0.8)	2.0	7.6	12.4	4.6
Other Operating Income/Costs, net	(0.7)	(1.2)	(0.8)	(1.7)	(1.1)	0.1	(0.6)	(0.3)	0.3	1.3	(2.3)	(1.4)	(1.9)	(10.3)	0.8	0.7	1.1	0.5	20.8	(0.2)
SG&A	(4.3)	(8.1)	(6.8)	(9.0)	(2.6)	(15.3)	(33.1)	(31.3)	(56.0)	(16.4)	(5.0)	(8.1)	(9.7)	(16.0)	(3.8)	(1.8)	(2.5)	(5.6)	(8.2)	(2.2)
EBITDA	2.2	2.2	5.4	4.6	3.3	12.0	14.0	43.5	124.8	46.8	6.1	15.1	8.8	51.1	25.0	(1.9)	0.6	2.6	25.0	2.2
EBITDA margin, %	4.5%	2.6%	4.5%	3.8%	8.6%	4.8%	4.4%	8.8%	20.0%	27.6%	13.8%	20.2%	8.0%	17.2%	23.5%	-10.4%	1.3%	3.0%	17.4%	6.4%
Depreciation	(1.9)	(1.7)	(1.9)	(2.2)	(0.5)	(7.3)	(7.4)	(7.3)	(7.7)	(2.2)	(4.6)	(5.0)	(4.9)	(6.3)	(1.7)	(1.5)	(1.7)	(1.7)	(2.0)	(0.6)
EBIT	0.2	0.5	3.5	2.4	2.8	4.6	6.6	36.1	117.1	44.6	1.5	10.2	3.8	44.9	23.4	(3.4)	(1.0)	0.9	23.0	1.6
EBIT margin, %	0.4%	0.6%	2.9%	2.0%	7.4%	1.9%	2.1%	7.3%	18.8%	26.3%	3.4%	13.6%	3.5%	15.1%	21.9%	-18.5%	-2.2%	1.1%	15.9%	4.7%
Interest Expense	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(0.5)	(2.2)	(3.2)	(0.4)	(1.6)	(1.8)	(0.9)	(1.3)	(0.6)	(0.1)	(0.1)	(0.2)	(0.7)	(0.2)
Financial income/(expense)	-	-	(0.0)	-	-	0.1	0.2	0.0	0.0	0.1	(0.0)	0.4	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Other income/(expense)	(0.1)	0.0	(0.0)	(0.3)	(0.0)	(0.0)	(0.1)	(0.2)	28.4	0.2	(0.8)	(2.2)	(0.6)	(3.8)	(0.4)	(0.1)	0.1	(0.4)	(0.2)	(0.4)
PBT	0.0	0.5	3.4	2.1	2.7	4.4	6.2	33.7	142.3	44.5	(1.0)	6.6	2.4	39.8	22.4	(3.6)	(1.1)	0.4	22.1	1.0
Tax	(1.1)	(0.4)	(1.2)	(0.7)	(0.8)	(4.1)	(2.9)	(10.6)	(39.0)	(12.6)	(1.4)	(4.5)	(1.9)	(13.2)	(5.8)	-	-	-	(0.4)	(0.2)
Extraordinary Income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	-	-	-	-	-	-	-
Net Income	(1.0)	0.1	2.2	1.4	1.9	0.3	3.3	23.2	103.3	31.8	(2.3)	2.1	0.5	26.6	16.6	(3.6)	(1.1)	0.4	21.7	0.8
Net Margin, %	-2.2%	0.2%	1.8%	1.2%	5.0%	0.1%	1.1%	4.7%	16.6%	18.8%	-5.3%	2.8%	0.4%	8.9%	15.5%	-19.2%	-2.3%	0.4%	15.1%	2.4%

Balance Sheet Summary, USD mln	NVTR					NITR					HRTR					DTRZ				
	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06
Current Assets	11	19	25	26	40	88	103	185	336	300	44	37	38	90	106	28	34	42	55	59
Cash & Equivalents	0	0	0	2	0	1	1	26	102	97	0	0	1	11	22	0	0	1	1	1
Trade Receivables	1	8	14	15	26	45	48	34	57	31	20	17	15	10	1	21	20	19	25	28
Inventories	6	7	8	7	9	34	41	52	60	61	13	11	11	42	39	6	10	17	22	23
Other current assets	3	4	3	2	5	8	13	73	117	112	11	8	11	26	44	1	4	5	8	7
Fixed Assets	28	29	28	29	30	101	153	281	151	151	62	59	58	69	71	21	20	20	22	22
PP&E, net	24	23	24	23	24	79	81	80	84	83	58	55	53	52	52	17	16	16	18	18
Other Fixed Assets	5	6	4	6	6	22	72	201	67	68	4	4	6	17	20	4	4	4	4	4
Total Assets	39	48	53	55	70	189	256	466	488	451	106	95	96	159	177	49	54	62	77	81
Shareholders' Equity	35	34	39	42	44	158	167	190	300	335	64	63	62	112	128	3	2	2	25	26
Share Capital	0	0	3	4	4	10	10	10	10	10	5	5	5	25	25	16	16	16	17	17
Reserves and Other	31	29	28	29	29	94	93	93	96	96	60	0	0	0	0	11	10	10	1	2
Retained Earnings	4	5	7	9	11	55	64	87	193	228	(1)	58	57	86	103	(24)	(25)	(25)	6	7
Current Liabilities	4	10	11	10	23	29	50	141	127	70	25	27	33	42	40	45	52	59	53	55
ST Interest Bearing Debt	1	0	0	-	-	4	3	37	51	5	12	10	8	28	13	7	8	3	7	11
Trade Payables	3	8	11	9	21	21	42	96	56	47	7	13	21	2	8	34	39	19	34	37
Accrued Wages	0	0	0	1	1	1	0	1	2	2	1	1	-	1	1	1	0	1	1	1
Accrued Taxes	0	0	0	0	1	1	0	2	10	10	1	1	0	1	3	0	0	0	0	0
Other Current Liabilities	0	2	0	0	0	4	4	5	8	6	4	2	4	10	14	4	4	37	11	6
LT Liabilities	0	3	3	3	3	1	39	135	61	47	16	5	1	4	9	0	0	0	-	-
LT Interest Bearing Debt	-	3	3	3	3	-	-	-	-	-	-	-	-	3	9	0	0	-	-	-
Other LT	0	1	0	-	-	1	39	135	61	47	16	5	1	1	0	0	0	0	-	-
Total Liabilities & Equity	39	48	53	55	70	189	256	466	488	451	106	95	96	159	177	49	54	62	77	81

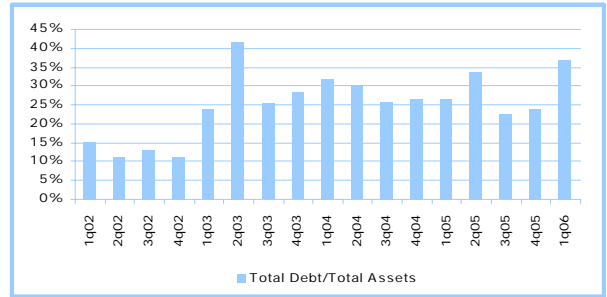
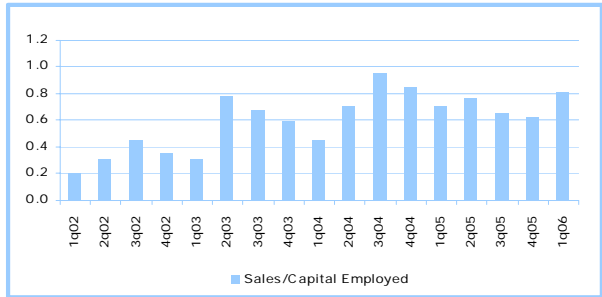
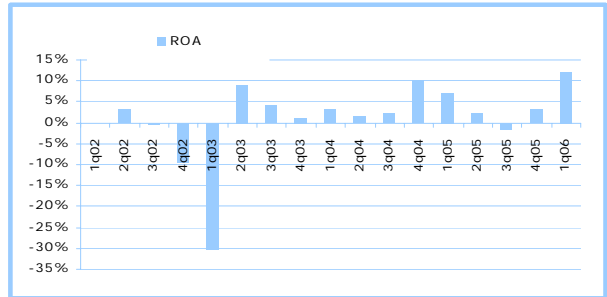
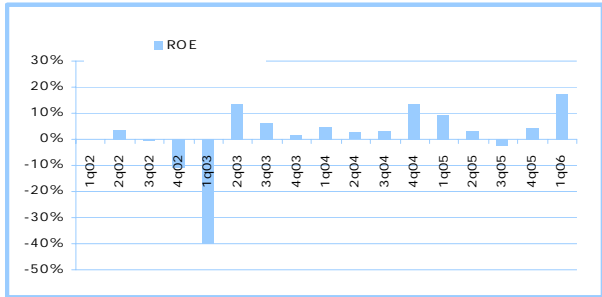
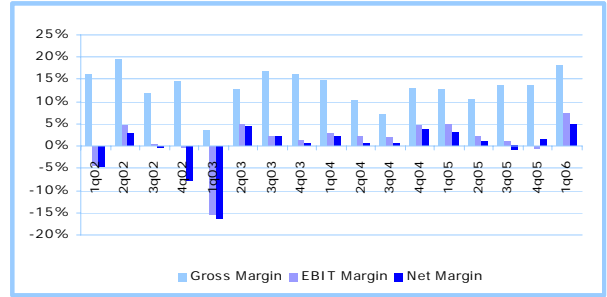
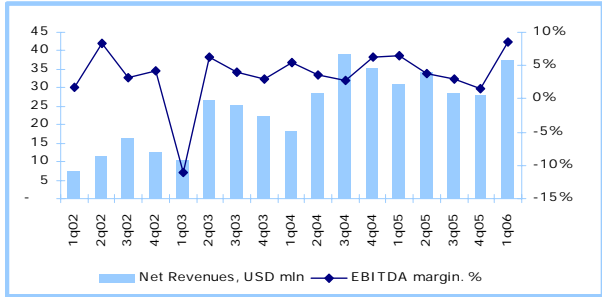
NITR – Quarterly



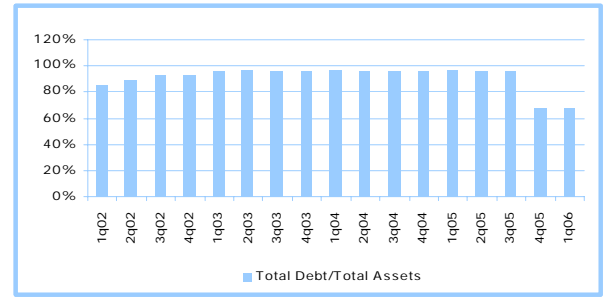
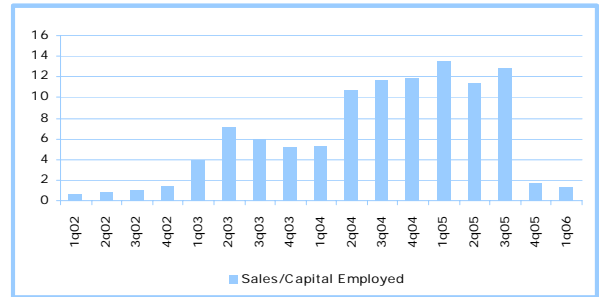
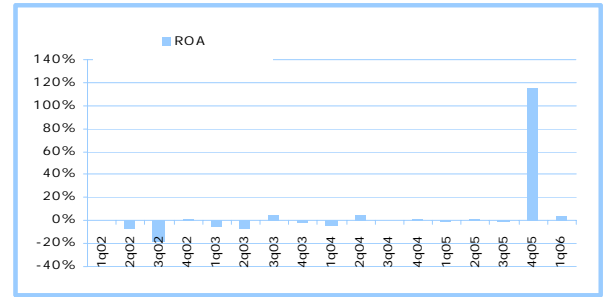
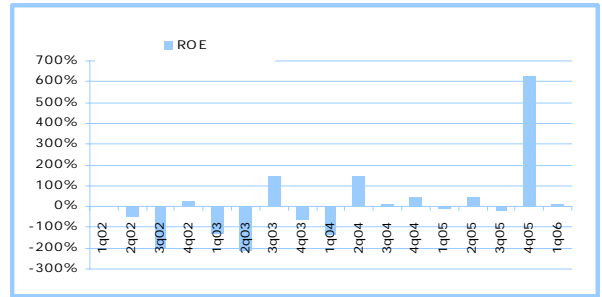
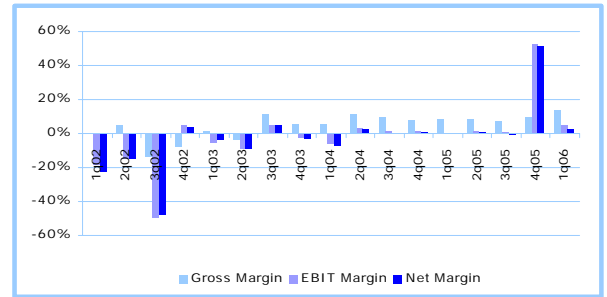
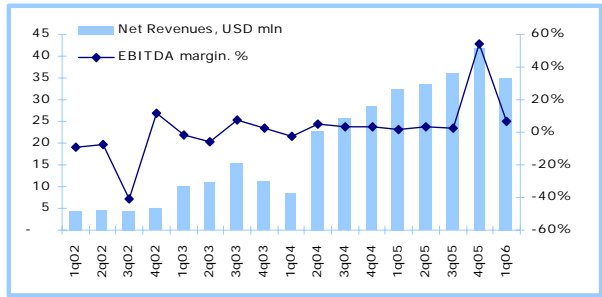
HRTR – Quarterly



