



CONCORDE CAPITAL

Ukraine / Iron & Steel

Zaporizhstal

Ownership Consolidating

Analyst Notebook

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12M Target: U/R

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Market Information

Bloomberg	ZPST UZ
No of Shares, mln	843.7
Market price, USD	n/a
MCap, USD mln	n/a
Free float	4%

Stock Ownership

Zakhid-Reserve, Midland Resources	96%
Other	4%

Ratios, 2006E

EBITDA Margin	17.5%
Net Margin	9.7%
Net Debt/ Equity	-0.1

According to the newspaper Delovaya Stolitsa, shareholders associated with the Kyiv Investment Group who allegedly control ~30% of ZPST sold out their stake to the two remaining large shareholders, Midland Resources and Zakhid-Reserve. Delovaya Stolitsa refers to one of ZPST's unnamed creditors as their source of information. Although it's not clear how exactly Midland Resources and Zakhid-Reserve split their shareholdings, jointly they would now control an estimated 96% stake in ZPST.

Although ZPST's new shareholder structure in theory would be conducive to more efficient management of the company and development of its unified strategy, we think that the effect of the changes in ZPST's shareholder structure on the company's business will be immaterial. Nor will it improve ZPST's treatment of minority shareholders, in our view. Given that recently the Kyiv Court of Appeals ruled in favor of ZPST in its dispute with the minorities thus de facto enabling a dilutive share issue, we are keeping our recommendation for the stock suspended.

Key Financials

(in USD mln)	Sales	EBITDA	Net Income
2005	1,555.8	251.4	149.0
2006E	1,510.0	264.3	146.5
2007E	1,585.0	253.6	139.5

Spot exchange rate is 5.05

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