

BUY

May 30, 2007
 12M Target: USD 0.42

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Market information

Bloomberg	PGZK UZ
No of Shares, mln	2,143.7
Market price, USD	0.23
52Wk H/L, USD	0.23/0.06
MCap, USD mln	491.3
Free float	7.5%
FF MCap, USD mln	36.8

Stock ownership

Privat group	47.9%
Smart group	44.4%
Other	7.7%

Ratios, 2005

EBITDA Margin	14%
Net Margin	2%
Net Debt/Equity	0.25

At today's AGM, the shareholders of Pivdenny Iron Ore voted to cancel an additional share issue of 4.3 mln ordinary shares that would have tripled the company's charter fund.

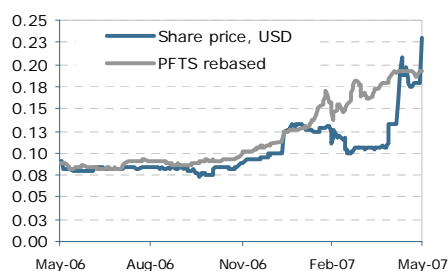
This decision should put an end to an almost two years of PGZK trading on a diluted basis (subscription had been pending since early 2005).

The market seems to have overlooked the news, making PGZK a good bargain: on an undiluted basis its current price offers a 83% upside. We reiterate our BUY recommendation.

	Before AGM	After AGM*
Market price	0.18	0.23
Target price	0.14	0.42
Upside/Downside, %	-21.9%	83.2%

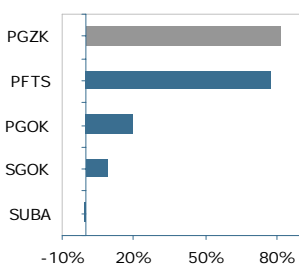
* target price is technically adjusted based on the number of shares accounting for share issue cancellation

Stock performance vs. PFTS

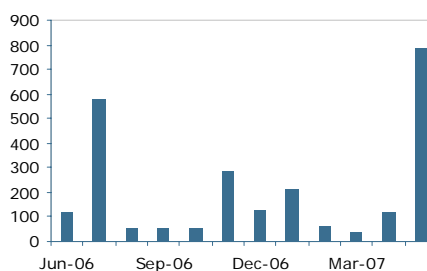


Source: PFTS, Bloomberg

Sector performance, YTD



Trading volume, USD ths



Key financials & ratios

(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2005	266.3	14.0%	1.9%	2.0	14.4	n/m
2006E	315.7	9.3%	0.6%	1.8	19.8	n/m
2007E	397.8	13.4%	4.9%	1.5	11.0	25.1

Spot exchange rate: 5.05

Analyst certification

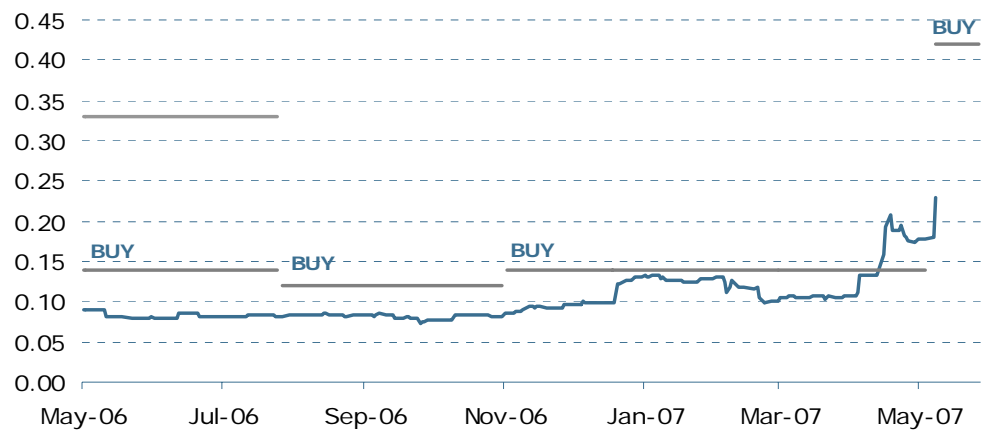
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Date	12M target price, USD	Market price, USD	Recommendation	Action
27 May 05	0.09/0.25	0.04	BUY	Initiate
09 Mar 06	0.33/0.14	0.23	BUY	Maintain
18 Aug 06	0.12	0.09	BUY	Maintain
23 Nov 06	0.14	0.08	BUY	Maintain
30 May 07	0.42	0.23	BUY	Maintain

* Due to uncertainties with PGZK's additional share issue we reported both diluted and undiluted target prices from May 2005 to August 2006.

** From May 2005 to October 2006 the companies were covered by other analysts, Viktor Koval and Andriy Gostik. In November 2006, Eugene Cherviachenko joined Andriy Gostik in coverage of these companies. Koval is no longer an analyst with Concorde Capital.

Recommendation history, USD



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