NVTR – Quarterly



DTRZ – Quarterly



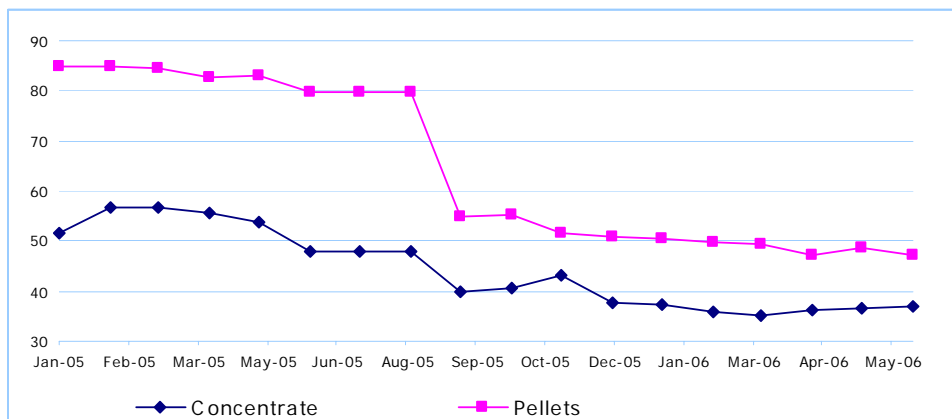
IRON ORE

Domestic Prices Down But Demand Growing

Ticker	Upside, %	Rec'
PGOK	33.3%	HOLD
PGZK	-0.2%	BUY
SUBA	116.7%	BUY

Ukrainian iron ore producers with the exception of Poltava Iron Ore cater primarily to the domestic market. Although world contract prices for iron ore jumped 19% on average in 2006, the Ukrainian ore market hardly noticed. In absence of long term domestic contacts, local spot prices drifted downward in January-May. In fact, average domestic prices for iron ore concentrate in 1H06 were 32% lower than in 1H05, and average pellet prices for the period were 42% lower yoy. Only in the last two months did ore prices show signs of stabilization and hinted of a possible upward trend in 2H06.

Domestic Iron Ore Prices, USD/ mt

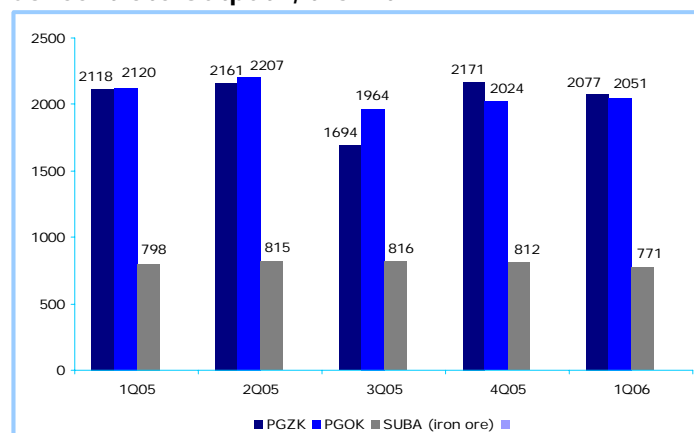


Source: Metal Ukrayni Magazine

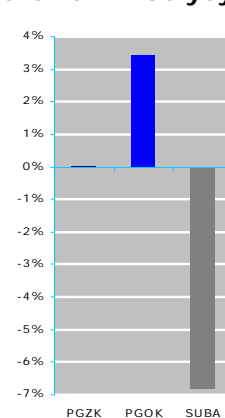
We are not expecting a significant rise in domestic prices, as the Ukrainian ore market does not follow world trends and is determined by the interaction of two confronting oligarch-run monopolistic groups – steel makers and ore producers.

On the other hand, domestic demand for iron ore is growing on the back of increasing steel production. This, coupled with the fact that iron ore producers are on a solid ground in terms of the expected production cost growth when compared to steel makers, allows us to regard the iron ore industry as promising. Iron ore makers have enjoyed higher margins than steel mills recently, but some of them hid their profits via various tolling and transfer pricing schemes.

Concentrate Output*, ths mt



Growth 1H06 yoy



*Sukha Balka does not produce concentrate but mines sintering ore
Source: Ukrainian News agency

Our top picks in the sector are Sukha Balka (SUBA) and Pivdenny Iron Ore (PGZK) which have long been overlooked by the market. Both are controlled by Privat group and under-report sales, especially profits. PGZK is valued on a diluted basis, assuming that its shareholders will finally approve

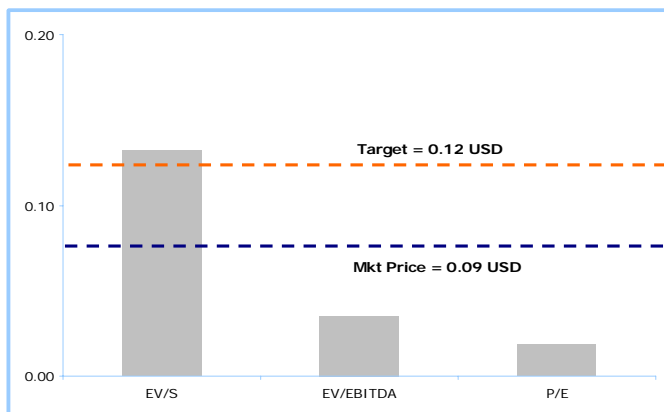
subscription for a share issue which will triple the company's charter fund. In our view, earnings-based multiples do not capture the true value of PGZK, however, based on EV/S PGZK is undervalued. SUBA is undervalued on EV/EBITDA as well as EV/S. We believe the two companies will improve their transparency in the next two - three years and will afterwards be sold to a strategic investor. We rate these stocks as a BUY.

On the other hand, we downgrade Poltava Iron Ore (PGOK) to HOLD, as based on reported financials, the company trades at EV/S multiples already higher than its international peers not to mention EV/EBITDA and P/E. PGOK appears to have put off its plans of going public on a foreign stock exchange. In addition, we think that when its owners decide to hold an IPO, they are more likely to opt for PGOK's Swiss trader and controlling owner, Ferrexpo A.G., rather than for PGOK per se. We do not believe that the company's consolidation with Ferrexpo is going to take place until then, which means that transfer pricing between PGOK and Ferrexpo is not likely to go away any time soon.

PGOK's target price is a probability-weighted value based on two scenarios. The basic scenario, assigned a 75% probability is that PGOK will not consolidate Ferrexpo, while an alternative scenario assumes consolidation and is given a 25% probability.

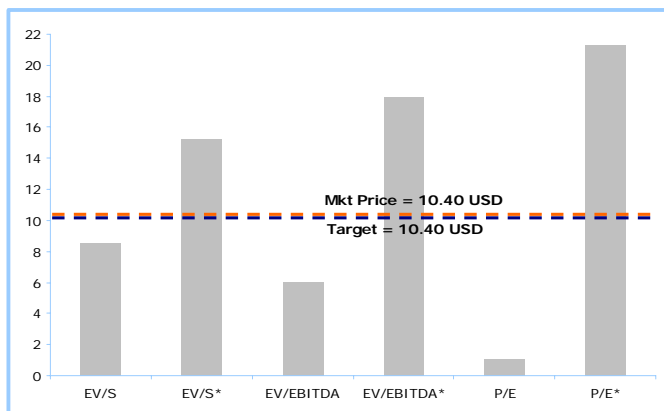
Iron Ore Valuation Summary

PGZK



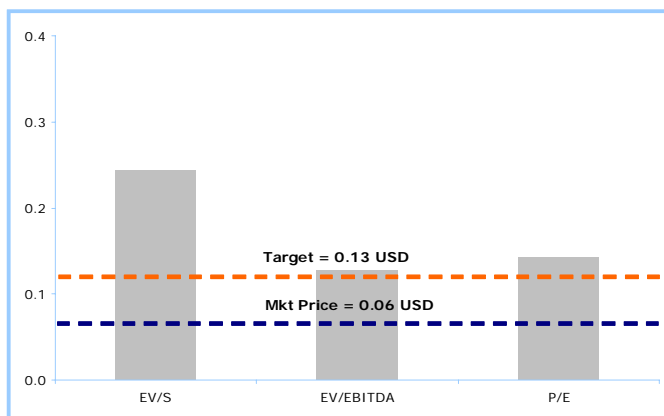
Target price for PGZK is on a diluted basis

PGOK



Target for PGOK is a weighted average of prices under two scenarios – without Ferrexpo and with Ferrexpo consolidated (bars denoted by *)

SUBA



Ukraine

Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
PGZK	0.09	182.2	0.9	0.6	6.1	5.8	36.1	18.2
PGZK*	0.09	546.6	2.2	1.7	15.9	16.2	108.4	54.7
PGOK reported	10.40	1,199.6	2.0	1.9	4.1	4.4	6.0	5.8
PGOK consolidated*	10.40	1,199.6	3.2	3.1	13.3	10.9	21.2	20.0
SUBA	0.06	49.7	1.1	0.7	5.2	3.5	7.4	5.0
Average			1.9	1.6	8.9	8.2	35.9	20.7
Median			2.0	1.7	6.1	5.8	21.2	18.2

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
BHP Billiton	73,543.5	2.8	2.6	7.9	6.0	12.1	9.1
CVRD	53,996.4	4.0	3.6	7.9	7.4	12.1	11.2
Rio Tinto	54,318.0	3.0	2.9	7.1	6.2	10.8	10.8
Kumba Resources	5,682.0	3.1	3.5	6.3	9.2	11.3	17.1
Cleveland-Cliffs	1,506.1	0.7	0.6	3.1	3.2	5.5	5.3
Portman	723.2	2.7	2.7	6.8	6.8	11.7	11.6
Average		2.7	2.6	6.5	7.1	10.6	11.9
Median		2.9	2.8	7.0	6.5	11.5	11.0

PGZK *	Premium/ (Discount) by Average	-68%	-77%	-6%	-19%	241%	53%
	Premium/ (Discount) by Median	-70%	-78%	-12%	-11%	214%	66%
	Implied Price by Average, USD	0.32	0.40	0.09	0.11	0.02	0.06
	Implied Price by Median, USD	0.34	0.42	0.10	0.10	0.03	0.05
	Upside (Downside) by Average	273%	368%	8%	25%	-71%	-34%
Upside (Downside) by Median	298%	391%	17%	13%	-68%	-40%	
PGZK diluted	Premium/ (Discount) by Average	-18%	-35%	144%	128%	924%	358%
	Premium/ (Discount) by Median	-23%	-38%	127%	149%	843%	398%
	Implied Price by Average, USD	0.11	0.13	0.03	0.04	0.01	0.02
	Implied Price by Median, USD	0.11	0.14	0.03	0.03	0.01	0.02
	Upside (Downside) by Average	24%	56%	-64%	-58%	-90%	-78%
Upside (Downside) by Median	33%	64%	-61%	-62%	-89%	-80%	
PGOK rep**	Premium/ (Discount) by Average	18%	18%	104%	53%	100%	67%
	Premium/ (Discount) by Median	-33%	-38%	-26%	-11%	85%	66%
	Implied Price by Average, USD	8.55	8.47	4.22	6.07	0.62	1.03
	Implied Price by Median, USD	9.20	8.98	4.64	5.36	0.67	0.95
	Upside (Downside) by Average	-18%	-19%	-59%	-42%	-94%	-90%
Upside (Downside) by Median	-12%	-14%	-55%	-48%	-94%	-91%	
PGOK cons.	Premium/ (Discount) by Average	-28%	-28%	-36%	-38%	-43%	-51%
	Premium/ (Discount) by Median	-33%	-31%	-41%	-32%	-48%	-47%
	Implied Price by Average, USD	14.94	15.21	16.97	17.96	18.27	21.36
	Implied Price by Median, USD	15.96	16.04	18.25	16.21	19.83	19.65
	Upside (Downside) by Average	44%	46%	63%	73%	76%	106%
Upside (Downside) by Median	54%	54%	76%	56%	91%	89%	
SUBA	Premium/ (Discount) by Average	-61%	-73%	-21%	-50%	-30%	-58%
	Premium/ (Discount) by Median	-33%	-38%	-12%	-11%	85%	66%
	Implied Price by Average, USD	0.18	0.24	0.08	0.13	0.08	0.14
	Implied Price by Median, USD	0.19	0.26	0.09	0.12	0.09	0.13
	Upside (Downside) by Average	196%	311%	32%	115%	43%	140%
Upside (Downside) by Median	216%	332%	43%	95%	55%	121%	

* PGZK's valuation is done on both undiluted and diluted bases, as approval of the subscription for the company's newly issued shares is pending

