



Ukraine / Coal mining

Komsomolets Donbasa

Komsomolets Rocks

BUY

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12M Target: USD 0.70

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Market Information

Bloomberg	SHKD UZ
No of Shares, mln	334.9
Market price, USD	0.47
MCap, USD mln	157.4
Free float	2.5%
FF MCap, USD mln	3.9

Stock Ownership

DTEK	94.6%
Other	5.4%

Ratios, 2006

EBITDA Margin	26%
EBIT Margin	18%
Net Margin	7%
Net Debt/Equity	0.24

Komsomolets Donbasa's 2006 financial results, which were approved at last week's AGM, revealed substantial progress in transparency over 2006 and met our expectations. To boot, the management's financial targets for 2007 are higher than we anticipated. Backed by the robust performance of global coal stocks YTD, we conservatively upgrade our target price from USD 0.6/share to USD 0.7/share, with an upside of 49%.

P&L 2006: Our positive expectations confirmed

Last year, the company boosted sales 32% yoy to USD 110 mln (3% more than we forecasted); EBITDA margin surged to 26% from 17% in 2005 (we foresaw 29%). Its net margin increased to 7% from 1% in 2005.

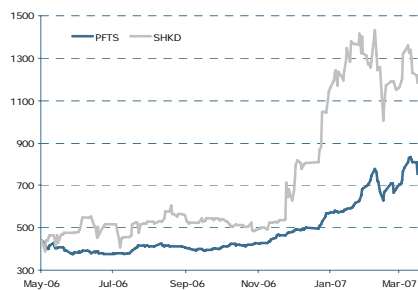
Real net income even higher

Komsomolets Donbasa's reported net margin catapulted upward seven times (!), although we had expected more. The difference is attributed to a USD 3.6 mln interest expense in the fourth quarter. Its annual report revealed that management reclassified promissory notes in the amount of USD 25 mln (apparently payable to related companies) into long-term interest bearing debt, restating the balance sheet starting from 2005. We believe that such a generous one-off interest payment was made cumulatively for the whole of 2006, and probably 2005. We treat it as a one-time event with no impact on future performance, which becomes obvious after glancing at the management's financial targets for 2007.

Strong outlook for 2007

We were pleased the 2007 financial targets management announced at the AGM closely match our forecasts made last year. Gross sales of USD 140 mln, implying net sales of around USD 117 mln (up 6% yoy); net income of USD 21 mln (up 200% yoy) even exceeds our previous projections.

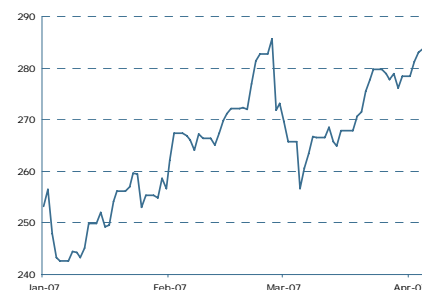
SHKD stock performance



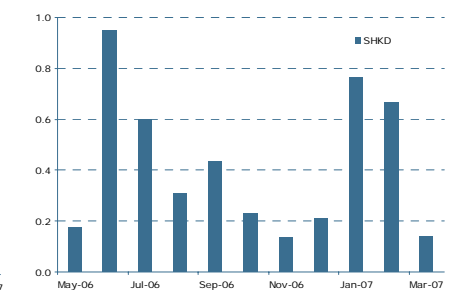
Source: PFTS, Bloomberg

Note: Bloomberg world coal index is a capitalization-weighted index of the leading coal stocks in the world

BBG world coal index



Trading volume, USD mln



Key Financials Revision

(in USD mln)	Net Revenue		EBITDA		Net income	
	New	Old	New	Old	New	Old
2005	-	83.7	-	14.3	-	0.7
2006A	110.2	105.6	28.7	30.6	6.6	14.8
2007E	117.4	117.3	35.2	35.2	21.2	17.7

