

# Azovstal

## Friday AGM likely to approve hefty dividend

### Dividend up to UAH 1.9/share approval is possible

Azovstal shareholders are due to meet this Friday, April 22, for an AGM, the agenda for which includes the distribution of UAH 1.87 bln in retained earnings. After hefty dividend payments at other Metinvest companies, we see a high probability Azovstal will also pay at least part of its retained earnings. If shareholders direct all retained earnings into dividends, the payout rises to UAH 1.9 per share and dividend yield to 62%. We think Azovstal could pay 20%-50% of its retained earnings or UAH 0.38-0.95 per share (dividend yield of 12%-30%).

### Metinvest to bid for Russia's Rospadskaya mine

Russian newspaper Vedomosti reported on Monday that Metinvest was among the bidders for the Rospadskaya mine, one of the largest mining companies in Russia. We view Metinvest not fully self-sufficient in coking coal yet even after acquisition of US United Coking Company. We believe recent dividend payouts at Northern Iron Ore, Central Iron Ore, Khartsyzsk Pipe could be used to accumulate cash for this acquisition. As with other Metinvest companies, Azovstal has a small free float, 2%, and last paid dividends in 2008. Vedomosti sources indicated Rospadskaya's current majority shareholder might seek up to USD 5-6 bln for their stake of 80%.

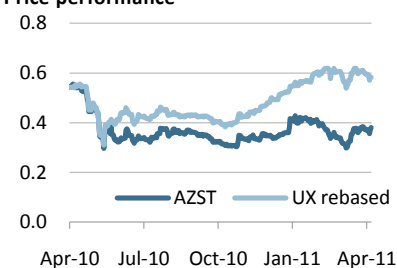
### Valuation: Under Review

We keep Azovstal stock Under Review, but we see attractive short-term opportunities based on expectation of dividend approval on Friday, April 22.

Report date	14 April 2011
Bloomberg	AZST UK
Reuters	AZST=UA
<b>Recommendation</b>	<b>U.R</b>
Price (21 Mar 11), USD	0.39
12M price target, USD	<b>U.R</b>
No of shares, mln	4,204
Market Cap, USD mln	1,604.4
Free float, %	2.3
Free float, USD mln	37.0

Prices as of Aug. 1, 2010

### Price performance



Source: Bloomberg, UX

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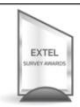
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