** PGOK's valuation is done for two scenarios: with Ferrexpo A.G. consolidated and without Ferrexpo A.G.

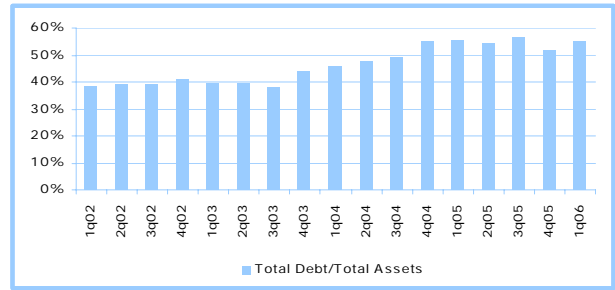
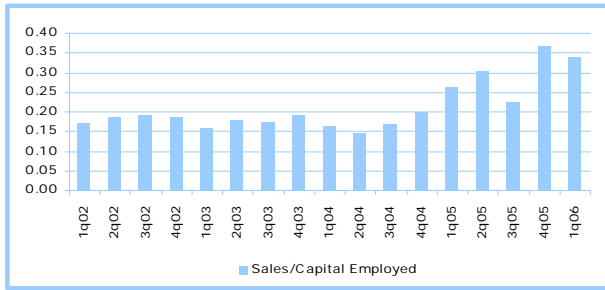
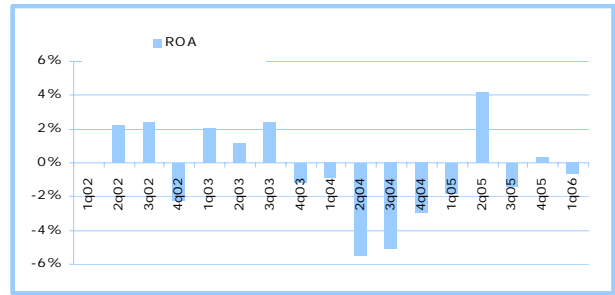
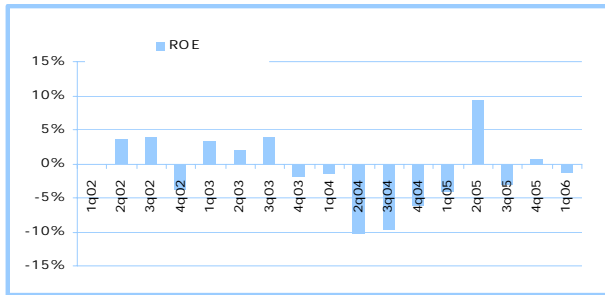
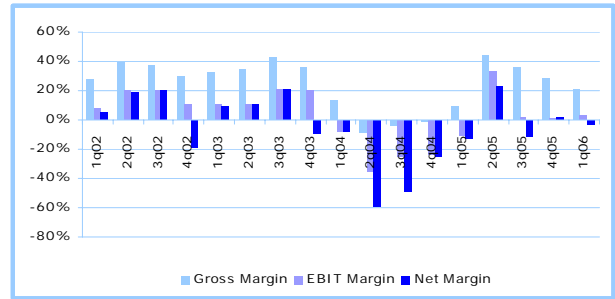
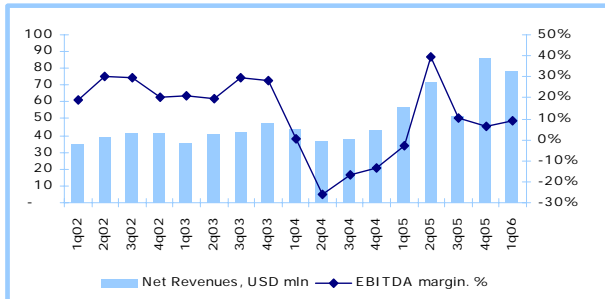
Iron Ore Producers' Reported Financials, According to UAS*

Income Statement Summary, USD mln	PGOK					PGZK					SUBA				
	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06
Net Revenues	163.9	205.8	273.2	434.6	97.3	155.8	165.6	161.0	266.3	78.2	33.5	33.7	28.1	58.4	17.8
Cost Of Sales	(110.3)	(135.1)	(173.3)	(255.5)	(62.6)	(103.3)	(105.0)	(160.5)	(186.0)	(61.7)	(19.2)	(20.7)	(22.1)	(36.2)	(11.4)
Gross Profit	53.6	70.7	100.0	179.2	34.7	52.5	60.6	0.5	80.3	16.5	14.3	13.0	6.0	22.1	6.4
Other Operating Income/Costs, net	(1.2)	(2.0)	(3.0)	(5.5)	(1.0)	(3.4)	(1.3)	(2.1)	(10.7)	(2.1)	(2.0)	(1.7)	(0.6)	(0.9)	(0.3)
SG&A	(25.8)	(33.9)	(49.8)	(68.7)	(21.8)	(10.2)	(18.0)	(19.9)	(32.2)	(7.4)	(7.2)	(5.6)	(5.0)	(9.3)	(3.4)
EBITDA	26.6	34.8	47.2	104.9	12.0	38.8	41.2	(21.6)	37.4	7.0	5.1	5.7	0.4	11.9	2.7
EBITDA margin, %	16.2%	16.9%	17.3%	24.1%	12.3%	24.9%	24.9%	-13.4%	14.0%	9.0%	15.1%	16.8%	1.6%	20.4%	15.0%
Depreciation	(12.8)	(14.0)	(15.0)	(18.1)	(5.1)	(15.6)	(14.8)	(14.3)	(18.2)	(5.0)	(3.0)	(3.1)	(2.2)	(2.7)	(0.8)
EBIT	13.8	20.8	32.3	86.8	6.9	23.2	26.4	(35.9)	19.1	2.0	2.1	2.6	(1.8)	9.2	1.9
EBIT margin, %	8.4%	10.1%	11.8%	20.0%	7.1%	14.9%	15.9%	-22.3%	7.2%	2.6%	6.2%	7.6%	-6.4%	15.7%	10.7%
Interest Expense	(10.6)	(11.4)	(14.0)	(15.4)	(6.1)	(2.5)	(2.2)	(1.3)	(5.0)	(1.1)	(0.5)	(0.8)	(2.4)	(0.9)	(0.6)
Financial income/(expense)	0.0	0.0	0.9	1.9	0.3	-	-	-	-	-	-	0.1	1.4	-	0.3
Other income/(expense)	(1.5)	(2.4)	(3.2)	(0.0)	(0.7)	0.1	0.1	(16.6)	(0.1)	0.3	0.2	(0.0)	(0.0)	(0.0)	(0.0)
PBT	1.7	6.9	16.0	73.4	0.5	20.8	24.2	(53.8)	14.0	1.2	1.8	1.8	(2.8)	8.2	1.6
Tax	(0.8)	(3.5)	(8.7)	(16.8)	(1.8)	(11.1)	(12.1)	-	(9.0)	(3.7)	(1.7)	(0.4)	-	(1.6)	-
Extraordinary Income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	1.0	3.4	7.2	56.5	(1.3)	9.7	12.1	(53.8)	5.0	(2.5)	0.1	1.4	(2.8)	6.7	1.6
Net Margin, %	0.6%	1.7%	2.6%	13.0%	-1.3%	6.3%	7.3%	-33.4%	1.9%	-3.2%	0.2%	4.1%	-10.1%	11.4%	9.0%

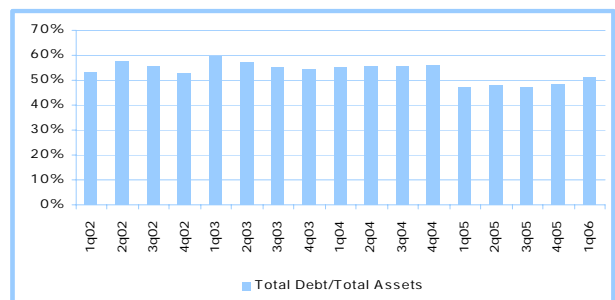
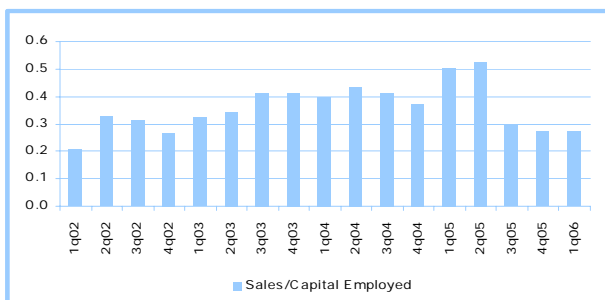
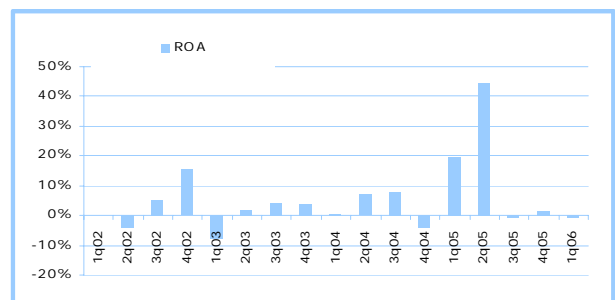
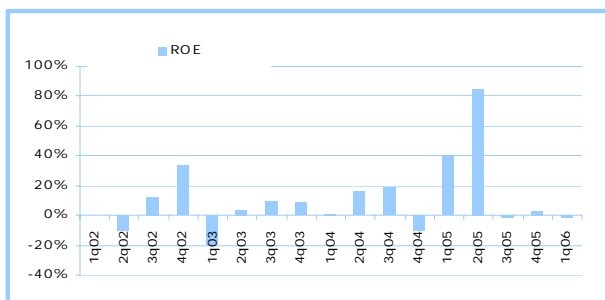
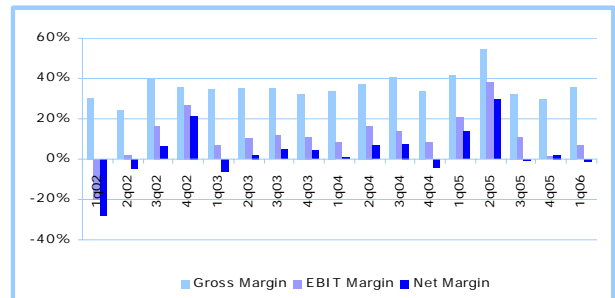
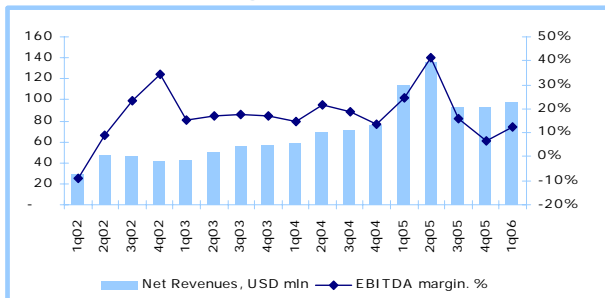
Balance Sheet Summary, USD mln	PGOK					PGZK					SUBA				
	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06	2002	2003	2004	2005	1Q06
Current Assets	66	80	118	148	168	157	202	186	181	205	27	30	26	41	38
Cash & Equivalents	0	5	19	13	8	1	1	1	1	2	0	0	0	0	0
Trade Receivables	23	12	9	16	41	51	38	33	22	43	11	7	5	12	8
Inventories	17	19	34	55	45	29	35	33	49	49	3	4	8	12	12
Other current assets	26	44	56	63	73	76	128	119	108	111	13	19	13	16	18
Fixed Assets	166	166	183	369	375	194	194	193	205	204	34	36	40	47	48
PP&E, net	148	147	163	202	205	176	177	167	178	176	22	22	27	30	29
Other Fixed Assets	18	18	20	167	169	18	17	26	26	28	12	14	13	17	18
Total Assets	232	246	300	517	542	351	395	379	386	409	62	66	66	88	86
Shareholders' Equity	110	112	132	267	266	207	220	172	186	184	53	54	52	69	71
Share Capital	123	123	138	217	217	101	101	101	106	106	0	0	0	8	8
Reserves and Other	6	6	6	7	6	44	45	27	29	29	23	16	16	19	19
Retained Earnings	(20)	(18)	(12)	44	42	63	74	43	51	49	29	37	35	42	43
Current Liabilities	78	107	98	174	188	131	151	164	153	178	7	9	12	17	13
ST Interest Bearing Debt	57	93	71	137	148	3	8	22	48	20	4	5	0	10	6
Trade Payables	17	10	19	25	27	110	86	90	72	86	0	1	2	2	2
Accrued Wages	1	1	1	1	2	1	1	2	2	2	0	0	1	1	1
Accrued Taxes	2	1	1	2	1	1	1	1	4	4	0	0	0	2	1
Other Current Liabilities	2	2	6	8	10	17	55	49	26	67	2	3	9	3	3
LT Liabilities	44	26	70	75	89	12	24	44	47	47	2	2	2	2	2
LT Interest Bearing Debt	36	26	70	75	88	-	-	-	-	-	-	-	-	-	-
Other LT	8	0	0	1	1	12	24	44	47	47	2	2	2	2	2
Total Liabilities & Equity	232	246	300	517	542	351	395	379	386	409	62	66	66	88	86

* PGOK's financials are given as reported and do not consolidate Ferrexpo.