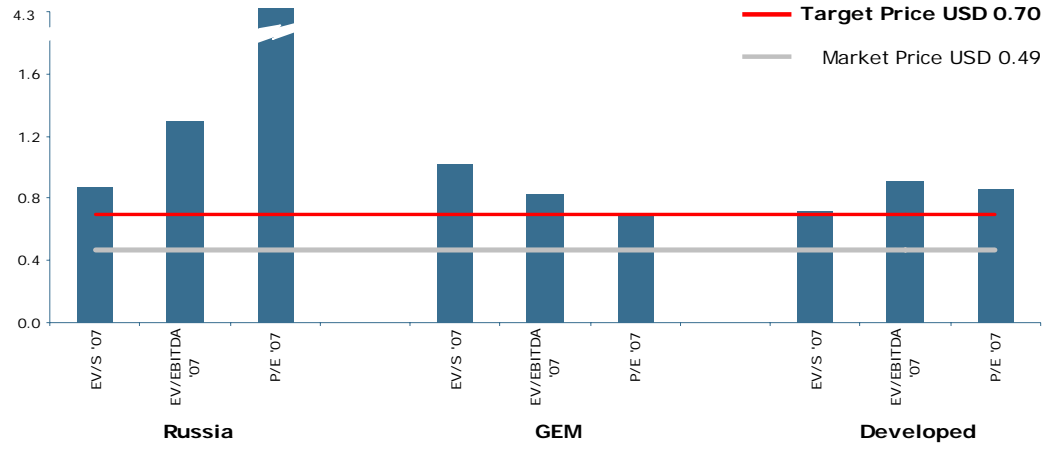
Market Multiples

EV/S	EV/EBITDA	P/E
2.2	13.4	164.1
1.7	6.3	21.6
1.3	4.5	9.0

Note: 2006 Concorde's forecasts vs. actual results; 2007 forecast revision
Spot exchange rate: 5.05

Valuation

Komsomolets Donbasa (SHKD), Upside: 49%, BUY



Russia

	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2006E	2007E	2006E	2007E	2006E	2007E
Komsomolets Donbasa	157.4	1.65	1.34	6.32	4.47	21.62	8.95
		2006E	2007E	2006E	2007E	2006E	2007E
Vorkuta Coal	409.7	0.90	1.13	2.47	3.29	2.83	3.25
Kuzbassrazrezugol	2 821.6	4.49	3.81	26.38	21.40	184.90	160.04
Average		2.69	2.47	14.43	12.35	93.86	81.65
SHKD price							
Implied by Avg, USD		0.81	0.87	1.17	1.30	2.04	4.29
Upside/Downside by Avg		73%	84%	148%	176%	334%	812%

GEM

	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2006E	2007E	2006E	2007E	2006E	2007E
Komsomolets Donbasa	157.4	1.65	1.34	6.32	4.47	21.62	8.95
		2006E	2007E	2006E	2007E	2006E	2007E
China Shenhua (China)	44 350.2	5.77	4.83	10.64	8.90	19.83	15.34
Yanzhou Coal (China)	5 623.9	3.26	2.85	7.60	6.67	15.32	13.71
Banpu Public PCL (Thailand)	1 767.3	2.36	2.32	8.29	8.28	17.70	11.13
Tambang Batubara (Indonesia)	880.8	1.81	1.61	8.72	7.66	15.46	13.30
Average		3.30	2.90	8.81	7.88	17.08	13.37
SHKD price							
Implied by Avg, USD		1.01	1.02	0.68	0.83	0.37	0.70
Upside/Downside by Avg		116%	116%	46%	76%	-21%	49%

Developed Markets

	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2006E	2007E	2006E	2007E	2006E	2007E
Komsomolets Donbasa	157.4	1.65	1.34	6.32	4.47	21.62	8.95
		2006E	2007E	2006E	2007E	2006E	2007E
Peabody (USA)	10 796.5	2.45	1.95	12.54	9.30	18.53	14.64
Arch Coal (USA)	4 410.8	2.15	2.06	9.70	8.35	18.19	15.14
Consol (USA)	7 204.1	2.04	1.95	8.87	7.22	18.47	15.21
Massey (USA)	1 987.0	1.35	1.17	8.06	5.97	40.78	14.68
Macarthur (Australia)	717.9	1.62	1.96	3.72	7.18	6.35	12.55
Foundation Coal (USA)	1 555.8	1.54	1.37	6.35	6.02	20.49	15.34
Centennial Coal (Australia)	726.1	2.02	1.81	9.83	7.78	34.55	19.54
Felix Resources (Australia)	806.1	4.12	4.14	25.56	19.77	39.73	28.20
Gloucester Coal (Australia)	238.0	2.11	1.98	5.46	6.75	8.15	11.66
Average		2.16	2.04	10.01	8.71	22.80	16.33
SHKD price							
Implied by Avg, USD		0.64	0.72	0.79	0.91	0.50	0.86
Upside/Downside by Avg		36%	52%	67%	95%	5%	82%

