



CONCORDE CAPITAL

Ukraine / Steel

Zaporizhstal

Trading resumes on PFTS

May 23, 2008

Current price: USD 0.89/ UAH 4.31
12M Target: USD 1.00/ UAH 4.85

HOLD

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Tickers

PFTS	ZPST
GDR (Frankfurt/Xetra)	UWP GR

Market information

Ord. share mkt price, USD	0.89
GDR price, USD	8.5
MCap, USD mln	2,352.8
Chg YTD (DR)	-0.18%
Hi/Lo YTD (DR), USD	34.9/3.0
DRs per common share	1:10
No of shares, mln	2,643.6
Free float	1.2%
Free float, USD mln	28.2

Corporate Governance

Concorde Rating* P

* 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

Zakhid-Reserv	28.5%
Global Steel Investment	44.8%
Airol Beteiligungen	14.9%
Other	11.8%

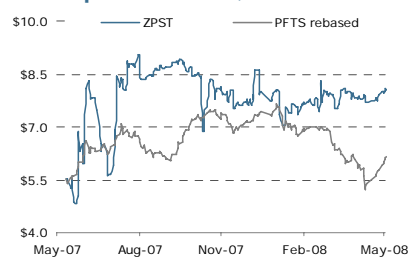
On May 20, formal trading in Zaporizhstal ordinary shares resumed on the PFTS after almost a two year hiatus. In the last three days, the stock recorded a volume of USD 2.4 mln (71% of which changed hands in the first day).

The stock's price shed 20% since readmission to the PFTS to close at USD 0.89 per share yesterday, approaching its GDR quotes in Frankfurt (USD 8.5). Trading in Zaporizhstal's GDRs has been continuous, on low volumes, though the stock had not been listed on the PFTS.

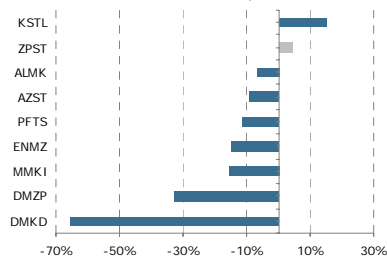
We reinstate coverage with a target price of USD 1.0 per share and HOLD recommendation.

For more on the company and valuation details, see our reports of Oct. 10, 2007, Dec. 25, 2007 and April 04, 2008.

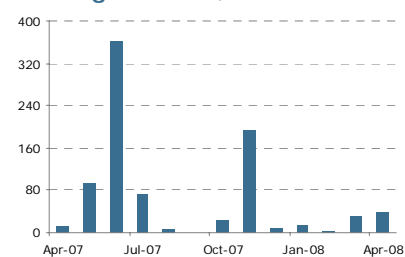
Stock performance, 12M



Sector Performance, YTD



Trading Volumes, ths USD



Note: ZPST market information based on DRs. Source: Bloomberg, PFTS

Key financials & ratios, USD mln

	Revenue	EBITDA	Net Income	EV/S	EV/EBITDA
2007	1,930	188	110	1.1	11.7
2008E	2,658	258	199	0.9	9.1
2009E	2,819	366	197	0.8	6.4