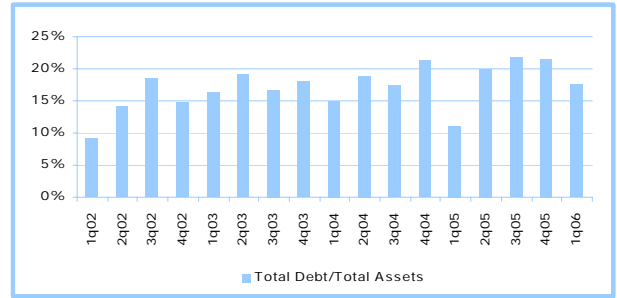
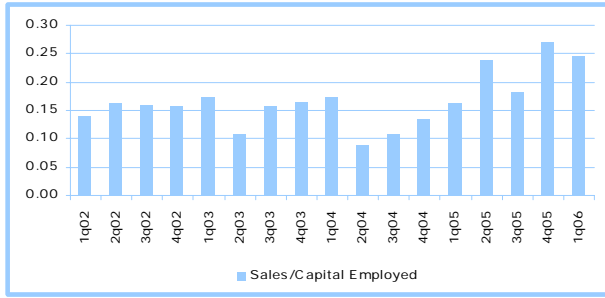
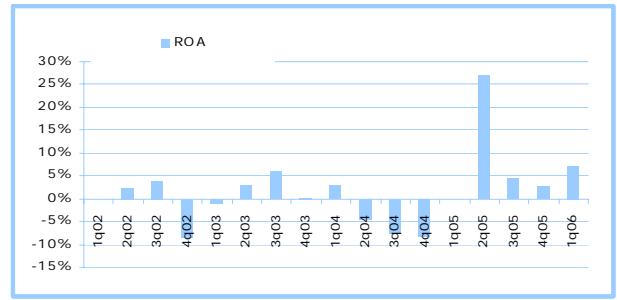
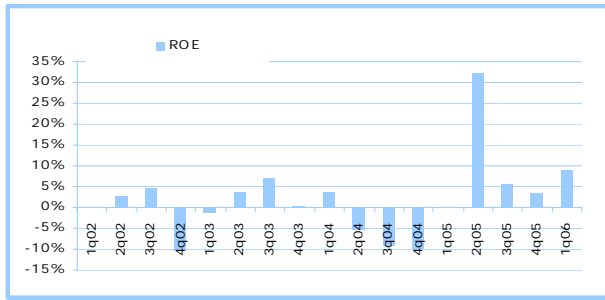
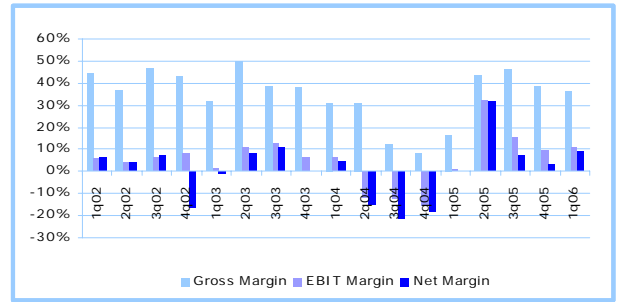
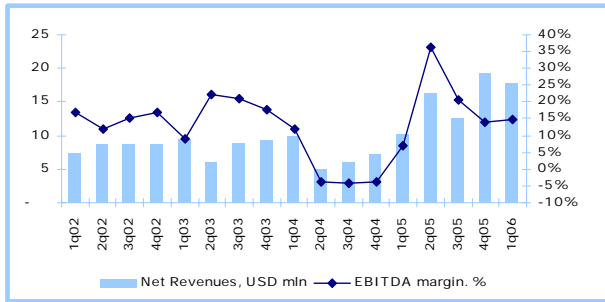
PGZK – Quarterly



PGOK – Quarterly



SUBA – Quarterly



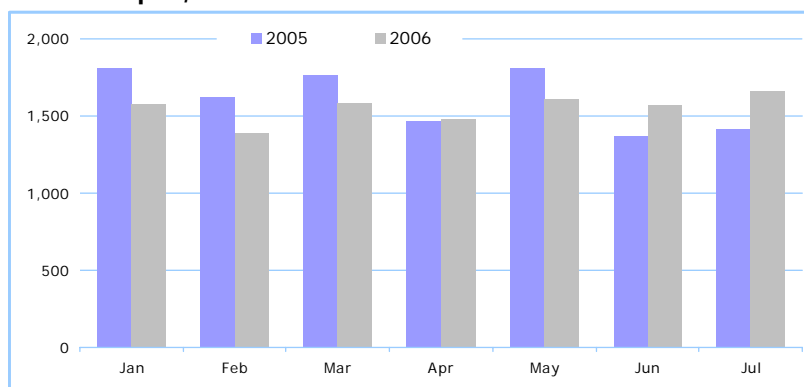
COKE

Coke Industry: Recovery Underway

Ticker	Upside, %	Rec'
AVDK	54.0%	BUY
ALKZ	-32.7%	SELL
ZACO	106.7%	BUY
YASK	11.1%	HOLD
DKOK	12.2%	HOLD
BKOK	-1.0%	SELL

Coke production has been on the rebound since April 2006 following the severe decline in output that it experienced in 2005 (down 13.9%) and in the first three months of 2006 (down 12.1% yoy). As a result of strengthening demand from domestic steel makers, the gap between 2005 and 2006 production levels has shrunk significantly from January to July, to only 3.1% in 1H06. We think that in 2006 Ukraine's coke output will likely be close to its 2005 level.

Coke Output, ths mt



Source: Interfax

Although in 1H06 coke export remained weak compared to last year due to prohibitive railway tariffs, there was significant mom improvement. Specifically, in June export was 31.6% above May's volume. The domestic coke prices that fell significantly in 1H06 (28% yoy), stopped declining in June.

The rebound that Ukrainian coke industry experienced in Apr-Jul, posting a 4.6% growth, was led by coke plants that are linked to particular steel mills including Yasynivsky Coke which has leased capacity to Mariupol Illicha steel mill. Donetsk Coke and Avdiyivka Coke showed the highest rates of production decline, while ZaporizhCoke posted an impressive 7.3% yoy growth.

(in ths mt)

Company	Ticker	Jan-Jul 2006	Chg, yoy	2Q06	Chg, yoy	1Q06	Chg, yoy
Avdiyivka Coke	AVDK	1,778.0	-17.6%	994.0	-14.5%	784.0	-21.4%
Alchevsk Coke	ALKZ	1,547.0	0.5%	895.0	1.1%	652.0	-0.5%
ZaporizhCoke	ZACO	1,155.0	7.3%	663.0	9.2%	492.0	4.9%
Yasynivsky Coke	YASK	799.0	-0.6%	477.0	18.4%	322.0	-19.7%
Donetsk Coke	DKOK	417.0	-34.9%	225.0	-31.6%	192.0	-38.5%
Bagliy Coke	BKOK	472.0	-9.4%	280.0	6.5%	192.0	-25.6%
Ukraine total		10,911.0	-3.1%	6,343.0	4.6%	4,568.0	-12.1%

Source: Interfax

We have two BUY recommendations in the coke segment: ZACO and AVDK.

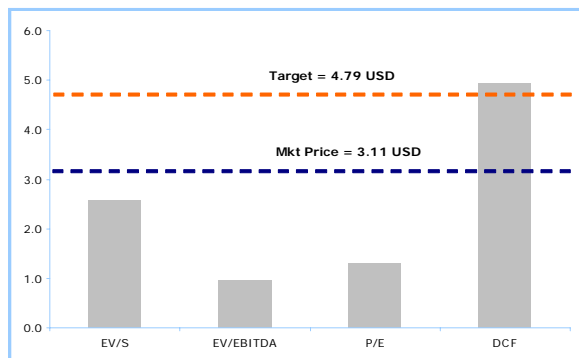
ZACO has posted the fastest output growth among coke makers listed on the PFTS despite hard times for the industry. It enjoys an increasing demand from Zaporizhstal to which ZACO is the primary supplier. In addition, unlike other coke producers, ZACO does not practice tolling schemes and does not engage significantly in transfer pricing, which enables the company to report fairly reliable financials.

AVDK, the largest coke producer in Europe, is well positioned in the industry in terms of feedstock supply. It has controlling stakes in three coal mines on its balance sheet, although de-facto the mines are controlled by its holding group, System Capital Management. AVDK has recently become a part of Metinvest Holding, a newly created metal & mining subsidiary of SCM, and is undergoing a restructuring aimed at transparency improvement. This objective is being achieved in part through the streamlining of transaction schemes between

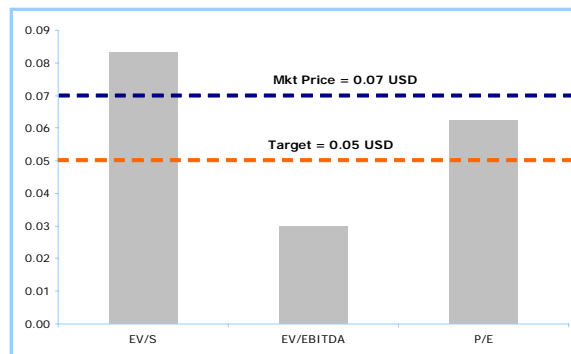
AVDK and other SCM-controlled companies. As a result, the company's reported sales will be down this year more than its output and price decline would suggest. However, we expect a recovery in its production volumes in 1H06 and 2007 due to increased domestic demand for AVDK's coke. Based on our DCF valuation of AVDK's stand-alone coke business and valuing its financial investments at their book value, we believe BUY recommendation is warranted for the stock.

Coke Valuation Summary

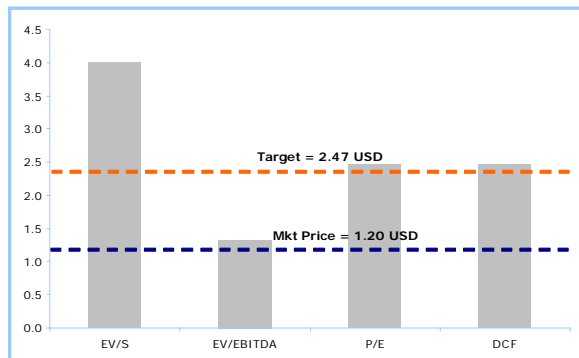
AVDK



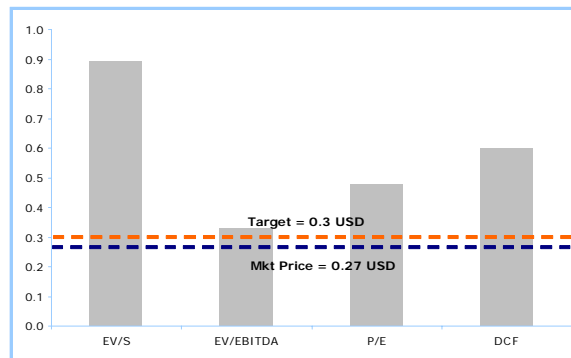
ALKZ



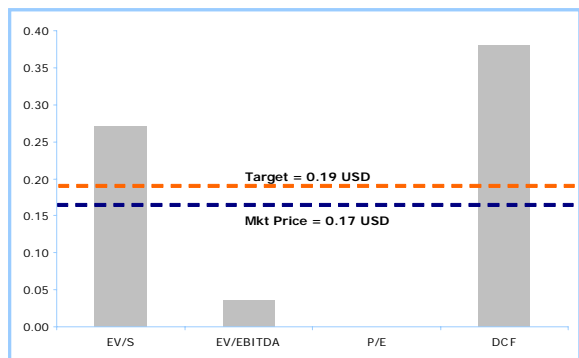
ZACO



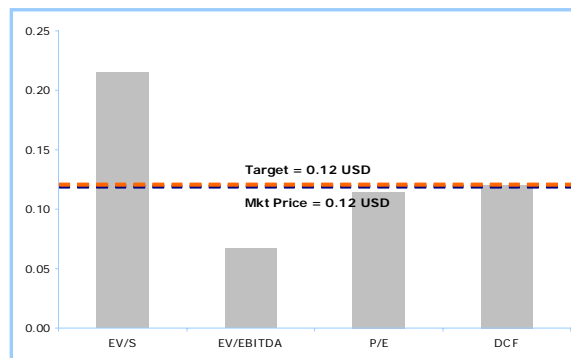
YASK



DKOK



BKOK



Target prices for coke stocks are based on DCF analysis presented in our forthcoming coke industry report.