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

Komsomolets reported financials, UAS

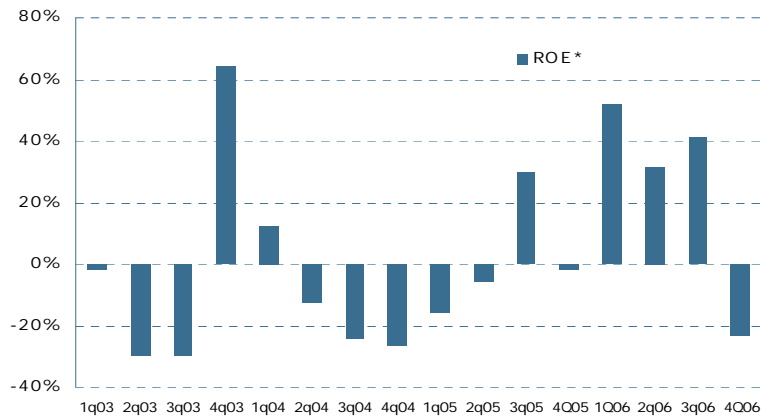
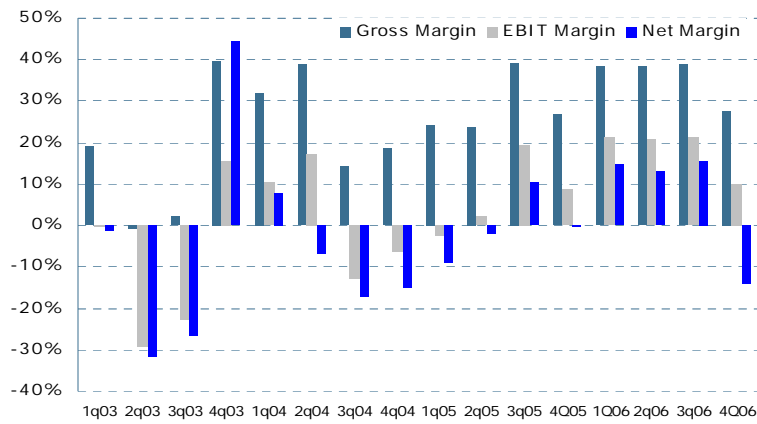
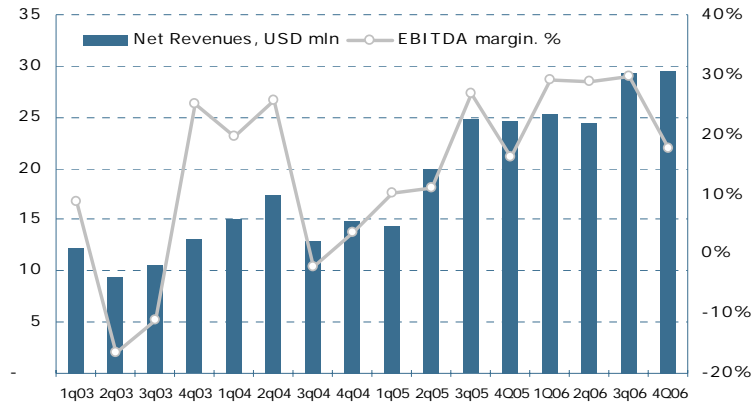
Income Statement Summary, USD mln

	2003	2004	2005	2006
Net Revenues	45	60	84	110
Cost Of Sales	(37)	(44)	(59)	(71)
Gross Profit	8	16	24	39
<i>Gross margin</i>	17%	27%	29%	36%
Other Operating Income/Costs, net	(3)	(4)	(5)	(4)
SG&A	(3)	(4)	(6)	(7)
EBITDA	2	8	14	29
<i>EBITDA margin</i>	4%	13%	17%	26%
Depreciation	(5)	(6)	(7)	(9)
EBIT	(3)	2	7	20
<i>EBIT margin</i>	-7%	3%	8%	18%
Interest Expense	(0)	(0)	(0)	(4)
Financial income/(expense)	-	-	0	0
Other income/(expense)	3	(5)	(1)	(1)
PBT	0	(4)	6	15
Tax	(0)	(1)	(5)	(8)
Extraordinary Income/(loss)	0	(0)	(0)	(0)
Net Income	(0)	(4)	1	7
<i>Net Margin</i>	0%	-7%	1%	7%

