



CONCORDE CAPITAL

Ukraine / Steel

# Privat group

Steel assets sold to Evraz

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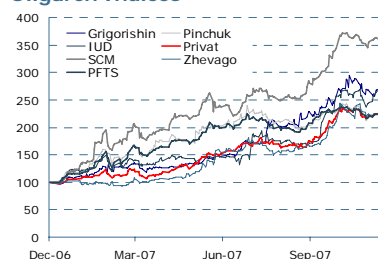
According to today's announcement by Evraz, the Russian steel major has acquired Privat group's steel assets in Ukraine: 99.25% of Sukha Balka, 95.57% of DMP Petrovskogo, 93.74% of Bagliy Coke, 98.67% of DniproCoke, and 93.83% of Dniprodzerzhinsk Coke. The value of the transaction was not disclosed.

Company	Bloomberg
Pivdenny Iron Ore	PGZK UZ
Sukha Balka	SUBA UZ
Kriviy Rih Iron Ore	N/T
DMZ Petrovskogo	DMZP UZ
Kominmet	DMZK UZ
Bagliy Coke	BKOK UZ
DniproCoke	N/T
Dniprodzerzhinsk Coke	N/T
Nikopol Ferroalloy	NFER UZ
Zaporizhya Ferroalloy	ZFER UZ
Stakhaniv Ferroalloy	SFER UZ

	Price USD	12M TP USD	Upside	Rec.
PGZK	1.20	U/R	N/A	U/R
SUBA	0.88	U/R	N/A	U/R
DMZP	0.36	0.50	36%	BUY
DMZK	1.06	0.75	-30%	SELL
BKOK	0.08	N/R	N/A	N/R
NFER	2.82	U/R	N/A	U/R
ZFER	0.30	U/R	N/A	U/R
SFER	0.01	U/R	N/A	U/R

	MCAp, USD mln		Free Float % USD mln	
PGZK	2,579	7.5%	193.4	
SUBA	737.9	3.3%	24.4	
DMZP	682.1	10.4%	70.9	
DMZK	137.1	19.8%	27.1	
BKOK	55.0	6.0%	3.3	
NFER	856.5	2.0%	17.1	
ZFER	685.9	8.0%	54.9	
SFER	213.9	2.0%	4.3	

### Oligarch Indices



Source: Concorde Capital

- In line with our expectations from our June 22 report "Privat to Exit Iron Ore Business?"
- Evraz said it expects to close the deal in 1Q08; it is not subject to regulatory approval
- We were surprised that the announced parameters for the deal do not include Privat's stakes in Pivdenny Iron Ore and Kriviy Rih Iron Ore, which we consider the most eye-catching among Privat's steel assets. It is not clear whether Evraz will continue negotiating for control of these two iron ore mining assets. Metinvest/Smart group own a 44.4% stake in Pivdenny Iron Ore and around 50% of Kriviy Rih Iron Ore
- We believe that risk of asset stripping at Bagliy Coke still exists, however we may renew coverage as more transaction details become available
- Kominmet was not included in the deal, which implies that it was sold separately prior to the announcement
- We maintain our key forecasts, although we think the acquisition is positive for the former-Privat assets: stable coking coal supply from Evraz mines, investments in modernization and growth. We will update forecasts following an announcement on Evraz's strategy for these assets
- Although the market has already been factoring in the possibility of a sale, we expect the news to stimulate heavy trading in these names
- We recommend to watch Privat's ferroalloy wing (Nikopol, Zaporizhya and Stakhaniv Ferroalloy) as Privat will likely invest funds from the deal into this business
- Our targets maintained. We technically downgrade DMZK to SELL after its 77% surge since our September update

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Buy	37	44%
Hold	29	35%
Sell	7	8%
Under Review	11	13%
Total	84	100%

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Buy	8	80%
Hold	2	20%
Sell	0	0%
Under Review	0	0%
Total	10	100%

\* Concorde Capital provided investment banking services to the company within the past 12 months.

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