Ukraine

Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
AVDK	3.11	601.9	0.8	1.7	4.5	13.0	8.2	41.2
ALKZ	0.07	223.7	1.5	1.4	12.1	11.5	29.7	20.8
ZACO	1.20	142.6	0.4	0.5	5.1	6.0	7.8	8.4
YASK	0.27	73.4	0.3	0.5	4.4	5.6	9.0	9.8
DKOK	0.17	42.2	0.7	0.9	3.8	31.2	9.0	neg
BKOK	0.12	81.5	0.6	0.9	10.2	11.2	21.7	18.2
Average			0.7	1.0	6.7	13.1	14.2	22.5
Median			0.7	0.9	4.8	11.3	9.0	18.2

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
Taiyuan Coal Gasification Co	243.3	0.8	0.6	3.9	2.7	10.7	7.3
Gujarat NRE Coke Limited	142.0	1.3	0.9	2.8	2.9	4.4	4.1
Taiyuan Chemical Inds Co Ltd	209.7	1.0	0.6	10.2	6.5	22.8	14.7
Shanxi Coking Co Ltd	285.0	1.4	1.4	7.2	7.2	22.5	22.3
Shanxi Antai Co Ltd	248.5	1.6	1.3	8.4	7.0	14.0	19.1
Heilongjiang Heihua Co	274.1	1.8	1.1	12.9	8.3	54.5	35.2
Excel Coal Ltd	1316.0	5.8	4.5	21.7	11.8	18.4	19.1
Average		1.9	1.5	9.6	6.6	21.0	17.4
Median		1.4	1.1	8.4	7.0	18.4	19.1

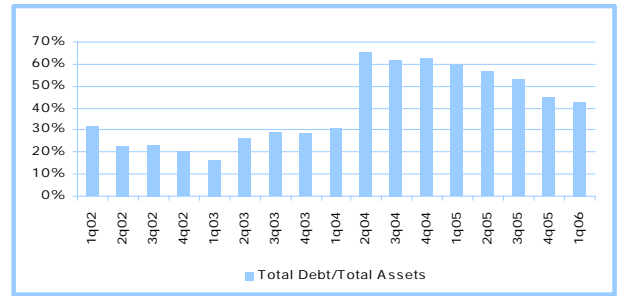
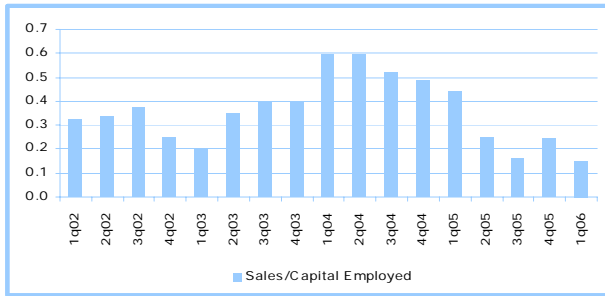
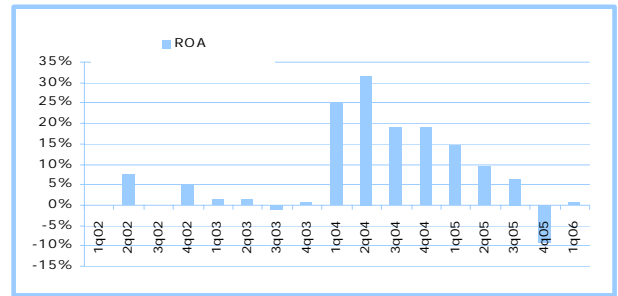
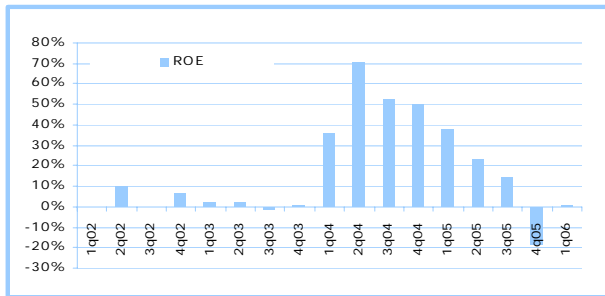
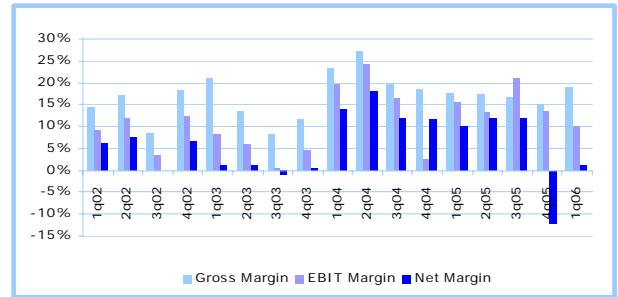
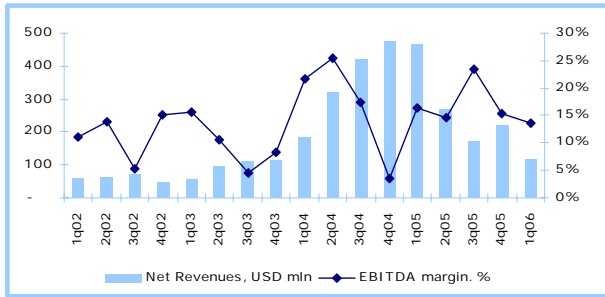
AVDK	Premium/ (Discount) by Average	-61%	13%	-58%	96%	-61%	137%
	Premium/ (Discount) by Median	-45%	48%	-51%	86%	-56%	116%
	Implied Price by Average, USD	10.01	2.59	9.18	0.96	8.00	1.31
	Implied Price by Median, USD	6.78	1.68	7.78	1.08	7.00	1.44
	Upside (Downside) by Average	222%	-17%	195%	-69%	157%	-58%
	Upside (Downside) by Median	118%	-46%	150%	-65%	125%	-54%
ALKZ	Premium/ (Discount) by Average	-24%	-8%	13%	74%	41%	19%
	Premium/ (Discount) by Median	6%	20%	30%	65%	61%	9%
	Implied Price by Average, USD	0.10	0.08	0.06	0.03	0.05	0.06
	Implied Price by Median, USD	0.07	0.06	0.06	0.03	0.05	0.07
	Upside (Downside) by Average	36%	12%	-13%	-60%	-29%	-16%
	Upside (Downside) by Median	-6%	-24%	-26%	-56%	-38%	-8%
ZACO	Premium/ (Discount) by Average	-78%	-68%	-52%	-9%	-63%	-52%
	Premium/ (Discount) by Median	-70%	-58%	-45%	-14%	-58%	-56%
	Implied Price by Average, USD	5.49	4.00	2.49	1.33	3.24	2.47
	Implied Price by Median, USD	3.93	3.03	2.16	1.41	2.84	2.71
	Upside (Downside) by Average	359%	234%	108%	11%	171%	107%
	Upside (Downside) by Median	229%	153%	81%	18%	137%	126%
YASK	Premium/ (Discount) by Average	-82%	-67%	-59%	-16%	-57%	-44%
	Premium/ (Discount) by Median	-76%	-56%	-53%	-20%	-51%	-49%
	Implied Price by Average, USD	1.52	0.89	0.65	0.33	0.63	0.48
	Implied Price by Median, USD	1.09	0.67	0.56	0.35	0.55	0.52
	Upside (Downside) by Average	467%	232%	142%	22%	134%	78%
	Upside (Downside) by Median	306%	150%	110%	30%	105%	95%
DKOK	Premium/ (Discount) by Average	-62%	-38%	-65%	372%	-57%	n/m
	Premium/ (Discount) by Median	-47%	-18%	-59%	348%	-51%	n/m
	Implied Price by Average, USD	0.44	0.27	0.48	0.03	0.40	n/a
	Implied Price by Median, USD	0.32	0.21	0.41	0.04	0.35	n/a
	Upside (Downside) by Average	162%	60%	182%	-79%	135%	n/m
	Upside (Downside) by Median	87%	23%	145%	-78%	105%	n/m
BKOK	Premium/ (Discount) by Average	-70%	-43%	-5%	69%	3%	4%
	Premium/ (Discount) by Median	-52%	-22%	-48%	63%	-51%	-5%
	Implied Price by Average, USD	0.40	0.21	0.12	0.07	0.12	0.11
	Implied Price by Median, USD	0.28	0.16	0.11	0.07	0.10	0.12
	Upside (Downside) by Average	235%	81%	5%	-43%	-3%	-4%
	Upside (Downside) by Median	140%	37%	-9%	-40%	-15%	5%

Coke Reported Financials, According to UAS

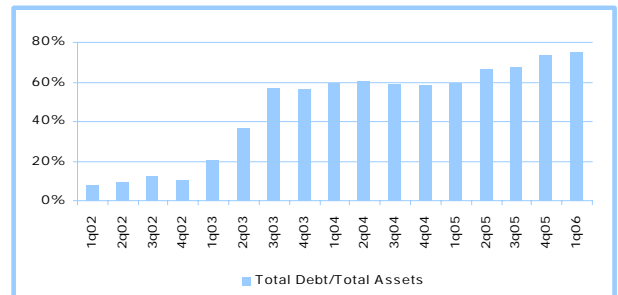
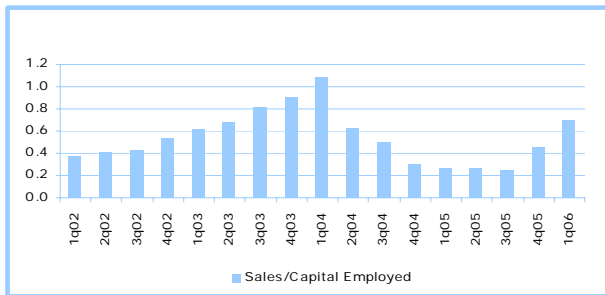
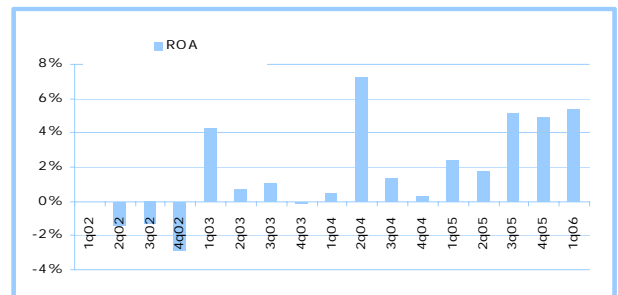
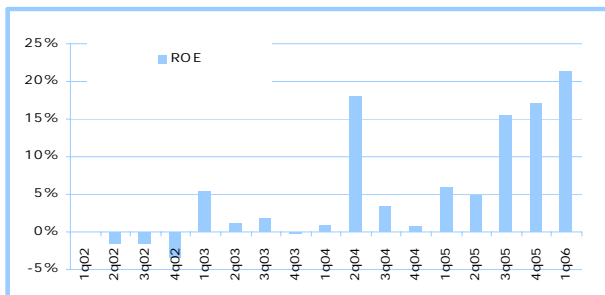
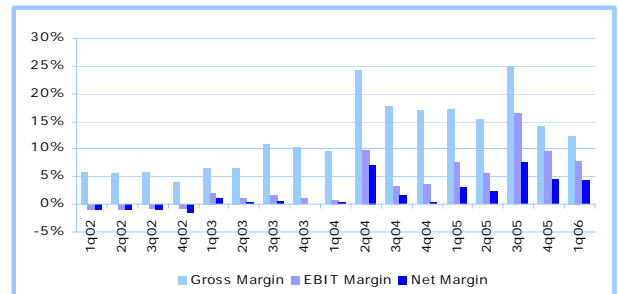
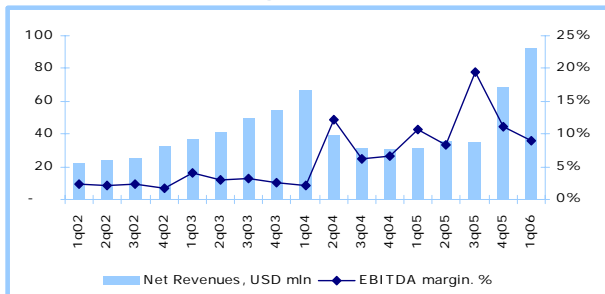
Income Statement Summary, USD mln	AVDK			ALKZ			ZACO			YASK			DKOK			BKOK		
	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06
Net Revenues	1 401.4	1 128.4	116.6	168.4	170.8	92.7	344.7	335.6	76.9	192.1	213.5	62.6	109.1	56.6	8.5	28.9	140.0	37.0
Cost Of Sales	(1 100.1)	(937.6)	(94.7)	(141.5)	(141.3)	(81.3)	(284.5)	(299.7)	(68.9)	(164.2)	(186.8)	(55.6)	(68.0)	(39.2)	(5.5)	(25.7)	(130.8)	(33.4)
Gross Profit	301.3	190.8	21.9	26.8	29.5	11.4	60.2	35.9	8.0	27.9	26.7	7.0	41.1	17.4	3.0	3.2	9.2	3.6
Other Operating Income/Costs, net	(70.1)	22.6	(1.0)	(0.9)	(0.5)	(0.9)	(0.8)	(2.2)	(0.5)	(1.3)	(1.5)	(0.3)	(0.8)	(2.2)	0.0	0.6	1.9	(0.1)
SG&A	(20.3)	(23.1)	(5.0)	(15.7)	(8.2)	(2.2)	(11.5)	(6.1)	(2.0)	(6.1)	(8.6)	(2.9)	(5.0)	(4.1)	(1.1)	(1.8)	(3.1)	(0.7)
EBITDA	210.9	190.3	16.0	10.3	20.8	8.3	47.9	27.6	5.5	20.5	16.6	3.8	35.4	11.1	1.9	2.0	8.0	2.7
EBITDA margin, %	15.0%	16.9%	13.7%	6.1%	12.2%	9.0%	13.9%	8.2%	7.1%	10.7%	7.8%	6.0%	32.4%	19.6%	22.4%	6.9%	5.7%	7.4%
Depreciation	(16.1)	(16.9)	(4.1)	(3.7)	(4.1)	(1.1)	(2.6)	(3.2)	(0.9)	(3.4)	(4.1)	(1.1)	(1.3)	(1.7)	(0.5)	(1.3)	(1.3)	(0.4)
EBIT	194.8	173.3	11.9	6.5	16.7	7.3	45.3	24.4	4.5	17.1	12.4	2.7	34.1	9.4	1.4	0.7	6.7	2.4
EBIT margin, %	13.9%	15.4%	10.2%	3.9%	9.8%	7.9%	13.1%	7.3%	5.9%	8.9%	5.8%	4.3%	31.2%	16.5%	16.3%	2.5%	4.8%	6.4%
Interest Expense	(15.5)	(49.4)	(7.5)	(0.3)	(3.9)	(1.5)	(0.4)	(0.1)	-	(0.6)	(0.2)	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.1)	-
Financial income/(expense)	59.7	(31.7)	-	0.1	0.1	0.0	0.3	0.7	0.1	0.0	(0.1)	0.0	0.0	0.0	-	0.0	0.0	0.0
Other income/(expense)	0.0	24.9	(1.1)	(0.6)	(0.7)	(0.0)	(0.3)	0.0	0.4	0.0	-	0.1	(0.0)	(0.2)	(0.3)	(0.2)	(0.4)	(0.0)
PBT	239.0	117.1	3.3	5.8	12.3	5.8	44.9	25.0	5.1	16.5	12.2	2.7	34.1	9.1	1.1	0.5	6.2	2.4
Tax	(50.1)	(43.5)	(2.0)	(2.2)	(4.8)	(1.7)	(11.3)	(6.6)	(1.2)	(4.8)	(4.0)	(1.2)	(9.7)	(4.4)	(0.4)	-	(2.4)	(0.0)
Extraordinary Income/(loss)	0.1	0.4	(0.2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	189.0	73.6	1.3	3.6	7.5	4.1	33.5	18.4	3.9	11.6	8.2	1.5	24.3	4.7	0.7	0.5	3.8	2.4
Net Margin, %	13.5%	6.5%	1.1%	2.1%	4.4%	4.4%	9.7%	5.5%	5.1%	6.1%	3.8%	2.4%	22.3%	8.3%	7.9%	1.7%	2.7%	6.4%