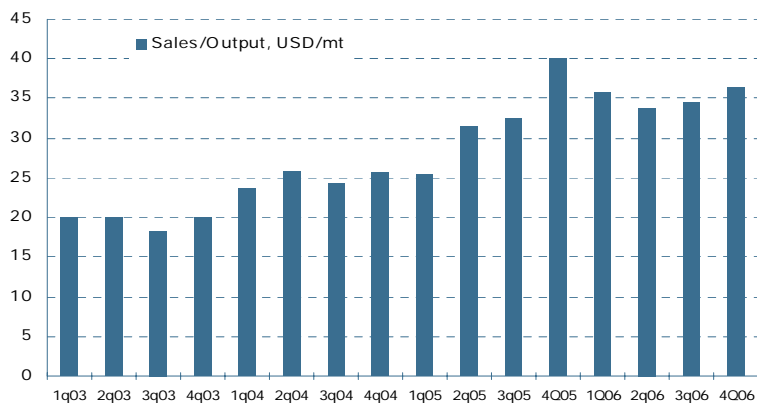
Balance Sheet Summary, USD mln

	2003	2004	2005	2006
Current Assets	13	17	18	33
Cash & Equivalents	0	0	1	2
Trade Receivables	8	10	9	12
Inventories	3	4	4	14
Other current assets	3	2	4	5
Fixed Assets	63	72	77	178
PP&E, net	60	64	68	170
Other Fixed Assets	3	8	9	8
Total Assets	76	89	95	211
Shareholders' Equity	37	33	18	99
Share Capital	16	16	16	16
Reserves and Other	23	23	2	83
Current Liabilities	38	56	56	62
ST Interest Bearing Debt	2	0	-	-
Trade Payables	34	38	14	24
Accrued Wages	1	1	2	2
Accrued Taxes	0	2	3	2
Other Current Liabilities	1	15	37	33
LT Liabilities	0	0	21	50
LT Interest Bearing Debt	-	-	21	26
Other LT	0	0	0	24
Total Liabilities & Equity	76	89	95	211

Komsomolets quarterly analysis



* ROE is annualized



Appendix: Key financials

	<i>in USD mln, unless otherwise stated</i>					
	Sales		EBITDA mgn, %		Net mgn, %	
	2006	2007E	2006	2007E	2006	2007E
Ukraine						
Komsomolets Donbasa	110.0	117.3	26%	30%	7%	15%
Russian Peers	2006	2007E	2006	2007E	2006	2007E
Vorkuta Coal	525.0	496.0	36%	34%	28%	25%
Kuzbassrazrezugol (KRU)	662.2	716.1	17%	18%	2%	2%
GEM Peers	2006	2007E	2006	2007E	2006	2007E
China Shenhua (China)	8 230.5	9 986.8	54%	54%	27%	29%
Yanzhou Coal (China)	1 558.9	1 789.7	43%	43%	24%	23%
Banpu Public PCL (Thailand)	923.3	931.8	28%	28%	11%	17%
Tambang Batubara (Indonesia)	405.1	447.6	21%	21%	14%	15%
Developed Markets	2006	2007E	2006	2007E	2006	2007E
Peabody (USA)	5 370.8	6 586.9	20%	21%	11%	11%
Arch Coal (USA)	2 509.6	2 568.4	22%	25%	10%	11%
Consol (USA)	3 597.4	3 740.2	23%	27%	11%	13%
Massey (USA)	2 170.0	2 444.8	17%	20%	2%	6%
Macarthur (Australia)	398.4	328.9	44%	27%	28%	17%
Foundation Coal (USA)	1 443.5	1 538.1	24%	23%	5%	7%
Centennial Coal (Australia)	602.0	739.4	21%	23%	3%	5%
Felix Resources (Australia)	203.2	207.1	16%	21%	10%	14%
Gloucester Coal (Australia)	117.2	118.5	39%	29%	25%	17%

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

Analyst Certification

I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Komsomolets Donbasa

Date	Target price, USD	Market Price, USD	Rec'	Action
25-Jul-06	0.30	0.18	BUY	Initiating
15-Dec-06	0.60	0.25	BUY	Maintain
04-Apr-07	0.70	0.47	BUY	Maintain

Komsomolets Donbasa



Concorde Capital Rating Universe

Buy	34	45%
Hold	14	18%
Sell	6	8%
Pending/Suspended	14	18%
Not Rated	8	11%
Total	76	100%

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