Spot exchange rate: 4.85 UAH/USD

FLASH NOTE

FLASH NOTE

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Peer valuation

	MCap, USD mln	EV/S			EV/EBITDA			P/E		
		2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
Ukrainian peers										
ZAPORIZHSTAL	2,352.80	1.1	0.9	0.8	11.7	9.1	6.4	21.5	11.8	11.9
ARCELOR MITTAL KRYVIY RIH	13,852.17	3.5	2.4	2.2	12.0	7.7	7.2	19.1	11.9	11.2
DMK DZERZHINSKOGO	1,798.12	1.3	0.7	0.6	9.3	4.9	4.0	16.9	8.9	7.3
AZOVSTAL	4,384.29	1.4	1.0	0.9	7.6	4.7	4.4	10.4	7.7	7.3
ALCHEVSK IRON & STEEL	2,426.96	1.6	0.6	0.6	13.7	4.5	3.9	37.7	10.2	7.8
ZAPORIZHSTAL	2,251.38	0.9	0.7	0.6	5.8	4.5	4.0	10.5	7.4	5.3
ENAKIEVO STEEL	780.51	1.4	0.9	0.8	6.8	4.9	4.4	6.8	4.9	4.9
DMK PETROVSKOGO	611.57	1.0	0.7	0.7	7.4	4.8	4.4	13.5	8.6	7.9
Average		1.5	1.0	0.9	9.5	5.7	4.9	17.4	9.1	8.1
Developed market peers										
BLUESCOPE STEEL LTD	7,984.93	1.3	0.9	0.8	8.3	6.8	6.9	13.7	11.1	13.2
ONESTEEL LIMITED	5,548.01	1.7	1.1	0.9	16.9	10.5	7.2	31.6	19.3	12.1
VOEST-ALPINE AG	13,497.96	1.5	1.2	1.0	7.4	6.5	5.8	13.6	10.0	9.4
GERDAU AMERISTEEL	7,152.01	1.5	1.0	0.8	8.7	5.7	5.0	12.4	n/a	n/a
SALZGITTER AG	12,259.87	0.6	0.6	0.5	4.1	4.3	4.4	9.3	9.5	10.4
THYSSENKRUPP AG	34,912.97	0.5	0.5	0.5	5.0	5.2	4.9	11.7	11.0	9.9
JFE HOLDINGS INC	35,451.77	1.6	1.1	1.0	7.6	6.8	6.2	14.0	13.4	12.6
KOBE STEEL, LTD.	9,806.29	0.9	0.7	0.7	6.4	5.2	4.8	10.6	11.1	10.2
NIPPON STEEL CORP	42,726.83	1.4	1.0	0.9	7.2	7.0	6.5	14.4	14.6	13.9
NISSHIN STEEL CO	3,739.73	0.9	0.8	0.7	6.3	6.2	5.8	11.9	13.8	13.7
SUMITOMO METAL INDS.	21,213.03	2.0	1.5	1.4	7.6	8.0	6.9	11.0	12.9	11.8
YAMATO KOGYO CO.	3,842.09	3.5	1.4	1.3	8.1	11.8	10.0	17.0	11.4	11.5
ARCELORMITTAL	139,413.29	2.1	1.2	1.1	7.2	7.0	6.4	18.6	11.0	10.9
SSAB SVENSKT STAL AB	11,970.93	2.5	1.9	1.7	11.8	8.0	7.1	16.9	10.5	9.7
AK STEEL HOLDING	7,957.35	1.1	1.1	0.9	9.1	7.8	6.9	20.5	15.7	15.0
NUCOR CORPORATION	23,682.11	1.5	1.1	1.0	8.1	6.7	6.1	16.1	11.9	11.4
STEEL DYNAMICS, INC.	7,162.76	2.1	1.1	1.0	11.1	6.7	6.3	18.2	10.9	10.6
UNITED STATES STEEL	21,338.08	1.4	1.0	0.9	14.1	7.3	6.4	24.3	11.8	11.4
HYUNDAI STEEL CO	6,963.39	n/a	1.1	1.1	n/a	8.7	8.4	n/a	12.0	11.2
POSCO	46,203.45	n/a	1.4	1.3	n/a	6.8	6.8	n/a	11.5	11.0
Average		1.6	1.1	1.0	8.8	7.4	6.7	16.6	12.7	11.9
GEM peers										
CIA SIDERURGICA-CSN	39,579.65	6.6	4.6	3.6	13.0	9.9	7.5	24.1	18.8	13.8
GERDAU S.A.	32,775.32	2.3	1.7	1.5	8.9	7.7	6.6	16.4	13.6	12.3
USIMINAS	27,156.22	3.4	2.8	2.6	8.5	7.8	7.1	15.2	12.4	10.7
ANGANG STEEL CO	21,552.11	2.6	1.9	1.5	11.1	8.3	7.3	20.9	14.8	13.3
BAOSHAN IRON	32,746.39	1.5	1.2	1.1	8.2	6.6	5.9	18.8	13.9	12.2
BENGANG STEEL PLATES	4,361.73	1.1	1.1	0.9	6.1	5.4	4.2	18.8	17.9	11.4
CHINA STEEL CORP	19,500.02	1.9	2.3	2.3	7.2	7.9	8.4	12.4	10.6	10.8
HUNAN VALIN STEEL	3,537.72	1.0	n/a	n/a	7.2	n/a	n/a	16.0	n/a	n/a
BAOTOU ST.	5,357.85	1.7	n/a	n/a	12.7	n/a	n/a	22.4	15.7	11.8
MAANSHAN IRON&STEEL	7,018.16	1.5	1.0	0.9	10.2	6.9	6.4	20.8	15.9	15.1
PZ NEW ST.&VANADIUM	5,084.98	2.1	1.4	1.4	15.1	12.1	12.1	39.1	24.5	23.4
TANGSHAN IRON	5,481.77	1.2	n/a	n/a	9.1	n/a	n/a	18.7	13.5	11.7
WH IRON & STEEL CO	17,524.67	2.7	1.9	1.5	11.0	8.2	6.6	19.6	13.9	12.8
STEEL AUTHORITY	16,640.77	1.9	1.5	1.1	5.9	5.0	4.4	11.5	9.0	8.0
TATA STEEL LTD	15,298.59	3.2	0.9	0.7	9.9	6.0	5.0	15.9	8.2	6.7
EREGLI DEMIR CELIK	8,071.86	2.1	1.7	1.4	8.9	7.8	6.1	13.9	12.6	9.6
Average		2.3	1.8	1.6	9.6	7.7	6.7	19.0	14.4	12.3
Russian peers										
EVRAZ GROUP S.A.	37,533.74	0.2	2.7	2.3	11.7	7.9	7.5	0.8	13.1	13.5
MAGNITOGORSK IRON	14,805.99	1.8	1.4	1.3	6.4	5.4	5.2	9.0	8.2	8.1
NOVOLIPETSK	29,966.14	4.1	2.8	2.5	9.3	6.5	6.3	14.3	10.0	10.0
SEVERSTAL	25,041.38	1.8	1.5	1.4	7.5	6.1	5.6	14.0	9.9	9.4
Average		1.8	1.9	1.7	7.8	5.8	5.5	8.7	9.2	9.1
Zaporizhstal										
Implied by Ukrainian peers avg, USD/share		1.19	1.01	0.97	0.73	0.56	0.68	0.72	0.69	0.60
Implied by Intern. peers avg, USD/share		1.25	1.12	1.08	0.69	0.72	0.92	0.69	0.95	0.89
Implied by GEM peers avg, USD/share		1.73	1.85	1.68	0.74	0.75	0.93	0.79	1.08	0.91
Implied by Russian peers avg, USD/share		1.38	1.88	1.79	0.62	0.56	0.76	0.36	0.69	0.68
Upside/Downside to Ukrainian avg		34%	14%	9%	-18%	-37%	-23%	-19%	-23%	-32%
Upside/Downside to Intern. avg		40%	25%	21%	-23%	-19%	4%	-23%	7%	0%
Upside/Downside to GEM avg		95%	108%	89%	-17%	-16%	5%	-11%	22%	3%
Upside/Downside to Russian avg		55%	111%	101%	-31%	-37%	-14%	-59%	-22%	-24%