Balance Sheet Summary, USD mln	AVDK			ALKZ			ZACO			YASK			DKOK			BKOK		
	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06	2004	2005	1Q06
Current Assets	303	200	231	69	155	172	61	54	57	47	39	35	45	40	44	47	75	72
Cash & Equivalents	13	36	13	5	8	8	5	1	0	0	1	0	1	0	1	0	0	0
Trade Receivables	101	46	40	39	59	88	5	17	20	19	1	5	10	18	5	4	16	19
Inventories	33	35	35	20	73	67	37	23	26	24	30	23	7	5	6	20	10	11
Other current assets	157	83	143	6	15	10	14	12	10	4	7	7	27	17	32	23	48	41
Fixed Assets	957	844	789	83	132	146	61	74	77	58	77	80	46	46	43	20	27	45
PP&E, net	131	135	131	42	44	44	30	32	32	40	50	49	21	24	23	14	14	22
Other Fixed Assets	825	710	658	41	88	102	30	42	45	18	27	31	25	22	20	6	13	23
Total Assets	1 260	1 044	1 021	153	287	318	121	128	134	104	116	114	91	86	86	67	102	117
Shareholders' Equity	471	579	580	64	75	79	60	81	85	52	65	68	70	79	79	24	29	49
Share Capital	64	67	67	10	10	10	0	0	0	13	14	17	12	12	12	16	17	17
Reserves and Other	107	122	122	50	53	53	39	42	41	23	26	26	24	25	25	13	13	30
Retained Earnings	300	389	390	4	12	16	21	39	43	16	24	26	35	42	42	(5)	(1)	1
Current Liabilities	283	144	239	51	136	186	61	9	11	52	51	46	21	7	7	43	70	66
ST Interest Bearing Debt	-	-	109	1	2	2	0	-	-	1	-	-	0	-	-	0	0	0
Trade Payables	169	94	56	46	94	108	20	6	7	49	48	42	18	7	6	33	48	43
Accrued Wages	1	1	1	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0
Accrued Taxes	6	0	0	0	1	1	3	1	1	0	0	1	0	0	0	0	0	0
Other Current Liabilities	107	48	73	4	40	75	37	1	2	2	2	2	3	0	1	9	22	22
LT Liabilities	506	321	201	38	77	54	0	38	38	-	-	-	-	0	0	0	2	2
LT Interest Bearing Debt	479	298	178	4	34	38	-	-	-	-	-	-	-	-	-	-	-	-
Other LT	27	24	24	34	42	16	0	38	38	-	-	-	-	0	0	0	2	2
Total Liabilities & Equity	1 260	1 044	1 021	153	287	318	121	128	134	104	116	114	91	86	86	67	102	117

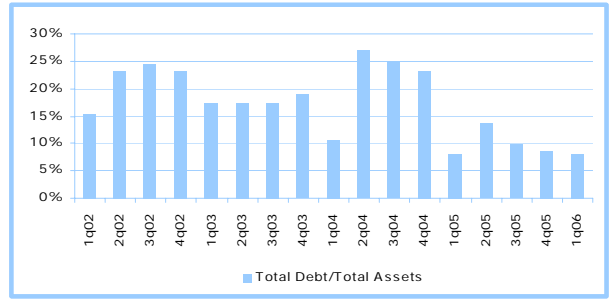
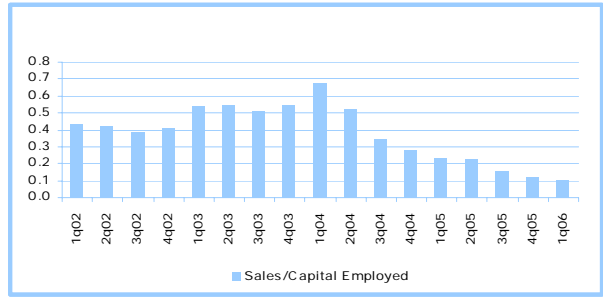
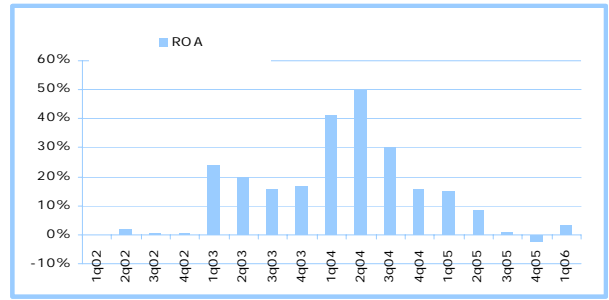
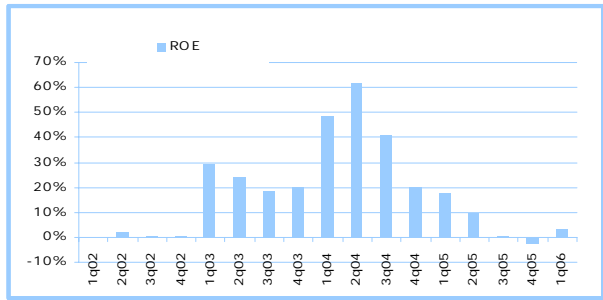
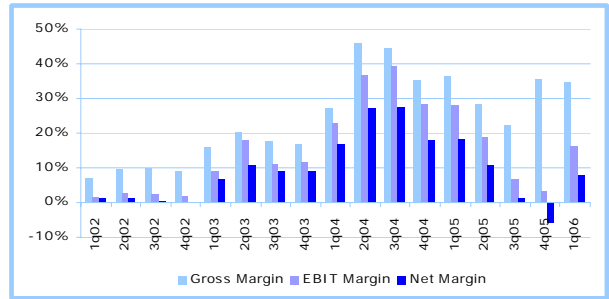
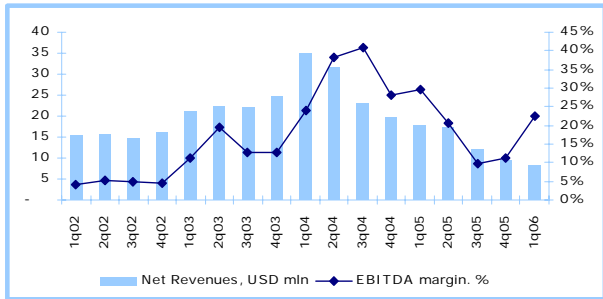
AVDK – Quarterly



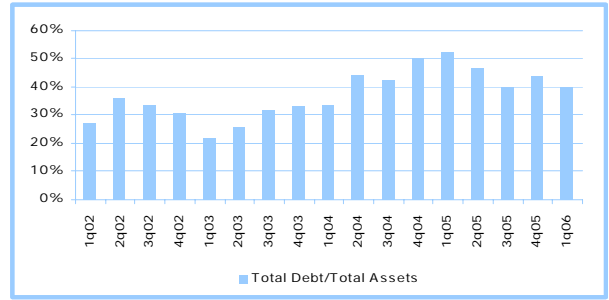
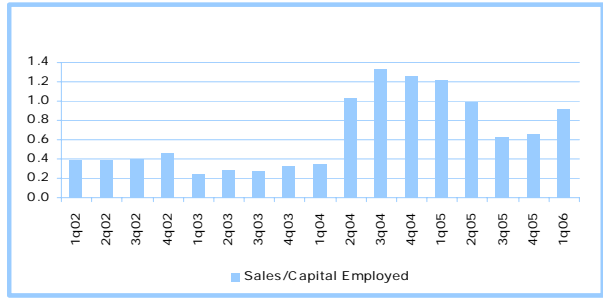
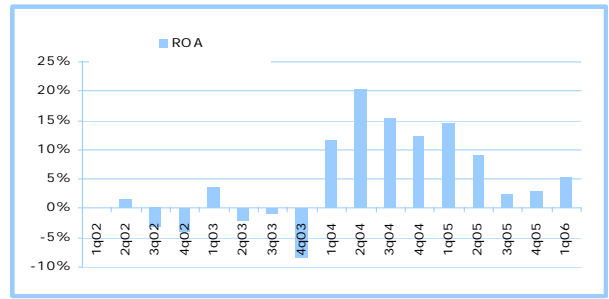
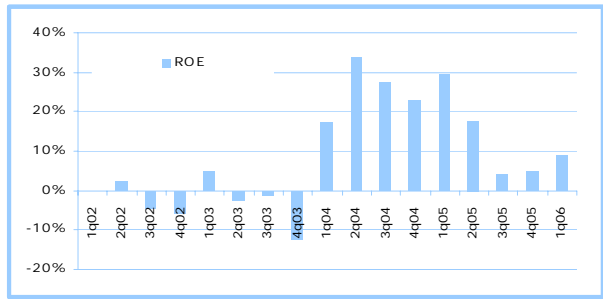
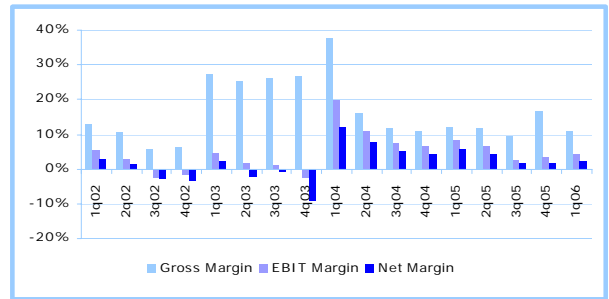
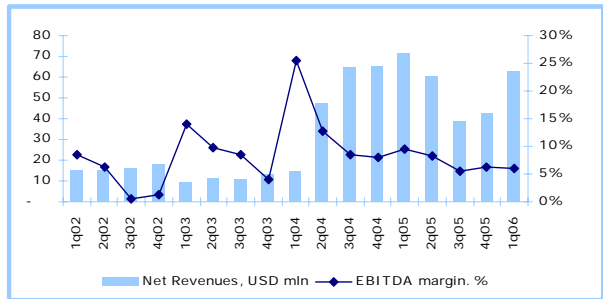
ALKZ – Quarterly



