



CONCORDE CAPITAL

Ukraine / Coke

Yasynivsky Coke

TP upgraded on surprisingly strong 2Q08 results

August 13, 2008

Current price: USD 0.79
12M Target: USD 2.50

BUY

Andriy Gerus

ga@concorde.com.ua

Eugene Cherviachenko

ec@concorde.com.ua

+380 44 391 5577

Today Yasynivsky Coke's 2Q08 financials became available: driven by skyrocketing coke prices, sales jumped 98.8% yoy; its EBITDA margin reached 19.4% (from 10.6% in 2Q07); and net margin 14.0% (vs. 10.6% in 2Q07). Given the company's unexpectedly strong interim results and the favorable outlook for the coke market, we upgrade our DCF-based 12M TP to USD 2.50 (+215% upside).

Tickers

Bloomberg YASK UZ

Market information

Market price, USD	0.79
MCap, USD mln	216.8
52Wk Hi/Low, USD	1.67/0.69
No of shares, mln	273.6
Free float	9.0%
Free float, USD mln	19.5

Corporate Governance

Concorde Rating* A

* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Shareholders

Donetskstal Group	91.0%
Other	9.0%

Ratios 2008E

EBITDA margin	14.7%
Net margin	9.5%

Revenues doubled, EBITDA tripled yoy in 1H08

Among Ukrainian traded coke producers, Yasynivsky Coke's 1H08 financials are the first available to the market. The company's revenues grew 29.6% qoq in 2Q08 to USD 153.9 mln; while its EBITDA margin jumped to 19.4% (vs. 10.6% in 2Q07) and its net margin surged to 14.0%, up 8.6 pp yoy.

	1Q08	2Q08	qoq	1H07	1H08	yoy	2008E	
							old	new
Sales	130.4	153.9	18.0%	156.2	284.3	82.0%	628.5	675.9
EBITDA	23.1	29.9	29.6%	17.3	53.9	205.9%	92.4	112.9
margin, %	17.7%	19.4%	1.7p.p.	11.1%	18.6%	7.5 p.p.	14.7%	16.7%
Net income	15.9	21.6	35.9%	9.6	37.5	292.6%	59.9	75.2
margin, %	12.2%	14.0%	1.8p.p.	7.1%	13.2%	7.1 p.p.	9.5%	11.1%

Source: Company data, Concorde Capital estimates

We expect other domestic coke makers to also report strong 1H08 financials.

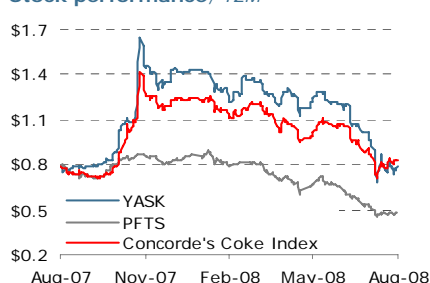
Modernization is underway, new battery will add 30% to the capacity

Today in a telephone conversation with us, management said that the company's 2008 production is planned to stay at the 2007 level (1.7 mln mt of coke), though in output decreased in the first half by 4.2% yoy to 834 ths mt. The drop was related to the company's coke battery #3, with capacity of 180 ths mt of coke p.a., being stopped in second half of 2007. In May 2008, the company started construction of coke battery #4, which will have an annual capacity of 492 ths mt of coke (+30% to existing capacity). This new battery is planned to come on stream in April 2009.

Target price upgraded to USD 2.5. BUY

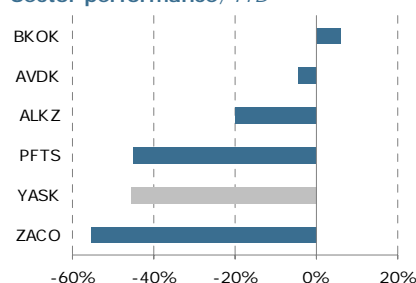
Given stronger than expected 1H08 financials and more sanguine market expectations, we revise upward our assumptions for the company's sales and profitability (see page 3). Our upgraded DCF-based 12M target price is USD 2.5, which yields 215% upside to the current market price.