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

Quarterly financial statements

Income statement summary, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Net Revenues	332.0	386.6	432.7	411.1	421.4	487.3	478.3	543.1
Cost Of Sales	(259.3)	(282.6)	(312.5)	(332.6)	(333.1)	(380.0)	(395.1)	(507.5)
Gross Profit	72.7	104.0	120.2	78.5	88.3	107.2	83.2	35.6
<i>Gross margin</i>	21.9%	26.9%	27.8%	19.1%	20.9%	22.0%	17.4%	6.6%
Other Operating Income/Costs, net	0.8	(1.9)	(0.7)	(1.1)	0.5	0.5	(2.0)	(1.2)
SG&A	(26.5)	(26.2)	(28.1)	(28.4)	(27.3)	(28.9)	(31.9)	(36.1)
EBITDA	47.0	75.9	91.3	49.0	61.4	78.9	49.4	(1.6)
<i>EBITDA margin</i>	14.17%	19.63%	21.11%	11.93%	14.58%	16.18%	10.32%	-0.30%
Depreciation	(11.3)	(12.6)	(12.6)	(13.6)	(12.7)	(12.5)	(12.4)	(13.6)
EBIT	35.7	63.3	78.7	35.4	48.7	66.3	37.0	(15.2)
<i>EBIT margin</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	(0.03)
Interest Expense	(0.6)	(0.6)	(0.6)	(0.6)	(4.0)	(0.9)	(2.0)	(45.5)
Financial income/(expense)	1.0	0.7	0.9	2.0	1.5	1.8	2.1	54.3
Other income/(expense)	(4.5)	(3.6)	(2.7)	(1.9)	(2.3)	(5.8)	(1.8)	12.2
PBT	31.6	59.8	76.3	35.0	43.9	61.4	35.3	5.7
Tax	(10.1)	(13.1)	(21.1)	(13.6)	(11.3)	(16.9)	(12.5)	4.1
Net Income	21.4	46.7	55.3	21.4	32.6	44.5	22.8	9.8
<i>Net Margin</i>	6.5%	12.1%	12.8%	5.2%	7.7%	9.1%	4.8%	1.8%