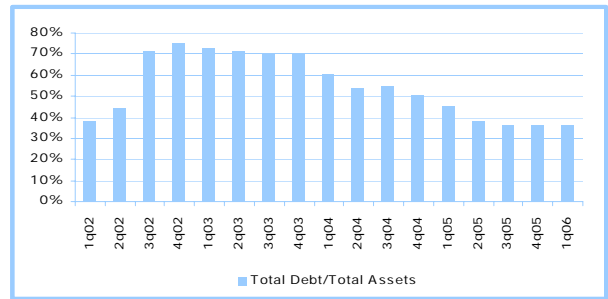
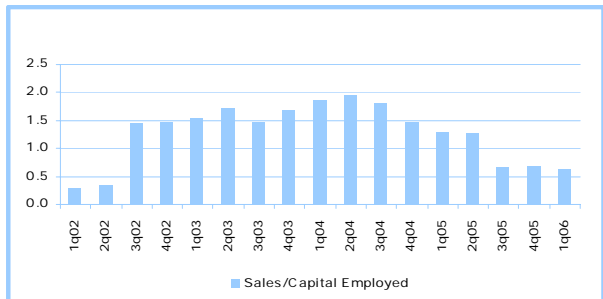
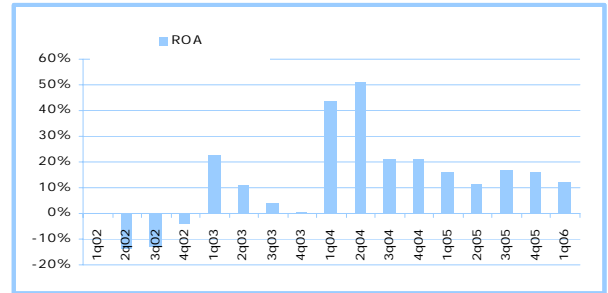
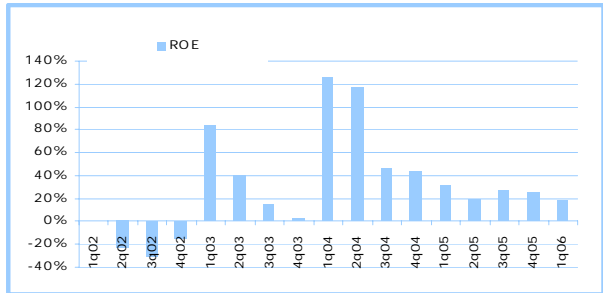
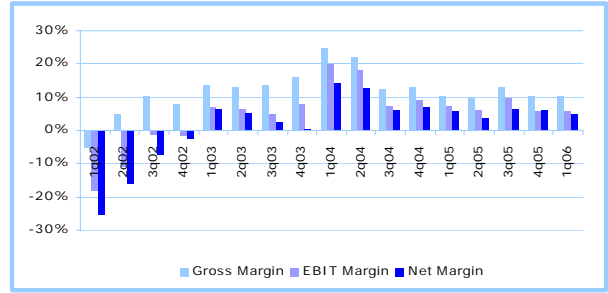
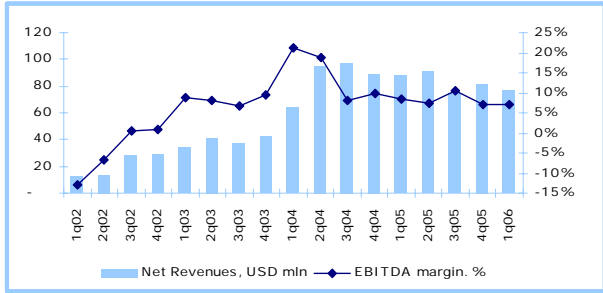
DKOK – Quarterly



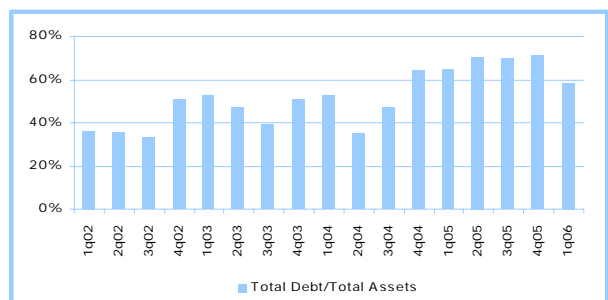
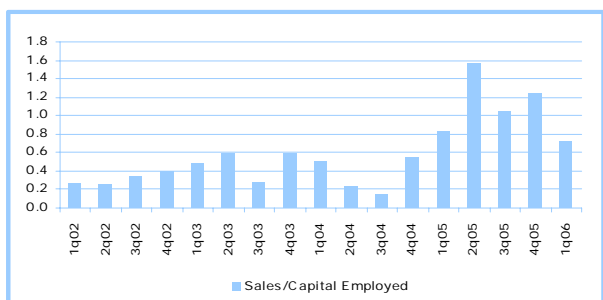
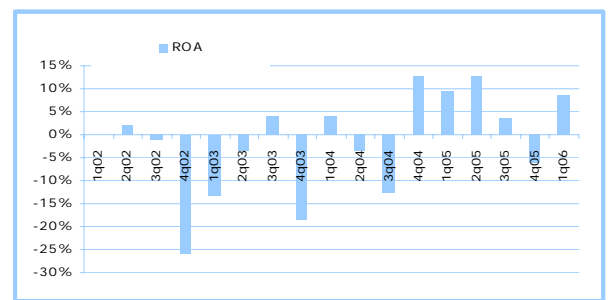
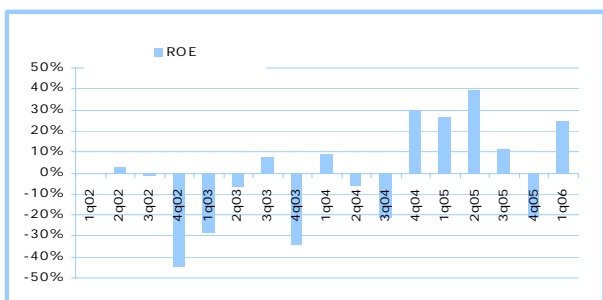
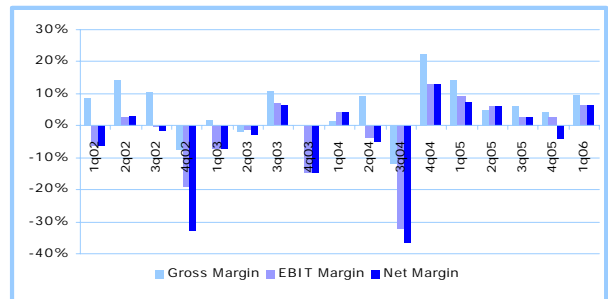
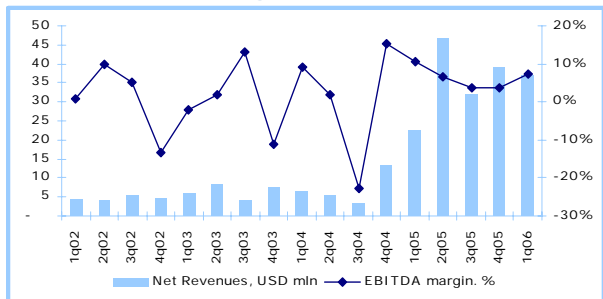
YASK – Quarterly



ZACO – Quarterly



BKOK – Quarterly



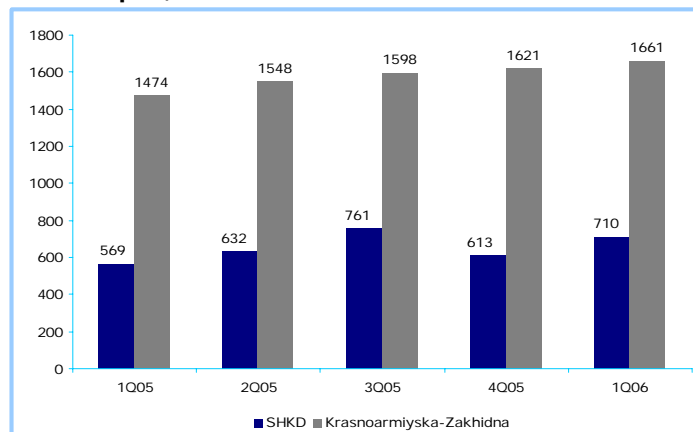
COAL

Coal Stocks: The Buzz On The Market

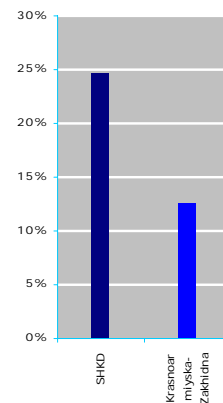
Ticker	Upside, %	Rec'
SHKD	66.7%	BUY
Zakhidna	46.3%	BUY

The revival of the coal industry, driven by sky-high prices for oil and gas has the market buzzing about coal stocks. In 1Q06 the two mining companies that we cover increased coal extraction - Komsomolets Donbassa (**SHKD**) by ~25% yoy and Krasnoarmiyska-Zakhidna by ~13% yoy.

Coal Output, ths mt



Growth 1Q06 yoy



Source: *Energobusiness magazine*

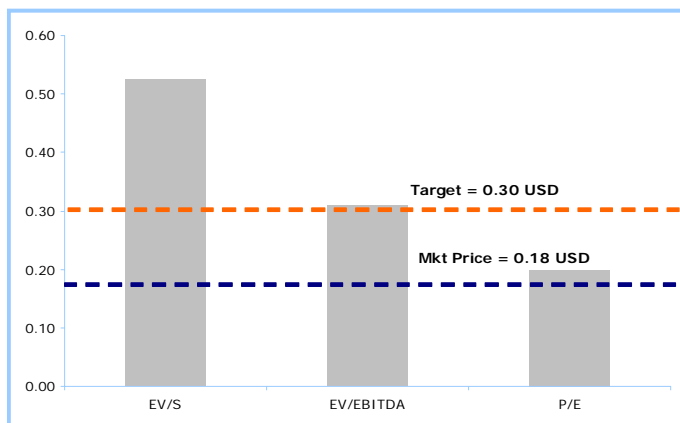
We have **BUY** recommendations for both stocks:

Our target price for Krasnoarmiyska-Zakhidna is USD 0.60, as suggested by the EV/S metric which gives the most conservative valuation.

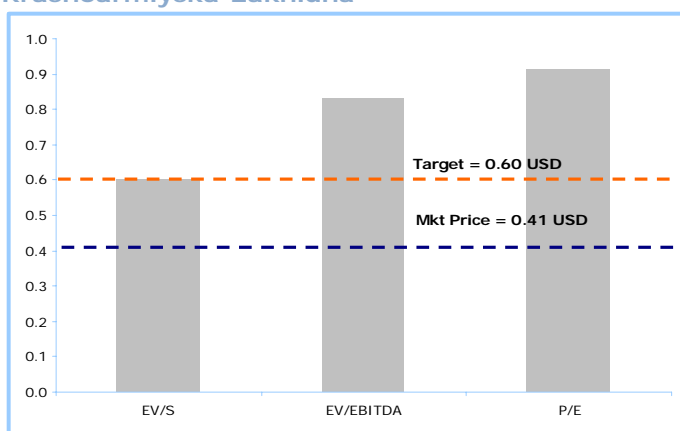
We believe the most appropriate metric for **SHKD** valuation is EV/EBITDA, as EV/S does not take into account the company's low margins and P/E is most subject to accounting manipulations. Our target price for the stock is USD 0.30.

Coal Mining Valuation Summary

SHKD



Krasnoarmiyska-Zakhidna



Ukraine

Company	Current Price, USD	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
			2005	2006E	2005	2006E	2005	2006E
SHKD	0.18	60.3	0.7	0.6	4.2	3.4	85.9	11.6
Krasnoarmiyska-Zakhidna*	0.41	347.9	1.3	1.2	3.0	2.9	5.5	5.8
Average			1.0	0.9	3.6	3.1	45.7	8.7
Median			1.0	0.9	3.6	3.1	45.7	8.7

International Peers

Company	Mcap, USD mn	EV/S		EV/EBITDA		P/E	
		2005	2006E	2005	2006E	2005	2006E
Alliance Resource Partners Limited	1350.3	1.7	1.5	6.1	5.6	9.1	8.1
ATH Resources PLC	153.8	2.6	1.8	8.9	5.4	22.9	n/a
Banpu Public PCL	1047.4	2.0	1.6	4.4	6.6	7.7	10.6
Centennial Coal Company Limited	766.1	2.4	1.8	10.4	6.7	28.0	14.5
Excel Coal	1232.0	5.4	3.6	12.1	9.1	17.0	16.4
Gloucester Coal Limited	194.7	2.7	1.8	8.2	4.6	15.0	6.3
ICG Inc	741.3	1.2	1.0	7.4	5.5	23.3	10.4
James River Coal Company	533.9	1.5	1.0	17.7	5.8	neg	38.3
Macarthur Coal	687.0	2.3	1.5	n/a	4.1	14.7	7.2
New Hope Corp. Limited	781.2	1.9	2.9	0.8	8.5	2.2	n/a
Semirara Mining Corp.	150.7	1.7	0.8	2.7	1.7	5.0	6.4
Shanxi Xishan 'A'	1323.9	2.0	1.7	6.1	6.2	11.0	10.5
Tambang Batubara Bukit	891.6	2.6	1.8	11.2	8.0	18.8	12.4
UK Coal PLC	469.5	0.8	0.8	neg	3.8	neg	n/a
Average		2.2	1.7	4.6	5.8	9.1	12.8
Median		2.0	1.6	7.4	5.7	12.9	10.5
SHKD	Premium/ (Discount) by Average	-68%	-66%	-9%	-42%	846%	-9%
	Premium/ (Discount) by Median	-64%	-65%	-43%	-41%	568%	11%
	Implied Price by Average, USD	0.55	0.53	0.20	0.31	0.02	0.20
	Implied Price by Median, USD	0.50	0.51	0.32	0.30	0.03	0.16
	Upside (Downside) by Average	206%	192%	10%	72%	-89%	10%
Upside (Downside) by Median	178%	184%	75%	68%	-85%	-10%	
Zakhidna	Premium/ (Discount) by Average	-43%	-32%	-36%	-51%	-40%	-55%
	Premium/ (Discount) by Median	-37%	-30%	-60%	-50%	-57%	-45%
	Implied Price by Average, USD	0.72	0.60	0.64	0.83	0.68	0.91
	Implied Price by Median, USD	0.65	0.59	1.02	0.81	0.96	0.75
	Upside (Downside) by Average	75%	47%	56%	102%	66%	123%
Upside (Downside) by Median	59%	43%	149%	98%	135%	82%	

*Krasnoarmiyska-Zakhidna shares are not listed on any exchange. The price used to calculate MCAP is an indicative price for blocks of shares available on the OTC market.