Stock performance, 12M*

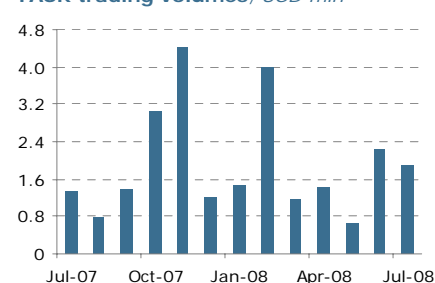


Source: PFTS, Bloomberg, Concorde Capital. * PFTS, SCM BGI rebased to YASK's price

Sector performance, YTD



YASK trading volumes, USD mln

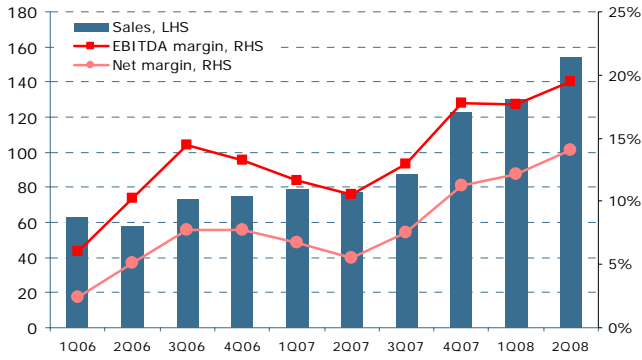


Key financials & ratios, USD mln

	Revenue	EBITDA margin	Net margin	EV/S	EV/EBITDA	P/E
2007	366.7	13.8%	8.2%	0.6	4.3	7.3
2008E	669.3	16.7%	11.1%	0.3	1.9	2.9
2009E	677.4	16.7%	11.0%	0.3	1.9	2.9

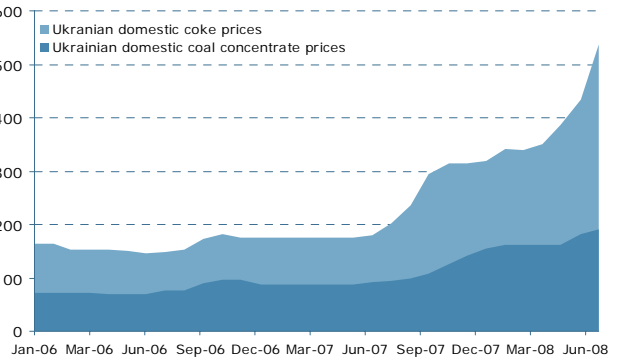
Appendix 1

Yasynivsky Coke financials (quarterly)



Source: Company data, Concorde Capital estimations

Coke & Coal prices, USD/mt*



Source: Company data, Concorde Capital estimations

*Coking coal concentrate is the main raw material for coke and accounts for ~85% in cash cost of coke

Quarterly financial statements

Income statement summary, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08
Net Revenues	62.6	57.5	72.7	75.3	78.8	77.4	87.6	122.9	130.4	146.4
Cost Of Sales	(55.6)	(49.4)	(58.4)	(63.7)	(66.8)	(67.5)	(73.1)	(97.7)	(103.9)	(114.3)
Gross Profit	7.0	8.1	14.2	11.6	11.9	9.9	14.5	25.2	26.6	32.1
<i>Gross margin</i>	<i>11.1%</i>	<i>14.1%</i>	<i>19.6%</i>	<i>15.4%</i>	<i>15.2%</i>	<i>12.8%</i>	<i>16.5%</i>	<i>20.5%</i>	<i>20.4%</i>	<i>21.9%</i>
Other Operating Income/Costs, net	(0.3)	(0.6)	(1.4)	0.3	(0.5)	0.5	(1.2)	(0.9)	(0.1)	(0.2)
SG&A	(2.9)	(1.6)	(2.3)	(2.0)	(2.3)	(2.2)	(2.0)	(2.5)	(3.3)	(3.4)
EBITDA	3.8	5.9	10.5	10.0	9.1	8.2	11.3	21.8	23.1	28.6
<i>EBITDA margin</i>	<i>6.0%</i>	<i>10.2%</i>	<i>14.5%</i>	<i>13.2%</i>	<i>11.6%</i>	<i>10.6%</i>	<i>12.9%</i>	<i>17.8%</i>	<i>17.7%</i>	<i>19.5%</i>
Depreciation	(1.1)	(1.0)	(1.3)	(1.3)	(1.3)	(1.8)	(2.2)	(2.4)	(1.6)	(1.3)
EBIT	2.7	4.9	9.2	8.7	7.8	6.3	9.1	19.5	21.5	27.3
<i>EBIT margin</i>	<i>4.3%</i>	<i>8.5%</i>	<i>12.7%</i>	<i>11.5%</i>	<i>9.9%</i>	<i>8.2%</i>	<i>10.4%</i>	<i>15.8%</i>	<i>16.5%</i>	<i>18.6%</i>
Interest Expense	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-
Financial income/(expense)	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Other income/(expense)	0.1	(0.3)	(0.0)	(0.6)	0.1	0.0	(0.0)	(0.6)	(0.1)	(0.3)
PBT	2.7	4.5	9.2	8.0	7.9	6.3	9.1	18.9	21.4	27.0
Tax	(1.2)	(1.6)	(3.6)	(2.2)	(2.5)	(2.1)	(2.5)	(5.1)	(5.5)	(6.4)
Net Income	1.5	2.9	5.6	5.8	5.3	4.2	6.6	13.8	15.9	20.7
<i>Net Margin</i>	<i>2.4%</i>	<i>5.1%</i>	<i>7.8%</i>	<i>7.7%</i>	<i>6.7%</i>	<i>5.5%</i>	<i>7.5%</i>	<i>11.2%</i>	<i>12.2%</i>	<i>14.1%</i>