Source: Company data

Balance sheet summary, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q06	2Q07	3Q07	4Q07
Current Assets	297.6	329.1	371.3	394.4	397.1	454.8	441.3	445.4
Cash & Equivalents	80.6	89.6	119.7	146.1	175.0	186.5	190.7	194.1
Trade Receivables	22.8	24.3	21.8	31.3	25.6	40.4	38.8	35.7
Inventories	119.7	128.6	138.3	140.1	124.6	143.0	151.3	146.2
Other current assets	74.5	86.5	91.6	77.0	71.9	84.8	60.4	69.4
Fixed Assets	741.7	771.5	788.8	813.0	820.8	823.9	838.2	985.5
PP&E, net	381.5	384.6	384.0	392.5	390.6	387.1	387.7	495.8
Other Fixed Assets	360.1	386.9	404.8	420.5	430.1	436.8	450.5	489.7
Total Assets	1,039.3	1,100.6	1,160.1	1,207.5	1,217.9	1,278.7	1,279.5	1,431.0
Shareholders' Equity	909.4	960.4	1,013.2	1,026.8	1,059.3	1,103.8	1,126.6	1,228.5
Share Capital	41.8	41.8	41.8	41.8	41.8	41.8	41.8	130.9
Reserves and Retained Earnings	867.6	918.6	971.4	985.0	1,017.6	1,062.1	1,084.9	1,097.6
Current Liabilities	96.7	99.1	106.3	142.7	125.5	144.9	124.5	161.2
ST Interest Bearing Debt	-	-	-	-	-	-	-	-
Trade Payables	64.4	72.5	68.3	98.6	80.3	90.5	86.2	107.8
Accrued Wages	1.9	1.9	1.8	0.8	0.4	0.5	0.5	0.4
Accrued Taxes	6.5	2.1	9.3	6.2	7.6	10.7	3.8	2.8
Other Current Liabilities	23.9	22.7	26.8	37.0	37.2	43.2	34.0	50.2
LT Liabilities	33.2	41.1	40.7	38.1	33.0	30.0	28.3	41.3
LT Interest Bearing Debt	31.6	39.4	39.0	34.9	29.9	26.9	25.2	38.2
Other LT	1.7	1.6	1.6	3.2	3.1	3.1	3.1	3.1
Total Liabilities & Equity	1,039.3	1,100.6	1,160.1	1,207.5	1,217.9	1,278.7	1,279.5	1,431.0

Source: Company data

Appendix - Disclosures

Analyst certification

We, Eugene Cherviachenko and Andriy Gerus, 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.

ZPST ratings history

Date	12M target price, USD	Market price, USD	Rating	Action
20-Jan-05	1.35	1.02	BUY	Initiate
26-Sep-05	1.07	1.20	SELL	Downgrade
22-Mar-06	1.30	1.23	HOLD	Upgrade
20-Apr-06	Susp	-	Susp	Suspend
23-May-08	1.00	0.89	HOLD	Reinstate

Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

<u>Concorde Capital ratings distribution</u>		
Buy	52	45%
Hold	25	22%
Sell	19	16%
Under Review	20	17%
Total	116	100%

<u>Investment banking clients*</u>		
Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	6	100%

* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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