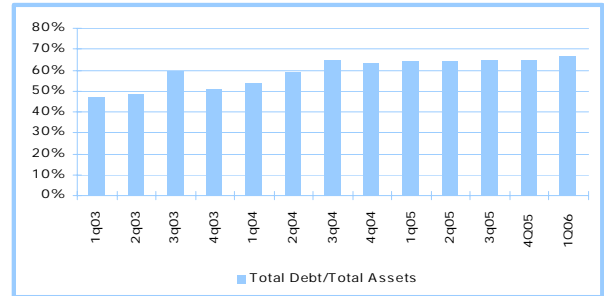
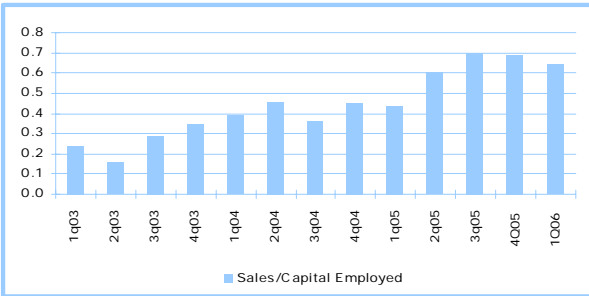
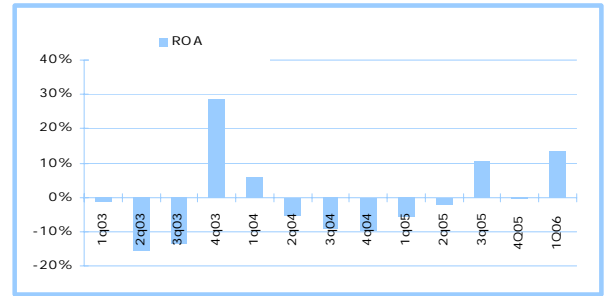
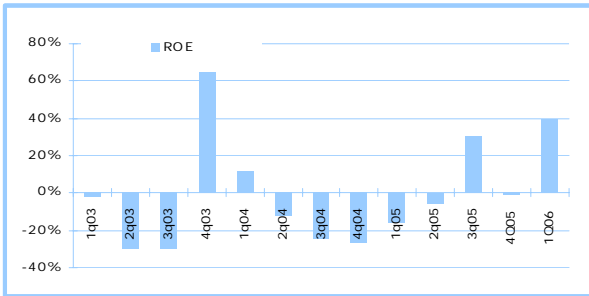
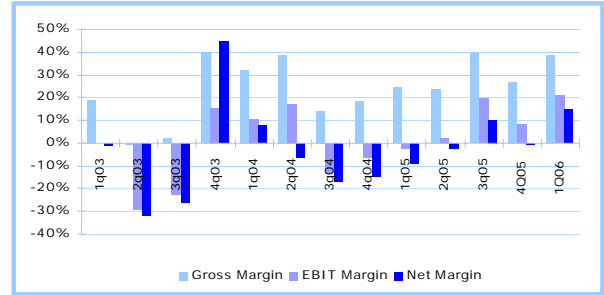
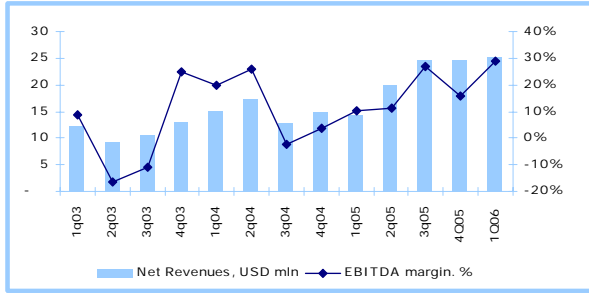


Coal Reported Financials, According to UAS

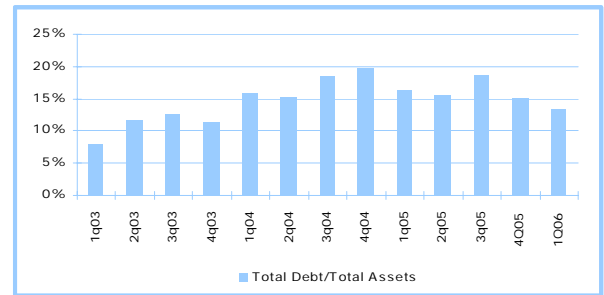
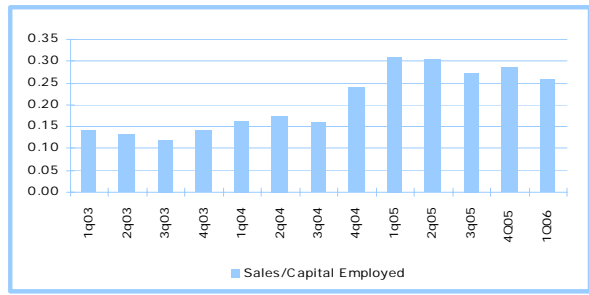
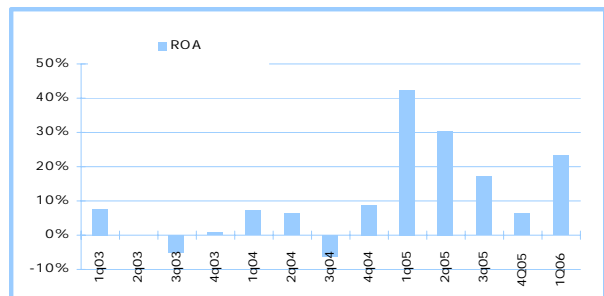
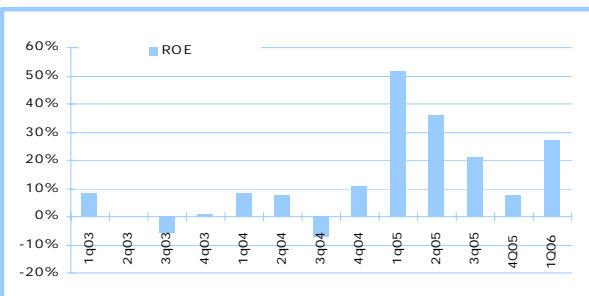
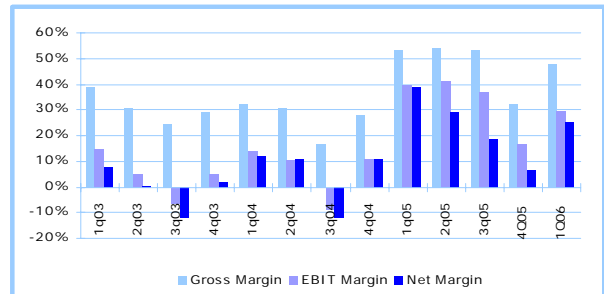
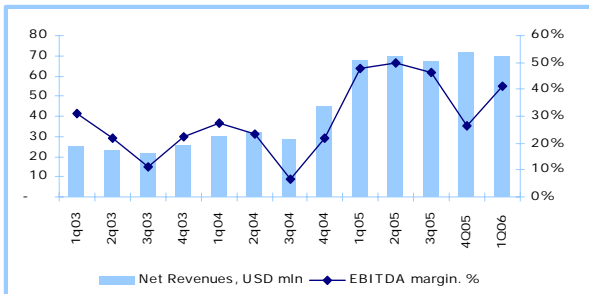
Income Statement Summary, USD mln	Krasnoarmiyska-Zakhidna				SHKD			
	2003	2004	2005	1Q06	2003	2004	2005	1Q06
Net Revenues	95.7	134.8	276.9	69.6	45.2	60.3	83.8	25.3
Cost Of Sales	(66.2)	(98.0)	(144.2)	(36.3)	(37.5)	(44.1)	(59.3)	(15.6)
Gross Profit	29.5	36.8	132.7	33.3	7.7	16.2	24.5	9.7
Other Operating Income/Costs, net	(5.1)	(5.4)	(7.3)	(1.0)	(2.6)	(4.0)	(4.6)	(0.6)
SG&A	(3.2)	(4.2)	(7.7)	(3.4)	(3.5)	(4.5)	(5.6)	(1.7)
EBITDA	21.1	27.2	117.7	28.8	1.7	7.7	14.3	7.4
<i>EBITDA margin, %</i>	22.1%	20.2%	42.5%	41.3%	3.7%	12.7%	17.0%	29.1%
Depreciation	(16.3)	(17.1)	(24.8)	(8.1)	(4.7)	(5.7)	(7.3)	(2.1)
EBIT	4.9	10.1	92.9	20.7	(3.1)	1.9	7.0	5.3
<i>EBIT margin, %</i>	5.1%	7.5%	33.5%	29.7%	-6.8%	3.2%	8.3%	21.0%
Interest Expense	(1.1)	(0.6)	(0.0)	(0.0)	(0.1)	(0.2)	(0.0)	(0.0)
Financial income/(expense)	0.0	0.0	0.0	0.0	-	-	0.0	-
Other income/(expense)	(3.8)	(0.8)	(1.3)	(0.5)	3.2	(5.4)	(1.4)	(0.1)
PBT	(0.1)	8.7	91.5	20.1	0.0	(3.7)	5.5	5.2
Tax	-	-	(27.9)	(2.4)	(0.0)	(0.8)	(4.8)	(1.5)
Extraordinary Income/(loss)	-	-	-	-	0.2	(0.0)	(0.0)	-
Net Income	(0.1)	8.7	63.6	17.7	(0.0)	(4.5)	0.7	3.7
<i>Net Margin, %</i>	-0.1%	6.4%	23.0%	25.5%	-0.1%	-7.4%	0.8%	14.5%

Balance Sheet Summary, USD mln	Krasnoarmiyska-Zakhidna				SHKD			
	2003	2004	2005	1Q06	2003	2004	2005	1Q06
Current Assets	47	35	26	38	13	17	20	39
Cash & Equivalents	0	0	0	0	0	0	1	0
Trade Receivables	26	6	5	12	8	10	10	19
Inventories	7	14	17	20	3	4	4	5
Other current assets	13	15	4	5	3	2	5	15
Fixed Assets	153	196	271	273	63	72	81	80
PP&E, net	130	160	210	206	60	64	71	70
Other Fixed Assets	23	35	61	67	3	8	9	10
Total Assets	199	231	297	311	76	89	100	119
Shareholders' Equity	177	185	252	270	37	33	35	39
Share Capital	40	39	42	42	16	16	17	17
Reserves and Other	90	92	101	101	23	23	25	25
Retained Earnings	47	55	109	126	(2)	(6)	(6)	(3)
Current Liabilities	20	45	45	42	38	56	65	79
ST Interest Bearing Debt	6	0	-	-	2	0	-	-
Trade Payables	9	37	30	28	34	38	46	48
Accrued Wages	2	2	4	4	1	1	2	2
Accrued Taxes	0	1	3	2	0	2	3	3
Other Current Liabilities	3	4	8	7	1	15	14	26
LT Liabilities	3	0	0	0	0	0	0	0
LT Interest Bearing Debt	3	-	-	-	-	-	-	-
Total Liabilities & Equity	199	231	297	311	76	89	100	119

SHKD – Quarterly



Krasnoarmyska-Zakhidna – Quarterly



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

Director, Equity Sales

Peter Bobrinsky

pb@concorde.com.ua

Equity Sales

Marina Martirosyan
Lucas Romriell
Anastasiya Nazarenko
Elena Petrashko

mm@concorde.com.ua
lr@concorde.com.ua
an@concorde.com.ua
ep@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Chief Strategist

Tom Warner

tw@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Metals & Mining

Andriy Gostik
Eugene Cherviachenko

ag@concorde.com.ua
ec@concorde.com.ua

Machine Building, Construction, Consumer Goods

Olga Pankiv

op@concorde.com.ua

Banking & Macroeconomics, Retail

Alexander Viktorov

av@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Politics

Nick Piazza

np@concorde.com.ua

Junior Analyst

Polina Khomenko

pk@concorde.com.ua

Editor

Erika Fedirko

ef@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 may have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients may have or have had interests or long or short positions in the securities referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Concorde Capital may act or have acted as 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 compensations based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the 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. © 2006 Concorde Capital