Source: Company data

Balance sheet summary, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08
Current Assets	34.6	26.6	23.8	23.2	30.2	30.2	28.7	41.6	63.2	71.0
Cash & Equivalents	0.0	0.6	0.2	0.7	1.2	1.4	0.7	0.8	0.9	0.4
Trade Receivables	5.1	6.4	6.7	4.0	5.3	10.5	7.8	13.2	22.9	36.8
Inventories	22.5	15.0	14.1	16.1	17.1	12.0	14.1	21.1	32.2	25.7
Other current assets	7.0	4.6	2.8	2.4	6.6	6.3	5.9	6.5	7.1	8.0
Fixed Assets	79.6	83.8	88.7	87.3	88.3	90.4	91.1	91.9	94.8	101.6
PP&E, net	49.0	55.9	56.3	52.8	53.8	79.3	85.5	85.7	86.0	88.9
Other Fixed Assets	30.6	27.9	32.4	34.5	34.6	11.1	5.7	6.2	8.8	12.7
Total Assets	114.2	110.4	112.5	110.5	118.5	120.6	119.8	133.5	157.9	172.6
Shareholders' Equity	68.4	72.2	77.6	78.2	83.8	88.0	95.4	107.0	123.8	149.8
Share Capital	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	17.2
Reserves and Other	26.1	27.0	27.2	19.7	19.7	19.7	20.5	20.4	21.4	23.8
Retained Earnings	25.8	28.7	33.9	42.0	47.6	51.8	58.4	70.0	85.9	108.8
Current Liabilities	45.9	38.2	34.9	32.3	34.7	32.5	24.4	25.8	33.4	22.1
ST Interest Bearing Debt	-	-	0.5	0.4	0.2	0.1	-	-	-	-
Trade Payables	42.4	34.1	30.2	29.3	30.6	28.0	20.3	18.2	24.6	9.5
Accrued Wages	0.4	0.4	0.5	0.5	0.7	0.6	0.7	0.8	0.9	1.0
Accrued Taxes	0.9	1.3	3.0	1.3	2.5	2.8	2.6	3.7	4.9	8.5
Other Current Liabilities	2.2	2.4	0.7	0.8	0.8	1.0	0.8	3.1	3.0	3.1
LT Liabilities	-	-	-	0.0	0.0	0.0	0.0	0.7	0.7	0.8
LT Interest Bearing Debt	-	-	-	-	-	-	-	-	-	-
Other LT	-	-	-	0.0	0.0	0.0	0.0	0.7	0.7	0.8
Total Liabilities & Equity	114.2	110.4	112.5	110.5	118.5	120.6	119.8	133.5	157.9	172.6

Source: Company data

Projected financials

Income statement summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E
Net Revenues	268	367	669	677	678	662	636
<i>Change, yoy</i>	23.8%	36.8%	82.5%	1.2%	0.0%	-2.3%	-4.0%
Cost Of Sales	(227)	(305)	(535)	(542)	(542)	(530)	(509)
Gross Profit	41	62	134	135	136	132	127
Other Operating Income/Costs, net	(2)	(2)	-	-	-	-	-
SG&A	(9)	(9)	(22)	(22)	(22)	(22)	(21)
EBITDA	30	50	112	113	113	111	106
<i>EBITDA margin</i>	11.3%	13.8%	16.7%	16.7%	16.7%	16.7%	16.7%
Depreciation	(5)	(8)	(12)	(12)	(12)	(12)	(12)
EBIT	25	43	100	101	101	98	94
<i>EBIT margin</i>	9.5%	11.7%	15.0%	14.9%	14.9%	14.9%	14.8%
Interest Expense	(0)	(0)	(1.0)	(2)	(2)	(2)	(2)
Financial income/(expense)	(0)	0	-	-	-	-	-
Other income/(expense)	(1)	(1)	-	-	-	-	-
PBT	24	42	99	99	99	96	92
Tax	(9)	(12)	(25)	(25)	(25)	(24)	(23)
Net Income	16	30	74	74	74	72	69
<i>Net Margin</i>	5.9%	8.2%	11.1%	11.0%	10.9%	10.9%	10.9%

Source: Concorde Capital estimates

Balance sheet summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E
Current Assets	23	42	119	181	235	270	295
Cash & Equivalents	1	1	42	101	156	193	221
Trade Receivables	4	13	33	34	34	33	32
Inventories	16	21	37	38	38	37	36
Other current assets	2	7	7	7	7	7	7
Fixed Assets	87	92	115	139	141	141	143
PP&E, net	53	86	114	138	140	140	142
Other Fixed Assets	35	6	1	1	1	1	1
Total Assets	111	134	234	320	376	411	438
Shareholders' Equity	78	107	182	261	316	352	383
Share Capital	17	17	17	17	17	17	17
Reserves and Retained Earnings	62	90	166	244	298	334	366
Current Liabilities	32	26	46	50	50	49	47
ST Interest Bearing Debt	0	-	3	7	7	7	6
Trade Payables	29	18	37	38	38	37	36
Accrued Wages	1	1	1	1	1	1	1
Accrued Taxes	1	4	1	1	1	1	1
Other Current Liabilities	1	3	3	3	3	3	3
LT Liabilities	0	1	6	8	10	10	8
LT Interest Bearing Debt	-	-	6	8	10	10	8
Other LT	0	1	-	-	-	-	-
Total Liabilities & Equity	111	134	234	320	376	411	438

Source: Concorde Capital estimates

Appendix - Disclosures

Analyst Certification

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

Yasynivsky Coke

Date	Target price, USD	Market Price, USD	Rec'	Action
23-Sep-05	0.73	0.35	BUY	Initiating
23-Aug-06	0.30	0.29	HOLD	Downgrade
28-Feb-07	0.73	0.41	BUY	Upgrade
15-Nov-07	1.60	1.38	HOLD	Downgrade
26-May-08	2.00	1.25	BUY	Upgrade
11-Aug-08	2.50	0.79	BUY	Maintain

** Until March 2007 the company was covered by Andriy Gostik, who now focuses on another sector. In February 2007, Eugene Cherviachenko took over coverage; in October 2007, Andriy Gerus joined the metals & mining group.*

YASK recommendation history, USD per share



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Buy	80	70%
Hold	19	17%
Sell	7	6%
Under Review	8	7%
Total	114	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

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Concorde Capital, Head office

2 Mechnikova Street, 21st Floor
Parus Business Centre
Kyiv 01601, Ukraine
Tel.: +380 44 391 5577
Fax: +380 44 391 5571

www.concorde.ua

CEO

Igor Mazepa im@concorde.com.ua

Head of Equity Sales

Roman Nasirov rn@concorde.com.ua

Equity Sales

Anastasiya Nazarenko an@concorde.com.ua
Marina Martirosyan mm@concorde.com.ua
Andriy Supranonok sap@concorde.com.ua
Marina Cherednichenko cmg@concorde.com.ua
Alyona Degrik dav@concorde.com.ua

Director of Research

Konstantin Fisun, CFA kf@concorde.com.ua

Concorde Capital

4 Fourth Lesnoy Pereulok, 5th Floor
Capital Plaza
Moscow 125047, Russia
Tel.: +7 495 642 87 15
Fax: +7 495 225 85 00

office@concorde.com.ua

RESEARCH

Strategy

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

Metals & Mining

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

Utilities (Telecom, Energy)

Alexander Paraschiy ap@concorde.com.ua

Oil & Gas, Chemicals, Pharmaceuticals

Vladimir Nesterenko vn@concorde.com.ua

Real Estate/Construction

Andriy Gostik, CFA ag@concorde.com.ua
Alexander Romanov ar@concorde.com.ua

Consumer-related

Olha Pankiv op@concorde.com.ua
Anna Dudchenko ad@concorde.com.ua

Machinery

Inna Perepelytsya pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov av@concorde.com.ua

Economics

Polina Khomenko pk@concorde.com.ua
Andrii Parkhomenko pav@concorde.com.ua

Fixed Income

Oleksandr Klymchuk ok@concorde.com.ua

Editor

Brad Wells bw@concorde.com.ua

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